



BUDGET MESSAGE

October 15, 2021

Homestead tax rate drops from \$12.51 to \$11.54 per \$1,000 of assessed value, a decrease of 7.75%, while the non-homestead rate drops from \$16.44 to \$16.13 per \$1,000 of assessed value, 1.89 %.

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 2022 Preliminary Budget for the Common Council's deliberation and action. With a proposed total appropriation of \$103,941,213 and a General Fund appropriation of \$66,146,281 we will once again -- and for the fifth straight year -- remain under the New York State Tax Cap. More importantly, in the face of rapidly rising property values, we are recommending that the tax rate for both Homestead and non-Homestead be lowered to \$11.54 and \$16.13, respectively, per \$1,000 of assessed value. This marks three consecutive budget cycles where sharply rising property values demand that we lower the tax rate. Where other municipalities often use periods of rising property values to increase spending or build-up their fund balance and reserve accounts, our choice is to lower the tax rate in order to at least partially compensate for what has been an extraordinary increase in city property values.

The city has been operating without reserves since at least 2009 making it all the more imperative that we budget smartly, include funding for contingencies that will occur throughout the coming year, and make the best possible choices when allocating the federal aid that the City is receiving pursuant to the American Rescue Plan Act (ARPA). This budget increases the total tax levy, net of exclusions, by 1.80%, from \$ 24,877,325 to \$25,850,000, while dropping the homestead tax rate by 7.75 % and the non-homestead rate by 1.89 %. Sewer rents and water rates increase by an average of 3.35 %, less than the current rate of inflation, while costs to operate our sanitation service have stabilized and no increase is necessary.

City faces sharply rising fixed costs

Many expense categories, such as personal services, employee benefits, utilities, and our actuarially required contribution to the state retirement fund will be significantly higher next year. Fortunately, the city began consolidating its employees into one health care plan two years ago – a multi-year process that offsets some of the rising costs, and which also reduces our administrative burden. The most notable increase in costs year-over-year is the rise in our required contribution to the New York State Retirement System for Police and Fire employees, from \$3,854,654 to \$4,800,710. This 25% increase in the city's fixed costs of \$1 Million Dollars is -- by itself -- virtually equal to the increase in the tax levy, proving how challenging it is to remain under the tax cap. Clearly our focus must remain on forward-looking strategic planning which recognizes the continuing risk from inflation, pressures caused by rising property values and rents, and the fact that the City does not have a fund balance from which it can bridge temporary budget shortfalls.

In 2022 City will renegotiate its sales tax agreement with the County

The agreement which the cities of Poughkeepsie and Beacon entered into with the Dutchess County for the distribution of sales tax took effect in 2013. The City has notified the county that we intend to negotiate a new agreement. Together with Beacon's Mayor Lee Kyriacou, I have provided the required notice to the County and look forward to negotiating a more equitable distribution of sales taxes that accounts for the true impact our citizens are having on the growing county economy. While a new agreement would not take effect until 2023, even the current agreement is projected to yield an additional \$800,000 in sales tax revenue next year, a number that suggests just how impactful a new agreement should be.

American Rescue Plan Act Provides \$10,431,891 Million in Special Assistance to the City.

On March 11, 2021, The American Rescue Plan Act (Public Law 117-2) became law. It allocated a total of \$20.8 Million in direct Federal aid to the City of Poughkeepsie, to be received in two tranches: \$10.4 Million in 2021, and \$10.4 Million in 2022. On October 15th, 2020 when I submitted my preliminary 2021 budget to the Common Council for approval, this was how I framed our options at that time, as we elected to rely on direct Federal aid, even as the Presidential election was still in doubt:

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

On August 21, 2021 the City received its first of two installments of these monies which, after being applied to cover revenue shortfalls experienced as a direct result of the impacts of COVID-19, may be spent on a range of uses that are described in detail within the Act itself (for a full text version of the Act, visit: <https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf>), by Rules promulgated by the United States Treasury, and with clarity provided by FAQs and a number of guidance documents which have been compiled by organizations such as the New York Conference of Mayors, the National League of Cities, the Office of the State Comptroller (NYS), and the Government Finance Officers Association, all of which we thank for their help in assuring our understanding of what constitute permissible uses, as well as the voluminous reporting and compliance requirements.

This preliminary budget for next year recognizes the \$7.4 Million of first installment ARPA funds not already appropriated or reserved for revenue replacement. Today's projection of the city's likely revenue shortfall in 2021 is \$2.3 Million, although efforts are ongoing to reduce that number (last year at this time

the projected shortfall was approximately \$3.1 Million, and the actual year-end deficit was ultimately reduced to approximately \$900,000 by use of various cost-cutting measures in the 4th quarter). Taking the most conservative approach, this budget holds \$2.0 Million in ARPA funding as “revenue replacement” for 2021, and we anticipate taking certain 4th quarter transfer requests to the Common Council in December this year, in order to allocate the actual amount of revenue replacement required to assure a balanced budget.

Our 2022 budget places the remaining \$7.4 Million of ARPA funds in the broad categories described in the following pages. All but the anticipated revenue replacement for 2022 or \$2.3 Million, must be tied to spending which is specifically authorized by ARPA. For now, and subject to any subsequent decisions of the Common Council that are made with respect to budget transfers throughout the year, we consider these placeholders and proposals for how funds might be expended. For example, \$725,500 appears within the Public Safety category of Police and Fire, as discussions have been ongoing with our fire-fighter’s union and the PBA, as well as with the command staff of both departments, regarding the immediate need for new fire-fighter gear, and new police vehicles, as well as for enhanced training opportunities for all our first responders. This proposed funding also includes the implementation of a shared “Information Technology and Support Agreement” with Dutchess County, which will save the city approximately \$40,000 annually.

The City’s Parks Improvement Plan, which calls for \$4 Million in spending on infrastructure and facilities improvement, is strategically funded by ARPA as the work is expected to progress: \$2 Million in 2022 and \$2 Million in 2023. Similarly, reconstruction of the Pulaski Pool House and rehabilitation of the Spratt Park Pool House, estimated to cost \$2.2 Million, is proposed to be divided across the two ARPA payments, giving the City the greatest flexibility as it dedicates a portion of its ARPA monies to its public parks and pools. Broadly speaking, after essential replacement of lost revenue resulting from the pandemic, our objective must be to allocate federal aid to the areas of greatest need within our community, to areas where the spending will have long-lasting impacts which benefit the greatest number of our citizens, and in areas which will reduce our reliance on borrowing in future years.

In addition to using some ARPA funds to purchase much needed heavy equipment for our Department of Public Works, this budget proposes \$400,000 in funding be used for Ward-specific priorities as determined by the individual elected representative of the Ward. There is also more than \$890,000 of ARPA funding in the unassigned contingency line, for programmatic, youth opportunities and other priorities as set by the Council. The Common Council is in the best position to, with public input and the advice of city stakeholders, allocate these funds most appropriately. Project requests will be handled by the ARPA Task Force, which includes members of the Administration and the Council, and which will make recommendations to the full council for consideration.

Building the Capacity of City Government to Serve its Citizens

Along with the obvious need we continue to address the general fund deficit, which is currently about \$8.1 Million, we also must continue to limit borrowing in order to assure that our debt-service costs do not overburden our taxpayers. Notably, next year’s debt service costs are essentially flat from this year, and are expected to decline slightly in 2023. Each year we have steadily enhanced our ability to serve our residents and businesses. Whether in public safety by adding positions in our Fire Department, or in our Department of Public Works by investing in new heavy equipment in our Sanitation Division, each budget season is an opportunity for us, working together, to adjust the spending plan to account for our changing circumstances.

This year our city has seen an increase in gun violence that cannot and will not be tolerated. The safety and well-being of our youth is of tremendous concern. In my twenty-six years as a police officer and detective and in all my years of service in the County Legislature and as your Mayor, I cannot recall a clearer call-to-action than we must meet today. I want to thank our Common Council, and particularly councilmembers Yvonne Flowers (d-5th Ward), and Natasha Cherry (d-6th Ward) for their work championing the creation of

a new Division of Youth Opportunity at City Hall. This new division will provide the capacity within City Hall to efficiently and effectively allocate resources, seek new grant opportunities, and manage ARPA reporting and compliance requirements for the programmatic expenditures we will be making. Our budget creates the position of Director of this the new division – a role that will be solely focused on the needs of the youth of our city.

Our emphasis on our city's youth is also reflected by our extraordinary joint venture with Dutchess County and a host of community stakeholders which have come together as the 35 Montgomery ~~Street~~ Community Coalition. The County's commitment of up to \$25 Million for the design and construction of our new state-of-the-art Youth Opportunity Union Center on the site of the former YMCA continues what has been a multi-year effort to realize this vision. We expect demolition of the existing structure to begin early in the year. Among its areas of responsibility, our new Division of Youth Opportunity will work closely with the County on development of this facility and, once constructed, on its programming and accessibility.

In 2022 we will build on our strong collaboration and partnership with the City of Poughkeepsie School District. The establishment of the Poughkeepsie Children's Cabinet has harnessed new resources, expanded our group of stakeholders, and is bringing innovation and best practices to our city from around the Country. The days of city government and our school district working in separate silos are over. Among the new collaborations is the addition of a shared full-time position of Public Information Officer who will be based within the City's new Division of Youth Opportunity and Development.

This preliminary budget accomplishes much, but much still needs to be done. Next year, I look forward to beginning a conversation with key partners about how we can do more for our city's senior citizens. Just as the city has been lacking in its support for youth opportunities, we should not forever depend on the County when it comes to serving our seniors. I will be asking outgoing Councilperson Chris Petsas of the First Ward to lead this effort. Chris has served on the Common Council for eight straight years and has been a strong advocate for our senior citizens throughout his tenure on the Council.

I want to thank all the City staff who worked tirelessly this budget season. The result is a fiscally responsible budget that accomplishes key objectives while maintaining flexibility in anticipation of our continuing discussion and public engagement throughout the coming year.

Thank you and God Bless the Great City of Poughkeepsie.

Robert G. Rolison
Mayor
Poughkeepsie, New York