

Mayor's Budget message
7 March 2014

Background

Before discussing the specifics of our financial situation, I want to reflect briefly on how and why we are where we are. Our village was formed by community members that were passionate about our environment and the way of life they had developed and grown to love. They wanted to be able to control the use and development of our natural resources to maintain and sustain the community so they and future generations could enjoy the benefits of peaceful rural living. It was the vision and commitment of our founders in the 1990's, and the work of numerous dedicated people since then, that has provided us with the opportunity to continue this important demonstration of local control that is known as "home rule". We, the people of East Nassau, are truly in control of our municipal destiny. It is a privilege to be able to continue the work of our founders to insure the security and sustainability of our community.

A budget is a planning document, designed to give a realistic estimate of where our resources will be spent in the coming year. It is also a document that expresses our priorities. Through the budget we allocate our modest financial resources to sustain, grow, and improve our community. While most of the budget is dedicated to non-discretionary items (we have to keep the roads clear and safe, for example), the small fraction of the budget that is non-discretionary serves to demonstrate what our priorities are. Specifically, the priorities reflected in this budget are **sustainability and improved quality of life**. The proposed budget this year invests in: improvements to our administrative infrastructure for sustainability – in particular the treasury and the building department; community character features that enhance the environment and help bring the village together as a community; and enhancements to our road network planned over the past year that we hope will improve the livability of the neighborhoods.

Our current financial picture – the summary

The bottom line is that we are in good shape financially, with expenditures and revenue mostly in line with expectations with the exception of the winter maintenance expense which has been higher than the past couple of years due to the extreme winter season we have endured. As a result, I estimate that our expenditures may exceed our revenue by more than \$7,000. This amount is manageable with the cushion provided by our accumulated unexpended balance (UB) carried forward from previous years. I estimate the UB at the end of the current fiscal year will be \$92,159.65, which is still a very healthy level. While our goal clearly is to have revenues at or above our expenditure level each year, we can comfortably sustain the slight imbalance caused by an extreme winter season and will continue to spend conservatively in the coming year to attempt to maintain the UB at the current or higher levels.

The details from this past year

There have really been no expenditure surprises this past year beyond the winter road work. We did no road construction work in anticipation of the large construction effort planned for this coming year (the upgrade of the surface of Gardner Hill Road with a double chip seal application). Deferring this major construction effort allowed us to carry forward the state CHIPS (Consolidated Local Street and Highway Improvement Program) money, applying two years of state aid for the one project. That is why the CHIPS revenue line was zeroed out in the actual column for this year, and doubled for the budget column next year. We will consume all of that CHIPS funding (and more) for this one project.

Instead of construction work, we did considerable road maintenance work, keeping the road surfaces in as good a condition as possible to avoid having to do major reconstruction efforts as long as possible. We will continue the program of aggressive maintenance this coming year.

There were also no major revenue surprises this past year. Since we have not yet received the final sales tax check from the county, it is possible that it may exceed the estimate I have put in the budget worksheet. It seems unlikely that it will be less than the estimate. As the economy improves, the sales tax income is likely to increase as well. We have met or exceeded all other income lines in the budget this past year.

What changes are reflected in the proposed budget?

The first notable change this year is an increase in the equipment and contractual budget lines for the treasurer. This is to support two upgrades to the treasury function. We have discussed over the past year how to improve the manageability and sustainability of one treasury function – the payroll. Currently our payroll is managed by our highly capable and experienced treasurer. A payroll service could make the technical details of managing our payroll doable by someone less capable and, more importantly, make it easier to sustain through a personnel transition in the treasurer role. I don't expect a personnel change in the near future, but the treasury function is too important to not have a succession plan in place before we need it and this is a first step in doing that. The second upgrade to the treasury function is for the computing equipment and environment that supports the treasurer. Both the financial management software (Quickbooks) and the village-owned laptop computer used by the treasurer are quite old. While we may not be able to upgrade both at once, we should budget for modernizing that part of the treasury infrastructure. My preference is to move to a cloud-based budget management environment, eliminating both the local computing requirement and ownership of the software. At this point, though, there are no cost-effective solutions that we've found. Any proposed solutions will be presented to the board of course, before being acted on.

The second notable change is an increase in the Parks budget. The Bell Park is an important first step in building community resources that improve the quality of life in the village. As referred to in the note in the budget, I expect the \$1,000 increase in the Parks budget to be funded by donations to that budget line. Donations from the public to the Save The Bell, Inc. organization have brought the Bell Park to its current state. Now that Save The Bell, Inc. has dissolved, I expect the momentum to continue and hope public interest and donations directed to the village will continue to support progress toward completing the park build out. We previously budgeted \$1,000 toward park development efforts. This budget continues that allocation and doubles it with matching funds from the public. The proposed budget also continues the allocation in the Celebrations line begun last year. The telephone pole flags purchased through this budget line helped establish a community identity and were enjoyed and commented on by many. Progress in Bell Park, the flags, and other activities in the coming year are an investment in our community which I hope will return dividends in improved community cohesiveness and satisfaction.

The last notable change in the budget is the road budgets. As mentioned above, we will execute on the plans made to upgrade the surface of Gardner Hill Road. This conversion of one of our busiest unpaved roads to a "semi-paved" surface (double chip seal is not quite pavement) is an experiment. If successful, it could prove to be a model for the future conversion of our other unpaved roads. The hope is that the new surface will provide a better environment for the neighborhood (less dust), better performance for drivers (less slippery when wet, smoother riding), and lower maintenance (no more annual re-grading). The goal is improved livability and lower costs along village roads.

Another proposed change, not clearly reflected in the budget is in the Building Department. The Building Department performs the function that fundamentally is the reason for the village to exist: enforcement of our local land use regulations as well as state building codes. Arguably, this is the most important role in our village government. We will re-focus attention on the department this year to ensure sustainability of a fair and rigorous enforcement function. First, I propose that we change the compensation structure for the CEO back to a flat salary from the current “per incident” system. I believe the per-incident system has become a bookkeeping burden for the CEO that has resulted in delayed and lost compensation. We had hoped that the per-incident structure would generate utilization data about the department but that has not been effective because of the difficulty in rigorously documenting the activity. Changing back to a flat salary structure will allow the CEO to concentrate on performing the job including appropriate documentation without the burden of another layer of documentation just for payroll purposes. This change is budget-neutral.

Also not reflected in the budget but included in our re-focus on the Building Department this year will be an effort to find a better back office environment to support the function. The current system consists of a home-grown database and while cost-effective, it is difficult to maintain and extend. Commercial solutions reviewed to date are cost-prohibitive for our scale of operation, but I am optimistic that we will be able to find a solution to support the department’s needs that we can afford. The budget maintains the equipment and contractual lines for Code Enforcement at the same levels we’ve had in recent past budgets. We may have to supplement those lines if/when a new back office environment solution is found.

What about taxes?

The proposed budget includes a 1.43% increase in the tax levy over last year, or 1¢ per \$1,000 (which is about a 0.5% increase in the tax rate). 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 many 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 while still making progress on our priorities. 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.