



Town of Tioga

Long-Term Planning

2022M-181 | March 2023

Contents

Report Highlights	1
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.	2
What Do We Recommend?	7
Appendix A – Responses From Town Officials	8
Appendix B – OSC Comments on the Town’s Responses	12
Appendix C – Audit Methodology and Standards	13
Appendix D – Resources and Services	15

Report Highlights

Town of Tioga

Audit Objective

Determine whether Town of Tioga (Town) officials established long-term capital and financial plans.

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, half of the Town's vehicles and pieces of major highway equipment are beyond their usable life by an average of nearly 15 years, including two pieces of equipment that required repairs or alterations which may impact employee safety.

The New York State Department of Transportation (NYSDOT) rated a Town-owned bridge as being in poor condition in 2019. While officials have set aside \$51,539 for bridge repairs, the Highway Superintendent (Superintendent) estimates the lowest cost to repair the bridge to good condition is \$200,000 and replacing the bridge could cost \$1.4 million.

Key Recommendations

- Develop long-term capital and financial plans.
- Consider funding reserves for the Town's capital project and highway capital equipment needs.

The Supervisor and Superintendent submitted separate responses to our report. Both generally disagreed with our recommendations but the Superintendent indicated he has taken certain corrective action. Appendix B includes our comments on certain issues they raised in their responses.

Background

The Town is located in Tioga County. An elected five-member Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four Board members, is responsible for the general management of the Town's operations and finances.

The Board is also 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 Superintendent is primarily responsible for the maintenance and repair of Town roads and highway equipment.

Quick Facts

Pieces of Highway Equipment and Vehicles	
Major Equipment	13
Vehicles	11
Total	24
Major Equipment and Vehicles Exceeding NYSDOT Usable Life	
Number of Vehicles and Pieces of Equipment	12
Average Vehicle and Equipment Age	27 years
Years Exceeding Usable Life	0 to 38
2022 Appropriations	
Highway Fund	\$1,566,825
General Fund	\$538,417

Audit Period

January 1, 2021 – June 30, 2022

We extended our audit period to October 11, 2022 to evaluate reserve balances.

Long-Term Planning

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 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 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.

The highway superintendent should provide the town board with a written inventory list of all machinery, tools and equipment, indicating the value of each item and estimated cost of all necessary repairs on or before September 30th each year. 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 reserve funds for the future acquisition and repair of capital assets. Town officials should monitor reserve fund balances to ensure funds are available 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. The town board and highway superintendent may use the New York State Department of Transportation's (NYSDOT) optimal usable life document which 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 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

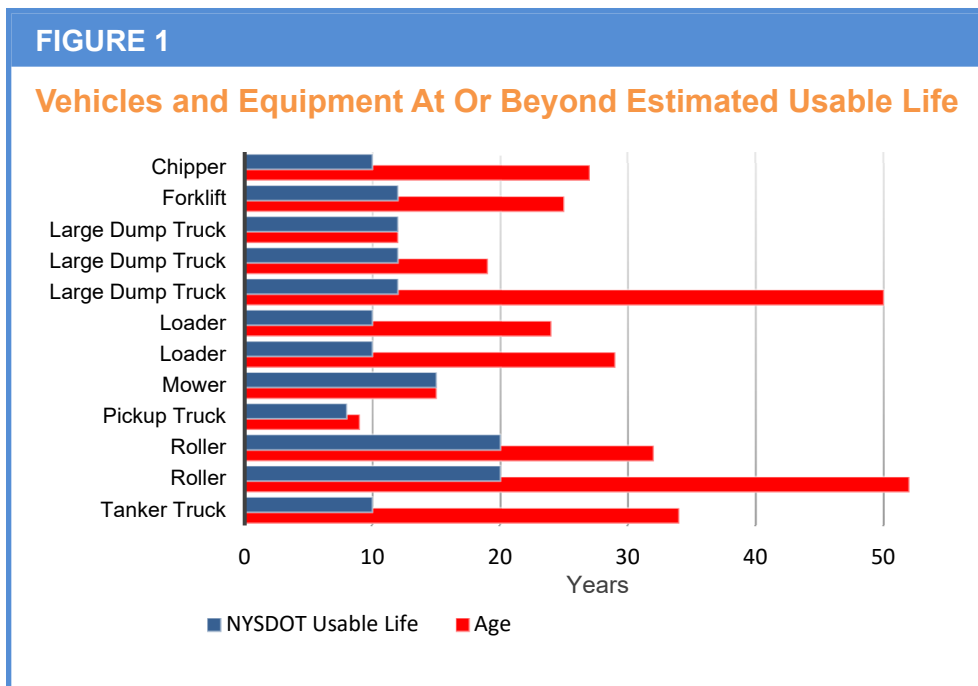
The Board did not develop or establish long-term capital and financial plans to fully address which pieces of equipment would be replaced or how they would be funded.

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

The Town had:

- Half of its vehicles and major highway equipment in operation at or beyond their usable life,
- A Town-owned bridge that NYSDOT rated as being in poor condition in 2019, and
- A highway garage that appears to need several repairs.

Highway Building and Equipment – The Town’s Highway Department had 24 vehicles and pieces of major highway equipment with 12 at or beyond their usable life by an average of nearly 15 years (Figure 1), nine of which preceded the current Superintendent. While the Superintendent maintains and submits a written inventory of all machinery, tools and equipment to the Board each year, he does not formally update the Board on the equipment’s condition and only addresses short-term needs to be covered in the upcoming fiscal year.



The Supervisor and Superintendent told us they are aware that the highway equipment is aging. However, the Superintendent did not prepare cost-benefit analyses to determine whether it was more cost-effective to repair or replace specific vehicles and equipment.

We analyzed the repair and maintenance costs¹ for all vehicles and major highway equipment during our audit period to determine the total cost of repairing them. During our audit period, the Town incurred costs totaling \$92,687 that were attributable to specific vehicles or pieces of equipment. Two trucks with the highest repair costs, totaling \$34,477, were at or over their optimal usable life and accounted for 37 percent of all repair and maintenance costs reviewed.

Furthermore, at least two pieces of equipment at the end of their usable life required repairs or alterations which may impact employee safety. For example, the boom broke on a mower at the end of its estimated usable life, puncturing the tire, damaging the front wheel rim and breaking the cab glass, which could have resulted in serious personal injury (Figure 2). Additionally, due to its age and the inability to obtain repair parts, one Town roller was wired to bypass a safety switch (Figure 3). If a Highway Department employee is injured while operating the roller, the intentional alteration of a safety feature could increase the Town's potential litigation and/or workers' compensation liability. At the completion of our fieldwork, the Superintendent and Supervisor stated that the roller will no longer be used and they began discussing replacement options. Additionally, on October 11, 2022 and January 10, 2023, the Board approved the purchase of two new dump trucks to replace older trucks.

FIGURE 2

A Wheel And Tire Damaged By A Broken Boom



FIGURE 3

Roller With Bypassed Safety Switch



[A]t least two pieces of equipment at the end of their usable life required repairs or alterations which may impact employee safety.

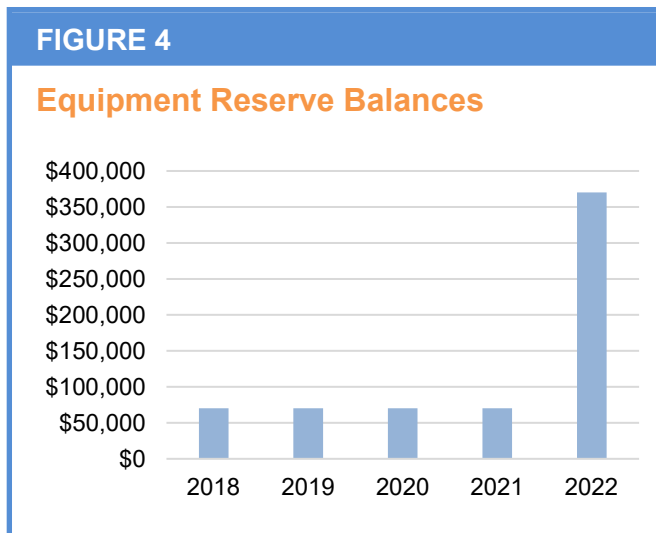
¹ We were unable to separate repair costs from routine maintenance costs because the Town's records did not track repair and routine maintenance costs separately. Stated figures represent combined repair and maintenance costs.

Based on discussions with the Superintendent, the replacement costs for the assets over their usable life may total up to \$1.8 million. Although the Board has no formal long-term capital or financial plans in place, it previously established a highway equipment capital reserve fund with a balance of \$370,176 as of October 11, 2022 (Figure 4).

Repair costs may have been minimized due to Highway Department employees' ability to fabricate parts and make their own repairs. However, without sufficiently addressing the Town's long-term capital needs, Town officials may be spending more than necessary on equipment repairs.

In addition, the Town could be prevented from providing adequate services if equipment starts to fail on a regular basis and Highway Department employees are unable to make the repairs. Furthermore, the aging vehicles and equipment increase the risk of potential liability. Lastly, as additional equipment exceeds its usable life in the future, the amounts needed to replace the aging equipment will increase and may potentially be unfunded.

In addition to the vehicles and major highway equipment, the Town has an aging highway garage the Board has discussed repairing or replacing. While onsite, we noted potential future structural issues at the garage, including a deteriorating support column (Figure 5) and a rusting metal roof. The Board previously established a capital reserve fund for buildings with a balance of \$102,184 as of October 11, 2022.



With no adequate capital plan and reserve in place, the Town may need to fund this project through financing or other funding sources, which could lead to increased property taxes. Moreover, the highway garage's worsening condition could eventually prevent the Town from providing adequate services if Highway Department employees are unable to store and repair equipment within.

Town-Owned Bridge – The Town is responsible for the repair and maintenance of a bridge categorized by NYSDOT as being in poor condition (Figures 6 and 7), which is the lowest rating for a bridge that can handle traffic.² In 2019, the bridge's load rating was downgraded from 12 tons to 10 tons due to structural issues, which required officials to post the load limit restrictions. The Superintendent told us that while they periodically do work to address the bridge issues, the load rating will continue to be downgraded if no significant repairs are completed.

Furthermore, the bridge may ultimately be converted into a single lane bridge should the deterioration continue. In 2021, engineers submitted an estimated replacement cost of \$1.4 million to officials. The Superintendent estimated the lowest cost to repair the bridge to good condition to be approximately \$200,000. However, the Town's bridge reserve had a balance of \$51,539 as of October 11, 2022.

FIGURE 6

Town-Owned Bridge in Poor Condition



FIGURE 7

Rusted Bridge Support Girder



² The fact that a bridge is in poor condition does not imply that it is unsafe or likely to collapse. A poor bridge, when left open to traffic, typically requires posting for weight limits, significant maintenance and repair to remain in service and eventual rehabilitation or replacement to address deficiencies.

Without written long-term plans, it is difficult for the Board to properly manage and fund the replacement of Highway Department vehicles and equipment, maintain roads and bridges, or finance capital projects. A multiyear capital plan helps manage these investments by scheduling expenditures over a number of years and by creating a financing plan to meet those expenditures, which may include funding reserves. We provided Town officials with the *Capital Assets*,³ *Reserve Funds*⁴ and *Multiyear Capital Planning*⁵ Local Government Management Guides.

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. Consider funding capital reserves as part of the Town's long-term planning efforts to set aside funds formally and legally for identified future Highway Department expenditures.

The Superintendent should:

3. Formally update the Board on the equipment's condition and continue to address both long-term and short-term equipment needs.
4. Develop procedures to analyze whether it is more cost-effective to repair or replace specific vehicles and equipment.
5. Separately track repair and routine maintenance costs.
6. Ensure repairs do not intentionally alter factory safety features, such as the roller identified in this report.

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

4 <https://www.osc.state.ny.us/files/local-government/publications/pdf/reserve-funds.pdf>

5 http://www.osc.state.ny.us/localgov/pubs/lgmg/capital_planning.pdf

Appendix A: Response From Town Officials

Town officials referred to draft page numbers as part of their responses. Page numbers have changed when formatting the final report.

TOWN OF TIoga Est. 1788
54 FIFTH AVENUE
BARTON, NY 13734



607-687-2232 (Town Clerk)
607-687-3480 (Twp. Eng.)
607-687-0241 (State & Gen'l. Bldg. Insp.)
607-687-0843 (Code Enforcement)
607-687-1682 (Assessor)
607-687-4727 (Twp. Eng.)
607-687-0123 Ext. 5 (Dog Control)
607-687-7570 (1-800-662-6611)

February 22, 2023

To: Office of the New York State Comptroller
Division of Local Government & School Accountability
110 State St, 12th Floor
Albany, NY 12236

I'm sure all towns who have been audited by the comptroller's office have found it enlightening to say the least. For some reason positive comments on towns that are doing a good job running their towns seems to be lacking. Not sure why it needs to take 7-8 months to do an audit on a town that has operated on a balanced budget with no debt for the last 80 to 100 years. It's interesting how someone in a state job with no expertise or experience in buying and maintaining equipment in a daily operation of a highway department are somehow experts on life expectancy and the replacement of equipment. It's interesting that a town, here in Tioga County, run by everyday working people, living in the real world in upstate New York and unimpressed by the tax and spend policies of those trying to run state government in the fantasy world in Albany, has just advertised for a used grader for their town because of the outrageous cost of a new machine.

The Town has always had a Long Term Plan in place it was just identified in a different manner of view than what the Auditors see it as. We have Reserve Funds but a lot of our balances have also been kept in savings accounts which are updated monthly and the balances are read aloud at every monthly Board Meeting, on the second Tuesday of the month at 7:00pm at the Town Hall unless otherwise advertised. To suggest that the town needs to spend 1.8 million to update our highway equipment while being strapped by the state with a 2% tax cap while inflation has consistently exceeded that is a little hard to wrap your head around. Apparently operating on a budget deficit for the last how many years shouldn't be a deterrent to local government either. This is not to say that audits should not be done, as much money has been recovered that has been misused in many instances. It's too bad the governor and those in Albany who think NYS taxpayers are a cash cow can't be controlled in the same way

For the past eight to ten years the State Governor's Office has held The Town to a maximum 2% Tax Cap that in itself becomes a huge challenge to build Reserves and keep the Tax Levy at acceptable rates.

I am proud to say that in the approximate thirty years that I have been involved in the control of The Town's finances that we are a debt free Town that has operated on a balanced budget.

See
Note 1
Page 12

See
Note 2
Page 12

Since the start of the Town Audit The Town Board had addressed the Reserve Concerns The OSC Auditors had and have agreed to review the Reserve Funds at the end of every fiscal year and make any necessary adjustments that The Board deems necessary.

The two pieces of equipment that are supposedly at the end of their “useful life” have either been repaired or are in the process of being replaced or repaired. No equipment will be operated in an unsafe manner.

The Diamond Valley Bridge that has been categorized by NYDOT as in poor condition has been an ongoing state of discussion for approximately ten years with no final decisions made. The Town has applied the last two years to The BridgeNY Grant to try and secure funding to replace the bridge. We were denied the grant in 2022 and are awaiting the decision on our 2023 application. If approved The Town is prepared to pay our 5% share of the construction costs. The Town continues to regularly monitor the bridge’s condition and it will not be in use if unsafe conditions arise.

The post at the Town Highway Garage that needs repair has been discussed and is slated to be repaired this Spring. The Board has also discussed the need for a new Highway Garage. One hurdle The Town faces is obtaining suitable sized land for this project as The Town does not currently own land suitably sized for it. The second hurdle would be obtaining financing for the Highway Garage.

In all the circumstances The Town has faced in the past thirty years, we have persevered and have always financially stayed within our means.

In conclusion, how would The State suggest that we stay under the 2% tax increase every year and use Fund Balance to accomplish this while also increasing the Reserve Funds at the same time while keeping a balanced budget?

See Note 2 Page 12

Lewis Zorn
Town Supervisor
Town of Tioga

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BARTON, NY 11714



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February 13, 2023

To: Office of the New York State Comptroller
Division of Local Government & School Accountability
110 State St, 12th Floor
Albany, NY 12236

I have read the draft report your office has sent for the Town of Tioga's Long-Term Planning Report of Examination and have reviewed said draft with my Town Supervisor and Local Auditors from the NYS Comptroller's Office in a meeting on 2/09/2023.

My first term as Highway Superintendent started January 1, 2020. At the time I took office in 2020, 9 out of 12 pieces of equipment were already over their useful life according to your recommended charts. My predecessor did not have a Long Term Plan in place and I was unaware that The Town should have one. Since speaking with the OSC Auditors I have personalized an outline the auditors suggested using for our Long Term Plan to help The Town have an accurate Long-Term Planning of equipment. This will be reviewed yearly in September when I always do my yearly inventory list and when equipment has been sold, purchased or decommissioned.

On page 5 of your draft report, you stated I did not keep The Board up to date on aging equipment that needs to be replaced. I have presented The Board with many quotes to replace equipment. Just in the last year I have presented quotes to replace the boom mower, pick-up truck, roller, three quotes for an excavator and two 10- wheeler trucks. This can be collaborated with The Town Board minutes that are available on our website, townoftioga.org. The Board has ordered two 10-wheeler trucks with delivery dates of 2023 and the second in 2024. These are replacing the two trucks that are older and have started costing more to repair, that you stated on page 5 of your draft report.

At the suggestion of the OSC Auditors I have also had the 10- wheeler trucks individually line itemed to more easily track repairs and costs per truck yearly. Unfortunately, Small towns do not always have the funds to keep up with DOT's suggested recommendations, especially if The Town wants to keep within the 2% tax cap that NYS imposes on us.

Diamond Valley Bridge has been categorized by NYSDOT as being in poor condition. I have been monitoring the bridge since I took over in 2020 as Highway Superintendent. With Town Board support I have applied to the BridgeNY Grant the last two years to try and secure funding for the bridge's repairs or replacement. BridgeNY denied The Town for the grant in 2022 and we are still waiting for the response for our 2023 application. If approved for this Grant the town would be responsible for about

See
Note 3
Page 12

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In conclusion, how would The State suggest that we stay under the 2% tax increase every year and use Fund Balance to accomplish this while also increasing the Reserve Funds at the same time while keeping a balanced budget?

Lewis Zorn
Town Supervisor
Town of Tioga

Appendix B: OSC Comments on the Town's Responses

Note 1

As noted in the audit report, New York State Department of Transportation statistics were used to determine the heavy equipment's useful life, and the Town's Superintendent provided the heavy equipment replacement cost estimates. In addition, the audit team had a combined 48 years of municipal operation audit experience. This experience included, but was not limited to, long-term capital planning and highway operations. Furthermore, an auditor on the audit team also had several years of experience working as a professional heavy equipment machinist and mechanic.

Note 2

The Board determines when to replace equipment. The audit report does not suggest or recommend that all aged equipment be replaced at once. The audit recommendations and Appendix D provide the Board and Town officials with additional resources and a framework that can help assist officials with fulfilling their duties and responsibilities, including managing the Town's long-term capital equipment needs.

Note 3

No multi-year assessments or cost-benefit analyses were performed or presented to the Board. In addition, while the Superintendent updated the Board on immediate equipment needs on an ad hoc basis, the Board was not proactively informed of long-term equipment needs.

Appendix C: 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 and reviewed board meeting minutes, NYSDOT bridge inspection reports, and bridge grant applications to gain an understanding of the Towns's financial operations and long-term capital plans.
- We interviewed Town officials and employees to gain an understanding of the Highway Department operations. We also reviewed Town policies and procedures and the Town's asset listing, and toured the highway facility to view major highway equipment that the Town owns. We determined the equipment's age by reviewing the Town's insurance listing, and we assessed the equipment's condition during our visual inspection and interviews with Highway Department employees.
- We compared the production year of the major highway equipment to the NYSDOT optimal usable life guidelines to determine the equipment's remaining usable life.
- We used NYSDOT replacement cost estimates and discussed replacement costs with the Superintendent to estimate the replacement cost of all major equipment. We considered major equipment to be items above the \$20,000 competitive bidding threshold.
- We reviewed bank statements and Town financial records to determine whether the Board established capital reserve funds for vehicle and equipment replacement, bridge repairs or capital projects, and to determine reserve balances.
- We reviewed highway fund monthly claims and abstracts (listing of audited claims) to determine the repair costs attributable to each highway vehicle and major piece of equipment.

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 D: 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

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

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Contact

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

Local Government and School Accountability Help Line: (866) 321-8503

BINGHAMTON REGIONAL OFFICE – Ann C. Singer, Chief of Municipal Audits

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