

2014 Budget Message

The Mayor's proposed **General Fund Budget** for **2014** results in a **.39%** increase in the City property tax rate from **\$16.61 to \$16.68 per \$1,000 of assessed valuation**. This represents a **.04 % decrease** in the budgeted property tax levy from **\$10.044 million in 2013 to \$10.040 million**. This represents 51.6% of the revenue used to fund operations of **\$19.78 million**. The proposed 2014 budget projects State Revenue Sharing to remain constant at \$2.6 million. No increase over anticipated 2013 Sales Tax Revenues is projected. State Aid and Sales Tax combine for 37% of the revenue in the proposed spending plan to fund City services.

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 incorrect. An override of the levy limit by local law, approved by 60% of the Common Council, is also permitted.

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 2013 Tax Levy was \$10,029,308. We have preliminary calculated that the tax base growth factor, available carryover from 2013 and the calculated property tax cap add \$337,185 to the 2013 Tax Levy. In summary we project the 2014 City's Tax Levy Cap Limit to be \$10,366,493. The Mayor's proposed budget levies \$10,040,766 in property taxes, \$325,727 below our projected calculated limit.

General Fund Revenue Summary

NYS Per Capita Revenue Sharing is projected to be \$2,602,104. This is what New York State has allocated for the City of Tonawanda in its 2013 Budget. **It is unclear whether or not the State will implement additional, if any, reductions in State Aid to municipalities.** The 2014 budget includes an appropriation of **\$350,000** of fund balance to offset the property tax levy.

General Fund Expenditure Summary

The 2014 Budget anticipates the City's contribution to the New York State Retirement System to be \$1.85 million. This is a decrease of \$66,000 from the 2013 budget. The State Retirement System has advised that contribution levels should remain relatively constant over the next several years.

The administrative staff and Department Heads have worked with the Mayor in putting together a budget that attempts to maintain current levels of service while attempting to control budgeted overtime expense in the four largest departments. This budget proposal reduces the current staffing levels in the Public Works Department by one full time employee and maintains current staffing levels across all other departments. Total salaries in the General Fund budget approximate **\$8.9 million**, of which Police and Fire

comprise **\$4.87 million**. Contractual agreements with all collective bargaining units are in place. In addition employee benefits are an additional **\$6.6 million**. Personnel costs account for approximately **\$15.5 million**, or **78%** of total general fund expenditures. Health Insurance costs in the 2014 budget are projected at **\$3.6 million**. The City continues to work aggressively with its current employees and retirees to control the cost of health insurance. The funding of this obligation is a constant work in progress, and the City's ability to control budgetary increases in health insurance expenditures was most significant in absorbing the blow from the budgetary increase in retirement costs. Personnel costs have always been a huge component of the City's annual operating budget, and the City will be forced to consider downsizing its overall workforce in the future by means of departmental consolidation and shared service options with other local governments. This will help control costs, but will also result in a reduction of City services.

The Mayor's proposed operating budget for 2014 also includes \$10,000 of operating funds for further progress of the Spaulding remediation project, \$30,000 for the demolition of abandoned and unsafe structures, and \$10,000 for Matching Grant Funds and Capital Community Projects. In conjunction with these initiatives the City will continue to pursue Community Development Block Grant funds, as well as State and Federal assistance for projects to replace and upgrade our infrastructure.

General Fund Debt Service for 2014 is approximately **\$1.3 million**. The proposed tax levy of \$10.04 million should leave the City within approximately \$3.8 million (33% below) of its Constitutional Tax Limit, and in excess of \$23 million (55% below) its 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 2014 of \$171,000 represent funds received from the Erie County Water Authority surcharge, *which is 49 cents per thousand gallons*. These funds are applied directly to outstanding indebtedness owed on bonded Water projects.

The proposed **Sewer Fund Budget** is approximately \$2.05 million. *The Sewer Fund began 2013 with a fund balance of \$177,000.* The City's cost to the Town of Tonawanda for sewage treatment is projected to be \$975,000 annually. **The City is aggressively undertaking the terms of its consent order from the NYS DEC to invest approximately \$20 million into remediation of the Sanitary Sewer System.** The multi million dollar future capital improvement is reflected significantly in the 2014 to 2018 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. *This dictates future sewer rate increases and stresses the importance to maintain an overall sound financial position.*

2014-2018 Capital Budget Summary

The Five Year Capital Improvement Budget reflects a cumulative total of \$12.2 million in Sewer Remediation projects. Annual street paving projects and sidewalk replacements are approximately \$700,000 to \$800,000 annually. 2014 includes the purchase of one Garbage Packer to replace two recycling vehicles, as well as 7,000 65 gallon recycling totes from which commingling of recyclable materials will occur. Additionally the Niagara Street Culvert Rehabilitation project at Two Mile Creek Road is scheduled for 2014.

Every budget deliberation process and presentation to the Common Council is a challenging attempt to continue to provide an exemplary level of City services at the least expense to the property taxpayer. The Capital Plan, though not funded in the 2014 spending plan also requires the scrutiny of the Common Council. The costs associated with those proposed items and projects have significant future budgetary consequences.

The City currently maintains a sound financial position. Our 2012 financial report and Standard and Poors Bond Rating confirm this. However, this budget reflects the fact that the City of Tonawanda commits 78% of its annual operating budget to personnel related costs. New York State mandates an annual property tax cap that in general limits increases to 2%. It is incumbent upon the leadership of the City to make responsible decisions in both the short and long term with regard to the level of services it can continue to afford to provide at the same level the public is accustomed to and or in the same way the public is accustomed to.