



Town of Lisle

Highway Department Long-Term Planning

2022M-183 | March 2023

Contents

- Report Highlights 1**

- Highway Department Long-Term Planning. 2**
 - How Does a Town Board Establish Long-Term Capital and Financial Plans? 2
 - The Board Did Not Establish Long-Term Capital and Financial Plans. 3
 - What Do We Recommend? 5

- Appendix A – Response From Town Officials 6**

- Appendix B – Audit Methodology and Standards 7**

- Appendix C – Resources and Services. 9**

Report Highlights

Town of Lisle

Audit Objective

Determine whether the Town of Lisle (Town) officials established long-term capital and financial plans to address the Town's Highway Department equipment and vehicle needs.

Key Findings

Town officials did not establish long-term capital and financial plans, which provide a framework to assess the Town's capital and financial needs and identify appropriate funding and financing approaches to address them. As a result:

- 10 of the 15 pieces of major highway equipment and vehicles (67 percent) in use were between three and 17 years beyond their optimal usable life.
- Out of the 10 pieces of major highway equipment and vehicles reviewed, seven required repairs during the audit period totaling approximately \$94,000. A loader, which is seven years beyond its usable life, accounted for approximately \$66,000, or 70 percent, of these total repair costs.
- The Town Board (Board) has not established any highway equipment capital reserve funds to save funds for asset replacement.

Key Recommendations

- Develop long-term capital and financial plans.
- Establish and fund reserves for highway equipment capital needs.

The Town Supervisor indicated he would follow the Board's lead in taking corrective action.

Background

The Town is located in Broome County and includes the Village of Lisle within its borders.

An elected five-member Board, which is composed of the Town Supervisor (Supervisor) and four Board members, is responsible for making financial decisions that are in the best interest of the Town and its taxpayers and residents. This includes planning for the future and setting long-term capital and financial priorities and goals.

An elected Highway Superintendent is primarily responsible for the maintenance and repair of Town roads and highway equipment and vehicles.

Quick Facts

Pieces of Major Highway Equipment and Vehicles	15
Pieces of Major Highway Equipment and Vehicles Beyond Usable Life	10
Estimated Replacement Cost for Equipment and Vehicles Beyond Usable Life	\$1.7 million
2022 Highway Town-Wide Appropriations	\$730,288
2022 Highway Town-Outside-Village Appropriations	\$583,798

Audit Period

January 1, 2021 – July 31, 2022.

We extended our audit period through October 18, 2022 to review support for the purchase of a new loader.

Highway Department Long-Term Planning

Subsequent to our audit period, the Highway Superintendent (former Superintendent) retired and a new Highway Superintendent (current Superintendent) took office in January 2023.

How Does a Town Board Establish Long-Term Capital and Financial Plans?

A town board establishes long-term capital and financial plans by balancing capital priorities with fiscal constraints. Officials should create a comprehensive inventory of the town's capital assets to gain perspective on current capital and major equipment and vehicle needs. The process of prioritizing capital investments can make sure key assets are repaired or replaced before an emergency occurs. Furthermore, the highway superintendent should perform cost-benefit analyses to determine which equipment and vehicles should be repaired versus replaced.

A capital plan should have a clear mission to maintain and improve a town's capital assets over time. The plan must balance capital priorities with fiscal constraints. It should be as comprehensive as possible, encompassing all major public assets that have a significant usable life. It should also establish parameters for how capital assets will be financed. Finally, it should be flexible enough to respond to new needs and deal with emergencies.

Highway superintendents are required to annually provide to the town board on or before September 30th a written inventory list of all machinery, tools and equipment, indicating the value of each item and estimated cost of all necessary repairs. Highway superintendents are also required to provide to the town board written recommendations as to what machinery, tools and equipment should be purchased and the probable cost.

The town board can establish and fund capital reserves for the future acquisition and repair of capital assets as part of its long-term capital and financial plans. Balances of reserve funds should be monitored to ensure funds remain for planned expenditures.

Town boards and highway superintendents should determine when replacement of assets could be expected and use this information to help establish long-term capital and financial plans. Town boards and highway superintendents can use the New York State Department of Transportation's (NYSDOT) optimal usable life document to help determine when replacement of assets could be expected. This document provides an estimated optimal usable life, in years, as well as an estimated replacement value for each type and class of vehicle and equipment that are generally used by highway departments. Although usable life may not always indicate how long a particular vehicle or piece of equipment will last, town

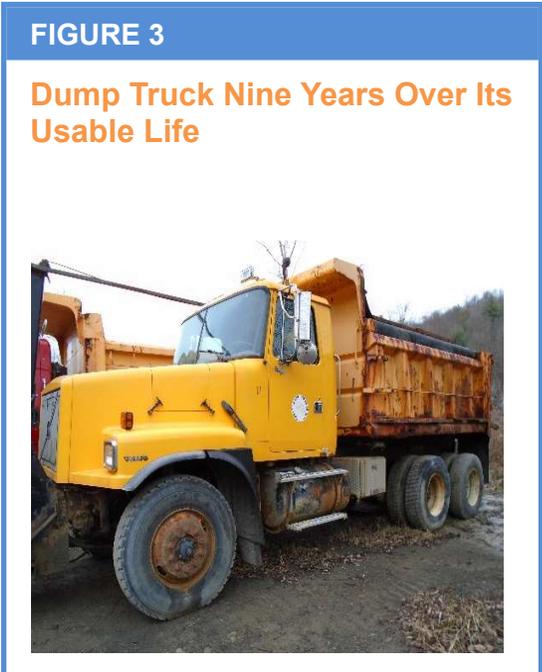
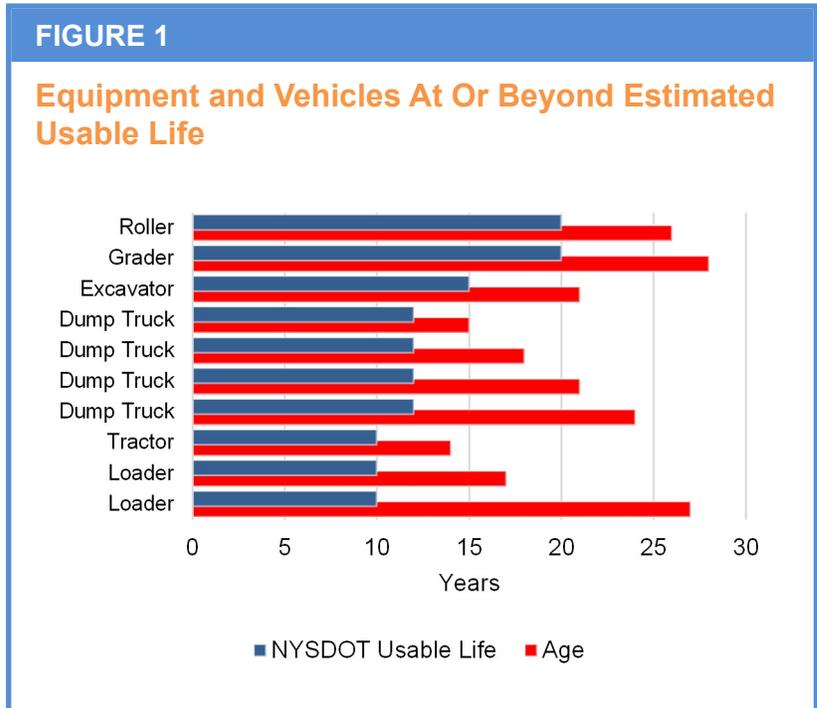
A capital plan should have a clear mission to maintain and improve a town's capital assets over time.

officials should develop their own estimated usable life criteria based upon their individual experience and consider this information when developing a long-term plan for equipment replacement.

The Board Did Not Establish Long-Term Capital and Financial Plans

The Board did not develop or establish long-term capital and financial plans. As of July 31, 2022, the Town’s Highway Department had 15 pieces of major highway equipment and vehicles, with 10 at or beyond their usable life by an average of nearly eight years (Figure 1). Examples of such equipment and vehicles are included in Figures 2 and 3.

The former Superintendent told us that the costs of repairs have increased due to the aging of the major highway equipment and vehicles. We analyzed the repair costs for all seven pieces



of major highway equipment and vehicles requiring repair¹ during our audit period to determine the total cost of repairing these items. During our audit period, the Town incurred repair costs totaling approximately \$94,000, and a loader (seven years over its optimal usable life) accounted for approximately \$66,000, or 70 percent of all repair costs reviewed. These loader repair costs – which included rebuilding and replacing major components of the loader as a result of an unexpected breakdown – made up 36 percent of the net cost of a new loader (\$183,000). According to the current Superintendent, the decision to repair instead of replacing this loader included several factors – the loader would not have had any significant trade-in value in the condition it was in; Town officials were already looking into replacing the Town’s older loader with a new loader; and the repairs included a one-year warranty. The current Superintendent told us that he expects these repairs will have extended the loader’s usable life by approximately five years, especially since it will now serve as the Town’s backup loader.

Based on discussions with the former Superintendent, the replacement costs for the assets over their usable life may total up to \$1.7 million. However, the Board has no formal long-term capital or financial plans in place, and it has not established any highway equipment capital reserve funds to save funds for asset replacement.

The former Superintendent provided the Board with a written inventory list in October 2021 indicating the value of each item; however, the Supervisor told us that this was the first time he had received an inventory list that contained vehicle condition and their expected value. This inventory list did not include the estimated cost of repairs or what equipment should be purchased, along with their probable cost. The former Superintendent and Supervisor told us they are aware that the highway equipment and vehicles are aging. The former Superintendent also told us that repair costs fluctuate from year to year and the time to receive new equipment and vehicles once an order is placed is increasing due to dealers’ limited supplies. As a result of a lack of planning and not establishing adequate plans and reserves, the Town could be prevented from providing adequate services if equipment and vehicles start to fail on a regular and consistent basis.

Subsequent to our audit testing, in October 2022, Town officials traded in a loader that was 17 years beyond its usable life and purchased a new loader for a net cost of approximately \$183,000 (Figure 4).

Without written long-term plans, it is difficult for the Board to properly manage and fund the replacement of Highway Department vehicles and equipment. A

¹ We deducted routine maintenance expenditures (i.e., oil changes, brake replacement and tire replacement) from the repair costs.

multiyear capital plan helps manage these investments by scheduling Town expenditures over a number of years and by creating a financing plan to meet those expenditures.

Town officials did not prepare cost-benefit analyses to determine whether it was more cost-effective to repair or replace specific vehicles and equipment. The Supervisor told us that the Town benefits from the Highway Department employees performing some of the repairs, especially during workload downtime. However, without sufficiently addressing the Town's long-term capital needs, Town officials may be spending more than necessary on equipment repairs. Furthermore, in the event of a failure of multiple pieces of equipment or vehicles, the Town may not be able to provide the necessary services to residents or may face significant unfunded future expenditures. We provided Town officials with the *Capital Assets*² and *Multiyear Capital Planning*³ Local Government Management Guides.

FIGURE 4

New Loader



What Do We Recommend?

The Board should:

1. Develop long-term written capital and financial plans to help ensure financial resources are available to replace highway capital assets in a timely manner.
2. Establish and fund highway equipment capital reserves.

The Superintendent should:

3. Develop procedures, such as cost-benefit analyses, to analyze whether it is more cost-effective to repair or replace specific vehicles and equipment.
4. Include the estimated costs of all necessary repairs and what equipment should be purchased, along with their probable cost, on the written inventory list of all machinery, tools and equipment submitted to the Board each year.

² <https://www.osc.state.ny.us/files/local-government/publications/pdf/capital-assets.pdf>

³ http://www.osc.state.ny.us/localgov/pubs/lgm/g/capital_planning.pdf

Appendix A: Response From Town Officials



TOWN OF LISLE

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SUPERVISOR

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Brenda Tillotson
TOWN CLERK

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Town of Lisle

Feb. 21, 2023

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Binghamton, N.Y. 13901

Re: Report of Examination 2022M-183

I presented your Report to the Lisle Town Board.

One Board member said she would support a General Fund Capital Account for future purchases of equipment.

Everyone else said they wish to leave it as it is.

So, as I told you, I will do as the Town Board wishes.

Supervisor,

Town of Lisle

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 capital plans.
- We interviewed Town officials and highway employees to gain an understanding of the highway operations. We also reviewed Town policies and procedures, the Town's asset listing and toured the highway facility to view major highway equipment and vehicles that the Town owns. We verified the age of the equipment and vehicles by reviewing the Town's insurance listing and assessed the condition of the equipment and vehicles during our visual inspection and interviews with highway employees.
- We compared the production year of the major highway equipment and vehicles to the NYSDOT optimal usable life guidelines to determine the equipment and vehicles' remaining usable life. We also interviewed the former Superintendent and reviewed fair market value prices for seven of the 15 pieces of major highway equipment and vehicles to determine whether the former Superintendent's estimated replacement costs were reasonable.
- We interviewed Town officials and reviewed Board meeting minutes to determine whether the Board established a capital reserve fund for vehicle and equipment replacement.
- We reviewed the Town's highway funds' appropriation reports, claim vouchers and invoices, and the Highway Department's vehicle repair logs to calculate the Town's repair costs for all seven pieces of major highway equipment and vehicles in need of non-routine repairs during our audit period. We did not include routine maintenance expenditures (i.e., oil changes, brake replacement and tire replacement) as part of our calculation of the total cost of repairing these vehicles.
- We reviewed supporting documentation related to the purchase of a new loader to identify the purchase date and purchase price.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning

the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. 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 Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/fiscal-monitoring

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/resources/planning-resources

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

www.osc.state.ny.us/files/local-government/publications/pdf/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/local-government/required-reporting

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www.osc.state.ny.us/local-government/publications

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