REPORT OF EXAMINATION | 2018M-97

Village of Kaser

Refuse User Fees and Records

SEPTEMBER 2018

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Village of Kaser

Audit Objective

Determine whether the Village imposed refuse fees in excess of related expenditures and maintained appropriate records for refuse collection operations.

Key Findings

- The Village charged residents $400,356 for refuse collection which exceeded the outsourced contracted cost of $215,352 for collection without adequate substantiation for the excess charges.
- The refuse budget does not include estimated revenues and there was no support for the budgeted salaries and overhead of $179,648 separate from the contracted cost.
- Revenues and expenditures for refuse collection are comingled with general fund revenues and expenditures.

Key Recommendations

- Ensure that fees for the refuse district do not exceed the expenditures.
- Ensure that the refuse collection budget includes estimated revenues and sufficient detail for the appropriations.
- Account for refuse revenues and expenditures so they are separately identifiable from general fund revenues and expenditures.

Village officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Village of Kaser (Village) is located in the Town of Ramapo in Rockland County. The Village covers .2 square miles and has approximately 400 parcels of real property of which 103 are fully tax exempt. The Village is governed by an elected Board of Trustees (Board) and the Mayor. The Board has the power to levy and collect Village taxes on real property. The Village provides the following services to its residents: refuse collection, general governmental administration and a federally funded Housing Choice program.

The Mayor is the chief executive officer (CEO). The Clerk-Treasurer is the chief fiscal officer (CFO) and is responsible for billing, collecting and recordkeeping of real property taxes and user fees.

Quick Facts	
Population	5,354
2017-18 Budgeted Appropriations	$972,569
2017-18 Real Property Taxes	$51,229

Audit Period

June 1, 2016 - December 5, 2017

Refuse User Fees and Records

How Should a Village Charge and Account for Refuse User Fees?

Unlike property taxes, which support general government services not related to a separate identifiable benefit received by taxpayers, user fees are a charge for the use of a specific service. The fees charged must have a rational relationship to the cost of the service provided to users. In estimating the total service costs, village officials should ensure that the estimates for overhead costs are reasonable and generally should be based on prior-year actual costs. User charges for refuse collection may not be set at an amount that generates revenue in excess of the cost of providing the service for the purpose of offsetting the cost of general government services.[1]

Financial records assist in a village's duty to be publicly accountable and enables users to determine whether current year revenues are sufficient to pay current year expenditures for all operations. The financial records should show whether resources were obtained and used in accordance with the village's adopted budget, and provide information to assist the users in assessing the cost of village services.

The Village Is Using Refuse Fees to Subsidize the General Fund

In 1991 the Village established a refuse collection district by local law.[2] The Village includes the annual refuse charge on the Village tax bill. The refuse collection charges are based on the number of units in a dwelling. The Village has 1,011 units in 355 dwellings using the refuse collection services.

Each dwelling is charged $396 per unit, which resulted in revenues of $400,356 for refuse collection services in the 2017-18 fiscal year. The Village outsourced its refuse collection operations for the same year and contracted for this service for $215,352. The refuse revenues were $185,004 more than the contractual amount of the outsourced service.

The Deputy Clerk provided us with the refuse budget for 2017-18. The budget did not include an amount for revenues but it did include total budgeted appropriations of $395,000, which included the cost of the contract ($215,352) and administrative salaries and overhead costs of $179,648[3] which would be 45

1 See e.g. Office of the State Comptroller Opinion No. 92-40 (http://www.osc.state.ny.us/legal/1992/legalop/op92-40.htm).

2 The Village's 1991 local law is ambiguous as to whether the charge imposed for refuse collection is intended to be an assessment on benefited properties, or a contractual fee imposed on users of the refuse collection service. The local law refers to a "service charge," which could be a reference to a fee imposed on users, but also states that the charge is "levied against all properties" using the service, suggesting the levy of an assessment. For purposes of this report, we have assumed that the charge is a user fee, not an assessment, which is how the Village treats the charge for purposes of the statutory tax levy limit. It is our understanding that properties which do not use the service are not charged the fee, which is consistent with treatment as a user fee.

3 Five employees with salaries totaling $119,619 and overhead of approximately $60,000.

percent of the total Village costs for these categories.[4] Village officials were not able to support the salary and overhead cost allocations with documentation such as actual time spent on administering refuse collection operations. Furthermore, because the Village outsources its refuse collection operations, expenditures for overhead and salaries should be relatively limited. Annual refuse fees are billed and collected along with the annual Village tax bill, which would minimize, or relatively eliminate, the cost of billing and collecting the fees.

Because the revenues and expenditures for refuse collection are comingled with general fund revenues and expenditures, there was no comparison of revenues to expenditures to determine any amount that should be used to reduce future refuse costs and to improve budget estimates going forward. Instead, excess refuse collection revenues were combined with other general fund revenues and used for general fund operations.

As a rule, the general fund should be supported through real property taxes and other Village-wide revenues. The Village's real property tax collections are relatively low at $51,229 for the 2017-18 fiscal year. Tax collections increased 1.03 percent from the previous year of $49,895 and were within the New York State property tax cap limits. Because the refuse function is subsidizing the general fund, the Village is artificially staying within the tax cap and indirectly charging some residents who are not taxpayers (due to real property tax-exempt status) for general government services. Charging in excess of the actual costs for the refuse collection function increases the service costs resulting in a subsidy to the general fund.

What Do We Recommend?

The Board should:

1. Budget for the refuse collection service based on prior actual costs of the service and establish user fees accordingly.

2. Ensure that the refuse budget includes estimated revenues and a sufficient amount of detail for all appropriations.

The Clerk-Treasurer should:

3. Account for the refuse collection operations so the revenues and expenditures are separately identifiable from the general fund operations.

4 Of the Village's total payroll, 39 percent was charged to the refuse collection function.

Appendix A: Response From Village Officials

VILLAGE OF KASER
INCORPORATED 1990

Village of Kaser
Kaser, New York

BERNARD ROSENFELD
Mayor

EUGENE D. NEIMAN
LIPOT I. MULLER
ISRAEL ROSENBERG
SHULEM FLIEGMAN
Trustees

ALLIE PINKASOVITS
Village Clerk / Treasurer

ALLAN M. SIMON
Attorney

September 13, 2018

Ms. Tenneh Blamah, CPA
Chief Examiner of Local Government and School Accountability
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553

Re: Report of Examination 2018M-97 Village of Kaser – Refuse User Fees and Records

Dear Chief Examiner Blamah,

We are pleased to have this opportunity to respond to the preliminary draft report of examination conducted by the Office of the State Comptroller on refuse user fees and records for the period of June 1, 2016 - December 5, 2017.

On behalf of Village officials, I would like to take this opportunity to thank the Office of the State Comptroller (OSC) for their efforts to evaluate and report on the Village operations. We welcome the State Comptroller's objective to identify opportunities for improving operations and governance.

Although the Village of Kaser is small in geographical area, it is one of the fastest growing areas in the New York State. With a population of more than 5,000 residents, it is important for the Village to ensure that the Village remains nice and clean and a safe place where people can live in a healthy environment. In our ongoing effort to make the most efficient use of public resources, the Village keeps the tax rate very low and provides many services to its residents by our in-house staff with different ideas without the need to raise taxes, so the budget can remain affordable, being that a majority of the Village residents are low income.

As mentioned above, Village Officials prioritize the garbage collection in the Village above all other services, we put a lot of effort to ensure the Village remains clean. The Village outsources its garbage collection performed twice a week and recycling pickup once a week. The Village also has a Department of Public Works (DPW) worker that collects garbage daily from the front of each property as needed. Inspections are performed daily around the Village to enforce garbage maintenance rules. The office staff is necessary to answer garbage complaints and to communicate with both the outside contractor and the Village DPW worker about regular or special garbage pickups, thereby ensuring that each of the Village residents are being is being serviced as they expect. Also in need, is office staff to assist with the enforcement by sending letters and following up with property owners and tenants. The refuse fees collection process which is during a 2-3 month period and in some cases all year round for new construction etc. requires staffing as well. During the Spring and Fall seasons the Village performs special clean ups, out of the contract costs, which includes the outside vendor, and all the above mentioned Village staff. All the above creates a need for 3-4 staffers to do this work, aside of the outside contract.

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Village of Kaser

Kaser, New York

BERNARD ROSENFELD
Mayor

EUGENE D. NEIMAN
LIPOT I. MULLER
ISRAEL ROSENBERG
SHULEM FLIEGMAN
Trustees

ALLIE PINKASOVITS
Village Clerk / Treasurer

ALLAN M. SIMON
Attorney

[continued]

The Village prefers not to hire separate staff just for the refuse department which will result in an increase to the Village expenditures, rather use existing staff PT and FT to do the necessary work and save taxpayers dollars. Being that all the above makes out a large portion of the Village operations, it is difficult to separate and to exactly determine the actual expenditures generated only thru the refuse district. I also want to point out that the Village's user fee for refuse is below the charge collected in similar areas, and considering the taxpayers dollars, we reduced the fees a few years ago as a result of negotiating a better contract with our outside vendor.

Nevertheless, the OSC's report and recommendations gives the Village Board and Village management an opportunity to review and discuss how the Village can perform more efficiency and with more transparency. We accept the recommendations and will work on establishing better policies and budgeting as recommended.

In conclusion, we again thank the Office of the State Comptroller for the suggestions and recommendations to help enhance the Village operations, and for the overall services that are provided to taxpayers and local governments. We appreciate the State Comptroller's continuing efforts to work with, and provide guidance to local officials. We will develop a corrective action plan to more effectively and efficiently manage operations.

Sincerely,

Bernard Rosenfeld, Mayor

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 obtained the local law and minutes establishing the "special district" and authorizing the collection of the special assessments.
- We reviewed the special assessment budget and the detail refuse budget for reasonableness, calculated the percent of the allocated salaries to total budgeted Village salaries for the year, reviewed the overhead charges and calculated the percentage of overhead charged to refuse operations less the contracted amount to the comparable charges in the Village budget.
- We reviewed the accounting in the general fund for the special assessments and user fees, and compared the tax rolls, tax warrant and the total detail charged reports to determine if the amounts for special assessments were in agreement.
- We performed the tax cap calculation to ensure the Village stayed within the limit.

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

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 Clerk's office.

Appendix C: Resources and Services

Regional Office Directory
www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas
www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems
www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management
www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans
www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders
www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers
www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics
www.osc.state.ny.us/localgov/academy/index.htm

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