

Mayor's Proposed Operating Budget and 5 Year Capital Plan Message

As per City Charter, I am submitting my 2018 Budget to Council to be used by them as a guideline for their deliberations. My budget, as is the case every year, is not set in stone. The Council now has the responsibility to review the Budget, examine its contents with department heads and others and to then amend and modify the budget as they may see fit.

My proposed **General Fund Budget** for **2018** carries a 4.99% increase in the City property tax rate from \$17.74 to \$18.63 per \$1,000 of assessed valuation or an increase of **\$91** a year for the average household. Property taxes represent **53%** of the revenue used to fund operations of **\$22.32 million**. The proposed 2018 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 8 years.* State Aid and Sales Tax combined account for **23%** of the revenue in the proposed spending plan to fund City services. The General Fund began fiscal year 2017 with an unassigned fund balance of \$1.8 million, approximately **8%** of total projected operating expenditures.

Property Tax Cap

Maintaining the City's 2018 operating budget within the confines of the NYS Real Property **tax cap** is totally unrealistic and would require a huge reduction in City services. 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. 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. Even though the state continues to impose unfunded mandates on our and all its local governments, for fiscal year 2018, the State Comptroller's Office established the City's property **tax cap** at an increase over the prior year spending plan of approximately & only **1.84%**, or an increase in property taxes levied of approximately **\$208,000**. Inflation alone would eat up most of that increase.

General Fund Revenue Summary

NYS Per Capita Revenue Sharing for the City in 2018 is projected to be **\$2,602,104**, roughly the same amount it has allocated *for the last eight years*. It is clear that over the past eight years NYS actions have put significant pressure on local governments' property tax burden. They have severely diminished revenue sharing, while at the same time imposing property tax caps, numerous unfunded state mandates, encouraging the consolidation of local government services and mandating/imposing comprehensive multi-million dollar sewer improvement projects via consent order. The proposed 2018 budget includes a one-time appropriation of \$100,000 in fund balance and \$200,000 of designated tax stabilization funds to offset the property tax levy. The use of tax

stabilization funds to offset the property tax levy must be authorized by Common Council Resolution.

General Fund Expenditure Summary

The 2018 Budget anticipates the City's contribution to the New York State Retirement System to be **\$1.67 million**. This is a decrease of approximately \$28,000 from the 2017 budget. Generally this is attributable to a combination of small contribution rate decreases offset by projected employee salary increases.

Importantly, the proposed 2018 budget maintains current levels of City services while attempting to control budgeted overtime expense in the four largest departments. Total salaries in the General Fund budget approximate **\$10.2 million**, of which Police and Fire comprise **\$5.62 million**. Contractual agreements with all collective bargaining units are negotiated through 2023. Employee benefits total **\$7.3 million**. Personnel costs, therefore, account for approximately **\$17.5 million**, or **78%** of total general fund expenditures. Health Insurance costs in the 2018 budget are projected at **\$4.4 million**. The City, meaning the Mayor, Council, department heads, bargaining units, employees and retirees must work together to control all costs, including the cost of health insurance. I believe we can and will do that. The proposed budget anticipates the potential retirements of approximately 3 employees in 2018. General Fund Debt Service for 2018 is approximately **\$1.625 million**.

Water & Sewer Fund Expenditure Summary

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 **\$97,560** represent funds received from the Erie County Water Authority surcharge, *which is 49 cents per thousand gallons*.

The proposed **Sewer Fund Budget** is approximately **\$2.1 million**. A 2.7% rate increase from \$5.60 to \$5.75 per thousand gallons is *recommended* to fund this budget increase. This will increase the minimum annual charge by \$6.00/year, from \$224.00 to \$230.00 annually. 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 2018 to 2022 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.

2018-2022 Capital Budget Summary

The Five Year Capital Improvement Budget reflects a cumulative total of **\$18.54 million** in Sewer Remediation projects. Annual street paving projects and sidewalk replacements are approximately **\$1,000,000** annually. 2018 includes design work on the Fletcher Street Culvert and Rails to Trails capital improvements, potential boat dock expansion projects, and building and roof improvements.

In Conclusion

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 2014 Annual Audit from *the State Comptroller's Office*, which looked at the budget prepared by the previous administration, designated the City as "Susceptible to Fiscal Stress." In 2015 and 2016, my first two city budgets, the City's evaluation improved to No Designation. While we have taken great steps to improve our financial stability, more needs to be done. All of us, my office, Council and departments need to keep pounding away.

In the absence of a massive reduction in services, the ability of the City to operate within the confines of a two percent property tax cap is as I said above, unrealistic. The property **tax cap** law in itself is flawed and represents another unfunded state mandate as well. It paints a broad brush across every municipality in NY State (**except** of course NYC and NY State for that fact) treating them all the same. There are services that we have to provide that other towns do not. We can't break off items like fire protection, lighting, garbage, etc and make those separate taxing districts like towns do. It also does not take into account infrastructure improvements. So the message from the state on that aspect is we don't care what needs to be fixed, just stay under this arbitrary, unrealistic number. Many, many other communities have also exceeded the tax cap and those that haven't are on their way to do so. The only reason why other communities at this point haven't exceeded the cap is because they have been taking millions of dollars from their reserves to help stay under the cap; that is fiscally unsound and that cash cow will soon run dry for them.

During the last 4 years we have done our part to help control costs here in the City. A **\$13 million** grant to help offset future sewer rate increases associated with another unfunded state mandate to eliminate infiltration in our sanitary sewers. **\$500,000** in assistance to purchase a new fire pumper and protective equipment for our fire department, spending only **\$200,000** of city taxpayers' money on the Intermodal Hub instead of \$1.4 million, partnering with the Town and Grand Island to share a City Assessor which has saved taxpayers approximately **\$320,000**, and the hiring of an Assistant City Engineer who has brought in **\$120,000** in revenue from a shared service agreement with Niagara County and over **\$100,000** in additional costs associated with the sewer project just to name a few of the things we have tried to relieve the burden on taxpayers.

It's time for the state to now step up and assist its cities. We will continue to look to share services with other municipalities when it makes sense for both parties involved. I also look forward to sitting down with the unions to see where we can secure additional savings moving forward and in good faith. My pledge tonight would be any additional cost savings realized from those discussions not go into the General Fund, but to help offset any possible tax increase in 2019.

Everyone in this room loves the quick response time from our first responders, that parks are maintained and beautiful, that trash is picked up in a timely fashion (and just about every type of trash is collected), and roads are maintained, plowed and salted, and recreation and senior programs are so enjoyed, to name a few. What are the things our residents can and would be willing to live without? Balancing services and costs is tough. Council will now address these issues with their budget deliberations.

