



THOMAS P. DiNAPOLI
COMPTROLLER

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

ELLIOTT AUERBACH
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

November 5, 2020

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

Report Number: B20-5-11

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 2021 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 2021 fiscal year consisted of the following:

- Budget Message
- 2021 Proposed Budget
- Supplementary Information

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

Figure 1: 2021 Proposed Budget					
Fund	Appropriations and Provisions for Other Uses	Financing Sources			
		Estimated Revenues	Appropriated Fund Balance	Appropriated Reserves	Real Property Taxes
General	\$75,824,084	\$48,101,928	\$1,227,947	\$440,000 ^a	\$26,054,209
Water	\$12,612,807	\$12,537,807	\$75,000	\$0	\$0
Sewer	\$4,869,233	\$4,869,233	\$0	\$0	\$0
Refuse	\$4,571,896	\$4,571,896	\$0	\$0	\$0

^a \$350,000 from the insurance reserve and \$90,000 from the unemployment insurance reserve.

Our review considered City officials’ projections in response to the potential impact of the COVID-19 pandemic (pandemic). Based on the results of our review, we found that the significant revenue and expenditure projections in the 2021 proposed budget are reasonable.

However, due to the continuous evolving circumstances caused by the pandemic, City officials should carefully monitor revenues and expenditures and make adjustments to the budget as needed throughout the year as more information becomes available. For example, the City’s revenues for State funding for Aid and Incentives for Municipalities (AIM) and traffic and parking fines could

again be impacted by the pandemic in 2021. City officials should closely monitor the general fund's results of operations for the remainder of 2020 to ensure that the \$1,227,947 of appropriated fund balance included in the proposed general fund budget is available to finance the general fund's operations in 2021.

We also identified certain revenue and expenditure projections in the refuse fund that should be reviewed by the Mayor and Council. For example, based on a proposed change in the refuse fund's revenue model, the proposed budget includes estimated revenues of \$1.1 million for fees for garbage bag sales that the City has not previously assessed. However, the Council has not yet authorized or approved the fees to realize the estimated revenues. In addition, the proposed budget includes a reduction in contractual appropriations for tipping fees for residential pickup, but the potential realization of any savings is also contingent upon the Council's authorization of the new revenue model. Furthermore, 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. City officials should also consider the potential financial impact in 2021 of the settlement of any of the City's three collective bargaining agreements (CBAs) that will be expired at the end of 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.

General Fund

AIM Funding – The Enacted State Budgets since State Fiscal Year 2011-12 have included \$12,279,463 in AIM funding for the City. However, due to the continuously evolving circumstances caused by the pandemic, the State Fiscal Year 2020-21 Enacted Budget generally authorizes the Executive and the State Legislature to withhold¹ or reduce State aid as necessary at given times throughout the year should the State budget be deemed out of balance.² Based on this, City officials told us they reduced estimated revenues for State funding for AIM in the 2021 proposed general fund budget. The proposed budget includes estimated revenues of \$11,051,516, which is \$1,227,947, or 10 percent less, than the State Fiscal Year 2020-21 Enacted Budget amount. However, we caution City officials to be mindful that the City's AIM funding for 2021 will be based on the State Fiscal Year 2021-22 Enacted Budget. As a result, City officials should closely monitor this revenue estimate throughout 2021 and develop a plan to balance the budget in the event this revenue projection is not fully realized.

Traffic and Parking Fines – The proposed general fund budget includes estimated revenues of \$1,625,000 for traffic and parking fines,³ which appear reasonable based on the recorded revenues

1 The City typically receives AIM payments in September and December. For the September 2020 payment, 20 percent of the City's \$719,231 scheduled AIM payment was withheld.

2 The Budget is deemed out of balance for the fiscal year, and these powers are activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during the year (April 1-30, May 1-June 30, and July 1-December 31). The *FY 2021 Enacted Budget Financial Plan* is available at: <https://www.budget.ny.gov/pubs/archive/fy21/enac/fy21-enacted-fp.pdf>

3 \$925,000 for traffic fines and \$700,000 for parking fines

of approximately \$1.7 million in 2018 and \$1.6 million in 2019. However, based on the recorded revenues for the first nine months of 2020, we project that the City will only realize approximately \$550,000 in revenues for traffic and parking fines in 2020, resulting in a potential revenue shortfall of approximately \$1 million. City officials told us these revenues have been impacted by circumstances caused by the pandemic in 2020, but anticipate the revenues returning to historical amounts in 2021. We caution the Council to be mindful of this when adopting the budget. In addition, City officials should closely monitor these revenue estimates throughout 2021 and develop a plan to balance the budget in the event the revenue projections are not fully realized.

Appropriated Fund Balance – The proposed general fund budget includes \$1,227,947 in appropriated fund balance as a financing source. City officials project the general fund having an unassigned fund balance of approximately \$3 million at the end of 2020 or the same amount as the recorded unassigned fund balance at the end of 2019. However, as of the time of our review, the independent audit report of the City’s financial statements for the 2019 fiscal year had not been issued and therefore, the 2019 amount of unassigned fund balance has not been verified.⁴ In addition, due to the continuously evolving circumstances caused by the pandemic, the general fund’s results of operations for the remainder of 2020 could be significantly impacted. As a result, City officials should closely monitor the general fund’s results of operations for the remainder of 2020 to ensure that the amount of appropriated fund balance included in the 2021 proposed budget is available to finance the general fund’s operations in 2021. If any of the appropriated fund balance is not available, City officials should develop a plan to balance the budget.

Refuse Fund

Revenues – In recent years, the City has predominantly financed the refuse fund’s operations through the assessment of an annual solid waste management fee per unit.⁵ The proposed refuse fund budget includes a change to this revenue model, decreasing the current solid waste management fee of \$180 per unit to \$136 per unit and including estimated revenues of \$1.1 million for fees for garbage bag sales that the City has not previously assessed. The new estimated revenues are to be realized by residents having to purchase City-issued garbage bags to dispose of their solid waste starting on April 1, 2021. The proposed fees for garbage bags are \$1.25 per 15 gallon bag and \$2.00 per 30 gallon bag. City officials told us that they plan to contract with a vendor to administer the sale of garbage bags.⁶

The estimated revenues for garbage bag sales is based on a projection provided by a consultant. However, the potential realization of these revenues is contingent upon the Council’s authorization⁷ and approval of the new fees. It is essential the Council make the appropriate modifications to the City Code prior to adopting the budget if it decides to implement these new

4 City officials told us the independent audit report would be issued in November 2020.

5 The annual solid waste management fee per unit was \$164 in 2019 and \$180 in 2020. In 2020, the City also began assessing commercial properties the annual solid waste management fee per unit multiplied by the number of days solid waste is collected at the property each week.

6 City officials told us the anticipated contract would consist of the vendor retaining a set percentage of each garbage bag sale to compensate them for their services and the remaining share being remitted to the City. The City would recognize their share as revenue for garbage bag sales.

7 The City Code currently does not authorize fees to be charged to residents for the purchase of City-issued garbage bags in order for them to dispose of their solid waste.

fees. If the fees are not authorized, or are authorized and approved at different amounts than the proposed fees, the refuse fund budget should be modified accordingly.

Tipping Fees – The City pays a tipping fee per ton⁸ for disposing of municipal solid waste. The proposed refuse fund budget includes \$648,999 in contractual appropriations for tipping fees for residential pickup, which is approximately \$300,000 (32 percent) less than both the recorded expenditures incurred in 2019 and projected expenditures to be incurred in 2020. City officials reduced the projected expenditures based on the anticipation of realizing savings when the City implements the proposed new revenue model for the refuse fund. To calculate the projected reduction in expenditures, City officials utilized a projection from a consultant of the anticipated reduction in municipal solid waste the City will dispose of if they implement the new revenue model. However, the potential realization of any savings is contingent upon the Council’s authorization of the new revenue model. If the new revenue model is not authorized, the contractual appropriations for tipping fees for residential pickup should be modified accordingly.

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 \$20,697 contingency appropriation, or less than 0.5 percent of the total budgeted appropriations of approximately \$4.6 million. This provides the City with minimal flexibility in the event of unforeseen circumstances that may require additional funds in the refuse fund.

If the Council authorizes the proposed new revenue model for the refuse fund, due to a lack of historical data, City officials should closely monitor the refuse fund throughout 2021 and make modifications as necessary.

Collective Bargaining Agreements

As of the time of our review, two of the City’s six CBAs have expired and another CBA is set to expire at the end of 2020 (Figure 2). The CBAs cover the salaries and wages of approximately 330 City employees. The City faces potential increased salary and wage costs when these agreements are settled.

Figure 2: CBA Expiration Dates	
Bargaining Unit	CBA Expiration Date
Uniformed Firefighters Association	12/31/2018
Command Officers Association of Troy	12/31/2019
Civil Service Employees Association	12/31/2020

The 2021 proposed budget includes a contingency appropriation of \$1,057,870 in the general fund and \$20,697 in the refuse fund. The contingency appropriations provide some financial flexibility

⁸ The current tipping fee charged to the City is \$62.21 per ton and will be adjusted in 2021 to reflect the change in the consumer price index.

in the general fund and minimal flexibility in the refuse fund related to any settlements. City officials should consider the potential financial impact in the event that any of the CBAs are settled in 2021.

Tax Cap Compliance

General Municipal Law Section 3-c establishes 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 first adopts a local law to override the tax levy limit.

The City's proposed budget includes a tax levy of \$26,922,132.⁹ In adopting the 2021 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 Gary G. Gifford, 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
Gary G. Gifford, Regional Chief Examiner

⁹ 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.