

TO: Hon. James Noble, President
Common Council
Council Members

FROM: Mayor Shayne Gallo

In preparation of the 2016 City Budget we had to again consider the impact of a slowly recovering national, state and regional economy, unfunded mandate crisis, repair and/or rebuilding of our City's aging deteriorating infrastructure, and several increased costs associated with providing services for the public.

For the 2016 Budget my administration has presented another transparent, accountable and modified zero-based budget. As with the 2013, 2014 and 2015 City Budgets, each department head was required to review each budget line item and demonstrate a benefit and/or saving for the taxpayer.

I am pleased to report cuts and savings from the 2013, 2014 and 2015 Budget, continued ongoing review and refinancing, if possible, the City's long-term debt, monitoring overtime and purchase of equipment and supplies and professional consulting services (savings for four (4) years total over \$100,000 in legal consulting fees alone) have had a positive impact on the 2016 budget and once again for the 4th year in a row, our City has complied with the NYS 2% property tax cap and NYS Property Tax Freeze Credit Program.

Further, because the Comptroller John Tuey and department heads diligently modified and capped expenditures, and all our employees are providing more services with less resources, the City's credit rating (Moody) is still "Double A Minus". Thank you Comptroller John Tuey, department heads, their personnel and the personnel at City Hall who work very hard on behalf of our residents and taxpayers to achieve and maintain this credit rating!

The lower interest rates for bonding of capital projects and equipment at lower costs are imperative for our City for addressing infrastructure and quality of life but which also facilitates economic development.

To ensure our financial stability and achieve more savings in tax dollars, it is recommended administration continue monitoring of any and/or all expenditures, as stated above review and take any opportunity to refinance long-term debt service, when feasible continue to consolidate City departments (Registrar with Clerk/\$100,000 savings), consolidate services where feasible with our surrounding towns for paving and infrastructure projects and County of Ulster (911 and Tourism/\$100,000 plus in savings), and further the restructuring of our City government (i.e., time and attendance policy) to be more transparent, effective and accountable to prevent fraud and waste of taxpayer dollars.

2016 BUDGET KEY ITEMS

Facts To Consider:

- A. Approximately 85% of 2016 Budget is for unfunded mandates (i.e. health and pension)
- B. 76 cents of every dollar is for personnel/employee benefits
- C. Weekly spending for 2016 is \$750,000 plus, bi-weekly spending is \$1.5 million includes payroll, employee benefits and all expenses
- D. One (1)% of the 2016 Budget is equivalent to approximately \$150,000 in spending
- E. Worker's Compensation Insurance increased from \$775,000 to \$820,000
- F. AIM Revenue, Mortgage Tax and Franchise Fees collection are flat
- G. Refuse Collection Allocation increased by \$100,000
- H. Snow Removal Allocation increased by \$50,000
- I. Employee and Retiree Health Insurance costs increased by \$400,000
- J. Liability Insurance increased from \$625,000 to \$675,000

K. Consolidation of Volunteer Fire Services, Sale of Rapid Hose Firehouse provides for \$184,000 asset for 2016 Budget

CITY TAX LEVY, COMPLIANCE WITH NYS TAX CAP LIMIT, NYS PROPERTY TAX FREEZE PROGRAM

The combined 2016 City Tax Levy, inclusive of Safety Net, is \$17,664,111 and has increased \$658,983 or just 3.88% from 2015.

Due to increased costs associated with unfunded mandates such as Employee Benefits, Health Insurance, Worker's Compensation and with snow removal and solid waste-refuse collection and AIM revenue, mortgage tax and franchise fees not increasing over the last fiscal year, the combined tax levy (city levy and safety net) for residential properties will actually increase 4.21% from 2015.

The combined tax levy for non-homestead properties is up 3.49%. The 2016 Budget includes a 20% base proportional shift for non-homestead to lessen the burden on non-homestead properties without having an adverse effect on homestead properties. The 2016 City Tax Levy is within the 2% NYS Tax Cap Limit.

Keeping the City's tax levy increase within the 2% NYS Tax Cap Limit is a requirement for our residential property owners to qualify for the NYS Property Tax Freeze Program.

Under this program, a check will be mailed to qualifying homeowners in 2016. **Thus, not only will most residential property owners see a reduction in taxes, most will also get a tax credit check from NYS.**

SEWER RATE—The City’s sewer rate will increase 3.09% from \$5.71 to \$5.89 per thousand.

HOMESTEAD/NON-HOMESTEAD—In 2015, my administration met with NYS COM Executive Director Peter Baynes, and staff and mayors of Albany, Rochester and Binghamton regarding the CREO Institute Study’s recommendations. I recommend the City continue to work with Professor Benjamin, CREO and NYS COM to prepare legislation for the NYS Legislative Session 2016-17 to address the inequities with the Homestead/Non-Homestead tax classification system. (Please see attached **Model Tax Rates** for 2016.)

SAFETY NET

Under the three year county takeover of safety net costs, the City’s estimated 2016 safety net obligation has declined from \$940,684 to -0-.

OVERALL EXPENDITURES

Mainly due to labor costs and unfunded state mandates, overall spending has climbed from \$38.9 million to \$40.7 million. Three labor contracts that had expired in 2011 have been settled and are now extended through 2016.

2016 Budgeted Expenditures of \$40.7 million are up \$1.8 million or 4.75% over the 2015 adopted budget.

The overall 2016 general fund budget is broken down into natural category as follows:

Personal Services (Payroll) - \$17.2 million or 42.3%

Benefits (Employees and Retirees) – \$13.6 million or 33.3%

Equipment (Capital) – \$0.1 million or 0.2%

Debt Service/Transfers – \$2.7 million or 6.7%

Contracted Expenses - \$7.1 million or 17.5%

OVERALL REVENUES

2016 Budgeted Revenues of \$22.3 million are \$0.3 million or 1.6% higher than the 2015 adopted budget.

SPECIFIC EXPENDITURE AREAS

Personal Services – Budgeted personal services have increased from \$16.4 million to \$17.2 million due to the settlement of three (3) union contracts.

Pension – Budgeted NYS Retirement System current non-deferrable costs are projected to increase 6.41% from \$3.7 million in 2015 to \$4.0 million in 2016.

Health Insurance – Budgeted Health Insurance costs are projected to increase 4.9 % from \$6.8 million to \$7.2 million.

Debt payments – Debt service costs have increased 16.9% from \$2.3 million to \$2.7 million due to ongoing infrastructure projects as well as necessary equipment purchases.

Strong financial and budgetary management has enabled the City of Kingston to maintain its credit rating to AA-. The improved credit rating allows the City to reduce interest costs associated with ongoing infrastructure and equipment costs.

SPECIFIC REVENUE AREAS

Sales Tax –Modest growth in this revenue line allows the City to budget a \$265,000 or 2.1% increase from the 2015 budget.

NYS Aim Funding – 2016 Revenue Budget of \$3,069,151 is unchanged from 2015 levels (actually this amount has not increased since 2011).

FUND BALANCE

Upon adoption of the budget, unassigned fund balance in the General Fund will stand at \$2,053,793 million as of 12/31/15. This amount represents 5.04% of 2016 budgeted General Fund expenditures.

MANAGING CITY FINANCES

Prospectively, we must continue to explore all opportunities to reduce costs through efficiency in operations and doing more for less. The City must review whether automated equipment (i.e., refuse and recycling trucks) will continue to be cost effective. Due to increased costs in tipping fees, no meaningful savings to date from refuse tote and single stream collection, very little (\$1,600) savings from “pay as you throw” and possible change in UCRRA policy regarding recycling and refuse collection; the City must consider the cost benefits associated with purchase of new automated equipment and the impact on the City Budget and 2 percent (2%) tax cap. For several years, the City Council has considered implementing user fees to cover the cost of new automated equipment, UCRRA tipping fees and personnel providing the service. I would recommend, given the above factors, the Council should have meaningful deliberations on the issue of user fees to avoid adverse financial impact prospectively on the two percent (2%) tax cap.

The 2016 Budget includes savings from the implementation of LED lighting initiative. I would recommend the Council move forward on other Capital Plan proposed projects to further reduce the City’s utility costs.

Continued analysis of insurance costs. Example: In 2012, the restructuring of our main employee dental insurance plan and an internal audit of lab retiree health insurance payments has saved the City approximately \$200,000 or more annually. In addition, my administration was able to achieve savings in the City's liability insurance by selecting a carrier through a competitive process.

Continue with the zero based budget approach requiring justification for every departmental budget request on an annual basis.

Continue to expand the City's tax base through Economic Development and prioritization of infrastructure projects by establishing a Council infrastructure committee and through public-ward-by-ward outreach by all councilpersons. Examples of expanding our City's commercial tax base are: The Colony Liquor Project-Stavo/Wolf-Tec two (2) manufacturers offering good paying jobs with benefits and additional tax revenue from the project; the Dragon Search Project on North Front Street, Midtown commercial property investment totaling over \$2 million dollars and the Lace Mill RUPCO Project. The proposed Cedar Street Project would generate jobs and added commercial tax revenue. The Woolworth's Food Emporium will be providing between 80-100 jobs in 2016-17.

Continue to consolidate services within the City government and with the County and surrounding towns. Sale of Rapid Hose could provide \$184,000 of revenue for our City.

**City of Kingston
2016 Tax Levy Impact Calculator**

2015 Assessed Value = \$100,000

Estimation of Change in City Tax Paid For Average Property Using Assessed Value From 2015 Tax Roll			
<u>City Tax Levy (Excluding Safety Net)</u>	<u>2015</u>	<u>2016</u>	<u>\$ Change</u>
Homestead	\$ 907.88	\$ 1,014.88	\$ 106.99
Non-Homestead	\$ 1,698.14	\$ 1,825.74	\$ 127.61

Estimation of Change in Combined City Tax (City Levy plus Safety Net) Paid For Average Property Using Assessed Value From 2015 Tax Roll			
<u>Combined City Tax and Safety Net Levy</u>	<u>2015</u>	<u>2016</u>	<u>\$ Change</u>
Homestead	\$ 973.90	\$ 1,014.88	\$ 40.97
Non-Homestead	\$ 1,764.16	\$ 1,825.74	\$ 61.59

**City of Kingston
2016 Tax Levy Impact Calculator**

2015 Assessed Value = \$200,000

Estimation of Change in City Tax Paid For Average Property Using Assessed Value From 2015 Tax Roll			
<u>City Tax Levy (Excluding Safety Net)</u>	<u>2015</u>	<u>2016</u>	<u>\$ Change</u>
Homestead	\$ 1,815.77	\$ 2,029.76	\$ 213.99
Non-Homestead	\$ 3,396.27	\$ 3,651.49	\$ 255.22

Estimation of Change in Combined City Tax (City Levy plus Safety Net) Paid For Average Property Using Assessed Value From 2015 Tax Roll			
<u>Combined City Tax and Safety Net Levy</u>	<u>2015</u>	<u>2016</u>	<u>\$ Change</u>
Homestead	\$ 1,947.81	\$ 2,029.76	\$ 81.95
Non-Homestead	\$ 3,528.31	\$ 3,651.49	\$ 123.18

**City of Kingston
2016 Tax Levy Impact Calculator**

2015 Assessed Value =

Estimation of Change in City Tax Paid For Average Property Using Assessed Value From 2015 Tax Roll			
<u>City Tax Levy (Excluding Safety Net)</u>	<u>2015</u>	<u>2016</u>	<u>\$ Change</u>
Homestead	\$ 2,723.65	\$ 3,044.63	\$ 320.98
Non-Homestead	\$ 5,094.41	\$ 5,477.23	\$ 382.83

Estimation of Change in Combined City Tax (City Levy plus Safety Net) Paid For Average Property Using Assessed Value From 2015 Tax Roll			
<u>Combined City Tax and Safety Net Levy</u>	<u>2015</u>	<u>2016</u>	<u>\$ Change</u>
Homestead	\$ 2,921.71	\$ 3,044.63	\$ 122.92
Non-Homestead	\$ 5,292.47	\$ 5,477.23	\$ 184.77

**City of Kingston
2016 Tax Levy Impact Calculator**

2015 Assessed Value =

Estimation of Change in City Tax Paid For Average Property Using Assessed Value From 2015 Tax Roll			
<u>City Tax Levy (Excluding Safety Net)</u>	<u>2015</u>	<u>2016</u>	<u>\$ Change</u>
Homestead	\$ 3,631.54	\$ 4,059.51	\$ 427.97
Non-Homestead	\$ 6,792.54	\$ 7,302.98	\$ 510.44

Estimation of Change in Combined City Tax (City Levy plus Safety Net) Paid For Average Property Using Assessed Value From 2015 Tax Roll			
<u>Combined City Tax and Safety Net Levy</u>	<u>2015</u>	<u>2016</u>	<u>\$ Change</u>
Homestead	\$ 3,895.62	\$ 4,059.51	\$ 163.89
Non-Homestead	\$ 7,056.62	\$ 7,302.98	\$ 246.35

**City of Kingston
2016 Tax Levy Impact Calculator**

2015 Assessed Value =

Estimation of Change in City Tax Paid For Average Property Using Assessed Value From 2015 Tax Roll			
<u>City Tax Levy (Excluding Safety Net)</u>	<u>2015</u>	<u>2016</u>	<u>\$ Change</u>
Homestead	\$ 4,539.42	\$ 5,074.39	\$ 534.97
Non-Homestead	\$ 8,490.68	\$ 9,128.72	\$ 638.04

Estimation of Change in Combined City Tax (City Levy plus Safety Net) Paid For Average Property Using Assessed Value From 2015 Tax Roll			
<u>Combined City Tax and Safety Net Levy</u>	<u>2015</u>	<u>2016</u>	<u>\$ Change</u>
Homestead	\$ 4,869.52	\$ 5,074.39	\$ 204.87
Non-Homestead	\$ 8,820.78	\$ 9,128.72	\$ 307.94

City of Kingston Capital Plan - 2016 Budget

Department	Description	Amount
Parks and Recreation	Andretta Pool	\$ 55,000
Parks and Recreation	Roof Sand	\$ 30,000
Parks and Recreation	Mowers	\$ 35,000
Parks and Recreation	Utility Tractor	\$ 35,000
Parks and Recreation	Loader	\$5,000
Parks and Recreation	Pickup Truck	\$ 40,000
		\$ 200,000
Department of Public Works	Tandem Dump-Sewer	\$ 225,000
Department of Public Works	4 X 6 Single Axle Dump Refuse	\$ 225,000
Department of Public Works	Packer	\$ 180,000
Department of Public Works	Mason Dump Diesel 4 X 4 550	\$ 50,000
Department of Public Works	4 X 4 Pickup Truck	\$ 40,000
Department of Public Works	Low Boy Trailer 55 ton Garage	\$ 60,000
Department of Public Works	Air Compressor Containers	\$ 20,000
Department of Public Works	(2) 30 Yards HVAC - 25 East	\$ 20,000
Department of Public Works	O'Reilly Building	<u>\$ 20,000</u>
		\$ 840,000
Police Department	Four Patrol Cars	\$ 130,000
Police Department	Records Management System	<u>\$ 180,000</u>
		\$ 310,000
Fire Department	Safety Equipment - SCBA, Air Bottles	<u>\$ 250,000</u>
		\$ 250,000
Wastewater Treatment Plant	Aeration Blower Replacement Project - Engineering and	\$ 90,000
Wastewater Treatment Plant	Design Roof Replacement Project - Engineering and Design	<u>\$ 50,000</u>
		\$ 140,000
	Total	<u><u>\$ 1,740,000</u></u>