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May 13, 2024

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

Report Number: B24-5-5

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 2024-25 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 letter when preparing the 2024-25 proposed budget.<sup>1</sup>

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. 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 2024-25 fiscal year (summarized in Figures 1, 2 and 3) consisted of the following:

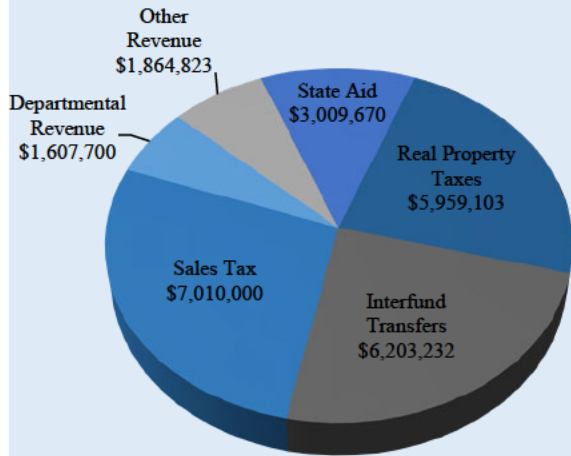
- Budget Message
- 2024-25 Proposed Budget
- Supplementary Information

<b>Figure 1: 2024-25 Proposed Budget</b>				
<b>Fund</b>	<b>Appropriations and Provisions for Other Uses</b>	<b>Financing Sources</b>		
		<b>Estimated Revenues</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
General	\$25,654,528	\$19,695,425	\$0	\$5,959,103
Water	\$7,854,509	\$6,506,509	\$1,348,000	\$0
Sewer	\$6,118,474	\$6,118,474	\$0	\$0
Refuse	\$3,028,451	\$3,028,451	\$0	\$0
Recreation <sup>a</sup>	\$912,707	\$912,707	\$0	\$0

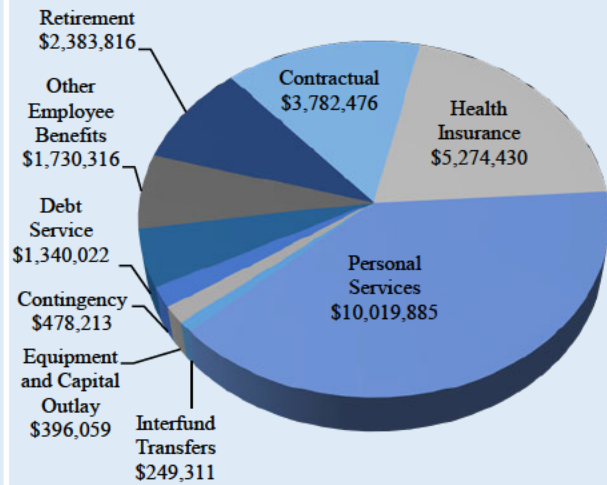
a) The recreation fund is used to account for the operations of the Amsterdam Municipal Golf Course.

<sup>1</sup> <https://www.osc.ny.gov/files/local-government/audits/2023/pdf/amsterdam-city-b23-5-4.pdf>

**Figure 2: Revenue Summary - General Fund \$25,654,528**



**Figure 3: Appropriation Summary General Fund \$25,654,528**



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 Chapter 531.

**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 2024-25 proposed budget to the Council on April 22, 2024, or 21 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 three 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 an \$830,000 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 \$249,311 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 2024-25 and also continue to evaluate and explore ways to make the recreation fund self-sufficient.

## **Appropriations**

Social Security and Medicare Taxes – The City’s share of the Social Security tax is 6.2 percent of wages up to \$168,600 for each individual employee for 2024 and is 1.45 percent of wages for the Medicare tax, or generally a combined 7.65 percent of all wages. The proposed budget includes total appropriations of \$967,816 for Social Security and Medicare taxes. However, the Controller did not use the total budgeted appropriations for personal services of \$13,512,287 when calculating the estimate for Social Security and Medicare taxes. The total budgeted appropriations for personal services multiplied by 7.65 percent is \$1,033,690. As a result, we project that Social Security and Medicare taxes have been underestimated by \$65,874.

City officials should ensure budgeted appropriations for Social Security and Medicare taxes are based on all payroll payments projected to be made by the City. City officials should review these appropriations and make modifications as necessary.

Allocation of Appropriations – The City historically has allocated certain appropriations for personal services, contractual expenditures and employee benefits between the operating funds using various allocation methods. Instead of including all of the allocated appropriations in each operating fund as historically has been done, for most of the allocations the proposed budget now also includes appropriations for the total projected expenditures in the general fund and budgeted interfund transfers from the other operating funds to the general fund for their corresponding allocation.<sup>2</sup>

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 allocations to them. This continues even though our four 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, the proposed budget includes appropriations for personal services for 13 of the City’s departments<sup>3</sup> totaling approximately \$1.9 million in the general fund and interfund transfers from the water, sewer and refuse funds to the general fund for their corresponding allocation of these appropriations. The Controller allocated these appropriations between the general, water, sewer

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<sup>2</sup> The proposed budget includes interfund transfers to the general fund for this purpose of \$2,231,866 in the water fund, \$1,974,483 in the sewer fund, \$1,061,731 in the refuse fund and \$39,167 in the recreation fund or a combined total of \$5,307,247.

<sup>3</sup> 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, Information Technology, Code Enforcement office, Engineer's office and Community and Economic Development office.

and refuse funds in allocations of 30 percent, 27.5 percent, 27.5 percent and 15 percent, respectively. The allocations consist of approximately \$582,000 to the general fund, \$533,000 to both the water and sewer funds and \$291,000 to the refuse fund.

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 13 departments will provide the same proportionate amounts of services to the funds.

Contractual appropriations for the same 13 departments totaling more than \$500,000 are allocated in the proposed budget in the same manner. In addition, other miscellaneous contractual appropriations (e.g., liability insurance) totaling approximately \$800,000 are also allocated in the proposed budget in the same manner. The allocations of the contractual appropriations totaling more than \$1.3 million consist of approximately \$391,000 to the general fund, \$358,000 to both the water and sewer funds and \$195,000 to the refuse fund. The proposed budget includes these appropriations in the general fund and interfund transfers from the water, sewer and refuse funds to the general fund for their corresponding allocation of these appropriations.

Appropriations for personal services for 23 employees in the Department of Public Works totaling more than \$1.2 million are also allocated in the proposed budget between the general, water, sewer and/or refuse funds in various percentages due to these employees performing work for multiple funds. The allocations consist of approximately \$586,000 to the general fund, \$242,000 to the water fund, \$284,000 to the sewer fund and \$135,000 to the refuse fund. However, City officials do not maintain records of the actual work performed by these employees to support these allocations.

Appropriations for certain employee benefits (e.g., Social Security and Medicare taxes, New York State and Local Employees' Retirement System contributions and health insurance) are allocated to the operating funds based on allocation calculations that factor in each fund's number of full-time equivalent employees.<sup>4</sup> However, we question the correlation between each fund's number of full-time equivalent employees and the corresponding proportionate share of expenditures that will be incurred by the City for certain employee benefits. For example, the City's share of Social Security and Medicare taxes will be based on the actual wages paid to employees and will not be equivalent for each full-time employee.

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 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.

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<sup>4</sup> The proposed budget includes appropriations for the total projected expenditures for Social Security and Medicare taxes and health insurance in the general fund and budgeted interfund transfers from the other funds to the general fund for their corresponding allocation.

## 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 \$6,389,710,<sup>5</sup> which is within the limit. In adopting the 2024-25 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 of Municipal Audits, Glens Falls Regional Office, at (518) 793-0057.

Sincerely,

Robin L. Lois, CPA  
Deputy Comptroller

cc: Louise Biron, 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 D. Breslin, NYS Senate  
Blake G. Washington, Director, NYS Division of the Budget  
Gary G. Gifford, Chief of Municipal Audits, Glens Falls Regional Office

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<sup>5</sup> This amount includes the City's proposed budget tax levy, overlay and pro rata taxes.