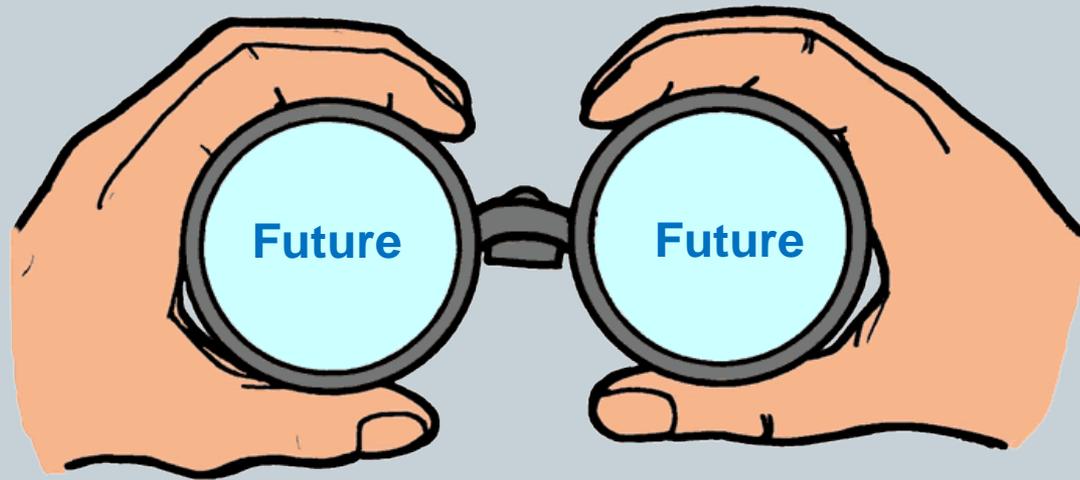


# 2017 Budget Outlook

## An Early Review



MICHAEL COHEN, COMPTROLLER

# Budget Outlook – An Early Review

Why do we do this?



- In 2013, the town faced a \$3.5M gap that should have been anticipated, publicly disclosed and prepared for earlier
- In response, Bethlehem implemented several major financial reforms, including:
  - **Multiyear financial projections**
  - **Improved capital planning**
  - **Fund balance policy**
- As part of these reforms, each spring the Comptroller reports on the budget outlook for the coming year, providing an early overview of the conditions, challenges and opportunities likely to be faced in the fall budget adoption process

# Current Budget (2016)

## Appears to be on Target ... so far



- It's early, but so far this year's budget is roughly on target, with some variances expected:
  - Sales Tax – May be below budget by ~\$220K
  - Mortgage Tax – May exceed budget by ~\$200K
  - Police staffing – We have hired ahead, currently 1 FTE above budgeted staffing (38 sworn officers); current long-term absences are putting pressure on resources, driving overtime, and we may consider additional new hires, requiring transitional funding
  - Unplanned Current Year Capital Expenditures (\$490K) to come from fund balance
    - ✦ Opportunity for New Computer Aided Dispatch (CAD) system (\$268K) purchased using fund balance and LGPEP funds (projected negative variance of \$240K)
    - ✦ Krumkill Road culvert/slope failure to come from Highway fund balance (projected negative variance of \$250K)

# Updated Budget Projections



		<b>2015</b>	<b>2016</b>	<b>2017</b>
		<b>Actual</b>	<b>Estimate</b>	<b>Projection</b>
Revenues	Real Property Taxes & PILOTs	\$13,223,242	\$13,281,190	\$13,347,603
	Sales and Use Tax	\$11,303,130	\$11,471,997	\$11,633,537
	Mortgage Recording Taxes	\$1,446,951	\$1,150,000	\$1,211,250
	Cable Franchise Fees	\$658,621	\$652,000	\$658,520
	Metered Water Charges	\$7,051,307	\$7,116,229	\$7,262,040
	Sewer Charges	\$2,642,021	\$2,639,250	\$2,731,624
	Charges for Services	\$2,031,683	\$1,757,485	\$1,781,281
	Other Revenue	\$2,924,618	\$2,116,478	\$2,208,768
	<b>Total Revenues and Other Sources</b>	<b>\$41,281,573</b>	<b>\$40,184,629</b>	<b>\$40,834,622</b>
	Expenditures	Personal Services	\$15,220,305	\$15,934,039
Fringe Benefits (incl. payroll taxes)		\$7,925,223	\$8,175,497	\$8,451,488
Equipment and Capital Outlay		\$2,136,766	\$2,182,100	\$1,336,862
Contractual		\$11,545,293	\$11,165,225	\$11,304,788
Ambulance/Emergency Medical Services (EMS)		\$1,110,102	\$1,174,616	\$1,180,496
Debt Service		\$2,146,300	\$2,043,152	\$2,306,612
<b>Total Expenditures and Other Uses</b>		<b>\$40,083,989</b>	<b>\$40,674,629</b>	<b>\$40,834,622</b>
<b>Surplus (Deficit)</b>		<b>\$1,197,584</b>	<b>(\$490,000)</b>	<b>\$0</b>
Budgetary Reserves	Fund Equity, Beg. of Year	\$15,669,026	\$16,866,610	\$16,376,610
	Fund Equity, End of Year	\$16,866,610	\$16,376,610	\$16,376,610
	Restricted and Nonspendable Fund Balance	\$5,974,844	\$8,489,844	\$8,489,844
	Unrestricted Fund Balance	\$10,891,766	\$7,886,766	\$7,886,766
	Unrestricted Fund Balance % of Expenditures	27.2%	19.5%	19.3%

2015 fund balance percentage includes balances transferred out to capital reserves or are awaiting utilization on Krumkill Road repair. The capital expenditures/commitments reduction brings the % to 20%, consistent with the Town's fund balance policy.

# Assumptions for 2017 Early Projection



- 2017 property taxes in accord with cap (est. 0.5%)
  - “2%” property tax cap for 2017 is roughly 1/2 of one percent
- Trends as projected last year, but with updates for any new information (e.g. sales & mortgage taxes, water charges)
- 2% COLA for employees
- Staffing constant (no increases or decreases)
- Unexpected Capital Expenditures Accounted for
- Water/Sewer payments are projected to increase 3% to 3.5% percent consistent with prior multi-year plan

# 2017 Early Projection



		Assumptions	
Revenues	Real Property Taxes & PILOTs	\$13,347,603	0.5% tax levy increase consistent with property tax cap
	Sales and Use Tax	\$11,633,537	Historical Trending (1.5% increase for 2017)
	Mortgage Recording Taxes	\$1,211,250	
	Cable Franchise Fees	\$658,520	Seeing slight increases despite reports of mass defections from cable
	Metered Water Charges	\$7,262,040	3% rate incr. for infrastructure repair and replacement
	Sewer Charges	\$2,731,624	3.5% rate incr. for infrastructure repair and replacement
	Charges for Services	\$1,781,281	Permit fees, seniors and pool programs, TDE fees & compost fees, etc...
	Other Revenue	\$2,208,768	Interfund trfs, rent, court fines, insurance recoveries, aid, etc...
	Total Revenues and Other Sources		\$40,834,622
Expenditures	Personal Services	\$16,254,376	2% COLA and STEPs; No Change in budgeted FTEs
	Fringe Benefits (incl. payroll taxes)	\$8,451,488	Health ins. up 8% and increase in pension based on DOB (0.5% ERS/0.8% PFRS)
	Equipment and Capital Outlay	\$1,336,862	Based on capital plan
	Contractual	\$11,304,788	Engineers, Albany water contract, Electricity, Fuel, property taxes, etc...
	Ambulance/EMS	\$1,180,496	
	Debt Service	\$2,306,612	Based on capital plan
	Total Expenditures and Other Uses		\$40,834,622
Surplus (Deficit)		\$0	Net across all 4 funds
Reserves	Fund Equity, Beg. of Year	\$16,376,610	Expected end of year fund balance
	Fund Equity, End of Year	\$16,376,610	2016 end of year fund balance plus 2017 surplus
	Restricted and Nonspendable Fund Balance	\$8,489,844	Committed Fund Balance
	Unrestricted Fund Balance	\$7,886,766	Contingency Reserves
	Unrestricted Fund Balance % of Expenditures	19.3%	

2017

# Cautions and Challenges



- **Sales Taxes**
  - 28% (\$11.6M) of the total budget supported by sales tax; projection assumes continued growth
- **Mortgage Taxes**
  - Extremely difficult to predict, as trends are not consistent
- **Water Sales**
  - Variable, large users and weather sway results
- **Staffing**
  - Maintaining staffing with 2% COLA and related benefit cost increases will likely absorb tax cap and other available resources
- **Capital Needs**

# Major Emerging New Capital Needs

(Costs Will Extend Beyond 2017)



## Permanent facility for Town Ambulance/EMS Needed

- Rough estimate - \$3,000,000
  - Debt service cost of \$200,000 annually\*
  - DBEMS currently pays \$60,000/year for facilities rentals

## Considering Upgrade Town Court/Police Station facilities to improve safety and handling of prisoners

- Rough estimate - \$2,000,000 to \$2,500,000
  - Debt service cost of \$170K annually\*
- Other new items may be added
  - Full capital plan to be assembled by September

Debt Service Costs are increasing, this year's capital plan will include new items and re-estimates, and we are likely to see debt service increases in the \$200K to \$500K range in 2017 and 2018