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October 30, 2017

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

Report Number: B17-5-13

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 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 such 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 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 proposed City 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.

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>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	\$73,649,045	\$49,800,977	\$0	\$23,848,068
Water	\$14,698,000	\$13,203,000	\$1,495,000	\$0
Sewer	\$4,963,952	\$4,963,952	\$0	\$0

Based on the results of our review, we found the significant revenue and expenditure projections in the proposed budget are reasonable. In addition, the City’s proposed real property tax levy complies with its tax levy limit. However, the proposed budget includes estimated revenues of \$3.45 million for refuse and garbage fees to finance the City’s solid waste and recycling collection and disposal (waste and recycling) services, but the Council has not yet authorized or approved a combined waste and recycling fee to realize the estimated revenues. City officials should also consider the potential financial impact of the settlement of any of the City’s six expired collective bargaining agreements (CBAs) in 2018.

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.

### **Refuse and Garbage Fees**

The City has historically financed its waste and recycling services through real property taxes and an annual recycling fee of \$29 per unit.<sup>1</sup> The City’s proposed general fund budget excludes the reliance on real property taxes and includes estimated revenues of \$3.45 million for refuse and garbage charges to finance the City’s waste and recycling services. The estimated revenues are to be realized through the replacement of the current recycling fee with a combined waste and recycling fee of \$190 per unit. While the estimated revenues appear reasonable, the realization of these revenues is contingent upon the Council’s authorization<sup>2</sup> and approval of a combined waste and recycling fee. It is essential the Council make the appropriate modifications to the City Code prior to adopting the budget if it decides to implement this new fee. If the fee is not authorized, or is authorized and approved at a different rate, the general fund proposed budget should be modified accordingly prior to adoption.

### **Collective Bargaining Agreements**

As of the time of our review, all six of the City's CBAs have expired,<sup>3</sup> which cover the salaries and wages of approximately 485 City employees. The City faces potential significant increased salary and wage costs when these agreements are settled.

<b>CBA Expiration Dates</b>	
<b>Bargaining Unit</b>	<b>CBA Expiration Date</b>
Uniformed Fire Chiefs Association	12/31/2010
Civil Service Employees Association	12/31/2011
Troy Police Benevolent and Protective Association, Inc.	12/31/2012
Command Officers Association of Troy	12/31/2012
United Public Service Employees Union	12/31/2014
Uniformed Firefighters Association	12/31/2016

The 2018 proposed budget includes a \$1,034,304 contingency appropriation<sup>4</sup> in the general fund, a \$416,045 increase from the 2017 adopted budget. In addition, the City is eligible to receive up to \$1.25 million in grants through the Local Government Performance and Efficiency Program if the City agrees to abide by and implement a recommendation that was included in the City of Troy

<sup>1</sup> A unit is a dwelling unit or a mixed use commercial parcel.

<sup>2</sup> The City’s Code currently does not authorize a fee to be charged for the collection and disposal of garbage, rubbish or yard wastes.

<sup>3</sup> The Council is scheduled to vote on the approval of a CBA for the Troy Police Benevolent and Protective Association, Inc. in November 2017, which will cover the period January 1, 2013 through December 31, 2017. The City’s proposed general fund budget does not include increased personal services appropriations related to the potential settlement of this CBA. In addition, even if the Council approves the CBA, as of January 1, 2018, the approved CBA will have expired.

<sup>4</sup> Local governments use contingency accounts to provide funding for unexpected events.

Comprehensive Review Report<sup>5</sup> to seek labor and healthcare savings. While the increase in the contingency appropriation and the potential grants provide some financial flexibility related to any settlements, City officials should still consider the potential financial impact of the settlement of the expired CBAs and be prepared to provide the necessary funding in the event that any are settled in 2018.

### **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 that requires 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 complies with the tax levy limit because it includes a tax levy of \$24,757,783,<sup>6</sup> which increases the 2018 tax levy by less than 1 percent over the 2017 tax levy of \$24,596,509.<sup>7</sup> In adopting the 2018 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 adopts a local law to override the cap.

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 Jeffrey Leonard, Chief Examiner of the Glens Falls Regional Office, at (518) 793-0057.

Sincerely,

Gabriel F. Deyo  
Deputy Comptroller

cc: Andrew Piotrowski, Deputy City Comptroller  
Patricia O'Brien, City Clerk  
Troy Supervisory Board Members

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<sup>5</sup> The Financial Restructuring Board for Local Governments (Board) is a ten-member panel available year round to offer assistance to eligible municipalities. The Board is chaired by the State Budget Director and includes the State Comptroller, the Attorney General, the Secretary of State, and six other members appointed by the Governor. The Council adopted and the Mayor concurred with a resolution requesting a Comprehensive Review by the Board on April 2, 2015. On June 20, 2016, the Board approved this request and subsequently issued a Comprehensive Review Report on June 19, 2017.

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

<sup>7</sup> This amount includes the City's actual 2017 tax levy, the Troy Business Improvement District tax levy and total omitted taxes.

Hon. Catharine Young, Chair, NYS Senate Finance Committee  
Hon. Helene E. Weinstein, Chair, NYS Assembly Ways and Means Committee  
Hon. Steven F. McLaughlin, NYS Assembly  
Hon. John T. McDonald III, NYS Assembly  
Hon. Neil D. Breslin, NYS Senate  
Hon. Kathleen A. Marchione, NYS Senate  
Robert F. Mujica Jr., Director, Division of the Budget  
Andrew A. SanFilippo, Executive Deputy Comptroller  
Jeffrey Leonard, Regional Chief Examiner