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May 4, 2023

Honorable Michael Cinquanti, Mayor
Members of the Common Council
City of Amsterdam
City Hall, 61 Church Street
Amsterdam, NY 12010

Report Number: B23-5-4

Dear Mayor Cinquanti and Members of the Common Council:

Chapter 531 of the Laws of 2019 authorized the City of Amsterdam (City) to issue debt not to exceed \$8.3 million to liquidate the cumulative deficits in the City's general, transportation, sewer and recreation funds accumulated as of June 30, 2018. Additionally, Chapter 531 requires the City to submit to the State Comptroller, starting with the fiscal year during which it was authorized to issue the deficit obligations, and for each subsequent fiscal year during which the deficit obligations are outstanding, its proposed budget for the next succeeding fiscal year.

The proposed budget must be submitted no later than 30 days before the last date on which the budget must be finally adopted by the Common Council (Council). 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 2023-24 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?

Based on the results of our review, the significant revenue and expenditure projections are reasonable. However, we identified certain revenue and expenditure projections and other matters that should be reviewed by the Mayor and Council. In addition, City officials did not implement all of the recommendations in our previous budget review letter¹ when preparing the 2023-24 proposed budget.

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 2023-24 fiscal year (summarized in Figures 1, 2 and 3) consisted of the following:

- Budget Message
- 2023-24 Proposed Budget
- Supplementary Information

Figure 1: 2023-24 Proposed Budget				
Fund	Appropriations and Provisions for Other Uses	Financing Sources		
		Estimated Revenues	Appropriated Fund Balance	Real Property Taxes
General	\$20,597,186	\$14,684,127	\$0	\$5,913,059
Water	\$8,139,476	\$6,440,847	\$1,698,629	\$0
Sewer	\$5,598,662	\$5,598,662	\$0	\$0
Refuse	\$2,983,971	\$2,983,971	\$0	\$0
Recreation ^a	\$939,933	\$939,933	\$0	\$0

a) The recreation fund is used to account for the operations of the Amsterdam Municipal Golf Course.

In accordance with Chapter 531 requirements, the Mayor and Council should review the findings and take appropriate action as necessary.

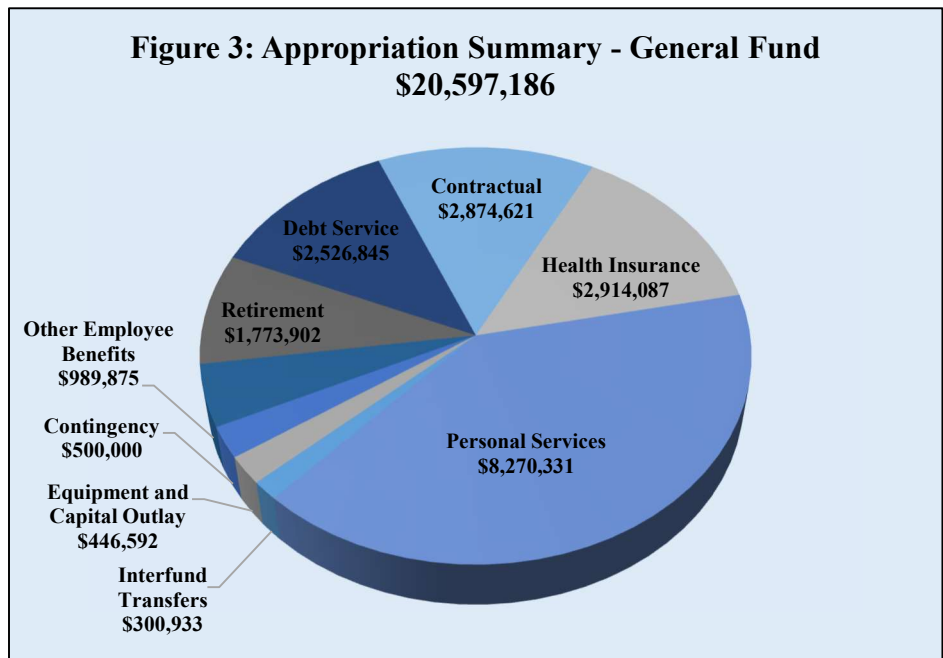
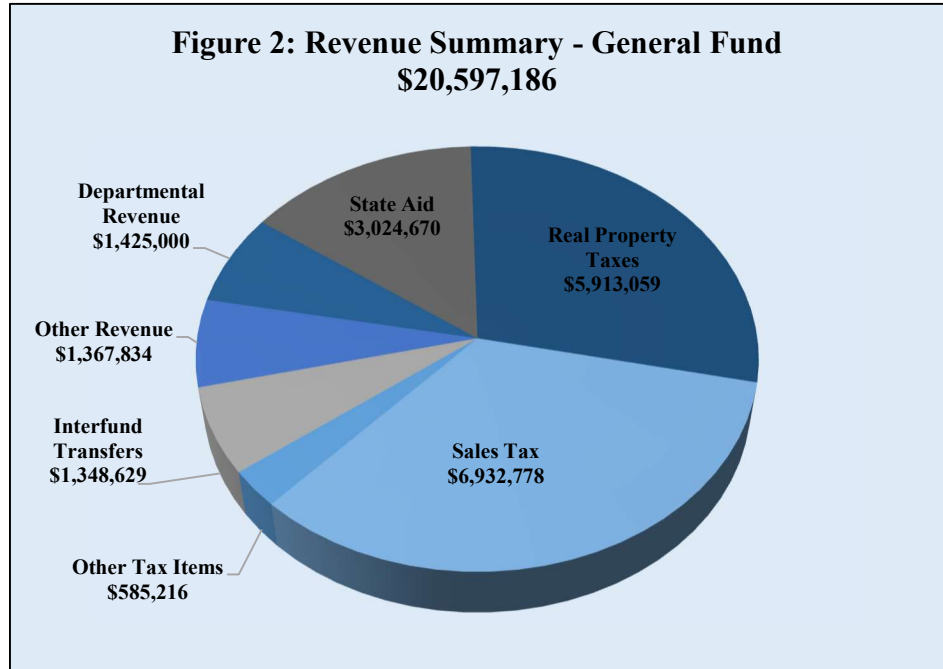
¹ <https://www.osc.state.ny.us/files/local-government/audits/2022/pdf/amsterdam-budget-review-b22-5-3.pdf>

Proposed Budget Submission

The City Charter (Charter) requires the Mayor to submit to the Council a proposed City operating budget for the ensuing fiscal year on or before the first day of April each year. The Mayor submitted the 2023-24 proposed budget to the Council on April 19, 2023, or 18 days after the Charter-established deadline.

The untimely submission of the proposed budget has reduced the Council's time to both review the proposed budget prior to the public hearing and prepare any necessary modifications to the proposed budget prior to adopting the budget.

As recommended in our two previous budget review letters, the Mayor should ensure future proposed budgets are submitted to the Council on or before the deadline.



Interfund Transfers

As in recent years, the proposed general fund budget is not structurally balanced because the City is relying on a \$1,348,629 subsidy from the water fund through an interfund transfer to finance the general fund's operations. We caution City officials that the general fund's reliance on the water fund to cover operating expenses could negatively impact the water fund's financial condition.

In addition, as in recent years, the proposed recreation fund budget is not structurally balanced, and the recreation fund is projected to not be self-sufficient. Specifically, the City is relying on a \$300,933 subsidy from the general fund through an interfund transfer to finance the recreation fund's operations.

City officials should closely monitor the recreation fund's actual results of operations throughout 2023-24 and make any interfund transfers from the general fund to the recreation fund that are necessary to finance the recreation fund's operations. However, City officials should also continue to evaluate and explore ways to make the recreation fund self-sufficient.

Allocation of Appropriations

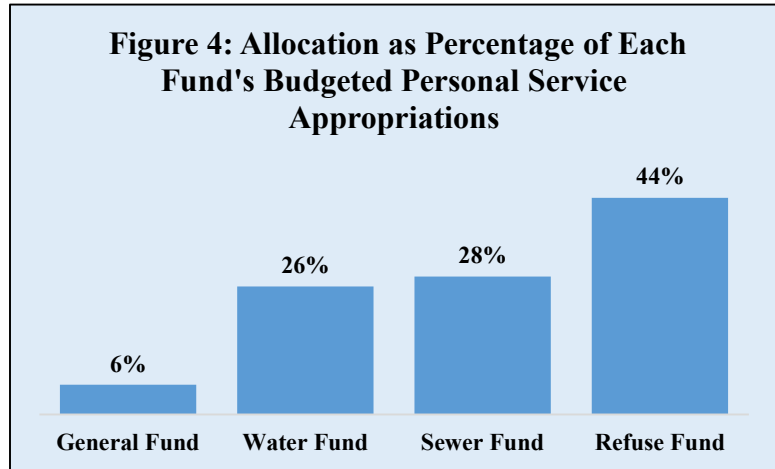
The proposed budget allocates certain appropriations for personal services, contractual expenditures and employee benefits between the operating funds using various allocation methods. However, City officials could not provide us with support for all of the allocation methods, such as the direct relationship between the services to be provided to the funds and the appropriations allocated to them. This continues even though our three previous budget review letters recommended that City officials should develop an allocation plan based on detailed analysis.

Due to the City's lack of detailed analysis for determining the actual amount and cost of services provided to each fund, we could not determine the amount of appropriations that should have been allocated to each fund. In addition, we question the equity of some of the City's allocations in the proposed budget.

For example, appropriations for personal services for 13 of the City's departments² totaling approximately \$1.9 million are allocated in the proposed budget between the general, water, sewer and refuse funds in equal allocations of 25 percent, or approximately \$484,000 each. City officials told us this is done to allocate administrative costs between the funds. However, this is not an adequate method of allocation because it assumes that each of these departments will provide equal amounts of services to each of the funds. In addition, based on the functions performed by each of these departments, we question whether they are all providing services to support the City's water, sewer and refuse operations.

² The 13 departments include the Council, Mayor's office, Controller's office, Assessor's office, City Clerk's office, Corporation Counsel, Civil Service, Employee Relations, City Hall maintenance, Animal Control Officer, Code Enforcement office, Engineer's office and Community and Economic Development office.

The approximate \$484,000 allocation to the water, sewer and refuse funds represents a significant percentage of each fund's total budgeted appropriations for personal services compared to the general fund (Figure 4).



Contractual appropriations for the same 13 departments totaling more than \$400,000 are also allocated in the proposed budget between the operating funds.³

However, the City does not use the same allocation method that is used for personal services appropriations. Historically, the allocation has consisted of each fund's total budgeted appropriations as a percentage of the total budgeted appropriations for all funds, rounded to a whole percent. However, the allocation for each fund was not recalculated by using the budgeted appropriations from the proposed budget. Instead, the allocation for each fund in the proposed budget is based on the previous year's calculated allocation. In addition, other miscellaneous contractual appropriations (e.g., postage) totaling more than \$800,000 are allocated in the proposed budget in the same manner.

The allocations totaling more than \$1.2 million consisted of approximately \$698,000 to the general fund, \$244,000 to the water fund, \$209,000 to the sewer fund, \$88,000 to the refuse fund and \$13,000 to the recreation fund.

Appropriations for personal services for 23 employees in the Department of Public Works totaling approximately \$1.2 million are also allocated in the proposed budget between the general, water, sewer and/or refuse funds in various percentages. The allocations consisted of approximately \$532,000 to the general fund, \$74,000 to the water fund, \$366,000 to the sewer fund and \$202,000 to the refuse fund. City officials told us this is done because these employees perform work for multiple funds. However, City officials do not maintain records of the actual work performed by these employees to support these allocations.

Budgeted appropriations for certain employee benefits (e.g., New York State and Local Employees' Retirement System contributions) are allocated to the operating funds based on the budgeted appropriations for personal services. As a result, the manner in which the City allocates appropriations for personal services to the operating funds also directly impacts the allocation of appropriations for employee benefits.

Without allocation methods that are supported, certain funds may assume an inequitable burden for costs that do not apply to their operations. This could result in taxpayers or ratepayers being

³ Twelve of the 13 departments' contractual appropriations are allocated between the general, water, sewer and refuse funds, but contractual appropriations for the Employee Relations department are also allocated to the recreation fund.

inequitably charged for the actual services provided by each fund. City officials should develop an allocation plan based on detailed analysis that ensures costs allocated to each fund are directly related to its operations.

Collective Bargaining Agreements

As of the time of our review, three of the City’s seven collective bargaining agreements (CBAs) had expired (Figure 5).

Figure 5: CBA Expiration Dates	
Bargaining Unit	CBA Expiration Date
Amsterdam Police Superior Officers Association, Inc.	6/30/17
Civil Service Employees Association (Wastewater Facility)	6/30/21
Amsterdam Police Benevolent Association, Inc.	6/30/22

The CBAs cover the salaries and wages of approximately 50 City employees in the general and sewer funds. The City faces potential increased salary and wage costs when these agreements are settled.

The proposed budget includes a contingency appropriation of \$500,000 in the general fund and \$260,000 in the sewer fund. The contingency appropriations provide some financial flexibility related to any settlements. City officials should consider the potential financial impact in the event that any of the CBAs are settled in 2023-24.

Tax Cap Compliance

General Municipal Law Section 3-c establishes a tax levy limit on local governments. 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 \$6,340,466,⁴ which is within the limit. In adopting the 2023-24 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

⁴ This amount includes the City’s proposed budget tax levy, overlay and pro rata taxes.

cc: Cassandra Kinowski, Deputy City Controller
Stefanie Gerken, City Clerk
Hon. Andrea Stewart-Cousins, NYS Senate Majority Leader
Hon. Carl E. Heastie, NYS Assembly Speaker
Hon. Liz Krueger, Chair, NYS Senate Finance Committee
Hon. Helene E. Weinstein, Chair, NYS Assembly Ways and Means Committee
Hon. Angelo Santabarbara, NYS Assembly
Hon. Neil Breslin, NYS Senate
Robert Megna, Director, Division of the Budget
Gary G. Gifford, Regional Chief Examiner