

Mayor's Budget message
18 March 2013

Overall, we are relatively healthy

Overall, because of a relatively light winter season (which, as I write this, is not nearly over with a late March snow storm in the forecasts), we are in a tight, but manageable budget environment. One metric for measuring budget health and stability is the net income (NI) for a year and the resultant unexpended balance. This year, I am predicting a NI of almost -\$8,500 (that's a net loss, of \$8,500). In contrast, the NI for the past several years was:

\$20,916.42 last year (11/12)
-\$ 3,794.14 in 10/11
-\$10,154.43 in 09/10.

Our unexpended balance (UB) level varies from year to year reflecting the net gain (or loss) for the year, but overall, our balance remains at a very healthy level meaning we were able to absorb the loss this year easily. As you can see, the budget has balanced out over the long term – over the course of the four years listed above, the NI is pretty close to neutral. We spent \$25K more this year than last year and still the UB remains around \$100K.

Where did we increase the spending and why?

The biggest spending increases this year over last year were: Maintenance of Roads (\$11,350 estimated increase from last year to this year), Road Construction (\$8,727 estimated increase from last year to this year), and Attorney (\$11,230 estimated increase from last year to this year). It would be great if road expenditures had less dramatic swings in the year-to-year expenses, but since we have such a tiny road inventory even a single major construction project or repair will have this effect on an annual budget. They are dramatic, but not unexpected or unwarranted.

The Attorney line, however, should normally be more consistent. The large increase this year is due mostly to the litigation involving our road contracts. While we still have no verdict in that case, I expect that the major expenses related to it are already paid. This is a reminder of how expensive such litigation is to the community in real dollars, not to mention the time and effort spent on the case which could have been more productively spent on other projects. We should continue to be as careful and proper as possible in all village business dealings to minimize the potential exposure to lawsuits. Had we not been as diligent in our proceedings this past year, the legal costs could have been much higher.

So how did we close that spending gap?

We realized substantial savings because of the two light winter seasons we had in the past two years. Last year's light season left us with enough supplies (salt and sand) in stock to last through this season without any additional purchases. That savings coupled with our new winter contractor's slightly lower rates and conservative management overall by our DPW Supervisor resulted in \$11,072 (estimated) in reduced Snow Removal expenses over last year. Also, revenue from Sales Tax increased

about \$1,750 this year over last while most other income lines at least kept pace with the previous year. Relatively minor normal variations in the expense lines make up the rest of the difference.

What changes are reflected in the proposed budget?

I propose making some changes in the Public Works Department. I would like to hire a Deputy DPW Supervisor to augment our current supervisor. The supervisor would continue managing the road construction and maintenance tasks while the deputy would manage the winter snow and ice mitigation effort. While the DPW supervisor would have overall responsibility for the department, introducing another individual to our road management efforts, gives us some needed depth in the department. Also, assigning the winter tasks to the deputy allows for the department to better manage through winter illnesses and vacations by having a backup within the department to help when needed. This change does not impact the budget significantly as I propose increasing the current \$5,000 DPW personal services line by 2% to \$5,100 and then split it into two pieces (\$3,100 for the supervisor, \$1,500 for the deputy), leaving \$500 unassigned initially.

The proposed budget includes raises for the other appointed officials as well. The Treasurer's salary will increase by \$150 or just about 2%. The Clerk's salary would also increase \$150, as we continue to edge that line up to a more appropriate level commensurate with the role's responsibilities and required effort. The CEO compensation would again be split into two pieces: \$1,000 for the year plus \$26 per incident (an increase from \$25 per incident).

I have proposed funding the Celebrations budget line and have added a Parks budget line. While the board will have the opportunity to review any proposals that would result in any expenditure from these lines, I felt it is important to make it clear that one of our priorities is to invest in efforts that bring our village together and increase our sense of community.

Both the Maintenance of Roads and the Road Construction lines have been increased in the proposed budget to protect against potential materials costs increases. We will strive to continue making our investment in our roads as effective as possible by extending the life of our road surfaces through timely and appropriate preventative maintenance.

What about taxes?

The proposed budget includes a 1% property tax increase over last year, or about 1.84¢ per \$1,000. This very modest increase will allow us to continue providing essential services while improving the quality of life in our village. This rate continues our tradition of very efficient government.

The key is to balance spending with revenue

In some ways, the proposed budget reflects a worst-case spending plan. We will strive, as we always have, to do as much as possible using as little money as possible. As has always been the case, it is likely that we will not spend the appropriated amounts in most of the budget lines. Our goal will be to balance spending with actual revenue – to use as little of our unexpended balance that we carry forward each year as possible, preserving that “cushion” to offset unexpected emergency expenditures and avoid large tax increases.