

I reviewed the 2022 Proposed Annual Estimate for the City of Mount Vernon submitted by Mayor Patterson-Howardⁱ. In the process, I consolidated the “department appropriations” schedules and reorganized the information in descending order from highest to lowest cost departments. In addition, I replaced columns showing prior year “adopted” budgets with columns showing “dollar change” and “percent change” from the 2021 adopted budget to the 2022 proposed budget. Finally, I created tables showing the top 10 most expensive budget items and the top 10 sources of revenue used to fund the budget as proposed. Most of my specific questions about the budget appear on the pages with the “top 10” tables. Below are some additional comments and questions.

1. Budgets or “adopted” budgets are estimates about revenues and expenses. Prudent financial management calls for resolving variances between budgeted revenues/expenses and *actual* revenue/expenses. For example, a budget might estimate that \$50,000 will be spent on office supplies when the actual amount spent was \$59,257. The difference between the budgeted amount and the actual amount- *the \$9,257 variance*- needs to be understood so that more accurate budgets can be adopted in the future. The more closely budgets reflect actual revenues and expenses, the greater the ability to understand, predict, and plan for the financial health of the city. Therefore, routinely comparing “budget vs. actual” revenues/expenses is a critically important financial practice.

Very little evidence is given to the public to suggest that this critically important financial practice is done in Mount Vernon with any consistency. The last “actual” financial data released to the public was for 2013 appropriations released with the 2015 adopted budget. If the city has prior year actuals to compare to adopted budgets, this information has not been shared with the public and it hasn’t been incorporated into adopted budgets. If one looks carefully at the budget, it is apparent that, in most cases, identical “adopted” budget numbers are simply carried over from year to year to year. This is fiscally imprudent; it undermines trust in the financial information presented to the public for review.

The budget proposal is 80 pages of tables but most of the information in these tables is of little to no value because it just shows prior year estimates. What we need is “actual” financial information.

Question: Is it ethical to ask the public to comment on a budget that is not grounded in actual financial data? Is it ethical for the City Council to approve such a budget? Perhaps the City’s Board of Ethics should weigh in on this.

It seems to me that there are 2 options.

Option 1: This budget is sound and prudent and therefore, even though actual financial data have not been shared with the public, we should assume that it’s grounded in actual financial data.

Option 2: This budget, like so many in recent years, is imprudent and ungrounded; these are hypothetical data stacked upon last year’s hypothetical data, which was stacked hypothetical data from 2020, and so on.

If Option 1 is true, city management fails on their claim to be transparent with the public. If Option 2 is true, it’s fiscally imprudent to seek a 10% spending increase when you don’t have actual data to justify it.

Of course, Option 3 is that the truth lies somewhere between Option 1 and Option 2.

2. How close are we to our Constitutional Tax Limit?ⁱⁱ Even though equalization rates are favorable right now, with assessed valuations falling in 23 out of the last 24 years, and the status of other revenue sources vague, it would

be helpful to know how close we are to the limit. The last time the city published information about the CTL was for 2017. It's important information and it should be shared with the public annually.

3. Page 2 of mayor's budget proposal is a salary table. It is noteworthy that the table does not include the \$3.1M in CBA salary adjustments that are contemplated in the budget. That \$3.1M appears in "Miscellaneous" appropriations. However, I add this \$3.1M to the salary total in my "top 10" expenses. That's why there is a difference in the salary summary from the budget proposal (which shows a year over year salary increase of 8%) and the salary increase I calculate (13.51%).
4. On page 1 of the mayor's budget "Overview", she writes *"In an effort to showcase where taxpayer money is being spent the city is moving forward with the implementation of a Sewer & Refuse Sustainability fee."* This is a non sequitur. The implementation of the Sewer Refuse Sustainability fee is not being done to "showcase where taxpayer money is being spent", it's being done because the city needs to raise money to cover increased spending primarily for salaries.

Fees are generally understood to be voluntary payments made to the government for services that confer special advantages. Payment for water and sewer services are basic services for which citizens make compulsory payments, and compulsory payments levied by the government are generally understood to be taxes. But whether we call these new charges "fees" or "taxes" doesn't really matter to those who must pay. In any event, the Mayor's rationale for this differentiation makes sense. Treating this new money source as fees allows the city to a) preserve the capacity to levy taxes in the future (see my concern about the Constitutional Tax Limit), and b) increases the impact of the fee by requiring anyone who uses the system (including churches) to render payment.

Question: presumably these fees will be collected through the Board of Water Supply. The fees due will appear on water bills as a line item. This troubles me because the Board of Water Supply has yet to have a "clean" fiscal audit. The last audit, from 2017, was scathing in it's assessment.

5. The mayor goes on to write that "Once again, we are faced with the possibility of a double-digit tax increase at a minimum of 18% to avoid serious cuts to city services."

First, this seems coercive to me. Pay up or we will cut services. That's not a good leadership posture given that a) residents have been kept in the dark for years about the actual finances of city, and b) when outside auditors have gotten a look at the finances their assessments indicate significant material weaknesses with respect to tracking and managing city finances.

Second, an 18% increase would only be required if 100% of the budget increases the mayor is seeking are to cover nondiscretionary cost increases such as mandated benefits and Collective Bargaining Agreements. It is not clear that that is the case. Sharing these details with the public would be help the public to understand how much of this budget reflects what is wanted (discretionary) and what is needed (nondiscretionary).

6. On the upside, giving employees raises is a good thing and this budget is very positive in that regard.
 - a. I'm glad to see the restoration of police officers and fire fighters to the budget. I do wish the starting salary for police officers (\$45k) and fire fighters (\$40k) was higher. I'd definitely be interested to see a proposal to increase these starting salaries.

- b. I'm happy to see increases for youth and senior services.
 - c. I'm happy to see increased funding for the animal shelter.
7. How many full-time equivalent employees does the city have? Last year I went through the tedious exercise of trying to pin down exactly what this number is. But it would be much easier if the city would just share the information with us. Presumably, someone in the HR department knows how many people work for the city. With this information we can determine salary mean and range, which is useful when it comes to substantiating claims that our city workers are underpaid compared to other regional municipalities.
 8. We have no fund balance. At least we know. This budget allocates \$1.5M toward replenishing our savings. That's a good start. Another option would be to reduce discretionary salary increases by a fraction and increase the allocation to savings to \$2M. This would be a showing of good faith, a nod to "shared sacrifice".
 9. It's good that sales/use tax projections have increased. Hopefully, this isn't just a short-lived event resulting from stimulus checks and enhanced UI benefits that people received. It would be helpful to have actual details so that we can make projections.
 10. The public should be given a detailed update regarding ARPA funding. How was the first installment of \$41M spent? Is there any left? Are we still anticipating another \$41M?
 11. Why doesn't the city release to the public a budget for the Urban Renewal Agency, one for the Board of Water Supply, and one for the Industrial Development Agency?
 12. I'm disappointed to see the removal of the salary line for a city "Inspector General". If the salary offered was too low to attract candidates with the requisite credentials, I'd support increasing the salary line rather than dropping it. Whether or not that is the reason for dropping it, an inspector general will help the city fulfill its ambition to be transparent.

ⁱ The budget proposal and the mayor's narrative overview thereof, can be access at the CMV website here:
<https://cmvny.com/563/2022-Proposed-Annual-Estimate>

ⁱⁱ To learn about this important information start here: <https://www.osc.state.ny.us/files/local-government/required-reporting/pdf/cities.pdf>

Department Appropriations

Dollar/Percent Change compared to 2021 Adopted Budget 2022 Dollar Change Percent Change*

Employee Benefits

Dept Total:	42,670,726	2,048,546	5.04%
State Retirement System	14,264,307	1,684,252	13.39%
Health & Dental Insurance	22,000,000	0	0.00%

Police

Dept Total:	26,231,783	1,132,194	4.51%
Salaries and wages (includes OT)	23,795,983	909,194	3.97%

Public Works (consolidated)

Dept Total:	17,644,555	1,135,694	6.88%
Salaries and wages (includes OT)	11,650,855	1,207,694	11.56%

Fire

Dept Total:	17,055,131	508,820	3.08%
Salaries and wages (includes OT)	15,871,531	759,220	5.02%

Miscellaneous Items (includes \$400k for uncollected tax)

Dept Total:	10,026,871	4,510,871	81.78%
CBA/Salaries Adjustments	3,109,871	3,009,871	3009.87%

Consolidated Recreation

Dept Total:	4,602,446	689,993	17.64%
Salaries and wages	3,878,581	694,628	21.82%

Principal & Interest on Borrowing

2,362,144	-24,500	-1.03%
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Planning & Community Development

Dept Total:	2,108,229	416,489	24.62%
Salaries and wages - PCD	1,855,229	340,489	22.48%

Finance (Comptroller's Office)

Dept Total:	1,932,370	458,486	31.11%
Salaries and wages	1,653,370	332,486	25.17%

Management Services

Dept Total:	1,782,949	399,113	28.84%
Salaries and wages	1,226,949	210,613	20.72%

Law

Dept Total:	1,769,222	58,673	3.43%
Salaries and wages	1,007,222	58,673	6.19%

Buildings

Dept Total:	1,557,042	312,344	25.09%
Salaries and Wages	1,396,042	279,844	25.07%

Other Charges

Dept Total:	1,405,000	400,000	39.80%
Judgments & Settlements (Increase for DEC Settlements)	1,250,000	400,000	47.06%

City Clerk

Dept Total:	746,217	106,034	16.56%
Salaries and wages	682,917	96,034	16.36%

Mayor's Office

Dept Total:	678,047	119,923	21.49%
Salaries and wages	560,547	102,923	22.49%

Department Appropriations

Dollar/Percent Change compared to 2021 Adopted Budget	2022	Dollar Change	Percent Change*
<u>Ambulance</u>	500,000	0	0.00%
<u>City Council</u>			
Dept Total:	490,501	0	0
Salaries and wages	258,501	0	0
<u>Assessment & Taxation</u>			
Dept Total:	423,580	32,854	8.41%
Salaries and wages	323,980	2,854	0.89%
<u>Expense on City owned Property</u>			
Dept Total:	370,000	0	0.00%
<u>Animal Shelter</u>			
Dept Total:	275,785	59,692	27.62%
Salaries and wages (includes OT)	184,735	59,692	47.74%
<u>Jail</u>			
Dept Total:	274,589	17,125	6.65%
Salaries and wages (includes OT)	241,489	2,125	0.89%
<u>Civil Service Commission</u>			
Dept Total:	268,779	19,000	7.61%
Salaries and wages	133,279	5,000	3.90%
<u>Human Resources</u>			
Dept Total:	266,300	46,800	21.32%
Salaries and wages	248,500	62,500	33.60%
<u>Emergency Management</u>			
Dept Total:	187,034	58,300	45.29%
Salaries and wages	171,734	55,000	47.12%
<u>Veteran's Service</u>			
Dept Total:	146,500	(4,500)	-2.98%
Salaries and wages	125,000	35,000	38.89%
<u>Election</u>			
Dept Total:	159,938	3,314.00	2.12%
Salaries and wages	159,938	3,314.00	2.12%
<u>Sealer of Weights & Measures</u>			
Dept Total:	72,898	600	0.83%
Salaries and wages	71,448	150	0.21%
<u>Land Use Boards (Planning, Zoning, Architectural Review)</u>			
Dept Total:	62,797	(58,020)	-147%
<u>Board of Estimate and Contract</u>			
Dept Total:	3000	0	0
<u>Inspector General</u>			
Dept Total:	0	(91,500)	-100.00%

Top 10 Expenses. These items account for about 91% of spending

Dollar/Percent Change compared to 2021 Adopted Budget	Proposed 2022	Dollar Change	Percent Change*
All Salary (FT, PT, OT, Differentials, CBA, etc.)	68,658,898	8,169,284	13.51%
Employee Benefits	42,670,726	2,048,546	5.04%
Debt Service	2,362,144	(24,500)	-1.03%
Outside Contract Services	1,837,500	10,500	0.57%
Electricity	1,800,000	0	0.00%
Contingent Fund	1,500,000	750,000	100.00%
Equipment	1,473,650	134,000	10.00%
Insurance Premiums	1,461,000	501,000	52.19%
Judgments & Settlements (Increase for DEC Settlements)	1,250,000	400,000	47.06%
Tax Refunds	1,000,000	250,000	33.33%
Total	124,013,918	12,238,830	10.95%

Questions Regarding Expenses:

Salary Increases (the vast majority of the proposed budget increases)

\$3.1M of the budgeted salary increases are due to Collective Bargain Agreements (CBAs). Of the remaining \$5M in salary increases, how much is due to new positions and how much is due to discretionary salary increases given to employees not covered by CBAs (i.e., management)? Furthermore, how much of the increase salary cost is funded by ARPA dollars, and how will these salary costs be covered when the ARPA money runs out?

Health & Dental Insurance

The proposed budget shows a zero dollar increase in the cost of health & dental insurance relative to the adopted 2021 budget (see page 1 of the "Department Appropriations" page). Why is this? Were actual 2021 health/dental costs lower than what was budgeted, and if so by how much? If not, is it realistic to expect that health/dental insurance costs will remain flat given new hiring? Or does this result from newly negotiated CBAs? This should be explained to the public.

Insurance Premiums

This is a large increase. First, what are these premiums for? Second, is the increase due to underbudgeting in 2021, newly covered staff, or something else? The public should be provided with details.

Judgements & Settlements

The mayor's overview notes that this increase is made to reflect the "true cost" of litigation. So, in 2021, what was the **actual** cost to the city in judgements & settlements? If the city knows the **actual** cost, why isn't it being shared with the public?

Top 10 Revenue Sources. These items account for about 89% of money coming in

Dollar/Percent Change compared to 2021 Adopted Budget	Proposed 2022	Dollar Change	Percent Change*
Property Taxes	64,340,619	1,803,039	2.88%
Net Proceeds from Sales and Use Tax	25,500,000	3,300,000	14.86%
State Revenue Sharing	7,155,691	715,569	11.11%
Refuse and Garbage Charges	7,000,000	7,000,000	
ARPA Funds	5,000,000	5,000,000	
Fines and Forfeited Bail Criminal Court Fines	3,200,000	700,000	28.00%
Parking Meter and Permit Fees	2,850,000	(300,000)	-9.52%
Real Property Transfer Tax	2,700,000	(200,000)	-6.90%
Sewer Rents	1,770,710	1,770,710	
Franchise Taxes	1,350,000	0	0.00%

Questions Regarding Revenues:

Sales and Use Tax

In the budget Overview the Mayor states that the expectation of sales/use tax inflows has increased "to reflect strong growth of sales tax revenues the past two years. This suggests that the administration knows the actual amounts of sales/use tax that flowed into the city in the past two years. If this is true, why aren't the **actual** revenue numbers provided to the public?

ARPA Funds

Isn't using ARPA funds to offset revenue gaps the same thing as the "one shot" revenue offsets used by the city in the past? What is the plan to replace this revenue when the ARPA money runs out?

Fines and Forfeited Bail Criminal Court Fines

Why does the city expect to derive such a large increase from fines/forfeitures? Were the 2021 actual fines/forfeitures higher than what was budgeted, and if so, why isn't the actual number shared with the public?