

City of Rye
June 14, 2010
Presentation by City Comptroller to City Council
RE: 2011 Budget

Before looking forward to the 2011 Budget, I would like to give you a few highlights of the City's Financial Position through May 31st.

The City continued to enjoy a very high tax collection rate this year, with only 1% of City taxes uncollected as of June 1st.

The City received \$472,000 in Sales tax revenue for the period December 2009 thru February 2010. This is \$11,000 more than the same period the year before. Hopefully, this trend will continue, and the City will receive it's budgeted number of \$1,750,000 in 2010.

Half year 2010 Mortgage tax revenue is \$555,000. 2010 Budgeted Mortgage tax revenue is \$1,100,000. If the next six months replicate the past 6 months, the City will come in \$10,000 better than budget.

Hotel Occupancy and Utilities Gross Receipts tax collections are in line with Budget.

I am here to speak to you tonight about the hurdles the City is facing in the 2011 Budget.

As Frank said in his 2010 Budget message, "this is not a business as usual time. It is important that the community be made aware of the need to reset their expectations to meet new realities."

This message is applicable to the 2011 Budget as well. The new reality is that although the City has been conservative in estimating budgeted revenues, even those conservative estimates have fallen short. Over the past few years, City expenses have been trimmed to bare bones levels.

It is at this time, that service levels will need to be reduced in order to further reduce expenses.

Before I begin, I would like to make the point that the City needs to look at both short term, and long term problems and solutions. Tonight we are going to focus on the short term and the 2011 Budget. However, it is important to start looking at long term issues and initiatives.

As you know, the 2010 Budget was quite a challenge, and reduced expenditures over \$700,000 as compared to the 2009 Budget.

There are inherent increases in expenses in 2011 as compared to 2010, and in the long term, there will also be inherent increases in 2012, as compared to 2011.

(A)

In reaction to the recent Healthcare legislation, health insurance companies are raising premiums at renewal, and are expected to continue to increase premiums at a rate of about 25 % per year, over the next 3 years. For the City, this creates a 2010 Budget shortfall of \$214,000. However, this **2010** shortfall will be offset by the savings achieved by not replacing the positions of 6 people who have retired or will retire, from the City in the first six

months of 2010. For 2011, the increase in insurance rates creates in an increase in costs of \$948,000, or the equivalent of a 5% increase in the tax rate in 2011, as compared to the 2010 tax rate.

(B)

Contributions due to the New York State Retirement System are an estimate at this point. We estimate a 25% increase in the amount due to New York State Retirement in 2011 over the amount due in 2010. The City should receive an estimate of this number from New York State by the end of August, and an actual invoice by the end of October. The estimate of a 25 % increase in the City's contribution translates to an increase of \$417,000 over the 2010 Budgeted amount, or a 2.2% increase in the tax rate in 2011 as compared to the 2010 tax rate.

(C)

As of June 2nd 2010, the City's Assessed Valuation has decreased over \$443,000 from the amount used to prepare the 2010 Budget.

While Rye residents made many improvements to their homes and undertook new construction projects which were completed in 2009, and these added to the Assessed Valuation, there have been many grievances which have offset those additions, and lowered the Assessed Valuation.

We will not have a final Assessed Valuation until after September 15th 2010, when all the grievances have been ruled on.

I spoke with the Assessor, and she has a significant number of grievances that will go through the process. This means that the Assessed Valuation can only go lower from here. Any additions

to the Assessed Valuation gained from housing improvements have already been factored in to the June 2nd number.

Using the lower Assessed Valuation at the 2010 tax rate would generate \$96,950 less Revenue for the City.

In order to make up the \$96,950 in lost Revenues, the City's tax rate would have to increase just over one – half a percent, just to keep 2011 tax revenue equal to 2010 tax revenue.

It is important to remember that this number can only get worse, and that the true impact cannot be measured until September.

(D)

Salary increases of 2% should be factored in to the 2011 Budget. This would add 1.29% to the tax rate in 2011 as compared to 2010. As of December 31st 2010, all of the City's labor contracts will have expired. Administrative Pay Group employees did not receive salary increases in 2010.

(E)

In the 2010 Budget, the City used \$99,750 of Debt Service Fund Fund Balance in order to help keep the 2010 tax rate low.

There is only \$21,144 of Fund Balance available to use towards 2011 debt service, and then there is no fund balance available for 2012 debt service and beyond.

There is a 1.11% tax increase needed to cover 2011 debt service.

If the City had not used the Debt Service Fund Balance in 2010, and used it in 2011 instead, it would have raised the tax rate just

over 1/2% in 2010, and just over 1/2% in 2011, for a cumulative 1.11% increase over 2 years, instead of one.

Without the refunding, the City's General Fund Debt Service would have been \$10,000 higher in 2011.

The increases in expenses I have just told you about add up to a 10.1% increase in the tax rate.

There are some options that could offset the increases I have just told you about. Some of these options involve additional reductions in City Staff.

(F)

The City could require the Recreation Department to generate an additional \$380,000 of Revenues and Cost Savings, which would offset the tax increase by 2%, and increase Recreation Cost Recovery to 50%.

This would involve restructuring the Recreation department and result in fewer Recreation programs being offered in 2011. The remaining programs would be offered at higher prices.

Fewer programs would mean fewer summer job opportunities for Rye teenagers and that not as many Rye residents would be able to participate, which is a change in the Recreation department philosophy.

This would mean higher fees to the participants of all programs, including the senior programs. Whether or not to change the model of, and restructure the Recreation Department is a decision that needs to be made at the June 28th follow up to this meeting, as it will take some time to restructure personnel, the

fee structure, and the programs being offered, in order to implement changes in time for 2011.

(G)

The City could reduce it's funding to the Rye Free Reading Room.

The reduction in funding could result in a reduction of materials and programs for patrons, deferring repairs and maintenance to the building, and leave one full-time position unfilled.

In the 2010 Budget, the City included \$1,155,000 of funding to the Rye Free Reading room. Reducing this amount by \$190,000 would generate City savings of 1%.

This would be a 16% reduction in funding to the library, and is a decision that needs to be made at the June 28th meeting in order to give the library direction in preparing it's 2011 Budget.

(H)

Doubling the fees for all parking permits and parking meters could generate enough revenue to reduce the tax rate up to 3%. This is another decision that Council needs to make at the June 28th follow up to this meeting in order to implement changes that will be effective in 2011. The City will need to negotiate with Metro North in order to raise the rates at the Metro North lot, and this could take several months. This would also require a change to the resolution that was passed last year to allocate net pay station revenue to CBD Capital projects. This revenue would need to return to the General Fund to reduce the tax rate.

(I)

The City could reprogram its existing refuse collection schedule. In 2009, the City collected the largest percent of recycling in the county. The City has been amongst the highest recyclers in most years. It is proposed that the garbage collection routes be consolidated, reflecting the success of the recycling program. The kind of service would remain unchanged, in that residents would still have twice weekly, backyard pickup. However, the days and times of collection would be adjusted for most residents. This could result in savings of 1 ½ percent. Again, this is another decision that needs to be made at the June 28th follow up to this meeting in order to redesign the refuse routes and communicate the changes to the residents in order to recognize savings in 2011.

(J)

The City could ask the Golf Course to contribute an additional \$95,000 to the General Fund, which would reduce the tax rate one half of one percent. This would likely require an increase in member dues at the Golf Club. This is another decision that needs to be made at the June 28th follow up to this meeting, as it will take some time to restructure the dues schedule and implement the changes in the billing system in order to see the economic benefit in 2011.

(K)

If the City is able to pay off the debt to Aero Hardware for 1037 Boston Post road by December 31st, then the City will enjoy savings of \$192,000 of interest expense in 2011, as compared to 2010. Please keep in mind that these savings only exist from 2010 to 2011, and are not another reduction that can be made in 2012. The repayment of the debt will depend largely on the

receipt of the Grant Money due to the City for the Elm Place Wall, and the Bird Homestead.

(L)

The City may be able to reorganize Uniformed Services in order to save \$150,000 in the 2011 budget as compared to the 2010 budget. This would permit the hiring of 2 additional Police Officers.

Implementing some or all of the reductions in services and personnel that I have just discussed will help the City achieve a target of a zero to five percent increase in City taxes.

It is very important to evaluate the sustainability of each of these options, as they may work for a short period of time to get through a crisis, but they may not be sustainable for the long term.

Despite the economic downturn, Rye continues to remain a vigorous and vibrant community with above average wealth and income levels, which is evidenced by the strong tax collection rate of 99%.

It is very important for Council to consider some long term options that will require multi year transitions, such as consolidating Police services with another municipality, consolidating Fire services with another municipality, moving towards a single membership dues model at the Golf Club, rather than differentiating between resident and non-resident dues.

These are all long term initiatives that will take many years to implement, so they will not impact the 2011 Budget, but must be

considered when looking at the economic sustainability of the City of Rye.

There is a meeting scheduled on June 28th to follow up on this meeting. At that meeting, I will need direction to pass on to City Staff in order to prepare the 2011 Budget.

To summarize: at the June 28th meeting, we will need direction on the following items in order to begin Budget preparation on July 1st:

- Recreation – do you want to increase Recreation cost recovery to 50%?
- Rye Free Reading Room – do you want to reduce funding?
- Parking Fees – do you want to double?
- Refuse Collection – do you want to change routes/times of collections?
- Golf - do you want to increase fees so the Golf Club can contribute more to the General Fund?

We would also like to meet again on July 26th to give you an update on the City's cash position, and discuss the 2010 Capital projects that have been deferred to date, prior to the August 9th Capital Improvements Presentation.

Another key date to keep in mind is August 11, 2010. This is the LAST City Council meeting in 2010 where you will be able to adopt a resolution for anything you would like to have voted on in public referendum. That is only about 8 weeks from tonight.

Thank you.

City of Rye
2011 Budget Overview

Additional \$\$ needed (gained) in 2011 Budget vs. 2010 Budget

	\$\$\$	%
(A) Increase in Health Insurance net expense	948,000	4.99%
(B) Increase in Contributins to New York State Retirement System		
ERS	186,000	0.98%
PFRS	231,000	1.22%
(C) Decrease in Assessed Value	96,950	0.51%
(D) Salary Increases - 2%	245,122	1.29%
(E) Increase in Debt Service	212,307	1.12%
<u>Subtotal - Increase</u>	<u>1,919,379</u>	<u>10.10%</u>
(F) Recreation - move to 50% coverage of all expenses	(380,000)	-2.00%
(G) Reduce Funding to Rye Free Reading Room	(190,000)	-1.00%
(H) Double Parking Permit Fees and Meters	(570,000)	-3.00%
(I) Change Solid Waste Collection	(285,000)	-1.50%
(J) Golf Club Additional Contribution to General Fund	(95,000)	-0.50%
(K) Interest Savings 1037 Boston Post Road	(192,000)	-1.01%
(L) Reorganization of Uniformed Services	(150,000)	-0.79%
<u>Subtotal - Potential Decreases</u>	<u>(1,862,000)</u>	<u>-9.80%</u>
<u>Total Increase in net expenses / tax rate</u>	<u>57,379</u>	<u>0.30%</u>

	\$\$\$	\$\$\$
2011 Capital Projects		
Street Resurfacing	215,000	
Sidewalk & Curb Replacement	50,000	
Sewer/Drainage Improvments	65,000	
Motor Vehicle Replacements	90,000	
	<u>420,000</u>	2.21%
Equipment Purchases	324,000	1.71%
<u>Total Increase in net expenses / tax rate</u>	<u>744,000</u>	<u>3.92%</u>