

## MEMORANDUM

To: City Manager Charles Strome III  
Finance Commissioner Howard Rattner  
Council Member Richard St. Paul  
Council Member Albert Tarantino  
Council Member Louis Trangucci

Fr: Mayor Noam Bramson  
Council Member Barry Fertel  
Council Member Roxie Stowe  
Council Member Marianne Sussman

Re: Suggested Amendments to 2011 Budget

Date: November 28, 2010

We have reviewed the proposed 2011 budget with the goals of minimizing the additional tax burden placed on residents, preserving essential core services, and safeguarding the City's long-term fiscal health and stability.

The following amendments are offered for your consideration. If adopted, they would cut the proposed tax rate for 2011 by 1.63%, from 3.90% to 2.27%, while also increasing the unappropriated fund balance by \$350,000 to a total of almost \$3,000,000. The year-to-year property tax levy would actually decline by \$738,598 or 1.52%, a larger percentage reduction than that proposed by the County Executive. Our suggested amendments are first summarized below, with a more complete explanation of each following.

<u>Proposed Amendment Summary</u>	<u>Spending</u>	<u>Revenue</u>	<u>Tax Rate</u>	<u>Fund Balance</u>
Finance Certiorari Payments	-\$700,000	NA	-0.76%	+\$350,000
Reduce Parking Enterprise Fund Subsidy	-\$400,000	NA	-0.87%	NA
Increase Marina PILOT	NA	+\$25,000	-0.05%	NA
Public-Private Community Celebration	+\$27,000	NA	+0.06%	NA
<b>TOTAL</b>	<b>-\$1,073,000</b>	<b>+\$25,000</b>	<b>-1.63%</b>	<b>+\$350,000</b>

**REVISED BUDGET TAX RATE: +2.27% (REDUCED FROM +3.90%)**

**REVISED BUDGET TAX LEVY: -1.52% (REDUCED FROM +0.02%)**

### Proposed Amendment Detail

**Finance Certiorari Payments:** Finance the projected \$700,000 in certiorari costs, instead of funding these payments with cash. Under ordinary circumstances, cash payments would be preferable to the issuance of additional debt, but we note that the City has often financed these costs during times of fiscal pressure (including last year), that interest rates are exceptionally low, and that the City's overall bonded debt has declined significantly during the past decade. Split the resulting general fund savings between the 2011 tax rate and the unappropriated fund balance, in order to provide immediate relief to taxpayers, while better preparing for unanticipated events during 2011 and modestly strengthening the City's fiscal posture moving into 2012.

**Reduce General Fund Subsidy of the Parking Enterprise Fund:** Raise hourly rates at the New Roc City parking garage from \$0.75/hour to \$1/hour. This would generate an estimated \$400,000 per year, with an equivalent reduction in the general fund subsidy of the parking enterprise fund. While the new rate would be very slightly higher than that of the White Plains City Center (\$0.25/15 minutes vs. \$0.25/20 minutes), the two facilities would remain roughly commensurate. (Note: A straight-line revenue projection would yield increased parking income of \$533,000. We reduce this figure to \$400,000 to conservatively account for both a marginal reduction in demand and for a phase-in period for meter re-programming.) Barring unexpected impacts on demand, this action would also provide recurring savings for the general fund in 2012 and beyond.

**Increase the Marina PILOT:** Increase the Marina PILOT from the current \$75,000 to \$100,000. As a general matter, we are skeptical of transfers from enterprise funds to the general fund, but make an exception in this case because the Marina fund is currently operating at a roughly \$30,000 surplus and because a PILOT structure is already in place.

**Establish Public-Private Community Celebration Account:** Events such as the July 4<sup>th</sup> Fireworks, the Memorial Day Parade and the Thanksgiving Parade, although non-essential, are enjoyed by thousands of residents every year and have become much beloved community traditions that enlist scores of volunteers. A public-private partnership could enable us to preserve all three events at minimal cost to the taxpayers. To enhance the possibility of attracting private donations, it would be best to invite contributions for any or all of the three events, with the City covering only the overtime expenses for Police, Fire and Parks staff. To preserve all three events, the City would have to allocate an additional \$38,000 to overtime, partially offset by an \$11,000 reduction for outside expenses, for a net increase of \$27,000. A total of \$55,000 in donations would have to be raised – an amount that is challenging, but achievable. (Note: John & Charles Valenti have agreed to renew their annual contribution to the Thanksgiving Parade for 2011, reducing the remaining fund-raising target to \$45,000.)

### **Rejected Options**

In an effort to further reduce the 2011 tax rate, we considered several additional options. In each case, however, we concluded that these measures were too speculative and/or that they would compromise the City's fiscal stability and necessitate larger tax increases in future years. These rejected options are as follows:

**Assume Revenue to Defray United Water Hydrant Fees:** We strongly support the ongoing examination of a fee structure or other mechanism that might partially or fully defray current taxpayer-funded payments to United Water. However, at this early stage, the timing, size, and probability of adopting a fee remains uncertain. It would be irresponsible and harmful to taxpayers to assume and allocate revenue of such a speculative nature.

**Utilize Additional Fund Balance:** As stated repeatedly by the City Manager and Finance Commissioner and as discussed by the City Council, the proposed 2011 unappropriated fund balance already falls below the level typically recommended. The front-loading of Avalon's land payments has proven to be a timely and much-needed source of immediate financial assistance to the City, but payments for 2010 and 2011 have already been fully divided between fund balance and the general operating fund. While the low fund balance within the proposed budget (bolstered by the \$350,000 referenced above) can be justified by current economic circumstances and by the absence of better alternatives, any additional use of fund balance would severely compromise the City's capacity to address unanticipated events or emergencies during the course of 2011 and would also raise property tax rates for 2012.

**Raise Revenue Estimates:** The Finance Commissioner's sales and mortgage tax estimates assume minimal year-to-year growth in both categories. While every resident hopes that the economy will improve significantly in 2011, the experience of recent years argues strongly for caution and conservatism in projecting income. We see no sound basis for increasing revenue projections and fear that revenue overestimates would create mid-year shortfalls, drain our fund balance and harm taxpayers in 2012. In any case, the City Council lacks the legal authority to override the Finance Commissioner's revenue estimates.

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