

City of Holyoke

Office of the City Auditor

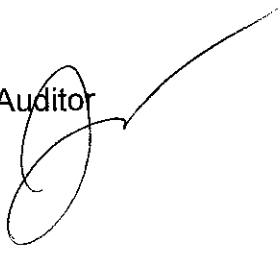
City Hall Annex - Room 101

20 Korean Veterans Plaza

Holyoke, Massachusetts 01040-5000

Phone: (413) 322-5585 Fax: (413) 322-5586 E-mail: auditor@holyoke.org

TO: Holyoke City Council
FROM: Tanya Wdowiak, City Auditor
CC: Alex Morse, Mayor
SUBJECT: Free Cash
DATE: December 3, 2018



This will confirm that the State Department of Revenue has certified our 2018 Free Cash as follows:

\$ 484,355	Free Cash
<u>\$ 865,593</u>	Adjusted Free Cash
\$1,349,948	Total Free Cash

The Adjusted Free Cash represents FY2018 revenue that was delayed by the late mailing of the tax bills and not collected until FY2019.

Against this total, we need to cover the following deficits:

\$ 351,737	FY2019 operating budget
\$ 418,474	FY2018 health insurance deficit
\$ 32,984	Sewer fund retained earnings deficit
<u>\$ 323,590</u>	Other fund deficits
\$1,126,785	Total Deficit

CITY OF HOLYOKE
CITY CLERK'S OFFICE
2018 DEC -4 P 3 32

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DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Christopher C. Harding
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

December 4, 2018

Alex B. Morse
Mayor
City of Holyoke
Holyoke, Mass. 01040

Dear Mayor Morse:

The Bureau of Accounts is in receipt of your November 30, 2018 letter requesting a FY2019 free cash update for the City of Holyoke (the City). We agree to update free cash in the amount of \$865,593 provided that prior to the certification of the FY2019 Tax Rate Recap by the Bureau of Accounts:

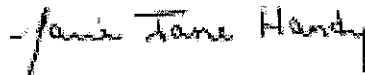
1. The City agrees to fund \$323,590 in deficits appearing on the 6/30/2018 balance sheet. These deficits are recurring from 6/30/2017, suggesting that they are structural in nature and should be funded in order to be eliminated. (See Attachment A).
2. The City agrees to fund a \$418,474 FY2018 health insurance appropriation deficit. This appears to be a recurring budget issue since in FY2017, the City had to fund a health insurance appropriation deficit of \$526,436 in the FY18 tax rate. We strongly encourage the City to perform a thorough analysis of health insurance costs, and budget a realistic appropriation for these estimated costs.
3. The City agrees to fund the FY2018 retained earnings deficit of \$32,984. This deficit indicates that the sewer enterprise fund revenue is not sufficient to cover the expenses for these services requiring a subsidy from the General Fund. We recommend that the City perform an extensive review of the enterprise fund including the current rate structure; consider a vote to subsidize the enterprise fund with another revenue source, or rescind the adoption of the enterprise fund.

Including the deficit amounts indicated above, during our FY2019 free cash certification review, we deducted a total of \$2.291 million to the free cash calculation. This is partly related to capital projects deficits as of 6/30/2018 that were not borrowed for by year end, deficits due to school grant reimbursements not realized by 9/30/2018, and a chapter 90 project reimbursement request that was not submitted to MassDOT by 9/30/2018. If the City performs tasks as recommended above, with elimination of these types of free cash adjustments, in the future the City will realize an increase in free cash.

We finally recommend that the City review its policies and procedures to effectively safeguard its assets and better assure its financial and operating objectives are met. The City needs to remedy existing City procedures that have led to this fiscal stress in the City since all of the items mentioned above could have been resolved by proper budgeting procedures and monitoring of the City's financial position especially at year end. Additionally, we recommend educating department heads on the ramifications of not following proper procedures and the impact on the City's financial position.

The Division of Local Services remains committed to working collaboratively with the city. If we may be of further assistance, please feel free to contact Matt Andre, Holyoke's BOA representative, at 413-452-3800 x23978 or you may contact me directly at 617-626-2391.

Sincerely,

A handwritten signature in black ink that reads "Marie Jane Handy". The signature is written in a cursive, slightly slanted style.

Marie Jane Handy
Director of Accounts

Cc: Todd A. McGee, City Council Chairman
Bellamy Schmidt, Acting City Auditor
Deb Wagner, Supervisor, Springfield Regional Office
Matt Andre, Springfield Bureau of Accounts

Attachment A

Holyoke's deficits to be raised on the 2019 Tax Rate Recap

689 Main St Cleanup	\$ 2,872.00
Renewable Energy Planning	\$ 21,750.00
Estate Planning Outreach	\$ 25.00
Indust. Devel. Revol. Loan	\$ 687.00
Bulletproof Vest Program	\$ 902.00
Bulletproof Vest Fed Program	\$ 3,691.00
2017 Bulletproof Vest	\$ 14,054.00
Brownfield Wool	\$ 223.00
Health/Well Trust	\$ 7,905.00
2014 CERT Sup.	\$ 138.00
Marcotte Equip.	\$ 3,395.00
Ped/Bike Safety Enf.	\$ 49.00
MA Mutual Aux Radio	\$ 80.00
Gateway City	\$ 33.00
Academic Support	\$ 4,391.00
Geriatric Land Purchase	\$ 205,000.00
Platform Expansion	\$ 58,395.00
Subtotal	\$ 323,590.00
Sewer Enterprise Deficit	\$ 32,984.00
Appropriation Deficits	\$ 418,474.00
TOTAL TO BE RAISED	\$ 775,048.00