

Town of Tyre

Long-Term Planning

MAY 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Town of Tyre

Audit Objective

Determine whether the Board established adequate long-term plans which appropriately address the Town's operational and capital needs and funding sources.

Key Findings

The Board did not develop:

- Comprehensive multiyear financial or capital plans.
- A reserve plan which details justifications for reserves to be established or maintained, funding levels and plans for use.

The Highway Superintendent did not:

- Submit an annual inventory list and estimates of highway and bridge related expenditures to the Board, as required.

Key Recommendations

- Develop and adopt comprehensive multiyear financial and capital plans for a three- to five-year period.
- Adopt a formal reserve plan that includes the accumulation and use of reserve funds, and analyze existing reserve fund levels against the plan.
- Annually provide the Board with the required highway inventory list and agreement for the expenditure of highway money, including the anticipated costs.

Town officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The Town of Tyre (Town) is located in Seneca County. The Town provides various services to its residents, including water, street maintenance, snow removal and general government support. Most of the expenditures incurred in providing these services are accounted for in the general, highway and water funds. The Town finances these services primarily from real property taxes, user fees and NYS gaming tax revenues received as part of an agreement for being a host community for one of four casinos opened under the Upstate NY Gaming and Economic Development Act of 2013.

The Town is governed by an elected Town Board (Board) which is composed of four Board members and the Town Supervisor (Supervisor). The Board is responsible for general management and control of financial affairs. The Supervisor, who serves as the chief executive and financial officer, is responsible for the day-to-day management.

Quick Facts

2019 Appropriations	\$3.52 million
Population	1,000
2018 Reserve Funds	\$1.29 million

Audit Period

January 1, 2018 – February 15, 2019

Long-Term Planning

As part of the NYS gaming legislation passed in 2013, one of four casinos granted licenses across the State was built within the Town.¹ As a host community for the new casino, the Town has received significant additional revenues for the Town. Gaming revenues received in relation to the casino have more than tripled the Town's annual budget.

What Is Effective Long-Term Planning?

A board is responsible for making financial decisions that are in the best interest of the town and its taxpayers. This includes planning for the future and setting long-term priorities and goals. While the board is legally allowed to establish reserve funds for certain future purposes (e.g., capital improvements and repairs), the amounts reserved should be reasonable based on identified or planned needs.

Multiyear planning consists of several components, including multiyear financial and capital plans and fund balance and reserve fund policies. Such policies provide guidance on optimal funding levels for fund balance and reserves along with plans for circumstances when these funds may be used. Additionally, when developing long-term plans, town officials should consider useful life estimates and the quality of the equipment, as well as the application and environment in which it will be used.

New York State Highway Law² requires the highway superintendent to annually submit to the board a written inventory list of all machinery, tools, implements and equipment showing the value of each item and the estimated cost of all necessary repairs. In addition, the highway superintendent and board should agree, in writing,³ upon expenditures related to the repair and improvement of highways, sluices, culverts, bridges and walks.⁴

The Board Has Not Adopted Long-Term Plans

The Board did not develop or adopt comprehensive, multiyear financial and capital plans. Such plans would be useful tools to outline the Board's intentions for financing future capital improvements and maintaining the existing infrastructure. The Board lacked certain information necessary to adequately adopt these plans.

1 The del Lago Resort and Casino opened in February 2017.

2 New York State Highway Law (Highway Law), Section 142

3 Refer to the Cornell Local Road Program workshop, Managing the Highway Department (Appendix 4) for a sample agreement. countyhwys.org/presentation-archive/2016/winter/14-managing-the-highway-department/file

4 Highway Law, Section 284

For example, Town officials we spoke to were unaware that the highway superintendent (Superintendent) was required to annually submit a written inventory list of all machinery, tools, implements and equipment, including an estimate of any needed repairs and recommendations for highway infrastructure improvements along with the estimated costs. As a result, the Board was unable to sufficiently plan for long-term road maintenance and replacement of highway equipment costs. The current Superintendent was new to the position as of December 2018, therefore we made him aware of these requirements so that he could ensure compliance in future years.

While the Board has no formal multiyear plan in place, it has implemented some components of multiyear planning. For example, the Board used surplus funds from the gaming revenues for the one-time use of constructing a new town hall, which is budgeted to cost approximately \$3.17 million. The Board also reduced the tax rate by approximately 75 percent in both the general and highway funds resulting in a decrease in tax levies in each of these funds by more than \$200,000. Additionally, the Board established reserves, including three highway reserves⁵ and a water reserve, and included reserve funding in the 2018 and 2019 adopted budgets.

However, the Board did not establish a fund balance policy or formal reserve plan detailing the level of fund balance and specific reserves it deemed necessary, including funding levels, and a plan for the periodic review of these reserves. As of December 31, 2018, reserves totaled \$1.29 million, or approximately 27 percent of total appropriations. Of this amount, \$442,000 (34 percent) was reserve funding from 2018.

In addition, Town officials appropriated an additional \$486,000 to fund reserves in the 2019 adopted budget. Officials told us that they value the importance of reserve funds to diminish any significant decrease in the revenues from the casino host agreement. However, without formal multiyear financial and capital plans and a reserve plan, there is a risk the decisions being made currently have long-term implications that cannot be properly assessed. This increases the risk that the Board's intentions may not be fulfilled.

Without a multiyear financial plan, it is difficult for the Board to assess alternative approaches to financial issues, such as accumulating fund balance or using surplus funds to finance annual operations. Further, without multiyear capital plans, including required annual highway inventory reports and infrastructure agreements, the Board is not fully aware of its long-term capital needs, including potential costs and funding sources to properly plan and monitor the Town's finances.

⁵ Consisting of capital reserves for bridges, road repairs and equipment.

What Do We Recommend?

The Board should:

1. Continue to use the surplus funds in the general fund to benefit taxpayers. Such uses could include, but are not limited to:
 - Funding one-time expenditures.
 - Funding needed reserves.
 - Paying off debt.
 - Reducing property taxes.
2. Develop and adopt comprehensive multiyear financial and capital plans for a three- to five-year period that address the anticipated funding and use of reserve funds, anticipated capital improvement projects and funding sources, costs of long-term maintenance on capital improvements and any economic or environmental factors which could affect the plans.
3. Adopt a reserve plan that includes the accumulation and use of reserve funds, and analyze existing reserve fund levels against the plan.

The Highway Superintendent should:

4. Annually provide the Board with the required inventory list and infrastructure repair and improvement agreement, including any required supplemental information.

Appendix A: Response From Town Officials

Town of Tyre
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Waterloo, NY 13165

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May 9, 2019

Edward V. Grant Jr, Chief Examiner
The Powers Building
16 West Main St, Suite 522
Rochester, NY 14614-1608

Dear Mr. Grant,

We agree with the key findings of the audit of the Town of Tyre for the period January 1, 2018 to February 15, 2019 and thank you for this opportunity to respond.

Key Finding 1: The Town Board did not develop a comprehensive multiyear financial or capital plan.

While the Town does not currently have a comprehensive multiyear financial or capital plan, the Town has begun funding reserves, as was noted in the preliminary audit report and we are in the initial stages of developing a capital plan. The Town Board believes that in order for the Town of Tyre to remain fiscally strong and stable such a plan is vital. A capital five-year plan will be formalized and adopted in the coming months.

Key Finding 2: The Town Board did not develop a reserve plan which details justifications for reserves to be established or maintained, funding levels and plans for use.

We agree that while we have started to fund reserves, that a formal plan needs to be established in order for the Town Board's intentions to be understood and followed in future years. We will develop and adopt a formal reserve fund plan in the coming months to go along with our five-year capital plan.

Key Finding 3: The Highway Superintendent did not submit an annual inventory list and estimates of highway and bridge related expenditures to the Board, as required.

We agree that this is a task that the Highway Superintendent should accomplish in the beginning of each year, as required by law. However, our Highway Superintendent has just recently been hired and is just now learning all of the ins and outs of his new position. He has been made aware that a Section 284 Agreement must be presented to the Town Board as well as approved and signed by the County Highway Superintendent. The Highway superintendent will also conduct an annual inventory and provide it to the Town Board.

Please feel free to contact me should further information be needed. Again, thank you for this opportunity to respond to the audit and give my best regards to your audit staff who were all very professional, informative and helpful.

Sincerely,

Ronald F McGreevy, Supervisor, Town of Tyre

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials to gain an understanding of the Town's financial operations and long-term plans.
- We reviewed relevant policies and procedures for adequacy, and adopted budgets to gain perspective and background, as well as determine any planned reserve funding.
- We reviewed reserve balances as of December 31, 2018.
- We reviewed Board minutes, resolutions and relevant plans and agreements.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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www.osc.state.ny.us/localgov/index.htm

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