

Overview – 2023 Final Budget

11/2/22

The economic environment has been challenging this last year and is likely to be challenging next year as well. The major impacts on our budget have been 1) the sharp increase in the cost of labor and materials caused by high inflation and 2) the risk of a recession and the possible deterioration of our sales and mortgage tax revenues along with a reduction in our other fee revenues, as the economy slows down.

The Town's financial strategy has been and is to maintain sustainably flat taxes over time by carefully managing costs and building cash reserves in good years and using these cash reserves to pay for capital investments, and to cover short term uncontrollable spikes in costs or deteriorations in revenues, like we now face, and are likely to continue to face for the next few years, without raising taxes.

This year property taxes are budgeted to remain flat again. Ancram property taxes have been flat or down every year since 2010.

The 2023 proposed budget allocates \$100,000 to our capital equipment reserve fund and \$40,000 to our general contingent account, while supporting salary increases for our staff and covering inflation related price increases. Here are some of the details:

1) 2023 property taxes are projected to be flat to 2022 taxes at about \$714,000...total expenses are budgeted at \$1,827,075, down from the \$1,864,470 budgeted in 2022; 2023 revenues are budgeted at \$1,014,800, up from the \$904,050 budgeted in 2022; and use of fund balance is budgeted at \$98,000 is down from the \$246,000 budgeted in 2022. The higher expenses and allocation of fund balance in the 2022 budget were related to one- time budgeted expenses for the revaluation, the Town Hall HVAC project and the van and labor support for ANHNA.

2) Salaries are budgeted to go up about 5% in 2023, which is about \$25,000. Raises plus a salary adjustment for the tax collector, the establishment of a bookkeeper position and workload related increases in the planning department are offset by the elimination in 2023 of revaluation related assessor costs and normalizing costs for the deputy building inspector. If cost of living/inflation is still exceptionally high going into 2023 we may want to consider a one-time, non-recurring salary adjustment for all staff that we pay in 2023 out of the 2022 year end fund balance.

3) Health insurance is budgeted to be flat based on lower than expected price increases and a change in the mix of family & individual plans.

4) State retirement is budgeted to be up 15%, about \$5,250.

5) Sales tax has been budgeted to be flat to actual 2021 and expected 2022 levels of \$420,000. There may be a \$10,000 to \$20,000 opportunity in this budget in 2023 if the

county economy stays strong, or a major risk if there is a serious recession that causes consumers to reduce spending.

6) Mortgage tax has been budgeted at \$50,000 in 2023, compared to about \$100,000 in 2021 and about \$60,000 expected in 2022 to reflect the current high rate environment and the slowing of homes sales.

7) The 2023 budget reflects \$30,000 interest earned on funds, reflecting our intent to invest \$1 million on average during 2023 in 3 and 6 month T-bills yielding over 3%. The actual amount we can invest in T-bills in 2023 will depend on how much we decide to spend on major capital items (Town pool, housing, water study, pavilion, solar, highway sand/salt shed & equipment, etc.) in 2023 and on the strength or weakness in the sales tax.

8) Major 2022 budgeted investments (HVAC, pickup truck, solar inverters, NHN Van, pool bathrooms, handicapped chair for town pool) totaling about \$220,000 have been eliminated from the 2023 budget along with about \$70,000 of grant revenue and \$100,000 of fund balance revenue support.

9) We have budgeted \$130,000 in equipment and contingent funds in 2023 compared to \$126,000 in 2022 to add to our fund balance (town reserve account) to help fund possible future investments outlined in the 2023-2027 Capital Plan like the refurbishing the Town pool, affordable housing, a water study, a pavilion, solar panels at the Town Garage, highway equipment, etc. The fund balance also covers unbudgeted decisions made in 2023 by the Town Board (CRB training, inflation salary adjustment for staff) which will be funded by budget adjustments from our fund balance, which is projected to be at about \$1,400,000 at year-end 2022.

10) Highway is budgeted to spend \$25,000 more on road repair, \$10,000 more on fuel and \$5,000 more on snow removal, all caused by price increases. These price related increases, and the \$45,500 plow truck annual bank loan payment (a total of \$85,000) will be funded from the 2022 fund balance and will not be part of the 2023 tax levy.

11) There are a variety of 2023 revenue decreases in the general fund totaling about \$35,000, based on YTD 2022 experience – camp/pool fees down \$10,000, donations down \$10,000, cable franchise fees down \$10,000 and building permit fees down \$5,000.

12) There are also a variety of budgeted spending decreases in 2023 in the general fund based on our YTD 2022 experience, totaling about \$55,000 - attorney fees down \$15,000, computer related spending down \$5,000, PB/ZBA .4 down \$10,000, cemeteries down \$4,000, camp/pool salaries down about \$6,000, EEP program down \$12,000 and a variety of other items netting out to about \$3,000 in saves. The 2023 budget has eliminated the \$12,000 funding for the EEP program because our 2022 experience with this program was disappointing. Staff shortages at the Sheriff's

department made the scheduling of patrols in Ancram over the summer unpredictable and unreliable, and the four radar speed signs we have placed on 82 coming into Ancram and Ancramdale seem to be having a beneficial and calming impact on speeders.

13) The 5 Year Capital Plan assumes limited new investments in 2023 until we see what the overall economic environment looks like. Planned capital spending in 2023 will be limited to a new bucket truck (\$85,000) which is carried forward from 2022, and \$30,000 to complete the work on the Town Hall HVAC project. We are deferring most major investments to 2024, have committed to buying a new plow truck (\$300,000) in 2024, and are evaluating a handful of other major investments in 2024 or beyond including a new sand/salt shed (\$200,000), renovation of the siding and deck area around town pool (\$200,000), a water study in the Ancram hamlet (50,000), a pavilion at either Town Hall or Blass Field (\$100,000), solar panels at the town Garage (\$85,000) and an investment in affordable housing (\$100,000. If we do everything in the 2023-2027 Capital Plan and continue to allocate at least \$100,000 a year to our fund balance for capital projects, we will spend a total of \$1,535,000 over the next five years and will have a projected 2027 year end cash balance of \$526,000.

14) Looking ahead, if we move into a recession triggered by high interest rates that cause sales and mortgage tax revenues drop while prices continue to escalate, we will be forced to review spending, postpone major discretionary investments and cut back in categories that are under our control in both the general fund and in the highway fund.

Please let me know if you have any questions or comments.