

2016 BUDGET MESSAGE

1. General Fund

The proposed 2016 general fund budget reflects a continuation of current service levels established in the 2015 budget. Like 2015, the 2016 general fund budget is a lean budget. There are no “extras” that can easily be identified and eliminated.

Total general fund expenditures are expected to increase by just .81%, from \$13,410,757 in 2015 to \$13,519,600 in 2016. Despite the fact that total expenditures are expected to grow modestly, the general fund continues to operate at a deficit because revenues in the recent past have not kept pace with expenditures. For 2016, total revenues are expected to grow by 1.41%, from \$12,862,986 in 2015 to \$13,044,750 in 2016. This is better growth than last year, but it is still weak, and expenditures continue to surpass revenues. Non-Property taxes, for example, which include the sales tax, hotel occupancy tax, utilities tax and cable franchise tax, are expected to increase modestly by approximately 1.87% between 2015 and 2016, from \$4,611,163 to \$4,697,354. State Aid, however, is expected to remain flat at \$1,119,304.

This continued “mismatch” between revenues and expenditures has been apparent in each of the last three budget years: 2013, 2014, and 2015. For 2016, the trend continues. In 2013, 2014, and 2015, the City used available fund balance to reconcile expenditures and revenues. For 2016, the proposed general fund budget calls for using \$474,850 of fund balance for the same purpose. This appropriation still leaves \$3,276,486 of ending fund balance – an amount that still complies with the City’s fund balance policy – but it also still leaves the mismatch between revenues and expenditures in place.

What can be done going forward? Options are limited. Early this year, City Council tasked staff with the job of identifying potential areas to reduce expenditures and grow revenues. At the September Finance Committee meeting several ideas were presented and discussed. Council ruled out some and left the door open for others. Out of that meeting, and based on subsequent discussion at the staff level, the proposed 2016 general fund budget contains the following major changes for Council’s consideration:

1. Do not renew the economic development contract with the Canandaigua Area Chamber of Commerce. This action will result in a savings of \$104,000.
2. Decrease in professional services for corporation counsel. This is a reduction in the amount budgeted for outside counsel to assist Michele Smith. Staff feels confident, based on past experience and anticipated work, that \$12,500 can be shaved off the 2016 budget.
3. Decrease outside counsel for assessment challenges. This is a reduction in the amount budgeted for outside counsel to represent the City in assessment challenges. This change will result in \$39,000 in savings for 2016.

4. Do not fill part-time vacancy in police department. This is a part-time clerical position. Staff believes that with the introduction of improved evidence tracking software this position will not be needed. The result will be a savings of \$16,790.
5. Fill full-time parks position. Recall that in September staff proposed to the Finance Committee that this position, which performs mechanical repair tasks in addition to park maintenance tasks, not be filled. Instead, staff proposed that the position be filled with two seasonal employees at a cost of \$11,600. In talking further with Jim Sprague, we believe that filling this position should be an important priority. For this reason, the position is now included in the budget at a total cost of \$78,043, including benefits. With the current number of parks staff, the City already has a difficult time maintaining service levels. Converting a full-time position to two seasonal positions will make this situation more difficult.
6. Shared services for assessment. Starting in 2015, the City of Geneva and the City of Canandaigua began to share the services of a single assessor, Steve Pigeon. The proposed 2016 budget reflects a net savings of approximately \$50,000 as a result.
7. Anticipated retirements in 2016. Staff anticipates up to four retirements in 2016. Payouts for accrued vacation, sick and other benefits are estimated to reach approximately \$72,000.
8. 3% wage and salary increase. Generally, the proposed 2016 budget includes a 3% wage and salary increase for City employees, including non-union employees. Most City employees are covered by a collective bargaining agreement. However, there are three positions for which a 7% increase is included in the proposed budget. The payroll clerk position is scheduled to see a 7% step increase as part of the pay plan. We recommend a 7% increase for one of the code enforcement officers to (1) bring his salary more in line with that of his counterpart, (2) to recognize him for continued professional development, and (3) as a matter of fairness. The final step of the pay plan, which provided a significant step for service beyond 10 years, was eliminated some time after this employee joined the City. He has now reached 10 years of service and became an employee with the expectation that he would receive this final step increase. Finally, following the arrangement with the City of Geneva to share the assessor position, we asked the tax clerk to take on some additional duties.
9. Outsource backlog of vehicle maintenance. The Department of Public Works has two full-time mechanics to repair and maintain a fleet of over 80 vehicles and pieces of equipment. In the past the department included three mechanics, but staffing was reduced as a cost-saving measure some years ago. As a result, a regular backlog of work has developed. Staff recommends that \$10,000 be budgeted to outsource backlogged vehicles and equipment so that we can return them to services more quickly.
10. Employer retirement contribution rate decrease. The New York State and Local Retirement System has seen strong investment performance, with the result that employer contribution rates will decline in 2016. The City of Canandaigua is expected to see a contribution reduction of \$67,300.
11. Increase in health benefits. For 2016, we anticipate an increase of \$38,751. We anticipate a roughly 10% increase in health benefit costs to due to the anticipated retirement of four employees, with a corresponding, but smaller, decline in active employee benefit costs while new employees are hired during the course of 2016 to fill these retirement vacancies.

12. Increase in department expenditures. Staff anticipates an overall increase in general department expenditures of \$61,099. This category of expenditures reflects a variety of costs including equipment and materials and supplies. This figure represents less than 1% of total general fund expenditures.

Tax Increase

In addition to using a fund balance appropriation to balance the general fund budget, staff recommends a 1.36% property tax rate increase, from \$6.87/\$1,000 assessed value in 2015 to \$6.96/\$1,000 assessed value for 2016, with a corresponding increase to the tax levy of \$110,848, from \$4,646,474 in 2015 to \$4,757,321 in 2016. This is a 2.39% increase in the tax levy, an increase which places the City at the property tax cap limit.

Contingency

The 2016 proposed general fund budget includes a contingency of \$100,000, the same allocation found in the 2015 general fund budget. Staff believes this is a reasonable number based on past experience.

Debt Service Fund

The proposed 2016 budget recommends that \$1,350,000 from the general fund continue to be transferred into the debt service fund. In this way debt payments from the general fund will be stable and predictable.

Capital Reserve Fund

Last year \$850,000 was transferred from the general fund into the capital reserve fund. This transfer continued a multi-year effort by the City to set aside sufficient funds for the purpose of purchasing capital equipment without borrowing. The proposed 2016 budget calls for the same \$850,000 payment from the general fund to the capital reserve fund.

Capital Fund

Funds from the capital reserve fund are transferred to the capital fund when scheduled capital acquisitions are ready to be made. For 2016, proposed capital acquisitions total approximately \$1.5 million.

2. Water Fund

Total water fund expenditures are expected to increase by 12.57%, from \$3,287,273 in 2015 to 3,700,482 in 2016. Revenues are expected to increase 9.06% from \$3,262,272 in 2015 to \$3,557,987. For this reason staff recommends a fund balance appropriation of approximately \$143,000 to make up the difference. This appropriation still leaves a strong fund balance of \$1,282,060. However, staff

recommends a water rate increase of 5% from \$3.07/1,000 gallons in 2015 to \$3.22/1,000 gallons in 2016.

Water Distribution Reserve

Capital projects targeting the water distribution system are paid for out of the water distribution reserve. For 2016, this reserve fund has a healthy beginning balance \$500,849. Staff recommends \$216,000 in capital expenditures, which when subtracted from the beginning balance still leaves the fund in a strong position.

Water Treatment Plant Reserve

Capital projects for the water treatment plant are funded out of the water treatment plant reserve. The fund has a beginning fund balance of \$450,242. Staff recommends \$131,750 in capital projects, leaving a year-end balance of 568,992.

3. Sewer Fund

Sewer Fund expenditures are funded from (1) operating revenues and (2) reserve fund allocations for certain capital and debt expenditures. Total expenditures for the Sewer Fund are anticipated to increase by 10.54%, from \$3,124,068 in 2015 to \$3,453,288 in 2016. 2016 operating revenues are projected to be just \$2,352,156, an increase of about 7% over 2015 and significantly less than anticipated 2016 expenditures. Therefore, the 2016 proposed budget includes a 5% increase in the sewer rates from \$4.00/1,000 gallons in 2015 to \$4.20/1,000 gallons for 2016. For the average rate payer (75,000 gallons annually) this results in about a \$15 increase on his or her sewer bill. In addition to increase in the sewer rate, staff recommends an appropriation from fund balance in the amount of \$54,627.

Capital Appropriations

For 2015 staff recommends that \$445,000 in capital projects be spent out of the joint City/County Reserve.

Special thanks go to Nancy Abdallah, who prepared the proposed 2016 budget with significant help from John Goodwin.