

# 2013 Financial Projection

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Budget Advisory Group**

# Big Picture

- Facing \$3.5 million budget gap in 2013
- Assumes 0% tax levy increase & \$1.7 million loss from Selkirk Cogen – a 4% revenue decline overall
- 3.1% expenditure increase forecast
- This is a projection, not a budget proposal
- Gap will be addressed in the fall budget
- Avoiding filling vacancies is a major tool
- Budget Advisory Group will identify options
- Gap of this size requires major changes and hard choices for the community

# Community Choices we are facing:

- Need to hold the line on expenditures
- Explore every possibility for restructuring, e.g., lockbox, dispatch consolidation, more
- Reasonable, sustainable revenue choices
  - Projection shows range of property tax choices available under the cap (0% to 22.8%)
  - Water and sewer fees also an option
- We'll need to look at cuts
- Tradeoff will be between services and costs, residents like quality Town services



# Key Assumptions for Projection

- Loss from Selkirk Cogen PILOT is \$1.7M
- Town will be under the state tax cap: two property tax scenarios illustrate range of possibilities
- County projected growth in Sales Tax (1.5%), no change in water or sewer fees & conservative projections for other revenue sources
- No general salary increase (COLA) in 2013, but merit-based performance steps included
- 2012 budget is used as base – actual results will differ, but we have considered major changes where known
- Projections exclude ambulance districts
- Gaps could be addressed at least in part by using fund balance, but we need to maintain responsible levels

# Projection Scenario I – 14.7% Decrease in Property Tax Revenues/ No Tax Levy Increase

	2012 Budget	2013 Projection	Change %
Total Revenues	37,618,930	36,100,402	-4.0%
Total Expenditures	<u>38,387,715</u>	<u>39,593,476</u>	3.1%
Budget Gap (use of reserves)	<u><u>(768,785)</u></u>	<u><u>(3,493,074)</u></u>	
Projected Fund Balance % of Appropriations		3.9%	

## Changes relating to Pilots & Property Tax

Real Property Levy	9,645,710	9,645,710	0.0%
PILOTs	303,346	297,058	-2.1%
Selkirk Cogen	<u>1,760,000</u>	<u>50,536</u>	-97.1%
	<u><u>11,709,056</u></u>	<u><u>9,993,304</u></u>	<b>-14.7%</b>

# Projection Scenario II – 4.2% Increase in Property Tax Revenues/ 22.8% Tax Levy Increase

	2012 Budget	2013 Projection	Change %
Total Revenues	37,618,930	38,311,146	1.8%
Total Expenditures	<u>38,387,715</u>	<u>39,593,476</u>	3.1%
Budget Gap (use of reserves)	<u><u>(768,785)</u></u>	<u><u>(1,282,330)</u></u>	
Projected Fund Balance % of Appropriations		13.4%	

Changes relating to Pilots & Property Tax			
Real Property Levy	9,645,710	11,840,421	22.8%
PILOTS	303,346	297,058	-2.1%
Selkirk Cogen	<u>1,760,000</u>	<u>66,569</u>	-96.2%
	<u><u>11,709,056</u></u>	<u><u>12,204,048</u></u>	4.2%

# Expenditure Drivers:

	2012 Budgeted Expenditure	2013 Projected Expenditure	Change	%
<b>Major Costs:</b>				
Health Insurance	2,063,041	2,228,084	165,043	8.0%
Retirement System Costs	3,011,186	3,445,425	434,239	14.4%
Albany Water Contract	1,400,000	1,495,900	95,900	6.9%
Salt & Sand	204,000	153,000	(51,000)	-25.0%
Post Retirement Health	566,000	631,780	65,780	11.6%
Paving (reducing annual borrowing)	103,073	200,992	97,919	95.0%
Debt Service	2,087,533	2,214,251	126,718	6.1%
<b>Significant Expenditure Changes</b>			<u>934,599</u>	

Significant changes are defined as year over year projected variances greater than \$50,000 & +/- 5%

# What are we doing NOW to address the Budget GAP?

Town currently has 12 unfilled positions (5%)

- 5 FTEs (full time equivalent positions) in General Fund; 3 FTE in Highway, 2.5 Water, 1.5 Sewer

As vacancies occur, we evaluate each to see if there is a way to maintain current service levels without replacement.

Total savings to the Town for 2013 if these positions are not refilled approx \$930,000  
(includes savings on salaries, retirement costs, health insurance, and other fringes)

# Employee Compensation & Benefits

- Projection assumes no general salary increase (COLA), but merit-based performance steps included.
- Health Insurance costs projected to grow by 8%; efforts will be made to contain costs
- Retirement system contributions in 2013 will increase by approximately 18% or \$434K – this is uncontrollable
- Three Public Safety Unions: Police Officers, Supervisors and TC's (Dispatch); currently in negotiations with two unions, one yet to come to the table
- Due to the fiscal realities, Town will work aggressively to minimize all negotiated costs
- We anticipate having a better picture of negotiations by the fall budget presentation

# New County Sales Tax Cap?

## A Major Concern for Bethlehem taxpayers

Town depends heavily on its share of Sales Tax

- Albany County Executive discussing potential Sales Tax “cap” for municipalities at 2010 levels. Bethlehem could lose increased share gained in 2011 due to population growth, and overall annual revenue loss could approach \$1 million.
- Town currently receives approximately \$10 million annually (27% of annual revenues, more than property tax)

# Options to explore

- Projection's baseline expense increase is +3.1%
- Not filling vacancies will reduce this growth
- Budget advisory team composed of Town residents with related skills & outside experiences
- Core services being examined include Police, Parks & Rec, DPW, and Highway
- Also looking at ambulance/EMS issues, insurance, vehicles policy
- Restructuring ideas include lockbox & dispatch consolidation
- Other choices may be even harder

## Looking ahead – Challenges will persist

- Town's water contract with City of Albany will increase by at least \$450 thousand in 2014
  - Long-term agreement signed in 2004 includes minimum “take or pay” provision;
  - we pay for a minimum amount of water whether it is used or not;
  - this minimum step up occurs every 5 years;
  - Costs also go up with the City's charges to its own residents.
- Pension costs are expected to increase another 10% in 2014 and 7% in 2015

# Multiyear Projection/Planning

- Estimate for 2013 used enhanced version of the State Comptroller's methodology
- Multiyear projection will be presented with fall budget
- Long view will improve budget decisions:
  - Reasonable planning for known coming events (e.g. Selkirk Cogen)
  - Acknowledgement of future year impacts (e.g., Highway borrowing)
  - Residents value services, don't want tax shocks

# QUESTIONS?

