Guest Commentary

How Much Will a New $3 Million Bond Issue Cost Taxpayers?

By Susan Siegel

Before the Town Board votes on Supervisor Grace's plan for a new $3.05 million bond issue (expected sometime this summer), the taxpayers who will be paying for the bond need answers to some questions.

• How much will the borrowing cost taxpayers over the life of the 15 year bond? The supervisor isn't telling us. He's "selling" the bond issue based on a temporary 1% short term interest rate. But what will the interest cost be when 80% of the bond is converted to long term debt at higher interest rates, currently 3%-4%?

• Why isn't the town paying for routine maintenance projects, like $14,500 and $38,340 respectively for roof repairs at the YCCC and town hall, on an ongoing basis in the annual operating budget instead of waiting until they can be included in a multi-project bond issue? (The roof over the board meeting room has been leaking for over two years. How much damage may have occurred while the repair was continually put off? Will there be an added cost for doing nothing?)

• When the town has several million dollars in cash available in its fund balance (aka rainy day fund, aka reserves) does it make financial sense to borrow, and pay interest, for small items like a $14,000 walk-in cooler for the Nutrition Center, or $15,500 for a car with a three year life span?

As a financial tool, there's nothing wrong with borrowing — under the right circumstances and when all the facts are known. And the good news is that Yorktown has very little long term debt. But as the taxpayers who will be paying for bond, we should know what the borrowing is for and how much it will cost us over the life of the bond. It's called being honest, open and transparent with taxpayers.

Like home mortgage payments that are a fixed expense in family budgets, the town's debt service payments (principal and interest) are an expense in the town budget. And the impetus for considering a new bond issue is the fact that next year the town will have paid off the $4 million it borrowed in 2000 to build the Shrub Oak pool. This will free up approximately $325,000 in debt service payments in the town budget, giving the board two options:

• It could decide not to borrow any new money, automatically eliminating a $325,000 expense in the 2016 budget (and future budgets) and instead use the fund balance to pay for the needed projects, or

• It could borrow the money for the capital projects and continue to spend roughly $325,000 each and every year in debt service.

Supervisor Grace has been talking about a possible new bond issue for almost a year. And every time he brings up the subject, the list of items to be financed by the bond, and the cost of the borrowing, changes. In August, 2013, he said it would cost the town $422,000 a year in debt service for borrowing $2.93 million. Two months later, he proposed borrowing $2.52 million, and lowered the debt service cost to $235,786. But he never followed through on his bonding plan, and at least one long delayed critical road/culvert project continues to be delayed because the supervisor doesn't want to use available cash in the fund balance to pay for the project.

Fast forward to May, 2014 when Highway Superintendent Paganelli came before the board and said he needed to purchase three or four new trucks to replace existing ones he said were unsafe to use. The board informally said yes, and Supervisor Grace said he'd include the additional funds in a revised capital borrowing plan.

So now, the board is considering borrowing $3.05 million, and the supervisor is projecting that the bond will cost $365,742 in debt service, or about $40,000 more than the soon to be retired pool debt. But his debt service cost is based only on a 1% short term interest rate. And he's still not telling his fellow board members — or taxpayers — what the cost of the bond will be once the short term bonds are converted to long term bonds.

It doesn't take a financial expert to see that Supervisor Grace's fiscal policies are designed more for his short term political benefit then for the town's long term financial health.

•He's put money in the budget for a movie projector and parades, but not critically needed maintenance projects.

•He's raided the town's rainy day funds to lower today's tax rate instead of paying outright for capital projects that would hold down future tax increases by eliminating the need to borrow and pay interest.

•He's "selling" a $3.05 million short-term bond issue by conveniently not telling taxpayers what the future cost will be for them.

Supervisor Grace may not be around after 2015 to deal with the fallout from his self-serving politically motivated fiscal policies, but the taxpayers will.

Before the Town Board votes on the proposed new bond issue — which does include needed projects and purchases — taxpayers have a right to know exactly what a new bond will cost them.

Susan Siegel is a former town supervisor and a current candidate for the vacant seat on the Yorktown Town Board