

## **Beacon Residents:**

Over the past few years this city, like virtually every city across the country, has struggled valiantly to face the worst economic downturn since the Great Depression. While neighboring municipalities are experiencing huge million dollar deficits, our challenge in Beacon is to resolve a \$1.8 million deficit.

### **How did we get the 1.8 million dollar deficit?**

The deficits are not due to any increase in government action – in fact we reduced most unessential services and placed a hiring freeze that led to the attrition of many unfilled positions in all departments including police, city hall and highway. The budget deficit grew to over one million dollars at the beginning of 2009 by a combination of a historic revenue loss in sales and mortgage tax, the recalibration of homestead vs. non-homestead taxes, and the first payment of a large bond taken out the previous year. We filled the budget gap in 2009 by the appropriate use of our reserve (rainy day) fund, but that was a one year fill. The gap continued forward to 2010 as revenue and expenses remained the same. This time we filled the gap by locating every unused penny out of our various accounts, held off spending even if it was budgeted, and we went after and collected grant funds owed to the city and cleaned up old capital accounts amounting to over \$800,000 in combination. Again, the gap was filled in 2010 by one time fixes. Today, the 2011 budget deficit is comprised of the gap carried over from the last two years and a combination of new mandates and forced payments. These new expenses include \$333,000 for litigation related costs and claims, \$177,000 for mandated increased pension costs, \$208,000 increased health insurance costs, a loss of \$100,000 from the State, and lastly a reduction of property tax assessments by 8%.

### **How can this proposed budget balance the 1.8 million dollar deficit?**

One way is to raise taxes by 20%, lay off almost 10 people and have city staff work 4 out of 5 days a week. But after discussing this option with the City Administrator, trusted colleagues and city personnel, I have been strongly advised that doing so would result in the diminishment of city services to the degree that Beacon would become an unsafe and unpleasant place to live. Roads would take two or three times as long to be plowed, cleaned, maintained, and cleared of debris. City Hall staff would be slow to process files, slow to get out notices, slow to perform customer service requests and miss critical deadlines. And all the gains we have accomplished to make our neighborhoods and Main Street safe for residents and tourists would be jeopardized – consider the violence in Newburgh and Poughkeepsie. The cost to provide the services we want and need, without layoffs and furloughs, will require a tax increase of 27.3%. But because most homes have been assessed, on average, 8% less than last year, the actual out-of-pocket dollar increase is roughly equivalent to less than 18%, not 27.3%. As property values go down, the tax rate has to go up to cover the difference if the tax levy remains the same.

### **What does a tax increase of less than 18% mean to you?**

If your home was assessed at \$300,000 last year you paid in city taxes \$1,746. This year the same home is assessed, on average, 8% less or \$276,030 and the tax is \$2,049. The difference is \$303.13 or 17.36%. That is .83 cents per day. It is difficult to compare

towns with cities since most towns do not include the same services in their budgets as cities such as garbage pickup, sewer or water systems, ambulance service or fire department service, nor do they require the same level of police protection as do cities. The only other Dutchess municipality we can compare Beacon with is the City of Poughkeepsie. For the same house in the City of Poughkeepsie it would cost \$16.00 more than Beacon based on their projected 2011 tax levy and assessment. In Newburgh it would cost \$1,429 more than Beacon (no, that's not a mistake).

**How can you learn more, and what's next?**

Over the next few weeks the City Council, the Administrator, department heads and I will be going over the budget line by line. If any unnecessary expenses or savings opportunities are identified, they will all be seriously considered. Our goal will be to deliver only essential services. We will hold a Town Hall meeting to listen to your ideas (date to be announced). In the last half of December, the council will vote on the 2011 budget. Please visit [www.cityofbeacon.org](http://www.cityofbeacon.org) to see the budget, or go to the Howland Library to view a reference copy.

Thank you,  
Steve Gold, Mayor