

Bethlehem Town Budget

Major Trends

Structural Budget Gap

Although it is not formally estimated, Bethlehem is known to have a structural budget gap. While each year's budget has been balanced on a cash basis, this has been achieved through the planned use of fund balances, and the use of borrowing for routine annual expenses (e.g., borrowing for annual highway repaving asphalt costs which began in the 2010 budget).

Additionally, each year as the Supervisor's Tentative Budget is prepared, there has been a significant budget gap to close; for example, 2012's budget included \$1.4M in cost-cutting actions, and the 2011 budget included 800K in cuts, which followed significant mid-year cuts in 2010 to address a drop-off in revenues of \$771K.

Key Facts & Figures

- Bethlehem's Budget (2012 appropriations) – \$38.6M (+\$6.4M capital)
- Budget includes four funds (state law): General, Highway, Water, Sewer
- 2012 budget is flat – microscopic +4K, 0.01% increase over prior year
- Major Town-Controlled Revenue Sources include Property Taxes (\$9.6M), Metered Water (\$6.4M), and Sewer Charges (\$2.3M)
- Sales Taxes from County (\$9.9M); Mortgage Recording Tax (\$1.1M)
- Approximately \$20M in debt outstanding, \$2M in annual debt service payments; Town comfortably within debt limit (only 4.3% of limit used)
- Property tax levy increases moderate in recent years:
 - 1.27% in 2012
 - 1.6% in 2011
 - 2.1% in 2010
 - 7.3% in 2009 (sales tax decrease 7.8% that year)
 - 2.7% in 2008
- 243 FTE employees (2012 Budget, salary & fringes total \$23.3M – 60% of Budget)
- Only police-related employees represented by unions (officers, supervisors, dispatch)
- Cost of Living (COLA) Increases
 - 2012 Budget includes no COLA for anyone (police contracts to be negotiated)
 - 2011 1.0% COLA generally, 2.5% for police
 - 2010 1.0% COLA generally, 2.0% police
 - 2009 4.0% COLA generally, 0% police
 - 2008 3.0% COLA generally, 0% police
- Fund balances substantially eroded since 2005, when both General Fund and total balances exceeded 30% of annual expenditures

2012 Budget

Final 2012 Budget adopted in November – consensus included reduction of the structural gap, while keeping taxes and fees down and investing in infrastructure.

Challenges

- Continued economic and fiscal stress
- “2%” Property Tax Cap – but cap would have allowed a 4.11% increase in levy (using pension and growth exclusions)
- Pension contributions up \$1M in 2012 alone; over ten years:
 - 2002 – Pension costs 0.48% of budget
 - 2012 – Pension costs 7.77% of budget
- Rising Health Insurance Costs
- Rising fuel costs (up \$167K)

Actions

Cost Cutting (\$1.4M)

- Cut operating costs \$578K, largely reductions in overtime, equipment and contractual services
- Eliminated planned reassessment – saving \$125K (with additional out-year savings)
- Increased health insurance co-pays \$10 per visit, saving \$290K
- Eliminated 6 unfilled positions (2.5% of budgeted staff), saving \$440K

Other:

- Increased property taxes by only 1.27%
 - \$11.43 impact on \$300,000 home
 - +\$121K in budget, in comparison to \$245K increased water & sewer fees
 - Sales tax receipts expected to increase \$500K, mort recording txs \$25K
 - Far greater impact from other taxing jurisdictions (county, school, etc.)
- Excluded employee cost of living adjustment (COLA), but included limited merit increases, saving \$144K from full “step” increases usually paid
- Reduced use of Fund Balances by over 50% (from \$2M to below \$1M)
- Took first step to move away from borrowing for annual highway repaving
- Capital investment of \$6.4 million, reflecting commitment to infrastructure

2012 Budget by Fund (& comparison with 2011)

| 2012 Budget by Fund (\$ in millions) | Budgeted Expenditures | Property Taxes | Other Revenues | Use of Fund Balance | Debt/Capital Reserves | Grand Total |
|--------------------------------------|-----------------------|----------------|----------------|---------------------|-----------------------|--------------|
| General Fund | 18.2 | 2.1 | 16.1 | 0.112 | 0.406 | 18.6 |
| Highway | 6.5 | 4.1 | 2.2 | 0.248 | 0.949 | 7.5 |
| Water | 9.3 | 1.9 | 7.0 | 0.344 | 2.200 | 11.5 |
| Sewer | 4.5 | 1.5 | 2.7 | 0.263 | 1.530 | 5.3 |
| Grand Total 2012 | 38.6 | 9.6 | 28.0 | 0.968 | 5.085 | 43.7 |
| 2011 Grand Total | 38.6 | 9.5 | 27.0 | 1.986 | 3.200 | 41.8 |
| % Change | +0.01% | +1.3% | +3.3% | -51.2% | +58.9% | +4.5% |

Challenges 2013 and Beyond

- **Pension Costs** – Will continue to grow; 2013 costs expected to increase 16-19%
- **Health Care Costs** – Continued growth of 5-8% annually expected (\$101K -\$163K)
- **Selkirk ‘Cogen’ PILOT** – Expiration of agreement creates a loss of \$1.5M to \$1.7M; although the tax cap law allows for an increase in property taxes to recover this loss (i.e., without counting against the cap), this magnitude (15-18% increase) is unlikely
- **Albany Water Contract** – Currently increasing by \$80K-\$100K per year, and an increase in the minimum ‘take or pay’ requirement every 5 years; next minimum take or pay increase occurs in 2014, costing \$450k
- **Capital Infrastructure** – Estimated investment of \$10M per year required to maintain infrastructure; total estimated replacement cost of \$1B
- **Hurricane Irene** – Over \$1M costs incurred to date; total will be \$4.5M-\$7M; FEMA will reimburse 87.5% of approved costs, but timing unknown
- **Sales Taxes and Mortgage Transfer Taxes** – 54% and 7%, respectively of General Fund revenue; revenue sources out of the Town’s control and volatile
- **Upcoming Labor Negotiations** – police/safety unions

DISCUSSION – How to achieve a Sustainable Budget

Alternatives

- Reduce or eliminate services
- Continue to Raise Fees and/or taxes
- Reconfigure/Modernize town operations
- Share or Consolidate Services with other governments (County, School, Municipal)