



**THOMAS P. DiNAPOLI**  
COMPTROLLER

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**  
110 STATE STREET  
ALBANY, NEW YORK 12236

**GABRIEL F. DEYO**  
DEPUTY COMPTROLLER  
DIVISION OF LOCAL GOVERNMENT  
AND SCHOOL ACCOUNTABILITY  
Tel: (518) 474-4037 Fax: (518) 486-6479

November 14, 2017

Honorable Judy Kennedy, Mayor  
Members of the City Council  
City of Newburgh  
83 Broadway  
Newburgh, NY 12550

Report Number: B17-6-18

Dear Mayor Kennedy and Members of the City Council:

Chapter 223 of the Laws of 2010 authorizes the City of Newburgh to issue debt not to exceed \$15 million to liquidate the accumulated deficit in the City's general fund as of December 31, 2010. New York State Local Finance Law Section 10.10 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 budget must be submitted no later than 30 days before the date scheduled for the governing board's 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 into the City's estimates of revenues and expenditures.

The City Council, no later than five days prior to the adoption of the budget, must review all recommendations made by the State Comptroller and make adjustments to its proposed budget consistent with those recommendations contained in this report.

Our Office has recently completed a review of the City's budget for the 2018 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 budget for the upcoming fiscal year:

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

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 if 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 2018 fiscal year consisted of the following:

- Cover letter
- 2018 Proposed budget
- Supplementary information

The proposed budget submitted to our Office is summarized as follows:

<b>Figure 1: Proposed Budget Summary</b>				
<b>Fund</b>	<b>Appropriation and Provisions for Other Uses</b>	<b>Estimated Revenues</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
General	\$44,402,901	\$24,136,620	\$611,956	\$19,654,325
Water	\$6,085,489	\$6,085,489	\$0	\$0
Sewer	\$6,173,568	\$5,956,485	\$217,083	\$0
Sanitation	\$3,238,775	\$3,238,775	\$0	\$0

Based on the results of our review, we found that the significant revenue and expenditure projections in the proposed budget are reasonable. However, our review disclosed the following findings which should be reviewed by the City Council, with appropriate action taken as necessary in accordance with the requirements in Local Finance Law Section 10.10.

**Collective Bargaining Agreement**

The City’s collective bargaining agreement (CBA) with the International Association of Fire Fighters has expired and the City is currently negotiating a new agreement. The City faces potential increased salary costs when this agreement is settled. We recommend that City officials consider the potential financial impact of the settlement of this CBA when finalizing the 2018 budget.

## **Contingency**

Contingency accounts are used by local governments as a means of providing funding for unexpected events. Although the City Charter does not specifically address budgeting for contingencies, New York State statutes for certain other classes of local government set the maximum dollar amount for these accounts at 10 percent of the general fund budget (excluding appropriations for debt service), which can serve as a general guideline for the City. The City's proposed budget includes a \$250,000 contingency appropriation, an amount that represents 0.6 percent of total anticipated general fund expenditures. In reviewing the adequacy of contingency appropriations, it is important that the City Council prudently consider current economic conditions and uncertainties and the need to provide adequate funding for any significant unforeseen costs.

Over the past several years, City officials have consistently budgeted minimal amounts for contingencies. We caution City officials against including an insufficient amount in the contingency appropriation, because it will provide limited flexibility to address revenue shortfalls or unforeseen expenditures.

## **Tax Cap Compliance**

The State Legislature and the Governor enacted Chapter 97 of the Laws of 2011 that established a tax levy limit on local governments, which was effective beginning in the 2012 fiscal year. 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 City's proposed budget complies with the tax levy limit because it includes a tax levy of \$19,654,325, which is within the limits established by law. In adopting the 2018 budget, the City 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 adopts a local law to override 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 Ms. Tenneh Blamah, Chief Examiner of the Newburgh office, at (845) 567-0858.

Sincerely,

Gabriel F. Deyo  
Deputy Comptroller

cc: Michael G. Ciaravino, City Manager  
Kathryn Mack, City Comptroller  
Lorene Vitek, City Clerk  
Hon. Catharine Young, Chair, NYS Senate Finance Committee  
Hon. Helene E. Weinstein, Chair, NYS Assembly Ways and Means Committee  
Hon. Frank Skartados, NYS Assembly  
Hon. William J. Larkin, Jr., NYS Senate  
Robert F. Mujica Jr., Director, NYS Division of the Budget  
Andrew A. SanFilippo, Executive Deputy Comptroller  
Tenneh Blamah, Chief Examiner