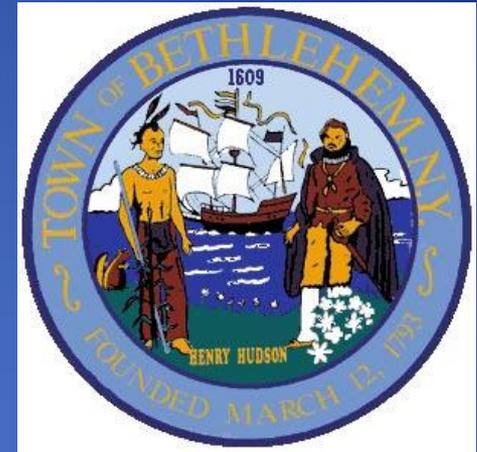


Town of Bethlehem Proposed 2011 Tentative Budget Overview September 22, 2010

Sam Messina, Supervisor
Suzanne Traylor, Comptroller
Presented to the Town
Board and the Public

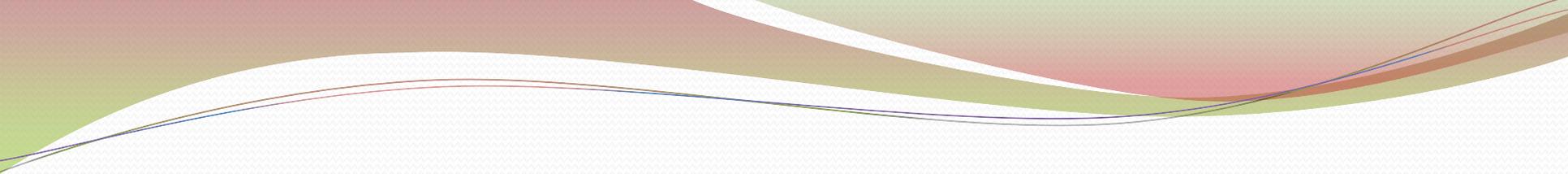


2010 BUDGET

First things first!

I am proposing direct action to solve the 2010 projected general fund budget deficit.

- Projected revenues dropped \$771,000 from county sales tax and mortgage transfer tax reductions outside of Bethlehem's control
- Bethlehem Town government cut costs \$374,000
- The new projected deficit of \$971,000 will be applied to the fund balance, leaving a fund balance \$2,931,000
- The revised fund balance of \$2,931,000 is above the NYS Office of the State Comptroller's (OSC) suggested level of 10-15%



PROPOSED
2011 TENTATIVE
BUDGET

We will keep taxes as low as possible in Bethlehem!

- Tax levy increase of 1.8%
 - Increases the average taxable parcel \$12.85
- Lowest tax increase in 6 years (2.2% to 7.3%)

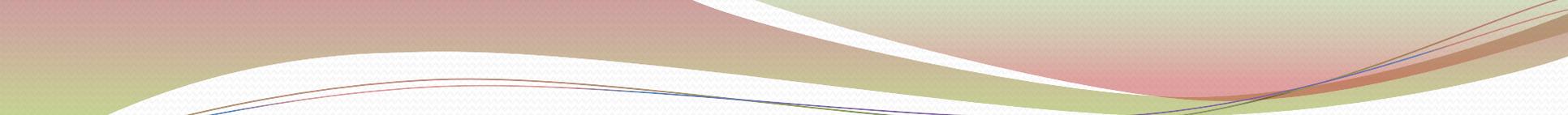
We have aggressively cut costs while maintaining valued services.

We have reduced expenditures \$801,000

- Reductions are painful - our budget was already lean
- Costs were reduced 3 times by department heads
- Across-the-board and targeted reductions of 3-5%.
- Essential services were maintained

We needed to generate significant new and increased revenues.

- Generated new revenues of \$221,000
 - Fee changes and additions where appropriate added \$91,000
 - Good audit practices resulted in cable franchise fees of \$130,000 in 2011, and \$25,000 annual increase going forward



THE FUTURE:

2011 AND

BEYOND

We must plan and act now to assure
Bethlehem's future financial security
and quality of life

We will not lay off our staff

- Our town staff helped solve the fiscal challenge.
- Layoffs are a last resort and they have been avoided in 2011
- Over last 5 years, full-time staff levels have stayed constant between 240 and 243 (currently 241)
- We must plan wisely and take strong action as necessary, but not overreact to the “cut staff mantra”

For the first time ever, Bethlehem's 2011 tentative budget includes a capital plan.

- Last year OSC strongly recommended the Town adopt a capital plan
- A first for Bethlehem – a capital plan is included in our budget covering 4 years (2011-2014)
- Should save \$100,000 or more a year in emergency repairs and increasing replacement costs
- For 2011 projected capital needs are \$4,140,000
 - \$1,391,000 will be bonded with payback over 12 years – anticipated to be \$153,000
 - The balance will be funded through capital reserves and operations

Bethlehem's future depends on a competent and motivated staff.

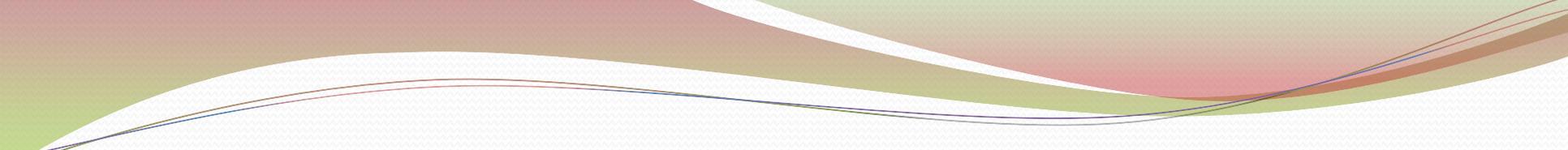
- A cost-of-living (COLA) of 1% is proposed for 2011
 - This is the lowest COLA proposed in 17 years
 - Prior years have ranged up to 4.5%
 - CPI of 2.7
 - Employee appraisal program included to encourage higher performance
 - Some surrounding communities offering COLA's of 2% or higher

Good management and accounting supports allocating costs and revenues to programs

- Implement indirect cost allocation chargeback to reflect and report costs accurately to programs
- General, Highway, Water and Sewer funds will stand as revenue and cost centers
- Accounting improvements follow Generally Accepted Accounting Principles (GAAP), and are recommended by Bethlehem's Comptroller

Bethlehem's water supply issue needs to be addressed head on

- My proposed 2011 tentative budget includes maximizing our Clapper Road plant production capacity by unifying our Town's water distribution system
 - 15 years and 7,300 analytical tests demonstrate all federal and state drinking water standards exceeded at Clapper Road plant
 - Other feasible alternatives will cost Bethlehem \$1 million or more per year, and have other downsides including dependency on other municipalities, control of Bethlehem's water supply, possible EPA water quality findings and financial penalties, and increasing rates
- Public presentations have been made August 17, September 8, and tonight, I proposed a public hearing to be held on October 13, 2010



In conclusion, our 2011 budget is carefully balanced. Now we need to plan more to be prepared for an uncertain future.

- Bethlehem is in a strengthened position for the future from actions proposed in the 2011 tentative budget

- The recently established 20/20 Implementation Committee is already moving forward aggressively to provide the Town Board with information and recommendations to:
 - Cut costs
 - Expand revenue generating economic development
 - Strengthen management and program performance
- Committees already in place and working include:
 - Economy, Efficiency and Effectiveness
 - Cooperation Among Taxing Jurisdictions
 - Economic Development

Town of Bethlehem Proposed 2011 Tentative Budget September 22, 2010

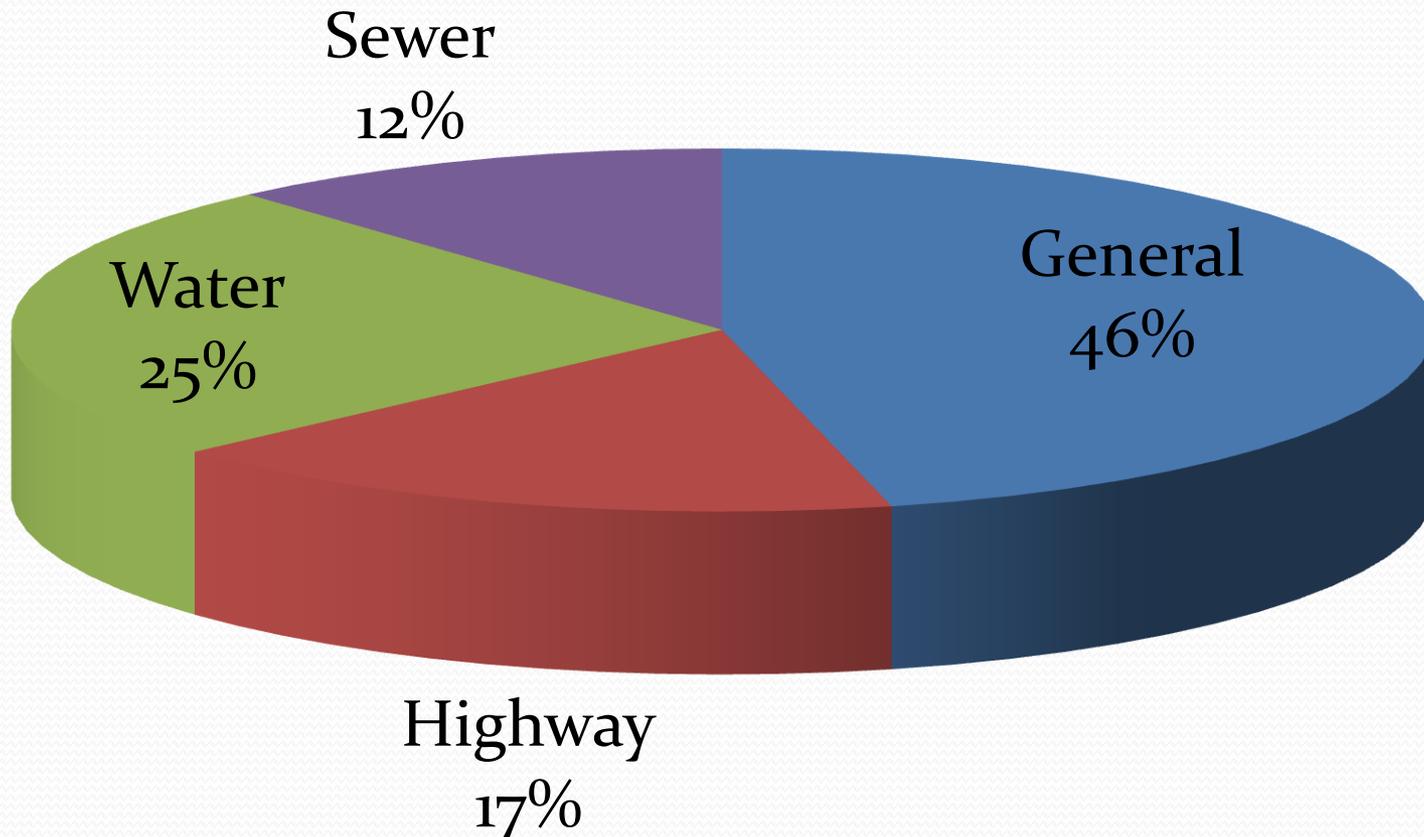
Sam Messina, Supervisor
Suzanne Traylor, Comptroller
**Presented to the Town
Board and the Public**



2011 Tentative Budget

FUND	2011	2010	\$ Change	% Change
General	17,927,644	18,058,097	-130,453	-0.72%
Highway	7,587,788	7,098,943	488,845	6.89%
Water	9,653,297	10,019,685	-366,388	-3.66%
Sewer	4,990,510	4,989,558	952	0.02%
Total	40,159,239	40,166,283	-7,044	-0.02%

Four Separate Funds



Cost Reductions

- Closing landfill one day per week \$40,000
- Reducing the number of part-time employees and seasonal personnel \$77,247
- Reducing contractual spending by 3% or more \$528,565
- Increasing employee's share of health care costs by 2% \$60,632
- Reducing Boards and Supervisor's Salaries by 10% \$26,943
- Electing to amortize portion of pension expense increase \$67,523

Total Reductions: **\$800,910**

Revenue Changes

- Increasing police fees for:
 - Permit fees for events needing police oversight \$3,000
 - Charging fees for false alarm calls \$27,500
- Increase in dog licensing fees \$26,440
- Increase in cable franchise not previously recognized \$130,000
- Charging for notary services \$12,000
- Increasing various park utilization fees \$22,000

Total Revenue Changes: **\$220,940**

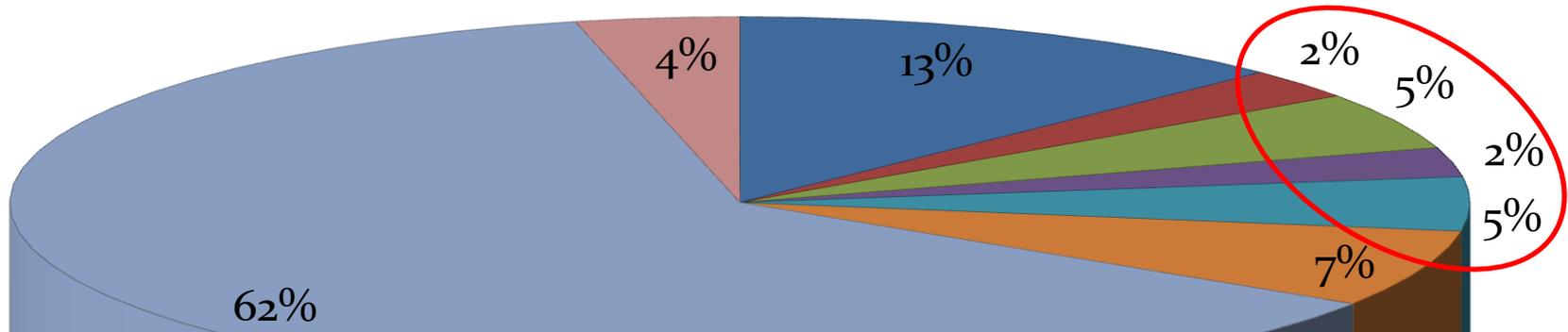
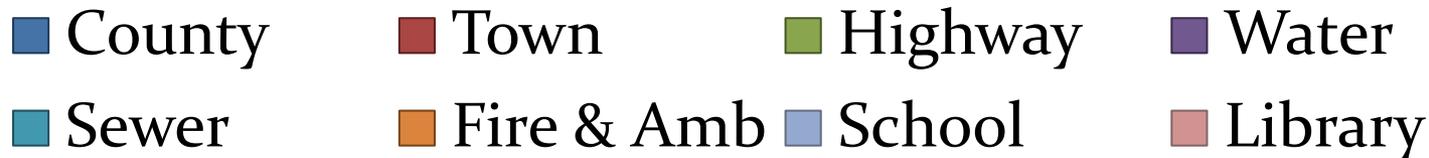
Tax Levies by Fund

FUND	2011	2010	\$ Change	% Change
General	\$ 2,093,692	\$ 2,056,672	\$ 37,020	1.80%
Highway	3,973,588	3,903,328	70,260	1.80%
Water	1,945,194	1,910,800	34,394	1.80%
Sewer	1,527,234	1,500,230	27,004	1.80%
GRAND TOTALS	9,539,708	9,371,030	168,678	1.80%

Taxes per \$1,000 of A.V.

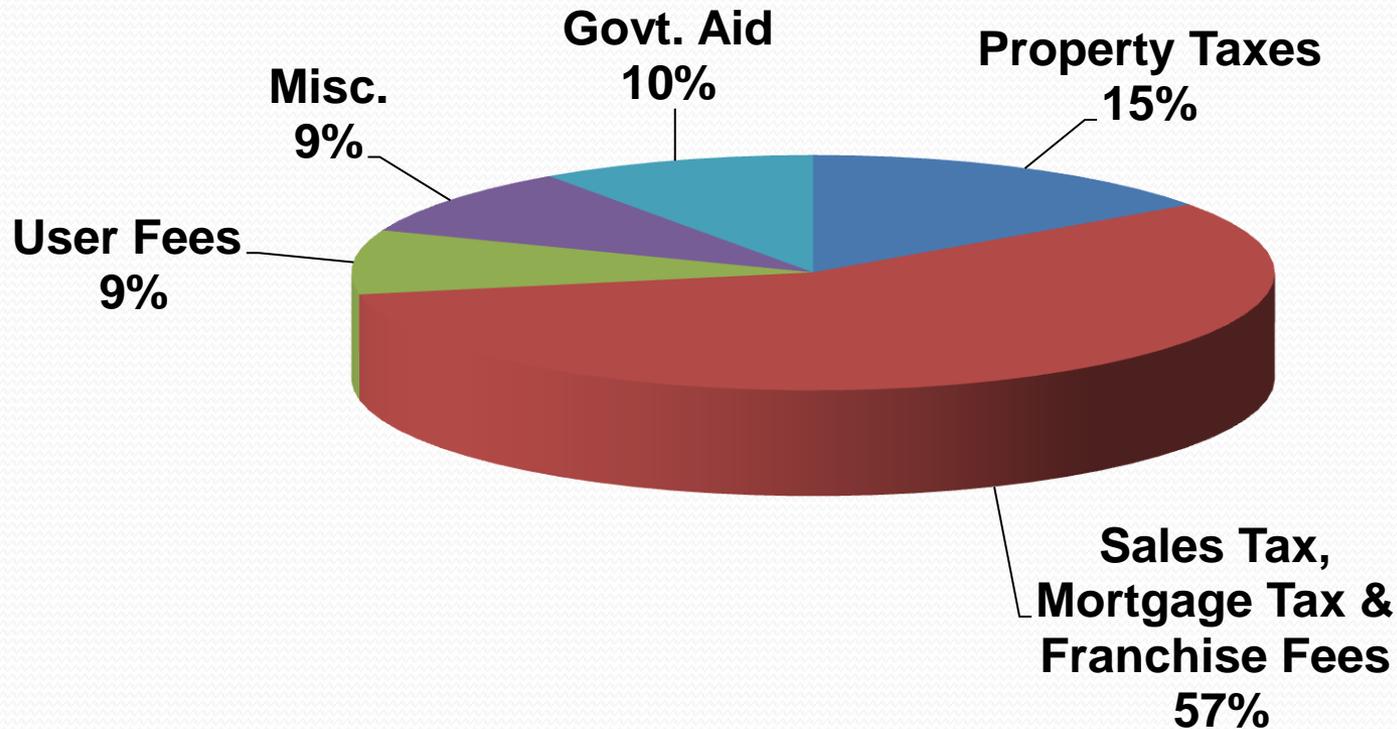
	Budgeted	2010	\$ Change	% Change
General	0.6585	0.6512	0.0073	1.12%
Highway	1.2498	1.2359	0.0139	1.12%
Water	0.5833	0.5991	(0.0158)	-2.64%
Sewer	0.2884	0.2885	(0.0001)	-0.02%
GRAND TOTALS	2.7799	2.7746	0.0053	0.19%

Tax Bill Composition



Town of Bethlehem Taxes represent 14% of your entire tax bill!

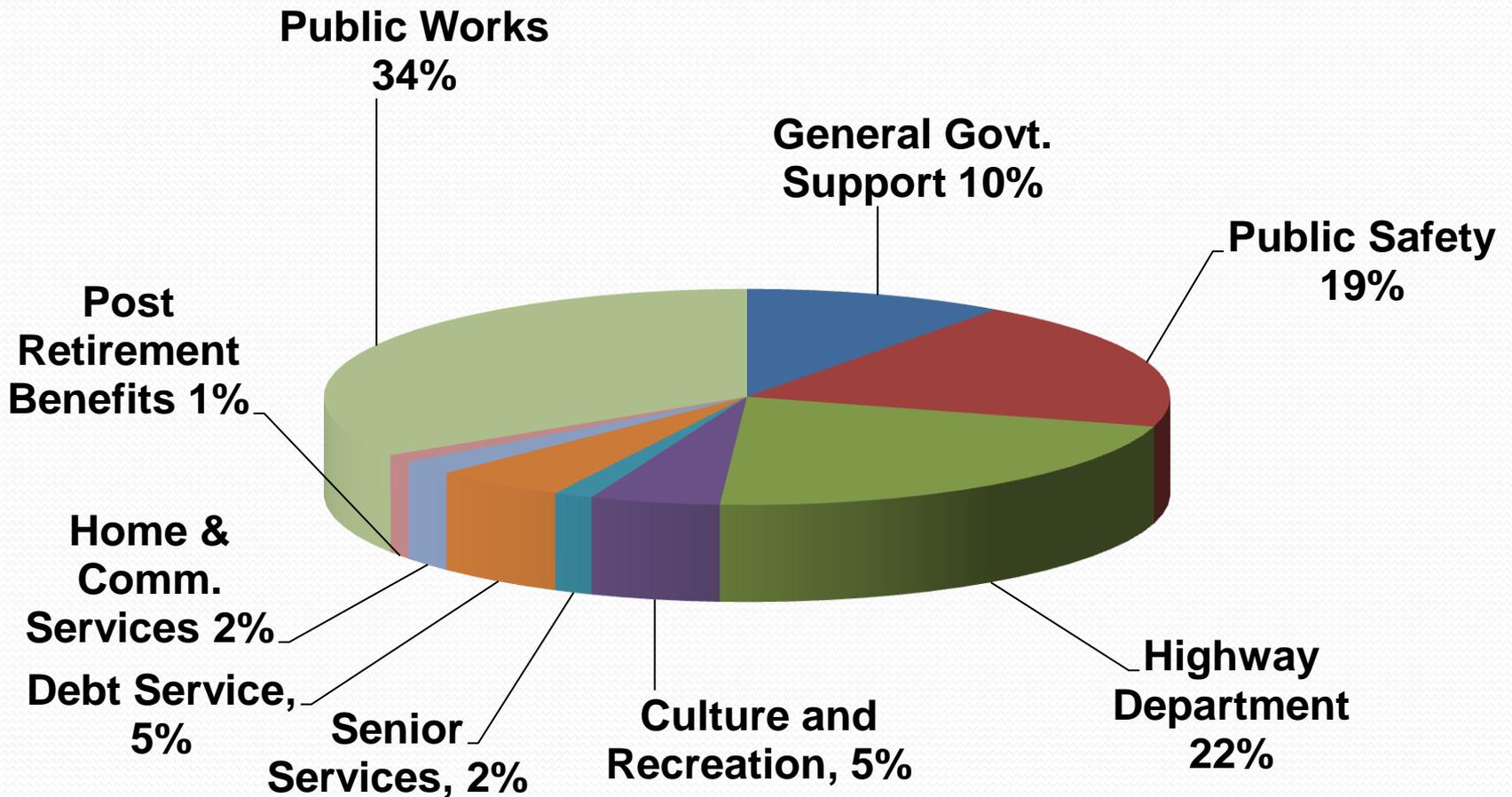
General Fund Revenues



Town-wide Revenues

- 57 % of General Fund Revenue is derived from three sources:
 - Sales Tax Revenue decrease – (\$450,000)
 - 2011 Budget - \$9,350,000
 - 2010 Budget- \$9,800,000
 - Mortgage Tax Revenue decrease – (\$100,000)
 - 2011 Budget - \$1,100,000
 - 2010 Budget - \$1,200,000
 - Franchise Fee Revenue increase – \$175,774
 - 2011 Budget - \$683,574
 - 2010 Budget - \$507,800

2011 Budgeted Allocation



Summary of Expenditures – All Funds (in thousands)

	2011	2010	Change
Salary & Fringes	\$22,330	\$22,065	\$265
Equipment	1,225	2,980	(1,755)
Operating	14,297	12,761	1,536
Debt Service	2,307	2,360	(53)
Total	\$40,159	\$40,166	\$(7)

Overall decrease in expenditures: (.02%)

Town-wide Expenditures

- Health insurance up 7%
 - Up \$154,485 overall, to \$2,349,735
- Retirement system costs have increased significantly
 - Up 39% overall, from \$1,350,945 to \$1,878,451
 - Represents a \$527,506 increase to the Town from 2010 actual expense
- COLA:
 - 2.5% Contractual for Police
 - 1% for Town
- All of this is managed within this proposed budget

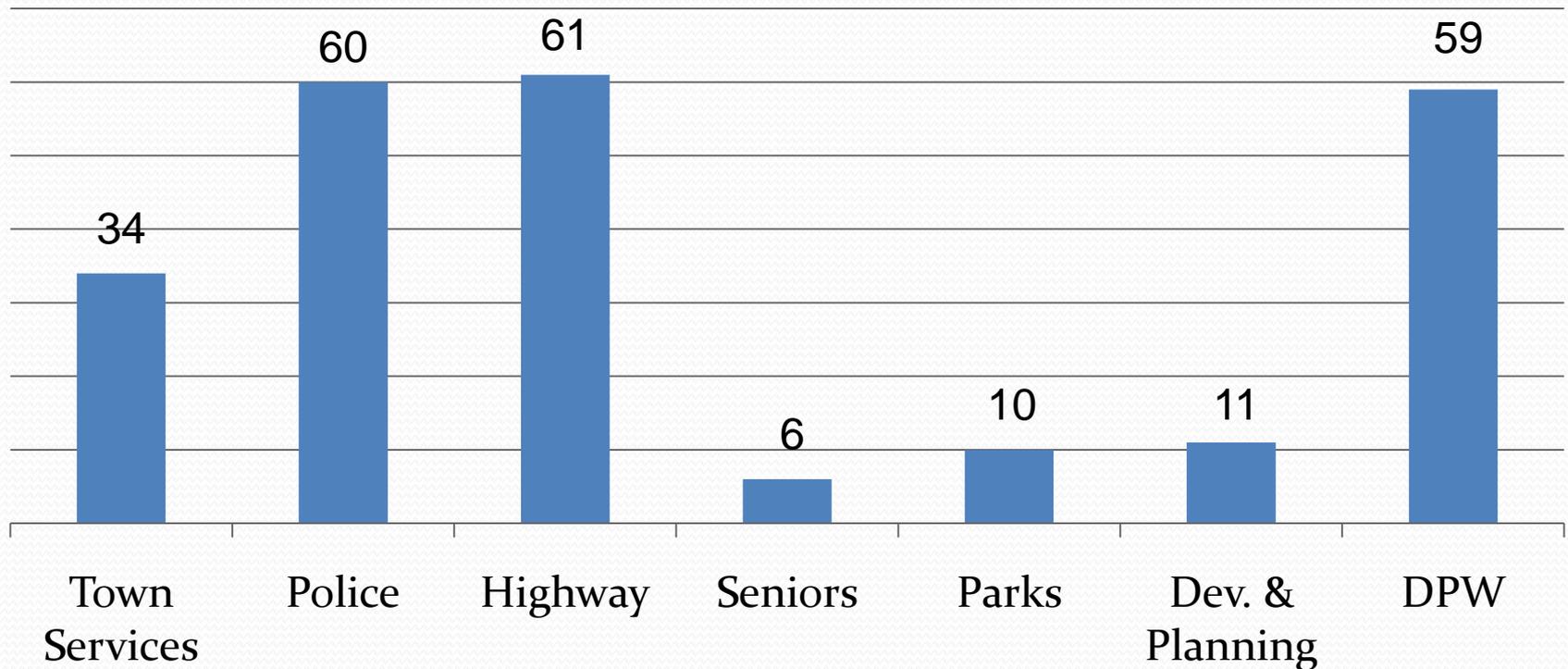
2011 Capital Funding:

Fund	Operations	Reserves	Bonding/Leasing
General	\$6,000	-0-	\$250,825
Highway	-0-	-0-	1,140,000
Water	558,000	\$1,590,000	-0-
Sewer	185,000	410,000	-0-
Totals	\$749,000	\$2,000,000	\$1,390,825

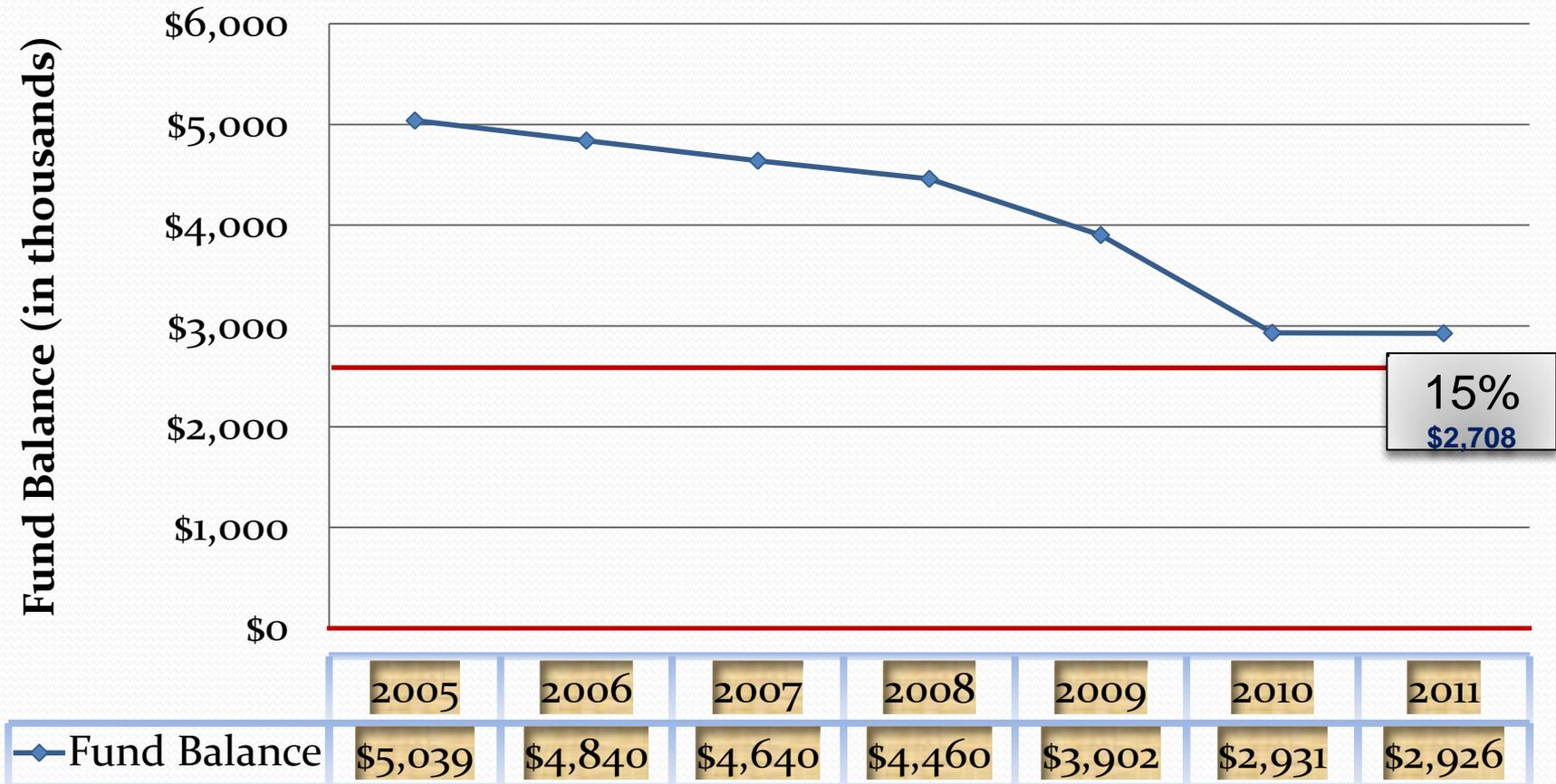
The Town plans to explore alternate means of funding fixed asset costs – through a mixture of bonding, leasing, using operating funds and using capital reserve funds.

Summary of Personnel

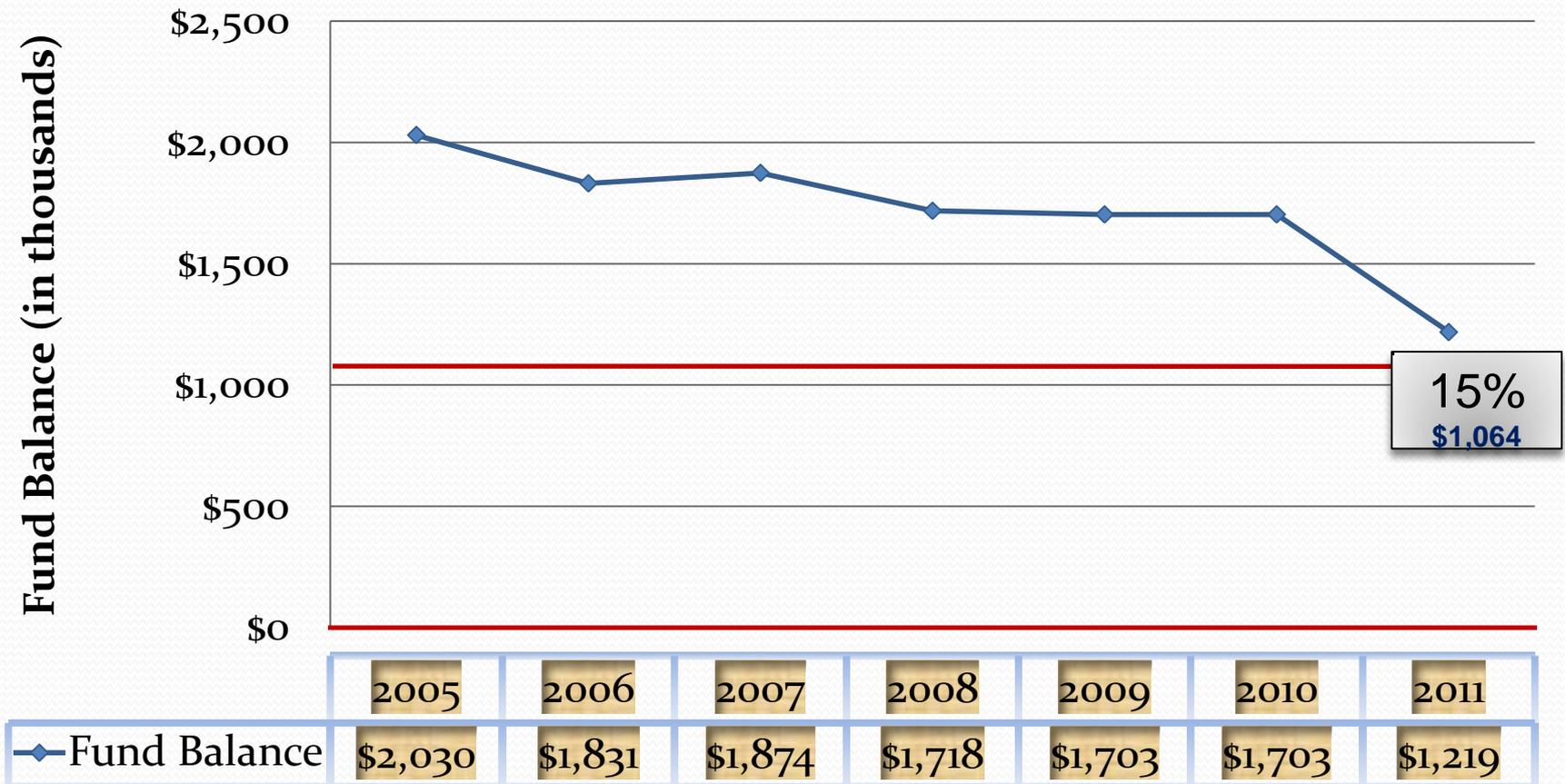
241 Full Time Employees



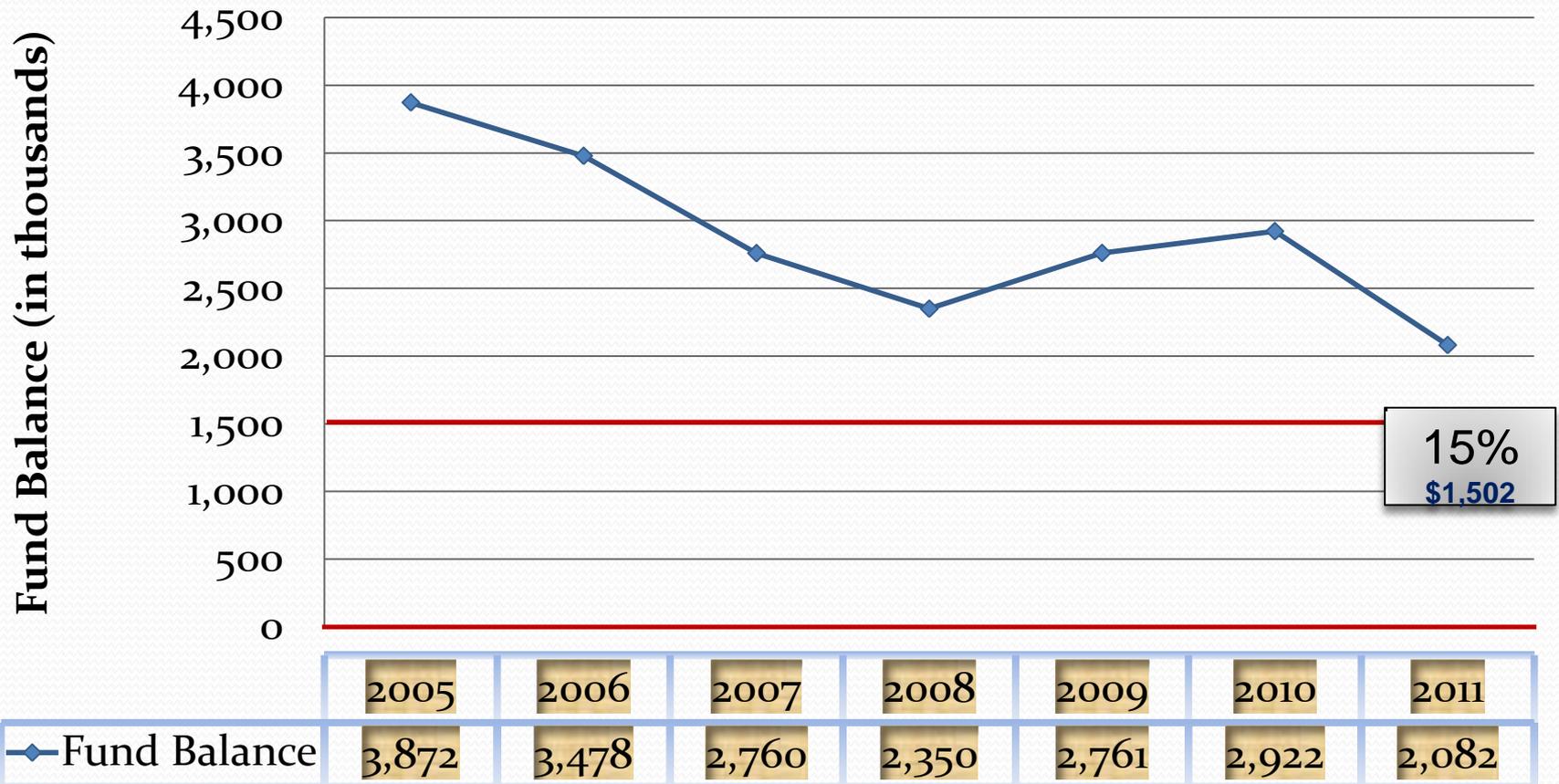
General Fund



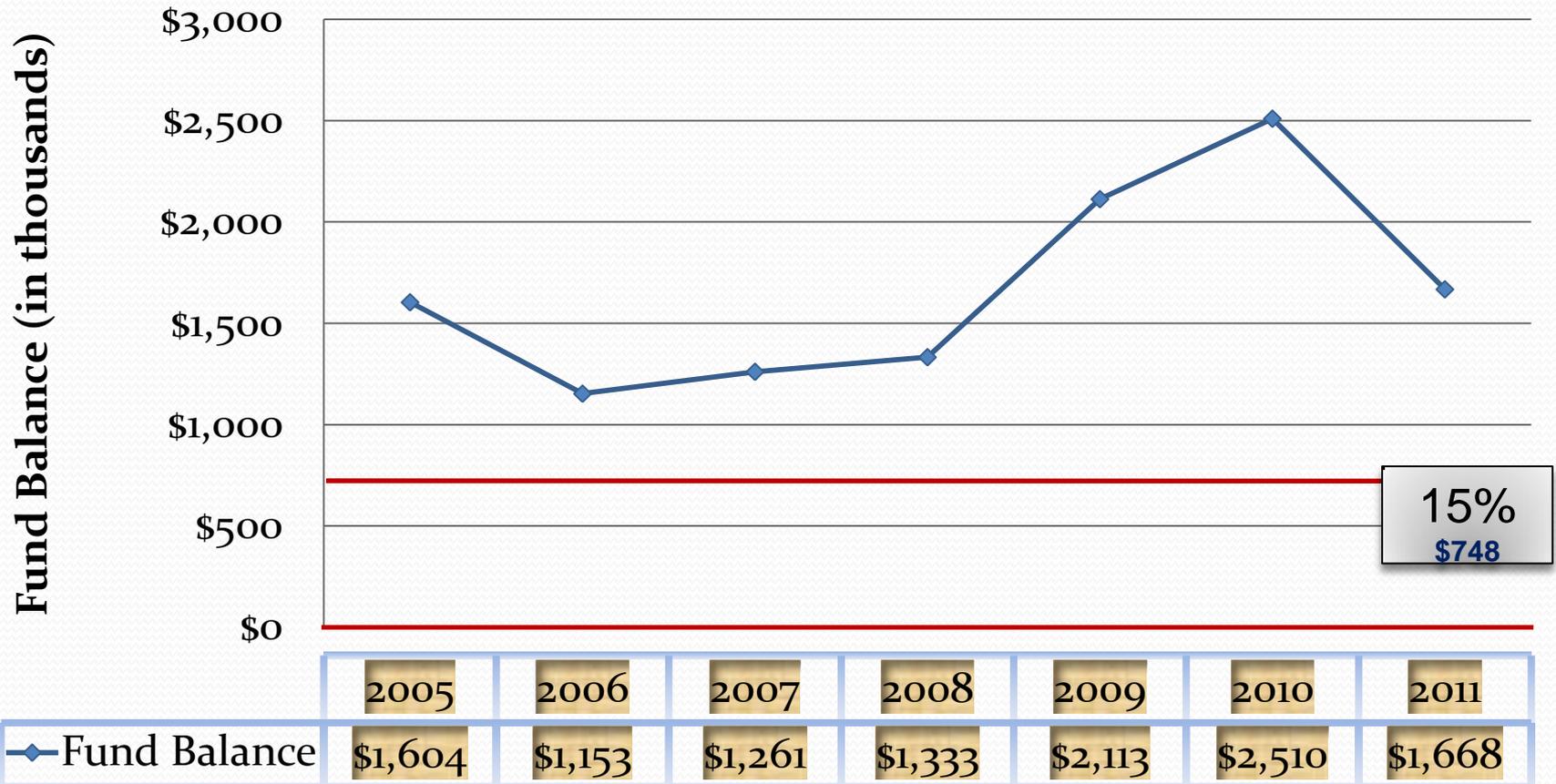
Highway Fund



Water Fund



Sewer Fund



To Review Budget Documents

- www.townofbethlehem.org
- Town Clerk's Office
- Town Libraries (Reference Desk):
 - Bethlehem Public Library
 - Guilderland Public Library
 - RCS Public Library

Public Hearing: October 27, 2010

Town of Bethlehem

Proposed 2011 Budget

Sam Messina

September 22, 2010

**Supervisor Sam Messina's Statement
on the
Town of Bethlehem 2011 Tentative Budget
Presented on September 22, 2010**

Although I am presenting this Budget overview, I consider the 2011 Tentative Budget the product and result of all of Bethlehem's Department Heads and staff, because we worked so closely together on it. And right out front I want to thank everyone for their help and guidance.

As a result of our Department Heads participating in a new approach to comprehensive and rigorous budget making, and demonstrating willingness to reduce expenditures, and reduce them again, I am able to present to the public and the Town Board a 2011 Tentative Budget that is in balance. As everyone knows, but it bears telling again, Bethlehem's 2011 Tentative Budget was created at a time in our history when governments are facing challenges resulting from reduced revenues from increased costs that are unparalleled in recent times.

Let me present you with a summary of the guiding principles and results of the 2011 Tentative Budget, and then Comptroller Suzanne T aylor will provide further background and details.

2010 BUDGET

- **First things first! I am Proposing Direct Action To Solve the 2010 Projected Budget Deficit: The only fiscally responsible action is to address current projected deficits, before I propose a Tentative Budget for 2011, and that is what I will do.**

The general fund 2010 budget was \$18,058,000, with then projected revenues of \$17,484,000. The difference, \$574,000, was to go against the fund balance. However, changes occurred during the year. Projected revenues dropped \$771,000 due to decreases in county sales tax and mortgage transfer tax, both outside of Bethlehem's control. To offset this impact as much as we could, Bethlehem Town Government cut costs by \$374,000. The new projected deficit of \$971,000 will be applied to the general fund balance, leaving \$2,931,000. This fund balance is above of the 10-15% range suggested by the NYS Office of the State Comptroller (OSC). And, we are using the excess fund balance as recommended by OSC to reduce taxpayers' impact and invest in our community.

2011 TENTATIVE BUDGET

- **We Will Keep Taxes as Low as Possible in Bethlehem!** This is a cornerstone of the 2011 Tentative Budget and it is a commitment that I will keep to the residents and businesses of Bethlehem. The proposed tax levy is 1.8% and equates to a rate increase of 0.19% per \$100,000 of assessed value. For 2011, that equates to an average of \$12.85 for each taxable parcel in Bethlehem. This is the lowest tax rate in six years. Tax rate increases over the previous six years were 7.3% to 2.2%.

In a time when many towns, villages and cities are raising their taxes significant amounts, the 2011 Tentative Budget keeps taxes very low at an average of \$12.85 per parcel, or looked at another way, \$4.95 per Bethlehem resident. I have proposed cuts to Bethlehem's Budget to keep taxes down. To cut our programs more at this time would not have been responsible or reasonable. From surveys I have seen resulting from the Comprehensive Planning process and the Bethlehem 20/20 Report, and from my discussions with residents and businesspersons, I am confident that our community will support a necessary and justified tax increase to maintain the quality of life in Bethlehem, as long as their Town Government leaders carefully manage the dollars. We are doing that.

- **We Have Aggressively Cut Costs \$801,000 While at the Same Time Maintaining Valued Services:** These reductions are painful since our budget was already lean.

Department heads were given specific written guidelines by me to reduce expenditures. They did that. Our Comptroller and her staff then met with the departments, and based on their analysis asked for, and got, additional reductions. Then I asked for further cuts of 3-5%, primarily in contractual services, and that was done.

- **We Needed to Generate Significant New and Increased Revenue Sources:** \$221,000 of additional revenue to balance the 2011 Tentative Budget has been generated. The sources are cable franchise modifications, fee adjustments which needed to be updated across a range of departments and the inclusion of some new fees where appropriate.

Implementing good audit practices will enable us to seek the recapture of \$130,000 of cable franchise fees owed the Town in 2011, and \$25,000 yearly going forward. And a careful and thoughtful review of our current fee structures, new programs, and the inclusion of user fees when appropriate has resulted in over \$91,000.

THE FUTURE – 2011 AND BEYOND:

We Must Plan and Act Now to Assure Bethlehem's Future Financial Security and Quality of Life: Therefore, I am proposing the following actions targeted at planning for Bethlehem's future well-being and by that I mean lowest possible costs and highest possible services. Key

actions are: avoiding morale-busting and program destructive lay-offs; a Capital Plan; a Cost-of-Living Adjustment and Performance Appraisal Program; a Cost Allocation Method; Maximize our Water Supply Assets; and, the 20/20 Implementation Program.

- **We Will Not Lay Off Our Staff:** The departments we reviewed were lean. Strict vacancy controls have been effective at trimming personnel costs. The residents and businesses of Bethlehem get outstanding service from our current staff. I have said that our staff is our most valuable resource. Therefore, we have proposed other measured cost reduction and revenue approaches to meet the fiscal challenge for 2011. I will not succumb to the mantra that cutting staff is a necessary action. In fact, in my 30 years of organizational financial management and budgeting experience, I have learned that it can result in increased costs and reduced services in very short order.

During 2011, we will continue the very effective position vacancy control measures implemented during 2010. Department heads must provide extensive and persuasive justification to replace any position which becomes vacant during the year, and each request is reviewed by the Director of Human Resources Management, the Comptroller and the Supervisor.

- **For The First Time Ever, Bethlehem's 2011 Tentative Budget Includes A Capital Budget Component:**

Last year, the NYS Office of the State Comptroller (OSC) strongly recommended that Bethlehem adopt a capital plan. As part of our 2011 Tentative Budget, we now have a plan that is practical, not pie-in-the-sky, projected over four years, not twenty. It is a first step to systematically invest in our water, sewer and facility needs. The actions proposed in this Tentative Budget will reduce capital replacement and repair costs, and maintain the quality of life that residents and businesspersons expect in Bethlehem. The investment in 2011 will be \$1,391,000, and at the currently favorable bonding rates, our annual incremental cost for the payment of debt and principal will be approximately \$153,000 over 12 years.

- **Bethlehem's Future Depends on a Competent and Motivated Staff:**

To achieve this, I have included a cost-of-living increase (COLA) in the 2011 Tentative Budget of 1% for our employees. This is the lowest proposed COLA in 17 years with prior years ranging up to 4.5%. The present Consumer Price Index (CPI) is 2.7%. Further, any organization that values its employees, and we do, should include an effective performance appraisal program. The relatively low cost of this program provides department heads with a powerful tool to encourage high performance. Our Town staff is absolutely essential to protect and improve our Town's future. We can't afford to lose them, or neglect them, and I will not.

- **Good Management and Accounting Principles Support Allocating Costs Properly to Programs:**

I propose an indirect cost allocation method which, for the first time, properly allocates General Fund expenses (Human Resources, Comptrollers, Information Technology, and Tax Office) to the Special Funds – Water, Sewer and Highway. This allocation method is a well established accounting procedure. For the first time, and now into the future, it creates a level playing field for all funds. Each fund: general, water, sewer, and highway will stand as a cost and revenue center. Bethlehem's Comptroller has proposed this sound accounting method which is in accordance with Generally Accepted Accounting Principles (GAAP). And, I commend our Highway Superintendent, our Commissioner of Public Works, and their staffs for supporting these improvements.

- **Bethlehem's Water Supply Issue Needs To Be Addressed Head On:**

My proposed 2011 Tentative Budget includes maximizing our water supply assets by unifying our Town's water system.

15 years of data and every one of the 7,300 analytical tests demonstrate that the water from the Clapper Road Plant exceeds all drinking water standards. I assure you that I would not be proposing the action if there were any concerns over water quality.

Beyond that, the other feasible alternatives (continuing the existing system or rebuilding the anticipated New Salem Plant) will cost Bethlehem an additional \$1 Million or more per year. Equally important, these more costly alternatives continue the extensive dependence on the costly Albany water supply and result in other costs and management concerns by limiting our water system's operational flexibility.

To sum up, Bethlehem has no choice except to take action to meet new stringent Environment Protection Agency (EPA) mandates in 2011. Our budget proposes the safest and most cost-effective way to do that.

- **The 2011 Tentative Budget is Carefully Balanced and Now We Need To Plan More In Order To Be Prepared For an Uncertain Future:**

Overall, looking to the future, by being cautious in our revenue and expenditure estimates, making difficult but tempered revenue and expenditure choices, developing a Capital Plan and strengthening our accounting approaches, Bethlehem is positioned well for 2011. But I'm not stopping there! Very importantly, the recently created 20/20 Implementation Committee is now busy at work to reap additional benefits for Bethlehem for the 2012 Budget, and beyond. The subcommittees are driving forward in three areas: Economy, Efficiency and Effectiveness in Town Government; Cooperation among Bethlehem's Taxing Jurisdictions, and; Economic Development. Considering the high caliber and independent judgment approaches of the fifteen participating community leaders, there is no doubt we are taking action now, to protect and improve Bethlehem's future.

Please let me summarize. Looking at the budget process and budget results for the 2011 Tentative Budget, I truly believe we have served the public and Town Government well. In the most difficult of fiscal times, we have balanced the budget, kept taxes very low, acted to responsibly reduce costs and increase revenues, avoided cutting our most important resource, our Town staff, and addressed the critically important water supply issue. And, this budget will continue the public services that Bethlehem residents and businesspersons deserve.

I thank all of the wonderful department heads and staff that have cooperated, contributed and become my partners in creating the 2011 Tentative Budget, and in so many other ways.