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April 14, 2017

Hon. Don Ryan, Mayor  
Members of the Board of Trustees  
Village of Hempstead  
99 Nichols Court  
Hempstead, New York 11550

Report Number: B17-7-6

Dear Mayor Ryan and Members of the Board:

Chapter 642 of the Laws of 2006 authorizes the Village of Hempstead (Village) to issue bonds not to exceed approximately \$4.2 million to liquidate the accumulated deficit in the Village's general, special revenue and internal services funds as of May 31, 2005. New York State Local Finance Law Section 10.10 requires municipalities and school districts 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 obligations and for each subsequent fiscal year during which the deficit obligations are outstanding, their proposed 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 proposed budget and make recommendations on the proposed budget as deemed appropriate. Recommendations, if any, are made after the examination into the estimates of the Village's revenues and expenditures.

Our Office has recently completed a review of the Village's proposed budget for the 2017-18 fiscal year. The objective of the review was to provide an independent evaluation of the proposed budget. Our review addressed the following question related to the Village's proposed budget for the upcoming fiscal year:

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

To accomplish our objective in this review, we requested your proposed 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. We also evaluated the amount of fund balance appropriated in the proposed budget to be used as a financing source and determined if the amount of fund balance was available and sufficient for that purpose.

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 proposed budget package submitted for review for the 2017-18 fiscal year consisted of the following:

- 2017-18 Proposed Budget
- Supplementary Information

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

<b>Fund</b>	<b>Appropriations and Provisions for Other Uses</b>	<b>Estimated Revenues</b>	<b>Appropriated Fund Balance</b>	<b>Real Property Taxes</b>
General	\$81,133,962	\$15,273,170	\$3,150,721	\$62,710,071
Water	\$8,786,050	\$8,592,807	\$193,243	
Library	\$3,512,056	\$3,512,056		
Debt Service	\$5,162,239	\$5,162,239		
Self- Insurance	\$4,530,664	\$4,530,664		

Based on the results of our review, we found that the significant revenue and expenditure projections in the proposed budget are reasonable.

### **Constitutional Tax Limit**

The Constitutional Tax Limit is the maximum amount of real property tax that may be levied in any fiscal year. The amount of real property taxes that the Village can raise each year to finance its budget is limited by the State Constitution to 2 percent of its five-year average full property value<sup>1</sup>. Based on the 2017-18 proposed budget, the Village will have exhausted 91.2 percent of its taxing authority. The Village's ability to rely on real property taxes as an increased revenue source in the future is limited. If the Village exceeds its tax limit, the State Comptroller is required to withhold

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<sup>1</sup> The State Constitution and related statutes allow for taxes in the amount of certain appropriations to be excluded when determining the amount of levy that must be below the tax limit. This tax levy amount (total levy minus exclusions) is often referred to as taxes subject to the limit.

State aid in an amount equal to the tax limit exceeded. We caution the Village that if property values do not increase, the ability to increase taxes may be reduced in the future.

### **Tax Cap Compliance**

The State Legislature and the Governor enacted Chapter 97 of the Laws of 2011 that established a tax levy limit on all local governments and school districts, which was effective beginning in the 2012 fiscal year. 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 governing board adopts a local law to override the tax levy limit.

The Village's proposed budget includes a tax levy of \$62,710,071 which does not increase the tax levy over the 2016-17 fiscal year. In adopting the 2017-18 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 adopts a local law to override the tax levy limit.

We request that you provide us with a copy of the adopted budget.

We hope this information is helpful as you adopt a budget for the Village. If you have any questions on the scope of our work, please contact Ira McCracken, Chief Examiner of our Long Island office at (631) 952-6534.

Sincerely,

Andrew A. SanFilippo  
Executive Deputy Comptroller

cc: Raymond Calame, Village Treasurer/Comptroller  
Patricia Perez, Village Clerk  
Hon. Catharine M. Young, Chair, Senate Finance Committee  
Hon. Herman D. Farrell, Chair, Assembly Ways and Means Committee  
Hon. Earlene Hooper, NYS Assembly  
Hon. Kemp Hannon, NYS Senate  
Robert F. Mujica, Jr., Director, Division of the Budget  
Gabriel F. Deyo, Deputy Comptroller  
Ira McCracken, Chief Examiner