



BUDGET MESSAGE

October 15, 2020

Homestead tax rate drops from \$13.24 to \$12.52 per \$1,000 of assessed value, a decrease of 5.44%, while the non-homestead rate drops from \$17.16 to \$16.44 per \$1,000 of assessed value, or 4.2%.

Dear Honorable Members of the Common Council, and to our Taxpayers and residents, to our local business owners and our non-profits, to our faith-based organizations and to all the stakeholders in the Great City of Poughkeepsie, GREETINGS:

Pursuant to Article XIV of the Administrative Code, I hereby submit the 2021 Preliminary Budget for the Common Council's deliberation and action. With a proposed total appropriation of \$91,058,318, a 1.90 % increase for all funds, and a General Fund appropriation of \$54,192,539, an increase of 1.28%, over 2020's adopted general fund budget of \$53,507,287, our proposed budget lowers the tax rate, stays under the N.Y.S. tax cap, maintains city services at their current levels, and fine tunes spending objectives to meet our changing needs and priorities.

Amidst the coronavirus pandemic, the economic downturn and extraordinary unemployment levels, and the uncertainty now contained in nearly every aspect of American Life, it is our steadfast and resolute commitment that this City not go backward. Despite challenges the likes of which none of us have seen in our lifetime, we will continue on the course we set when I became your Mayor in 2016. We have reduced our General Fund deficit from \$13.2 Million to \$7.2 Million, and we will continue our work to fully eliminate that deficit by the time I leave office at the end of 2023. We have stayed under the N.Y.S. tax cap in each of the last three years, and today we make it four in a row.

To achieve our objectives we have followed the fundamentals of strong fiscal governance. We have borrowed sparingly, adopting a Debt Management Policy in 2017 which has served us well. We have budgeted realistic revenues, avoiding the pitfalls of overestimating them – a practice that contributed greatly to years of annual deficits; and we have sought efficiencies in how we provide city services, relying on a strong relationship with collective bargaining groups, with Dutchess County, and with our anchor institutions and community stakeholders.

Significantly, we face a projected decline in sales tax revenue of \$447,840, or 4.7%, and an increase in the cost of employee benefits (health insurance, retirement) of \$1,321,892, before even considering other rising costs. To help us close this gap, and to provide the framework needed to plan ahead for future years, I will be submitting for Council approval two successor collective bargaining agreements which have been

negotiated, one with the Police Benevolent Association (PBA) and one with the Civil Service Employees Association (CSEA).

The current PBA contract is set to expire at the end of 2020, while CSEA's agreement would have expired next year. Subject to member ratification and approval by the Common Council, members of both bargaining groups - along with management employees - will not receive a salary increase in 2021.

Using average salary increases as the benchmark, this will save more than \$750,000 in 2021. A single-year zero salary increase also lessens the impact of future salary increases, has a positive impact on our pension costs in future years, and avoids an increase in the cost of the overtime hours we plan for each year. City employees are the backbone of everything we do in service to the public. On behalf of our taxpayers and all our stakeholders, I thank each of them for their service to our community and their collaboration with management on this budget.

Throughout New York State, budgets are being crafted by towns, cities and counties which rely on their fund balance to plug next year's anticipated shortfalls. Unfortunately, the City of Poughkeepsie does not have a fund balance upon which it can rely in this hour of need. Despite this reality, I am unwilling to raise taxes beyond the limit set by the N.Y.S. tax cap, nor will I cut vital city services to close the gap. The next most obvious solution, though not an easy one given our bond rating, would be to borrow now and worry about it later. That's what the State of New Jersey plans to do, and that's what New York State may have to do, if Federal aid to states and municipalities is not approved by the U.S. Senate and the President very soon. After all we have accomplished these last five years, borrowing should be a last resort.

Unwilling as we are to break the tax cap and further burden our property owners, and unwilling to increase our city's debt, we have every right to seek - and every hope to receive - meaningful assistance from Washington, either directly or via the State of New York. In an October 1st letter to Senate Leader Mitch McConnell, a copy of which is attached, I urged Washington to reach an agreement approving federal stimulus for States and municipalities. I wrote "together, non-federal public sector employees provide vital services and programs to *every single resident and business in America.*" This proposed budget sets our minimum and very reasonable expectation for Federal aid at \$1 Million, significantly less than the City might have received had the HEROS Act become law, in fact. It also ties Federal aid to definitive and identifiable items which are easily demonstrated and entirely verifiable, like our lost sales tax revenue, for example. It also includes our estimate of what FEMA is likely to reimburse the City for next year under the already declared national emergency.

This budget also accounts for the actual costs of operations in our other funds, water, sewer and sanitation, and moves away from the past practice of appropriating fund balances or subsidizing from the General Fund in order to support inefficient or undervalued services. Next year, both the water fund *and* the sewer fund are fully balanced without reliance on their declining reserves, because we know that steadying these funds is one of the linchpins to our city's return to an investment grade quality bond rating. In order to achieve this, water rates must increase from \$4.30 to \$4.70 per unit next year (1 unit equals 100 cubic feet).

While our cost of providing the highest quality safe drinking water has risen steadily over the years, this is the first increase in water rates since 2015. We have made exceptionally strong investments in infrastructure and treatment technologies - bringing on line our new multi-million dollar dual tank reservoir atop College Hill Park, and embarking on an important upgrade at our Water Plant which will add state-of-the-art ultraviolet disinfection to our existing treatment process.

As we rebalance and strengthen our utility funds, we must begin to move away from the current practice of charging our residents for water they do not use. Although minimum usage charges are standard methods

to distribute costs across the entire system, the fact is when those minimums are set too high they have a disproportionate impact on our smaller households and our seniors. This budget begins a planned but gradual shift from minimums to actuals by reducing the minimum usage charge for water customers who have a one-inch service from \$224.37 to \$197.47 quarterly, or by \$107.60 each year. This change brings us in-line with our peer cities in the region, and is a first step towards all our customers only paying for what they use.

One final word on our water fund budget. There are a number of water users in the city who did not upgrade their water meter when the City conducted a water-meter replacement initiative back in 2014. In our local code of ordinances is a provision that penalizes property owners for not having done so, and that penalty doubles their annual water bill each year. There are several reasons why someone might choose to not replace their meter. During the initial replacement program the City provided the new meters for free, but after the program wound down, residents were required to purchase the meter themselves. They also needed to pay for a building permit and a plumber in order to install the new meter. Even before the coronavirus pandemic, these costs have been prohibitive for hundreds of our residents. I will therefore be submitting to our Common Council, legislation to suspend double-bill penalty during 2021. During that amnesty period, the City will provide a new meter at no cost, and will also waive the building permit fee. This budget considers both the costs to the city of making this necessary change, as well as the reduction in our administrative burden as the new meters are brought on line. Let's face it, the penalty that was designed to incentivize residents to replace their old meters hasn't worked. All we're really doing is charging those who can least afford it twice as much. The doubling penalty is even worse if the customer is also paying only the minimum usage charge.

We are forced to raise sanitation rates by slightly less than \$100 per year for the average family, but doing so assures the continuation of twice weekly pick-up, seasonal yard debris pickup and once weekly recycling. A recently completed comprehensive study of the city's sanitation system provides a number of strong recommendations for increased use of automation, expansion of the customer base, and potential shared services, all of which are currently being reviewed for likely implementation in 2021. This increase in rates will also eliminate the subsidy that has been coming from the General Fund the last two years, (\$225,000 in 2019 and \$433,000 in 2020), a subsidy we said would be temporary. This increase will also help finance our recent purchase of a new sanitation truck and a new city street sweeper.

While this is clearly not the time to add new programs or increase spending more than absolutely necessary, this budget continues our strong commitment to public safety, and does not eliminate any full-time positions. It continues to fully fund our Youth Grant Program which moves into its fourth year and which provides crucial assistance to local non-profits whose missions enhance, protect and support the lives of Poughkeepsie's youth. Our Pilot Program with Mental Health America of Dutchess County, which embeds a full-time mental health worker within our police department, will also be fully funded next year.

Mindful that a local spike in Coronavirus cases remains a real risk this budget takes a cautious approach to revenue projection and firmly holds the line on expenses. Without a fund balance, it has been exceptional budgeting these last four years that has put our City back on the right track, and it has been the work of our City Department Heads who manage these annual budgets and work within their limitations, that have given us four years of strengthening financial health. This plan for 2021 will continue that progress.

Thank you and God bless the City of Poughkeepsie

Rob Rolison
Mayor
City of Poughkeepsie

Impacts on Average Household

Combined Water/Sewer	Month	Quarter	Year
New Quarterly Minimum	\$ 22.43	\$ 67.30	\$ 269.20
Old Quarterly Minimum	\$ 18.93	\$ 56.80	\$ 227.20
Difference	\$ 3.50	\$ 10.50	\$ 42.00

The average Poughkeepsie household will have a \$10.50/quarter (or \$42/year or \$3.50/month), increase in their total payments for water and sewer.

Sanitation	Month	Quarter	Year
New Payment	\$ 40.00	\$ 120.00	\$ 480.00
Old Payment	\$ 32.00	\$ 96.00	\$ 384.00
Difference	\$ 8.00	\$ 24.00	\$ 96.00

The average Poughkeepsie household will have a \$24/quarter (or \$96/year or \$8/month), increase in their total payments for sanitation.

Total Increase (Water, Sewer, and Sanitation Combined)	\$ 11.50	\$ 34.50	\$ 138.00
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For water, sewer, and sanitation combined, the average family is currently paying \$611.20/year. Now, they will pay \$749.20/year, an increase of \$11.50/month (\$138/year).



The City of Poughkeepsie

New York

Marc S. Nelson
City Administrator

Robert G. Rolison
Mayor

October 1, 2020

The Honorable Mitch McConnell
Majority Leader, U.S. Senate
317 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator McConnell:

Negotiations regarding a further stimulus package to mitigate the economic calamities caused by the Coronavirus Pandemic have once again run aground on several key areas of controversy. Perhaps the most consequential of these is the issue of direct federal aid to the cities and states which themselves employ millions of Americans. Together, non-federal public sector employees provide vital services and programs to *every single resident and business in America*.

When we look for the greatest return on the investment of federal aid at a time when demands are many and suffering is rampant, we need look no further than the local governments that are the engines of *both* sides of the equation that seeks to balance the need to assist businesses with the need to help individuals.

Inarguably, local governments are the third leg in the proverbial three-legged stool; aid to individuals and aid to private and public businesses will not produce a return to economic prosperity when local governments are left to fend completely for themselves, potentially laying-off tens of thousands of Americans in the fourth quarter of this year.

In the City of Poughkeepsie, we have taken swift action to mitigate the fiscal situation the pandemic has caused, cutting more than \$3 Million, or about six percent, from our general fund budget this year alone. We have delayed or entirely cancelled important infrastructure projects which create jobs and help drive our local economy, and we are working tirelessly to avoid raising property taxes on the very individuals and businesses that prior federal stimulus prioritized.

These actions that we have been forced to take have also created the fertile ground that assures a

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tremendous return on direct federal stimulus. As with any investment of taxpayer money, we look for maximum community benefit; and when we seek community benefit, there can be no better economic stimulus than one that flows directly to municipalities.

Sincerely,



Rob G Rolison
Mayor

cc: Hon. Chuck Schumer, Senate Minority Leader