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November 3, 2023

The Honorable Michelle Roman  
Members of the Common Council  
City of Lockport  
Lockport Municipal Building  
One Locks Plaza  
Lockport, NY 14094

Report Number: B23-1-7

Dear Mayor Roman and Members of the Common Council:

Pursuant to Chapter 332 of the Laws of 2014, as amended by Chapter 147 of the Laws of 2015 (the Act), the New York State Legislature authorized the City of Lockport (City) to issue debt to liquidate the accumulated deficits in the City's general, water, sewer and refuse funds as of December 31, 2013.

The Act requires the City to submit to the State Comptroller each year, beginning January 1, 2015, and for each subsequent fiscal year during which the debt incurred to finance the deficit is outstanding, the proposed budget for the next succeeding fiscal year. The Act requires that the submission of the proposed budget be made to our Office no later than thirty days before the last date on which the budget must be adopted.

The Act further provides that the State Comptroller must examine the proposed budget and make recommendations as deemed appropriate to the Common Council no later than 10 days before the last date on which the budget must be adopted. Such recommendations are made after the examination of the City's revenue and expenditure estimates. The Common Council, no later than five days prior to the adoption of the budget must review the State Comptroller's recommendations and make adjustments to its proposed budget consistent with any recommendations made by the State Comptroller.

Our Office completed an independent evaluation (review) of the City's proposed budget for the 2024 fiscal year. The review addressed the following question:

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

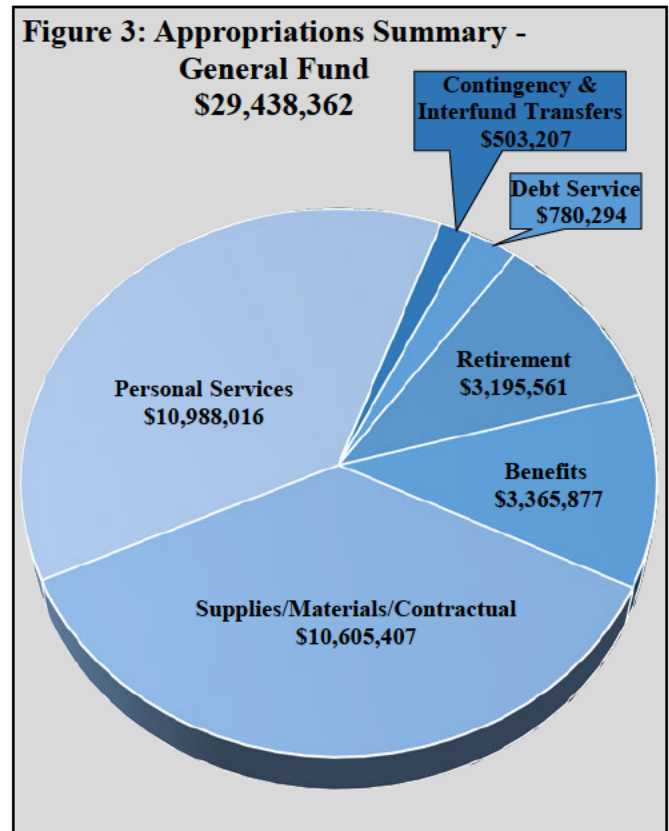
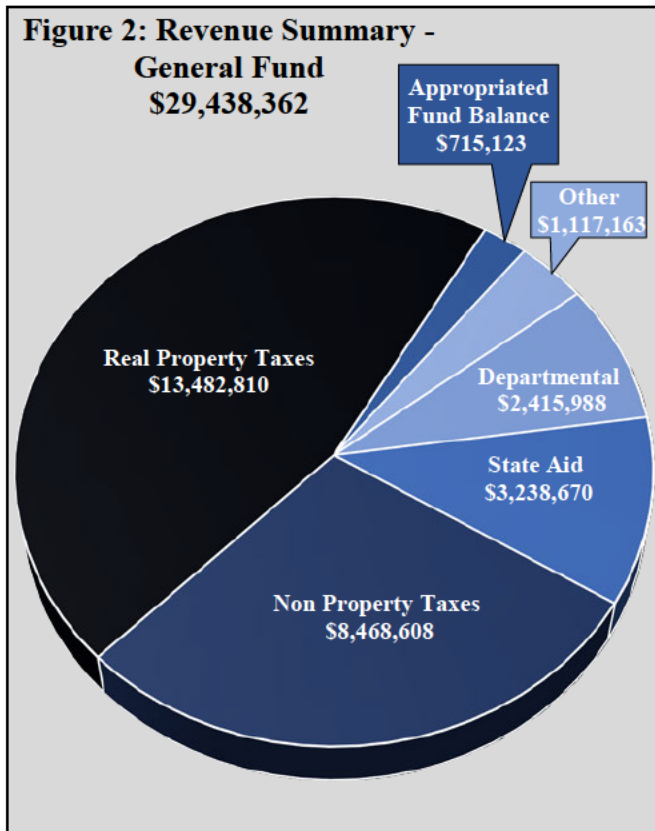
Based on the results of our review, except for the matters described in this letter, we found that the significant revenue and expenditure projections in the proposed budget appear reasonable.

To accomplish the review’s objective, 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.

The scope of our review did 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 2024 fiscal year consisted of the 2024 proposed budget and supplementary information. Figure 1 summarizes the proposed budget submitted to our Office. Figures 2 and 3 summarize the general fund’s revenues and appropriations.

<b>Figure 1: 2024 Proposed Budget</b>				
<b>Fund</b>	<b>Appropriations and Provisions for Other Uses</b>	<b>Estimated Revenues</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
General	\$29,438,362	\$15,240,429	\$715,123	\$13,482,810
Water	4,521,538	4,371,538	150,000	0
Sewer	4,394,694	4,298,694	96,000	0
Refuse	1,430,035	1,430,035	0	0
<b>Total</b>	<b>\$39,784,629</b>	<b>\$25,340,696</b>	<b>\$961,123</b>	<b>\$13,482,810</b>



Although we discussed minor budget deficiencies we noted during our review with City officials, our review determined that appropriations in the 2024 proposed budget for fire department overtime and ambulance purchases should be increased to align closer to anticipated expenditures and revenue estimates for ambulance services should be reduced. As noted, the Act requires the Common Council to adjust the proposed budget consistent with our recommendations. We believe that prompt action by City officials will help improve the City's financial condition.

## **Appropriations**

Salaries – In 2020 the City lost an arbitration ruling that requires the City to hire 12 firefighters. City officials negotiated with the collective bargaining unit to hire four new firefighters each year beginning in 2021 through 2023, which was documented in a written agreement dated November 24, 2020. All 12 firefighters have been hired as of February 6, 2023. However, in 2024, City officials plan to hire an additional four firefighters to assist with the City's ambulance services discussed in more detail below.

Overtime – Officials significantly underestimated the amount of overtime incurred by the fire department in 2023. As of September 27, 2023, overtime for the fire department already exceeded 2023 budget appropriations by nearly \$253,000. If the current rate in which overtime is paid continues through the end of the fiscal year, we estimate the 2023 fire department overtime expenditures will exceed the amount budgeted by approximately \$440,000. The Fire Chief told us overtime was higher than expected because the new firefighters have not graduated from the fire academy and a large number of ambulance calls required out-of-town transport.

The proposed 2024 budget includes overtime funding of \$370,000 for the police department, \$500,000 for the fire department, \$111,000 for water filtration and distribution and \$95,000 for street maintenance. The total overtime appropriation is \$260,000 more than was budgeted in 2023, primarily because of an increase of \$250,000 in the fire department's overtime budget. Total overtime appropriations are \$235,000 less than the projected 2023 overtime expenditures discussed above.

While City officials anticipate that the combination of hiring additional firefighters, current firefighters graduating from the fire academy, and a local hospital opening in October 2023 will cause overtime expenditures to stabilize or decrease; if officials cannot reduce overtime expenditures the 2024 budget appropriation for overtime will be insufficient. Therefore, the Common Council should ensure that the adopted 2024 budget includes reasonable overtime appropriations. The Common Council also must monitor and control the City's 2024 overtime expenditures to ensure they do not exceed the City's budget.

## **Ambulance Services**

In December 2022, the Common Council resolved to implement ambulance services through the fire department beginning February 2023, and increased the 2023 budget by \$750,107 for the anticipated revenues and costs associated with providing these services.

The proposed 2024 budget includes appropriations for ambulance services including funding for the addition of four new firefighters. Officials plan to fund these services with a “public safety service fee”, which includes projected payments from Medicaid, Medicare and traditional health plans for services rendered to individuals with health insurance coverage.

In September 2023, the Common Council amended the budget by increasing appropriations by \$256,173 to purchase a new ambulance and power lifts for the fire department using unanticipated revenues from sales tax, pre-empted sales tax and other community development fees. City officials, including the Mayor, Director of Finance, and Fire Chief, stated that they intend to purchase one new ambulance each year for three years but they have not yet developed a written capital plan for purchasing and replacing ambulances. Because officials have not included appropriations for the purchase of an ambulance in the proposed budget, the Common Council should consider whether ambulance service revenues will be adequate to finance the additional costs of new equipment, vehicles and personnel costs.

In addition, the 2024 proposed budget includes estimated ambulance services revenues totaling \$1,025,786. This estimate is based on a report the City received from a consultant which included estimated receipts based on three different models;

- “Conservative model” estimating \$703,000,
- “Expected model” estimating \$1.45 million, and
- “Optimistic model” estimating \$1.7 million.

City officials primarily used an average of the conservative and expected models to develop the 2024 ambulance services revenue estimate. Because City officials do not have historical ambulance services data to use to estimate these revenues and as of October 11, 2023, the City is not an approved Medicaid provider, the Common Council should consider using the conservative model and potentially uncollectible ambulance service fees when estimating these revenues.

Furthermore, as of September 30, 2023, the City collected ambulance services revenue totaling \$345,035 and according to information provided by City’s third-party medical biller, the City has an outstanding receivable balance of \$905,384, of which \$266,154 is over 90 days past due and may be uncollectible. Although the City may receive additional revenue once approved as a Medicaid provider, City officials cannot calculate the amount of or collect this revenue until the approval is granted.

### **Tax Cap Compliance**

New York State 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 adopts a local law to override the tax levy limit.

The proposed budget includes a tax levy of \$13,482,810 which is below the maximum levy the City can impose without the Common Council needing to override the tax levy limit. In adopting the 2024 budget, the Common 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 prior to adopting the budget.

In accordance with the Act, the Common Council has the responsibility to make adjustments in the proposed budget consistent with the recommendations in this report.

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 Melissa A. Myers, Chief of Municipal Audits of the Buffalo Regional Office, at (716) 847-3647.

Sincerely,

Randy Partridge  
Assistant Comptroller

cc: Sue A. Mawhiney, City of Lockport Treasurer  
Timothy Russo, City of Lockport Finance Director  
Sarah K. Lanzo, City of Lockport Clerk  
Hon. Andrea Stewart-Cousins, NYS Senate Majority Leader  
Hon. Carl E. Heastie, NYS Assembly Speaker  
Hon. Liz Krueger, Chair, Senate Finance Committee  
Hon. Helene E. Weinstein, Chair, Assembly Ways and Means Committee  
Hon. Michael J. Norris, State Assembly Representative  
Hon. Robert G. Ortt, State Senate Representative  
Blake G. Washington, Director, Division of the Budget  
Melissa A. Myers, Chief of Municipal Audits