

**December 20, 2011**

**Honorable Supervisor Valerie O’Keeffe  
Members of the Town Board  
Town of Mamaroneck**

**Re: 2012 Adopted Budget for the Town of Mamaroneck**

Transmitted herewith is the adopted budget for the Town of Mamaroneck for the fiscal year commencing on January 1, 2012. This final version of the budget includes all changes made since the original submission of the Tentative Budget in October including changes since the public hearing on December 7, 2011.

For the Town and most other municipal governments throughout the region the environment in which budgets are being prepared remains difficult at best. Below are just a few of the factors that have serious implications to the budget preparation process:

- Fifth Consecutive Year of Reduced Assessments
- Fourth Consecutive Year of Poor Revenue Performance
- Third Consecutive Year of Large Increases in New York State Mandated Costs

In light of the conditions surrounding the budget the Town Board must consider whether the Town should continue the tradition of providing high levels of service or begin a process of scaling back services to hold property tax levels steady. From all indications residents do not appear ready for major service reductions. For that reason the budget presented here continues virtually all services. There have been some service cuts that will be discussed later in this letter.

Over the last three budget cycles, particularly the 2011 cycle; many cuts were made to budget expense lines and our full time personnel headcount was reduced. The result however is that we no longer operate with an operating cushion that gives the government flexibility to provide added service when requested or needed. Such a cushion relieves the Town of depending upon surplus funds for operating needs. Also as staff levels change the time it can take to deliver

services is affected. Local services provide a high quality of life in the community by offering a safe and attractive environment. By the very nature of our services, local government is perceived as a constant in resident's day to day lives. You may recall in our transmittal letter last year we spoke of budgeting to provide for virtually unlimited service. Those expectations remain in place today which makes our mission even more difficult during tough economic times. Frankly during times like these we actually see even greater demand for services. This past year's many winter storms and the more recent hurricane and Halloween snow storm are just a few examples of the many contingencies the Town must plan for to insure a safe and secure environment for the community.

### **The Property Tax Cap**

This year the New York State legislature added a new wrinkle to the budget process by passing Chapter 97 of the New York State Laws of 2011 which establishes a limit on the annual growth of the property taxes levied by local government. The terminology of this legislation is important because this is not a cap on the change in the level of property taxes to be paid by an individual property owner. Rather this is a cap on the total amount of property taxes that can be raised by the local government. Consideration was not given in the legislation for levels of assessment or other factors that impact the rate at which the tax levy is apportioned in the community.

The legislation establishes a formula for the calculation of the maximum tax levy that can be adopted by a local government. Beginning with the 2011 adopted tax levy, the local government may add a tax base growth factor established for each municipality by New York State. To that an allowable levy growth factor may be added which for 2012 is the rate of inflation (2%). There are also allowances for payments in lieu of taxes and court judgments arising from tort actions. Certiorari judgments may not be included in the calculation. The court judgments however must be greater than five percent of the communities tax levy. Neither payments in lieu of taxes or court judgments apply to the calculation for the Town of Mamaroneck. Lastly, the community may exclude increases in pension contributions that exceed two percent of the actuarial contribution rate as calculated by the New York State Retirement System.

Addendums #1 attached to this letter provides the full details of the property tax cap formula for the Town. Under the formula the Town can raise the tax levy by \$670,600 or 3.23%.

The State legislation also includes a provision whereby the tax levy limit can be overridden by the governing body of a municipal agency. For the Town a local law must be considered and approved by 60% of the governing body after a required public hearing.

When the tax cap legislation was adopted the hope of many local officials was that it would be accompanied by relief from the onerous mandated expenses imposed by New York State. With the exception of a partial exemption of retirement costs no meaningful mandate relief was part of the tax cap legislation. This was quite disappointing because as we will explain later in this letter mandated expenses continue to be the most prominent driver of budget increases.

### **Budget Overview**

The staff began the process of preparing the budget back in June of this year. Department heads were directed to target a three percent decrease in department expenses which was on top of the five percent reduction for the 2011 Town Budget. The chart below provides a comparative overview of the 2011 and 2012 budgets.

<b>Town of Mamaroneck</b>	<b>2011</b>	<b>2012</b>	<b>Change</b>	<b>% Change</b>
<b>Appropriations</b>	<b>\$30,483,132</b>	<b>\$31,236,123</b>	<b>\$752,991</b>	<b>2.5%</b>
<b>Non-Tax Revenue</b>	<b>8,908,562</b>	<b>9,051,883</b>	<b>\$143,321</b>	<b>1.6%</b>
<b>Reserve Application</b>	<b>820,000</b>	<b>840,000</b>	<b>20,000</b>	<b>2.4%</b>
<b>Property Tax Levy</b>	<b>\$20,754,570</b>	<b>\$21,344,240</b>	<b>589,670</b>	<b>2.8%%</b>
<b>Taxable Assessments</b>	<b>\$150,621,950</b>	<b>\$147,682,978</b>	<b>(\$2,938,972)</b>	<b>(1.9%)</b>

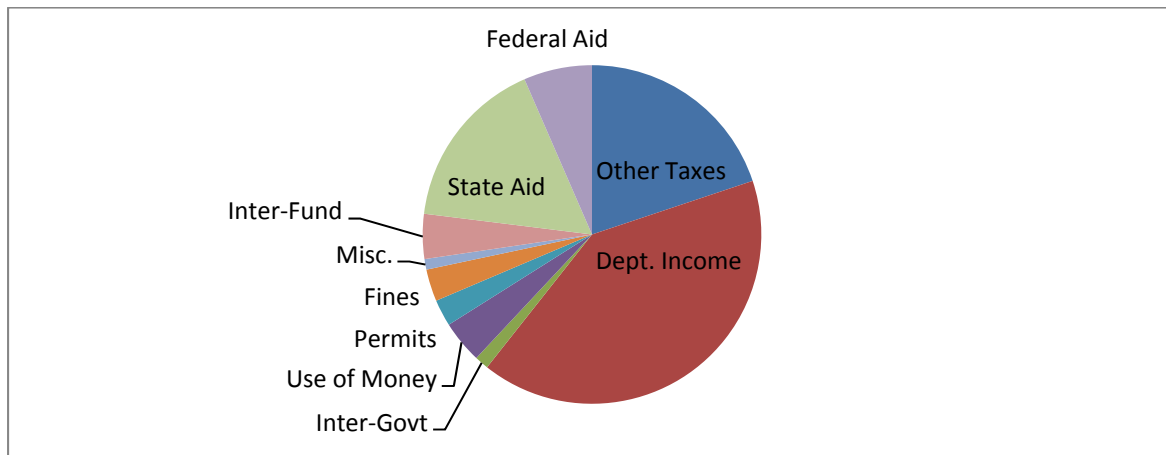
The tax levy approved as part of the adopted budget for the Town is well within the limitations set by the property tax cap legislation.

Overall appropriations are proposed to increase by 2.5% in 2012. A full 44% of the increase in appropriations is attributable to mandated costs. With economic conditions little improved since last year, performance of non-tax revenues continues to be a problem. We estimate that this class of revenue will only increase by 1.6% or \$143,000 in 2012. The application of surplus will grow by \$20,000 or 2.4% in 2012. The growth however was made possible by applying a percentage of the distribution of funds from the cable television franchise fee. Without growth in revenues and with expenses cut to minimum levels there is practically no opportunity to improve surplus levels.

For 2012 the Town again experienced another significant reduction in taxable value as a result of the large number of tax appeals filed by property owners. The chart on page three shows that the taxable assessments for the Town budget decreased by \$2,938,972 or 1.9%. As a result 36% of the change in the tax rate is driven by the reduction in assessments. This trend is essentially identical to that of the last five years. Assessment reductions have had an increasing impact upon property tax increases. Based upon the new reduced level of assessments, a property owner in the Villages of Larchmont and Mamaroneck with an average assessment of \$20,000 will realize an estimated property tax increase of \$5.60. A property owner in the unincorporated Town also with an average assessment of \$20,000 will realize an estimated property tax increase of \$266.00 for the year.

### Revenue Discussion

As a result the revenue discussion presented here speaks exclusively to the Town Budget. As you review the revenues projected for 2012 you will see that we have taken an extremely conservative approach based upon projections that continued poor economic performance will not stimulate notable changes in our largest revenues. Non-property tax revenues are expected to total \$9,051,883 in 2012, an increase of just \$143,000. The chart below illustrates the magnitude of each category of non-property tax revenue.



As you can see from the illustration departmental income is the single largest category of non-tax revenue generating an estimated \$3.6million. Of this total \$2.2million is revenue to the Recreation Department which in the coming year is expected to fund 91% of all departmental operating expenses including employee benefits for Recreation Department staff. Most fees for programs and facilities are scheduled for increases in the coming year.

The Town's Ambulance District is another example of the use of non-property tax revenues to defray expenses. For 2012 we estimate that the Ambulance District will generate \$830,200 in revenue. Our estimate is based upon our call volume and increases in Ambulance fees as well

as Medicare and Health Insurance Allowances. When the application of surplus is added to their revenue base the District will fund 80% of its expenses.

Both the Recreation Department and Ambulance District are good examples of applying a “pay-as-you-go” philosophy to municipal services. In both cases the Town is able to maintain a high standard of service with minimal impact upon the property tax. Residents pay for what they use in services. In the coming year we hope to explore other municipal services where this philosophy can be applied.

The next largest category of revenue is other taxes which includes penalties on late property tax payments and sales tax. These revenues account for \$1.8million of the Town’s non-property tax revenues with the sales tax comprising the largest component. For 2012 the Town is estimating a modest \$25,000 increase in sales tax thus bringing the total to \$1.3million.

Parking fees include all fees collected for parking lot permits and meter fees. Overall parking fee revenue is expected to total \$349,500 an increase of only \$14,500. Due to a downturn in the economy parking meter use has not been as strong as expected. Parking lot permit sales do continue to remain strong at this time.

Revenues categorized as State Aid include our share of the mortgage transfer tax, per capita aid, Highway Improvement Aid, and assistance for our weekend meals-on-wheels program. In total, State Aid to the Town is estimated to be \$1,465,700. Mortgage tax is the largest component of this category and also one of the most volatile because of its direct connection to the housing market. The estimate for 2012 of \$900,000 remains unchanged from last year. In the 2011 Budget the Town Board approved a reduction of \$200,000 in the mortgage tax estimate. Below is a listing of other revenues included under State Aid and the respective amounts received.

- Community Counseling Center Aid \$350,000
- Per Capita Aid \$140,000
- Highway Improvement Aid \$ 65,000
- Supplemental Nutrition Aid \$ 6,700
- Youth Program Aid \$ 4,000

As long as the financial condition of New York State remains in a constant state of flux there is always the possibility that one or more of these aid programs could be eliminated. However the legislature has been consistent in its advocacy of these programs over the years. With the exception of a small increase of \$2,700 expected for the Supplemental Nutrition Aid which

helps fund our weekend meals on wheels program all other funding estimates are at 2011 levels.

In terms of Federal Aid the Town receives funding in the amount of \$581,180 most which is for operation of the Section 8 Housing Voucher Program. Other smaller aid programs include \$10,160 for senior transportation programs, and \$45,000 for our daily senior citizen lunch program and weekday meals on wheels program.

The slice of the pie chart on page 5 entitled "Use of Money" includes interest earned on Town Funds and rental income from several sources. This category is estimated to raise \$356,400 in 2012. Clearly the dramatic reduction in interest rates has had a significant impact on this revenue stream. Three years in a row we have been forced to reduce our estimates to the point that we are projecting just \$91,000 in interest income next year. It was not that long ago that this category of revenue raised over \$600,000 for the Town.

Rental income is generated primarily from the Town Center tenants and lease payments made by the Town of Mamaroneck Housing Authority for use of the Hommocks Park Apartments site. Rental income is estimated to be \$265,000 in 2012.

Permit and License revenue will generate approximately \$223,000 in 2012. Under the category of fines and summonses we are estimating total revenue of \$275,000. The primary source of permit and license revenue is for Building and Land Use Permits. Interestingly the building department has seen a consistent flow of applications throughout the year although the permits have been for small alterations and additions. Based upon the recent increase in fees for the Building Department we have raised our estimates by about \$17,000.

We expect that construction will begin for the new housing development approved on Madison Ave. The building permit revenue for this project is expected to be substantial however this is clearly one-time revenue that we do not feel should be included in the budgeted revenue estimate. The added revenue will help in our surplus recovery plan for the part town fund.

The application of surplus and the tax levy are the last sources of revenues to be mentioned here. In our opening remarks we spoke of the poor performance of non-tax revenues and the continued roll back of expenditures that have made surplus recovery difficult. Each year we speak of the importance of surplus funds needed for overall financial stability. Surplus funds assist in evening out cash flow needs when payments must be made to guarantee the tax levy's of the Mamaroneck School District and the Town's share of the Westchester County tax levy.

Surplus funds were invaluable during this past winter to cover higher than expected expenses for snow and ice control.

The total surplus application proposed for this year is \$840,000 which is an increase of \$20,000 over 2011. Originally the tentative budget proposed a decrease in surplus application. However, the Town was able to provide a small increase in surplus funds as a result of a distribution of cable television franchise fees by the Tri-Municipal Cable Control Board. The Town's share of the distribution was slightly more than \$100,000 of which \$40,000 was applied to this budget. As you review the budget you will see that in the Townwide Fund we have again reduced the surplus application by \$55,000 to \$365,000. We have however been able to offset a portion of that reduction with an increase of \$35,000 in the Highway Fund surplus application. By reducing our dependence on surplus now during these uncertain economic times we feel the Town is in a better position to control tax adjustments in the future as we have done in the past. We have set as a benchmark for surplus levels a minimum of 12% of appropriations for each fund.

What further compounds the impact of a reduction in available surplus is the continued reduction in taxable assessments. For 2012 over one third of the increase in the rates at which taxes are apportioned are attributable to the reduction in assessments. Since 2008 the Town's total taxable assessment level has dropped by \$7.6 million or 5%. We will soon begin a property revaluation that will be based upon full market value. Revaluation will not improve revenue performance or provide additional revenue. It will however provide a more equitable distribution of property taxes. Also because the assessment data is more current it is more easily defended. The new values will not be adopted until 2013 when the revaluation is complete. Those new values would be applied to the calculation of tax rates for the 2014 budget. In the meantime unless there is a substantial increase in real estate values and/or the level of construction of new homes in the next several years we can anticipate further reductions in our assessments.

#### **Expenditure Discussion**

The 2012 Town Budget proposes total appropriations of \$28,441,243 for all budget funds except the Fire District. This is an increase of \$705,099 or 2.5%. The Town Fire District appropriations are expected to rise by \$152, 657 or 5.5%. Below are two tables illustrating the budgets by major expense categories.

## Town Budget

Expense Type	2011	2012	Change	% change
Salaries	\$12,582,525	\$12,649,395	\$66,870	<1%
Equipment	\$197,257	\$173,200	(\$24,057)	(12%)
Contractual Expenses	\$7,983,570	\$8,406,640	\$423,070	5.3%
Employee Benefits	\$7,169,400	\$7,695,700	\$526,300	7.3%
Debt Service	\$1,742,937	\$1,767,528	\$24,591	1.4%
Inter-fund Transfers	\$612,500	\$240,000	(\$372,500)	(60%)

### Salaries/Personnel

The budget for the Town includes funding for 124 full time positions which is down from a high of 135 positions in 2008. As can be seen in the above chart our salary expense for next year will rise by less than one percent. The 2012 budget includes no further changes in full time staffing levels. With some growing pains, the Town continues to operate under the plan devised last year to have departments share employees. The plan is currently operating within the Recreation Department, Highway Department, Comptroller's Office and Justice Court. Sharing employees has allowed for continued consistency in the administrative functions in these departments while using fewer staff. Last year's budget produced personnel savings totaling \$480,000 by offering a retirement incentive plan that produced savings through the retirement of senior staff members. For 2012 a retirement incentive plan has been offered to Police and Fire Department employees. Two employees will be taking advantage of the incentive plan thus saving the Town \$104,000 in salary expense.. We continue to realize savings from that plan through lower salary and benefit costs for those positions that were replaced.

The only collective bargaining agreement that is in place at this time is with the office and Highway Department personnel. Our agreement with the Town's police union which expired in December of 2010 has yet to be resolved and our agreement with the paid firefighters will expire in December of this year. Not unexpectedly the collective bargaining process has been much slower as the parties are now negotiating in a new budget environment.

### Employee Benefits

The impact of double digit increases in our pension expenses continues to have a major impact upon our budget. Because of the structure of the pension system as a state mandate there is no room for negotiating any component of this plan with the unions. The Town cannot seek a contribution nor can it make changes to the plans benefits. While the tax cap legislation allows for a partial exemption of the increased cost when calculating the cap, the expense must still be accounted for in the budget.

The chart below illustrates the impact of pension contributions upon the Town and Fire District Budgets:

Pension Costs	2011	2012	Change	Pension Costs as a % of Total 2012 Budget Expense Increase
Town Budget	\$1,775,000	\$2,080,000	\$305,000	44%
Fire District Budget	\$260,000	\$330,000	\$70,000	46%

For 2012 the Town’s medical insurance expense will increase by less than 7% which is one of the lowest increases in the last several years. This expense however is one that the Town continues to make gains in employee contributions. In each of the last rounds of collective bargaining new employees have been required to make larger contributions to their coverage.

On a brighter note, our worker’s compensation insurance costs will decrease this year by \$129,000 to \$458,000 as we tryout a new program offered by our carrier. As you may remember the Town under Section 207 of the General Municipal Law must continue to pay a police officer their full salary for as long as they are out on a job related illness or injury. Much of the cost associated with worker’s compensation insurance is the indemnity component that reimburses the Town for a portion of the employee’s salary. Since the Town must provide for police salaries in the budget each year we will self insure the indemnity component to save premium expense. If this is successful we will look to expand the program in future years to other classes of employees.

Contractual Expenses

As you are aware contractual expenses includes all budget line items for goods and services purchased by the Town government and the Fire District for day to day operations. If you refer back to the charts on page 9 you will note that there are large increases in contractual expenses and large decreases in inter-fund transfers for both the Town and Fire District budgets. These changes are the result of an accounting change made with respect to vehicle fueling and repairs.

Beginning with the 2011 budget we developed a plan to allocate costs for vehicle fuel and repairs to each of the Town Budget funds. The change reflects an improvement in our financial reporting as we allocate expenses to the individual budget funds. The 2011 Budget listed the allocations as an inter-fund transfer. Our auditors have indicated that the allocation should be treated as an inter-fund expense. Also you should be aware that the contractual expense

category also includes a reserve in both the Town and Fire District budgets for any costs related to settlement of these contracts.

One of the most significant price increases realized over the past year has been in the area of vehicle fuel, automotive parts and tires. This past year the Town experienced a 35% increase in the average cost of vehicle fuel. While prices have dropped of late, there is no guarantee that the trend will continue. Therefore we have budgeted with the expectation of a 7% increase in fuel prices in 2012. The Town continues its efforts to reduce fuel consumption by the use of smaller vehicles and alternate fuels as well as reductions in our total fleet. As the Town Board is aware we will be testing our new hybrid dump truck to determine its value and fuel efficiency.

In other related energy expenses we have reduced our expense for electricity by 4% for 2012 down to \$429,000. Changes in our operations such as limiting the nights the Town Center is open and continuing our conversion to LED street lights are contributing to the savings. Our expenses for natural gas are also expected to drop next year to \$113,000. The \$10,000 reduction is in part attributed to the conversion to a waste oil heater in our maintenance garage and the use of more efficient boilers and natural gas appliances.

In November of this year the Town renewed its casualty and liability insurance policies. We were pleased to learn that based upon the current market conditions and the Town's low loss ratio our premiums will decrease for both the Town and the Fire District. Premiums will drop by almost 19% in the Town to \$260,000 and 12% in the Fire District to \$35,000.

Our expenses for water will rise by just over \$6,000 next year to \$46,200. Unfortunately the Town is a victim of its own water rate increase approved several months ago. The largest user of water is the Hommocks Ice Rink with the Hommocks Field sprinklers the next largest user.

Steel and rubber prices have also increased dramatically impacting a number of commodities purchased by the Town. As a result line items for tires, snow plow blades, and steel used for fabrication have all been increased.

The contractual expense category also includes an appropriation of \$430,000 for the defense of tax appeals and the refund of taxes. Although we have begun the reassessment project; that will not impact tax appeals in 2012. Therefore we must continue to make provisions for this expense.

The items we have mentioned here represent the largest of the expenditures in this category of expense.

### Capital Projects

For 2012 the Town proposes a capital improvement plan estimated to cost \$1.5million. Of that amount \$155,000 has been appropriated in the Preliminary Budget for the Town. The balance of the funding would be derived from the sale of bonds. There are no capital projects proposed in the Fire District Budget for next year. Below is a summary of the projects planned for next year:

1. Equipment and Vehicles	\$ 675,000
2. Highway Improvements	65,000
3. Sanitary Sewers	60,000
4. Recreation Facilities	475,000
5. Computers/Radio Equipment	<u>241,200</u>
Total	\$1,516,200

### Debt Service

For the coming year the Town's total debt service expense will rise by \$39,000 to \$1,782,528. At this time the Town's total outstanding indebtedness is \$19.1 million. In terms of new debt impacting the 2012 Budget, \$2.74 million in bond anticipation notes were issued for the following projects:

➤ Sanitation Truck	\$ 190,000
➤ Fire Apparatus (2)	\$1,050,000
➤ Town Center Evaluation/ Improvements	\$ 130,000
➤ Senior Center Improvements	\$ 70,000
➤ Property Reassessment	\$1,300,000

In 2012 the Town will not be required to pay principle on the bond anticipation notes. An estimated interest payment of \$13,700 has been provided for in the budget. Our plan is to issue long term serial bonds in 2012 depending upon the market interest rates for municipal debt. Should the market not be favorable the bond anticipation notes can be renewed for another year. The Town is fortunate that with our AAA bond rating there is a strong demand for our bonds.

## Service Reductions

Other than the line item reductions developed by the staff and the reductions we have mentioned in this letter, the Town has made some minor service cuts. Specifically the following cuts are proposed.

At the Hommocks Pool, we are proposing reductions in the number of hours the pool will be open. Most of the reductions are during the fall and winter season when pool attendance is less than during the summer months. Altogether the cuts will result in savings of \$38,000.

Originally the budget proposed the elimination of three school crossing guard posts and crossing guards for after school programs. The following posts would be impacted.

- Weaver Street @ Harmon Drive
- Weaver Street @ Plymouth Road
- Murray Avenue @ Colonial Avenue
- After School Crossing Guards at Murray Avenue and Central Schools.

The process for selecting these crossings was done in conjunction with the Police Department by identifying either the crossings that posed the least impact on pedestrians or where an alternate crossing was available. These changes would result in an expense avoidance of \$47,000. However as a result of discussions with the PTA the school crossing guards will be reinstated at Murray Avenue and Weaver Street and Plymouth Road.

## **Conclusion**

For the last three years the Town has reduced any and all operating expenses for which we have some measure of control. We have reduced our full time and part time head count over the same period. While there is a sense that we cannot sustain continued increases in property taxes, we also cannot sustain continued expense reductions without beginning the process of gutting our service offerings.

Also, pressure needs to be brought upon the New York State Legislature and the Governor to seriously consider mandate relief and to not make token offerings that have no real bearing upon municipal operating costs. With measurable changes in State mandates municipal budgets can be reduced with less impact upon services offered.

We want to thank the Town Board for the time spent on the budget and their input. Also many thanks go to our department heads and staff that have also spent many hours on the budget, finding ways to control expenses and maintain services.

Sincerely,

Stephen V. Altieri  
Town Administrator/Budget Officer

Anthony S. Siligato  
Comptroller/Director of Finance