

Dear Honorable Acting Supervisor Saland, Deputy Supervisor Morton and members of the Town Board:

It is my pleasure to present the 2022 tentative budget for your consideration. This is the second Town budget prepared during the COVID-19 pandemic, and we hope it is the last. However, the challenges of predicting revenues and planning expenditures during what we hope is the start of the Post-COVID period are as daunting this year as they were last. Despite these uncertain times, we believe this budget continues our practice of utilizing conservative revenue projections and continuing to curb of discretionary spending and costs to blunt the potential impacts of uncertain revenues anticipated in 2022.

The tentative 2022 budget proposes a 3.03% increase in the levy over 2021 (\$672,296) although the total appropriations over all funds increased by \$2,015,237. The breakdown of the 3.03% plainly reveals the challenges we faced in preparing this budget. In short, the refuse component of the levy had an overwhelmingly negative impact on our budget increase. The refuse levy spiked by 19.41%; (\$481,600) while the general fund increase was a modest 1.83% or \$223,251 and the highway fund increased by only 1.07% or \$48,389. Specifically, where the Town had the ability to control expenditures, as with the general fund and the highway fund, the increases over last year were modest as best: 1.83% and 1.07%. However, our refuse costs are subject to external economic drivers outside of our control. The collapse of the international recycling market as well as the loss of local transfer stations and limited avenues for disposal all impacted our new refuse and recycling contract. Although we were aware that market forces would have a significant impact on our new contract for services, we were unprepared for the almost \$1million increase over our last contract, a marked increase of 32.28% from last year.

The average homeowner with an assessed value of \$170,000 or \$877,192.98 market value, will see a \$110.36 increase over last year, excluding fire protection*. That increase consists of a \$23.26 rise over last year or a tax rate growth of .87 for the general and highway fund, and \$87.10 for special districts. In past years, the loss of SALT deductions had a negative effect on our housing market. However, the pandemic reversed that trend and continues to positively impact our housing prices and the mortgage tax revenues.

* As part of the special district component of the Town and County Tax bill, Town residents receive fire protection from three different entities. Each carries its own budget. The Millwood Fire District will increase by \$18,73 per parcel (tentative budget numbers); Northern Fire Protection will decrease by \$14.53 per parcel (final budget numbers); and New Castle Fire District numbers were unavailable at the time of this budget message.

Expenditures – Increases and Decreases for 2022

In preparing the budget for 2021, the most significant factor driving the budget was the sharp revenue shortfalls in 2020 which severely impacted operations. During the past year, we learned the “flip” side of lack of revenue from parking permits, recreational activities, fines and forfeitures to name a few, was that our corresponding expenditures dropped off as well. In addition, we were able to run summer camp, albeit on a smaller scale, as well as other recreational programs outside. We experienced a significant uptick in building permits as more people spent time at home and a run on our housing market that resulted in strong home sales and even stronger home prices.

The 2022 tentative budget presented its own unique challenges. With traditionally stable revenue streams uncertain in the year ahead, continuing to curb discretionary spending is critical to our fiscal health. This budget carries forward that conservative expenditure mantra and takes a reserved approach to increasing revenue projections going forward. Although our best efforts resulted in modest increases in the Highway Fund and General Funds, we were not able to control all costs. However, these responsible budgeting methods help put us in the best position possible to counteract the market forces that we could not control, most notably our refuse contract.

- Employee Benefits: Overall employee benefits decreased by \$141,277 or 1.56%.
 - Retirement contributions as projected to decrease by \$191,470: Employee retirement down 14.33% and Police retirement down 2.44%.
 - Health Insurance is projected to have a modest decrease of \$6,313 or .13%. Although MVP is expected to increase by 5%, we only have 19 of 203 employees enrolled so that impact will be minimal. The

overwhelming number of employees are enrolled in MEBCO and those rates are projected to remain flat. The last factor impacting the health insurance expenditures is that employee contributions to health care have increased as new employees pay a higher percentage of premiums.

- Workers' Compensation premiums are projected to continue to drop, although by only \$8,011 (1.88%) over last year's rates.
- Liability Insurance premium increased by 20% due to a large claim.
- IT contractual services are expected to increase by 48% or \$71,000. Again, our old contract with Sullivan Data expired and our long-time vendor was absorbed by a larger concern. Although we have not yet received a new contract, all indications are that we will experience a significant increase for the services we have been receiving. Going forward, we will be evaluating these types of contracts to see whether an in-house option might be a more fiscally efficient model for our needs. Also included in this budget line is an increase for NCCMC. NCCMC has singlehandedly enabled the Town to transition to Zoom and hybrid meetings to keep residents informed and the Town operating throughout the pandemic. In order to maintain this increased level of connectivity, increased staffing for NCCMC is required.
- The positive news for legal expenses is that Keane & Beane will hold their retainer flat in 2022, for a sixth straight year. In addition, their hourly rate for matters with the Town outside the retainer will also be unchanged for 2022, a blended rate of \$255 which has also held steady since 2017. However, we are expecting to have to respond to Article 78 proceedings next year and so have increased our legal expense line by \$50,000 or 40%.
- We are also reducing tax refunds from \$150,000 to \$100,000 as outstanding certiorari cases are settled in 2021.
- Part-time personnel- There is an increase in the part-time personnel line to allow the Development Department to hire part-time staff to continue its digitization of records (\$29,000), as well as DPW to help accommodate an

increase in resident interactions (\$14,000). These part-time lines were eliminated as an element of our cost savings measures implemented in response to the pandemic. Monies are also included to introduce an EPIC pilot program at the Chap PAC (\$10,000).

- The last expenditure of note is the purchase of a police vehicle for the animal control officer (\$30,000).

Revenues – An Uneven Return to Pre-Pandemic Levels

The encouraging news in our budget preparations was that sections of our revenue stream came roaring back! Due to the strength of the housing market, our projected increases in the total non-property tax/fund balance revenue will increase \$981,445 or 11%. Of that \$981,445, county sales tax comprised \$700,000 of that increase. In addition, the significant upturn in our housing market was an unexpected result of the pandemic and completely reversed the existing downward trend that existed pre-pandemic due, in part, to the elimination of the SALT deduction.

Another of source of revenue was police protection. This includes reimbursement for the SRO from the Chappaqua Central School District as well as from utilities for traffic details. Reimbursement from utilities is a newly added charge and will continue into next year at a minimum due to on-going ambitious state mandated storm-hardening projects. Based on this information, we determined it was prudent for us to include these monies going forward.

Building Permits also are expected to continue to produce a significant revenue stream for the Town. This uptick continues to be fueled by new owners as well as existing owners who are now working from home and deciding to invest in their living space. In light of this, this budget reflects a \$50,000 increase in projected revenues. Confidence in these numbers is further bolstered by the scheduled start of construction on the East Village 91 town homes being built by Toll Brothers.

Parking Permits have been a particularly difficult area to predict. Over the past 18 months, the work force turned remote, commuters stayed home and our railroad parking lot was empty. We expected a return to pre-pandemic commuter habits once offices reopened, but commuters have been slow to utilize the trains as they had in pre-pandemic times. Despite this hesitancy, we are seeing a slow uptick in the purchase of commuter parking permits. We believe that as 2022 proceeds and people get used to the new normal, there will continue to be a return to commuting via train into New York City, even if not to pre-pandemic levels. As a result of this tempered optimism, the 2022 budget includes an increase of \$100,000 to this line- a 20% increase to \$600,000. This is still far below the pre-pandemic \$950,000 revenues.

There will be a significant reduction in fund balance contributions in 2022. Over the past several years, we have been allocating fund balance to offset the debt costs attributable to our recent borrowing. This offset was always anticipated in our budget forecasts. What was not planned was the additional \$700,000 contribution from fund balance in 2021 to offset anticipated decline in revenue- for a total contribution of \$1,200,000 in 2021. The \$700,000 deficit was directly tied to the plummeting parking permit sales in 2021. In response to the dramatic increase in actual revenues from mortgage and sales tax, we have reduced the amount of fund balance allocated to offset the capital projects debt service to \$600,000 a reduction of \$600,000.

Highway Fund's Limited Fiscal Impacts

The overall budget in the Highway Fund increased by 3.29%, or \$182,479. The paving budget was increased to \$1,245,000 up by \$120,000, which reflects an increase in State Aid. Our salt purchases and snow removal over-time lines remained steady at \$295,000 and \$195,000 respectively. In 2022, we are hoping to restore a single laborer position that was lost in 2021 through attrition.

Modest Water Fund Increases

The water fund budget rose by \$325,379 or 3.45%. This increase was due to several factors including: the purchase of four vehicles pursuant to our vehicle replacement program. These included two mason dumps, a Ford Escape and a pickup truck (\$100,000). The increase in the variable cost of water, \$43,081 (2.4%); an increase of \$60,000 in the maintenance costs of the Ozone System at the water treatment plant, and contractual costs with Suez of \$38,263 (3.5%).

The Refuse Fund Spikes

The Refuse Fund singlehandedly has the greatest impact on this year's budget increase. The overall budget increased by just under \$1,000,000 (\$974,379) or 32.28% due to the dramatic rise in the rates in our new refuse contract. The contractual obligations under the contract with Sani-Pro alone represents an increase of \$738,360 or 62.83% and transfer site charges rose another 34.76% or \$182,500. To help blunt the impact of these rate spikes, this budget appropriates \$876,075 in fund balance to the refuse line. In contrast we used \$363,796 of fund balance in 2021. Despite this infusion of money, the rate for residential refuse collection will rise 19.46% next year, from \$440 to \$526 per residential parcel. For historical context, the refuse rates in 2011 were \$520 per parcel for residential collection, in 2012 residents paid \$485 and in 2015 through 2021, residents paid \$440 per year.

Conclusion

The 2022 tentative budget challenged us to create a fiscally responsible roadmap which reflects anticipated revenue streams and expenditures in a post-pandemic economy. Although uncertainty of what the future holds is a constant in the creation of every annual budget, the 2022 budget, more than any other in recent history, presented unique challenges. We believe that this tentative budget acknowledges the potential volatility of the financial indicators in the upcoming year and responsibly projects revenues, controls spending and limits expenditures while maintaining critical services for residents.

I would like to thank Rob Deary for his integrity, expertise, and unwavering commitment to the financial health of the Town throughout this budget process. His steady hand helped safely navigate the Town through the economic

upheaval caused by the pandemic. I would also like to thank the entire staff, especially my assistant Tiffany White and the department heads, for all of their assistance in preparing this budget- without them, this budget would never have been produced. It is my privilege to work among these professionals and the Town is fortunate to have such dedicated staff working tirelessly on its behalf.

Respectfully submitted,

Jill Simon Shapiro
Town Administrator
October 15, 2021