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John Habib
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Village Manager
Janine M. King

Treasurer
Sandra Bullock

Clerk
Pauline DiSanto

Engineer
Daniel F. O'Connor, P.E.

March 17, 2021

Honorable Mayor and Trustees
Village of Croton-on-Hudson
1 Van Wyck Street
Croton-on-Hudson, NY 10520

Dear Mayor and Trustees:

Attached is the tentative budget for the Village of Croton-on-Hudson for the fiscal year 2021-2022. This budget is presented to you for your consideration and review in accordance with the provisions of Article 5 of New York State Village Law. The proposed budget has been filed with the Village Clerk's office and will be made available to the public on the Village website.

Tax Rate, Tax Cap, and the Allowable Levy

On January 19, 2021 the Village Board voted to adopt Local Law 2 of 2021 in order to override the property tax cap law. The tentative budget does not comply with the Property Tax Cap legislation, which this year has applied a tax base growth factor of 0.36%, an allowable levy growth factor of 1.131%, available carryover from FYE May 31, 2020 of \$151,222, and an exclusion for Police and Fire Retirement System of \$60,544. This year's allowable levy limit is \$12,341,899, an increase of \$412,549 over last year's levy. I am proposing a tax levy of \$12,474,070 which is \$132,171 over the allowable limit and an increase of \$544,720 from the prior year. The proposed tax rate for the tentative budget is \$274.836 per \$1,000 of assessed valuation. This represents an increase of \$10.105 per \$1,000 of assessed valuation resulting in a 3.82% increase in the tax rate. Based upon this proposed increase, the property representing the median assessment in the Village of 14,700 would pay an additional \$149 in Village taxes. The proposed budget for 2021-2022 reflects an increase in the Village's assessments of \$325,126.

Since the inception of the tax levy cap law instituted in 2012 the Village has remained under the tax cap for 8 of the 10 years (excluding this year). In the 2014/15 fiscal year the Village did override the tax cap law and the levy was \$28,634 over the allowable limit. Overall, however, the Village tax payers have paid \$1,163,265 less in taxes compared to what the allowable levies were through the 2020-2021 fiscal year. Tax increases from the prior 4 years were 0.75%, 0.47%, 0.46%, and 1.98% respectively. The proposed tax increase of 3.82% is justified in order to keep the Village financially solvent during these unprecedented times.

Impacts from COVID-19

Before the 2020-2021 budget was adopted, the Board and staff reviewed the tentative budget filed in March 2020 and agreed to proposed cuts in expenses of \$415,388 from the tentative budget. This was in an attempt to balance the projected loss in revenue due to the Pandemic. However, at that time we were anticipating a six-month shortfall, not a multi-year impact.

Over the past 12 months the Village has been contending with a variety of issues stemming from the COVID-19 Pandemic. Although we have had to conduct Village business very differently this year, we have made every effort to provide the same services to our residents as in prior years. Our employees and volunteer staff have dedicated themselves to keeping Village operations running and keeping our Village and residents safe.

Although we have been able to maintain our important services to our residents the losses in non-tax revenue have been significant. The major loss in revenue stems from the loss of commuter parking at the Croton-Harmon train station. We have also seen major reductions in Fines & Forfeited Bail, Recreation fees, and Interest & Earnings.

Revenue and expenditure variances from the previous year:

Revenues:

- Non-tax revenues represent 25.8% of total appropriations. Projections for these revenues have been set at \$4,889,522; a decrease of \$2,187,047 from the prior year's projections.
- Parking Revenues are estimated at \$1,204,000 which is \$2,204,215 less than the 2019-2020 actual revenues and \$2,172,000 less than 2020/2021 budgeted

amount. Year to date through March 11th the Village has earned approximately \$1,003,906 which includes the sale of all four permit quarters. We can anticipate an additional \$38,000 in daily parking through May 31st which would bring this year's revenue to approximately \$1,041,906.

- I am forecasting an increase in sales tax revenue of \$450,000 over the prior year's budgeted amount. This is based upon the actual year to date revenue we have received.
- I am anticipating the reduction in recreation fees and beach charges to be \$150,000 from the prior year's budgeted amount.
- I am forecasting the revenues from Fines & Forfeited Bail to be \$170,000 which is \$125,000 less than the actual received in the 2019-2020 fiscal year and \$180,000 less than the budgeted amount in 2020-2021.

Expenditures

The Department Heads have tried to either lower or maintain the level of discretionary expenditures. The total estimated appropriations of \$18,933,592 represents a decrease of \$365,810 from the previous year. This is in addition to the \$415,388 that was cut from last year's tentative budget. Although almost every department has been able to slightly reduce expenditures from the previous year, the following represents the significant variances from the prior year.

Significant decreases in expenditures:

- Salary costs for the full, part-time, and seasonal employees in the General Fund have decreased by approximately \$250,000, reflecting contractual increases for the Croton Police Association, some minor contractual step increases for the Teamsters, no increases for the management staff, replacement of retired staff with newer personnel at lower starting salaries, reduction in part-time and seasonal employees, and not funding in this year's budget the replacement of one full-time employee in the Parking Department. The reduction in part-time and seasonal employees is a function of reduced programs due to the Pandemic.
- Budgeted amounts for health-care costs have been reduced by \$100,000 to reflect actual costs.
- Workers Compensation costs have been reduced by \$70,000 to reflect actual costs.
- I have reduced the budget for contingency from \$200,000 to \$150,000.

Significant increases in expenditures:

- Debt payments are \$61,625 greater than the previous year.
- I have increased the budget for pension costs by \$161,437 over the previous year to reflect this year's payment.

Water Fund

I am recommending a 10% increase in the water rates. In the fiscal year end 2019/20 the water fund had a deficit of \$142,710. Water consumption has significantly decreased over the past three years. The Village has already reduced the number of water operators from four employees to three. Increasing the water rates will help reduce the deficit over time. A surplus is necessary in order to help fund the improvements to the water infrastructure and make any necessary emergency repairs.

Sewer Fund

As of May 31, 2020 the sewer fund had a fund balance of \$174,577. I am proposing a slight rate increase of 2% for the 2021-2022 fiscal year in order to maintain a healthy fund balance.

Capital Program

The Proposed Budget includes a capital plan for the current year and nine subsequent years. The capital budget for 2021-2022 proposes issuing a long term bond in the amount of \$905,837, utilizing \$100,000 from CHIPS funding, and \$450,000 from the Gouveia endowment.

Long Term Debt

I am recommending that the Village issue a bond in the amount of \$905,837 in the 2021-2022 fiscal year. This will result in a reduction in the Village's debt of \$1,068,227 in the General Fund, \$674,252 in the Water Fund, and \$80,346 in the Sewer Fund. This totals a reduction of overall debt of \$1,822,825. Reducing overall debt year over year is in compliance with the Village's adopted Debt Policy.

Fund Balance

I am recommending utilizing \$1,570,000 in unassigned fund balance to balance the operating budget. This is clearly an unprecedented utilization of our fund balance. By utilizing \$1,570,000 the unassigned fund balance as stated in the 2019-2020 Final Audit will be lowered to \$4,223,691 which is 22% of the proposed appropriations for 2021-2022.

However, I am forecasting a \$1-million deficit in the operating budget for the current 2020-2021 Fiscal Year. In conjunction with the utilization of the \$1,570,000 to balance the 2021-2022 operating budget, this will reduce the unallocated fund balance to \$3,223,691. This represents 17% of the proposed 2021-2022 appropriations of \$18,933,592. The utilization of fund balance is in compliance with the adopted fund balance policy of keeping between 17% and 22% of the general fund appropriations as unallocated fund balance.

This is not a sustainable amount to be used for more than one year and can only be justified by the impending sale of the Katz property for \$1,750,000 which may or may not close within the 2021-2022 fiscal year. The Village must focus over the next 12 months on finding creative ways to maximize non-tax revenue.

The following is the list of meetings we have scheduled in order to review and adopt the budget.

I recommend that the Board review the department accounts prior to each meeting so that the staff can answer any questions the Board may have regarding each of the accounts.

4pm Monday, March 29 Public Hearing on the budget.

4pm Thursday, April 1 Review of the Department of Public Works
General Fund Account #s A:1620, 1640, 3310, 3510, 5010, 5110, 5140,
5142, 5182, 7110, 7550, 8090, 8140, 8160, 8170, 8510, 8560
Water Fund Account #s F:1320, 1650, 1910-1980, 1990, 8310, 8320,
8340, 9000, 9060, 9730, 9901
Sewer Fund Account #s G:1320, 1650, 1910-1980, 1990, 8120, 9010-
9050, 9060-9062, 9730, 9901

6pm Thursday, April 8 Review of the Fire Department and EMS Budget
General Fund Account #s 3410, 4540

Review of the Police Department Budget
General Fund Account #s A: 3120, 3150, 3189

6pm Monday, April 12 Review of the Recreation Budget
General Fund Account #s A:7020, 7140, 7180, 7310, 7610,
Review of proposed fees, review of administration accounts

6pm Thursday, April 15 Capital Budget

5pm Monday, April 19 Regular Meeting & Budget Recap

6pm Monday, April 26 Budget Adoption

Sincerely,

A handwritten signature in cursive script that reads "Janine King".

Janine King
Village Manager