Village of Briarcliff Manor

Tentative Budget

Fiscal Year 2012 / 2013

VILLAGE OF
BRIARCLIFF MANOR
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March 20, 2012

Honorable Mayor William J. Vescio
and Members of the Board of Trustees
Village Hall
1111 Pleasantville Road
Briarcliff Manor, NY 10510

Reference: 2012-2013 Village of Briarcliff Manor (VBM) Tentative Budget.

Dear Mayor Vescio and the Members of the Board of Trustees:

As Village Manager and Chief Budget Officer for the VBM, I filed the tentative Budget for the fiscal year 2012-2013 with the Village Clerk on Tuesday, March 20, 2012. This is my 4th budget as your Village Manager and although more difficult economic times prevail, this budget reflects the high level, variety, and manner of municipal services that taxpayers expect and depend on.

During our 3 previous budgetary cycles, we have maintained tax driven spending increases below an average of 2% ... before there even was a 2% spending cap. As will be explained below, the tax rate increases and decreases are held hostage to two differing assessment rolls and equalization rates. You have focused us on sound financial footings and fiscal analysis. In the face of 5 years of tough economic times and no real recovery in sight, this year's budget holds the line below the **adjusted NYS mandated 2% tax warrant cap. The 2012-2013 allowable spending increase, authorized by NYS, is 4.30% ($422,091.) and our proposed spending increase is 3.20% ($313,693).** (See attached spread sheet.)

Despite these adverse factors, we can point with pride at VBM's bond rating at Aa2 and, harder still, we have maintained the Aa2 rating with regional economic indicators heading in reverse. We look to you to set the annual public hearing on the budget in April 2012 as provided by NYS Village Law.

This is one of most difficult budget years on record. Our residents require local government to do more with less while our financial flexibility to accomplish what people expect continues to be marginalized. The proposed 2012-2013 General Fund budget calls for total expenditures of $14,396,330 and compares to last year's budget of $14,430,154: a decrease of $33,824. This translates to proposed 2012-2013 Tax Rates of a **3.568% increase in TOS area** and **an increase of 8.259% within the TMP**, respectively. On a VBM-wide basis, the 2012-2013 tax levy is $10,118,730.18 vs. $9,805,036.40 for 2011-2012. This is a budget to budget $313,693.18 increase in tax revenues. Other 2012-2013 revenue sources were $4,145,403.00 compared to

$4,492,451.38, last year: a decrease of $347,048.38 (-7.725%) due to flat sales/mortgage tax revenues; no use of debt service funds; and, major declines of other fee income resultant from the continued recession. We have retained the retirement reserve at $147,352. The tax overlay (to cover uncollected taxes) remains the same (@.15%). Unlike last year, we did not utilize the remaining amount in our debt service fund: the balance being only $55,670.81.

Assessment Roll and Equalization Rates: The interplay of having 2 different assessment rolls and equalization rates remains a problem. The impact this year is the opposite of that of last year... which, in turn, was a reversal from the previous year. For 2012-2013, the TMP Equalization Rate (TMPER) rose from 1.52% to 1.53% (+.7%). The equivalent (TOSER) rose from 5.56% to 5.85% (+5.2%). Herein is the first part of a reoccurring problem.

The second component is that the TMP assessment roll decreased from $2,571,080 last year to $2,564,568 for this year (-.25%); year over year. However, in the TOS the decline was $100,764,257 to $99,970,985 (-.8%); year over year. On a net basis, after each town's equalization rates are applied to their assessment rolls, and a so-called "true value" of each town's portion is calculated, percentage-wise of the whole, the TOS side decreased from 91.47% to 91.07% while TMP increased from 8.53% to 8.93%. The overall effect causes the tax rate ratio to shift against the TMP side and decreases the TOS side. This was just the opposite of last year and will continue until VBM becomes a Town/Village and maintains its own assessment roll.

Expense Reduction: Expense reduction continues but is flattening: last year, we eliminated several full time work positions utilizing the New York State Retirement Incentive Program (NYSRIP) and our own VBM Separation Agreement (VBMSA) and have absorbed the workloads of those who have retired without any additions. Regarding Health/Retirements cost increases, additional retirement costs are being partially offset by the jobs saved. This is the nature of NYS's system. Union contracts remain unsettled since May 31, 2009 and the door remains open for settlements at levels that fully understand and appreciate the prolonged recession we are witnessing.

Matching Revenues to costs: As will be noted in the Water Fund, this year we have readjusted the time/cost allocation of our work force to the demand. This is especially since the completion of the FWSP and the funding of the FWSP ended. Additional salary and benefits cost have been transferred to the Water Fund in keeping with the real time and cost of operations. This year Sanitary Sewer expenses ($198,759) will be absorbed by the Water Fund for the same reason: Water department time, manpower and equipment, once a General Fund item, is to be charged in the Water Department.

Despite these economic pressures, we have maintained the same level of services focusing on greater operational efficiency and cost reductions. Expense monitoring has been an ongoing procedure. Capital projects for repair and replacement are also oriented for greater efficiencies and specific service improvements. This is especially the case with our NYSERDA grant award and recent completion of solar panel projects at the DPW and VH buildings. To this end, the recession has created two important benefits: sharp competitive bidding for virtually all public works projects; and, when coupled with our improved credit/bond rating, significantly lower costs of capital. Such results reveal a net interest rate decrease even as we increased our capital expenditure level over last year. In point of fact we have refinanced (at existing tenors) all of our long term debt as possible: at significant reductions in interest rates and expense. The only debt not re-financed carried pre-payment penalties; an adverse financial situation that only time will cure.

Water Fund and Water Rates: In June 2009, you instituted the cascade water rate system and reversed the embedded negative cash flows VBM residents had been absorbing for several years. Because of this action, we have been able to absorb numerous NYSDEP/WB increases (since June 2009, a base rate increase of 34.8% and an excess consumption rate increase of 40.9%); financed the FWSP debt payments; updated water operations and enabled VBM to reallocate personnel expenses to those jobs/cost areas actually performed. The cascade rate structure needs to be retained to ensure adequate fund balances and reserves. Overall the 2012-2013, the water Fund Budget is pegged at $4,448,020.: a budgetary increase of $365,700. from the 2011-2012 year's $4,082,320. This is to cover anticipated chemical and distribution needs of our new pump station which came on line in June 2011, sewer funds and employee allocation changes.

The FWSP Reserve stands at $1,339,979.,and is to be used to offset debt payments not covered by the NYS/EFC. Regarding the FWSP and except for "punch list items", the project is complete and we anticipate that at least 50% of the $18.9 Million ARRA funds will be forgiven. The remaining amount will be serviced over a 20 year tenor by water department revenues.

This budget again utilizes a transfer of $267,000 to the General Fund.

Other Funds and Reserves: Library

1. The 2011-2012 budget was approved at $582,492. Separately, $30,000 was reserved in the General Fund unallocated to date. All amounts are 95% tax dollar supported. With increased costs due to insurance, energy and retirement/pension expense, this year's tentative budget is pegged at $616,633. virtually the same as presented last year.

2. The **General Fund Reserve** (unrestricted) stands at $2,011,676 or 14.18% on May 31st 2011 (vs. 12.51% at May 31, 2010 and 9% at May 31, 2009) as defined by NYS Audit and Control Policies. This continues to be an important indicator of VBM's financial standing. Higher reserves are better and we continue to grow the reserve during these lingering, tough economic times all the while protecting our vitally important AA2 bond rating.

3. Distinct from General Fund Reserve, the **Debt Service Fund** stands at $55,670.81 this March 20th. In 2011-2012 an allocation of $150,000.00, was executed to ease the tax rate pressure on our taxpayers. This is a conservative, use of these funds. The Debt Service Fund is the sum of all excess capital fund borrowings, accrued interest and premiums **unutilized.** The transfer of these funds is a re-capture of taxpayer monies not previously used and therefore an appropriate budgetary use. To be addressed in the 2012-2013 budget year is the fact that only a nominal balance will then be remaining and is not available to cushion these ongoing budgetary pressures.

Commentary: The stalled/lingering recessionary economy hurts everyone. Not detailed are the continuing secondary and tertiary effects of a flat economy entering its 5th year. NYS has projected retirement costs for 2012-2013 at $1,084,642.61 compared to actual costs of $965,937 last year: an increase of $118,705.61 (+12.289%). Debt service expense increased $389,530 in 2012-2013. These are additional costs on an already strained budget. Compare this figure to the other increases in spending and you can see that the economic tide is running strongly against the taxpayer. There are no quick fixes.

Any budget is just a snap-shot of the current economic climate. Our task is to project for a full year based on our best, educated knowledge of economic trends for the next 12 months. Once set, the budget essentially is fixed. Current, traditional non-tax rate derived revenues such as sales tax receipts (at March 15, 2012 are slightly below our previous projections); mortgage tax sharing (still below projections) and permit fees through construction and expansion are lower than budgeted in 2011-2012. We have approximately 30 days to review this proposal but also to revisit potential changes in both the revenue streams and expense draws that could still have impacts on our calculations. We will need to review all numbers and closely monitor the current budget now about to close. We have initiated a "corporate turn-around" budget monitoring process with budgetary reviews at the 4th month, 6th month and 8th month levels so that "mid-course corrections" and remedial action be taken, as necessary.

Lastly, and on a personal level, I wish to note that the 2% NYS Mandatory Tax Revenue Spending Cap (the "Cap") has essentially turned the normal budgetary process upside down. Normally the budgetary process is a bottom up event. When all proposed expenditures are totaled and applied against the assessment roll, a tax rate is derived. The final adopted spending level and accompanying tax rates are then revised to an acceptable tax dollar level by the M/BOT. This year the adjusted Cap has created a top down process where the pool of available tax driven dollars (with other revenue sources) is the "eye of the needle" used to measure acceptable levels of expenditures. Time will tell which process works the better.

I wish to thank all department heads for their advice, thoughts and consideration during this important process and ongoing economic climate. You know that they have been tasked and tested to do more with less. My sincere thanks especially go to Village Treasurer, Robin Rizzo, for the long hours, analysis and considered judgment in assisting me in being able to present this budget document to you.

Respectfully,

P. E. Zegarelli

Philip E. Zegarelli
Village Manager