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November 4, 2022

Honorable Wm. Patrick Madden, Mayor
Members of the City Council
City of Troy
City Hall
Troy, NY 12180

Report Number: B22-5-7

Dear Mayor Madden and Members of the City Council:

Chapter 721 of the Laws of 1994, as amended, authorized the City of Troy (City) to issue debt not to exceed \$24,706,000 to liquidate the accumulated deficits in the City's general fund for the years ending December 31, 1993, 1994 and 1995. New York State Local Finance Law Section 10.10(d) requires all municipalities that have been authorized to issue obligations to fund operating deficits to submit to the State Comptroller each year, starting with the fiscal year during which the municipality is authorized to issue the deficit obligations, and for each subsequent fiscal year during which the deficit obligations are outstanding, their proposed budget for the next succeeding fiscal year.

The proposed budget must be submitted no later than 30 days before the date scheduled for the City Council's (Council) vote on its adoption or the last date on which the budget may be finally adopted, whichever is earlier. The State Comptroller must examine the proposed budget and make recommendations on the proposed budget as deemed appropriate. Recommendations, if any, are made after the examination of the City's revenue and expenditure estimates.

The Council, no later than five days prior to the adoption of the budget, must review all recommendations made by the State Comptroller and may make adjustments to its proposed budget consistent with those recommendations contained in this report. All recommendations that the Council rejects must be explained in writing to our Office. The City may not issue bonds unless and until adjustments to the proposed budget consistent with any recommendations of the State Comptroller are made, or any recommendations that are rejected have been explained in writing to the State Comptroller.

Our Office has recently completed a review of the City's budget for the 2023 fiscal year. The objective of the review was to provide an independent evaluation of the proposed budget. Our

review addressed the following question related to the City’s proposed budget for the upcoming fiscal year:

- Are the significant revenue and expenditure projections in the City’s proposed budget reasonable?

Based on the results of our review, we identified certain revenue and expenditure projections and other matters that should be reviewed by the Mayor and Council.

To accomplish our objective in this review, we requested your proposed budget, salary schedules, debt payment schedules and other pertinent information. We identified and examined significant estimated revenues and expenditures for reasonableness with emphasis on significant and/or unrealistic increases or decreases. We analyzed, verified and/or corroborated trend data and estimates, where appropriate. We identified any significant new or unusually high revenue or expenditure estimates, made appropriate inquiries and reviewed supporting documentation to determine the nature of the items and to assess whether the estimates were realistic and reasonable. We also evaluated the amount of fund balance appropriated in the proposed budget to be used as a financing source and determined whether the amount of fund balance was 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.

The proposed budget package submitted for review for the 2023 fiscal year (summarized in Figures 1, 2 and 3) consisted of the budget message, 2023 proposed budget and supplementary information.

Figure 1: 2023 Proposed Budget				
Fund	Appropriations and Provisions for Other Uses	Financing Sources		
		Estimated Revenues	Appropriated Fund Balance	Real Property Taxes
General	\$79,802,659	\$52,379,145	\$0	\$27,423,514
Water	\$13,268,998	\$13,268,998	\$0	\$0
Sewer	\$3,774,072	\$3,774,072	\$0	\$0
Refuse	\$5,429,380	\$5,429,380	\$0	\$0
Debt Service	\$6,483,629	\$5,681,295	\$802,334	\$0

Our review disclosed the following findings which should be reviewed by the Mayor and Council, with appropriate action taken as necessary in accordance with the requirements in Local Finance Law Section 10.10.

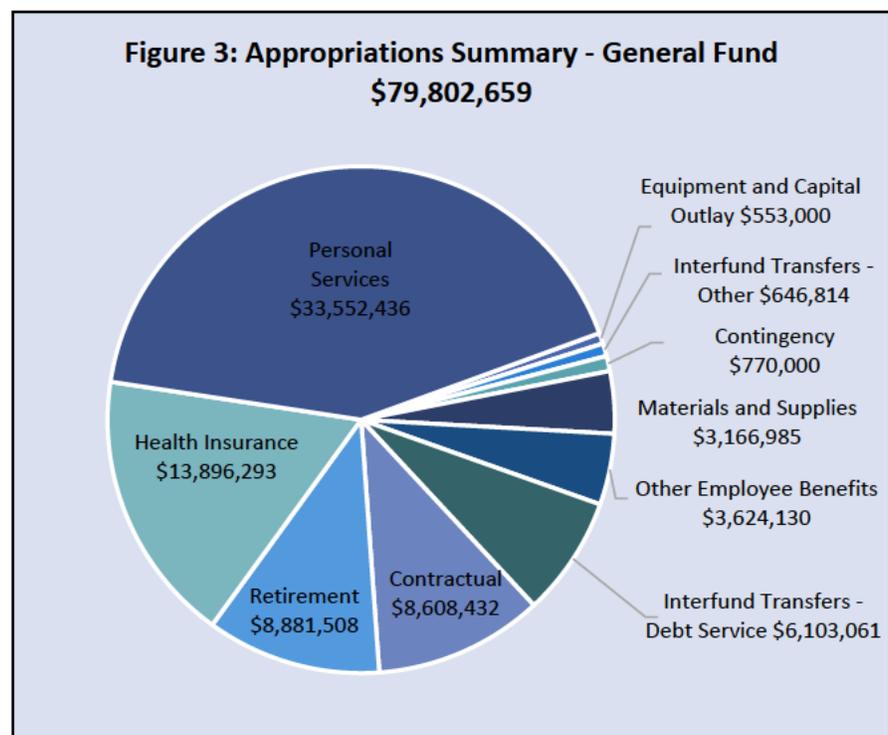
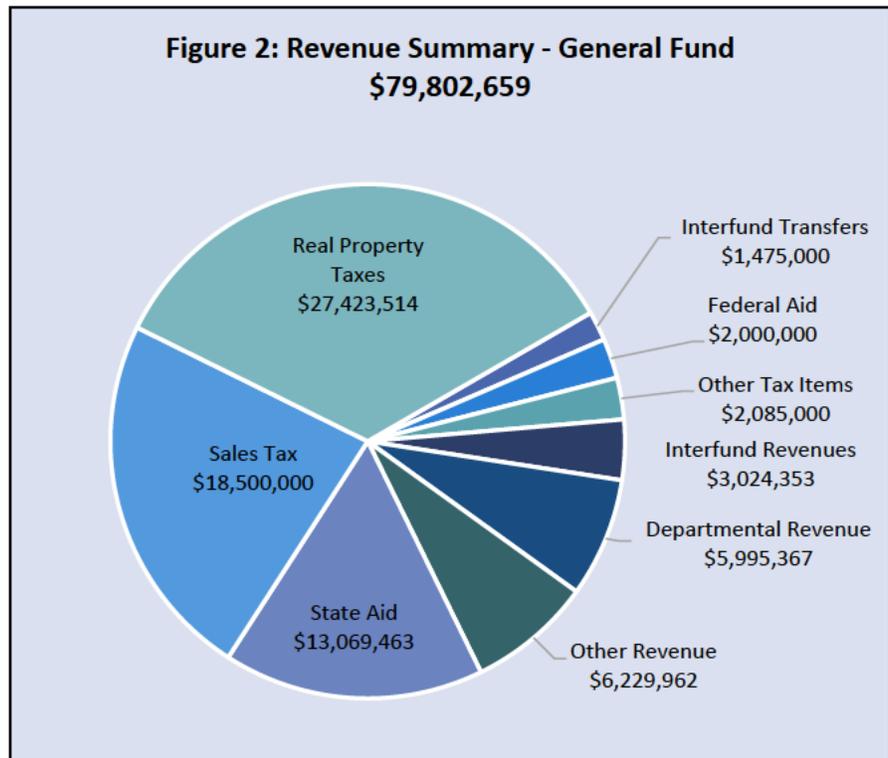
Water Fund Revenues

Metered Water Rents –

The proposed water fund budget includes estimated revenues of approximately \$5.1 million for metered water rents, which is a \$745,000 (17 percent) increase from the 2022 adopted budget. City officials told us the estimate for 2023 is based on historical water usage, projected water usage for 2022 and a proposed water rate increase of \$.40 per 1,000 gallons of usage, or approximately 11 percent.

However, based on the recorded revenues for the first nine months of 2022, we project that the City will realize less than \$4.4 million in metered water rent revenues in 2022, or a similar amount as the estimated revenues in the 2022 adopted budget. Based on this, if the Council approves the rate increase at the proposed rate, we project that the City will realize metered water rents of less than \$4.9 million in 2023, resulting in a potential revenue shortfall of approximately \$240,000.

We caution the Council to be mindful of this when adopting the budget. In addition, if the rate increase is not approved, or is approved at a different amount than the proposed rate, the water fund budget should be modified accordingly.



Town of Halfmoon and Water Commissioners of the Town of Waterford (Commissioners) Water Rents – The proposed water fund budget includes estimated revenues of \$1,550,000 for water rents assessed to the Town of Halfmoon and Commissioners,¹ which is a \$150,000 (9 percent) decrease from the 2022 adopted budget. However, based on the recorded revenues for the first nine months of 2022, we project that the City will only realize approximately \$1.2 million of the estimated \$1.7 million in water rent revenues in 2022, resulting in a potential revenue shortfall of approximately \$500,000.

In recent years, these revenues have been impacted² because the Town of Halfmoon and Commissioners entered water sales agreements with other entities, purchasing a portion of their water supply from them instead of only the City. The Town of Halfmoon entered a water sales agreement with the Saratoga County Water Authority, requiring the Town to purchase a minimum of one million gallons per day. The Commissioners also entered a water sales agreement with the City of Cohoes, which does not contain a required minimum purchase amount.

In addition, the City’s water sales agreements with the Town of Halfmoon and Commissioners do not contain required minimum purchase amounts. As a result, City officials’ ability to estimate the amount of water that the Town of Halfmoon and Commissioners will purchase from the City and the corresponding revenues to be realized is hindered.

However, if the City realizes revenues in 2023 similar to 2021 and 2022, estimated revenues for these water rents could be overestimated by approximately \$350,000. We caution the Council to be mindful of this when adopting the budget. In addition, City officials should closely monitor these revenue estimates throughout 2023 and develop a plan to balance the budget in the event the revenue projections are not fully realized.

Fire Department Overtime

The proposed general fund budget includes approximately \$1.5 million in fire department overtime appropriations, which is a \$37,500 decrease from the 2022 adopted budget. The City incurred fire department overtime expenditures of approximately \$1.7 million in 2020 and \$1.9 million in 2021. In addition, based on the recorded expenditures of approximately \$1.7 million as of September 30, 2022, we project that the City will incur approximately \$2.4 million in fire department overtime expenditures in 2022. City officials told us the expenditures in 2022 have been predominately impacted by vacant positions in the fire department, resulting in employees working additional overtime.

City officials told us the estimate for 2023 is based on an anticipated significant reduction in fire department overtime expenditures due to the City’s plan to fill all vacant positions in the fire department in 2023. However, if the City incurs fire department overtime expenditures in 2023

1 On a quarterly basis, the City assesses water rents to the Town of Halfmoon and Commissioners based on the gallons of water they were each sold for the quarter and the established water rate in their respective water sales agreement with the City.

2 The City realized revenues for water rents assessed to the Town of Halfmoon and Commissioners of approximately \$2.3 million in 2018, \$2.1 million in 2019, \$1.7 million in 2020 and \$1.2 million in 2021.

similar to 2022, appropriations for fire department overtime could be underestimated by approximately \$900,000. We caution the Council to be mindful of this when adopting the budget. In addition, due to the significance of these appropriations, City officials should closely monitor these appropriations throughout 2023 and modify the budget as necessary.

Equipment and Vehicles

The City's capital plan in the proposed budget includes the purchase of equipment and vehicles for the general and refuse funds totaling \$3,132,500 and \$570,000, respectively. Although the proposed general fund budget includes appropriations for the purchase of equipment and vehicles of \$353,000, only \$220,000 of these appropriations correspond to the expenditures included in the general fund capital plan.³ As a result, \$2,912,500 (93 percent) of the City's 2023 capital plan for the purchase of equipment and vehicles for the general fund remains unfunded through the proposed budget.

In addition, the proposed refuse fund budget does not include appropriations for equipment and capital outlay. Consequently, all of the City's 2023 capital plan for the purchase of equipment and vehicles for the refuse fund remains unfunded through the proposed budget.

In recent years, the City has financed general and refuse fund equipment and vehicle purchases by issuing debt,⁴ rather than by including financing sources in the budget. The City's capital plan outlines, and City officials told us, that any general and refuse fund expenditures that the City incurs in 2023 for the purchase of equipment and vehicles that are not currently financed through the proposed budget will be financed by issuing debt.

While the City has included some current financing sources for the purchase of equipment and vehicles in the proposed budget, we encourage City officials to identify additional sources and to include them in the budget instead of continuing to significantly rely on the issuance of debt to finance these purchases.

Collective Bargaining Agreements

Three of the City's six collective bargaining agreements (CBAs) are set to expire on December 31, 2022.⁵ The CBAs cover the salaries and wages of approximately 120 City employees. The City faces potential increased salary and wage costs when these agreements are settled.

The 2023 proposed budget includes a contingency appropriation of \$770,000 in the general fund. The contingency appropriation provides some financial flexibility related to any settlements. City

3 The \$220,000 is for the purchase of a portion of the \$320,000 for police department vehicles included in the capital plan.

4 The City issued bond anticipation notes in 2017 through 2022 for the purchase of equipment and/or vehicles totaling \$370,000, \$642,695, \$3,544,000, \$2,377,000, \$65,215, and \$1,588,285, respectively. The City also issued serial bonds in 2019, 2020 and 2022 to redeem a portion of outstanding bond anticipation notes issued by the City for the purchase of equipment and vehicles totaling \$616,000, \$1,456,464, and \$836,385, respectively.

5 The City's CBAs with the Uniformed Firefighters Association, Uniformed Fire Chiefs Association and Command Officers Association of Troy.

officials should consider the potential financial impact in the event that any of the CBAs are settled in 2023.

Tax Cap Compliance

General Municipal Law Section 3-c establishes a tax levy limit on local governments. The law generally precludes local governments from adopting a budget with a tax levy that exceeds the prior year tax levy by more than 2 percent or the rate of inflation, whichever is less, unless the governing board first adopts a local law to override the tax levy limit.

The City's proposed budget includes a tax levy of \$28,015,018.⁶ In adopting the 2023 budget, the Council should be mindful of the legal requirement to maintain the tax levy increase to no more than the tax levy limit as permitted by law, unless it properly overrides the tax levy limit.

We request that you provide us with a copy of the adopted budget.

We hope that this information is useful as you adopt the upcoming budget for the City. If you have any questions on the scope of our work, please feel free to contact Gary G. Gifford, Chief Examiner of the Glens Falls Regional Office, at (518) 793-0057.

Sincerely,

Elliott Auerbach
Deputy Comptroller

cc: Andrew Piotrowski, City Comptroller
Maria DeBonis, City Clerk
Hon. Andrea Stewart-Cousins, NYS Senate Majority Leader
Hon. Carl E. Heastie, NYS Assembly Speaker
Hon. Liz Krueger, Chair, NYS Senate Finance Committee
Hon. Helene E. Weinstein, Chair, NYS Assembly Ways and Means Committee
Hon. Jake Ashby, NYS Assembly
Hon. John T. McDonald III, NYS Assembly
Hon. Neil D. Breslin, NYS Senate
Hon. Daphne Jordan, NYS Senate
Robert F. Mujica Jr., Director, Division of the Budget
Gary G. Gifford, Regional Chief Examiner

⁶ This amount includes the City's proposed budget tax levy, overlay and omitted taxes, as well as a projected tax levy for the Troy Business Improvement District.