

Hamilton's Real Financial Situation: Report from An Observer

It has been a mixed news year for the Town of Hamilton. Recent good news from the U. S. Census is that we have had the largest percentage population growth in Central New York. Meanwhile, the community that attracts people here has been at times agitated by news of the NY Comptroller's audit as well as by tensions about the overdue re-valuation of properties. These tensions appear to have been heightened because many citizens still believe that the Town has been holding excessive funds. Perhaps it would help if I share what I have learned about the Town's real financial situation by observing the Town Council meetings.



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Most of us remember that the Town was audited by the NY State Comptroller's Office during the summer of 2009 because it had not submitted the required Supervisor's Annual Financial Report for the years from 2004 to 2008. The newly elected majority of the Town Board was informed of this audit early in 2010; but the Comptroller's office asked the Board not to publicize the situation until after its own final report.

When released in November, that report drew attention to what was considered an excessive "fund balance" of \$1.2 million. Because the financial records for the Town of Hamilton over a previous five year period had not been maintained properly, the comptroller's office was not able to analyze how tax monies were received and spent. This led to an incorrect interpretation of the fund balance that caused even the new town supervisor to write in a letter to the editor as if there was "extra money."

A consultation with a representative of the Comptroller's office on February 24, 2011 revealed that previous Town Councils had not properly designated funds they meant for major expenditures beyond the annual budgets. Resolutions should have been passed by the Board to set up particular funds. For major projects, like the long-discussed "salt shed," public hearings should have been held. Since these procedures were not observed, the monies simply rolled over into the "fund balance," making it appear to be excessive.

In November 2010, when the Town Board needed to adopt a budget for 2011, additional complications had emerged. Long-standing mistakes in charging residents of the villages for services they had already paid for with village taxes needed to be corrected. This meant that those outside the villages would have had a tax increase as they picked up the total cost for certain items earlier shared with the villages. At the November meeting of the Board, the supervisor argued for a transfer of \$100,000 from the still-misunderstood fund balance in order to avoid this increase; however, a bipartisan majority voted to move only \$50,000 from the fund balance so that the raise in taxes for the 2011 budget would be cut in half.

The supervisor explained his negative vote on this budget in a letter to the editor on

December 2, 2010. Public outcry as well as a hastily called meeting of the Town Council on December 9, 2010 followed. At this meeting some citizens objected to a tax increase since the recently published Comptroller's report indicated an excessive fund balance. They supported a resolution to transfer an additional \$50,000 from the fund balance. Others warned that this was simply deferring a necessary increase to the future. Nevertheless, a bipartisan majority of the Town Council voted to amend the budget in this way.

Subsequent meetings of the Town Council have benefited from the advice of a new assistant bookkeeper. In addition, a new budget officer has been named. However, even after fifteen months of hard work, some Board members continue to feel uncertain about some financial records.

Nevertheless, it is clear that what may have seemed like a luxurious \$1,200,000 excess simply does not exist. In addition,

- The Board will need to establish contingency and capital projects funds. The practice of using the fund balance to hold funds for capital projects as well as to defray deficits is not recommended by the Comptroller's office.
- A 10-year projection of needs by the Highway Superintendent shows that as much as \$1,000,000 may be required. The Board plans to set aside \$100,000 each year in a fund for replacement of highway equipment when needed.
- The Town has long expected to build a "salt shed" to prevent the runoff of salt into the Sangerfield River. The estimated cost of such a shed, without which we may be fined by the Department of Environmental Conservation, is \$280,000.
- Even with the infusion of \$100,000 from the fund balance, the Town needs to deal with a \$127,000 deficit for the year 2010 and the projected deficit for the year 2011 is \$255,000.

We owe gratitude to the current Town Council for the unprecedented number of hours members have invested in recovering missing records, handling unexpected crises, dealing with emerging conflicts, and researching better and more economical ways of operating.

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