

GUEST COLUMN

Towns must save for a rainy day

BY JOANNE LOWN

Just as more people are trying to maintain greater control of their finances, taxpayers should be carefully scrutinizing the budgetary decisions of elected leaders. One measure of a municipality's fiscal health is the difference between the revenues it takes in and expenditures that go out, known as its annual operating surplus or deficit. Continual deficits, of course, indicate a problem, but if your town has accumulated surpluses or "fund balances" from previous years, that's usually a good sign of conservative budgeting.

The term fund balance is not as abstract as it might seem – especially if you've been watching or reading about the public hearings for our 2011 Town of Hyde Park budget. To relate it to your own finances, it is the amount you have left at the end of the year once you receive all of your income and pay all of your expenses. For many of us, the amount left over goes into savings account or investments. When income fails to meet expenses, you will be forced to dip into savings, lower your expenses or borrow. Most financial planners suggest retaining at least three months of expenses in liquidity so if you lose your job or your roof leaks, you have sufficient funds to live on or pay for a repair.

Like families, towns should maintain reasonable fund balances as insurance against unanticipated needs (think extra-heavy snowfall leading to increased salt expenses and overtime costs) or unforeseen income reductions (like less mortgage tax revenue). The New York State Government Finance Officers' Association recommends that municipalities "maintain a budget reserve of at least two months of annual total expenditures as insurance against unanticipated expenditures or revenue shortfalls."

From 2002 through 2007, as the economy flourished, revenue sources for Hyde Park – including sales tax, mortgage tax, interest earnings, and building fees – were instrumental in increasing our fund balance. But instead of reserving these excess revenues for future capital expenditures, like the new roof for our Town Hall, they were

used to lower the tax rate. This school of thought was to "give back" to the taxpayers what was ours. However, expenses continued to climb.

I advised one administration against using a large portion of the fund balance to lower the proposed tax rate, since it would probably have a negative effect on future budgets as well as the town's cash flow. Against my recommendations, the tax rate was set lower than the previous year. That decision has impacted our town's budgets ever since.

A town should maintain a reasonable and stable fund balance for effective long-range planning. Benefits include improving bond ratings, reducing reliance on short-term borrowings, which reduces the interest we taxpayers must shoulder, stabilizing tax rates and protecting programs from cutbacks.

Given the relative stagnation in the national and local economies, it is critical that we maintain a healthy reserve. Whenever residents here lose their jobs or homes, it translates to lower receipts for the town.

For Hyde Park, based on the Preliminary 2011 budget, our fund balance should be \$1.34 million, equivalent to two months of annual appropriations. Ultimately, the decision to either spend down the fund balance purposefully over time or build it back to healthy levels is made by our elected officials. The second amended preliminary 2011 budget proposes a fund balance of \$617,412. That's about three-quarter million dollars below the state's recommendation, and it could affect our bond rating.

Given the fact that we still have to bond the police/court facility and the roof repairs for Town Hall, this may mean higher borrowing costs and therefore a need for even higher taxes in the future.

Alarming,ly, no one on the town board or on the supervisor's staff has much experience with municipal budgeting. Sue Serino's questions last week about the current status of the fund balance and its depletion in 2010 went unanswered.

With thoughtful long-range planning, a municipality should be able to ride out lean times without panicking every time snow is predicted and without threatening residents with disturbing tax increases.

Joanne Lown was the Town of Hyde Park's bookkeeper from 1986 through 2010. Hudson Valley News welcomes all points of view and opinions and encourages readers to respond to this column at editorial@thehudsonvalleynews.com.



OPINION

PROGRESSIVE PERSPECTIVE

BY JONATHAN SMITH

CHURCH AND STATE

The Looney Tunes have been let out of the barn, and unfortunately, we are all going to suffer again for the considerable voter anger that was manifested on Election Day. Actually, not everyone will suffer: the rich will do quite well under Republican rule, as the elected officials of the Grand Old Party will work diligently to ensure the rich pay less while working families continue to shoulder more of the burden for keeping our nation afloat. Republicans have already started pontificating on the importance of extending Bush's tax cuts for the very wealthy, part of the perfect legislative storm that led to our current state of economic meltdown.

If Bush's tax cuts are indeed extended, we can all expect further decay of the general services provided by the state, higher property taxes as schools and towns make every effort to raise whatever funds they can to continue to operate and the further shrinkage of the middle class as more and more families fall under the poverty line, their decline exacerbated by the oppressive burden they will carry in keeping our country somewhat solvent. For, if the top 2% of income earners in the United States do not have to pay their fair share of taxes, guess who covers the difference? You got it, you and me.

But even more disconcerting perhaps than the stay-rich-quick attitude the Republicans display is that many of them seem to know very little about the history of our Republic or the laws that govern it. I can remember quite a few occasions through this campaign when headlines ran that certain Republicans knew nothing about the separation of church and state principle upon which our country was founded. Now, while it is understandable that not all citizens have read the Constitution cover to cover, one would expect it of current and future lawmakers.

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The First Amendment to the Constitution restricts the power of government to legislate religion and the Supreme Court has since, on numerous occasions, upheld the principle that government and religion must be separate.

Maybe Rep. John Shimkus (R-Illinois) was sick the day they taught civics in his high school. Shimkus, probably the next chairman of the House Committee on Energy and Commerce, was recently quoted as having said that global warming was not a concern because God will protect us from it.

First, he quoted God's post-flood promise to Noah in Genesis 8:21-22.

"Never again will I curse the ground because of man, even though all inclinations of his heart are evil from childhood and never again will I destroy all living creatures as I have done."

Then, the esteemed representative added, "The earth will end only when God declares it's time to be over. Man will not destroy this earth. This earth will not be destroyed by a flood."

OK, maybe. However, the science of climate change is, at this point, somewhat irrefutable and while the world may not end in a cataclysmic flood, it is very probable that in the next few decades we will have more devastating tropical storms, more drought, more crop damage, more heat waves, more water shortages and more climate-related catastrophes than ever before. Not to mention the fact that the Committee on Energy and Commerce has purview over our energy policies, which affect the health of our land, air and sea. These natural resources must be managed and preserved or the result will be disastrous, as in the Gulf of Mexico recently or the increase in the rates of asthma and other lung-related diseases in our children.

Clearly, humans do have a role to play in the preservation of our earth, even if God is the ultimate authority. A "leader" who is in charge of one of the most sensitive and powerful committees in our country should keep an open mind, not to mention he should follow the law of our land that states that public legislation should not be religiously motivated.

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