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# TOWN OF COLONIE

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## Strategic Financial Management Plan

Town of Colonie – May 2008

### The purpose of the Town of Colonie's Strategic Financial and Management Plan:

- a. To address the financial needs of the Town of Colonie which includes a significant cumulative fund balance deficit and severe operating cash flow issues.
- b. To maintain an appropriate level of quality services, economic competitiveness, and fiscal balance.

### The Priority of our Administration:

- a. To resolve the cumulative deficits
- b. To restore fiscal stability
- c. To improve our credit rating
- d. To ensure that future budgets are based on conservative assumptions and are structurally balanced
- e. To begin to build operating surpluses
- f. To restore public confidence

### Current Status:

- a. Our administration is working with the New York State Comptroller's Office, our Town Comptroller and Deputy Comptroller, Financial Transition Team, Independent Auditors, Financial Advisors and Bond Counsel.
- b. As a result of the Town's independent auditors the findings indicate an estimated cumulative fund balance deficit as of 12/31/06 of at least \$14,000,000. In addition the New York State Comptroller's Office indicated in their report dated February 2008 the following: "When considering the negative unrestricted net assets of the landfill fund, the combined deficit reported in the Town's 2006 financial statements aggregates to approximately \$18 million."
- c. The cash deficit in the General Fund is approximately \$10,000,000.
- d. A significant cash deficit in our Town Landfill has been caused by using money from this fund that was over the legal amount allowed.

## **The Cause of the Deficit:**

- a. Financial reports from the New York State Comptroller's Office, and the Financial Transition Team indicate the following:
  1. The lack of effective Town Board oversight regarding financial operations has resulted in an estimated cumulative fund balance deficit of \$18,000,000 as of 6/30/2007.
  2. As of 12/31/02, the Town of Colonie had a surplus of \$12.5 million, which declined to an estimated deficit of \$14 million as of 12/31/06.
  3. Appropriating fund balances in excess of what were available contributed to the deficit.
  4. Overestimating revenues and underestimating expenditures contributed to the deficit.
  5. The inability to maintain a positive cash flow for operating costs.
  6. Legal and interest costs for the issuance of cash flow borrowings.
  7. Inappropriate use of inter-und transfers and advances.
  8. The lack of implementation of a comprehensive plan to address the poor financial condition of the Town of Colonie.
  9. Moody's Investors Service reported the Town of Colonie's financial deterioration was evidenced by six consecutive years of sizable operating deficits, which resulted in substantial accumulated general fund deficit. Moody's has downgraded the Town's credit rating from Aa3 to Baa1 with a negative outlook.
  10. The use of excess landfill fund cash for general fund operations and lack of development of a restricted fund to prepare for future landfill closure and post-closure care costs.
  11. The Town Board failed to establish adequate internal controls regarding cash disbursements.
  12. Sales tax revenues were not used in accordance with the law. As of 12/31/06, \$6.6 million of sales tax revenue was inappropriately used to fund the general fund rather than to eliminate the tax levy in the highway fund town-outside.
  13. Town employees and equipment were used to improve the property at a private club in the Town of Colonie.
  14. The Town's accounting system needs to be more efficient.

## **Estimated Deficit by Fund as of December 31, 2006:**

General Fund - ***\$12,836,921***

Highway Fund \* - ***\$5,074,088 Surplus*** (Due to sales tax revenues not being used in accordance with NYS Law). (See page 15 of NYS Comptroller's Report).

Landfill Fund - ***\$7,541,898***

Library Fund - ***\$218,691***

Maplewood Refuse Fund - ***\$1,769***

\* \$6.6 million of sales tax money was used inappropriately to fund the general fund when it was supposed to be used to eliminate the tax levy in the highway fund town-outside.

## **Short-Term Objectives:**

**Proposed Deficit Correction Tax** – A **one time** correction tax on residential and business properties that will be based on assessed value, with a projected average of \$250 per household.

**Proposed Property Sales** - A strategy that is most effective for the General Fund is to apply the proceeds from the sale of various properties. Currently, the Town of Colonie has received a proposal from Albany County for the sale of Heritage Park for \$2.7 million and is expected to close soon. The Town will continue to investigate the sale of other assets. Although it is not a sale of property, the sale of Carbon Credits for the Landfill Gas to Electricity project has produced \$141,809 for 2008.

## **Other Short-Term Objectives**

- Reduction or elimination of various membership and association dues.
- Limit travel and conference attendance.
- Look into inter-municipal agreements to consolidate services.
- Continue our Organizational Cost Savings Plan (\$800,000 to date).
- Have created a freeze on all non-essential spending.
- Reduce contractual expenses.
- Limit overtime so as not to exceed budgeted amounts.
- Eliminated automobile stipends and reduced the automobile fleet along with an extensive review of the automobile policy.
- Increase revenue through the sale of methane gas from the landfill.
- Except for necessary positions, personnel vacancies and upgrades will remain unfilled.
- Reduce Capital Expenditures by 50% or more.
- Wherever possible eliminate duplication of services within Town departments
- Increase various user fees for Town services.
- Seek assistance from the Town Attorney regarding the appropriate allocation of Sales Tax Revenue to insure the Town's compliance with the statute.
- Currently working with the water department on having the Town's 10 largest users of water go to a quarterly billing cycle. This will assist with the cash flow issues facing the Town.
- Actively pursue recouping EMS billing write offs.
- If deficit funding is approved and needed, include a "Deficit Reduction" line in the General Fund Budget for each year beginning in 2009.
- Include a line item in the General Fund Budget each year beginning in 2009 to begin to build a surplus.
- Reduce seasonal hiring.
- Evaluate current rental/service agreements with Colonie Youth Center, Beltrone Living Center, United States Postal Service and other organizations.
- Explore eliminating vacation buy backs by department heads and deputy department heads.
- Continue the policy began in 2006 to charge back the enterprise funds which are showing a surplus for general government support.
- For 2009 budget development, departments will work to achieve a reduction of 20%.

## **Long-Term Objectives:**

- Generate more property and sales tax. There are several large commercial and residential projects that are proposed for this year and the near future.
- Begin utilizing the Crossings passive park for more income producing projects.
- Actively pursue the logging of Stoney Creek Reservoir. This 377 acre parcel has vast lumbering resources and the Town will begin to utilize this asset.
- Continue the consolidation of services. On an annual basis review each individual department and make necessary adjustments.
- Continue to construct and adopt a structurally balanced budget which includes a deficit reduction/surplus line.
- Elimination of inter-fund advances for operating costs.
- Conduct a through review of all employee health insurance with a goal of achieving a 10% contribution from all employees.
- Establish an adequate system of internal controls over the disbursement of Town monies. Insure that the Supervisor is actively involved in the Town's cash disbursement process.
- Continue to look at vehicle use, size and type of vehicles.
- Consider the advantages of consolidating and restructuring Town departments (currently there are 26 departments).
- Review the travel policy and procedure.

**Proposed Deficit Funding Legislation** – As a safety net only, the Town began the process of obtaining legislative approval to issue deficit funding obligations; however, the goal is to achieve financial stability without having to use this mechanism

### **Goal: Outcome we are trying to achieve**

To consistently create a structurally balanced budget each year. Effectively eliminate the cumulative deficits by implementing a long-term plan that ensures stability in our population, economy and a continuation of commercial and residential development.

Part of the process will be to begin building a surplus in our town budget. This plan will enable us to restore fiscal stability to our Town.