

2023 TENTATIVE BUDGET

Fiscal Responsibility amid Fiscal Uncertainty

David VanLuven, Town Supervisor

Michael Cohen, Comptroller

Theresa Ungerer, Chief Accountant

September 28, 2022

2022 BUDGET SCHEDULE (FOR 2023 BUDGET)

Town Board Meetings

Unless otherwise noted all meetings begin at 6:00 pm

Town Board Meetings will be Webcast & Archived

- **Capital Plan** ✓ September 14 - Town Board
- **Tentative Budget Presentation** September 28 - Town Board
- **Continuing Budget Discussion*** October 12 - Town Board
- **Public Hearing & Preliminary Budget** October 26 - Town Board
- **Final Budget Adoption** November 9 - Town Board

**“2023 Town Budget” link on the Town website
provides comprehensive information
and is regularly updated**

* If necessary

2023 BUDGET HEADLINES

\$48.3 MILLION +\$1.5 MILLION ↑3.1%



- Final budget year for the Albany Water Contract!
- Tax rate increase is projected to be 1.8%
- Projected increase for Town Funds on average homeowner (\$261,000 assessed value) is \$19.10
- Below property tax cap since its inception in 2012
- Less than 13% of your total property tax bill goes towards Town services
- Annual average budgeted spending growth since 2016 is 2.7% while CPI has increased an annual average of 3.3%
- Almost exactly 50% of the annual budget to budget change is a result of the increased costs to vehicle fuel and electricity
- This budget represents an increase in staffing from 219 to 224

FISCAL RESPONSIBILITY

- In the most recent review, April 2019, S&P (Standard & Poor's) stated that Bethlehem has: “Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology.” & “Strong budgetary performance”



- **BEST CREDIT RATING IN ALBANY COUNTY**

Our Budget Preparation Guidance:

- Adhere to provisions within Fund Balance policy
- Multiyear budget projections/planning
- Comprehensive multiyear capital plan
- Do not use one-time resources to support ongoing expenses

2023 Budget Spending

	Adopted Budget							Tentative Budget	2016 - 2023 Change	
	2016	2017	2018	2019	2020	2021	2022	2023	\$	%
General Fund	18,123	18,559	19,408	20,067	20,660	21,082	21,741	23,187	5,063	27.9%
Highway Fund	6,742	6,845	6,773	6,994	7,178	7,043	7,481	7,875	1,133	16.8%
Water Fund	9,608	9,947	9,935	10,191	11,404	11,539	11,774	11,148	1,540	16.0%
Sewer Fund	4,357	4,469	4,418	4,558	4,420	4,336	4,457	4,650	294	6.7%
Ambulance Fund	<u>1,175</u>	<u>1,184</u>	<u>1,211</u>	<u>1,248</u>	<u>1,364</u>	<u>1,379</u>	<u>1,417</u>	<u>1,483</u>	309	26.3%
Total	40,004	41,003	41,745	43,059	45,026	45,379	46,869	48,343	8,339	20.8%
Year over Year Change	0.9%	2.5%	1.8%	3.1%	4.6%	0.8%	3.3%	3.1%		
Annual Change in CPI	2.1%	2.1%	1.9%	2.3%	1.4%	7.0%	6.2%	*		

Overall Average Annual Budget change compared to CPI, from 2016 through 2023, is 2.7% (Jan 2016 to Dec 2023) vs. 3.3% (Jan 2016 to Aug 2022) per year.

2023 Budget Compared to 2022

	Budget 2022	Budget 2023	Change	% Change
Revenues				
Real Property Taxes & PILOTS	15,951,349	16,382,554	431,205	2.7%
Sales and Use Tax	13,234,503	14,520,107	1,285,604	9.7%
Mortgage Taxes	1,200,000	975,000	(225,000)	-18.8%
Interfund Transfers - Revenue	522,337	548,111	25,774	4.9%
Metered Water Charges	7,856,730	7,901,620	44,890	0.6%
Sewer Charges	2,958,000	2,902,000	(56,000)	-1.9%
Charges for Services	1,922,115	2,076,400	154,285	8.0%
Use of Fund Balance	774,417	0	(774,417)	-100.0%
Other Revenue	<u>2,449,902</u>	<u>3,037,563</u>	<u>587,661</u>	24.0%
Total Revenues and Other Sources	<u>46,869,353</u>	<u>48,343,355</u>	<u>1,474,002</u>	3.1%
Expenditures				
Wages & OT	18,185,412	19,081,544	896,132	4.9%
Fringe & Payroll Taxes	8,312,592	8,444,523	131,931	1.6%
Retiree Health Insurance	1,097,492	1,248,898	151,406	13.8%
Equipment & Other Capital	1,661,734	1,557,810	(103,924)	-6.3%
Paving	924,813	996,895	72,082	7.8%
Contractual Costs	3,729,926	4,073,403	343,477	9.2%
Debt Service (Principal and Interest)	3,291,058	2,386,549	(904,509)	-27.5%
Delmar Bethlehem EMS	170,517	188,509	17,992	10.6%
Albany County Paramedic	1,246,285	1,294,801	48,516	3.9%
Other Appropriations	<u>8,249,524</u>	<u>9,070,423</u>	<u>820,899</u>	10.0%
Total Expenditures and Other Uses	<u>46,869,353</u>	<u>48,343,355</u>	<u>1,474,002</u>	3.1%

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Revenue

1. Charges for Services:
Tax Collector, Inspections, Police Fees, Engineering, Senior Services, Parks Programs, TDE Fees, Water and Sewer Admin Processing Fees, Taps & Meter Charges and Interest & Penalties
2. Other Revenue:
State & Federal Aid, Fines & Forfeitures, Cable, Refuse, Interest Income, Rental Income, Insurance Recoveries and Other

How “The Fed” impacts the Town

(or why we should temper expectations for Sales and Mortgage Tax Revenues)

As a tool to fight inflation and slow down the economy, the Federal Reserve has raised, and will continue to raise, interest rates in order to make borrowing more expensive, curb spending and encourage savings.

- To this end, they’ve increased rates 5 times in 2022; the most recent on September 21.
- The benchmark rate is the highest it’s been in 14 years!
- It is expected to happen again at least 2 more times this year.

Sales Taxes:

- Directly based on purchases made within the county. As spending slows, so too will sales taxes.
- Albany County, whose collection we share in, saw its first true year over year reduction in sales tax revenues in August 2022 (of approximately \$1M), since the start of COVID.

Mortgage Taxes:

- The average mortgage rate in 2021 (30 year fixed) was 2.65%; today the average rate is 6.86%.
- The last time mortgage rates average greater than 6.86% was 2001, meaning that we can no longer count on refinancing.
- Changing residences will be more considered, as people will be able to afford less of a house than they could have purchased as recently as earlier this year.

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Expenditures

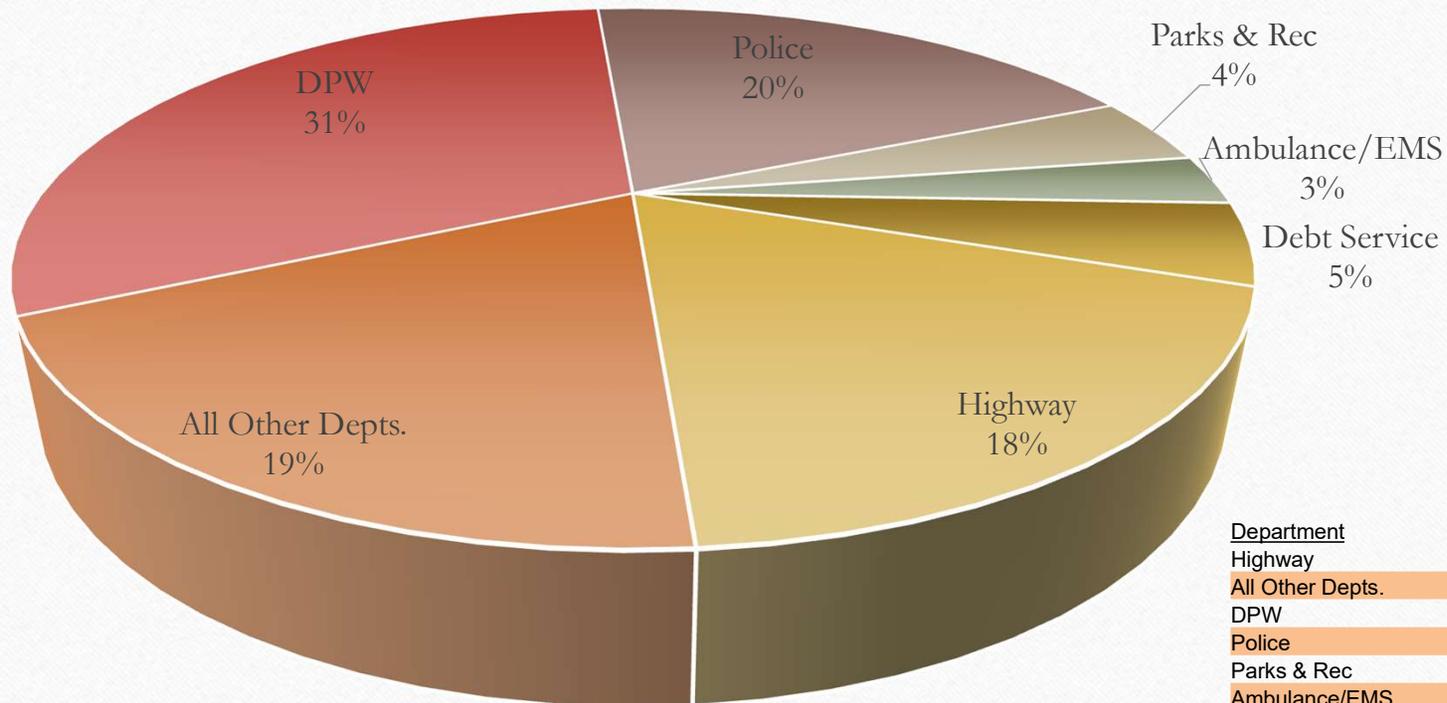
1. **Contractual Costs:**
Albany Water Contract, Maintenance Contracts and Other Contract Services
2. **Other Appropriations:**
All Other Supplies, Chemicals, Electricity, Engineers, Equipment Repair, Vehicle Maintenance, Fuel, Property Repairs, Road Materials, Salt and External Tax Payments

COMPENSATION

- We are recommending, and have built into the budget a 3% COLA, on top of the typical merit based steps.
 - The total cost of the COLA is \$522K*.
 - The total cost of the steps are \$285K*.
- When COVID was hampering revenues in 2020, and we didn't know where the economy was heading, the Town budgeted a 0% COLA in 2021 for non-union employees.
 - Despite the lack of any year over year increases for a large percentage of our Town staff, there was little grumbling.
 - In June 2021, we rewarded all non-union full-time staff with a 3%, non-retroactive COLA, which translated to just over 1.5% compensation increase for the year.
- While we don't know where the economy is headed, we believe that we can afford to provide a larger than "normal" COLA of 3.0% based on an increases to the sales tax revenue baseline over the past few years relating to collections on internet sales.

* Excluding Benefits

2023 BUDGET BY DEPARTMENT



Department	2023 Budgeted Expenditures*	\$ Change from 2022*	% Change
Highway	\$8,834	\$822	10.3%
All Other Depts.	\$9,178	\$606	7.1%
DPW	\$14,963	\$426	2.9%
Police	\$9,463	\$326	3.6%
Parks & Rec	\$2,036	\$133	7.0%
Ambulance/EMS	\$1,483	\$67	4.7%
Debt Service	\$2,387	-\$905	-27.5%
Total	\$48,343	\$1,474	3.1%

* Numbers shown in thousands

Staffing

		Full Time Personnel Counts								
		Final Check Run of the Year				Budget 2020	Budget 2021	Budget 2022	Budget 2023	Change in 2022 to 2023 Budget
Fund	Department Name	Actual 2019	Actual 2020	Actual 2021	Actual 2022 Thru 9/16					
GF	Justice	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	-
GF	Supervisor	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	-
GF	Comptroller	4.0	4.0	5.0	4.0	4.0	4.0	4.0	4.0	-
GF	Assessment	3.0	3.0	2.0	3.0	3.0	3.0	3.0	3.0	-
GF	Town Clerk	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	1.0
GF	Human Resources	3.0	3.0	2.0	3.0	3.0	3.0	3.0	3.0	-
GF	Shared Services	4.8	4.4	4.7	3.7	5.0	4.8	4.8	4.8	-
GF	MIS	2.0	2.0	2.0	2.0	3.0	2.0	2.0	3.0	1.0
GF	Police - Dispatch	10.0	11.0	10.0	10.0	11.0	11.0	11.0	11.0	-
GF	Police - Sworn	40.0	37.0	38.0	39.0	40.0	40.0	40.0	39.0	(1.0)
GF	Police - Civilian	3.0	2.0	3.0	4.0	3.0	3.0	3.0	4.0	1.0
GF	Police - Animal Control	1.0	1.0	-	1.0	1.0	1.0	1.0	1.0	-
GF	Building	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	-
GF	Seniors	7.0	5.0	6.0	7.0	7.0	7.0	7.0	7.0	-
GF	Parks	4.0	4.0	4.0	5.0	4.0	4.0	4.0	4.0	-
GF	Parks & Rec/Highway Maint	4.3	3.7	5.1	5.0	5.0	5.0	5.0	6.0	1.0
GF	Planning	5.5	4.5	4.5	6.5	5.5	5.5	5.5	5.5	-
GF	Recycling	-	-	-	4.6	-	-	-	5.0	5.0
GF	General Fend - Highway	9.4	9.5	10.9	5.9	9.5	8.5	8.5	4.5	(4.0)
HF	Highway Fund	44.6	41.6	40.3	42.2	46.30	46.7	46.7	47.70	1.0
GF	DPW - GIS	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-
GF	DPW - Admin	5.7	5.7	5.7	4.5	5.7	5.7	5.7	5.3	(0.4)
WF	DPW - Water Fund	29.8	29.3	27.8	28.5	30.0	30.8	30.8	31.0	0.2
SF	DPW - Sewer Fund	17.4	15.8	17.5	15.6	17.5	17.5	17.5	17.7	0.2
		215.0	203.0	205.0	211.0	220.0	219.0	219.0	224.0	5.0

The 2023 Budget increases full-time staffing by 5 positions:

- **Paid with Increased revenues**
 - Town Clerk
 - Parks Maintenance
 - Recycling
 - Highway
- **Paid with reduced insurance costs**
 - MIS

Staffing

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		215.0	203.0	205.0	211.0	220.0	219.0	219.0	224.0	5.0

Shifts from 2022 to 2023 include:

- 1 Officer position whose focus had been on MIS was hired under a civilian status when the officer retired
- 4 positions moved from sanitation (under “General Fund – Highway”) to recycling

INVESTING IN BETHLEHEM

2023-2027 Capital Plan currently totals \$54.6M over 5 year

- Additional \$34.5M of possible future spending identified as TBD (To Be Determined)
- \$2.6M included in 2023 Operating Budget with \$700K directly offset by grant revenues
- Identified \$22.7M in the top 5 largest projects including:
 - Delaware Avenue Complete Streets (including grant funding)
 - Large Fleet Purchases
 - Annual Paving Program (including grant funding)
 - Sewer Pump Station Replacement/Rehabilitation
 - Water Clarifier Rehabilitation



LONG TERM FINANCIAL VIEW

MULTIYEAR PLANNING



Benefits

- Assists in balancing the budget responsibly in future years
- Prepares for, and helps to prevent, revenue or service shocks
 - Avoid pushing problems into future years
 - Selkirk Cogen PILOT
- Important tool for maintaining a healthy NYS Fiscal Stress score
- S&P Global Ratings has identified this as one reason for the Town's AA+ bond rating, resulting in lower borrowing rates

Only community in the Capital Region that prepares a multiyear plan

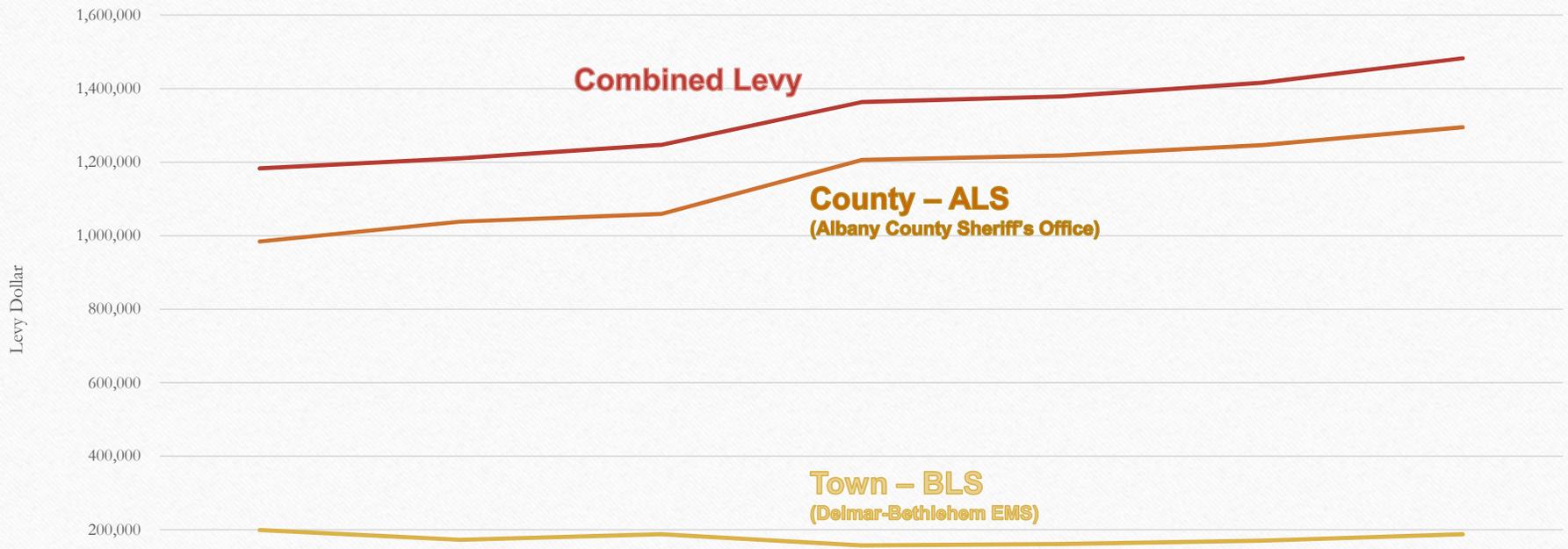
LONG TERM FINANCIAL VIEW

MULTIYEAR PLANNING

- Projection shows deficits of (\$1.3M) and (\$1.4M) in 2024 & 2025, respectively
- 2024 fund balance percentage is still 0.4% above 15%, the level that the Town designated in its fund balance policy as appropriate, but 2025 drops to 12.7%.
 - Majority of increases are in debt service costs, which are projected based on the capital plan, to rise \$939K in 2024 and another \$316K in 2025.
 - Savings from Albany Water Contract is currently projected to be spent through the equipment lines on infrastructure and other delayed projects.

	<u>Unassigned/Contingency Fund Balance</u>	
	<u>2024 Projection</u>	<u>2025 Projection</u>
General Fund	(\$180,335)	(\$164,149)
Highway Fund	(\$111,961)	(\$254,507)
Water Fund	(\$360,785)	(\$458,860)
Sewer Fund	(\$599,874)	(\$535,764)
Ambulance Fund - DBEMS	\$0	\$0
Ambulance Fund - County	<u>\$0</u>	<u>\$0</u>
Surplus/(Deficit)	(\$1,252,955)	(\$1,413,280)
Fund Balance Percentage	15.4%	12.7%

EMERGENCY MEDICAL SERVICE PROPERTY TAX LEVY 2017 THROUGH 2023



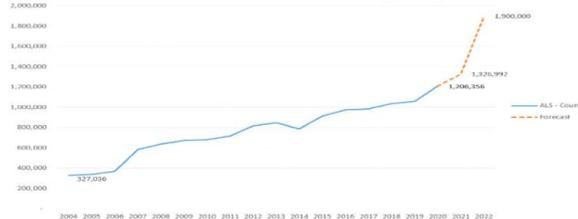
	2017	2018	2019	2020	2021	2022	2023
— BLS - Town	199,000	172,422	187,991	157,297	161,000	170,000	187,991
— ALS - County	984,339	1,038,478	1,059,248	1,206,356	1,217,885	1,246,285	1,294,801
— Combined	1,183,339	1,210,900	1,247,239	1,363,653	1,378,885	1,416,285	1,482,792

ALS EXPECTATION

2022 Slide

WAITING FOR THE OTHER SHOE TO DROP

County Paramedic Service Property Tax Levy
2004 to 2022 actual & projected



2020 Slide

- In 2004, the Town paid \$327K for County paramedics. Since that time, the increase annually has averaged 9.0%; with forecasted levels, the increase jumps to 11.8%.
- Since the tax cap was implemented by NYS in 2012, the County has averaged increases of 5.3% annually; with forecasted levels, the increase jumps to 10.9%

- In 2019, the County set the expectation that they would be changing their workforce model from hiring part-time EMTs to full-time. The resulting change would be a direct increase to the Town of up to ~\$700K annually and would effect an indirect charge to the town's tax cap of another ~\$250K through DB-EMS.
 - The 2021 tax levy increase was 0.96% and 2022 is 2.33%.
- This change has not yet occurred, and we are unaware of when or if it may materialize.

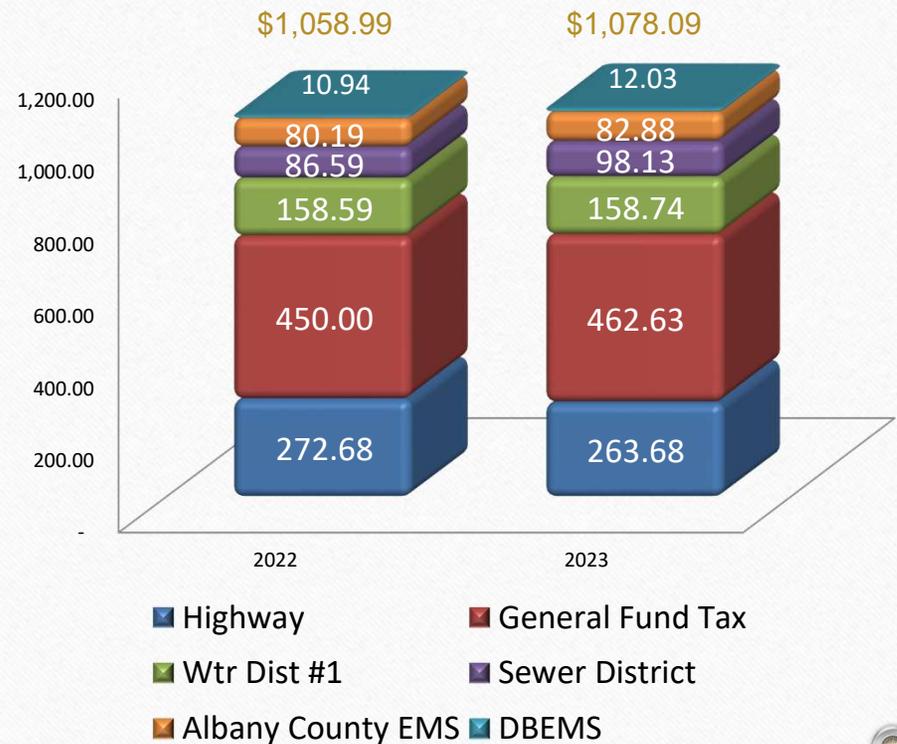
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 - The 2022 tax levy increase was 2.3% and 2023 is 3.90%.
- David is working with Sheriff Apple, other participating Town Supervisors, and legislators to try to move the ambulance levy to the County, where it belongs.

TAXPAYER IMPACT

Cost per dollar of assessment

- State Levy Growth Factor is at 2.0% for only 4th time since 2013 (CPI=6.2%)
 - Cap also allows for an additional 0.79% for town growth
 - Under tax cap since inception
- Tax Rate: + 1.80%
- **About \$19.10 increase on average home (\$261K assessed value)**
 - For a home located in all taxing districts

Distribution of Property Tax Dollars for Average Homeowner (\$261,000 Assessed Value)



Property Tax Levies and Rates

HOW DOES 2.0% + 0.79% = 1.8%?

District	2022			2023			Change in Levy		Change in Rate	
	Property Tax Levy	Current Assessment Roll	Tax Rate	Property Tax Levy	Current Assessment Roll	Tax Rate				
General Fund	\$ 4,008,391	3,836,627,024	1.04477	\$ 3,918,696	3,878,820,349	1.01028	\$ (89,695)	-2.24%	(0.034)	-3.30%
Highway	6,614,929	3,836,627,024	1.72415	6,875,259	3,878,820,349	1.77251	260,330	3.94%	0.048	2.80%
Water District	2,394,263	3,940,248,685	0.60764	2,412,550	3,966,717,045	0.60820	18,287	0.76%	0.001	0.09%
Sewer District	1,130,969	3,409,141,509	0.33175	1,296,793	3,449,014,871	0.37599	165,824	14.66%	0.044	13.34%
Albany County EMS	1,246,285	4,056,413,547	0.30724	1,294,801	4,077,309,760	0.31756	48,516	3.89%	0.010	3.36%
DBEMS	170,000	4,056,413,547	0.04191	187,991	4,077,309,760	0.04611	17,991	10.58%	0.004	10.02%
PILOTs	370,042			383,165			13,123	3.55%	N/A	N/A
Vista Lighting District	12,500			13,300			800	6.40%	N/A	N/A
Tax Levy	15,947,379			16,382,555			435,176	2.7%		
Tax Rate			4.0575			4.1307			0.073	1.80%

Tax Levy – Total amount received by the Town

Tax Rate – Percentage of property value paid by taxpayers

Below Tax Cap, Again



Saved the taxpayers an estimated **\$14.3M** in property taxes since inception of the tax cap by not having taxed the maximum allowable levy

Year	Tax Cap %	Growth Factor	Max. Tax Levy Increase	Max Levy Increase Incl PILOT	Tax Levy Change	Tax Rate Change (Average)
2013	2.00%	0.57%	19.09%	3.10%	-3.38%	7.45%
2014	1.66%	0.47%	3.74%	3.77%	1.13%	2.98%
2015	1.56%	0.75%	4.33%	3.94%	1.79%	-4.73%
2016	0.73%	0.20%	2.41%	2.53%	0.52%	-0.29%
2017	0.68%	0.85%	2.93%	3.03%	2.84%	1.74%
2018	1.84%	1.01%	3.18%	3.05%	2.88%	3.11%
2019	2.00%	1.03%	3.24%	3.18%	2.92%	1.62%
2020	2.00%	1.57%	4.02%	3.82%	3.68%	2.50%
2021	1.56%	0.85%	3.05%	3.14%	3.01%	1.45%
2022	2.00%	1.23%	3.17%	3.23%	3.20%	2.00%
2023	2.00%	0.79%	2.85%	2.84%	2.70%	1.80%

TAXPAYER IMPACT

Where your tax dollar goes



School
\$0.67

County*
\$0.12

Library
\$0.04

Fire Districts
\$0.04

Town
\$0.13



* Due to timing, the County tax rates for 2023 were projected based on historical data.

Recap

- Under tax cap AGAIN
- 2022 tax rate change = 1.80%
Avg. homeowner up just \$19.10
- Majority of growth in 2023 comes from wages and benefits, electricity and vehicle fuel
- Increasing operational staff by 5
- Only 13% of your property tax dollars go to the Town



Together we are one Bethlehem ♥