

Why Budgets Matter

By Councilwoman Susan Siegel

How long do you plan to continue living and paying taxes in Yorktown? If more than two years, you may want to continue reading.

If you're like most homeowners, you probably pay attention to only one number in the town's annual budget: how much your taxes will increase the following year. But the tax rate increase is only one part of a budget; of equal importance are budget trends and how those trends will impact on the town's long term financial health and its continued ability to pay for the programs and services that are at the heart of what makes Yorktown a desirable community to live in.

Think of your own household. While budgeting to pay today's bills, you may also be planning how you'll pay for your children's education and/or your retirement. You may also be putting money away to pay for the new roof or heating system you know you'll be needing within the next 2-4 years. And there's always the need to maintain a rainy day fund for the unexpected. It's no different for Yorktown. Sound financial planning, whether for a household or a town, requires one to look ahead and plan for the future.

On paper, Yorktown looks like it's in good financial health. The town's major budget funds have ample fund balances. We have minimal debt service. And some tax rates, mostly for special districts like water, sewer and refuse, have gone down, although other tax rates, like the basic Town Tax paid by every taxpayer, has gone up — over 11% in three years.

But — if one looks at budget trends, there are signs of potential trouble ahead: We're living beyond our means and kicking the proverbial financial can down the road.

Expenses are rising faster than non-tax revenue (8.75% for expenses compared to 5.44% for revenue) and the gap is being plugged by using the town's rainy day funds, aka its fund balance. Beginning with the 2013 budget, the town became permanently addicted to using its rainy day funds to balance its budgets.

How long can the town continue adopting deficit budgets? What happens if and when the rainy day funds are wiped out while expenses continue to increase? The 2016 Water District budget illustrates what could happen.

The proposed 2016 Water District budget shows zero dollars to complete the fluoridation project that's been on hold for several years. When the suggestion was made to take an additional \$100,000 from the district's rainy day fund so that an equal amount could be added to the expense side of the budget, the response was: there's no more money in the rainy day fund. That was because every dollar of the district's \$4.3 million rainy day fund had already been committed as a revenue: \$2,375,000 to balance the 2015 adopted budget and \$1,975,000 in the proposed 2016 budget. The only way rainy day funds could be freed up to cover the cost of the fluoridation project was if 2015 expenses came in less than budgeted and the district didn't have to use every dollar of the 2015 rainy day fund allocation to cover expenses.

When it comes to planning for our future financial health, there are no easy solutions.

Borrow: Borrowing costs money and is an expense in the budget. Borrowing only adds to the expense problem.

Increase non-tax revenue: Easier said than done as the town doesn't control the major non-tax revenue sources like the sales tax or the mortgage tax. And revenue from building permits and new commercial rateables are a function of the overall economy, also something that's beyond the town's control. It's easy to talk about attracting more business, but talk doesn't generate revenue; shovels in the ground do.

Reduce expenses: Also easier said than done. Some expenses will continue to increase. For example, town employees expect yearly increases. (The 2016 budget anticipates an approximate 2% increase.) The cost of medical benefits will also likely increase. (The 2016 budget anticipates a 10% increase.) Pension costs go up or down, depending on stock market returns. All this means that the only way to control and/or reduce labor costs (approximately 75% of the budget) is to control the size of staff. But staff has been **increasing** since 2012 — and the 2016 budgets adds four more employees. And once staff is added, elected officials are reluctant to lay off employees.

Other expenses, like the purchase of supplies, new equipment or a capital project can be postponed to generate a savings in a given budget year. But pushing expenses into future budgets doesn't result in any ongoing long term reduction of expenses. For example, in 2014, the town spent \$1.48 million less than it budgeted, but the 2016 budget is \$2.4 million more than actual 2014 expenses.

Short of reducing staff or cutting back on programs or services, the only ongoing, long term way to reduce expenses is to become more efficient— and that requires more than simply saying “we're doing more with less.” Introducing efficiencies requires more action and less talk.

King Louis XV of France famously said: “Apres moi le deluge,” or in English: “After me the deluge.” Which is why, if you're planning to continue living in Yorktown for many years to come, you should be concerned about the trends in the 2016 budget. I am.

For a more detailed look at 2016 budget issues and how your tax dollars are spent, visit yorktownbettergovernment.org.