

Town of Bethlehem 2013 Tentative Budget



**CITIZEN INPUT
FISCAL RESPONSIBILITY
MULTIYEAR PLAN
STRUCTURAL BALANCE
OPEN PROCESS**

JOHN CLARKSON, TOWN SUPERVISOR

MICHAEL COHEN, TOWN COMPTROLLER

Budget Process Timeline

Presentations to date

- February 22
 - Selkirk Cogen PILOT loss described
- March 28
 - Fund Balance Policy Established
 - Lockbox Budget Advisory Report
- May 9
 - 2013 Budget Projection (\$3.5 million gap)
- June 13
 - Parks & Recreation Budget Advisory Report
- June 27
 - DPW Budget Advisory Report
 - Highway Budget Advisory Report
- July 11
 - Police Budget Advisory Report
- August 8
 - Policy on town membership dues
- August 22
 - 2012 Operating Results Estimated
- September 12
 - Multiyear Capital Plan Presented
- September 24
 - Tentative Budget & Multiyear Projection



Yet to Come

- October 1
 - Workshop on Revenues & Multiyear Planning
- October 4
 - Workshop on General Fund & Highway Funds
- October 9
 - Workshop on Water & Sewer Funds
- October 11
 - Workshop on Capital Plan
- October 18
 - General Workshop (if necessary)
- October 24
 - Presentation of Preliminary Budget
 - Public Hearing
- October 29
 - General Workshop (if necessary)
- November 14
 - Adoption of Final Budget

Workshops will begin at 6pm, include a public comment period, and be webcast & archived.

townofbethlehem.org

The Town “Budget 2013” webpage provides comprehensive information updated as process evolves

It's all about the Selkirk Cogen "PILOT" Loss

\$1.7 million lost annually, 5% of budget



Selkirk Cogen paid property taxes for 20 years through a special "PILOT" payment, which by the time it ended this year was over \$1.7 million.

The loss of these funds, while no fault of the company, creates a huge revenue gap, on top of an already difficult fiscal situation.

- Spending in 2013 is DOWN, and the Budget makes do with LESS property tax revenues overall. We are BELOW the property tax cap.
- But despite restructuring, staffing reductions and other cuts, we had to increase the portion of property taxes paid by others to make up for most of the Cogen loss.
- We have to ask for an 8% property tax increase (\$67 for \$250K home) to preserve the services that make Bethlehem a great place to live.
- Bethlehem will weather this difficult year and flourish with prudent multiyear fiscal planning.

Big Picture News



- **Overall, property tax revenues decline 3.5%**
 - Below the property tax cap by more than \$500,000
 - Majority of PILOT loss replaced through property taxes paid by others, causing an increase of \$67 for an average homeowner (\$250K home) – average tax rate hike of 8%
- \$3.5 million Gap solved roughly half with cuts and half with revenue
- Leaf & brush collection continued
- Transfer Station & Compost facility preserved, w/ cutbacks
- Other cuts, fee increases from Budget Advisory Team
- EMS/Ambulance District Efficiencies from Board of Ambulance Commissioners
- Town funding of Colonial Acres Golf Course ends, alternatives to be considered

Fiscal Responsibility

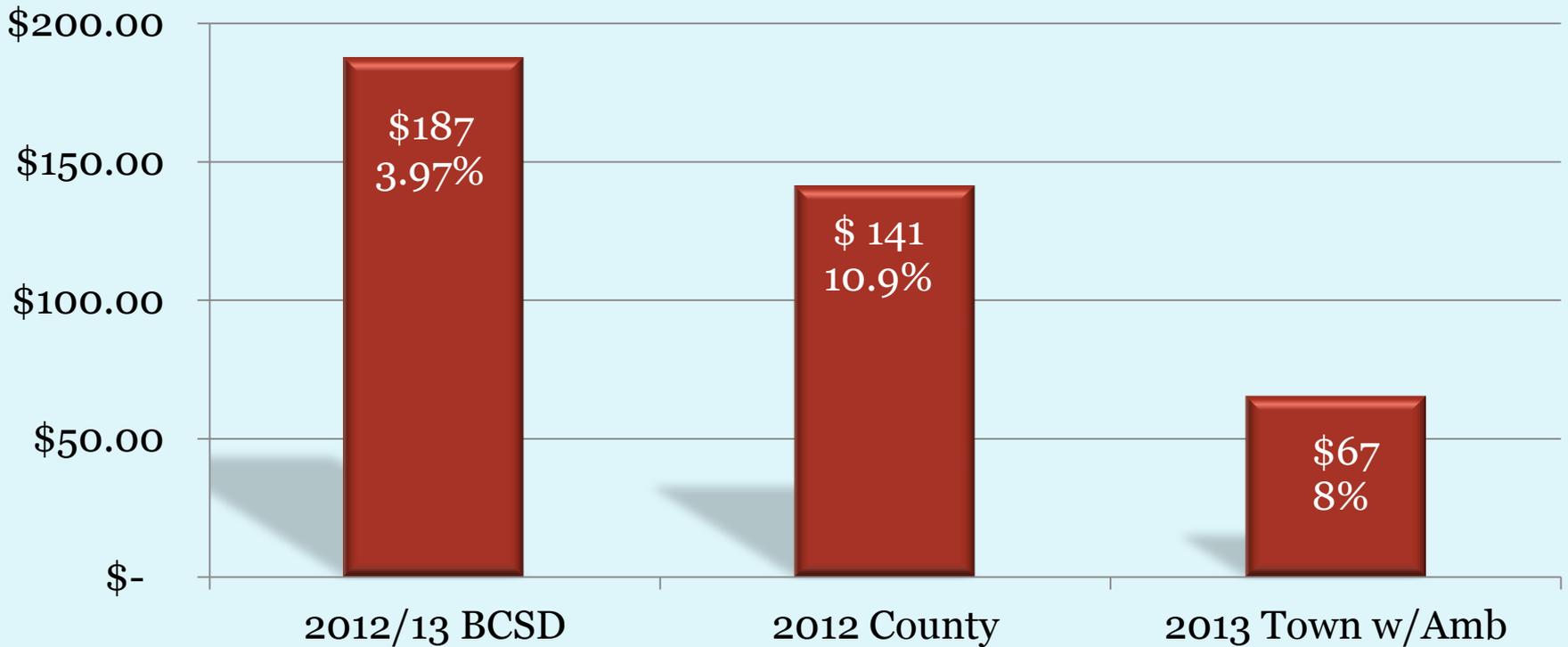


- Balance the Budget in a **responsible & sustainable** manner:
 - Today's plan must leave us in a good position tomorrow, we must avoid budget actions that push problems into future years
 - Keep taxes and fees as low as responsibly possible, but this year that means they're higher than we would like
 - Use fund balances responsibly – avoid reliance on one-time resources to support ongoing expenditures
- New budgeting tools will help to ensure a sustainable plan: Multiyear Planning, Fund Balance Policy, and a Capital Planning system that meets state guidelines
- Find ways to continue providing core services with fewer people over time, but support Town employees – our most vital asset.

How does the \$67 increase stack up?



Recent Tax Increases (Impact on \$250,000 Home)

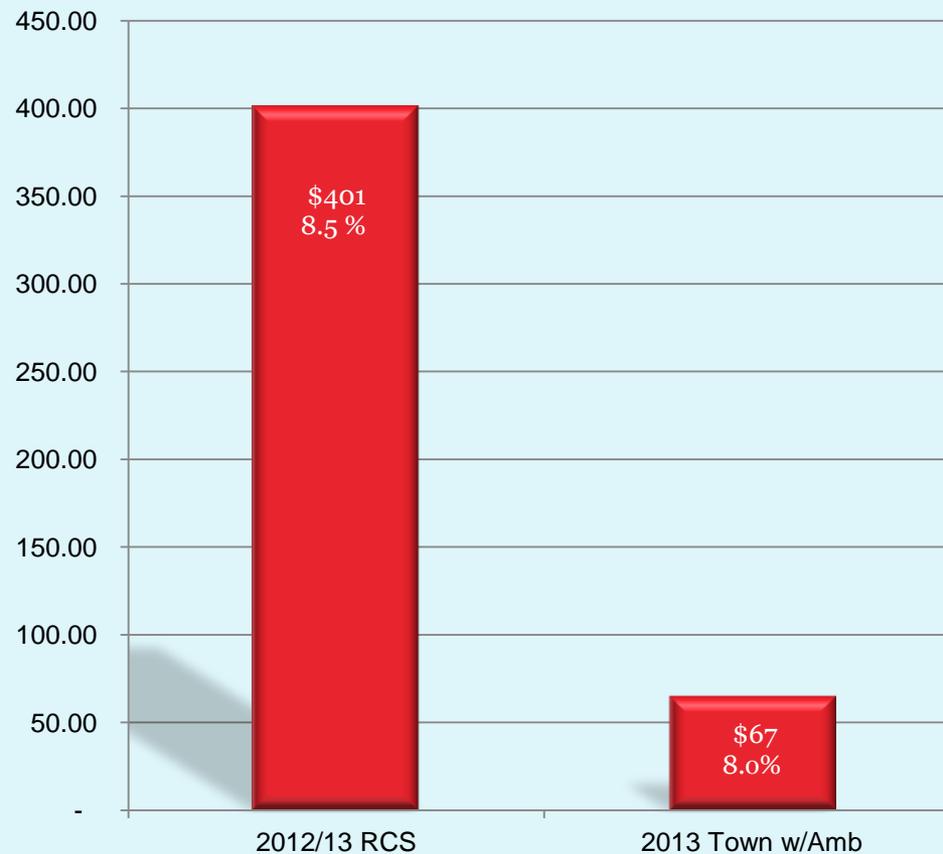


- 2012-13 increase in Guilderland School District was \$130.85 (3.06%)
- 2012-13 increase in Ravena-Coeymans-Selkirk School District was \$401.20 (8.48%)

How does the \$67 increase stack up?



Selkirk Cogen Impacted Entities (RCS School Dt. & T. Bethlehem)



Property Tax Cap Math – How can an 8% tax rate increase be below the “2%” cap?

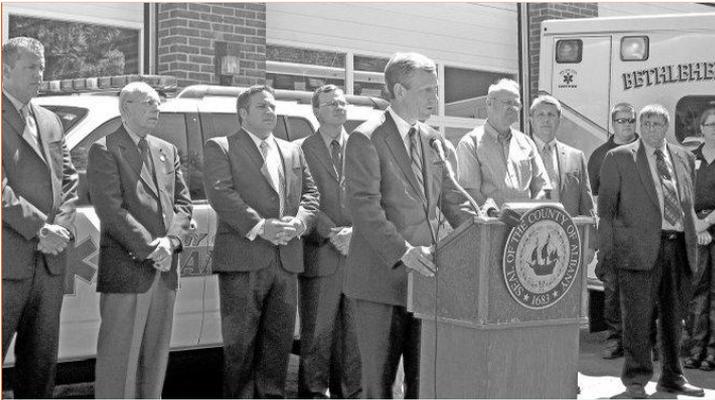


All property tax revenues, including regular property tax payments and the special “PILOT” payments are part of the property tax levy and count under the cap.

Under the property tax cap law, Bethlehem’s loss of \$1.76 million from Selkirk Cogen can be made up by regular property tax. In this budget, \$1.61 million of the lost PILOT revenues is made up by regular property taxes in the highway, water and sewer funds, which will be an increase to taxpayers, even though overall the town receives \$462K (-3.5%) less in property tax revenues.

	<u>2012</u>	<u>2013</u>	<u>Change</u>
Selkirk Cogen PILOT	\$1,760,000	\$ -	\$(1,760,000)
Other PILOTs	298,494	324,359	25,865
Town Property Tax (4 funds)	9,645,711	11,255,711	1,610,000
Town EMS/Ambulance Districts*	<u>1,574,222</u>	<u>1,236,394</u>	<u>(337,828)</u>
Total Property Tax Revenue	<u><u>\$13,278,427</u></u>	<u><u>\$12,816,464</u></u>	<u><u>\$(461,963)</u></u>

- The average increase will be **8%** or **\$67** on an average \$250K home.
- Overall change in property tax rates is dependent on where you live within the Town.



EMS/Ambulance



	Tax Levy 2012	Tax Levy 2013	Change in Budget
County Advance Life Supp (ALS)*	\$ 761,079	\$ 526,301	\$ (234,778)
Beth Volunteer Ambulance	371,747	268,697	(103,050)
Western Turnpike	29,705	29,705	-
Del/Els/Slg Ambulance	411,691	411,691	-
	<u>\$ 1,574,222</u>	<u>\$ 1,236,394</u>	<u>\$ (337,828)</u>

- New contracts between T. Bethlehem and Albany County providers of emergency medical services will save as much as \$300,000 annually by allowing billing of third party insurers for Advanced Life Support (ALS) services for such emergency treatment, which is reimbursed at a higher rate than basic ambulance/life support services.
- In addition, Bethlehem's Board of Ambulance Commissioners has just recommended a townwide approach to EMS/ambulance services including consolidation of the two major ambulance districts. Significant savings are likely, which will likely further reduce the tax levy in 2014.

* A budget has not yet been received for Albany County ALS, which is estimated at 2.0% growth over current, less \$250K savings from improved ALS billing

Balancing the Budget



- May projection showed a **\$3.5 million budget gap** for 2013, which we have more than closed:
 - Attrition – reduced staffing & fringe costs* \$ 1.6 million
 - Partial Replacement of Cogen PILOT 1.6
 - Sales tax collections improving 0.6
 - Other revenues declining (0.4)
 - Debt Service Reduced (refinancing, other changes) 0.2
 - Misc. Budget Advisory Cuts & Fees/Donations 0.2

\$ 3.8 million

*Continuing effect of 2012 attrition, less 2 positions added

- Meanwhile, during 2012 expected deficits were converted to surpluses, producing **\$1.6 million in savings** (\$1.1M through attrition, \$500K other savings).
- The 2012 savings are one-time, non-recurring revenues and should not be used to support ongoing operations. Doing so would create a gap in 2014.
- We propose putting those funds into a Retirement Contribution Reserve Fund to cover these cost increases for 3 years and an Albany Water Contract Reserve Fund to smooth the cost for the abrupt increase 2014. Other reserves will help improve assessments and provide for other contingencies.
- The 2013 budget cuts spending, maintains revenues, and responsibly uses fund balances, moving toward long-term structural balance – the out-years do not rely on fund balance excessively.

Workforce – Doing more with less



Staffing (budgeted full-time employees)

	<u>2012</u>	<u>2013</u>	
	<u>Budget</u>	<u>Budget</u>	<u>Change</u>
General Fund	127.0	119.0	(8.0)
Highway Fund	55.0	51.0	(4.0)
Water Fund	32.5	30.5	(2.0)
Sewer Fund	20.5	18.5	(2.0)
	<u>235.0</u>	<u>219.0</u>	<u>(16.0)</u>

- Staffing down by 7% through attrition, no layoffs
- Key Restorations – one police officer & one DPW worker
- No Cost of Living Adjustment (COLA) in 2013, but includes Merit increases (steps)
- Multiyear Plan allows for modest COLAs to return in 2014 to attract and retain good workers
- Increasing Pension Costs Covered in three funds for 3 years, using current year savings put in newly allowed Pension Reserve Fund
- Any additional staffing in 2013 will be supported by attrition elsewhere
- Provide productivity tools to help employees do more with less

Improving Productivity

Helping Town Workers do More with Less

2012



2013 & beyond

- **Meeting Management/Webcasting System** – Streamlined agenda creation and board minutes processes
- **Lockbox** – Workload reduction with receipt of water payments by mail through bank (compensating balances); expanded to tax collections for 2013
- **Police Officer Scheduling System** – Automated scheduling/time system, reduces paperwork, provides better time management and remote access
- **Toughbook Laptops for DPW field Ops/Highway** – Remote access to internal systems from field; reduces time required to access information and respond to information pertaining to Town infrastructure issues

- **Microsoft Office 365** – Replaces legacy email with cloud-based system, incl. modern tools such as messaging/online presence, SharePoint for document collaboration, online conferencing, better integration w/ mobile devices.
- **Microsoft Office 2013** – replaces Office 2007 for better integration with cloud based 365 and Windows 7/8;
- **Replacement PCs** – Replacing 8-year old PCs with new running updated operating system & productivity tools
- **Capital Improvements to Pump Stations** – Decreased maintenance and improved safety
- **Assessing Tools** – improved information, inventories and other tools to allow town staff to fully update rolls independently.

Budget advisory team options chosen



- Reduce from 5 to 3 days at Transfer Station and Compost facility; shorten Compost season; minimally increase fees; explore options to enhance compost operation/revenues (**\$170K** savings)
- Remove town support for Colonial Acres Golf Course, including capital:
 - Ends annual revenue loss currently estimated to be **\$40K**; avoids **capital spending of \$150K** for sewer, bathrooms & clubhouse, **\$100K** for irrigation system, and **\$20K** for 9th hole footbridge
 - Options for continued use include outsourced operation or converting use to public green space, park, and/or community garden; Community Advisory Group could explore.
- Parks & Rec actions include eliminating night ranger, reduced pool staffing early and late seasons & increased field fees to offset maintenance costs (**\$20K**)
- Lockbox expanded to cover tax collections (allows staff sharing)
- Senior Services increased suggested donations for transportation (**\$22K**)
- Attrition in Police Department absorbed (exception - patrol officer replaced)
- Towing contract* (**\$12K**); membership dues policy* (**2K**); Planning Board* reduced from 7 to 5 members (**12K** by 2014, 6K in 2013)

* Most items are Budget Advisory Team suggestions, some with modifications, and the last three marked "*" originated elsewhere .

Bethlehem's first multiyear plan



Why is this important?

- With the fiscal challenges the Town faces, we must:
 - Balance the budget responsibly for next year and beyond
 - Avoid pushing financial problems into future years
 - Provide a sustainable plan without revenue or service shocks
- Multiyear projection shows rough structural balance; budget reserves maintained, aiming for 15% fund balance standard
- Plan provides a path to a more comfortable future, maintaining services within the property tax cap without spikes in taxes or fees

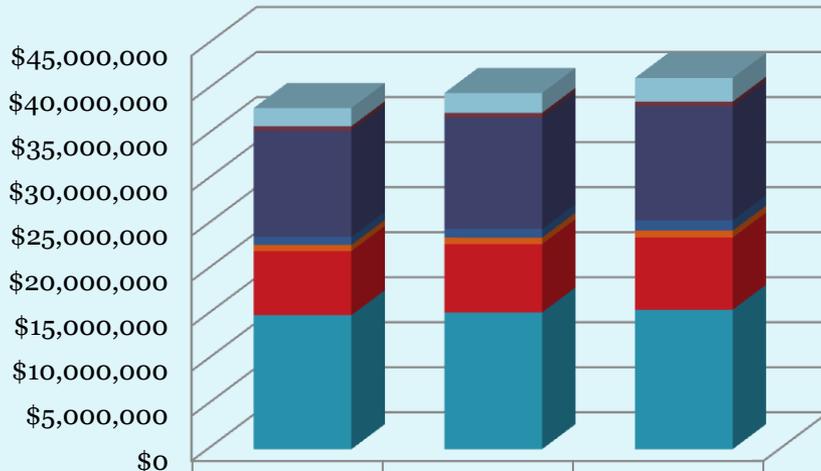
	2012 Budget	2013 Budget	2014 Projection	2015 Projection
General Fund	(\$112,249)	\$297,279	\$366,426	\$321,327
Highway Fund	(248,614)	(192,990)	(155,919)	(345,609)
Water Fund	(344,166)	114,780	(35,430)	(421,549)
Sewer Fund	<u>(263,756)</u>	<u>118,144</u>	<u>12,166</u>	<u>29,400</u>
Surplus/(Use of Fund Balance)	(\$968,785)	\$337,213	\$187,243	(\$416,431)

Multiyear projection overview - Expenditures



Multiyear Expenditures

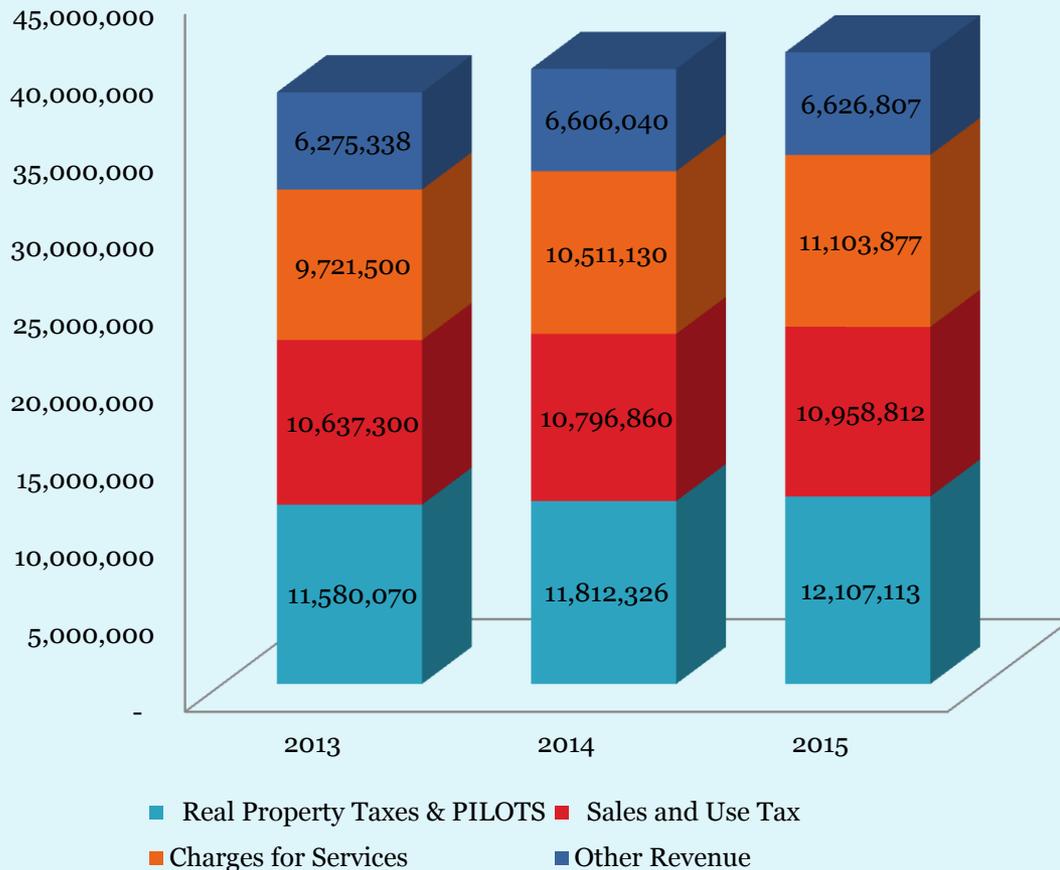
Total Dollars (2013 to 2015)



	2013	2014	2015
Debt Service (Principal and Interest)	\$2,014,585	\$2,196,092	\$2,631,649
Interfund Transfers - Expenditures	\$524,801	\$530,049	\$535,350
Contractual Costs	\$11,757,530	\$12,368,153	\$12,630,052
Equipment and Capital Outlay	\$895,950	\$957,000	\$1,156,000
Retiree Health Insurance	\$684,350	\$725,411	\$768,936
Fringe Benefits & Payroll Taxes	\$7,119,212	\$7,584,230	\$8,009,312
Personal Services	\$14,880,567	\$15,178,178	\$15,481,742

- Out-year Assumptions:
 - Albany Water Contract take or pay increases by \$450K in 2014
 - \$100K/year reduction of bonding for paving in each year until annual paving costs are paid through operations
 - Plan includes Debt Service and Equipment costs from Capital Plan
 - 2% COLAs in out-years

Multiyear projection overview – Revenues



- **Out-year Assumptions:**
 - Annual 2% increases in property taxes & PILOTS
 - Increase in Water and Sewer rate of 6% per year to cover Albany Water Contract & Infrastructure
 - \$30 Yard Waste Fee avoided in 2013, but may be necessary in future years

Proposed Usage of Savings



- Retirement Contribution Reserve Fund -- \$1,125,000
 - Use 2012 savings to cover cost increases for 3 years
- Albany Water Contract Reserve Fund -- \$500,000
 - Smooth the cost for of the abrupt step in 2014 to allow time for rate increases to match spending
- Improve assessments/other contingencies -- \$300,000
 - To ensure fairness for taxpayers, meet state standards, and enable the Town to keep rolls updated without consultant assistance in the future (state incentive aid available)
 - Updated and consistent commercial assessments are necessary to avoid challenges and should help alleviate residential sector burden
 - Under current law, state aid is available, which would free up some portion of reserve for other contingencies (\$60-80K)

Why preserve revenues while making cuts?

Can't we use fund balances built up this year to make 2013 Budget easier?



- Not a good choice, we need a sustainable budget plan, and using fund balance for continuing spending drives a gap in future years.
- We're using this year's savings to reduce future costs by reserving funds to cover future pension increases, preventing significant water rate spikes, and improving assessing to protect against tax challenges.
- Next year the Albany water contract increases by \$450,000 and we face major risks such as sales tax sharing cuts, community college chargeback, and assessment challenges. We have to keep fund balances up to offset these risks.
- The tax cap law only allows us to make up lost PILOT revenue in the year it is lost – next year we cannot.

Planning for the Future



- Multiyear projection shows path to structural balance
- Projected operating deficits while manageable show there is more work to come – particularly in Highway and Water funds. We will need to keep looking at:
 - Highway/DPW efficiencies
 - Modernization and departmental sharing/consolidation
 - Sustainable Bethlehem: Energy Usage, Recycling and more
 - Shared Services (with County, School-Municipal, etc.)
 - Emergency Dispatch Consolidation
- **Budget Advisory Team will continue, focusing on these priorities**

INTERMISSION



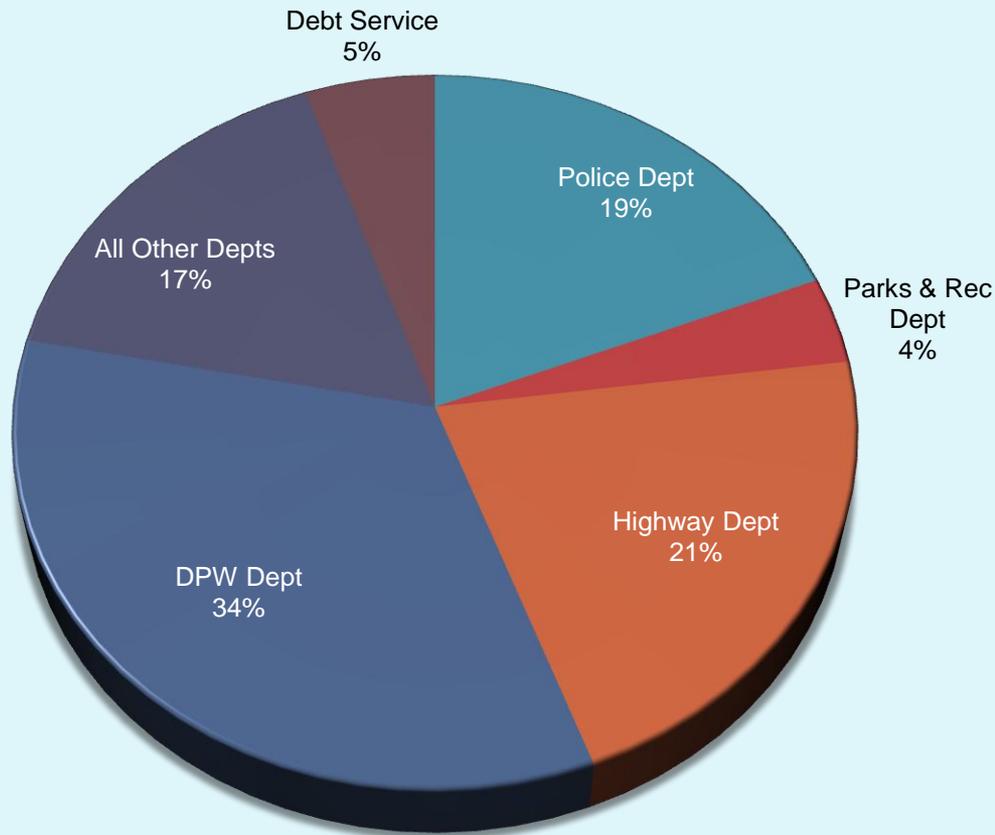
- Technical Slides Follow

2013 Budget compared to 2012



	Budget 2012	Budget 2013	Change	% Change
Revenues				
Property Taxes & PILOTS	\$ 11,709,056	\$ 11,580,070	\$ (128,986)	-1.1%
Sales Taxes	9,850,481	10,637,300	786,819	8.0%
Mortgage Taxes	1,225,000	1,133,000	(92,000)	-7.5%
Interfund Transfers	1,208,894	925,801	(283,093)	-23.4%
Water Meter Charges	6,425,000	6,725,000	300,000	4.7%
Sewer Charges	2,320,500	2,410,000	89,500	3.9%
Other Revenues	4,879,999	4,803,037	(76,962)	-1.6%
Total Revenues and Other Sources	\$ 37,618,930	\$ 38,214,208	\$ 595,278	1.6%
Expenditures				
Wages & OT	\$ 15,745,579	\$ 14,880,567	\$ (865,012)	-5.5%
Fringe & Payroll Taxes	6,964,868	7,119,212	154,344	2.2%
Retiree Health Insurance	566,000	684,350	118,350	20.9%
Equipment & Other Capital	655,120	895,950	240,830	36.8%
Contractual Costs	7,479,560	7,371,635	(107,925)	-1.4%
Paving	103,073	230,000	126,927	123.1%
Other Contract Services	988,200	1,203,800	215,600	21.8%
Interfund Transfers	688,914	524,801	(164,113)	-23.8%
Other Appropriations	5,396,401	4,966,680	(429,721)	-8.0%
Total Expenditures and Other Uses	\$ 38,587,715	\$ 37,876,995	\$ (710,720)	-1.8%
Change in Fund Balance	\$ (968,785)	\$ 337,213	\$ 1,305,998	-134.8%

2013 Spending By Department



<u>Department</u>	<u>Appropriation</u>
Police Dept	\$7,210,727
Parks & Rec Dept	1,476,738
Highway Dept	8,084,372
DPW Dept	12,791,397
All Other Depts	6,299,176
Debt Service	2,014,585
	<u><u>\$37,876,995</u></u>

Carefully balanced revenues & expenditures

Dramatically reduced reliance on reserves



Summary of Changes: 2012 to 2013 Budgets

	General Fund	Highway Fund	Water Fund	Sewer Fund
2013 Budget				
Estimated Revenue	\$17,969,937	\$6,505,949	\$9,345,563	\$4,392,759
Budgeted Appropriations	<u>\$17,672,658</u>	<u>\$6,698,939</u>	<u>\$9,230,783</u>	<u>\$4,274,615</u>
Increased (Use of) Fund Balance	\$297,279	(\$192,990)	\$114,780	\$118,144
2012 Budget				
Estimated Revenue	\$18,115,846	\$6,270,142	\$8,988,924	\$4,244,018
Budgeted Appropriations	<u>\$18,228,095</u>	<u>\$6,518,756</u>	<u>\$9,333,090</u>	<u>\$4,507,774</u>
Increased (Use of) Fund Balance	(\$112,249)	(\$248,614)	(\$344,166)	(\$263,756)
Change				
Estimated Revenue in \$	(\$145,909)	\$235,807	\$356,639	\$148,741
Budgeted Appropriations in \$	(\$555,437)	\$180,183	(\$102,307)	(\$233,159)
Estimated Revenue in %	-0.81%	3.76%	3.97%	3.50%
Budgeted Appropriations in %	-3.05%	2.76%	-1.10%	-5.17%

2013 Budget: Rebalancing Among the Four Major Funds – or why the Highway Fund needs a workout plan



- In 2010, the Town decreased the tax rate in the Highway, Water and Sewer Funds with an offsetting increase in the General Fund
 - This moved \$467K of property taxes into the General Fund - \$267K came from Highway (6.4% decrease)
 - This also shifted \$175K PILOT revenues from Highway to the General Fund
- This shift was made possible by moving to bonding for annual highway paving - removing \$780K in annual expenses
- As debt service payments mount, and the Town moves away from this borrowing, the Highway Fund is under increasing pressure
- **To help rebalance, the 2013 Selkirk Cogen Pilot Recovery funds go to Highway, Water and Sewer – None of the General Fund loss is being replaced**

Tax Levy	Net Changes	GF	HF	WF	SF
2010	9,368,230	2,056,672	3,903,328	1,908,000	1,500,230
2009	9,172,000	1,393,000	4,171,000	2,008,000	1,600,000
Change in Tax Levy					
2010	196,230	663,672	(267,672)	(100,000)	(99,770)
Tax Levy % Change					
2010	2.1%	47.6%	-6.4%	-5.0%	-6.2%
2009	7.3%	5.2%	7.3%	13.6%	2.0%

Property Tax Components



Changes in Property Tax Levy

	<u>Actual 2012</u>	<u>Budget 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Selkirk Cogen PILOT	\$1,760,000	\$-	\$(1,760,000)	-100.00%
Other PILOTs	298,494	324,359	25,865	8.67%
Town Property Tax (4 funds)	9,645,711	11,255,711	1,610,000	16.69%
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Total Property Tax Revenues	<u><u>\$13,278,427</u></u>	<u><u>\$12,816,464</u></u>	<u><u>\$(461,963)</u></u>	<u><u>-3.48%</u></u>

- The average increase will be **8%** or **\$67** on an average \$250K home.
- This is because of an increased property tax base (Cogen property no longer exempt plus other growth) which lowers the tax rate necessary to make up the loss. Overall change in property tax rates is dependent on where you live within the Town.

Property Tax Rates



	2013		2012		Change in Levy		Change in Rate	
	Property Tax Levy	Tax Rate	Property Tax Levy	Tax Rate				
General Fund Tax	2,078,649	0.621	2,078,649	0.654	-	0.00%	(0.034)	-5.14%
Highway	5,537,080	1.654	4,094,633	1.289	1,442,447	35.23%	0.365	28.28%
Wtr Dist #1	2,012,748	0.598	1,945,194	0.578	67,554	3.47%	0.020	3.47%
Avg Sewer District	1,627,234	0.460	1,527,234	0.436	100,000	6.55%	0.025	5.72%
ALS	526,301	0.148	761,079	0.220	(234,779)	-30.85%	(0.072)	-32.71%
Avg Ambulance/EMS	710,093	0.200	813,143	0.235	(103,050)	-12.67%	(0.035)	-15.02%
Change in Tax Levy	12,492,105		11,219,932		1,272,172	11.34%		
Change in Rate		3.681		3.413			0.269	7.87%

With growth in the tax base, the average increase will be **7.87%** or **\$67.18** on an average \$250K home.

Average municipal taxes 2009 – 2011 (\$250,000 Assessed Value)



<u>Municipality</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bethlehem	1,848	1,905	1,940
Guilderland	2,135	2,160	2,198
Colonie	2,730	2,740	2,873
Niskayuna	2,905	2,938	3,085
Rotterdam	3,293	3,075	3,120
Average Upstate	3,048	3,025	3,118

Source: State Comptroller's Office through See Through NY – Includes County, General & Highway Funds, and Special Districts