

**To: Ancram Town Board**

**From: Art Bassin**

**Date: April 14, 2010**

**Subject: Supervisor's Financial Report – March 2010**



## **YTD March Financial Results Better than Budget and Prior Year**

Revenues through the end of March were \$963,000, reflecting the collection of property taxes. We are still "at risk" for about \$330,000 of budgeted revenue over the next 9 months, about 25% of our 2010 revenue budget. As I reported last month, we are uncertain about how much revenue we will receive from the sales tax (\$175,000 budgeted), the mortgage tax (\$30,000 budgeted) and state aid (\$124,000 budgeted, mostly for roads). We expect to receive the first quarter sales tax check this month or early next month, which will give us a sense of what the rest of the year may look like. Mortgage tax revenue is received mid-year and year-end, and state highway aid will be dependent on the State budget getting approved, so we will continue to operate with some uncertainty here.

Expenses for the first three months totaled \$294,000, which is about \$51,000 better than the budget, and \$81,000 better than our spending during the first quarter of 2009. The highway department accounts for the entire favorable variance against budget and compared to last year, benefiting from lower spending on snow removal and general repairs. Other spending was about flat to budget and 2009 in total. We have prepaid our full year insurance premium of \$20,000 and our 2Q rescue squad invoice of \$22,000. Cash in the bank totaled \$1,402,000 at the end of March, down about \$120,000 from February.

Discussions with the Kinderhook Bank during March resulted in an increase in our money market rate from .25% to .5%, which should earn the town an additional \$2000 in interest during 2010. Short term CD yields are still so low that it does not make any sense investing in CDs. As rates in general move up, being in the money market account may be the best way to benefit from rate increases.

## **Unbudgeted Spending**

We started 2010 with an \$85,000 budget deficit (budgeted spending was \$85,000 higher than budgeted revenues), and have identified an additional \$ 82,000 of unbudgeted major spending items, including \$33,000 for the solar panel match at Town Hall, \$34,000 for the new grader and at least \$15,000 for site planning, engineering and contamination assessment costs related to building a new town garage at the current site on Town Road. Assuming all other lines come in on budget, we will see cash balances drop from \$739,000 at the beginning of 2010 to \$572,000 by the end of 2010.

## **Garage Building Project**

Our major financial challenge in 2010 will be to figure out how to pay for the new garage. Estimates are coming in between \$400,000 and \$500,000 for an 80x80 structure. Based on our available cash balance of \$572,000, we will have to borrow money to implement this project in 2010 and still maintain a reserve of over \$300,000, which is the minimum we need to have on hand to cover expected state aid, sales tax and mortgage revenues which may not be received as expected. We are exploring three ways to lower the cost of a new garage by 20% to get it under \$400,000. One is to look at renovating and expanding the current four bay structure by adding a new 40x80 section. The second is to look at a smaller 80x60 building. The third is to implement the project over two to three years. We should have a sense of whether any of these three options is a possible solution in a few weeks.

## **Cost and Revenue Opportunities**

We have identified a total of \$64,500 in possible cost and revenue opportunities:

- 1) \$44,000 from lowering the rescue squad to \$88,000 from \$132,000;
- 2) \$5,000 in insurance costs;
- 3) \$6,000 in legal from revising our legal retainer agreement;
- 4) \$8,500 in fees
- 5) \$50,000 in highway costs, if the highway department stays within budget for the rest of the year

It is still too early in the year to conclude that these possible opportunities are solid enough to count on.

## **Conclusions**

It is still too early in the year with too many unknowns to be able to predict how the year will play out. The problems facing the State and the impact of State aid cutbacks for schools, the County and towns are likely to cause school and county property taxes to spike up in the next few years, which will place additional pressures on our tax payers. In this environment, we will need to be very careful how we spend money for the next few years. We know we cannot afford to do everything – so we will have to focus on the important priorities.