

Memorandum

To: Village of Chaumont Dissolution Study Committee
From: Charles Zettek, Jr.
Date: August 2, 2011
Re: Draft Initial Tax Impact Projections

DRAFT – For Committee Discussion and Informational Purposes Only

This memo has been prepared as a discussion item for the Committee. CGR has not had the opportunity to review these figures with Village and Town staff to check accuracy. The figures are based on published budget figures. The purpose of this memo is to help the Committee understand the order of magnitude cost and tax impacts of the dissolution discussion. Final figures will likely need to be adjusted before this information is published on the web site.

Background

Based upon 2011 Village and Town budgets, it is possible to project the cost and tax impacts if the Village were to dissolve, using those budget numbers. If the cost of Village operations changes in the next month or two based upon changes in current DPW operations, the impact projections can be adjusted accordingly.

Assumption about the Baseline Model

The cost and tax impacts described below are based upon making one key assumption – which is that current Village and Town operations continue AS IS. The AS IS assumption is what CGR calls the *Baseline Model* assumption. The Baseline Model only assumes that Village Board and associated costs would be eliminated if the Village dissolves. If the Village dissolves, the Town of Lyme would be the remaining entity. To make the distinction easier between the Town and Village as they currently exists, we refer to the single combined entity as the **New Town of Lyme**, or **New Town** for short.

If the Committee decides it is preferable to achieve additional cost reductions to reduce property taxes beyond the amount shown in the Baseline Model, the Committee can do that by cutting personnel and/or services incrementally as needed. CGR can estimate for the Committee how much costs would have to be reduced in order to achieve a desired tax reduction.

Tax Impact Projections – Part 1 – Current Property Tax Rates

Current tax rates are presented below in Table 1 and represent the local property-tax rates for 2011. The 2011 tax rates include use of fund balance in the Town budget (the Village budget does not assume use of any fund balances). The tax rates do not include special district taxes for

utilities and lighting which are paid for by user-fees or applied as a special user-tax. For 2011, the Village property-owner paid \$10.39 per \$1,000 taxable assessed value and the town-outside-village (TOV) property-owner paid \$2.44 per \$1,000.

Table 1

Current (2011) Village and Town Property Tax Rates, per \$1,000 Assessed Value (includes use of Fund Balance)		
	Village of Chaumont	TOV
Townwide	\$0.87	\$0.87
Town-Outside General		\$0.00
Town-Outside Hwy		\$0.00
Village	\$9.52	-
Fire	-	\$1.57
TOTAL	\$10.39	\$2.44

Source: Jefferson County Real Property Office

Notes: Reflects 2011 tax rates. Excludes special district taxes.

In 2011, the Town applied \$200,000 in fund balance to reduce the town wide tax rate by \$1.79 per \$1,000. The tax projections presented in this document if the Village dissolves **do not** include applied fund balance, as this cannot be projected for future years. Therefore, to assist the Committee in comparing current tax rates to tax projections, Table 2 below presents **derived** tax rates by removing the applied fund balance. As shown in Table 2, current rates without applied fund balance would have been \$12.18 per \$1,000 for the Village property-owner and \$4.23 per \$1,000 for the TOV property-owner.

Table 2

Village and Town Property Tax Rates, per \$1,000 AV (Derived - WITHOUT use of fund balance)		
	Village	TOV
Townwide	\$2.66	\$2.66
Town-Outside General	-	\$0.00
Town-Outside Hwy	-	\$0.00
Village	\$9.52	-
Fire	-	\$1.57
TOTAL	\$12.18	\$4.23

Source: Calculated by CGR

Notes:

1. Figures reflect budgets for Village 2011-12 and Town 2011.
2. Figures exclude use of fund balance.
3. Does not include school, federal, state or county taxes.
4. Does not include water or sewer as these services are paid for by user-fees.
5. Excludes Town three mile bay lighting district.

Tax Impact Projections – Part 2 – Baseline Model Net Costs

In order to estimate the tax impact if the Village of Chaumont dissolves, CGR created a model budget for the New Town which reviewed each budget line item for both municipalities and made a determination of how each expenditure and revenue would be treated.

For this initial model, the intent was to present the tax impact if only the bare minimum of expenses were removed, without identifying additional expenditure reductions. This is what CGR refers to as the **Baseline Model**.

Table 3 below outlines the \$13,500 in expense reductions from the elimination of the Village Board and association dues to NYCOM. By New York State law, Town governments are ineligible to charge and receive Gross Utilities Tax Receipts (GURT), therefore the \$5,000 in GURT revenue that the Village currently budgets would be removed from the New Town budget. The net cost reduction of dissolution for the New Town taxpayers would be \$8,500, plus \$5,000 in utility taxes that would be saved by former village utility rate payers.

New York State currently provides an annual incentive for municipalities when they consolidate called the Citizen Empowerment Tax Credit (CETC). Based on 15% of the combined tax levy, the New Town is eligible to receive over \$31,000 per year.

Table 3

Dissolution Net Expense Change Summary		
Amount	Description	
\$ (12,700)	Elimination of Village Board & Related Expenses	
\$ (800)	Reduction of NYCOM Dues	
\$ (13,500)	Expense Reduction	
\$ 5,000	Loss of Gross Utilities Receipts Tax (GURT) Revenue	
-\$8,500 Total Net Expenditure Change (Increase)		

In addition: **\$31,546 per year CETC** incentive as additional revenue

Tax Impact Projections – Part 3 – Baseline Model Tax Impact

Based on the assumptions outlined above, Table 4 presents the projected property tax impact of village dissolution for former Village and TOV property-owners, using the Baseline Model.

Note that there will be no impact of dissolution on water and sewer rate payers in the Village and Town. Water and sewer costs are based on user fee charges, and are not property taxes. If the Village dissolves, former Village water and sewer customers will be incorporated into new town special districts. If New Town DPW staff provide any services to the new water and sewer districts, these will be charged back to utility rate payers using the same inter-fund charge system currently being used.

Table 4

FISCAL IMPACT OF VILLAGE DISSOLUTION		
Village and Town Property Tax Rates, per \$1,000 Assessed Value (Does Not Include Fund Balance)		
	Former Village of Chaumont	Former TOV
Town wide	\$3.30	\$3.30
Former Village Taxing Dist.	\$1.03	-
Fire	\$1.57	\$1.57
TOTAL	\$5.90	\$4.87
Impact of New CETC Tax Credit	\$0.28	\$0.28
TOTAL w/ New CETC Tax Credit	\$5.62	\$4.59

Source: Calculated by CGR

Notes:

1. Does not include fund balance.
2. CETC is Citizen Empowerment Tax Credit.
3. Reflects 2011 tax rates.
4. Does not include Three Mile Bay Light District tax.
5. Former Village taxing district includes costs for street lighting.

Tax Impact Projections – Part 4 – Tax Rate Comparisons

To assist in comparison, Table 5 presents a summary of the previous tables, with the corresponding table # in the first left-hand column.

Table 5

Tax Impact Summary			
Tax Rate per \$1,000 assessed value			
From Table #			
1	Current Rates as published (with applied fund balance)	\$10.39	\$2.44
2	Current Rates WITHOUT applied fund balance	\$12.18	\$4.23
4	New Town (if village dissolves)	\$5.90	\$4.87
4	New Town with CETC	\$5.62	\$4.59

Source: Calculated by CGR

Final comment – to reduce the New Town general fund tax levy by 10%, the Committee would need to cut expenses by \$36,800. To keep the New Town general fund tax levy at the current \$2.44 level without CETC, the Committee would need to cut expenses by \$270,900.