



CITY OF PEEKSKILL

OFFICE OF THE MAYOR

John G. Testa  
Mayor

## **City of Peekskill Gets Rave Review From Outside Auditor.**

*Strict Financial Discipline, Aggressive Cost Cutting Result In City  
Getting Rave Review in Audit By Outside Agency.*

Peekskill In Best Financial Health In Decades Despite Rapid Rises In Retirement Costs.

### ***For Immediate Release***

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PEEKSKILL, NY—Outside auditors gave the City a rave review for its current financial practices, saying the City's practices, finances and results were of award winning quality that would have significant positive impact for taxpayers and the community at large.

Les Storch, a partner in the firm of O'Connor, Davies, Munns & Dobbins (ODMD), describes the results of the audit as "very positive." "One would have to say the city is in healthy financial condition at the end of 2004," he says.

ODMD is New York State's leading accounting firm specializing in the auditing of small to mid-sized communities.

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

Storch found that Peekskill's finances are now so strong he suggested that next year the City should apply for the prestigious Certificate of Achievement for Excellence in Financial Reporting. This award is only available to communities that go through an extensive, extremely rigorous process and which maintain very high financial standards. Only a few communities in the region have gained the award; Peekskill's two most recent audits are strong enough for the community to gain the certificate next year, he says.

This strength comes after Peekskill has taken a number of financial blows that were totally beyond its control, Storch says. Labor costs make up the largest part of the City's budget, and a portion of these expenses has increased dramatically in recent years. "About three or four years ago, retirement costs were 1% of payroll. Now they're about 10%-19% of payroll," he says. "When you go from one percent to 19% that's a significant increase, absolutely."

Though Peekskill faced this and other potentially devastating mandates, strict financial discipline, intense cost control and extensive implementation of new managerial practices enabled the city to overcome their burden. This strong financial state did not come easily or by accident, says Peekskill Mayor John Testa.

"I am grateful for the citizens of our city for working with us and accepting the tax increases that were necessary to bring financial health to our community. Certification by an outside agency of our strong financial status will enable us to reap many benefits that will make it possible for us to keep taxes down and improve city services in the future," Testa says.

Positive movement was apparent in virtually all of the areas that are hot buttons for professional auditors, Storch says. Among the most important is the tight match between the City's spending and its revenues. In 2004 the city projected expenditures of \$29.2 million. It actually spent just \$28.6 million. "That shows the budget was a realistic document in meeting the needs in 2004," Storch says.

Another important area is the city's fund balance. A fund balance is money that the City has in reserve which can be used for various different purposes. As part of its long-term financial planning, the City has specified where its fund balance will go, which is another good thing, Storch says. "Most of the fund balance was put into a reserve for capital projects, which means the city will have funding available to invest in projects from operating funds rather than the use of debt, which will save the city interest costs," he says.

"The city has improved its financial condition from 2003 to 2004 with a fund balance increase totaling \$2.5 million," Storch says. This has definite long-term implications for the City, in that it will allow more financial flexibility, reduce the amount of borrowing that has to be done, and cut the cost of borrowing when it is done.

"The city's budget is about 30 million; so it has an unreserved and undesignated fund balance which is about 8% of the operating budget which is clearly in the range that Moody and Standard & Poor recommend, which is 5%-10%," Storch says.

While the \$2.5 million is already targeted at specific projects and funds, the City also has more cash on hand, Storch says. "The unreserved and undesignated fund balance went up by \$375,000. That's also very positive; that means the city has monies available to deal with unanticipated events and for use in future budgets after 2005," he says.

Peekskill's use of such financial tools as Tax Anticipation Notes was completely appropriate and effective for a Westchester County Community. Tax Anticipation Notes are in essence loans against future tax revenue. They are a common feature in Westchester because communities in the County are required to not only collect but to turn over by specific deadlines tax funds for the County and for the local school districts.

"TAN's are a common short term financing vehicle used particularly in the towns and cities of Westchester County, because it is only in Westchester County where the cities and towns are required to guarantee the taxes of the school district and the county taxes," Storch says. "The TAN's are the vehicle to provide you the cash funds necessary to satisfy the warrants until you collect the taxes at a later date, so they are not uncommon," he says. "If everybody paid their taxes when they were supposed to, you wouldn't have to rely on TAN's."

Besides, this year will probably be the last one where Peekskill has to use TAN's, says Peekskill City Comptroller Marcus Serrano. "'With our increase in fund balance and greater control of expenses, next year will be the first year as far as anyone can remember that the City will not have to borrow using TANs," he says. "Our savings will be substantial," he says. "I can't express how happy I am as the comptroller of the city to see our fund balance growing so we don't have to borrow money to pay our obligations for the first time in a number of years."

Storch was deeply impressed by Peekskill's managerial and financial staffers. "You've got a great team here," he says. "The finance group downstairs is doing a good job. Sheila Doughtie does a great job, and Marcus oversees things very well," he said.

ODMD has audited Peekskill's 2003 and 2004 statements. It last worked with the City about 20 years ago, in a different political era. At that time, Peekskill was in near constant financial crisis, running deficit budgets while it dramatically cut services and increased taxes.

While the financial shocks the City faced in recent years were sharp enough to have triggered emergency responses, effective leadership and management have kept the impact to a minimum. "I understand the tax burden that our citizens face," says Mayor Testa. "But, to a degree, we have accomplished the impossible. Two years ago it looked like we would have needed layoffs and truly radical tax increases because of situations beyond our control. Today we are a model for the county. We should all be proud of what we have accomplished."

Peekskill's current finances fit its needs, Storch says. "If you look at the final budget compared to expenditures, the City, out of \$30 million, underestimated its spending by about \$700,000. That's clearly a budget that's meeting the needs of the City. It's not too fat," Storch says.

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