

2008 Budget Message

To the Citizens and Taxpayers
of the Town of Orchard Park:

You've asked for a reader-friendly more streamlined explanation of the Town's budget and here it is.

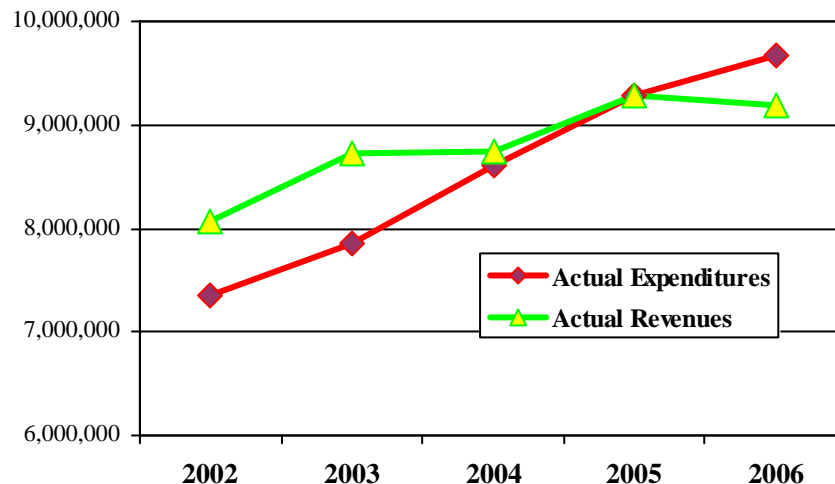
Last year, in response to requests from the public, I posted on-line our 2007 budget. As soon as it was passed, the 2008 budget hit the web as well. Feel free to refer to those if you'd like more detail.

Meantime, I've summarized the '08 spending plan (including all funds and special districts) in Table 1 below:

Table 1: 2008 Budget Summary (all funds and special districts)

Budget Item	2008	2007	\$ Change	% Change
Appropriations	\$ 18,634,719	\$ 17,861,437	\$ 773,282	4.3%
Estimated Revenues	6,106,933	5,802,642	304,291	5.2%
Appropriated Fund Balance	1,657,895	1,727,951	(70,056)	-4.1%
Tax Levy	10,869,891	10,330,844	539,047	5.2%

As you can see from the above chart, appropriations continue to increase. This trend in increase in the cost of government has been ongoing for many years. However, increases in revenues have not kept pace with increased expenditures. Below is a chart displaying actual General Fund revenues and expenditures for the past five years:



Obviously the trend depicted by the above graph is disturbing and cannot continue. In order to combat the increase in cost, we first must understand where the Town spends money. In studying the Town's operating funds (defined as the General, Town Outside Village and Highway Funds) Table 2 below shows the breakdown of where funds are spent:

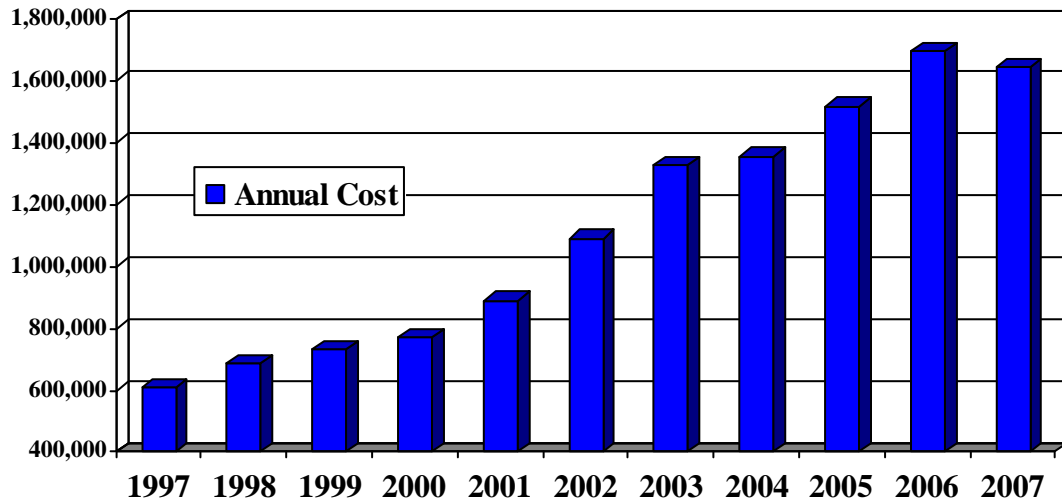
Table 2: Distribution of Costs (operating funds)

Budget Item	2008 Appropriations	Percentage of Total
Salaries and Wages	\$ 7,262,241	49.5%
Employees Benefits	3,499,500	23.8%
Equipment	387,458	2.6%
Contractual	2,846,552	19.4%
Debt Service	687,486	4.7%
	<u>\$ 14,683,237</u>	100.0%

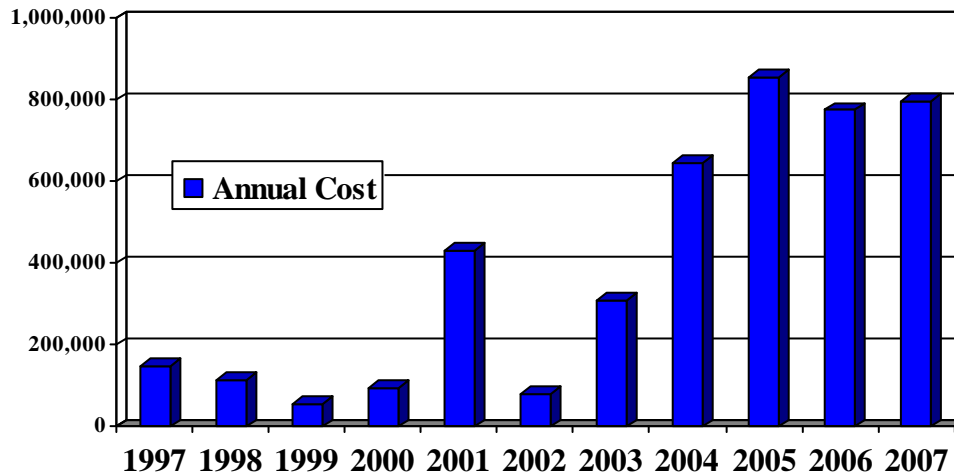
Table 2 shows that personal costs (wages and benefits) make up 73.3% of all appropriations in these funds. It is these personnel costs that have become the major challenge for the Town to control. Fringe benefits have been increasing at rates which the Town cannot continue to sustain – in particular healthcare and retirement costs are well beyond those offered in the private sector.

The following graphs provide a historical prospective of healthcare and retirement costs:

Health insurance costs have increased 170% over the eleven year period. The compounding effect has created an average annual increase of 15.5%.



Retirement costs were very low until 2002, then the required contribution saw a rapid rise. The 2008 budget includes contributions approximating 8% for all full-time employees, except police whose contribution rate approximates 18% of their annual salary.



While we have no control over the cost of retirement (mandated that all full-time employees are included and rates are determined by the NYS Employees Retirement System), we have made some changes to the way in which we provide healthcare to our employees. These changes serve to slow the rate of increase. We must continue to carefully examine healthcare delivery, as well as, hold frank discussion with our employees.

In addition to increases in the cost of fringe benefits, most employees (with the exception of certain elected and appointed officials) have had annual wage increases of 3% each year. Employees may also be entitled to step increases and longevity increments depending upon their length of service to the Town.

For a listing of all Town employees and their total cost of employment (including all wages and benefits) please click the attached link. [\(click here\)](#)

While these were the major challenges faced in our budget deliberations, there were many other factors that went into the 2008 budget, including:

- **Assessed Values** – the Town was fortunate that assessed valuations within the Town increased by over 2% during 2008. The Town has not performed a town-wide reassessment since 1990 (effective for the Town’s 1991 tax levy), thus the increase in assessments represents additional construction. This growth in our assessment base assists in controlling tax rates.
- **Fund Balance** – the Town must maintain stability and a solid foundation to provide for potential emergencies and operating cash flow. Our fund balance in the General Fund has been decreasing in the past two years. Therefore, it was important to reduce our reliance on fund balance in the 2008 budget.
- **Tax Stabilization Reserve** – the 2008 budget does contain the use of \$200,00 of the Town’s Tax Stabilization Reserve. While we must be careful in our use of this reserve, it did assist in controlling our tax rate increase.
- **Tax Rate** – the tax rate is generally considered the key outcome of the budget, since it represents the amount taxpayers must provide in order for the Town to provide services. General, Town-Outside Village and Highway Fund tax rates changed as follows:

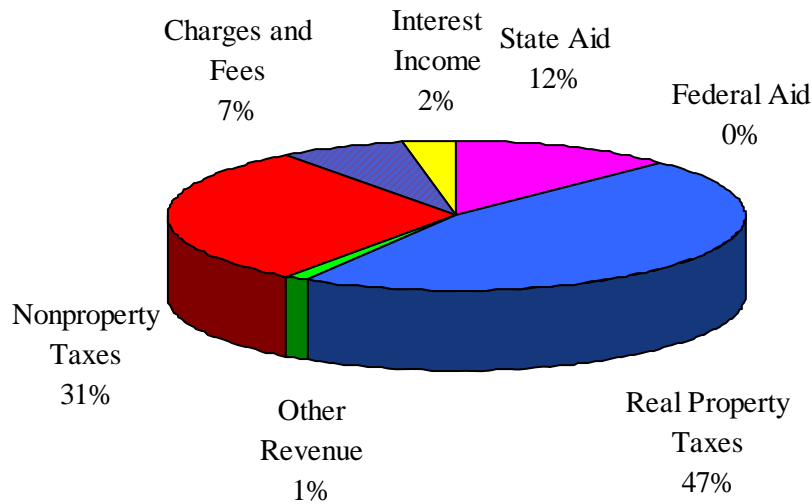
Table 5: 2008 Tax Rates (General, Outside Village and Highway Funds)

Budget Item	2008	2007	Dollar Change	Percentage Change
Outside Village residents	\$ 5.14935	\$ 4.90523	\$ 0.24412	4.98%
Village residents	5.44393	5.10109	0.34284	6.72%

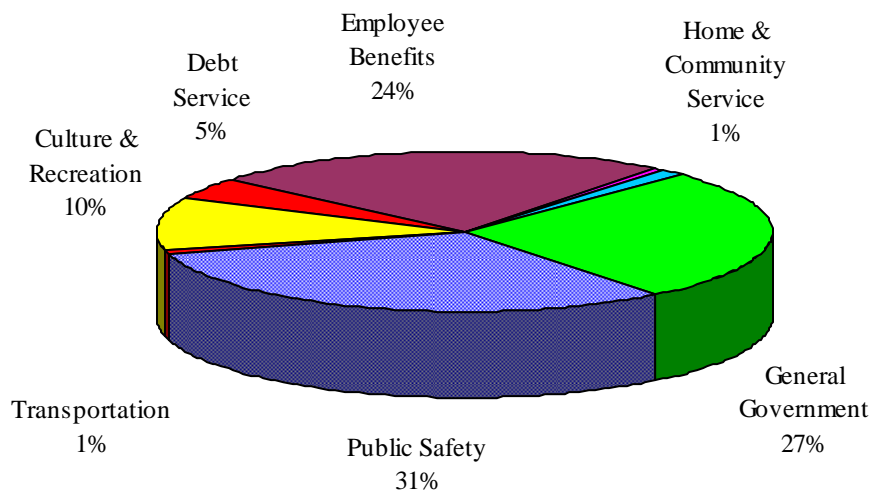
In looking at the above table it is important to note the rate for Outside Village residents was \$5.00 in 1992; thus, in 16 years the rate has risen less than \$.01 per year (and the General Fund rate alone is actually less in 2008 than it was in 1992). Additionally, these rates do not include special district (sewer, water, garbage and lighting) taxes. In most cases these rates have remained relatively steady.

The Town's General Fund 2008 budget can be summarized as follows:

Where the money comes from



Where the money goes to



Everyone on the Town Board was disappointed that a tax rate increase was necessary in 2008 in order to maintain the high quality of services provided to our residents.

I did some homework on the health insurance front and thanks to a consultant with the Labor Management Healthcare Fund it was determined that the Town could save \$400-thousand on health insurance over two years by contracting with the group.

Meantime I'd like to see the Town begin multi-year budgeting and financial planning. We need to look towards long-term fiscal stability and have a tool that will assist the Town Board in fully understanding the long range fiscal implications of the decisions we are making today.

We have many accomplishments in 2007 to be proud of. I believe that all Town employees truly care about our community and do their best each day to serve our residents. We also realize that we cannot let up on our effort – we still have much to accomplish.

In closing, I wish to thank all the employees and department heads for their dedicated service to the Town, and the Town Board for their leadership and support. And I need you to know that I crave feedback. Please do not hesitate to pick up the phone and call me, drop by and say hello or send me an e-mail detailing your thoughts.

You are bankrolling the budget.

Your input is crucial.

Respectfully,

Mary Travers Murphy
Town Supervisor