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May 2021

Ms. Yasmine Syed, Supervisor
Members of the Town Board
Town of Niskayuna
One Niskayuna Circle
Niskayuna, NY 12309

Report Number: S9-21-11

Dear Supervisor Syed and Members of the Town Board:

The COVID-19 pandemic (pandemic) has had various levels of impact on the financial operations of local governments across New York State. Some local governments have seen little to no impact on their financial operations, while others have seen more significant impacts due to reductions and/or increases to their revenues and/or expenditures. This has led to some local governments having to reduce or eliminate some services and temporarily or permanently reduce staff positions. In addition, some local officials have decided to delay capital projects, which could result in future delays to other projects to maintain and improve local government infrastructures.

The pandemic has also created a difficult environment for officials to develop annual budgets given the unknowns of future financial impacts. The pandemic increases the need for local officials to more closely monitor their budgeted estimates for revenues and expenditures against actual results and modify their budgetary estimates accordingly, when warranted, during the course of their fiscal year.

To assess whether local officials adequately considered the impact of the pandemic on their financial operations while developing their 2021 fiscal year budgets, our office conducted reviews of 20 adopted budgets of various counties, cities, towns and villages across the State. The Town of Niskayuna (Town) is one of the local governments included in our review.

The objective of the review was to provide an independent evaluation of certain aspects of the adopted budget. Our review addressed the following question related to the Town's adopted budget for the 2021 fiscal year:

- Did officials adequately assess the impact of the pandemic on financial operations while developing estimates for significant revenues and expenditures in the 2021 adopted budget?

Summary of Findings

Based on the results of our review, we found that officials adequately assessed the impact of the pandemic on financial operations while developing estimates for significant revenues in the 2021 adopted budget. However, officials balanced the 2021 adopted budget by including negative appropriations totaling \$663,254, identified as “2021 budget challenge,” across departments in the general fund, highway fund, water district and two sewer districts. When adopting the budget, officials did not identify the specific appropriations in each department from which these budgeted cost savings would be realized nor developed a cost savings plan. This is not an appropriate budgeting method. As a result, the Board actually adopted an out of balance budget.

Additionally, in consideration of the continually new and evolving impacts caused by the pandemic, Town officials should carefully monitor their budgeted to actual revenues and expenditures and make amendments to the budget as needed throughout the year.

Methodology

To accomplish our objective in this review, we requested your adopted budget and other pertinent information. We interviewed officials and reviewed the adopted budget to gain an understanding of the budget development process and to determine whether any estimates in the adopted budget were adjusted by officials due to the potential impact the pandemic could have on financial operations. We identified and examined for reasonableness significant estimated revenues and expenditures¹ and estimated revenues and expenditures below our established threshold that could more likely be impacted by the pandemic. We also identified any significant new revenue or expenditure estimates, made appropriate inquiries and reviewed supporting documentation to assess whether the estimates were realistic and reasonable. In addition, we evaluated the amount of fund balance and/or reserves appropriated in the adopted budget to be used as a financing source and determined whether these amounts were available and sufficient for that purpose.

The scope of our review does not constitute an audit under generally accepted government auditing standards (GAGAS). We do not offer comments or make specific recommendations on public policy decisions, such as the type and level of services under consideration to be provided.

Background

The Town is located in Schenectady County. An elected five-member Town Board (Board), composed of the Town Supervisor (Supervisor) and four Board members, is responsible for the general oversight of the Town’s operations and finances. As the budget officer for the Town, the Supervisor requests estimates from department heads to use in the preparation of the tentative budget. Once the Supervisor prepares the tentative budget it is presented to the Board. The Board

¹ For this review, we established significant estimated revenues and expenditures to be those consisting of 5 percent or more of a fund’s total budget estimates.

makes any necessary revisions to the tentative budget and prepares the preliminary budget. The Town holds a public hearing on the preliminary budget and then makes any necessary final revisions prior to adopting the budget.

The Town’s operating funds consist of a general fund, highway fund, water district, two sewer districts, eight lighting districts, eight park districts and 26 drainage districts. The Town provides various services to its residents, including maintaining and improving Town roads, snow removal, public improvements, law enforcement, parks, recreation programs, water, sewer and general government support. The Town’s operations are predominately financed by real property taxes, sales tax, special assessments, and water and sewer charges.

Following are the 2021 adopted budget figures, broken down by funds, along with the 2020 adopted budget total for all funds for comparative purposes.

Figure 1: 2021 Adopted Budget				
Fund	Appropriations and Provisions for Other Uses	Financing Sources		
		Estimated Revenues	Appropriated Fund Balance	Real Property Taxes
General	\$12,438,745	\$6,680,172	\$800,000	\$4,958,573
Highway	4,060,706	270,623	100,000	3,690,083
Water	4,392,184	4,311,780	80,404	0
Sewer (2)	5,553,832	5,150,368	403,464	0
Lighting (8)	36,906	0	0	36,906
Park (8)	58,927	0	0	58,927
Drainage (26)	73,605	73,605	0	0
Total for 2021	\$26,614,905	\$16,486,548	\$1,383,868	\$8,744,489
Total for 2020	\$25,598,389	\$16,040,753	\$995,000	\$8,562,636

Our review disclosed the following finding which should be reviewed by the Board for appropriate action. Good management practices require that Town officials take prompt action concerning our recommendations.

Appropriations

The 2021 adopted budget includes negative appropriations totaling \$663,254, identified as “2021 budget challenge,” across departments in the general fund, highway fund, water district and two sewer districts (Figure 2). Officials included the negative appropriations, which consist of 4 percent of each department’s total budgeted appropriations, to balance the adopted budget.

Figure 2: Negative Appropriations		
Fund	Departments	Amount
General	41	\$334,311
Highway	4	106,532
Water	4	114,448
Sewer No. 1	3	36,416
Sewer No. 6	3	71,547
Totals	55	\$663,254

However, when adopting the budget, officials did not identify the specific appropriations in each department from which these budgeted cost savings would be realized nor developed a cost savings plan. Instead, after adopting the budget, officials requested the departments develop plans to achieve the budgeted cost savings. This is not an appropriate budgeting method and the Board actually adopted an out of balance budget with the intention of balancing it in the future by implementing cost saving measures. Officials should have identified specific costs savings measures that could be achieved during the budget development process and made the corresponding modifications to the budget prior to its adoption.

As of the time of our review, officials were still developing plans to achieve all of the budgeted cost savings. Due to the significance of the negative appropriations and uncertainty of the Town to achieve the corresponding savings, officials should develop a plan to balance the budget in the event the cost savings for each department are not fully realized.

Recommendations

The Board should:

1. Develop and implement cost saving measures to balance the budget and be prepared to amend the budget in the event the cost savings are not implemented for each department or if they are not fully realized.
2. Carefully monitor revenues and expenditures throughout the year and closely monitor ongoing discussions and legislative acts at both the State and Federal level that could be beneficial or detrimental to the Town's financial operations. Officials should use this information to make adjustments to the budget as needed throughout the year.

We hope that this information is useful as you monitor the Town's financial operations and budget throughout the 2021 fiscal year. If you have any questions on the scope of our work, please feel free to contact Julie Landcastle, Chief Examiner of the Statewide and Regional Projects Unit, at (607) 721-8306.

Sincerely,

Elliott Auerbach
Deputy Comptroller

cc: Ismat Alam, Town Comptroller
Michele Martinelli, Town Clerk
Gary G. Gifford, Regional Chief Examiner