

Dear Honorable Supervisor Katz, Deputy Supervisor Tipp and members of the Town Board:

It is my pleasure to present the 2024 tentative budget for your consideration. As we continue to adjust to the post-COVID world, we have not yet returned to the pre-pandemic economic levels of consistent revenue streams and expenditures, but the formidable challenges to these budgetary components present during the pandemic years do not loom as large. However, the impacts of the pandemic remain; projecting revenues and expenditures, the essence of the 2024 budget, continues to be challenged by supply chain shortages and skyrocketing vehicle and equipment costs. Our long-standing tradition of employing conservative revenue numbers and prudent discretionary spending is evident throughout this 2024 budget. We are hopeful that these sound budgetary practices will continue serve us well as we continue to shake off the effects of the past years' tumult.

The 2024 tentative budget proposes a 4.88% increase in total appropriations over last year's budget. By comparison, the 2023 budget increased appropriations by \$1,074,800, or a 3.52% increase over the levy from 2022. We again remain under the tax cap, but barely. The total levy increased by \$476,894 or 2.02% whereas in 2023, the total levy rose \$822,507 or 3.61% over the previous year. To arrive at the 2024 levy (an increase of \$476,894), the general fund levy decreased by \$75,000, but the refuse levy increased for a third year by \$165,282 or 4.87% as planned, and the highway fund increased 2.13%, or \$102,500. These two increases along with significant spikes in special district budgets contributed to the complicated calculations required to remain under the cap.

The tax cap allowed for an increase of \$472,366 with an additional \$23,792 in carryover funds from the previous year for a total of \$496,128. This is \$350,171 less than we had to work with last year. This year we were limited by having just the 2% tax cap to work with since our growth factor was 1.000% (no increase). This is the lowest growth factor we had to work with since New York State instituted the tax cap over a decade ago. All told, the 2024 tentative budget leaves less than \$20,000 under the cap remaining (\$19,234).

Like last year, the refuse component of the budget continues to be a major driving force behind this year's increases with the refuse levy alone rising 4.87% or \$165,282. Although these refuse increases are not as large as last year's charges and were anticipated, they continue to have a significant impact on our 2024 budget.

The highway fund also added to the levy increase with a 2.13% increase or \$102,500. However, the real story in the 2024 tentative budget are the significant increases in our special districts.

Our enhanced ambulance district increased by \$92,244 due to both a year over year increase in the cost of services along with startup charges for LOSAP. This Length Of Service Award Program for CVAC is long overdue. CVAC remains the only volunteer ambulance corps that does not provide members with the opportunity to earn credit towards a modest pension based on the number of years of service and required training. It is a significant step towards retention of these essential volunteer first responders. We remain acutely aware of CVAC's invaluable contribution to our community and are mindful of the stark financial reality that paid ambulance services would cost millions of dollars over our current projections.

The Northern Sewer District, created to cover the newly installed sewer servicing the Chappaqua Crossing retail, commercial and residential portions of the property, is now officially on our books. For the first time, this district includes a budget of \$50,000 for current operation and future maintenance of the district. This first time charge also contributed to a significant spike in our special district charges.

Last but not least, the Northern Fire Protection District is seeing further increases as the second round of borrowing to upgrade fire house facilities and provide higher LOSAP benefits to their membership are applied to this district. These additional debt service charges resulted in a district increase of \$119,945.

These three special districts coupled with the anticipated increase to the refuse and recycling fund of \$165,282 totaled \$427,471; the tax cap for 2024 was only \$496,128.

### What Our Residents Will See On Their 2024 Tax Bill

The average homeowner with an assessed value of \$170,000 or \$1,148,648 market value, will see a \$38.20 increase in their tax bill. There are two components that contribute to this increase, the general and highway fund that is applicable to all parcels and special districts which are dependent upon where the parcel is located. The general and highway fund will see a **decrease** of \$4.55 over last year and special districts\* will increase \$42.75 over 2023 numbers.

\* 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); New Castle Fire District numbers will rise about \$10 per parcel. However, Northern Fire Protection will increase by \$96.54 per parcel.

### Expenditures – Impacts To All Residents

In every community, there are cornerstone expenditures that drive the annual budget. Employee benefits and salaries, liability insurance and general fund expenditures are our four anchors. Employee benefits and salaries are contractual obligations and non-discretionary costs. Liability insurance is similarly non-discretionary. Our general fund expenditures cover “must have” vehicle and equipment replacement and purchases. This segment of our budget has been particularly hard hit by lagging supply chain issues and spiking costs. Our vehicle replacement policy, traditionally employed to ensure timely vehicle purchase and vehicle “retirement” to maximize residual value reclaimed on resale, has been plagued by the inability to secure new vehicles in a timely fashion. The result is higher purchase costs inflating our general fund expenditures coupled with increased repair costs and decreased residual values. Each of these components is discussed below.

- Employee Benefits: Overall employee benefits increased 6.84% or \$619,988. This number reflects a \$220,681 increase for retirement benefits and health insurance rising over 6% or \$333,590. After years of low single digit increases for healthcare, the surge of healthcare costs to mid-single digit range will have a negative impact on our bottom line. The full effect of this uptick has been offset by an increase in the number of employees contributing to healthcare and more employees contributing to healthcare at a higher rate. Our worker's compensation insurance premiums have also held steady as a result of a multiyear contract with PERMA and a continuing commitment to employee safety and training.
- The Liability Insurance premiums continue to increase due to several large claims in recent years. These significant claims linger on our history as we try to shop for more competitive rates. These claims include most notably the catastrophic failure of the standby generator at the Millwood Water Treatment Plant. Unfortunately, we remain limited in the potential field of companies that can underwrite this policy for the Town due to the presence of the Minkel Dam. We were hopeful that the Minkel Dam decommissioning scheduled for winter 2023-2024 would allow us to be in a competitive position for liability insurance in 2024, but it appears that the decommissioning will need to be completed and accepted by the DEC before it will have a positive effect on our insurance rates. We do not expect this to occur before 2025.
- Employee contractual increases of 2.25% for the CSEA (white- and blue-collar employees) and 2.9% for the PBA (Police) are reflected in salary lines in the 2024 budget. As the CSEA contract was unsettled in 2021, 2022 and through the time the 2023 budget was prepared, anticipated salary increases in 2021 and 2022 were contained within the contingency lines of the 2023 budget as opposed to the salary lines.
- General fund expenses round out the expenses for the 2024 budget. Specifically, equipment and vehicle replacements for the parks department will increase by \$78,500. Tax certiorari refunds are increasing by \$25,000 as several large tax certiorari matters are on the horizon. Last, the addition of two officers as dedicated SROs is increasing salary lines by \$160,000. We consider this a budget increase even though there is a corresponding revenue line for this expense.

## Revenues – Cautious Optimism

Despite our conservative projections on revenue that will continue through the 2024 Budget, there are some bright spots in the forecast. These include county sales tax revenue which is projected to remain strong and have been increased \$150,000 based on past performance.

High interest rates have chilled the housing market and the soaring mortgage tax revenue witnessed during the pandemic has subsided. However, the flip side of that high interest coin is that interest earnings on our investments have benefited from strong rates on healthy fund balance deposits. Interest earnings have been increased \$215,000 to \$250,000 for the 2024 budget. In addition, building permit revenue continues to be robust. Building permit revenue has increased \$25,000 as building activity remains high and one-third of the building permits for the 91 town homes at Chappaqua Crossing are anticipated to be issued in 2024.

Rounding out the revenue for this 2024 Budget is fund balance revenue which was increased from \$850,000 to \$1,400,000 to stay within the tax cap. Police revenue has also increased from \$250,000 to \$522,00 due to the two new SRO positions. Although commuter parking revenue has been difficult to predict, commuter parking fee revenue is increasing by \$75,000. Anecdotally we know that train commuting has increased by the number of cars in the parking lot, however, we have not seen a return to pre-pandemic parking levels in terms of the sale of annual parking permits. It may be that commuters prefer to purchase daily meter permits and pay by day as they reluctantly return to the office.

In a return to pre-pandemic practice, we are shifting the parking season back to a June commencement in 2024. Commuters will enjoy 18 months of parking with their current permits and then renew in June of 2024. With this change in term, fees for annual parking permits and pay-by-day permits will increase for the first time in a decade.

### Highway Fund's Fiscal impacts

The overall budget in the Highway Fund increased by 5.76% or \$336,480.

The paving budget was increased to \$1,425,000 reflecting a \$60,000 increase in state funding. The Vehicle and Truck line increased by \$115,000 due to needed replacements.

Our salt purchases and snow removal overtime lines continue at 2023 levels of \$295,000 and \$195,000 respectively. Actually, salt costs and snow removal overtime costs remain at 2022 levels as they remained constant in the 2023 budget as well. Highway staffing remains at 2023 level- also unchanged from 2022.

### Water Fund Modestly Increases

The overall budget for the water fund will increase less than 1%. The .79% increase or \$82,120 reflects increases in our contractual obligations to Suez which increased by 6.6% or \$78,761. We anticipate significant increases to electricity (53% or \$196,923) and raw water (4.75% or \$88,005). On the other hand, we are hopeful that the new standby generator will be ready for delivery and installation in 2024 and expenditures to rent the current standby generator (\$290,000) will end.

### The Disproportionate Cost of Refuse – Continued....

The high cost of refuse continues to have an outsized impact on our budget. To tackle the large increase in the refuse and recycling contract, we implemented a multiyear plan to slowly increase the rate for residents by using refuse fund balance to offset the impact. Despite the infusion of \$371,127 in the 2024 budget of refuse fund balance to offset the cost of the refuse contract, the cost per residence for refuse and recycling will increase by \$28 to \$630. 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. In 2022 the rate rose to \$526 and last year the rate was raised to \$602.

## Conclusion

Every budget presents its own unique set of challenges; the 2024 tentative budget is no different. With the 2024 budget, we continue to distance ourselves from the fiscal upheaval that permeated the economic landscape during the pandemic years. Although some of the fiscal uncertainties which existed during the past several years remain, select traditional revenue sources regained their footing and began to lend themselves to positive forecasting. This budget reflects our continued commitment to conservative forecasting of revenues, limiting expenditures and controlling discretionary spending. We remain cognizant of the potential volatility of the financial indicators as world events continue to affect economic stability.

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. Once again, he successfully navigated the unique challenges presented by this recovering but still stressed economy. I would also like to thank the entire staff, especially my assistant Tiffany White and the department heads, for 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,

A handwritten signature in black ink, appearing to read "Jill Simon Shapiro". The signature is fluid and cursive, with the first name "Jill" being the most prominent.

Jill Simon Shapiro

Town Administrator

October 12, 2023