

How a Tax Increase Becomes a Tax Reduction

By Susan Siegel

As reported elsewhere in this paper, the Town Board has adopted a Preliminary Budget that reduces the supervisor's tentative ADL tax rate (the basic or town tax rate) from 7.72% to 4.18% and made minor adjustments in the tax rates for the water, refuse and sewer special districts.

When the Preliminary Budget combines the town tax with special district taxes, the result, for the "typical" (or mythical) homeowner with a \$10,000 assessed value and water and sewer, is a total tax bill of \$2,396.24, or a 2.56% reduction in the homeowner's total tax bill. For homeowners without sewer and water, the total tax bill comes to \$1,888.29, or a 0.06% reduction.

But -- a homeowner's "actual" total tax bill depends on which sewer district the homeowner is in. For example, the total tax bill for the typical homeowner in the Hallocks Mill sewer district, the Town's largest sewer district, will be \$271 more than the "typical" homeowner, resulting in a 1.20% increase in their total tax bill. (Yes, numbers can be spun many ways.)

While some commentators believe that taxpayers should be kept in the dark about the budget sausage making process, I disagree. I believe taxpayers should understand the process, warts and all. More importantly, I believe taxpayers should know how the 2013 budget will impact their 2014 tax bill. This isn't politics; it's being open, transparent -- and honest.

There are two ways to lower taxes: cut expenditures or increase revenue. Revenue can be increased either by finding new sources of revenue or simply inflating existing revenue projections.

What the Town Board did last week was to increase expenditures, inflate revenues -- and totally ignore the impact that 2013 expenditures, one-shot revenues and one-shot savings will have on the 2014 budget.

Expenditures

Instead of cutting expenditures, the Preliminary Budget adds approximately \$185,000 in expenditures (the precise numbers won't be available until the revised budget is released), including:

- \$17,774 for salary increases for elected officials, including a 13% increase for the town clerk
- \$60,633 for salary increases for department heads that weren't included in the supervisor's Tentative Budget
- \$60,000 for a new "junior attorney" without having a plan as to what the person would do or knowing whether the \$60,000 includes benefits (add 30% if it doesn't)

The only cuts the Board made to the supervisor's budget were to correct an error, delete a \$30,000 salary increase the town attorney had added to her budget, and eliminate one position in the Finance Department based on the assumption that the current deputy comptroller will be appointed comptroller and that the vacancy created by the resignation of the previous comptroller would not be backfilled.

In other words, when other towns are holding the line on new hires, or laying off staff in order to hold the line of tax increases, Yorktown's Preliminary Budget increases staff -- over and above staff increases approved in 2012.

Revenue

The Preliminary Budget still relies on an optimistic \$422,000 one-shot increase in projected planning and building fees. In fact, there was ZERO Board discussion about the possibility that some of this revenue might not be realized in 2013, or what new projects might generate an equivalent amount of new revenue in 2014 to offset the known increases in 2014 expenses.

The Preliminary Budget still relies on a one-shot \$59.23 reduction in the refuse tax to offset the increase in the town tax. But what happens in 2014 when there won't be a new one-shot savings to offset the increase in the district's employee costs and other expenses?

The budget also includes \$129,860 in "federal aid" although this revenue is a bookkeeping entry that reflects a 2009 energy grant and is not new revenue or revenue that will be available in 2014.

The Board also added the following revenue:

- \$183,000 by increasing the fee the general fund charges the water, refuse and sewer districts for administrative services it provides the districts. Historically, the water and refuse districts have been charged 5% of their budgets for these services. (The sewer districts are charged a higher percentage for reasons unique to those districts.)

In his Tentative Budget, Supervisor Grace followed past precedent to calculate these fees -- which generated \$1.2 million in revenue. But, when faced with the need to find additional revenue in order to reduce the 7.72% ADL rate, the supervisor came up with a creative rationale to justify increasing the fee: the special districts should also pay for four years of pay raises for the police because the police provide services to the special districts. The supervisor wanted a 2% increase, but, after a spirited discussion, the Board agreed to only a 1% increase.

In effect, the 1% increase uses special district money to subsidize the general fund -- despite the fact that the taxpayer base for the special districts is different from the general fund tax base.

- \$100,000 in the franchise fee line based on the assumption that the Town will get more revenue from Cablevision once it settles a lawsuit over past fees. (If there was documentation to justify the increase, it wasn't discussed.)
- \$300,000 from the fund balance.

Budgets are a reflection of what services residents are willing to pay for, both in terms of total tax dollars and how those dollars are allocated. What services are important to you and how much are you willing to pay for them? Take the time to share your thoughts with members of the Town Board on or before the December 5 public hearing on the 2013 budget.

For more information about the budget, visit yorktownbettergovernment.org