

Budget Message 2017



The development of a budget for a Town the size of Southampton requires the efforts of many individuals. The Town provides a broad range of services including our police department, highway department, as well as the maintenance of our many beaches and parks to name just a few. As I submit my first budget as Supervisor, I want to thank all who have provided insight, expertise, and good counsel throughout the process, helping me provide a fiscally responsible budget that continues to support needed services and meets the growing demands on all Town departments.

Over the past several years, the Town has developed sound budgeting practices that have not only strengthened the Town financially, but have led to the Town receiving the highest possible credit rating (AAA) from Standard and Poor's (S&P) and, just this year, from Moody's as well. My goal within this 2017 Tentative Budget is to continue these practices and, where possible, to strengthen them.

Let me begin this budget message by highlighting six significant aspects of my proposed 2017 Southampton Town Budget.

The 2017 Tentative Budget will:

- ✓ Reduce the overall tax rate in major funds by nearly 2.0% from the 2016 tax rate
- ✓ Remain within the New York State Tax Cap
- ✓ Continue to reduce overall debt in the amount of \$7 million
- ✓ Provide support and planning to enhance public safety and expand affordable housing opportunities
- ✓ Carefully and thoughtfully right-size Town staff levels to meet the growing needs of our community.
- ✓ Provide much needed investment in Town infrastructure.

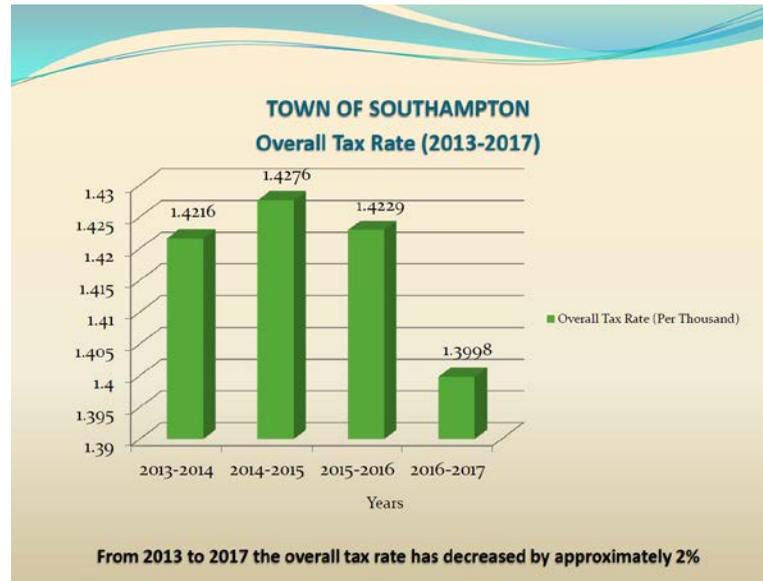
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TAX RATE REDUCTION

Southampton reassesses residential properties annually. The Town has been benefitting from this practice by capturing increases in the overall valuation of the tax base allowing the Town to maintain a relatively constant tax rate. **In this Budget, the Tax Rate will be reduced by nearly 2.0% from the 2016 rate, the largest tax rate reduction in recent history.** With careful budget preparation and effective operational implementation, this budget will be able to address contractual increases, the costs associated with organizational changes proposed, as well as other initiatives included in this budget and described in greater detail in this budget message, while still providing the taxpayer with an overall tax rate reduction.

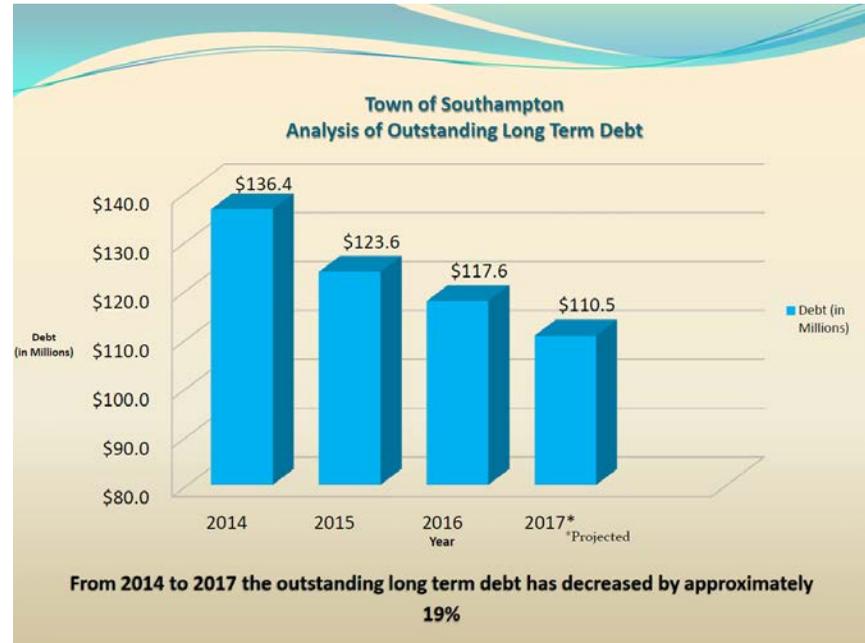
The operational budget for 2017 is \$94.7 million, a 3.9% increase in expenditure over 2016. However, the increase is structurally balanced as a result of increases in the tax base and increases in other revenues such as mortgage tax revenues and user fees (such as beach use fees and building permit fees). The budget still provides the taxpayer with a tax rate reduction. The capital budget for 2017 is \$9.3 million.



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DEBT REDUCTION AND FUND BALANCE

Key to the successful rating upgrade from the rating agencies S&P and Moody’s has been the Town’s ability to reduce its debt across all town funds. In the height of our financial difficulties the Town carried an overall debt of \$152 million. The debt service payments



on this amount placed a huge burden on the budget and, of course, the taxpayer. Reducing that debt lessens that burden. In this budget, the overall debt of the Town is \$110 million, a reduction of 28% from its high. A key component of this ability to control and reduce debt is the institution of a “pay-as-you-go” fund, designed to meet costs within the operating budget that had been borrowed in past capital budgets. The Town instituted the “pay-as-you-go” fund three years ago and it has proven to be a wise financial decision. The 2017 budget sustains that fund at \$1.1 million.

As a complement to the fiscal value of reducing the Town’s debt is the ability of the Town to establish and maintain a healthy fund balance. In the years of financial challenges for the Town, the overall fund balance was \$9 million. In fact, several town funds, most notably the police fund, were in deficit. The Town has since taken measured steps to correct the deficits and to establish healthy fund balances. The 2017 Budget proposed here maintains a fund balance level at \$30.4 million across all major funds with no funds in deficit, a \$1.5 million increase over the 2016 level. This level of fund balance allows the Town to meet its statutory obligations as to fund balance levels as well as

The 2017 Budget proposes an additional \$7 million reduction in the Town’s overall debt, a 6% reduction from the 2016 Budget.

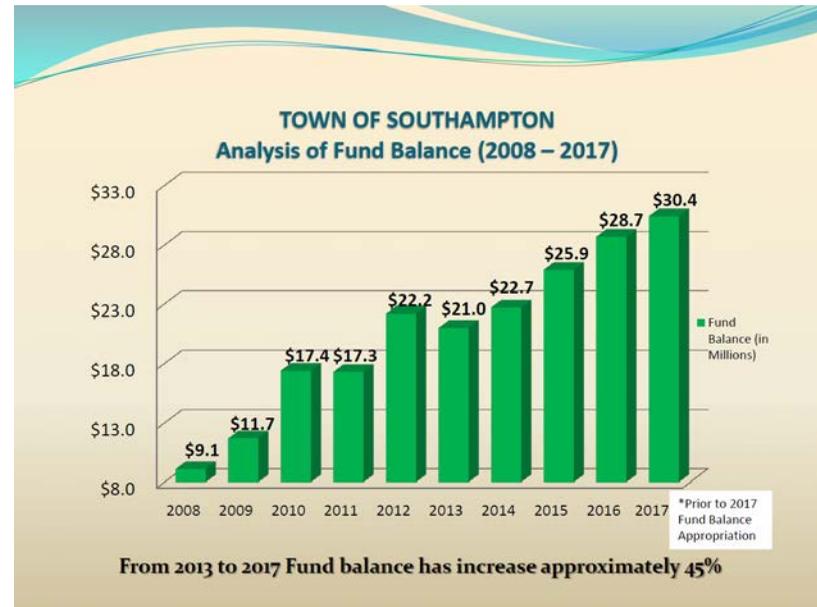
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provides for strong financial security should unexpected expenditures (such as the costs associated with a significant storm or a sudden and unanticipated economic downturn) develop.

REVENUES

The majority of the Town's revenues come through taxes. However, there is a substantial part of the budget which depends on



revenue from other sources such as building department fees, mortgage tax, beach fees, and fees for various required licenses such as the taxi license fee. The 2017 Budget must make projections as to the level of revenue these additional resources will provide. Over-estimating these resources could result in a budget shortfall, perhaps requiring the Town to rely more heavily than intended on its reserves. In order to confidently provide a tax rate reduction, the Budget must accurately predict the levels expected from those additional sources of revenue. Over the past several years the Town has, and again this year continues, to conservatively estimate those additional revenues. This practice has resulted in the actual fees

collected being higher than the estimated amount, a reliable forecast that has aided the Town in correcting shortfalls in its fund balance and establishing the healthy reserves it now enjoys.

The tax base and these additional revenues, however, do not completely meet all of the Town's financial responsibilities as proposed in this budget. So, this budget includes a \$2 million appropriation of fund balance in the major funds, consistent with fund balance appropriation in past years in order to address that small percentage revenue shortfall.

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The total budget appropriation in major funds in the 2017 Tentative Budget is \$94.7 million, a 3.6% increase over last year's budget. The budget is structurally balanced while meeting all the operational demands of the Town, the proposed budget provides taxpayers with a significant tax rate reduction while funding several key initiatives designed to enhance operational effectiveness and enhance service delivery to the community.

WHAT DOES THE 2017 PROPOSED BUDGET PROVIDE?

The 2017 Budget continues appropriations in most budget areas consistent with funding levels in previous budgets. The proposed budget includes full funding of all pension obligations and health benefit costs without amortization of any premiums, a practice which results in significant savings to the Town.

INVESTMENT IN INFRASTRUCTURE

This Budget makes a significant additional investment in Town infrastructure. The \$9.3 million capital budget proposed here will:

- Provide \$3.2 million for road and highway infrastructure improvements
- Provide \$1.4 million for improvements to our beaches and parks facilities
- Provide \$1.3 million for police and town-wide technology and network infrastructure
- Provide \$1.0 million in fueling equipment and other Town facilities upgrades
- Provide \$1.0 million for various land management studies such as those required to provide continued planning support for the Riverside Revitalization Action Plan (RRAP)
- Provide \$500,000 for Trustees and Town wide bulkhead improvement projects
- Provide \$100,000 for video security upgrades at Town facilities
- Provide funding for other smaller projects throughout the town

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It is important to note that although the capital budget is higher than in years past, the smaller capital budgets of the past have not been able to address all of the needs of an aging infrastructure. Projects such as these are funded through capital borrowing, here again we see the benefits of the superior credit rating the Town has earned. Interest rates on money borrowed by the Town are very low and of significant advantage to the Town. We are committing to making a wise investment in the Town's future by maintaining vital infrastructure such as our roads, parks, emergency communications equipment and

Neglecting some of these assets now will result in more costly fixes in the years ahead.

town owned buildings. These investments in infrastructure are protecting Town assets. Neglecting some of these assets now will result in more costly fixes in the years ahead.

INITIATIVES

Of course, another vital "asset" for the Town is its employees. At one point the Town's workforce had ballooned to over 580 employees. The Town had reduced that number to approximately 508 employees, but our population has grown and the need and demand for services has grown accordingly. It is an objective of

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this budget to right size the Town’s workforce commensurate with population growth and demand for services. This budget focuses on two such areas: public safety and maintenance of our park facilities.

The 2017 Tentative Budget proposes adding one full-time police officer, bringing the number of sworn officers to 96. The Budget also adds a public safety dispatcher, vital to police and emergency communications, as well as an additional part-time code enforcement officer, a department now staffed by 8.5 officers. The Town has also applied for grant funding that will, if awarded, provide for the part-time officer to be employed full time.

The Budget also creates two new positions: a Director of the Department of Public Safety, and a Director of the Office of Housing and Community Development.

If there is one refrain we as elected officials hear consistently from all areas of the Town, it is the importance of protecting the quality of life we all cherish. In 2010, the Town commissioned an organizational analysis which examined this concern. Over the years, many of the recommendations from that analysis have been implemented with great success, both in the operational effectiveness of the changes and the resulting cost benefits. One recommendation has not yet been implemented, but is proposed in this budget. The recommendation was to “create (a) free standing Public Safety Department.” The recommendation further stated that “a single combined public safety department including code enforcement, fire marshal, and animal control would house like functions, all focused on enforcement under a unified management structure allowing them to effectively coordinate and pool resources.”

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The Director of the Department of Public Safety will be charged with managing and optimizing the resources within four existing divisions – code enforcement, fire marshal, animal control and emergency preparedness. Three of these divisions are currently

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organized under the Town Attorney's office. Although each works closely with the Town Attorney's office, that office cannot provide the day to day operational supervision or the enforcement expertise that enhance each of these operations. The relationship with the Town Attorney's office will continue under this proposal, especially with the special prosecutor the Town approved and appointed almost two years ago. In that regard, our prosecutions of violators have increased in number and results. It is the goal of this proposal to provide more effective utilization of enforcement resources to address quality of life issues in the hamlets and neighborhoods where their impact is most felt. The Director of this new department will also have the overall responsibility of coordinating and managing emergency operations. These emergency operations services are vital to public safety, especially during weather related emergencies. This level of enhanced coordination will provide for better operational effectiveness.

Pockets of housing congestion in various parts of the Town is a quality of life issue which cannot be addressed by enforcement alone. At the root of many of our housing problems is a serious dearth of legal housing opportunities affordable to our workforce. Young people, tradesmen, school and hospital employees, service personnel, and in many cases Town employees, can no longer afford to live in the community in which they work. This situation places an unfair burden on more affordable communities in the Town and increases traffic congestion as employees commute further distances to work. To begin to address this very complex issue, this budget both proposes increasing the budget of the Southampton Housing Authority so that it can be better able to provide the service for which it contracts with the Town, and creates a new Office of Housing and Community Development within the Department of Land Management. It will be the function of this new office to manage several existing programs, such as the buyer benefit program and the CDBG program, but also to expand the availability and the awareness of both rental and owner occupied affordable housing opportunities throughout the Town of Southampton. In the months ahead, I will be announcing a new accessory apartment program designed to provide affordable rentals near employment centers. It will be part of the function of this new office to help develop that program and, if approved by the Town Board, to administer it.

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To support both the Department of Public Safety and the Office of Housing and Community Development, this budget also funds a full time clerical position to be shared between the two offices.

Earlier, I stated the importance of investing in our infrastructure. Important to that investment is the staff required to maintain that infrastructure. To that objective, this budget adds two park maintenance mechanics to help address the growing needs of our park and beach facilities, but more specifically to address the needs of the Town's newest asset – Good Ground Park.

OUR EMPLOYEES

Finally, we come to the most significant part of any budget, both in its size and importance – our employee costs. Controlling employee costs has been a significant factor in the Town's financial recovery. In more challenging economic times our employees played a significant role in our recovery. In fact, administrative employees accepted a zero salary increase for two consecutive years.

Since that time, the Town has made efforts to control employee costs by negotiating fair but cost effective contract agreements and keeping salary increases for the administrative staff commensurate with those contracts. In this budget employee costs represent 54% of the grand total operating budget of \$121 million (including all special districts, i.e. water district, ambulance districts, etc.). This amount includes all the costs associated with staff raises negotiated in collective bargaining agreements as well as administrative staff

The fair and equitable treatment of all employees is simply good business practice.

raises not included in collective bargaining agreements. This budget also includes a one time longevity payment for administrative employees, already provided yearly to union employees, but at one half the rate provided to union employees and capped at \$4,000. The increase associated with this longevity payment amounts to less than one half of one percent (.004%) of the total employee costs and less than .002% of the total operating budget. These salary adjustments represent the recognition of the value

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that our employees bring to the organization and to the community they serve. The fact that the Town can provide this level of recognition and still remain fiscally responsible is largely attributable to these employees.

The budget also includes an increased financial incentive for employees to decline health insurance benefits. Given the high cost of health insurance benefits, this incentive should result in overall cost savings to the Town. These potential savings are not reflected in this budget, which is consistent with our conservative approach to budgeting.

OTHER CHANGES

In addition to the budget impacts described above, the budget proposes increases in funding for community groups that bring great benefits to the community. There are increases, for example, in the funding support for the Hampton Bays Beautification Association and the Trails Preservation Society. There is also continued support for the East End Mental Health Initiative as well as other groups traditionally supported through small grants from the Town. The Budget additionally includes funding for a fly-over to provide updated information for our pictometry, information that is at the core of the Town's ability to stay current regarding housing growth and development throughout the Town.

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CONCLUSION

The Budget document is detailed and comprehensive. The Budget Message highlights significant elements of the budget and provides some context for those elements. What is most significant is that this budget is fiscally sound, it is balanced and, where needed, makes an investment in the community, our staff, and our services and facilities. The Budget, once adopted, becomes a blueprint to guide the Town and all of its departments through the process of providing the services expected by that community. As such, it is a document crafted by many hands. Input from department heads and staff, expertise from the department of Human Resources and from the Comptroller's Office, guidance from the Town Attorney's office and many others, all played a significant role in the budget's development. I want to thank all who were involved and now look forward to additional input from my fellow Town Board members and the community at large.

Thank you,



Jay Schneiderman
Southampton Town Supervisor
September 19, 2016

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