

2016 Supervisor Budget Presentation

Andy Stewart, Orangetown Supervisor

September 29, 2015

Introduction

Greetings, and thank you for attending today's very important meeting of the Town Board.

One of the most important duties of the Town Supervisor is to initiate and coordinate the budget process and make sure that the residents of Orangetown are getting the services they need even though, to quote the amazing Yogi Berra—may he rest in peace — “A nickel ain't worth a dime anymore,” whether it is in your pocket or the town's coffers. So tonight I am presenting the Tentative Budget to the Town Clerk, Town Board and the Public, with a final budget adoption to take place in mid-November.

This Tentative Budget is based on months of work with finance team and the heads of the various town departments. We are lucky to have some outstanding men and women heading Town Departments and I thank all of you for your dedication to your providing great services to residents while helping to control the growth in taxes.

The Supervisor's budget is the first of three drafts of the Town Budget. The second draft of the town budget is called the Preliminary Budget, to be voted on by the Town Board in late October. Then there will be a public hearing on November 4, before the Town Board must approve a Final Budget no later than November 17.

Before getting to the substance of the budget I want to thank Finance Director Jeff Bencik, Supervisor of Fiscal Services Janice Ganley, Deputy Supervisor Allan Ryff, and my executive assistant Elijah Reichlin-Melnick – they were a huge help, looking carefully at every expense and revenue line going back 5 years or more, and researching factors affecting these items with the help of other town staff.

In Rockland County we pay among the highest taxes in the country. As Supervisor, my job is to keep government as affordable as possible while continuing to provide the essential services that preserve our safety and quality of life. I believe this proposed budget correctly balances the challenge of providing essential services and controlling costs. I look forward to working with the rest of the town board to make any improvements necessary before adopting a final budget in mid-November, as long as the net impact of any changes does not increase taxes.

Budget Basics

Now to the bottom line. Even though most of our property taxes go to our schools, we in Town Government must hold the line on spending and taxes for the budget we control.

- My 2016 budget proposal includes total expenditures of just under \$68.1 million. This is actually a slight **decrease** in absolute dollar terms of about \$100,000 relative to the 2015 budget, making this the second year in a row that my proposed budget has included less spending than the year before.
- This proposed budget for 2016 is not only under the New York State Tax Cap, but it actually includes a 2.2% **decrease** in taxes, about a \$54 reduction for the typical owner of a home with an assessed value of \$200,000, although the exact percentage will depend on which library, fire, or water district you live in. To repeat, this budget reduces your total taxes compared to last year.
- This is the third year in a row that my proposed budget has been under the Tax Cap and, assuming no major changes by the Town Council, will be the fourth year in a row that Orangetown will continue its tradition of beating “The Cap.”

In short this is a lean, efficient and fiscally conservative budget that cuts back on town spending and minimizes the burden on residents.

And this year’s budget is not a fluke: while the federal, state, and county governments continue to struggle with severe fiscal issues, Orangetown is basically in good financial shape. From January 2012 to January 2015 our overall reserves increased by around 60% and our unencumbered (assigned and unassigned) reserves increased by 18% . Likewise, since 2012, our overall town debt has decreased, and we have retained our excellent Aa2 bond rating from Moody’s.

Cost Drivers

Like most municipalities, Orangetown’s budget is heavy on mandated costs--our budget is about 80% mandated costs and 20% discretionary costs. Even these discretionary costs are in many cases not really discretionary. Road salt for snow plows or fuel for police cars are an example of “discretionary” costs that are really anything but.

On the mandatory side, a huge and growing share of the town’s budget goes to personnel expenses for the town’s employees and seasonal and part time workers. In 2015, 39% of the town’s budget is going to salaries for full time employees and hourly wages for seasonal or part time workers, an additional 26% of the budget is going to pension and benefit costs for these employees, and a further 6% of the budget is going to other personnel-related expenses such as overtime, workers’ comp insurance, and unemployment payments for seasonal workers. Taken together, personnel-related expenses accounted for 71.2% of the 2015 budget.

Let me add that the trend on personnel costs over the last few years is both concerning and unsustainable. While the town’s budget has increased by \$2.1 million since 2011, personnel costs have gone up by \$4.3 million over the same time frame. As a result, personnel costs as a portion

of total budget have risen every year in recent memory, going from 66.8% to 71.2% of the total budget over just the last few years. In my view, with a few exceptions, the town is currently staffed at absolute minimum levels in most departments, and our residents are taxed to their maximum tolerance, so the only solution is meaningful reform in mandated costs at the state level—something that I will continue to pursue in the coming year.

Let's take a quick look at our tax base and state the obvious. Pfizer's drastic downsizing has obligated the town to refund over \$7,000,000 in the last four years, and we are obligated to pay an additional \$1.8 million this year. The large tax certiorari at Blue Hill adds to the pain. It is unfortunate that so much of our work to cut costs, get grants and find new revenues seems to get gobbled up by mandated tax givebacks to big corporations, and mandatory cost increases. Were it not for these tax certiorari payments—almost \$9 million since 2012—we could probably have achieved a reduction in taxes in many of those years. Instead, we have been hard pressed just to keep the budget flat.

There is good news too, of course. We have seen some excellent new business growth in Orangetown - projects we should be proud of: our cluster of datacenters, new hotels in Orangeburg and Nyack, and Celtic Sheet Metal, a wonderful company, has even bought the famous and long-vacant Olympus building after we refused to rezone a residential area in Blauvelt to suit their commercial needs. This business growth helps take the burden off residents for vital services off of residents.

Also, after the 2016 budget, the town has only one more year of payments to Pfizer. Moreover, the Nanuet School District is poised to make a tax plan with the prospective buyer of the Pfizer site that we hope will stop Pfizer from knocking more buildings down, and begin to turn this site around and to boost our tax base. Protein Sciences, maker of a flu vaccine, is doing well there, and I'd like to see more clean businesses there, while obviously opposing chemical manufacturing, waste gasification, or any other uses that could pose a risk to public health.

Cost Savings & New Revenues

Having covered some of the cost pressures the town budget faces, let me share a few examples of the many ways we are finding cost savings and bringing in additional revenues to help offset many of the required expenses in other areas.

Earlier this year, the Town Board agreed with my request to commission specialized auditors to review the town's franchise agreements with Cablevision and Verizon Fios. This audit shows Cablevision owes us about \$150,000 which we plan to recoup, and this correction to the franchise fee will net the town an extra \$25,000 a year going forward.

The town board also supported my request to pursue a load-shedding agreement that nets the town about \$100,000 annually just for agreeing to run our backup generators and take our sewer department off the grid when electrical demands peak during heat waves.

In just the last two years our aggressive grantwriting program has yielded around almost \$5 million in grants and funding from New York State. This money has been or will be spent on a wide range of important projects throughout town: new sidewalks in Pearl River and Palisades, sewer upgrades in Nyack and at our treatment plant, a new bridge in Tappan, a bike safety improvement in Blauvelt, and water quality and flood control improvements on the Sparkill Creek, among others.

Grantwriting, and the administration of grants, especially from the New York State Department of Transportation, is a real challenge, so I want to thank Senator Carlucci and Assemblywoman Jaffee for their support, as well our grantwriter Sylvia Welch, and our town engineers, finance department, and other staff for helping apply for these funds.

Capital Planning and Bonding

Orangetown, like state and local governments throughout the country, uses bonds to purchase long lasting capital equipment and upgrade facilities. In recent years, the Town has issued bonds on a regular basis and our current bond plan includes about \$3.1 million for pressing capital needs in the police, highway, parks and IT departments. Among the items in the bond are \$330,000 to replace police cars and weapons that are beyond their safe and effective life, \$293,000 for badly needed fixes to parking lots, tennis courts, and irrigation systems at Veterans Park, \$52,000 to replace the phones in the police departments with a new system that will save us a lot of money on future phone bills, and around \$1.9 million to replace worn out vehicles and equipment in the highway department.

These are just some items proposed—the Town Board will have to review the bond plans and authorize the items one by one as they are purchased. Our present budget simply reflects the fact that even with this investment, our overall indebtedness will decline and so will our carrying costs in terms of payments of principal in and interest on debt.

It is worth emphasizing three things about this bond. First, the items in this bond plan are only those which are urgently needed by the departments that requested them. Second, none of the departments were given a blank check. We carefully scrutinized the capital requests from every department and said no to any request that could not be justified as necessary this year. Third, and most importantly, the Town's overall bonded indebtedness is **decreasing** as we pay off more old debt than we take on new debt each year.

Blue Hill Golf Course

We have seen that over the long term, and in general, costs are outpacing revenues, and we must leave no stone unturned. Blue Hill Golf Course is one town program where the status quo is simply not working financially.

Blue Hill is the best public golf course in Rockland County and a beautiful town asset that we will always own and cherish, but its average annual losses of \$600,000 a year, for a total debt to

the general fund of \$3.5 million are a dark cloud in the town's otherwise sunny financial picture. Our independent auditors remind us of this problem every year. It is time to act.

We solved a very similar situation at Broadacres by hiring Applied Golf to run the course. Councilmen Valentine and Morr joined me in authorizing this contract, and over the last two golf seasons, revenues at Broadacres are up by 5% a year (compare this to flat revenues at Blue Hill) and town expenses and financial risk are down. The course, which was losing an average of \$400,000 a year over the past 4 years is getting closer to breaking even and golfers report Broadacres is better than ever. There is good reason to believe a similar approach would help Blue Hill.

Earlier this year the Town Board voted unanimously to issue a Request for Proposals for management of Blue Hill, where the restaurant and proshop have long been operated under three year contracts with local businesses. However, this time we solicited proposals for course maintenance as well, currently the work of eight town employees. Some of these folks are close to retirement, and all are entitled to town jobs due to their seniority. We have several excellent responses in hand. These prospective business partners will present to the Town Board at our October 6 meeting, to be followed by interviews and further discussion of the relative merits of their various proposals.

Because the status quo at Blue Hill is unacceptable, and because we have excellent responses to our RFP, the Supervisor's budget plans for approximately \$550,000 in savings at Blue Hill in 2016. With this plan, Blue Hill will stop hemorrhaging money and begin to repay its accumulated \$3.5 million in debt to the general fund, money that we badly need for other parks facilities. Year Two of the new Blue Hill contract will bring even greater savings as the town's carrying costs diminish over time.

It is imperative that all Town Board members take time to review the Blue Hill project in detail with our town finance team so we can have a well-informed public discussion of this matter and have contracts in place well before the end of the year. Delays in the start of our management contract at Broadacres in 2014 reduced the town's savings by about \$60,000 that year. Timing really matters, and we need to stay on track if we want to realize savings from Blue Hill in next year's budget. I want to thank Councilman Valentine, golf advisory committee chairman Larry Costello, and Parks & Rec. Superintendent Aric Gorton for assistance on this project.

Before moving on, I want to note for the record, neither I nor anyone I know has any desire to sell Blue Hill. All that is being discussed is the prospect of a 3-year contract to have a private company manage the day to day maintenance of the course, in the same way we currently have contracts with private businesses to manage the day to day operations of the restaurant and pro shop at Blue Hill. Ultimately, in order for a change at Blue Hill to make sense, it has to save money for taxpayers, and maintain or improve the quality of the course. We can, and must, accomplish both those goals.

Fund Balance

My proposed 2016 budget plans to use \$2.5 million in fund balance to prevent a tax increase. \$2.1 million of this amount is needed simply to cover the cost of the tax cert payments to Pfizer, Blue Hill, and others. This is a reasonable use of fund balance -- the town has used an average of one to three million in recent years, and every year we use less fund balance than we budgeted, thanks to tight fiscal management. Our overall reserve funds are at a healthy 35% of the town budget and this is taxpayer money that we should use responsibly to avoid taxing people more than necessary.

Conclusions

Creating a budget involves many small and large decisions so there will inevitably be some who would make different choices about how to balance expenditures with revenues.

Over the coming weeks I welcome feedback and ideas from Orangetown taxpayers and from my colleagues on the Town Board on ways to improve this budget proposal. But for me the bottom line is that our final budget must do what the taxpayers of this town demand: it must hold the line on town spending, preserve the public services we enjoy, and most importantly, it must stay under the New York State tax cap. If we do these three things, we can produce a final budget that works for the residents of our town.