

Town of Orangetown

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Supervisor

Supervisor Stewart's Budget Presentation Speech

Town Board Workshop Meeting - Tuesday, September 26, 2017

Introduction

Greetings and thank you for attending today's very important meeting of the Town Board. As most folks know, the Town Supervisor presents the first draft of next year's budget, and the town board makes adjustments by majority vote, creating a preliminary budget and then a final budget for adoption in mid-November. Because this budget proposal for 2018 is under the NYS Tax Cap and many of our budget lines are fairly predictable, my budget presentation is going to be pretty short and sweet, just calling our attention to a few matters for town board and public consideration. I will also ask Jeff Bencik to brief the town board on our tax cap calculation and capital bonding plans.

First, a few very important and sincere "Thank You's": Thanks especially to our Finance Director Jeff Bencik, Supervisor of Fiscal Services Janice Ganley, and the entire Finance Department, Deputy Supervisor Allan Ryff, and my assistant Vicki Caramante. Together, we have examined every line of the budget, both expenses and revenues, met with department heads and their staff, and debated and discussed options for keeping Orangetown on track, under the Tax Cap, while providing outstanding services for our town residents. Thanks also to the department heads for their care in budgeting for their very important work.

Everyone knows taxes in Rockland County are very high, among the highest in the country, and that town services are the foundation of our quality of life and safety, the very things that help safeguard property values and make it worth paying the taxes we do to live here. I believe this proposed budget strikes the right balance between funding 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 November, as long as the net impact of any changes does not increase taxes beyond to Tax Cap or jeopardize critical services.

Here are a few highlights:

This budget is under the NYS Cap on Orangetown's tax levy, just as we have been the last six years. Actually, we are well under the Cap, by about \$400,000. Our tax levy is set to increase by about 2.9%, well under the allowable increase of 3.4%. I will ask our Finance Director Jeff Bencik to brief the town board on the tax cap calculation shortly, but it is a NYS formula that takes into account not only last year's tax levy, but also real estate trends, which are up in Orangetown, PILOT payments, and other factors. Homeowners' actual tax bills are also affected by shifts in the "base proportion," a calculation based on real estate trends that determine what portion of the cost of government is shouldered by residential versus commercial property

owners. Again, strong residential property values have resulted in a shift in the tax burden onto residential property owners, and away from commercial property owners. So even though we are under the "Cap," the average homeowner with a \$200,000 assessed value will pay an increase of about \$110 in 2018.

Our ability to stay under the Tax Cap depends on finding ways to cut costs. Here are a few examples from the last few years:

- Our golf programs have reduced expenses by about \$800,000 per year due to privatization of operations, and are now actually paying down their debt to the general fund. Thus, the golf deal continues to yield dividends and is one of the great fiscal accomplishments in the last six years.
- In a week or so we will close on the purchase of 2260 streetlights from O&R, and you will see contractors in bucket trucks converting these lamps to LEDs. This project will save the town at least \$200,000 per year in energy costs, reduce greenhouse gases, and improve lighting and safety. Another win for taxpayers and the environment.
- Also in a week or so, the town will close on the sale of 60 acres of big, vacant hospital buildings to JPM Chase to build a data center, cutting our maintenance costs and creating a major new tax paying business in town. This is an accomplishment of truly epic importance for this town, and I am so proud of the teamwork by town staff, our land use boards, state agencies and the developers in moving this project forward at lightning speed.
- The town recently negotiated for OMM to take over all costs related to the soccer complex and pay a portion of all nonresident fees to the town, amounting to about \$100,000 per year.
- Our grant writing program is active, and with help from Ellen Jaffee and David Carlucci, we have funded improvements in rail trails, drainage and road safety, such as much-needed traffic signals, using external funds, and we thank them for their support for these initiatives.
- The town has saved a lot of money through smart money management, taking advantage of low interest rates, bonding every other year to save on transaction costs, and negotiating for lower energy rates, for example.

As for reserves, the town's fund balance remains healthy, so in recent years we budgeted to spend about \$2.5M to offset the tax levy, and at times as much as \$3M. Since we budget conservatively, we end up spending less from reserves than our budget estimate, so in fact reserves have grown 40% over my tenure as supervisor. For 2018, we are planning to use just \$2.1M from reserves. This may seem low, compared to \$2.5M budgeted for 2017, but please bear in mind that both our union contracts are under negotiation, with uncertain impact on the 2018 budget. Note also that our overall debt has decreased and our Moody's rating remains a very respectable Aa2.

Capital spending: Replacing aging equipment and repairing buildings, sewers and roads prevents more costly emergency repairs, so capital spending is absolutely fundamental to town management. Orangetown averages \$4M in new debt per year, and the retirement of \$4.5M in old debt, annually, or \$9M every two years. Since we last bonded for capital projects in 2016, the town board will be conducting a review later this year of capital projects for bonding in 2018.

Special Districts - fire, ambulance, paramedics and libraries. Budgeting is fairly easy when many groups propose flat budgets compared to last year. I thank all the volunteers in our special districts for their dedication to Orangetown.

Now to highlight a few cost-drivers:

- Rockland County continues to shift costs for the Board of Elections (\$200K) and Rockland Community College (\$230K) onto the towns, to the tune of over \$400,000 per year.
- Suez is increasing our bill for fire hydrants by almost 12% over the last two years, about a \$200,000 increase.
- Various personnel costs are increasing dramatically, with a 9.7% increase in health care and a 20% increase in workers compensation insurance costs leading the way.

Personnel Costs - I want to close with reference to an enduring and escalating problem for town budgets, and that is personnel costs. Our biggest budgetary challenge is the steady escalation of personnel costs, about 4% annually, including salaries, health insurance, retirement, workers compensation, and related costs. In Orangetown, and virtually everywhere in the metropolitan area, personnel costs have grown to consume over 70% of the town budget and are largely beyond our direct control. You may say “cut staff,” and we did succeed in reducing staff at our golf courses through private contracting, but, in general, the town is currently staffed at absolute minimum levels in most departments, and our residents are taxed to their maximum tolerance. To Governor Cuomo’s credit, the Tax Cap and focus on Shared Services has definitely produced results in the form of greater efficiency in local government, and NYS has made a lot of money available for sewer and drainage infrastructure to help offset some of the larger costs to towns. But without further reforms, our labor costs will consume an ever greater part of our operating budget, limiting our ability to invest in roads, parks, vehicles, or even the extra staff we may need. The websites for the NY Association of Towns and the NY Conference of Mayors are great sources of information about needed reforms and I encourage anyone interested in local government to take a look at their legislative agendas.

Lastly, I again thank our town staff, the concerned public and my fellow board members for your commitment to good town management, and I look forward to working together to make any necessary adjustments to this budget for final adoption in mid-November. Copies of this budget and related materials are available on the town website.