

What Washington and Yorktown Have In Common

Both Washington and Yorktown have resolved their budgets. Both budgets rely on small, short term quick fixes. And both budgets have, once again, kicked the can down the road by ignoring many long term fiscal problems.

I'm not qualified to comment on the intricacies of Washington's \$3.8 trillion budget, but as a former town supervisor, I do know something about the Yorktown's \$55 million budget.

First things first. Let's do away with the usual politically motivated smoke and mirrors and be clear about what we're talking about. Let's be clear about what numbers we're using and what budgets we're talking about.

While it's true that Yorktown has an overall budget of \$55 million, that number is a composite figure that includes 26 separate budgets, only three of which apply to all taxpayers. The remaining budgets are of interest only to taxpayers in the 23 special improvement districts whose budgets range from \$9.2 million for the Water District to \$22,000 for the Shrub Oak Lake Estates park district.

Of the three budgets that concern all taxpayers, the most significant one is the \$26.1 million General Fund budget that pays for the police, parks, and building departments and basic town services such as tax collection, finance and planning. (At \$10.8 million, the police department budget represents approximately 41% of the General Fund budget and is larger than any of the special district budgets.) The other two funds that all taxpayers pay into are the \$5.1 million Highway Fund and the \$2.5 million Library Fund.

Going forward, the main long term problem with the General Fund budget that is being ignored is that expenses are increasing faster than revenue. Since January, 2012, expenses have increased by 8.8 % but revenue has only increased by 1.6%.

This is an unsustainable trend — and nothing is being done to reverse it. If anything, the situation is getting worse.

The projection for 2015 is that expenses will increase by 2.5% while revenues will increase by only 1%, resulting in a potential 2015 tax increase of 8.87%. And, if the forecast's overly optimistic projection of growth in the assessment roll is scaled back to a more realistic number, the tax rate increase could exceed 9%.

Not only have there been no major new cost savings initiatives over the past two years, the town has actually increased its largest expense — staff — which accounts for roughly 78% of the combined General, Highway and Library budgets. According to the town's own figures, total town staff went down from 248 to 231 employees between 2010 and 2012 and then climbed back to 236 in 2013 and 237 in 2014.

To fill this expense /revenue gap — while at the same time keeping taxes at a politically acceptable level — the Town Board has resorted to raiding its piggy bank, aka its fund balance. Like homeowners who take money from their savings account or 401ks to pay for a trip to Disneyland, the town has used its fund balance to plug its revenue gap. We're funding today's expenses by dipping into our rainy day fund.

Don't get me wrong. There's nothing inherently wrong with using excess monies in the fund balance to fill the revenue/expense gap and lower taxes. The issue is one of degree. Between 2011 and 2012 the General Fund

budgets used a total \$440,000 from the fund balance; the 2013 and 2014 budgets have relied on \$1,365,350, a 33% increase.

But relying on fund balance to fill the revenue/expense gap is only a short term bandaid; it doesn't solve the long term gap — and it only puts off what could be a painful day of reckoning: a future spike in the tax rate or cutbacks in services.

A short term overreliance on fund balance give taxpayers a false sense of the town's fiscal picture and, by kicking the can down the road, it puts off having to take a hard look at how, going forward, expenses have to be reduced. It's easy to add staff but a lot harder to lay off staff when times get tough.

And, there's an even more critical related problem: what happens when there's no more "excess" in the fund balance that can be used as a revenue in future budgets?

Fund balances don't grow automatically and many of the factors that increase or decrease the fund balance during the course of the year are beyond the town's control. The town's crystal ball can't predict what the fund balance will be a year from now or whether there'll be any "excess" fund balance that can be applied to future budgets.

Going forward, what's needed is a serious commitment on the part of the Town Board to implement long term cost savings initiatives. For the past two years we've heard a lot of talk about how the town could save money but we've seen little action. Let's hope that 2014 will produce results.