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November 6, 2019

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

Report Number: B19-5-8

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. 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 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 2020 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 2020 fiscal year consisted of the following:

- Cover Letter
- 2020 Proposed Budget
- Supplementary Information

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

Fund	Appropriations and Provisions for Other Uses	Estimated Revenues	Appropriated Fund Balance	Real Property Taxes
General	\$74,740,743	\$49,024,446	\$0	\$25,716,297
Water	\$14,675,024	\$13,270,024	\$1,405,000	\$0
Sewer	\$4,945,852	\$4,945,852	\$0	\$0
Refuse	\$4,339,671	\$4,339,671	\$0	\$0

Based on the results of our review, we found the significant revenue and expenditure projections in the proposed budget are reasonable.

However, we identified certain revenue and expenditure projections that should be reviewed by the Mayor and Council. For example, the proposed refuse fund budget includes \$250,000 in estimated revenues for fees that the City has not previously assessed. In addition, the minimal contingency appropriation in the proposed refuse fund budget provides the City with a limited amount of flexibility in the event of unforeseen circumstances that may require additional funds.

The City's capital plan for the purchase of equipment and vehicles for the general and refuse funds also remains unfunded through the proposed budget and instead will be financed by issuing debt. City officials should also consider the potential financial impact of the settlement of the City's one expired collective bargaining agreement (CBA) in 2020.

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 Fund

The City has historically budgeted and accounted for its solid waste and recycling collection and disposal services in the general fund. In 2019, the City began budgeting and accounting for revenues and expenditures related to these services in the refuse fund.

Revenues – While the estimated revenues appear reasonable, the proposed refuse fund budget includes \$250,000 in estimated revenues for fees that the City has not previously assessed. The proposed refuse budget includes estimated revenues of \$200,000 to be realized by assessing commercial properties the City's annual solid waste management fee per unit multiplied by the number of days solid waste is collected at the property each week. The City currently only assesses commercial properties the solid waste management fee per unit regardless of the number of days solid waste is collected each week. In addition, the proposed refuse fund budget includes estimated revenues of \$50,000 to be realized by assessing hauling companies, corporations, businesses or organizations an annual solid waste collection permit fee per vehicle,¹ which authorizes them to collect and transport solid waste within the City.

Contingency Account – Local governments use contingency accounts as a budgetary means to provide funding for unexpected events. Although the City Charter does not specifically address budgeting for contingencies, New York State statutes generally set the maximum for such accounts at 10 percent of a fund's budget (excluding appropriations for debt service and judgments), which can serve as a general guideline for the City. The proposed refuse fund budget includes a \$19,078 contingency appropriation, or less than half of one percent of the total budgeted appropriations of approximately \$4.3 million. This provides the City with minimal flexibility in the event of unforeseen circumstances that may require additional funds.

While revenues and appropriations appear reasonable, due to a lack of historical data on all estimated revenues and actual results of operations for the refuse fund for a complete fiscal year, City officials should closely monitor the refuse fund throughout 2020 and make modifications as necessary.

¹ The City's Code establishes annual solid waste collection permit fees of between \$200 and \$250 per vehicle.

Equipment and Vehicles

The City's capital plan in the proposed budget includes the purchase of equipment and vehicles for the general fund totaling \$2,108,000 and for the refuse fund totaling \$680,000.² Although the proposed general and refuse fund budgets include appropriations for the purchase of equipment and/or vehicles of \$308,700 and \$500, respectively, these appropriations do not correspond to the expenditures included in the general and refuse fund capital plans. Consequently, all of the City's 2020 capital plan for the purchase of equipment and vehicles for the general and refuse funds remains unfunded through the proposed budget.

In recent years, the City began financing general and refuse fund equipment and vehicle purchases by issuing debt,³ 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 are incurred for the purchase of equipment and vehicles by the City in 2020 that are not currently financed through the proposed budget will again be financed by issuing debt.

We encourage City officials to identify current financing sources for the purchase of equipment and vehicles and to include these financing sources in the general and refuse funds' budgets instead of continually relying on the issuance of debt to finance these purchases.

Collective Bargaining Agreement

The City's CBA with the Uniform Firefighters Association, which expired on December 31, 2016, covers the salaries and wages of approximately 110 general fund employees. The City faces potential significant increased salary and wage costs when this agreement is settled.⁴

The 2020 proposed budget includes a contingency appropriation of \$964,000 in the general fund. The contingency appropriation provides some financial flexibility related to any settlement. City officials should consider the potential financial impact in the event that the CBA is settled in 2020.

Tax Cap Compliance

General Municipal Law Section 3-c establishes a tax levy limit on local governments, which was effective beginning with 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.

² The City's capital plan in the proposed budget also includes the purchase of equipment and vehicles for the water fund totaling \$705,000, which is financed in the proposed budget through an interfund transfer from the water fund to the capital projects fund.

³ The City issued bond anticipation notes in 2014 through 2019 for the purchase of equipment and/or vehicles totaling \$1,083,000, \$825,000, \$375,000, \$370,000, \$642,695 and \$3,544,000, respectively. The City also issued serial bonds in 2019 to redeem a portion of outstanding bond anticipation notes issued by the City for the purchase of equipment and vehicles totaling \$616,000.

⁴ The City is currently in arbitration with the union.

The City's proposed budget includes a tax levy of \$26,304,399⁵. In adopting the 2020 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 Jeffrey Leonard, Chief Examiner of the Glens Falls Regional Office, at (518) 793-0057.

Sincerely,

Elliott Auerbach
Deputy Comptroller

cc: Andrew Piotrowski, Deputy City Comptroller
Mara Drogan, City Clerk
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
Jeffrey Leonard, Regional Chief Examiner

⁵ This amount includes the City's proposed budget tax levy and omitted taxes as well as a projected tax levy for the Troy Business Improvement District.