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November 20, 2025

Mayor Deborah Kaufman
Members of the Common Council
City of Little Falls
659 E. Main Street
Little Falls, NY 13365

Report Number: B25-3-9

Dear Mayor Kaufman and Members of the Common Council (Council):

Chapter 176 of the Laws of 2025 authorizes the City of Little Falls (City) to issue debt in an amount not to exceed $3.4 million to liquidate deficits in its general, water and golf funds as of December 31, 2025.[1] This debt can include the remaining principal amount of any budget notes, deficiency notes and/or revenue anticipation notes outstanding at the time the deficit bonds or notes are issued. New York State Local Finance Law Section 10.10(d) requires the City to submit to the State Comptroller each year, starting with the fiscal year during which the City is authorized to issue deficit obligations, and for each subsequent fiscal year during which the deficit obligations are outstanding, its tentative budget for the next succeeding fiscal year.

The City must submit the tentative budget to the State Comptroller no later than 30 days before the date scheduled for the Council's vote on the adoption of the final budget, or the last date on which the budget may be finally adopted, whichever is earlier.

The State Comptroller must examine the tentative budget and make recommendations, as deemed appropriate. Recommendations, if any, are made after the examination of the City's estimates of revenues and expenditures. No later than five days before the adoption of the budget, the Council must review all recommendations made by the State Comptroller and must make adjustments to its tentative budget consistent with the recommendations contained in this letter.

Our Office completed an independent evaluation (review) of the City's tentative budget for 2026. The review addressed the following question:

- Are the significant revenue and expenditure projections in the City's tentative budget reasonable?

1 Subject to the provisions of New York State Local Finance Law Section 10.10

We determined the City's significant revenue and expenditure projections in the tentative budget are generally reasonable. However, our review disclosed the following findings as outlined in this letter that should be reviewed and addressed by City officials, with appropriate action taken as necessary in accordance with the requirements in Chapter 176.

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 City services under consideration.

To accomplish our objective in this review, we requested your tentative budget, salary schedules, debt payment schedules and other pertinent information. We also held discussions with the Mayor, City Treasurer (Treasurer), Deputy Treasurer and City Engineer. We identified and examined significant estimated revenues and appropriations (estimated expenditures) for reasonableness with emphasis on significant and/or unrealistic increases or decreases. We identified any significant new or unusually high or low 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 reviewed the allocation of certain costs among different funds to determine whether they were reasonable and appropriate. While each of these appropriations may not be significant, City officials should allocate proper amounts to the proper funds to ensure that the revenues in each fund are sufficient to fund actual, recurring expenditures.

The budget package submitted for our review for the 2026 fiscal year consisted of the 2026 tentative budget and supplementary information. The tentative budget submitted to our Office is summarized in Figure 1:

Figure 1: 2026 City of Little Falls Tentative Budget

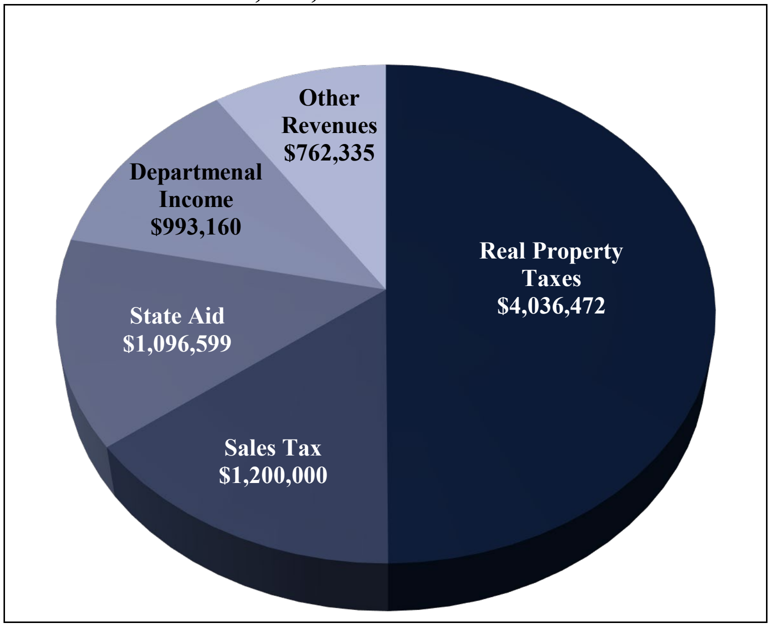
Fund	Appropriations and Provisions for Other Uses	Estimated Revenues	Appropriated Fund Balance	Real Property Taxes
General	$8,088,566	$4,052,094	$0	$4,036,472
Sewer	1,596,516	1,596,516	$0	$0
Water	1,553,342	1,553,342	$0	$0
Golf	138,500	138,500	$0	$0
Total	**$11,376,924**	**$7,340,452**	**$0**	**$4,036,472**

The Mayor, Council and Treasurer have a shared responsibility for managing and maintaining the City's fiscal health. To maintain the City's fiscal stability, City officials must develop and adopt realistic and structurally balanced budgets that provide sufficient recurring revenues to finance recurring expenditures.

Estimated Revenues

The City derives the majority of its general fund revenues from real property taxes, sales tax and State aid. The tentative budget submitted to our Office for the City's general fund revenues is summarized in Figure 2. City officials should address the following findings regarding estimated revenues:

Figure 2: Estimated Revenues Summary General Fund - $8,088,566



State Aid – The general fund's 2026 tentative budget includes $966,599 for revenue sharing State aid. In 2024 and 2025, the City received State aid totaling $966,599, which included Aid and Incentives for Municipalities (AIM) funding of $866,034 and Temporary Municipal Assistance (TMA) funding of $100,565. While AIM funding is expected to remain flat in 2026, the City received its final TMA payment under a two-year program in August 2025. Therefore, officials should reduce this revenue estimate by $100,565 to $866,034.

Garbage Collection User Fees – The general fund's 2026 tentative budget includes a new revenue of $480,000 for garbage collection user fees. The Council is considering passing a local law that would establish a user fee of $20 per month ($240 per year) per residential dwelling unit (RDU) to help fund the City's ongoing municipal garbage collection services.

The proposed fees would be billed as a separate line item on the real property tax bills, which the City historically sends out by May 1 each year. City officials estimate that 2,000 RDUs will be billed for the services. However, they were unable to provide a list of the units and properties that would be billed. Consequently, we could not determine whether the amount budgeted for this new source of revenue is reasonable.

The City scheduled a public hearing for this proposed local law for December 2, 2025. If the local law is not passed by the Council in a timely manner, or if the actual number of RDUs is less than what officials estimated, the City could experience a revenue shortfall of up to $480,000.

Sale of Real Property – The 2026 tentative general fund budget includes $177,000 for the sale of real property. In October 2025, the City listed 13 City-owned properties (vacant lots) for sale. According to the Mayor, the City received purchase offers totaling $14,000 for two of the properties, and officials expect the City to finalize the sales before the end of 2025. The remaining 11 properties were listed at $176,000 ($1,000 less than was budgeted). If these properties do not sell for their list prices in 2026, the City could face a revenue shortfall of up to $177,000.

Additionally, even if this revenue is realized, the City should avoid using nonrecurring revenues, such as the sale of real property, to fund recurring operating expenditures. City officials should instead budget and use one-time revenues to fund one-time expenditures, such as capital acquisitions. The Council should review this revenue estimate and determine whether it is prudent to include it in the 2026 budget.

Ambulance Charges – The 2026 tentative general fund budget includes $350,000 for ambulance charges, which is an increase of $50,000 from the 2025 adopted budget. The City received approximately $227,000 in ambulance charges in 2024 and approximately $176,000 in 2025 (through October 31). If the City continues to realize revenues during the last two months of 2025 that are consistent with the year-to-date revenues, it will realize approximately $211,000 in ambulance charges for 2025, which is approximately $89,000 less than was budgeted.

We project that the City will realize a similar amount of revenues for ambulance charges in 2026, which is approximately $139,000 less than estimated in the tentative budget. City officials should review this revenue estimate and make modifications as necessary.

Sale of Timber – The 2026 tentative water fund budget includes an estimated revenue of $60,000 for the sale of timber. According to the Mayor, officials are planning to continue to harvest and sell timber from City-owned property in 2026. This revenue is contingent on several factors, including the quantity, quality and type of trees available for harvest.

While City officials are working with a forester, they did not develop a timber harvesting management plan. Such a plan should include an inventory and schedule for harvesting and replanting trees, which is essential for maintaining a continuous timber supply. Because the City did not have a plan in place, this revenue source may not be sustainable or recurring. We caution the City to avoid using nonrecurring revenues to fund recurring operating expenditures. Therefore, City officials should review this revenue and determine whether it is prudent to include it in the 2026 budget.

Metered Water Sales – The 2026 tentative water fund budget includes $1,391,155 for metered water sales. This estimate includes amounts officials expect the City to realize from a 15 percent increase in water rates which is anticipated to go into effect in the second quarter of 2026. However, the Council has not yet authorized the 2026 water rate.

During our review, we determined that the City improperly decreased metered water sales revenue by $118,598 in 2025 for the unpaid water charges relevied on the City's tax roll.[2] Because these revenues are still considered metered water sales revenue, we adjusted water sales accordingly when projecting revenues.

We project that the City will realize metered water sales revenue of $1,200,284 for 2025. If the Council passes the proposed 2026 water rate, we project that the City will realize water sales revenue totaling $1,335,316 for 2026, which is $55,839 less than the tentative budget. The Council

2 We also identified similar adjustments made in 2024 to the metered water sales and sewer rent revenues. The relevied amounts were incorrectly recognized as revenue in the general fund, rather than the water and sewer funds. In addition, the City did not properly transfer the money to the water and sewer funds. During our review, we provided technical assistance to the Treasurer and Deputy Treasurer regarding properly recording these transactions.

should revisit the water sales revenue estimate in the tentative budget and our recommendations regarding water fund appropriations (discussed later in this letter) when considering the 2026 water rate.

Sewer Rents – The 2026 tentative sewer fund budget includes $1,571,285 for sewer rents. This estimate includes amounts that officials expect the City to realize from a 5 percent increase in sewer rates, which is anticipated to go into effect in the second quarter of 2026. However, the Council has not yet authorized the 2026 sewer rent rate.

Similar to the water fund, the City improperly decreased sewer rent revenue by $127,241 in 2025 for the unpaid sewer rents relevied on the City's tax roll. Because these revenues are still considered sewer rent revenues, we adjusted sewer rents accordingly when projecting revenues.

We project that the City will realize sewer rent revenue of $1,587,651 for 2025. If the Council passes the proposed 2026 sewer rent rate, we project that the City will realize sewer rent revenue totaling $1,647,188 for 2026, which is $75,903 more than the tentative budget. The Council should revisit the sewer rent revenue estimate in the tentative budget and our recommendations regarding sewer fund appropriations (discussed later in this letter) when considering the 2026 sewer rent rate.

Golf Revenues – The 2026 tentative golf fund budget includes estimated revenues totaling $138,500, which contains golf fees and other revenues totaling $54,780. Based on historical revenues and 2025 year-to-date actual results, we project that the City will realize approximately $50,000, or $4,780 (9 percent) less than was budgeted for these revenues in 2026 (Figure 3).

Figure 3: Golf Fund Estimated Revenues

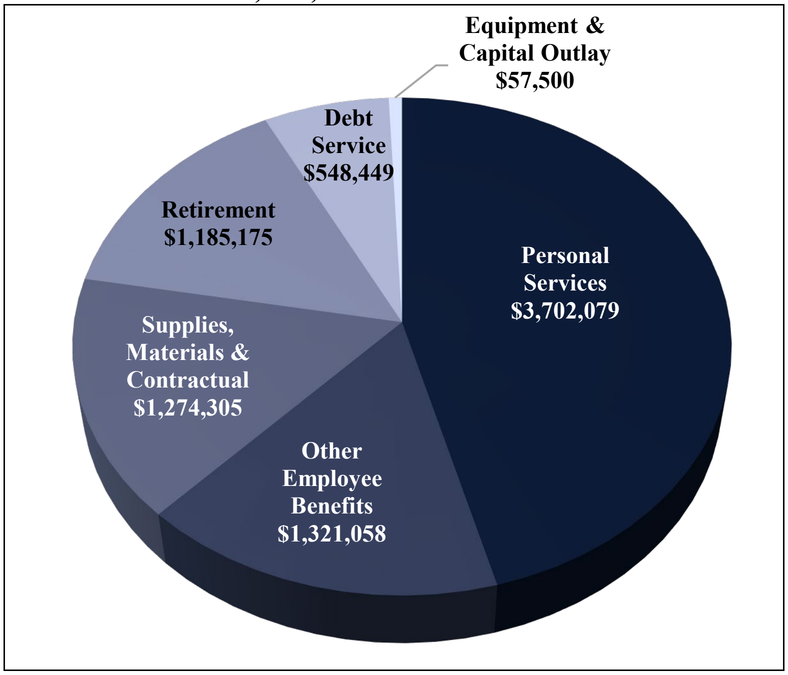
Revenue Account	2026 Tentative Budget	OSC Calculation	Amount Overestimated
Golf Fees	$43,000	$40,000	$3,000
Other Revenue	11,780	10,000	1,780
Totals	**$54,780**	**$50,000**	**$4,780**

City officials should monitor this revenue closely and make budget modifications to address any shortfalls that may occur.

Appropriations

The tentative budget submitted to our Office for the City's general fund appropriations is summarized in Figure 4. City officials should address the following findings regarding contingency accounts and appropriation allocations among the operating funds:

Figure 4: Appropriations Summary General Fund - $8,088,566



Contingency – Contingency accounts are used by local governments to provide funding for unexpected events. The 2026 tentative budget does not include a contingency appropriation in any fund. Considering recent economic conditions, the significant budgetary concerns discussed in this letter, the City's minimal fund balance, and the expiration of collective bargaining agreements, it would be prudent for the City to have contingency spending in all operating funds available for unforeseen increases in expenditures or revenue shortfalls. City officials should determine the appropriate amount of contingency appropriations in each fund.

Debt Service – The 2026 tentative budget includes approximately $1.16 million in debt payments. However, based on debt schedules provided by the City, the City has outstanding debt payments of approximately $1.12 million. In total, the City's appropriations for debt service are likely overestimated by $37,327.

In addition, the interest payments for $3 million of Bond Anticipation Notes (BANs) issued for deficit financing were budgeted in the general fund only, even though the BANs were applied to deficits in the general, water and golf funds. Figure 5 shows the debt service costs based on the City's debt schedules with the deficit financing BAN interest costs allocated to the funds based on their deficits. City officials should adjust the budget to align with actual anticipated debt payments in 2026.

Figure 5: Debt Service Appropriations

Fund	2026 Tentative Budget	OSC Calculation	Amount Over/(Under) Estimated
General	$548,448	$511,908	$36,540
Sewer	108,741	72,721	36,020
Water	503,959	538,700	(34,741)
Golf	0	492	(492)
Totals	**$1,161,148**	**$1,123,821**	**$37,327**

Allocation of Appropriations – Appropriations for New York State and Local Retirement System (NYSLRS) contributions and workers' compensation insurance in the tentative budget were not properly allocated to each of the operating funds. These costs were allocated to the general and sewer funds, and no appropriations were included in the water and golf funds. Additionally, appropriations for health insurance were not properly allocated to each of the operating funds.

The 2026 tentative budget includes retirement appropriations totaling approximately $1.3 million for members of the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS). The manner in which City officials allocated these retirement costs among the funds is inequitable because the allocation does not align with correlating personal service costs.

In addition, the City entered into a payment plan with NYSLRS because it did not pay its annual 2023 and 2024 retirement invoices. The payment plan requires the City to pay $360,000 during 2026 ($180,000 for ERS and $180,000 for PFRS).

Although the tentative budget includes the full cost of these back payments ($360,000) in the general fund ERS appropriation account, $180,000 should be allocated among the four operating funds and $180,000 should be charged to the PFRS appropriation. Figure 6 shows the differences between the City's cost allocations and OSC's calculations.

Figure 6: Retirement Appropriations

Fund	2026 Tentative Budget	OSC Calculation	Amount Over/(Under) Estimated
ERS Contributions			
General	$564,608	$293,815	$270,793
Sewer	95,000	82,583	12,417
Water	0	90,535	(90,535)
Golf	0	12,675	(12,675)
Totals	**$659,608**	**$479,608**	**$180,000**
PFRS Contributions			
General	$620,567	$800,567	($180,000)
Totals	**$1,280,175**	**$1,280,175**	**$0**

The 2026 tentative budget includes appropriations totaling $161,398 for workers' compensation costs. Figure 7 shows the City's allocation of workers' compensation appropriations among the funds in the tentative budget and OSC's calculated allocation based on the personal service costs in each fund.

Figure 7: Workers' Compensation Appropriations

Fund	2026 Tentative Budget	OSC Calculation	Amount Over/(Under) Estimated
General	$121,041	$127,759	($6,718)
Sewer	40,357	14,952	25,405
Water	0	16,392	(16,392)
Golf	0	2,295	(2,295)
Totals	**$161,398**	**$161,398**	**$0**

The 2026 tentative budget includes appropriations totaling $1,063,191 for health insurance costs. Figure 8 shows the City's allocation of health insurance appropriations among the funds in the tentative budget and OSC's calculated allocation based upon the employee's health insurance costs in each fund.

Figure 8: Health Insurance Appropriations

Fund	2026 Tentative Budget	OSC Calculation	Amount Over/(Under) Estimated
General	$897,637	$872,930	$24,707
Sewer	140,571	75,868	64,703
Water	24,983	106,451	(81,468)
Golf	$0	834	(834)
Totals	**$1,063,191**	**$1,056,083**	**$7,108**

When cost allocation methods are not 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.

Collective Bargaining Agreements

The City has three different collective bargaining agreements with employee unions that expire on December 31, 2025 (Paid Firefighters, Civil Service Employees Association (CSEA) and Clerical Employees Group). While officials included additional appropriations in the 2026 tentative budget for potential salary and wage increases, they should be mindful of the potential financial effects of contract settlements on the City's budget and financial position.

Constitutional Tax Limit (CTL)

The CTL is the maximum amount of real property tax that the City may levy in any fiscal year. The amount of real property taxes that the City can raise each year to finance its budget is generally limited by the State Constitution to 2 percent of its five-year average full property value.[3] For

3 The State Constitution and related statutes allow for taxes for certain appropriations to be excluded when determining the amount of the levy that must be below the constitutional tax limit. This tax levy amount (total levy minus exclusions) is often referred to as "taxes subject to the limit."

2025, the City exhausted 79.84 percent of its CTL. At the time of our review, the Treasurer had not completed the online form to determine the City's CTL for 2026.

Cities are required to annually file a CTL form with the State Comptroller 10 or more days before adopting the final budget and to file a copy of the adopted budget within 30 days of its adoption. If the City exceeds its CTL, the State Comptroller is required to withhold State aid in an amount equal to the exceeded tax limit. The Treasurer should prepare the CTL form before the budget is adopted so that the Council and officials can evaluate and manage the City's tax margin.

Tax Cap Compliance

New York State General Municipal Law Section 3-c establishes a tax levy limit for local governments. The law generally precludes local governments from adopting a budget that requires a tax levy that exceeds the previous year's tax levy by more than 2 percent, or the rate of inflation, whichever is less, unless the governing board adopts a local law to override the tax levy limit.

The City's 2025 tentative budget includes a tax levy of $4,036,472, which is within the tax levy limit. However, the Council plans to adopt a local law to override the tax levy limit, which would allow the Council to adopt a budget that includes a tax levy greater than the tax levy limit. The public hearing for this proposed local law is scheduled for December 2, 2025. If the Council does not pass the local law, it will need to ensure that the tax levy in the adopted budget remains within the tax levy limit.

Recommendations

The Council should:

1. Adopt a structurally balanced budget that includes realistic estimates and funds recurring expenditures with recurring revenues.

2. Take timely actions to establish the garbage collection user fees and to modify the rates for metered water sales and sewer rents, or adjust the budgeted revenues accordingly.

3. Adopt a budget that includes a tax levy that is no greater than the tax levy limit (tax cap) unless a local law is adopted to override the limit.

The Council and City officials should:

4. Review the tentative budget estimates for revenues and appropriations and amend them as necessary.

5. Allocate appropriations identified in this letter to the appropriate funds.

The Treasurer should:

6. Prepare and file the City's CTL form for 2026.

We request that you provide us with a copy of the 2026 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 Rebecca A. Wilcox, Chief of Municipal Audits in the Syracuse Regional Office, at (315) 428-4192.

Sincerely,

Robin L. Lois, CPA
Deputy Comptroller

cc: Sarah George, City Treasurer
Kira Miller, City Clerk
Hon. Andrea Stewart-Cousins, President Pro Tempore and Majority Leader, NYS Senate
Hon. Carl E. Heastie, Speaker of the House, NYS Assembly
Hon. Liz Krueger, Chair, NYS Senate Finance Committee
Hon. J. Gary Pretlow, Chair, NYS Assembly Ways and Means Committee
Hon. Mark Walczyk, NYS Senate
Hon. Robert Smullen, NYS Assembly
Blake G. Washington, Director, NYS Division of the Budget
Rebecca A. Wilcox, Chief of Municipal Audits, Syracuse Regional Office