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April 12, 2018

Ed Markunas, Mayor
Members of the Board of Trustees
Village of Suffern
61 Washington Avenue
Suffern, NY 10901

Report Number: B18-6-4

Dear Mayor Markunas and Members of the Board of Trustees:

Chapter 99 of the Laws of 2015 authorizes the Village of Suffern (Village) to issue debt not to exceed \$5 million to liquidate the accumulated deficits in the Village's general, water, sewer and capital projects funds as of May 31, 2015. New York State Local Finance Law Section 10.10 requires local governments that have been authorized to issue obligations to fund operating deficits to submit to the State Comptroller each year, starting with the fiscal year during which the local government is authorized to issue the deficit obligations and for each subsequent fiscal year during which the deficit obligations are outstanding, their tentative budget for the next succeeding fiscal year.

The budget must be submitted no later than 30 days before the date scheduled for the governing board's vote on its adoption 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 into the Village's estimates of revenues and expenditures. Chapter 99 of the Laws of 2015 requires the Village Board to make adjustments to the tentative budget consistent with any recommendations made by the State Comptroller.

Our Office has recently completed a review of the Village's budget for the 2018-19 fiscal year. The objective of the review was to provide an independent evaluation of the tentative budget. Our review addressed the following question related to the Village's budget for the upcoming fiscal year:

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

To accomplish our objective in this review, we requested your tentative 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 estimate was realistic and reasonable.

The scope of our review does not constitute an audit under generally accepted government auditing standards (GAGAS). 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 tentative budget package submitted for review for the 2018-19 fiscal year consisted of the following:

- Cover Letter
- 2018-19 Tentative Budget
- Supplementary Information

The tentative budget submitted to our Office is summarized as follows:

Fund	Appropriations and Provisions for Other Uses	Estimated Revenue	Appropriated Fund Balance	Real Property Taxes
General	\$14,894,520	\$3,877,732	\$0	\$11,016,788
Sewer	\$2,250,748	\$2,250,748	\$0	\$0
Water	\$2,057,900	\$2,057,900	\$0	\$0

Based on the results of our review, except for the items discussed below, we found that the significant revenue and expenditure estimates contained in the tentative budget were reasonable. Our review disclosed the following findings which should be reviewed by the Board for appropriate action.

Health Insurance

The Village’s 2018-19 tentative budget includes \$2.6 million for health and medical costs. However, we project the cost to be \$2.7 million based on an average increase of 8% over the last five years. Therefore, the health insurance costs are underestimated by \$100,000 in the 2018-19 tentative budget.

Water and Sewer Revenues

The Village budgeted \$2 million in water meter revenue and \$2.2 million in sewer revenue. This includes a rate increase of 2% and 4%, respectively, from the prior year. However, the Village has collected 96% of the water and 90% of sewer rents budgeted in prior years and we project this year

will have similar results. Therefore, we estimate the 2018-19 collections will be approximately \$3.9 million, which is \$359,000 less than budgeted.

Collective Bargaining Agreements

At the time of our review, two of the Village's three collective bargaining agreements (CBAs) had expired and the third will expire at the start of the upcoming fiscal year, as indicated below. The Village faces potential increases in salary and wages for all three contracts and the possibility of retroactive increases for the two expired contracts when these agreements are settled. We recommend that Village Board consider the potential financial impact of the settlement of these CBAs when finalizing the 2018-19 budget.

Unit	Contract period	Contract expired
Police	June 1, 2013 - May 31, 2016	Yes
CSEA	June 1, 2014 - May 31, 2017	Yes
Dispatcher	June 1, 2012 - May 31, 2018	No

Tax Cap Compliance

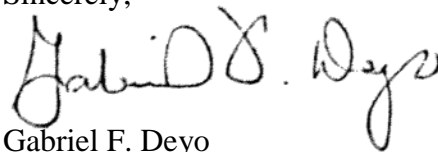
General Municipal Law Section 3-c establishes a tax levy limit on local governments and school districts, which was effective beginning with the 2012-13 fiscal year for villages. The law generally precludes local governments and school districts from adopting a budget with a tax levy that exceeds the prior year tax levy by more than 2 percent or the rate of inflation, whichever is less, unless the Board adopts a local law to override the tax levy limit.

The Village's tentative budget includes a tax levy of \$11,016,788 which is \$78,962 above the limit established by law. In adopting the 2018-19 budget, the Board 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 this information is useful as you adopt the upcoming budget for the Village. If you have any questions on the scope of our work, please feel free to contact Tenneh Blamah, Chief Examiner of the Newburgh Regional Office, at (845) 567-0858.

Sincerely,



Gabriel F. Deyo
Deputy Comptroller

cc: Michael Genito, Treasurer
Virginia Menscher, Village Clerk
Hon. Catherine Young, Finance Committee Chair, NYS Senate
Hon. Helene E. Weinstein, Ways and Means Committee Chair, NYS Assembly
Hon. Ellen Jaffee, NYS Assembly
Hon. David Carlucci, NYS Senate
Robert Mujica, Director, Division of Budget
Andrew A. SanFilippo, Executive Deputy Comptroller
Tenneh Blamah, Chief Examiner, Newburgh Regional Office