

*** Budget Planning ***

An Early Look into 2018



One of several major financial reforms implemented in 2012

- Multiyear financial projections
- Capital planning
- Fund balance policy

As part of these reforms we provide an early overview of the anticipated conditions, challenges and opportunities likely to be faced in the 2018 budget

John Clarkson, Town Supervisor
Michael Cohen, Comptroller

May 24, 2017

Fiscal Year Ended 12/31/2016

	Fund			
	<u>General</u>	<u>Highway</u>	<u>Water</u>	<u>Sewer</u>
Fund Balance 12/31/15	\$ 6,523,379	\$ 3,093,056	\$ 4,270,653	\$ 2,979,272
Net Surplus (Deficit)	<u>(388,085)</u>	<u>369,076</u>	<u>1,021,139</u>	<u>741,552</u>
Fund Balance 12/31/16	<u>\$ 6,135,294</u>	<u>\$ 3,462,132</u>	<u>\$ 5,291,792</u>	<u>\$ 3,720,824</u>
Non-spendable & Assigned Infrastructure Reserve*	<u>\$ (2,066,777)</u> <u>(350,000)</u>	<u>\$ (1,396,332)</u> <u>(700,000)</u>	<u>\$ (1,842,032)</u> <u>(1,460,000)</u>	<u>\$ (1,808,589)</u> <u>(1,020,000)</u>
Contingency Fund Balance 12/31/16	<u><u>\$ 3,718,517</u></u>	<u><u>\$ 1,365,800</u></u>	<u><u>\$ 1,989,760</u></u>	<u><u>\$ 892,235</u></u>
Fund Balance as % of Appropriations	20.0%	20.0%	20.0%	20.0%
2017 Budgeted Appropriations	\$ 18,558,787	\$ 6,845,412	\$ 9,946,764	\$ 4,468,596
Contingency Fund Balance 12/31/15	\$ 3,628,593	\$ 1,351,236	\$ 1,917,188	\$ 879,499
Increase (Decrease) from Prior Year	\$ 89,924	\$ 14,564	\$ 72,572	\$ 12,736

* Based on Fund Balance Policy and multi-year capital plan

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Expectations vs Actual

Although it was expected that the Town would end 2016 in a negative position, several factors arose that aided the Town:

- Expectation: 3 police officers hired beyond the budget and new contractual provisions would cost \$265K above budget
 - Actual overspending of the 2016 police personnel budget was \$197K (excluding OT)
 - Most other departments were below budget in personnel, net \$173K (including the police), and fringe, net \$200K. The largest variances were:
 - The Highway Fund, including related departments in the General Fund, saw a net savings to the personnel budget of \$184K due to delays in hiring and authorized positions not filled
 - Health Insurance was under budget by \$198K due to shifts in coverages, savings due to unfilled positions and increased number of employees opting to take health-in-lieu
 - Savings in pension costs, \$87K, were offset by increased workers' comp costs, \$91K, as rates increased exponentially over our brokers expectations in part relating to workers comp hours increasing 75 times in 2015 (3,323) over 2014 (44.5) in the police department. Further, because worker's comp is calculated on salaries paid during the year, and because there was one extra pay period in 2016, we had two more weeks of cost than usual
- Expectation: Police overtime would be \$100K over budget
 - Actual overspending of the 2016 budget was \$94K
 - Overtime spending in the Highway Fund was below budget by \$123K due to lighter than average snowfall, timing of storms and excellent time management



Expectations vs Actual



- Expectation: Krumkill Road Culvert would cost \$265K
 - The unbudgeted Krumkill Road Culvert replacement project cost \$289K

- Expectation: TriTech CAD replacement project, a multi-municipal project, would cost \$269K with \$240K coming from operations and \$29K coming from the LGPEP Award
 - Only \$108K was spent in 2016 due to slightly delayed implementation



- Expectation: Metered water revenues would run \$500K above budget
 - Results of metered water sales were even better than expectations; \$697K over budget
 - 2016 Budget was based on 2014 actual, in which water revenue was down \$449K
 - 15% of total metered water purchases come from one company. Any slow downs in their consumption can adversely impact revenues
 - Sewer revenues, which are based on water consumption, ended the year \$208K over budget



Current Trends That Could Impact 2018 Budget – General Fund

- **Sales Tax** – Received \$43K less than budgeted for 1st quarter (\$9K less than 2016 actual)
 - Represents 1.5% variance from total budget of \$11.5 million



- **Mortgage Tax** – Based on data from the County we are trending \$194K off budget (\$137K less than 2016 YTD actual)
 - Represents 16.2% variance from total budget of \$1.2 million
 - Mortgage fees run October through September, so we are currently trending 6 months of data
 - Because of the irregularity of payments, it is difficult to project year to year



- **Cable Franchise Fees** – 4th quarter franchise fees for 2016, received in 2017, normally consistent, dropped \$11K. If that holds, it could mean a \$45K shortfall to budget
 - Represents 6.5% variance from total budget of \$686K



Current Trends That Could Impact 2018 Budget – General Fund

- **Justice Court Fines** – Through 4 months we have a decrease from 2016 of \$29K
 - Trending results represents a \$47K variance to the total budget of \$400K
- **Safety Inspection Fees** – Based on the first 3rd of the year, the Town is up \$50K over same period 2016
 - We missed the budget in 2016 by \$82K, however, we held the budget flat for 2017, translating to a \$68K annual increase
- **Solar Electricity** – The Town received \$126K in 2016, however, due to uncertainties and delays, these revenues were unbudgeted. We expect to receive a bit more in 2017. Possibly \$150K
- **Police Personnel & Fringe** – Currently there are 2 officers above budget due to lack of expected attrition
 - Without attrition the total cost in the current year is \$224K



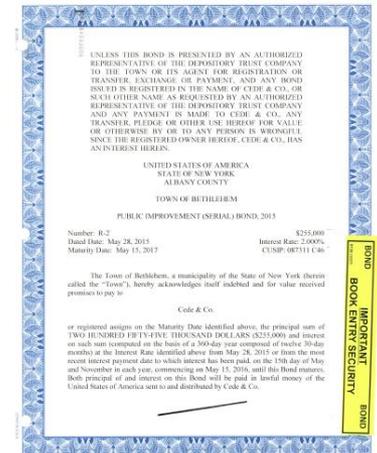
Current Trends That Could Impact 2018 Budget – Other Funds

- **Highway Fund Costs** – Personnel costs can fluctuate due to variability in the timing of snowstorms (weekends, nights, holidays, etc...)
 - The past couple of years, we've experienced fewer than average snowfall, resulting in greater than expected fund balance
 - Due to the nature of the job, worker's compensation rates for roadwork exceeds 30% of salary and climbing
- **Water Fund Revenue** – Varies heavily with weather and industrial users. Currently we are \$62K below 2016 actual*
 - Weather conditions during the spring and summer months will greatly impact water sales
 - Selkirk Cogen represents 15% of the Town's water sales, periodically shuts down their plant based on market conditions, which make trending very difficult
- **Sewer Fund Revenue** – Is based on water consumption; we are currently \$12K below 2016 actual*



Other 2018 Budget Factors

- **Tax Cap** – Based on CPI-U, we expect the tax cap to be approximately 1.82%, up from 0.68% in 2017
 - Maximum growth rate increase equates to \$249K increase in levy
 - Projection in the multi-year budget was 2.0%
 - Commonly called “2% tax cap”; it hasn’t been 2.0% since 2013
- **New CAD (Dispatch)/RMS (Records) System** – Reduction in annual costs by \$73K/year
- **New borrowings related to large projects**
 - 90 Adams (EMS/Sewer/Meeting facility): \$4.1 million (GF - \$270K/yr)¹
 - Delaware Avenue Enhancement: \$1.8 million (GF - \$165K/yr)²
 - Pool Gutter Replacement: \$1.1 million (GF - \$99K/yr)²
 - Clapper Road WTP Upgrades: \$5.0 million (WF - \$290K/yr)³
 - Wellfield Electrical Improvements: \$800K (WF – \$46K/yr)³
 - Replacement of Water Mains: \$600K (WF - \$35K/yr)³
- **Police Pension Bond** – Final payment on \$1.88 million 10 year bond is made in 2018. This will “free up” budget space of \$236K annually.



Beyond 2018

- **Albany Water Contract** – Final step in minimum “take-or-pay” contract with the City of Albany raising minimum take from 450 million gallons to 500 million
 - At current rates, the increase represents a \$200K increase in annual cost through 2023
 - Expiration of contract in 2023, freeing up the more than half the annual spending of what is expected to be an annual payment of over \$2.2M
- **Expected Grants**
 - \$2.9 million grant for a roundabout at Feura Bush Road and 9W. The Town’s share is \$726K or \$68K in annual debt service costs (15 year PPU / 4.5%)
 - \$1 million grant from State awarded to Town to install ADA compliant sidewalks. The Town’s share is \$243K or \$31K in annual debt service costs (10 year PPU / 4.5%)
- **Clapper Road WTP Upgrades** - Expected to cost ~\$15 million over the next 3 to 4 years at a debt service cost of \$926K/year (30 year PPU / 4.5%)

