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How Utica Works: The Budget

The Budget really is the heart of the City. Every service we provide, from firefighting to elevator inspection to pools and parks, flows through the Budget. When you really know all the ins and outs of the Budget, you understand how so much of City government works. So this Newsletter is intended to give everyone a general, basic overview of just how the Budget works. Enjoy.

The Budget Process

The entire finances of the City are organized into separate funds. The "General Fund" is the vast bulk of the Budget, and so it is what I will describe first, and I will refer to it below simply as the "Budget". I will describe the other Funds below.

Our Budget process is overseen and directed by no surprise, the Budget Director. This person is a key member of the Mayor's Cabinet. (Currently, Heather Mowat is in this position, and has been for 4 years. She has been our Budget Director in the past, under a previous administration. She has also worked as an independent auditor, inspecting the City's finances from the outside.)

The Budget is, by its very nature, predictive and an estimate. We predict how much money will come in, i.e., "Revenue" and also predict how much we will

have to spend, i.e., "Expenditures". These Revenues and Expenditures are calculated so as to be equivalent to one another - so, we predict how much money we will take in, and then we plan on spending that much in the coming year. The City's fiscal year runs from April 1st until March 31st of the following year.

The process of building a new Budget for the for the next fiscal year begins months before the Common Council takes its final vote. According to the City Charter, Departments must submit their Budget requests no later than January 15th of each year. (But in actual practice, the Budget Director begins working with each Department earlier than this.) This includes all expenses for that Department, including salaries, office supplies, training, uniforms, vehicles, and so on. Once all these requests are in, the Budget Director can begin to create the entire Budget for the City. The Mayor's Proposed Budget must then be submitted to the Board of Estimate and Apportionment, (again, this is dictated by the City Charter), by the first Monday in February. The Board of E&A then has the opportunity to make their own changes to the Budget. The E&A Approved Budget must go to the Council no later than February 20th. The Common Council has the final say on the Budget. We hold Budget meetings with all the Departments, going over line by line their requests. This is a great opportunity to understand in detail the operations of each Department. The Common Council then has the opportunity to amend the Budget. This process is particular to the Budget. The Council amends the Budget through individual Ordinances, rather than amending the Budget directly. These Ordinances amend the Budget by either adding to or subtracting from individual Budget line items. Once the Budget has been amended (or not, as there is no requirement for the Council to change the Budget), then the final Budget must be presented to the public through a Public Hearing, held at the beginning of a Council meeting. The Public Hearing for this year's Budget has been scheduled for March 16th, at 7pm, at the Common Council's regularly scheduled meeting on the third Wednesday of the month. The public is invited to come and weigh in on the Budget. I encourage people to attend. The Council is required by the Charter to approve the Budget no later than March 20th. This gives the Comptroller time to prepare and mail the thousands of City tax bills, which are sent as early as possible in the new fiscal year.

Into the Budget: Revenues

The first half of the Budget is our Revenues, the money that we expect will come in during the upcoming fiscal year. In 2022-2023 this amounts to a total of

\$74.4 million. These revenues are, by definition, estimates. But they are estimates that the Budget Director works to make as accurate as possible and that take into account both how much revenues we have had in the past, as well as various changing circumstances, such as increases in the valuation of all the taxable properties in the City. (In 2021, for instance, the City's total valuation of taxable properties increased by \$7,000,000. This translates to \$189,210 in increased property tax revenue.)

From the E&A Proposed Budget, here are the Revenues Estimates for the 2022-2023 Fiscal Year (note that any of this could change once the Common Council weighs in. If the Council amends the Budget, then some of these numbers could change.)

City Property Taxes: \$30,077,981. These are the property taxes that we each pay so that we can do things together that we would not be able to do alone. (Notice that our property taxes are considerably less than half of the total Budget.)

Other Property Taxes: \$2,256,070. These are the property taxes that come in from various PILOT tax agreements.

Non-Property Tax Items: \$17,320,070. Most of this is made up from Sales Taxes, but this also includes Time Warner Cable taxes, and National Grid taxes.

Department Income: \$3,278,850. This is the combination of a variety of fees that Departments charge, such as Marriage Licenses, Birth and Death Certificates, Parking Garage incomes, and so on.

Intergovernmental Charges: \$122,249. This is the revenue created by other government agencies reimbursing us for certain services, such as mailing the school tax bills.

Use of Money and Property: \$386,670. This revenue comes from a variety of rental of City properties, such as the third floor of City Hall to the MVWA.

Licenses and Permits: \$664,950. These come from a wide variety of permits, from dog licenses to building permits.

Fines and Forfeitures: \$297,000. When you get a parking ticket, it's easy to be a little mad about it. But remember that you have helped our bottom line....

Sale of Real Property and Compensation for Loss: \$286,000. This includes the sale of properties the City has been forced to foreclose upon, as well as the sale of equipment, and insurance recoveries.

Miscellaneous Revenue: \$38,000. This is such a small sum, that it is not even broken down in the Budget!

Interfund Revenue: \$475,611. This is revenue associated with City services that are not directly part of the General Fund, such as Section 8, which is a federal housing program administered by the City.

Oneida County Revenue: \$897,000. Most of this Revenue comes from the Mortgage Tax and from reimbursement for inspections conducted by our Codes Department for the County.

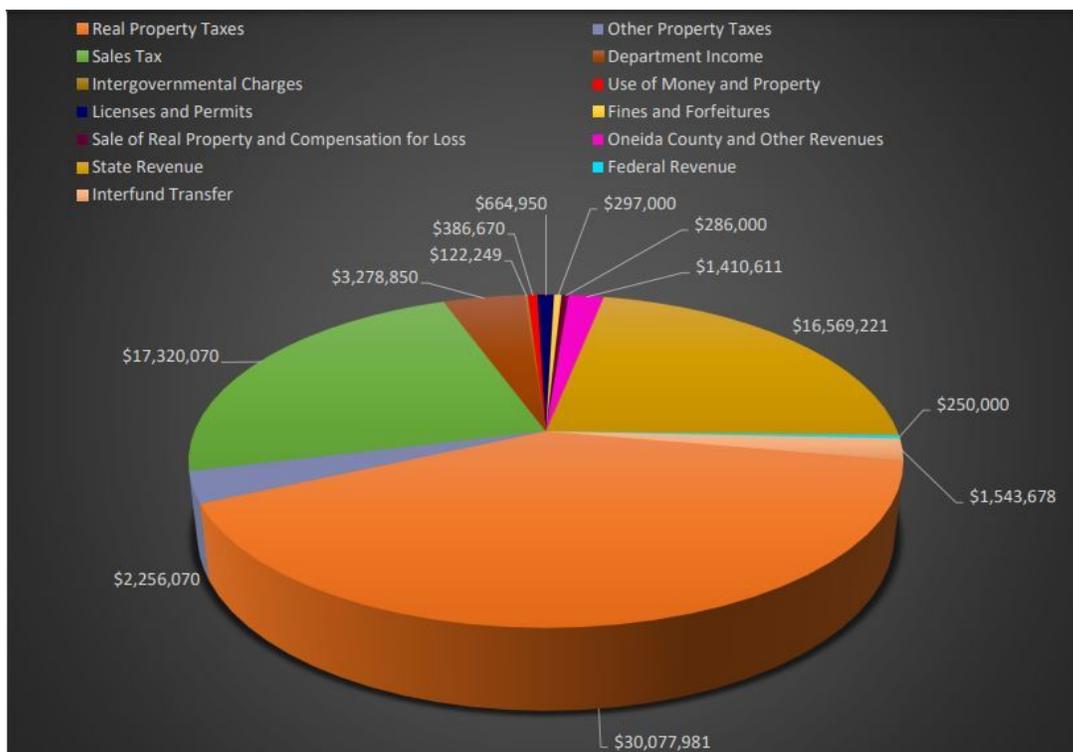
State Revenue: \$16,569,221. After Property Taxes and Sales Taxes, state aid is the third largest portion of our Revenue. And most of this revenue comes from direct General Municipal Aid. The State of New York simply gives municipalities financial aid.

Federal Revenue: \$250,000. This Revenue is a very small portion of the American Recovery Plan Act.

Interfund Transfer: \$1,543,678. Most of this Revenue line comes from the Capital Improvement Fund, which is the fund created when the City sold our water authority to the larger, intermunicipal Mohawk Valley Water Authority.

Appropriation of Fund Balance: \$0! Last year, we took \$325,000 from our fund balance. This year we are not taking any. This is good news. (I'll explain the General Fund Balance below.)

All of this, taken together adds up to \$74,463,350. This is the money we have to spend next year on all of the services the City provides to all of us. This is how together we do all of the things that we could never do alone, such as paving our roads, and maintaining public parks, and providing for all sorts of public safety. Alone, most of us couldn't have a pool, or pay to light up the streets at night, not to mention control traffic so we could safely drive to City Hall to pay our tax bills. But together, we each pay a modest amount to create a common fund and then we do all these things together, and more!



Budget Revenues for 2022-2023. Credit to Mary "Maisie" Elizabeth Janda of South Utica for the graphic.

Out of the Budget: Expenditures

The mirror image of Revenues is Expenditures, sometimes also called Appropriations. For every dollar we take in, we need to take account for how we intend to spend it. The majority of these expenditures are built in from the start: we are bound by contract for most of our employees, and that adds up to a lot. So, the contractual portion of the budget is much larger than the rest, which is more discretionary in nature.

From the E&A Proposed Budget, here are the Appropriation Estimates for the 2022-2023 Fiscal Year (note, again, that any of this could change once the Common Council weighs in. If the Council amends the Budget, then some of these numbers could change.)

Police: \$27,296,252. The total for all police expenses, including salary, benefits and retirement, administrative, building expenses, utilities. In other words, these are all the expenses required to have a police force.

Fire: \$20,637,980. And this is the same total as above, but for the fire department. These are all the combined expenses of having a fire department, including EMT services.

General Government: \$7,051,162. There are a lot of "cost centers" in here: the Common Council, the Mayor's Office, the Clerk's Office, the Comptroller, the Office of the Assessor, as well as mail, telephone, the purchasing office, and so on.

Debt Service: \$5,643,922. This is the total cost of servicing our debt, both long term bonds and short term "bond anticipation notes". This includes both payments on principal, as well as interest, and servicing fees.

DPW: \$5,312,394. This is the cost of plowing the streets, putting up street signs, picking up green waste, maintaining storm drains and keeping creeks flowing freely, so on and so forth.

Parks, Playgrounds, Recreation: \$2,194,462. All those lovely parks are included here, as well as all the recreation the City offers, from pools to tennis, softball to the ski chalet.

Street Lighting: \$1,364,633. This is the cost of this one, simple but essential city service.

Engineering Department: \$1,024,235. This Department is in charge of paving, street lights, pedestrian crossings, street painting, overseeing storm drains, the sidewalk program, and so on.

Codes: \$864,304. All the our building inspections, enforcement of Codes, etc. is included here.

Youth Bureau: \$546,904. The City provides summer employment to kids, and various opportunities to our young people.

Liabilities: \$530,000. On occasion ,the City has to settle small lawsuits.

Maintenance of City Properties: \$441,908. This is the expense of cleaning City Hall to maintaining the exterior of all City-owned buildings.

Infrastructure: \$378,000. Most of this is for storm water infrastructure.

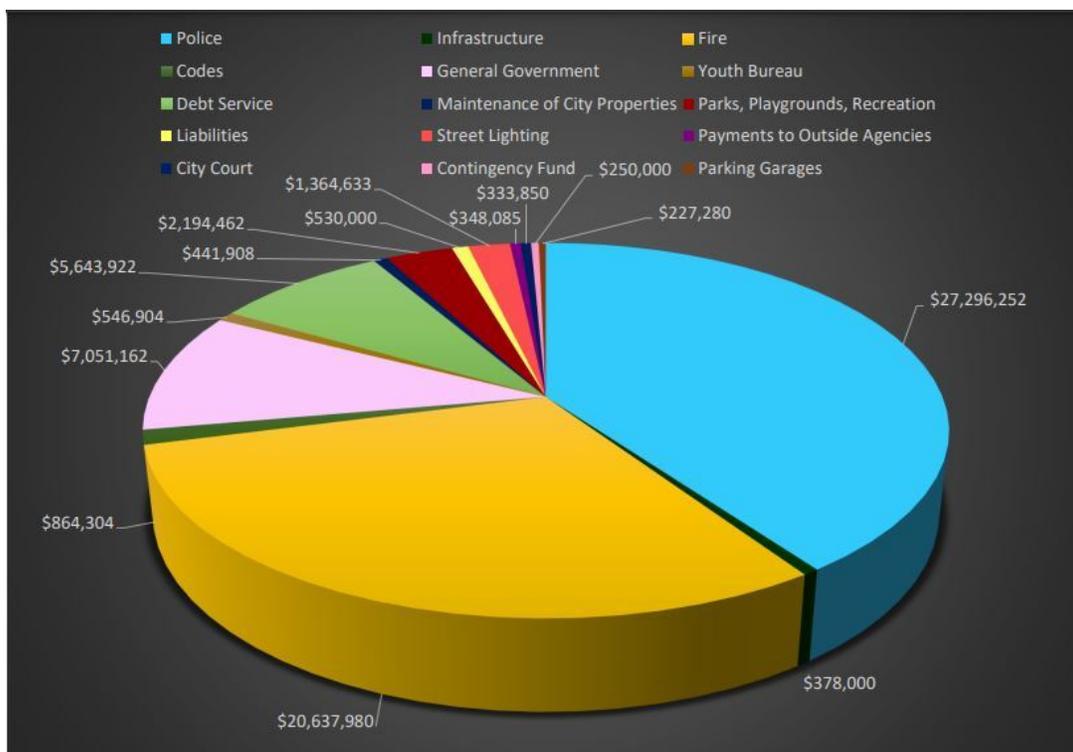
Payments to Outside Agencies: \$348,085. We pay both Centro and Anita Steven's Swan for us with providing special services.

City Court: \$333,850. This is the cost of running the City court, but these are expenses that are reimbursed by the NYS Consolidated Court System.

Contingency Fund: \$250,000. There are always unexpected expenses. This fund prepares us for the unexpected.

Parking Garages: \$227,280. The City owns four parking garages, that we are in the process of repairing and improving.

Celebrations: \$18,000. This is for fireworks, porta potties, etc.



Budget Expenditures for 2022-2023. Again, thank you to Mary "Maisie" Janda of South Utica for making us this graphic.

The Other Funds

Besides the General Fund, which is the bulk of the the City's financial life, and over which the Council has authority and oversight, there are also six other "Funds", and two sets of supplemental appropriations. Each of these are just like the General Fund, in that the Revenues and Expenditures or "Appropriations" must be equal to one another. They are also estimates, but

more accurate predictions because they are smaller and less complicated. Here they are:

Sewer Fund: The Sewer Fund's revenues are almost entirely rents, paid for by each of us on our quarterly MVWA bill. The Sewer Fund's expenditures involve maintaining the City's storm water and sewer infrastructure. Most of the dollars in this fund are for paying off long-term sewer debt, but next is capital outlay, and then salaries and wages. The Fund is estimated to be at \$3,950,050.

Capital Fund: The Capital Fund for 2022-2023 is composed of \$5,000,000 for paving. This total is generated by American Recovery Plan Act funds, two New York State paving programs, and a transfer from CDBG funds from the federal Department of Housing and Urban Development. This means that in the coming year, we will be able to spend five million dollars on paving without borrowing any of it.

Debt Service Fund: New York State law requires that monies to repay long term debt be placed into a separate Fund. So, for 2022-2023, \$4,230,339 will be transferred from the General Fund to this special fund to pay off our long term debt. (This is distinct from our short term debt, which can be paid directly from the General Fund.)

UED/CDBG: The federal Department of Housing and Urban Development distributes funds directly to cities on the basis of levels of poverty, in order to respond to that poverty, and to urban blight, etc. They do this in the form of "block grants". These block grants are the Community Development Block Grants (CDBG), as well as HOME program which supports low-income housing, Economic Reinvestment Program (ERP), which is a loan program for businesses, and ESG funds, which is meant to prevent and respond to homelessness. These are important infusions of funding from the federal government that we use to support a wide variety of community efforts. We also use some of these funds to administer the distribution and allocation of these federal funds. The total revenue and expenditure for 2022-2023 for UED is \$3,890,258

Section 8: Section 8 is another housing program from the federal Department of Housing and Urban Development. It gives housing vouchers to help low income people secure housing they can afford. This money comes directly from the federal government, but is administered by local governments. The money, therefore, simply "passes through" City Hall: the federal government gives it to us and we give it to the people who need it. The total estimate for the coming fiscal year is \$7,604,248. Rent disbursements will account for \$6,500,000 of this total. The rest is taken up with smaller programs and administration of the

vouchers.

Urban Renewal Fund: When a property owner cannot pay their taxes, and all avenues to help them pay those taxes or develop a payment plan have been exhausted, the City takes ownership of those properties. The Urban Renewal Fund is the department in the City responsible for then selling these City owned properties, and if need be, maintaining them until we sell them. This fund is estimated to be at \$430,051.

Golf Fund: Because our beloved golf course is established as a "Commission", and because we charge particular fees for its services (such as memberships and green fees), the Office of the State Comptroller requires that we keeps its finances separate from the rest of the City's finances. Its revenue comes from season memberships, green fees, and cart rentals. The majority of its expenditures are taken up with the salaries and wages of all the people who work at the Golf Course. The Golf Fund is estimated at \$432,855.

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|--------------------|---------------|
| DUE DATE | 11/16/2019 |
| WATER DUE | 73.84 |
| COUNTY SEWER DUE | 41.31 |
| LOCAL SEWER DUE | 24.28 |
| SSO ABATEMENT FUND | 0.00 |
| TOTAL DUE | 139.43 |
| AMOUNT ENCLOSED | |

MAKE CHECKS PAYABLE TO MVWA

That "Local Sewer Due" on your water bill is the sewer rent that funds our maintenance of the City's sewer and storm drain infrastructure.

General Fund Balance

So, as I said before, most of the City's finances are contained within the General Fund. The two pie charts above are of the revenues and expenditures of the General Fund. The general fund BALANCE is NOT the same as the amount of cash we have at any given time. Rather, the general fund balance is all money we have on hand, minus financial liabilities that we know we have but have not yet been billed for, or have not yet paid. You can think of our General

Fund Balance as a savings account of sort - it is money that we have on top of our annual revenues. We grow our General Fund Balance by deciding not to spend as much as we take in. (In other words, we can intentionally grow the General Fund Balance, by keeping expenditures lower than revenues.) We can also simply sometimes have surpluses, when we do not spend as much as we anticipated spending. Covid created a large budget surplus in Fiscal Year 2020-2021, because we were not able to offer many City services that year, such as pools and other recreational activities. In that year, our surplus was quite large, at about \$2,600,000. This increased our total **General Fund Balance to over \$11,000,000**. This is an enormous improvement from ten years ago, when the General Fund Balance was approximately \$15,000 in the red. (At the time, the City was forced to take out short term loans just to make payroll.)

The Government Finance Officers Association (GFOA) recommends that cities have a General Fund Balance of approximately 1/6 of their annual operating expenses. We are almost at that point. Having a healthy General Fund Balance is good for at least two reasons:

- 1) it gives us a cushion against possible economic downturns or large unexpected expenses. It operates, in this sense, sort of like a savings account.
- 2) having a General Fund Balance of almost \$11,000,000 means that the agencies that rate our credit worthiness have upgraded our credit ratings. (S&P Global has now given us an "A" rating for the first time in the City's history.) This in turn means that we are well positioned to get competitive interest rates when we borrow, which, of course, saves us money.

The General Fund Balance is one good measure of the overall financial health of the City. We are, by this measure, healthy. But once we meet that goal of the GFOA, described above, then I believe that we should not continue to grow the Balance. Then we will be in a position to better deliver the services that we all want and depend upon.

Tax Rate

The tax rate, for taxed properties in the City, is dependent on two variables:

Assessed Valuations: This is which is the total assessed value of all the properties subject to City property taxes. For the year 2022-2023, the total assessed value of all properties in the City is \$1,118, 110, 746. This was \$7,000,000 higher than in the previous year.

Annual Estimate: When creating the Budget for the year, the total expenditures is, for tax rate purposes, called the "Annual Estimate". This is the amount that the Common Council has to vote on in an Ordinance titled "Annual Estimate 2022-2023". This is the total amount we plan on spending in the coming year.

These two variables then determine the tax rate. When the Annual Estimate is multiplied by 1,000, and then divided by the total Assessed Valuations, the result is the **tax rate**.

Your total tax bill is then calculated by multiplying the City's tax rate by every thousand dollars of the **assessed** value of your property. (Notice that the assessed value is not the same as the actual value of your property. But that is a story for another day...) The average assessed value in the City is \$52,265. So, for the average property, the total City tax bill under our **current rate of \$27.03** would be about \$1,413.

As a general rule of thumb, every \$300,000 of expenditures is equivalent to approximately 1% of an increase in the tax rate. So, if the expenditures were to go up by \$1,000,000, and all other things were equal, then your taxes would go up by about 3%.

Debt

Any reasonably large municipality must borrow in order to provide the services necessary for our residents. For instance, in order to replace all our street lights over the last two years, the Common Council had to authorize the Comptroller to borrow up to \$11,500,000. By borrowing that much money over a long term (up to 30 years), we are able to provide the large scale services that we need to provide. The new street lights not only provided a necessary service, but they did so at a significant savings, so borrowing that money to do this project actually saves us money over the long haul.

We also borrow for all sorts of things that we could never afford to buy outright. (Just like most of us don't buy our houses outright, but instead take out mortgages to buy them.) We borrow for vehicles, large trucks, fire trucks and improvements to fire stations, capital improvements such as paving and a new roof for City Hall, and so on.

Our current debt stands at approximately \$61,000,000. And as you saw above, our debt servicing for the upcoming fiscal year will be \$5,643,922, which is about 7% of our overall expenditures for the year.

So there you have it, the Budget in a nutshell, sort of, well a big nutshell I'll grant you. Big shout out to Heather Mowat, who answered endless questions from me about how all this works.

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