

**Nassau County
Office of the Comptroller**



Nassau County Special Districts: The Case for Reform

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INTRODUCTION

Within Nassau County, multiple municipal taxing entities provide services to residents and businesses. In addition to the county government, municipal service providers in Nassau include the three townships (Hempstead, North Hempstead and Oyster Bay), sixty-four incorporated villages, two cities (Glen Cove and Long Beach), local school districts, libraries, and fire districts. Nassau is also home to water authorities that charge user fees, fire companies that contract with municipalities to provide fire protection, and a multitude of special improvement districts. These special districts, which levy taxes, provide municipal services, such as water supply, drainage and sewers, lighting, parks, public parking, and solid waste collection and disposal, within their borders. Of these special improvement districts, a number are governed directly by the boards of Nassau's three towns. At least 45 other districts are governed by elected boards of commissioners.¹

Earlier this year, the County Assessor and others noted that special taxing districts spend taxpayer dollars and raised revenues with little public scrutiny or governmental oversight. In response, our office audited the financial operations of a sample of Nassau's special, commissioner-run sanitary districts: The Port Washington Garbage District in North Hempstead, the Syosset Sanitary District in Oyster Bay, and Sanitary Districts 1, 2 & 6 in Hempstead.² These audits are available on the Comptroller's website, <http://www.co.nassau.ny.us/comptroller/AuditReports.html>. These districts vary in size. The three Town of Hempstead districts employ their own workforces, while the other two districts contract with private haulers for refuse collection services.

In a number of the districts we audited, we found serious financial mismanagement, a lack of oversight, few, if any, written policies and procedures, overspending, faulty contracting,

¹ School districts are established pursuant to Education Law Sections 1501 & 1504; libraries pursuant to Education Law Section 255; fire and fire protection districts pursuant to Article 11 of the NYS Town Law; and Special Improvement Districts pursuant to Articles 12 & 13 of the NYS Town Law (see also Nassau County Civil Divisions Act Ch. 2).

² In Nassau, the county does not provide solid waste collection or disposal services for residents. Instead, garbage collection and disposal is arranged by the county's towns, cities, villages and special districts.

and questionable employment and benefit practices. As a result of our audits, the State Comptroller and the District Attorney initiated independent investigations, which are currently ongoing.

This report summarizes our audit findings and recommends that there be a reappraisal of the place special, commissioner-run sanitary districts should have in the county's municipal framework. This office did not review the expenditures or administration of other special commissioner or town-run special taxing districts. Nevertheless, because of the egregiousness of our findings and the overall lack of oversight of these districts, we believe a comprehensive examination should be undertaken of the administration and organization of all special commissioner-run districts in the county. In addition, we believe the structure and administration of town-run special districts should be examined. As a first step, we recommend that all stakeholders, including local and district officials, state legislators, and representatives of community and business groups, meet to establish a plan for conducting a comprehensive examination of county special districts and for the development of recommendations for reform.

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SECTION I: Establishment of County Special Districts

On January 1, 1898, the state legislature created Greater New York, which included the western part of Queens County. The three eastern townships of Queens-- Hempstead, North Hempstead, and Oyster Bay-- were left out of the legislation.³ One year later, those towns, with their incorporated villages and unincorporated areas, officially formed Nassau County.⁴ In the next few decades, there were several failed attempts to create a charter that consolidated various localities within the county.⁵

Paralleling these developments, in the early twentieth century, special improvement districts were created pursuant to state law to provide municipal services, such as garbage collection or water, to areas of the county that did not otherwise receive those services. These districts were authorized to tax residents to pay for the districts' services. When these special districts were established, Nassau was not the heavily populated suburban county it is today— few people commuted to New York City, and the economy was largely agricultural.⁶ Special districts were used extensively to provide services in the county's unincorporated areas. At the same time, Nassau's population was growing rapidly --doubling in size from 1920 to 1930— more than five times as large as the county was when it was created.⁷

In 1932, state legislation was enacted that reorganized town governments, and mandated that newly formed special improvement districts be managed directly by town boards.⁸ The legislation, however, permitted existing special districts to hold referendums in which district residents could decide to maintain the commissioner-run district structure. As a result, many Nassau commissioner-run districts were maintained.

³ www.co.nassau.ny.us/centen/NC-hist.html .

⁴ Ibid.

⁵ Teaford, Jon C. "Nassau County: a pioneer of the crab grass frontier," from Nassau County: From Rural Hinterland to Suburban Metropolis. Ed: Krieg, Joann P. and Naylor, Natalie A. Empire State Books: Interlaken (2000) at 33.

⁶ Gonzalez, Arturo F. Eugene H. Nickerson: Statesman of a New Society. James H. Heineman, Inc. NY (1964), 28.

⁷ Teaford, at 30.

⁸ NYS Town Law § 61, § 341; 1987 Opinions of the NYS Comptroller, Opn 87-69.

In 1936, the Nassau County Charter was approved, creating the basic layout of today's county government.⁹ The charter provided for the continued existence of special districts, although some oversight powers, such as the right to audit district operations and to approve district extension petitions,¹⁰ were granted to the county government.¹¹

Attempts to Reform Special Districts

Many special districts continue to exist today despite criticism of the multi-layers of county government, and efforts to reform and consolidate the districts. For example,

“[a]s early as 1914 a good-government group called the Nassau County Association was lobbying to correct some of the problems in the pattern of local rule. This group won state legislative authorization for the creation of a commission to propose reforms in Nassau's framework of government. The commission's report issued in 1918 asserted that change was necessary and noted a demand ‘in particular for a greater centralization and responsibility of authority.’ Thus it called for a transfer of authority to an overarching county government which supposedly would overcome the inefficiencies resulting from the division of responsibility among excessively small governmental units. In reporting on the commission's findings, the *New York Times* announced that the reformed framework would govern Nassau ‘like a big city.’ This was a red flag for many of Nassau's residents who sought to avoid such big city government at all costs.¹²

In the 1930s,

“most public administration experts [found] the “extraordinary fragmentation of government” [in Nassau] to be inefficient and resulted in costly, irresponsible government. Residents had a difficult time fathoming who was in charge, and excessive duplication of effort supposedly increased costs and hampered coordination necessary for improved service.”¹³

During the 1961 campaign for Nassau County Executive, Eugene H. Nickerson emphasized the fragmented nature of county government, including the proliferation and lack of transparency of special districts. Nickerson blamed the previous decade's “fantastic rises” in taxes on, among other things, “the perpetuation of fragmented, irresponsible special taxing districts.”¹⁴

⁹ County Government Law of Nassau County otherwise known as the Nassau County Charter (Ch.879, L.1936 as amended by Ch. 618, L. 1937).

¹⁰ Nassau County Charter Sections 402 and 1502.

¹¹ Ibid.

¹² Teaford at 33.

¹³ Ibid.

¹⁴ Gonzalez, 65.

Section II: Oversight and Transparency

Overall, the special districts we audited were administered with minimal oversight by other government agencies and without transparency to the public. Our auditors found that town boards exercise little authority over commissioner-led special district operations and budgets, and budgets are established without any real public scrutiny. District officials operate within an environment that fosters little to no accountability or transparency, primarily because there is no regular oversight of their operations.

Annual district elections serve as the district's only structural check. Elections are held without oversight from the board of elections after little public notice has been provided. Frequently, only a tiny percentage of constituents vote. We also noted that there was no public notice of Board meetings or evidence that the public attended the meetings.

Budget Control, Review and Approval

As a practical matter, town boards exercise little oversight over commissioner-led sanitary district budgets, which vary in size from hundreds of thousands to millions of dollars. On several occasions, town officials have publicly stated they have little authority over special districts. As a statutory matter, however, Nassau County town boards may have more authority than they have heretofore exercised. Statutorily, district operations are governed by New York

State Town Law Articles 12 and 13 and by the Nassau County Civil Divisions Act. District commissioners must submit to the town clerk a report detailing:

- a. The amount of money on hand at the beginning of the year, and the receipts from all sources during such year;
- b. An itemized statement of the amount paid out during such year, and the balance on hand;
- c. The outstanding indebtedness of the district, either bonded or otherwise, separately stated;
- d. The estimated deficiency in the amount necessary to pay principal or interest or the expenses of the district during the next year after applying thereto the probable amount of income;
- e. The improvements and extensions made during such preceding year in the district; and
- f. Such other facts as the board deems important for the information of the district, together with such recommendations concerning such district as may be deemed proper.

New York State Town Law Art 13 § 215 (9), Nassau County Civil Divisions Act § 219.

Additionally, commissioners must file with the town's budget officer an estimate of proposed expenditures for and revenues of such district for the year.¹⁵ This estimate must specify by items "all proposed expenditures for general purposes, including expert and professional services and for debt service".¹⁶ According to the State Town Law, the town board "may **reduce any item specified in such estimate, but may not reduce any item relating to the estimated revenues and debt service** unless the majority of the commissioners of an improvement district request such reduction in writing."¹⁷ Although this provision is not subsequently repeated in the Nassau County Civil Divisions Act (Act), any powers conferred by the Act are "deemed to be in addition to any and all other powers...conferred by any general...law." Nassau County Civil Divisions Act §223.1. Therefore, the town boards retain powers granted to them under Town Law Article 13, unless those powers are negated by the Civil Divisions Act.

Although town boards may not have absolute financial oversight authority over special sanitary districts, at present the boards do not appear to provide any financial oversight, except for perfunctory budget approval.¹⁸

¹⁵ New York State Town Law Art. 13 § 215 (10).

¹⁶ Id.

¹⁷ Id.

¹⁸ See section on "Budget Control and Approval".

Elections

When our auditors asked sanitary district officials about oversight of district operations, the officials often responded that they are accountable for their actions to the electorate, which votes for district commissioners annually. Our study of special sanitary districts showed, however, that elections were administered in a manner so as to limit participation, and that few residents actually voted.

Elections as the Primary Source of Accountability

Voter Turnout:

If elections in the special sanitary districts are in fact the primary conduit of accountability, then little to no accountability exists. Voter turnout rates for these districts are extremely low. In the 2002 New York gubernatorial race, voter turnout was 44%.¹⁹ By contrast, of the sanitary districts we reviewed, recent voter turnout rates ranged from a high of 13.9% to a low of 1.8%.

District	Number of Residential Parcels	Election Year	Number of Votes Cast*	% of Voter Turnout **
Sanitary District 1	14,869	2005	503	3%
Sanitary District 2	15,255	2004	493	3%
Sanitary District 6	30,080	2003	1,019	3%
Syosset Sanitary District	762	2004	14	1.8%
Port Washington Garbage District	5,804	2004	807	13.9%

* Votes Cast numbers were retrieved from official recorded minutes from special district meetings and are the most recent numbers available per district.

** This assumes that there is a maximum of one registered voter per parcel. This is a most conservative measure, as in most cases, more than one registered voter will reside per residential parcel.

¹⁹ Data obtained from the Nassau County Board of Elections.

In Syosset's most recent election, 14 votes were cast. Notably, several of these voters appeared to be relatives of commissioners, sharing the same last names and in certain instances, the same home addresses.

Election Oversight

Districts conduct their own elections, verify voter eligibility, and are responsible for complying with state election laws free from oversight by the county's board of elections. Election results and procedures are not reviewed by an external independent agency.²⁰

Notice

The board of commissioners of a special sanitary district is responsible for posting notices and alerting the public of an upcoming district election. The board must give notice by publication in one or more newspapers having general circulation in the district. The first publication must be at least 20, and not more than 30, days prior to the date of such election, and the secretary must post at least 5 copies of the notice in conspicuous places within the district at least 15 days prior to the date of the election.²¹ These notices must also specify: the time when, and the place where, the election will be held; the officers to be elected and their terms of office; and the hours during which polls will be open.²² In District 1, Town of Hempstead's commissioner election this year, notice of the election was posted in the legal notices section of a local paper, at five local post offices and at the sanitary district office. This type of technically compliant notice is woefully inadequate. Legal notices sections of newspapers are not conspicuous, and most residents, with home mail delivery, are unlikely to visit their local post office during the relevant time period, and are even less likely to visit the local sanitary district office. Accordingly, such notices are likely to go unnoticed. The low turnout rates for district elections attest to the inadequacy of these notices.

²⁰ According to the Nassau County Board of Elections (BOE), the BOE provides each district with a list of registered voters living in that district. A district may, pursuant to its own verification procedures, include additional voters to this list.

²¹ Nassau County Civil Divisions Act Chapter II Art. 1 § 202 (d).

²² Id.

Polls

Polls, by law, are to remain open for a minimum of 4 hours, from 6-10 p.m. and any consecutive hours prior to as determined and specified in the notice by the board of commissioners.²³ Only district residents are entitled to vote. District 1 conducted its most recent election on a Friday evening in July from 6-10 p.m., hours during which, in addition to the limited turnout to be expected on a Friday night in the middle of the summer, many district residents could not participate because of their religious practices. Had the board of commissioners of this district wished to increase voter participation, it would have, at the least, added additional hours to the minimum statutory requirement.

Inspectors: Compensation and Impartiality

The board of commissioners designates a qualified voter to act as chair for an election of officers and designates not less than two nor more than six qualified voters to act as election inspectors and ballot clerks. Election inspectors and ballot clerks are entitled to reasonable compensation to be set by the board of commissioners. Our examination uncovered instances of possible conflicts of interest in these appointments. For example, in District 2, the general ledger indicated that payments to election workers, including the recording secretary hired by the district's board, were inconsistent-- persons performing the same duties on any given day did not receive equal compensation. In addition, multiple payments were made to the same individual for work performed at a single election.

Election inspectors must be impartial in order to ensure fairness. In District 6, several of the election inspectors shared the same (not common) surnames of supervisors and an ex-commissioner. In one instance, as revealed by board meeting minutes, a commissioner, who was running for re-election, sponsored the resolution to certify the election's results. In addition, in this same district, an ex-employee who had resigned after disciplinary proceedings were brought against her was chosen by the board to act as an election inspector for that same district. Lastly, an outside contractor working for the district, who is also the minute keeper at board meetings,

²³ Id.

was chosen as chair of the election inspectors at a polling site. In at least two of the five districts examined, therefore, the independence or integrity of the elections may have been compromised because of possible inappropriate appointments.

Lack of Transparency, and Inadequate Policies, Procedures & Internal Controls

Transparency and established policies and procedures increase accountability and minimize possible opportunities for corruption and mismanagement. In our audits of sanitary district operations, we found minimal transparency, and inadequate and non-existent policies and procedures. In some districts, where policies and procedures existed, they were ignored.

Lack of Accounting & Financial Personnel and Policies

The districts we audited rarely employed individuals with financial backgrounds. Maintaining adequate financial controls over district finances therefore presented a significant challenge for district personnel. Many personnel responsible for administering budgets lacked the financial skills necessary to monitor allocated funds.²⁴ For example, one district office manager lacked a basic understanding of accounting concepts, such as what is meant by a bank reconciliation or the importance of recording expenses to the appropriate general ledger account. Additionally, all but one of the districts did not maintain written policies or procedures for maintaining accounting records. Personnel therefore reconcile district finances without written guidance for the recording of fixed assets, revenue collection, and accounts payable.

Inadequate Procurement Policies

Every district audited had either no written or incomplete procurement policies. Where a procurement policy existed, our auditors found that one policy lacked procedures for obtaining professional services while the other granted extra ordinary decision making authority to a single supervisor. We also discovered numerous cases of non-compliance with procedures. For example, one district purchased more than \$400,000 in goods and services without recording any evidence that competitive quotes were obtained.

²⁴ District budgets range from hundreds of thousands to millions of dollars.

- *Attorney Services and Procurement Policies*

Every district we audited exhibited confusion or mismanagement in the procurement of legal services. Districts hired attorneys without following written procurement policies, without entering into written retainer agreements, and provided attorneys health and retirement benefits even though they appeared to be outside contractors, not employees. Additionally, at times, counsel appeared to be retained to perform duplicate services.

- *Conflict of Interest Policy*

Most of the districts we audited did not maintain a formal conflict of interest policy or an internal code of ethics. Employees therefore have no guidance as to the appropriateness of their decisions.

Lack of Personnel Controls

- *Inadequate Timekeeping and Payroll Procedures*

In the three audited districts that employed their own workforces, we found timekeeping and payroll procedures so inadequate that it was difficult for our auditors to reconcile employee work schedules with actual time spent performing district services. On several occasions our auditors observed that employees did not work during the hours they were being paid. They also observed limited attendance by several highly compensated employees. Our audits uncovered many cases of full time employees being paid for working part time hours, supervisors who do not use time clocks or review timesheets, and instances of salary overpayments. While mistakes such as overpayments can occur, poor record-keeping practices may have contributed to these occurrences. Also, a lack of basic internal controls can increase the risk that these errors will go undetected.

We recognize that municipal sanitation workers generally have assigned routes, and that there may not be other work for them to do once those routes are completed. Nevertheless, because of the very short days worked by employees in these districts, we believe the number of employees may be excessive for the amount of solid waste required to be collected, and that the route structures may not be cost-efficient. Also, because these districts only collect solid waste

and do not provide other municipal services, such as street cleaning, there is no ability to assign workers additional tasks when they arrive back at their job locations many hours prior to the end of the work day.

- *External Auditor Independence Violations*

In many of the districts we audited, external auditors retained to provide independent evaluations of district finances adopted questionable business practices. On multiple occasions, such practices negate the independent status of these auditors.

According to Generally Accepted Government Auditing Standards (GAGAS), auditors must follow “two overarching principles” to avoid potential conflicts of interest.²⁵ Specifically, “auditors should not perform management functions or make management decisions,” and “auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant and/or material to the subject matter of the audit.”²⁶ In many of the districts we audited, the districts’ independent auditor performed routine accounting functions for their client districts. This includes checking vouchers, recording journal entries, and dictating operational procedures.

We observed additional district practices that did not comply with GAGAS. For instance, our staff discovered that in one district the same accountant who created the district’s financial statements also audited those statements, effectively validating his own work. In yet another district, the district’s personnel had to obtain specific financial records from its auditor who kept the data. These practices do not comply with established auditing techniques and procedures.

Miscellaneous Questionable Practices

- *Incomplete Filings*

Each sanitary district is required to prepare comprehensive financial statements. These statements are sent to the county and to the town in which the district is located. Our

²⁵ Government Auditing Standards, Section 3.13.

²⁶ Id.

examination of some sanitary district financial statements, however, found that these financial reports did not include information required by law, such as planned property acquisitions.²⁷ In one instance, a district purchased a building without including it in its budget that was submitted to the town and without subsequent appropriate financial statement disclosure. Unreported items which materially affect a district's financial position are required by law to be included in district reports and may represent hundreds of thousands of dollars in costs that are subject to no oversight by the town or other governmental entity.

- *Commissioner Compensation*

During the auditing process, our office noted confusion as to when and whether districts should follow the New York State Town Law or the Nassau County Civil Divisions Act to establish the correct number of elected commissioners and allowable compensation levels. Additionally, our auditors questioned whether a number of the districts reported employee time and attendance information correctly to the New York State & Local Retirement System, and the State Comptroller's office is investigating the districts' practices.

Section III: Tax Levy and Operating Cost Analysis

We reviewed the costs of solid waste collection and disposal by various county municipal entities, and noted that large town-run districts and districts that contract out services are both more efficient and cost less to operate than Hempstead's commissioner-run special districts 1, 2 and 6. Further, the higher tax levies in these three districts compared to other districts are not explained by differences in the quality and scope of the services they provide.²⁸

The large, town-run solid waste collection districts of Hempstead and Oyster Bay, which employ sanitation workers and utilize their own equipment, impose lower taxes for their services than are imposed by Districts 1, 2 and 6, which also employ their own workers and use their own equipment. Commissioner-run districts that contract out sanitation services also impose lower taxes than Hempstead Districts 1, 2 and 6. (In fact, districts that contract out, even if commissioner-run, generally imposed lower taxes than the town districts that directly provide

²⁷ Nassau County Civil Divisions Act section 216.

²⁸ We also noted a difference in the costs of operation of the two districts we audited that contracted with private carters for waste collection services, and that lower costs occurred in the district that had better accounting controls and management practices.

solid waste collection services).²⁹ As demonstrated in the table below, the residents of Districts 1, 2, and 6 sometimes pay more than three times as much in taxes as the residents of other sanitary districts. For example, in 2004, the average tax levy per parcel in District 1 was \$863, whereas in Roslyn, a commissioner-run district that contracts for its services, the average tax per parcel was \$250. Even Syosset, the commissioner-run contracted service district that taxes its residents the most when compared to other contracted service districts in the county, had a lower average tax per parcel in both 2004 and 2003 than Districts 1, 2, and 6.³⁰

Port Washington and Syosset, commissioner-run districts which use private contractors, spend less to pick up and dispose of a ton of garbage than Town of Hempstead Districts 1, 2, and 6. For example, Port Washington can pick up and dispose of a ton of garbage at less than half of what it costs for Districts 1, 2, and 6 to do so. Syosset is also able to operate at a lower cost per ton than Districts 1, 2, and 6³¹. This general trend is consistent with the results obtained from estimating the costs per ton of the selected sanitation districts for which no tonnage information is available. Once again, Districts 1, 2, and 6 are far more expensive than the Town of Hempstead District, the smaller contracted services districts, and Port Washington, and slightly more expensive than Syosset³².

²⁹ The only contracted services district with an average tax levy exceeding that of a town-run district is Syosset. Even including Syosset, residents in the selected non-town contracted services districts paid an average of \$484 less than residents of Districts 1, 2, and 6 in 2004. See Appendix, Item 8. Districts 1, 2, and 6 have the highest tax levies, followed by Syosset, then the large town-run districts, and, finally, the seven remaining contracted services districts. In 2004, homeowners in Districts 1, 2, and 6 paid an average of \$214 more than homeowners in large town-run districts and an average of \$387 more than homeowners in contracted services districts. When we consider the average tax levy paid by commercial properties, the difference between districts with contracted and directly provided services is even starker: all of the districts with contracted services, with the exception of Syosset, have lower average tax levies per parcel for commercial properties than the non-contracted districts. Commercial properties in Districts 1, 2, and 6 paid an average of \$1,225 more than commercial properties in contracted services districts in 2004. Further, in 2004 commercial properties in Districts 1 and 6 paid an average of \$978 more than their counterparts in District 2, and \$1,474 more than commercial properties in the contracted services districts.

³⁰ With regard to analyses conducted on a per parcel basis, it should be noted that parcel size and value may vary greatly from district to district; whereas a single-family home may qualify as a parcel, so too might a large shopping mall. Nevertheless, considering the trends observed in the other analyses presented in this paper, it is likely that the pattern presented by the above chart is in fact an accurate measure of the cost of delivering sanitary and disposal services.

³¹ See Appendix: Item 4.

³² See Appendix: Item 5.

These differences in tax levies and operating costs among the sanitation districts cannot be explained by corresponding differences in the quality of the services they provide. In fact, in some instances, the higher-priced commissioner-run Districts 1, 2, and 6 offer fewer refuse and rubbish pickups per week than some of the lower-priced districts. For example, Districts 1, 2, and 6 all offer 2 to 3 refuse (combustible) pickups per week and 1 rubbish (non-combustible) pickup per week each, while the commissioner-run, contract district of Carle Place offers 3 refuse pickups and 3 rubbish pickups per week, despite its lower average tax levy. Additionally, some of the lower-priced districts offer special pickup once or even twice a week, as opposed to Districts 1, 2, and 6, which all require an appointment for special pickup. The differences in the tax levies in one district versus another also cannot be explained by the provision of backdoor or garage service as opposed to curbside pickup; for example, while District 1, the most heavily taxed district, offers backdoor service to residential properties, so too does Syosset, which also offers backdoor service to nonresidential properties and has a lower average tax levy. In addition, Syosset has a lower average tax levy than Districts 2 and 6, which offer only curbside service to their residents. Therefore, the higher tax levies in Districts 1, 2, and 6 cannot be attributed to differences in curbside versus backdoor pickup.

**ANALYSIS OF SELECTED SANITATION DISTRICTS
(ALL CLASSES)**

SORTED BY AVERAGE TAX PER PARCEL, 2004.

ALL DATA FROM 2004.

ROUNDED TO THE NEAREST DOLLAR.

District	Type of Service	Size (parcels)¹	Average Tax Levy per Parcel	Districts' Cost per Parcel	Cost per Ton
District 1: Five Towns*	Non-contract	16,514	\$863	\$804 ⁴	\$287 ^{4,6}
District 6: West Hempstead [†]	Non-contract	31,886	\$798 ²	\$831 ^{3,5}	\$298 ^{3,5,6,8}
District 2: Baldwin ⁺	Non-contract	16,405	\$694 ²	\$734 ^{4,5}	\$294 ^{4,5,6}
Syosset	Contract	870	\$670 ²	\$658 ^{3,5}	\$239 ^{3,5,6,10}
Town of Hempstead Sanitation Department	Non-contract	69,582	\$605 ²	\$603 ⁴	\$241 ^{4,7}
Town of Oyster Bay: Garbage District 1	Non-contract	65,006	\$534 ²	¹¹	¹¹
New Cassel	Contract	3,136	\$362	\$372 ⁴	\$149 ^{4,7}
Manhasset	Contract	2,685	\$315	\$315 ⁴	\$126 ^{4,7}
Glenwood	Contract	107	\$309	\$385 ⁴	\$179 ^{3,9}
Carle Place	Contract	1,713	\$285	\$286 ⁴	\$115 ^{4,7}
Albertson-Searingtown-Herricks	Contract	8,043	\$278	\$279 ⁴	\$112 ^{4,7}
Port Washington	Contract	6,542	\$275	\$252 ³	\$115 ^{3,6}
Roslyn	Contract	1,536	\$250	\$277 ⁴	\$111 ^{4,7}

* Includes Five Towns, Green Acres, Inwood, and Valley Stream South.

+ Includes Baldwin, Roosevelt, part of Uniondale, and South Hempstead.

† Includes Elmont, Franklin Square, Garden City South, Lakeview, Malverne Park, South Floral Park, and West Hempstead.

¹ All parcel counts from 2005 (parcel counts may vary slightly from year to year).

² Total tax levy includes both garbage district and solid waste disposal or refuse district taxes.

³ Actual expenditures.

⁴ Budgeted expenditures.

⁵ Includes sanitary district expenses plus disposal district taxes levied on district residents.

⁶ Actual cost per ton (based on actual tonnage).

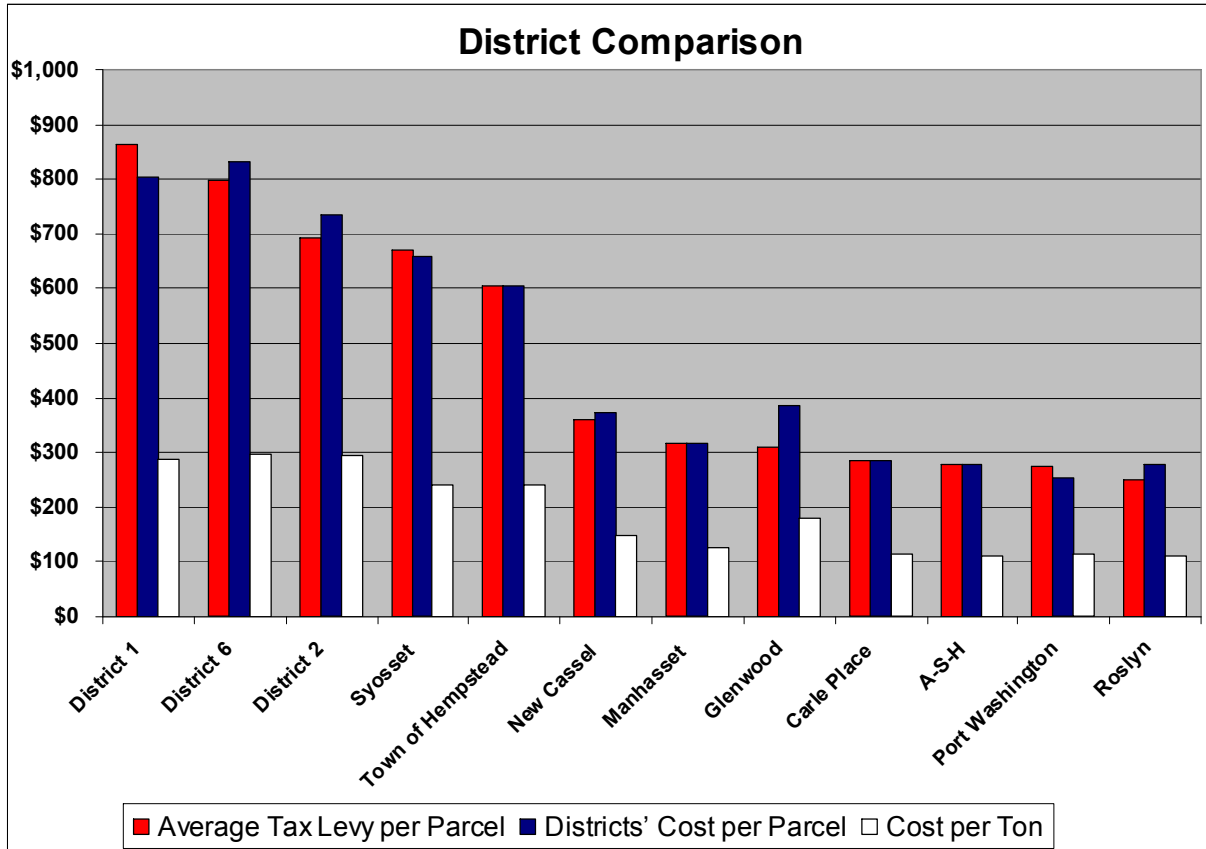
⁷ Estimated cost per ton.

⁸ Tonnage includes actual, plus estimate of 8,000 tons per year of recyclables.

⁹ Actual tonnage.

¹⁰ Based on estimate of 200 tons per month provided by Meadow Carting.

¹¹ Data not available.



Average Tax Levy per Parcel: The average amount paid in sanitation and disposal district taxes by the resident or residents of a parcel of property.

Districts' Cost per Parcel: The full cost to the district of providing sanitary and disposal services to a parcel of property.

Cost per Ton: The cost to the district of picking up and disposing of a ton of garbage.

General Liability Self Insurance

Nassau County sets aside funds to self-insure itself for general liability; the sanitary districts we audited do not. Each sanitary district purchases its own liability insurance, and insurance costs vary from district to district.

Self-insurance is frequently a more cost-effective method of risk management for local governments and authorities than purchasing liability insurance. According to the New York State Department of State's Local Government Handbook, "There is often a variance between the optimal and the maximum feasible amount of insurance coverage. While most localities need to have insurance coverage for catastrophic events, they may take a number of steps to reduce costs. An acceptable safety program, self-insurance, coinsurance, blanket insurance and competitive bids can sometimes reduce costs."

There are a number of steps that a municipal entity should take before it decides to self-insure. For example, the municipal entity should analyze its claims history, past record of losses, and premium payment history. Self-insuring municipal entities may require a third-party administrator to manage their self-insurance, and that cost should be evaluated. The municipal entity must also purchase additional insurance to complement the self-insurance, and evaluate any associated hidden costs.

Because of the small size of the districts we audited, self-insurance for general liability is an unlikely option. If the districts combined for insurance purposes, or were considered part of the towns in which they were located, they could potentially obtain considerable cost savings through self-insurance.

Conclusion & Recommendations

As a result of poor internal controls and procedures and a lack of oversight, special taxing districts may be seriously mismanaged and unaccountable to taxpayers. Among other problems,

excessive and wasteful spending and poor personnel, contract and property management practices can flourish in the absence of rigorous financial controls and supervision.

This report identified the following issues concerning commissioner-run special sanitary district governance and structure: a lack of budget accountability; lack of transparency; elections held at inconvenient times for which little public notice is given, and for which voter turnout is unacceptably low; and a lack of administrative, personnel and financial controls that results in unnecessarily high costs to taxpayers. Similar problems in local school and fire districts have been revealed, respectively, by the New York State Comptroller's office school district audits and by the *Newsday* investigation of fire districts.

We believe the significant problems we identified in the commissioner-run sanitary districts we audited are not isolated instances and may well exist in other types of commissioner-run special improvement districts. We therefore believe that a comprehensive examination of all commissioner-run special districts should be undertaken. In addition, we believe the structure and administration of town-run special districts should be examined. As a first step, we recommend that all stakeholders, including local and district officials, state legislators, and representatives of community and business groups, meet to establish a plan for conducting a comprehensive examination of county special districts and for the development of recommendations for reform. The comprehensive examination of special districts should include:

1. a review of the structure, operation and budgets of all special districts operating in Nassau County;
2. recommendations for the structure and governance of special districts, including consideration of whether existing commissioner-run districts should be combined, merged into town-run districts, or disbanded, and of whether existing town-run districts should be combined,³³ and

³³ There are two methods by which a town board can dissolve a special district: either upon a petition of residents whose property amounts to at least one-half of all taxable real estate in the district, or on its own motion. Both alternatives require a public hearing and a determination by the town board that dissolution is in the public interest.³³ Town boards also can consolidate special districts. A town must, either on its own motion or on filing of a petition of at least ten percent of the district property-owners, conduct a hearing to determine if it is in the public interest to do one of the following: consolidate two or more special districts with the same purpose, consolidate two or more

3. a review of the sufficiency of existing oversight mechanisms, the necessity of additional legislation and controls to increase fiscal and operational accountability and transparency, and an examination of whether there should be legislative reform of the election process.

Many of the problems we identified in the special sanitary districts we audited are akin to problems identified by State Comptroller Alan G. Hevesi in a report he issued earlier this year on the operations of public authorities <http://www.osc.state.ny.us/press/releases/feb05/021705b.htm>. Legislation similar to the public authority reform legislation proposed by the State Comptroller and introduced in the State Assembly in February 2005 may be necessary. The proposed legislation, the Public Authority Reform Act, A. 05626, includes provisions to review public authorities' missions, to strengthen their procurement rules, to create a Public Authorities Inspector General, and to create a Public Authorities Independent Budget Office.³⁴

In conclusion, a master plan must be formulated for the 21st century provision of services presently provided by special districts that were formed in response to the needs of the early 20th century.

with different purposes, or abolish the offices of commissioners in any district and transfer to the town board all the commissioners' rights, powers and duties. If the board decides that it is in the public interest to consolidate districts, it can set a date for a permissive referendum in which a majority of residents must approve the board's action. NYS Town Law § 202-c, 206; 1995 Op St Compt No. 95-21.

³⁴ See <http://www.assembly.state.ny.us/leg/?bn=A05626> . The State Comptroller recently proposed regulations that would increase oversight over state authorities. <http://www.osc.state.ny.us/press/releases/nov05/111605.htm> .

Appendix

Item 1:

Sanitary and Disposal Tax Levies per Parcel by District (All Classes)				
SORTED BY AVERAGE TAX PER PARCEL, 2004.				
District	Type of Service	Size (parcels)¹	Average Tax per Parcel, 2004	Average Tax per Parcel, 2003
District 1: Five Towns*	Non-contract	16,514	\$863	\$859
District 6: West Hempstead†	Non-contract	31,886	\$798 ^a	\$736 ^a
District 2: Baldwin ⁺	Non-contract	16,405	\$694 ^a	\$655 ^a
Syosset	Contract	870	\$670 ^a	\$511 ^a
Town of Hempstead Sanitation Department	Non-contract	69,582	\$605 ^a	\$586 ^a
Town of Oyster Bay: Garbage District 1	Non-contract	65,006	\$534 ^a	\$527 ^a
New Cassel	Contract	3,136	\$362	\$334
Manhasset	Contract	2,685	\$315	\$306
Glenwood	Contract	107	\$309	\$298
Carle Place	Contract	1,713	\$285	\$253
Albertson-Searingtown-Herricks	Contract	8,043	\$278	\$267
Port Washington	Contract	6,542	\$275	\$202
Roslyn	Contract	1,536	\$250	\$222

This chart was prepared based on information supplied by the sanitary districts and the Nassau County Department of Assessment.

* Includes Five Towns, Green Acres, Inwood, and Valley Stream South.

⁺ Includes Baldwin, Roosevelt, part of Uniondale, and South Hempstead.

[†] Includes Elmont, Franklin Square, Garden City South, Lakeview, Malverne Park, South Floral Park, and West Hempstead.

¹ All parcel counts from 2005 (parcel counts may vary slightly from year to year).

^a Total tax levy includes both garbage district and solid waste disposal or refuse district taxes.

Item 2:

Sanitary and Disposal Tax Levies on Class 1 (Residential: Houses) Properties per Parcel by District			
SORTED BY AVERAGE TAX PER PARCEL, 2004.			
District	Type of Service	Average Tax per Parcel, 2004	Average Tax per Parcel, 2003
District 6: West Hempstead†	Non-contract	\$598	\$548
District 1: Five Towns*	Non-contract	\$571	\$565
District 2: Baldwin ⁺	Non-contract	\$540	\$509
Syosset	Contract	\$435	\$328
Town of Hempstead Sanitation Department	Non-contract	\$384	\$356
Town of Oyster Bay: Garbage District 1	Non-contract	\$340	\$344
Albertson-Searingtown-Herricks	Contract	\$229	\$221
Port Washington	Contract	\$178	\$129
New Cassel	Contract	\$164	\$151
Manhasset	Contract	\$155	\$150
Roslyn	Contract	\$105	\$93
Carle Place	Contract	\$86	\$76
Glenwood	Contract	\$6	\$5

This chart was prepared based on information supplied by the sanitary districts and by the Nassau County Department of Assessment.

* Includes Five Towns, Green Acres, Inwood, and Valley Stream South.

⁺ Includes Baldwin, Roosevelt, part of Uniondale, and South Hempstead.

† Includes Elmont, Franklin Square, Garden City South, Lakeview, Malverne Park, South Floral Park, and West Hempstead.

Item 3:

Sanitary and Disposal Tax Levies on Class 4 (Commercial) Properties per Parcel by District			
SORTED BY AVERAGE TAX PER PARCEL, 2004.			
District	Type of Service	Average Tax per Parcel 2004	Average Tax per Parcel 2003
Town of Hempstead Sanitation Department	Non-contract	\$3,258	\$3,512
Town of Oyster Bay: Garbage District 1	Non-contract	\$2,783	\$2,610
District 6: West Hempstead†	Non-contract	\$2,675	\$2,547
District 1: Five Towns*	Non-contract	\$2,300	\$2,332
Syosset	Contract	\$1,553	\$1,207
District 2: Baldwin ⁺	Non-contract	\$1,521	\$1,490
Carle Place	Contract	\$1,449	\$1,288
New Cassel	Contract	\$1,154	\$1,078
Manhasset	Contract	\$1,132	\$1,107
Albertson-Searingtown-Herricks	Contract	\$923	\$870
Roslyn	Contract	\$864	\$772
Port Washington	Contract	\$797	\$595
Glenwood	Contract	\$123	\$118

This chart was prepared based on information supplied by the sanitary districts and by the Nassau County Department of Assessment.

* Includes Five Towns, Green Acres, Inwood, and Valley Stream South.

⁺ Includes Baldwin, Roosevelt, part of Uniondale, and South Hempstead.

[†] Includes Elmont, Franklin Square, Garden City South, Lakeview, Malverne Park, South Floral Park, and West Hempstead.

Item 4:

Costs per Ton of Selected Sanitation Districts (All Classes) SORTED BY COST PER TON, 2004.			
District	Type of Service	2004 Cost per Ton	2003 Cost per Ton
Port Washington	Contract	\$114.99 ^a	\$116.19 ^a
Syosset	Contract	\$238.51 ^{a13}	\$237.32 ^{a13}
District 1: Five Towns*	Non-Contract	\$286.65 ^b	\$309.81 ^a
District 2: Baldwin ⁺	Non-Contract	\$294.46 ^{b3}	\$271.69 ^{a3}
District 6: West Hempstead [†]	Non-Contract	\$298.31 ^{a23}	\$277.86 ^{a23}

This chart was prepared based on information supplied by the sanitary districts and the Nassau County Department of Assessment.

* Includes Five Towns, Green Acres, Inwood, and Valley Stream South.

⁺ Includes Baldwin, Roosevelt, part of Uniondale, and South Hempstead.

[†] Includes Elmont, Franklin Square, Garden City South, Lakeview, Malverne Park, South Floral Park, and West Hempstead.

a Actual expenditures.

b Budgeted expenditures.

¹ Based on estimate of 200 tons per month provided by Meadow Carting.

² Tonnage includes actual, plus estimate of 8,000 tons per year of recyclables.

³ Includes district actual or budgeted expense plus disposal tax levied on district residents.

Item 5:

Estimated Costs per Ton of Selected Sanitation Districts (All Classes)				
SORTED BY ESTIMATED COST PER TON, 2004.				
<i>All figures below are estimates derived by dividing the total expenditures of each district by their estimated tonnage. The estimated tonnage is determined by multiplying the number of parcels in each district by 2.5 tons.</i>				
District	2004 Estimated Cost per Ton	2004 Actual Cost per Ton	2003 Est. Cost per Ton	2003 Actual Cost per Ton
District 6: West Hempstead [†]	\$332.58 ^{a1}	\$298.31	\$299.25 ^{a1}	\$277.86
District 1: Five Towns*	\$321.44 ^b	\$286.65	\$333.34 ^a	\$309.81
District 2: Baldwin ⁺	\$293.54 ^{b1}	\$294.46	\$264.73 ^{a1}	\$271.69
Syosset	\$263.19 ^{a1}	\$238.51	\$261.88 ^{a1}	\$237.32
Town of Hempstead Sanitation Department	\$241.16 ^b		\$237.53 ^a	
Glenwood	\$178.52 ^b	\$178.52 ^b	\$176.06	\$176.06
New Cassel	\$148.70 ^b		\$133.48 ^a	
Manhasset	\$126.06 ^b		\$117.94 ^a	
Carle Place	\$114.50 ^b		\$ 99.51 ^a	
Albertson-Searingtown-Herricks	\$111.73 ^b		\$100.67 ^a	
Roslyn	\$110.84 ^b		\$ 91.06 ^a	
Port Washington	\$100.96 ^a	\$114.99	\$ 97.62 ^a	\$116.19

This chart was prepared based on information supplied by the Sanitary Districts.

* Includes Five Towns, Green Acres, Inwood, and Valley Stream South.

⁺ Includes Baldwin, Roosevelt, part of Uniondale, and South Hempstead.

[†] Includes Elmont, Franklin Square, Garden City South, Lakeview, Malverne Park, South Floral Park, and West Hempstead.

a Actual expenditures.

b Budgeted expenditures.

¹ Includes district expenses plus disposal district taxes levied on district residents.

Item 6:

Expenditures per Parcel of Selected Sanitation Districts (ALL CLASSES) SORTED BY AVERAGE EXPENDITURES PER PARCEL, 2003-2004.			
District	Expenditures per Parcel 2004	Expenditures per Parcel 2003	Average Expenditures per Parcel 2003-2004²
District 6: West Hempstead [†]	\$831 ^{a1}	\$748 ^{a1}	\$790
District 1: Five Towns*	\$804 ^b	\$833 ^a	\$818
District 2: Baldwin ⁺	\$734 ^{b1}	\$662 ^{a1}	\$698
Syosset	\$658 ^{a1}	\$655 ^{a1}	\$656
Town of Hempstead Sanitation Department	\$603 ^b	\$594 ^a	\$599
New Cassel	\$372 ^b	\$334 ^a	\$353
Manhasset	\$315 ^b	\$295 ^a	\$305
Glenwood	\$294 ^b	\$286 ^a	\$290
Carle Place	\$286 ^b	\$249 ^a	\$268
Albertson-Searingtown-Herricks	\$279 ^b	\$252 ^a	\$266
Roslyn	\$277 ^b	\$228 ^a	\$252
Port Washington	\$252 ^a	\$244 ^a	\$248

This chart was prepared based on information supplied by the Sanitary Districts and the Department of Assessment.

* Includes Five Towns, Green Acres, Inwood, and Valley Stream South.

⁺ Includes Baldwin, Roosevelt, part of Uniondale, and South Hempstead.

[†] Includes Elmont, Franklin Square, Garden City South, Lakeview, Malverne Park, South Floral Park, and West Hempstead.

^a Actual expenditures.

^b Budgeted expenditures.

¹ Includes sanitary district expenses plus disposal district taxes levied on district residents.

² Simple average; not weighted.

Item 7:

Weighted Tax Levies				
	In-House Service (Districts 1, 2, 6, Town of Hempstead, and Oyster Bay Garbage District 1)		Contracted Service Districts	
	2004	2003	2004	2003
All Classes	\$641	\$619	\$305	\$267
Class 1	\$432	\$412	\$190	\$167
Class 4	\$2,736	\$2,741	\$1,025	\$904

This chart was prepared based on information supplied by the Department of Assessment.

Item 8:

Weighted Tax Levies										
	Districts 1, 2, and 6		District 2		Districts 1 and 6		Town of Hempstead and Oyster Bay Garbage District 1		Contracted Services Districts	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
All Classes	\$788	\$747							\$305	\$267
Class 1	\$577	\$543					\$363	\$350	\$190	\$167
Class 4	\$2,250	\$2,203	\$1,521	\$1,490	\$2,499	\$2,446	\$3,014	\$3,049	\$1,025	\$904

This chart was prepared based on information supplied by the Department of Assessment.