

2019 Budget Message

Every year we walk a fine line between trying to provide the best services possible for the lowest cost to taxpayers. My proposed **General Fund Budget** for 2019 carries a **2.04%** decrease in the City property tax rate from **\$18.63 to \$18.25 per \$1,000 of assessed valuation**. In laments terms this represents a \$46 a year **drop** in taxes on the average home. This also represents a **12.92 % increase** in the budgeted property tax levy from **\$11.9 million in 2018 to \$13.4 million**. Property taxes represent **56%** of the revenue used to fund operations of **\$24.1 million**. The proposed 2019 budget projects State Revenue Sharing to remain constant at \$2.6 million. *In 2009, the City of Tonawanda received \$2.8 million of State Revenue Sharing Aid, which was reduced to \$2.655 million in 2010, then further reduced in 2011 to the \$2.6 million we have received for the last 9 years.* State Aid and Sales Tax combined account for **32%** of the revenue in the proposed spending plan to fund City services. *A short term concern on the reliance of Sales Tax as a significant component of the General Fund Operating Budget is the fact that a portion of what the City receives is determined by the aggregate populations of the Cities of Buffalo, Tonawanda and Lackawanna, currently using a Census from 2010. The City of Tonawanda's share of County Sales Tax could be significantly, adversely affected when that calculation updates its census populations in 2020.* The General Fund began fiscal year 2018 with an unassigned fund balance of \$1.5 million, approximately **6%** of total projected operating expenditures.

Property Tax Cap

Chapter 97 of New York State Laws for 2011 established **a tax levy limit** (generally referred to as the **tax cap**) that affects all local governments and school districts in New York State except New York City and the "Big Five" dependent city school districts. This legislation took effect in 2012. Property taxes levied by local governments **generally** cannot increase by more than 2 percent, or the rate of inflation, whichever is lower. However, the law does allow local governments certain exclusions which add to its tax levy limit. Any perception that the tax cap is a hard 2% is erroneous, as it can fluctuate from year to year depending on growth based economic factors. For fiscal year 2019, the State Comptroller's Office has established the City's property tax cap at an increase over the prior year spending plan of approximately **2.13%**, or an increase in property taxes levied of approximately **\$254,000**. An override of the levy limit by local law, was approved by the Common Council earlier this year.

It is the City's responsibility to complete and submit its tax cap calculation to the New York State Comptroller's office prior to its budget adoption. The 2018 Tax Levy was \$11,905,032. In summary the 2019 City's Tax Levy Cap Limit is projected by the State Comptroller's office to be **\$12,158,693**. The Mayor's proposed budget levies **\$13,443,733** in property taxes, **\$1,285,040** above our projected calculated limit. Maintaining the annual operating budget within the confines of the NYS Real Property Tax Cap would require a reduction and/or elimination of City services.

General Fund Revenue Summary

NYS Per Capita Revenue Sharing is projected to be **\$2,602,104**. This is what New York State has allocated to the City in its General Fund Operating Budget **for the last nine years**. It is unclear whether or not the State will implement additional, if any, reductions in State Aid to municipalities, however it is clear that over the past nine years New York

State has severely diminished the impact of Revenue Sharing to Local Governments as a means to control the growth of property taxes, while at the same time imposing property tax caps and mandating/imposing comprehensive multi-million dollar sewer improvement projects via consent order. ***The proposed 2019 budget does not include an appropriation of fund balance to offset the property tax levy. Simply put, there is no fund balance or tax stabilization funds left to offset the property tax levy.***

General Fund Expenditure Summary

The 2019 Budget anticipates the City's contribution to the New York State Retirement System to be **\$1.7 million**. This is a slight increase of approximately \$38,000 from the 2018 budget. Generally this is attributable to projected employee salary increases.

The proposed 2019 budget attempts to maintain and increase current budgeted levels of service while attempting to work within budgeted overtime and seasonal employee expenses in the four largest departments. Total salaries in the General Fund budget approximate **\$10.6 million**, of which Police and Fire comprise **\$5.9 million**. Contractual agreements with all collective bargaining units are negotiated through 2023. Employee benefits total **\$7.97 million**. Personnel costs account for approximately **\$18.6 million**, or **77%** of total general fund expenditures. Health Insurance costs in the 2018 budget are projected at **\$4.8 million**. The City must continue to work collectively with current employees and retirees to control the cost of health insurance. The proposed budget anticipates the potential retirements of approximately 4 employees in 2018.

Two new items accounted for in the 2019 proposed General Fund spending plan are the funding of a Main Street Project/Local Development Corporation(LDC) Coordinator for \$50,000 and the expenses and revenues associated with the Solar Panel array at the Wales Avenue Landfill which is scheduled to begin operation in early 2019. The cost for the Solar Panels in the first year has been projected at \$92,612, with \$60,000 designated as offsetting revenue from the Sewer Fund as a conservative estimate of electrical reduction costs as a result of the project. Until we have multiple years of solar energy production, we will continue to conservatively estimate this cost.

General Fund Debt Service for 2018 is approximately **\$2.1 million**. The proposed tax levy of **\$13.4 million** should leave the City within approximately **\$2 million (15% below)** of its Constitutional Tax Limit, and in excess of **\$30 million (70% below)** our Constitutional Debt Limit.

The proposed **Water Fund Budget** is a reflection of the City's complete elimination of its Water Department in 2004. Budgeted revenues for 2018 of **\$200,000** represent funds received from the Erie County Water Authority surcharge, *which is 49 cents per thousand gallons*. These funds were applied directly to outstanding indebtedness owed on bonded Water projects. The Water fund began fiscal year 2018 with a fund balance of \$109,356. *The 2019 Water Fund Budget appropriates the entire \$200,000 projected surcharge to be received to the General Fund to offset the cost of Water related services currently supported by property tax revenue in the General Fund Operating Budget.*

The proposed **Sewer Fund Budget** is approximately \$2.25 million. No rate increase from the current \$5.60 per thousand gallons is **recommended** to fund this budget in 2019. The minimum annual charge will remain at \$224.00 annually. Fund transfers to

the General Fund to reflect the cost of Sewer related services are increased from \$395,000 to \$495,000. *The Sewer Fund began 2018 with a fund balance of \$646,939.* The City's cost to the Town of Tonawanda for sewage treatment is projected to be \$950,000 annually. The City continues to progress through its comprehensive ten phase Sanitary Sewer remediation projected under consent order from the NYS DEC, an overall investment which is projected to cost between \$25 and \$30 million. We are working with the NYS Environmental Facilities Corporation (EFC) to finance these improvements at 0% interest. This capital improvement is reflected significantly throughout the 2019 to 2023 five year capital budget. The City must anticipate future mandatory improvements to our sewage treatment system that will be dictated by federal/state environmental regulatory authorities.

2019-2023 Capital Budget Summary

The Five Year Capital Improvement Budget reflects a cumulative total of \$11.96 million in Sewer Remediation projects. Annual street paving projects and sidewalk replacements are approximately \$1,000,000 annually. 2019 includes a proposed splash pad at Kohler Pool, Docks Expansion along the Niagara River and Ellicott Creek, Historical Society Improvements, Rehabilitation of the Pedestrian Bridge over Ellicott Creek, Bike Path enhancements, and *Downtown Revitalization Initiatives as placeholders at this time in anticipation of Downtown Revitalization awards yet to be determined as of the release of this proposed document. All projects identified in the capital plan require further scrutiny by the Mayor and Common Council to determine their fiscal feasibility based upon their impact on future budgets as well as their ability to be funded through grants and not through municipal bonds.*

Summary

Year in and year out residents expect the same level of exemplary services they've grown accustomed to. Everything that makes our wonderful, small city a great place to live also provides numerous budgetary challenges every year. At the risk of depleting our fund balance, the idea of staying under an unfunded/unrealistic tax cap is not attainable without massive cuts in city services. Even if we maintained the status quo here in the city, we would continue to fall behind what other communities are doing to lure new residents and businesses. This is unacceptable. We need to continue to improve our assets and infrastructure because that's what residents deserve. Thank you and God Bless.