

Brighton-Pittsford Post – “From the Supervisor” column – October 30, 2014 issue
Submitted by Pittsford Town Supervisor Bill Smith

Healthy Balance Sheet Benefits Pittsford Taxpayers

The Town of Pittsford has a Triple-A credit rating. That's the highest credit rating there is.

It's the highest rating of any town in Monroe County.

It's the highest rating, so far as our research discloses, of any town in upstate New York.

Two things about our credit rating are important for you to know. First, it benefits Pittsford taxpayers directly. Second, it didn't happen by accident.

Earning the top credit rating helps reduce municipal expenses, because it gets us the most favorable interest rates on borrowing. We took advantage of this opportunity this past spring, when we refinanced the bonds for our Community Library. This alone has saved Pittsford taxpayers \$684,000.

In its letter earlier this year confirming our credit rating, Moody's Investor Services cited as principal among its reasons, "*...ample fund balance and reserve levels.*"

The Town's fund balance and reserves are like a family's savings account. They contain money, put aside through cost savings and other efficiencies, to provide for difficult times, unanticipated emergency expenses, or for special projects – the municipal equivalent of replacing the furnace or re-roofing the house.

A healthy reserve enables us to pay cash in many instances instead of borrowing. This eliminates the cost of interest on debt.

Adequate reserves position Pittsford to meet unexpected needs for expenditure in order to act quickly to maintain public safety. In the aftermath of a major storm, such as the ice storm or the Labor Day storm some years ago, Pittsford has the capacity to act immediately. We're clearing downed trees, opening roads, pumping basements, fixing sewers, plowing and repairing roads and sidewalks, lending a hand to restore electric power – without having to borrow for short-term money and pay interest in order to obtain additional equipment to respond. Without spending time negotiating such a loan instead of being where we need to be, getting Pittsford up and running again.

Pittsford can respond immediately. That's a good position to be in for a town in the Northeast US because of severity and uncertainty of weather conditions. Pittsford is ready. Our reserves make us ready.

Healthy reserves help Pittsford to mitigate property taxes, allowing us to maintain relative tax stability over time. We remain even now at about the midpoint of Monroe County

towns in terms of the Town tax rate. In 2015, as before, out of the total property tax you'll pay for the year – Town, School and County taxes altogether – less than 10% will be property tax paid to the Town of Pittsford.

The budgets we submit each year are balanced. Spending matches revenue. So how do we wind up with any reserves at all?

The answer is: In several ways. We constantly seek to reduce costs; when we succeed, spending decreases. In those situations we end up with some income we didn't need to spend. That can go into reserves.

Similarly, we're always on the lookout for grants and aid available from other levels of government. When we obtain them, again it means we're not spending money that was budgeted, and that can go into reserve.

Finally, we budget conservatively. "Hope for the best and plan for the worst" may state the case a bit too strongly, but it's not far from the mark.

In practice what this means is that in drafting the Town budget we do our best to forecast all necessary expenses for the year ahead. And we review critically, perhaps even skeptically, the expected sources of revenue. For example, Monroe County shares its sales tax receipts with the towns and the City. The County shares the same percentage each year, but its sales tax receipts depend on the economy. Therefore, they can fluctuate from year to year. That means the portion shared with Pittsford can fluctuate as well.

As another example, mortgage tax revenue to the Town depends on real estate sales during the year and on the aggregate value of the real estate sold. Again, that's driven by the economy. Neglecting to account in our budget planning for fluctuation in items of revenue would amount to municipal malpractice.

Better for all of us that Pittsford budgets realistically and might have some cash left over for savings at the end of the year if things turn out well. Better by far than planning poorly, exposing us to the possibility that income might not meet expenses, leading to municipal crisis and disruption of services.

By providing for adequate reserves, among other wise financial practices, Pittsford demonstrates that it can meet its financial obligations in good times or bad. That leads to the top credit rating.

What could damage our credit rating? Moody's spells it out in its letter to the Town earlier this year. Near the top of the list: "*Material declines in reserve levels in the General Fund or combined operating funds.*"

The Town Board and I are committed to maintaining Pittsford's path of fiscal integrity.

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