



CITY OF PEEKSKILL

OFFICE OF THE MAYOR

John G. Testa  
Mayor

## **Peekskill Continues To Improve Its Already Strong Financial Health, Auditor Reports.**

*Extensive, Ongoing Cost-Control Efforts, Strict Financial Practices Result In City Being In Best Financial Shape in 25 Years.*

Positive Fiscal Picture Is Great News for City's Taxpayers.

***For Immediate Release***

**Monday, July 31, 2006**

**Contact: Mayor John Testa  
914-737-4105**

PEEKSKILL, NY—Great news came again for Peekskill's taxpayers, as the City's finances received yet another rave review from outside auditors.

A commitment to professionalism, a dedication to financial discipline and a willingness to endure intensive criticism have all helped transform Peekskill from one of New York State's financially weakest to one of its healthiest communities over the last half-decade.

"This is probably the best condition the City's been in in many years," says Les Storch a managing partner in O'Connor Davies Munns & Dobbins, New York State's leading accounting firm specializing in the auditing of small to mid-sized communities.

840 Main Street, Peekskill, NY 10566 (914) 734-4105

Although it is paid by the City, as an auditing firm, the company is legally required to render an independent, unbiased view of the financial state of the City.

“We’re in the best financial health in modern times,” says Mayor John Testa. “This is great news for the City and its taxpayers. It means our costs will be lower, so we can continue to keep any tax increases under strict control,” he says.

Auditors say the City achieved its financial health the old fashioned-way—through strict financial discipline and stringent implementation of highly professional policies and practices. These include stringent implementation of everything from tax collection to issuing parking tickets.

“They’ve been very aggressive on their property tax collection, and collected a lot of old taxes,” Storch says. “The City picked up \$500,000 over budget on interest and penalties over real property taxes,” he says. “They also under spent their budget by 2%. This created a very significant improvement in the City’s fiscal condition.”

One of the strongest signs of Peekskill’s strong financial situation is the City’s fund balance. Near non-existent less than a decade ago, the current fund balance is giving the City immense flexibility and efficiency in everything from paying bills to setting tax rates.

A fund balance is a financial reserve that cities keep to cover both operating expenses and emergency situations. It is the difference between assets and liabilities. Peekskill has steadily increased its fund balance over the last several years, Storch says. “The City’s total fund balance has increased from 7.4 million to 10 million dollars,” he says. One of the most important categories in any fund balance is the unreserved and undesignated section.

This sum of unallocated funds can be used for a myriad of different official purposes. It is most important in allow Peekskill to build a bridge between seasonal tax collection periods.

“The reserved and undesignated fund has gone from 2.4 million to 3.3 million. That’s a considerable increase,” Storch says. “Peekskill now has an undesignated fund that is hovering somewhere around 11%, which would be indicative of very strong local government finances,” he says.

Every city needs to borrow money for big projects. It is thus critical for a city to present a positive face to the bond market. Two decades ago, Peekskill’s bonds were downgraded to near junk status. Today the City is about to ask to be upgraded to one of the highest levels in the marketplace. “The fund balance is one of the primary areas where Moody’s and Standard and Poors will look to see a place’s financial condition,” Storch says.

A strong fund balance can also have a direct impact on Peekskill’s budget. The City’s fund balance is now large enough that Peekskill can eliminate a practice that has cost it in the six figures annually—the use of Tax Anticipation Notes (TANs).

TANs are used when a City does not have the financial reserves to meet expenses that are incurred between tax payment periods. In essence, the City borrows money against upcoming tax revenue to pay current expenses. In recent years, Peekskill’s use of TANs had diminished dramatically, but the practice was still costing the City at least \$100,000 a year, Serrano says.

“At the end of 2004, the City borrowed \$10.3 million in TANs. At the end of 2005, it borrowed only \$3 million,” Storch says. In 2006, that number will drop to zero.

With the larger fund balance, Peekskill has now been able to stop using TANs entirely, a proud Serrano says. He has been relentlessly committed to eradicating TANs since he started working for Peekskill about a decade ago. “We’ve been going through a process of trying to eliminate the need to borrow money to pay our bills,” he says. “This is something the City has struggled with for 25 years. I’ve made it a mission to work the Council to eliminate that debt. We have now done that. 2006 will be the first year the City doesn’t have to borrow a TAN in more than two decades,” he says.

Elimination of TANs and several years of very positive financial reports have tremendous implications for the City, Serrano says. Besides eliminating the cost of the TANs themselves, the City’s positive financial picture will improve its bond rating, thus dramatically reducing the cost of borrowing money to fund such things as the numerous major infrastructure projects the City is currently undertaking.

This is a far cry from where Peekskill’s finances were a couple of decades ago. “There were times when the agencies downgraded Peekskill’s bond rating to junk bond status,” Serrano says. “Now we’re ranked as one of the best and most financially stable communities in the state,” he says. The latest audit confirms that, as a City, Peekskill does not overspend and budgets very conservatively.

Testa congratulates and thanks Peekskill’s department heads for the work they have done in keeping expenditures down. “People at all levels of City government have worked very hard at serving our taxpayers by providing expanded services while at the same time reducing their budgets,” he says.

What makes the progress even more impressive is the fact that 80%-90% of City expenditures involve personnel and benefit costs that the City is obliged to pay.

“There is a very small amount of room we can play with, but our people have done an excellent job with that room,” Serrano says. The City has even prepared for the future, setting aside \$3.5 million for post-employment health benefits, in part to avoid experiencing the fiscal shock it has felt in the last couple of years.

“I remember when the City of Peekskill had to go out and borrow deficit bonds,” Storch says, a practice that is both humiliating and very expensive. “Clearly in this kind of condition you don’t have to do that,” he says.

For more information, contact Mayor John Testa at 914-737-4105.

-END-