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Special Newsletter on the 2011-12 Budget

Topic: Special Update Report from the Mayor on the 2011-12 Village Budget and Tax Rate

Date: April 21, 2011

Dear Residents,

It is comforting to know that spring has now finally arrived. Certainly it means no more snow updates for a while. It is a great time of the year to be in Dobbs Ferry, to feel the warmth and to see more people moving outdoors throughout our Hudson River community; we hope that you are enjoying the school break (Parents included!), and that everyone has a good time throughout the Passover and Easter Holidays.

Spring is also the time of year when the tentative and final village budget and tax rate are determined for the upcoming fiscal period (June 2011-May 2012), which I want to share with everyone in this ***Special Newsletter on the 2011-12 Budget***.

Let me first apologize in advance for the length of this Newsletter (10 pages); as we did last year, it is important to update the full details of the tentative budget and tax rate as released to the public by the Budget Officer on April 1st, and which were presented and discussed at two Public Hearings on April 4th, and have remained open until the board adopts the final budget at its' next regular meeting on April 26th. In addition to the *bottom line*, I also wanted to present the following:

1. Breakdown of total property tax and impact of proposed village tax rate.
2. Major factors that impact the proposed budget and tax rate.
3. Principles, Process, and Planning.
4. Initiatives and *Actions* taken to positively impact the budget.
5. Main challenges facing the village's financial condition going forward.

First, let's go straight to the **Bottom Line:**

The proposed final tentative village tax rate for the upcoming fiscal year is **\$214.74**, or an increase of **1.97%** versus the prior year's tax rate.

1. Breakdown of total property tax and impact of proposed village tax rate

Based on the proposed rate and your property’s assessed value, the following table* is an indication of what this means to you as a homeowner in terms of your estimated annual village tax, and the year-on-year change in real dollars.

TABLE 1: Impact of proposed Tax Rate on Resident’s Annual Village Tax *only*

Assessed value	Tax rate last year	Tax rate this year	Estimated annual change
	210.59	214.74	
10,000	\$ 2,105.90	\$ 2,147.40	\$ 41.50
15,000	\$ 3,158.85	\$ 3,221.10	\$ 62.25
25,000	\$ 5,264.75	\$ 5,368.50	\$ 103.75
35,000	\$ 7,370.65	\$ 7,515.90	\$ 145.25
40,000	\$ 8,423.60	\$ 8,589.60	\$ 166.00

**These are just estimates and subject to change depending on the final adopted tax rates and/or the assessed valuation of your property as determined by the village assessor.*

How much is the Village Tax of the *total* Property Tax Bill paid by Residents?

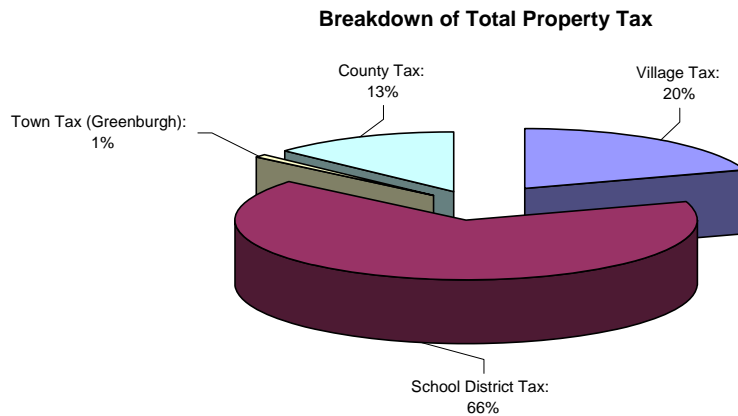
It is important to keep in perspective that your village tax component is approximately 20% of the total property tax bill that you pay as a resident of Dobbs Ferry.

On a percentage **basis**, the 4 components of a resident’s total property tax bill are as follows:

Village Tax:	20%
School District Tax:	66%
Town Tax (Greenburgh):	1%
County Tax:	13%
TOTAL TAX	100%

The pie chart below also gives a good visual perspective of the 4 components and their percentage contribution of a resident's *total* property tax bill:

CHART 1: the 4 Components of a Resident's Total Property Tax Bill



Each of the 4 tax entities are managed and overseen separately by different boards. Our responsibility as the Board of Trustees of the Village is to oversee the operations and services that are provided by the Village, and the resulting tax rate based on the cost of delivering those services.

Village services include:

- Police, Fire, and Ambulance
- Department of Public Works (garbage, recycle, snow removal, storm clean-up, etc.)
- Highways (we maintain over 24 miles of roads)
- Park Maintenance (Gould Park, Waterfront, Memorial Park)
- Recreation Programs (Seniors and Youth)
- Building Department (permits and zoning codes)
- The Village Court
- Village Hall Administration and Treasury Department
- Library Building

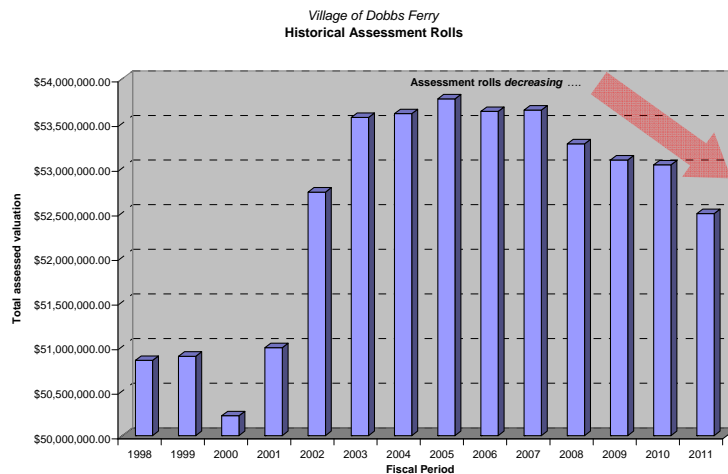
Now that we have a good idea of the village tax and its impact as a portion of the total property tax bill, let's zoom-in on the factors which had the biggest impact on the village's proposed budget and tax rate.

2. Major factors that impact the proposed budget and tax rate

Increase in the contribution to the NY State Retirement Fund as mandated by NY State Law (\$115,000) – This mandated contribution impacted every municipality in NY State, and is expected to add to the tax burden into the foreseeable future. For Dobbs Ferry, this year's additional contributions to the NY State Retirement System amounted to \$115,000 for all employees.

Decrease in Assessment Roles (\$115,000) – Property values continued to fall, which means the village collects a lower amount in taxes; The assessment roll dropped by more than 1% to **\$52,486.706**, which is well below the peak values of several years ago which were closer to \$54,000,000. The real tax dollar loss to the village equated to \$115,326. As a record number of grievances are being filed, the village is presented with an ever increasing number of claims and certioraris; further declines in the tax assessment roles (i.e. revenue) are to be expected into the coming years.

Here is a picture showing the lower trend in the village's total assessed valuations ...



Increase in Utility costs and Hydrant fees (\$40,500) – The Water Utility Company significantly increased hydrant fees charged to municipalities, and which is expected to increase even further in the future (the village has agreed to join other villages seeking legal recourse against this new tax inflicted; at this time it is too early and impossible to predict an outcome). In general, utility costs are expected to significantly increase owing to the unrest taking place in Middle Eastern oil producing countries, and as the US in general re-assesses its energy policy with regard to nuclear power.

Increase in contingencies as negotiations with union representatives continue - The village again set aside a significant amount of funds as a contingency to settlement of a new contract with the village's two unions. Mediation efforts have so far been unsuccessful in reaching a mutual agreement between the village and the representatives of the unions; it is impossible to predict what final determinations

might be made in the arbitration process. The village is seeking an agreement that allows for some additional contributions to health care costs from new hires, is fair for all sides and sustainable in the long-term, and helps maintain jobs.

Doing more with less - It is important to note that the Department Heads did an incredible job to develop and present a **proposed total operating budget that was LESS than the previous year**. This required a line-by-line review, and of course some tough decisions. Helping this was a **10% reduction in workforce** through natural attrition, retirement incentives, or positions vacated which will not be replaced. (Details of the operating line-budgets for each department can be found on the village's website)

Now let's turn to the process and planning work, including initiatives taken to offset the above negative factors, and which contributed positively to the budget this year and set the stage for a more sustainable future.

3. Principles, Process and Planning Work

- **Start the Process Early and Involve the Department Heads.**

Starting early and working closely with the department heads has had a positive impact on the budget planning process the past 2 years, especially in a very difficult economic environment. Sitting down and planning early in the process is key to understanding how things work, and determining what is essential and what might wait. This year for the first time the village board took *Action* to initiate and adopt a **Capital Budget Plan**. With critical input from the departments – and with analysis by the treasury area, the village's financial consultants, and the ad hoc Citizens Budget Committee - developed a funding plan and schedule to help meet the long-term capital, equipment and infrastructure needs of the village. This will help the village – and future boards and administrators - to be better prepared and plan for future needs. This, along with careful review line-by-line, allows for a process that saves tax payers money; and avoids the easy mistakes that can be made when things are done at the last minute.

- **Communication With and Involvement of the Public**

We have worked hard to communicate what is going on, and this will ***continue as a constant process going forward***. The tentative budget was released April 1st and posted to the village's website; Public Work Shops on the Budget have been announced and noticed; these have been broadcast live, and a separate detailed presentation was made by the Budget Officer / Village Administrator airing on the Public Access TV channels. These Newsletters also try to help keep residents informed of the issues and the challenges faced. When done properly, an open and constructive communication process helps find solutions to problems, or initiatives to improve energy efficiency and sustainability. This has been the case working with

the **ad hoc Citizens Budget Committee** and also the **Energy Task Force**. Here are residents that are working positively with the Board to help the process and find solutions that can save tax payer's money, and where good economics is also good for the environment.

4. Initiatives and *Action* taken to positively impact the budget ... new revenues consistent with pro-growth strategy.

- Last year the village **changed the employee health insurance plan** for all employees, moving to a more predictable 'insured plan' and in the process saving **the village a significant sum in premium costs**. This coming budget year the village will have realized the *final* full costs savings of that action – saving approximately \$330,000 for the fiscal 2011-12 period - which was a major positive contributor to keeping the proposed tax rate increase on the low side.
- The **Budget Committee** recently presented the board with a recommendation for a **new Fund Balance Policy**, which I expect will be adopted concurrent with the final budget. The Fund Balance is essentially the Village's reserve savings account, which has been used in the past to off-set unplanned or unexpected emergencies (like a global financial crisis) or expenditures, and also as a tool to balance the budget. The new policy – and a stated goal of this administration – is to move away from relying on the fund balance to 'balance the budget', and to provide clearer guidance on the parameters of its use, and the size of the balance itself. While the village still used a significant amount of the Fund Balance (savings) to off-set the unplanned increases in retirement contributions mandated by New York State, this year's proposed budget was **achieved using \$300,000 LESS from the fund balance versus previous year**, and was also consistent within the parameters as outlined in the proposed new policy. Going forward the village will not rely as heavily on the fund balance, year-to-year, and instead rely on best practice, long-term planning, cost savings through shared-services, and revenue growth strategies as the means to lower the village's operating costs.
- The **Energy Task Force** has also made a positive contribution to the budget. In its goal to improve energy efficiency and sustainability, Dobbs Ferry has proven that what is good for the environment can also be good for the budget. This year the board took *Action* on several Task Force initiatives, including:
 - The planned installation of new energy efficient LED lights – this will **save the village money** in energy use and maintenance.
 - A complete re-tooling of the Library building's energy control systems – this will correct what has been a long-term wasteful problem, and

instead will now be more reliable and efficient, **saving energy use and tax payer dollars.**

- The planned installation of solar panels at the Library and DPW facilities – with the help of a NYSERDA Grant, the energy and **pay-back savings to the village will be significantly accelerated;** the Task force and the board work well together taking economically prudent approaches that help both the environment and save on the use of energy ... setting a good example for even bigger projects that could help on a larger scale.

There are other initiatives the village is currently analyzing for ways to save money in the future – including working with the other villages on shared services - and we will keep the residents updated on progress in these areas going forward.

New revenues as part of a pro-growth strategy. As stated clearly last year – and as an *ongoing* priority - the Village is (and must) seek new revenues to increase the overall tax base. The village's total assessed valuation is declining at an alarming rate – as highlighted in this report - and there is a stronger probability this trend will continue based on economic data, and the number of property tax grievances being filed. The village must find ways to reverse this trend in order to improve its long-term financial health.

Actions and Initiatives leading to New Revenues include:

- The creation of the **Dobbs Ferry Development Corporation (DFLDC)** leading to new revenue generation and a tool to help future economic development in Dobbs Ferry. A first-time transaction (zero risk) with a major local tax exempt institution earned the DFLDC approximately \$120,000; this is new revenue now available for funding (not charged to tax payers) for new business development projects, or other initiatives designed to bring a positive financial return to tax payers.
- Related to the above, these past months we have been discussing and reporting on work being done to develop more meaningful relationships with the village's large tax exempt institutions, with the goal to see them make greater direct contributions for services provided by/ and to help the needs of/ the village ... in lieu of the fact they do not pay any property taxes. The DFLDC success outlined above (with **Children's Village**) is an example of this work starting to pay-off. So is the recent agreement with the **Masters School** which will allow residents use of the new Track and Field facility to be built on the campus (along Broadway). The **ad hoc Facilities Committee** will be reporting on new initiatives and developments along these lines and involving other tax exempts – and which will start to return more meaningful value to tax payers, where the village would otherwise have to spend its own money to develop, which places an even greater burden on the residents.

Where we have been working hard this fiscal year to plant the ‘contribution seed’, in the new fiscal year we expect to reap real returns – which will help the budget and the tax payers, and also generate a valuable return to the institutions as more meaningful members of the community.

- As recommended by the Police Department, the agreement with **Complus** - an electronic summons system - significantly **enhanced the villages’ revenues** via increases in scofflaw collections. While we are not anticipating collection revenues to match this year’s level, it is still an overall plus to offset the increased retirement mandates and health care costs expected going forward.
- The decision to hire a new Assistant Building Inspector is expected to positively impact the village with **new revenues in building permits and fees**.

For the bigger picture on revenues, the board did follow-through last year in **adopting the new village zoning code** (streamlining the approval process, encouraging more residential development in the downtown, and making it generally clearer to developers what can be built and where); while we cant push **Stop & Shop** or **2 Ashford Avenue** forward anymore then we have (with approvals granted) in a bad economic and real-estate market, the new code over time will encourage better development in Dobbs Ferry – especially bringing people into the downtown business district – which is critical for improving the revenue side of the Village’s balance sheet.

With the combination of **hard work, planning, communication**, and with **ongoing cost and revenue initiatives**, the village is seeking to find the best solutions that will:

- (a) Deliver essential services that are important to residents and maintaining property values,
- (b) Do so more efficiently so as to reduce the property tax burden on residents, and
- (c) Maintain an appropriate savings balance for emergency situations and to support favorable credit ratings.

5. Main Challenges Facing the Village and Going Forward

There are challenges ahead, so we will continue to work as hard as we can and with the village’s dedicated department heads and employees to make government and services more efficient, and to reduce the tax burden on residents.

These are the main issues and challenges ahead:

- We need to plan and anticipate as if the general economy and housing markets will continue to be poor; while there are signs of improvement in the stock markets – and our new Governor seems to be getting off to a good start in addressing the issues in Albany – the financial problems for our region in particular are still great, and we cannot expect there will be any meaningful improvement over night. This economic reality will demand a continued conservative approach.
- Salaries and benefits now make up close to 70% of the village’s total operating costs; and average employee benefit costs now exceed 35% (health, dental, Medicare, and retirement). While the action taken to change the village’s health care provider has helped to achieve significant savings for the current and previous budget cycles, these cost savings have now been *fully* realized. In other words, the village’s healthcare costs are going to start going up again. There is no hiding the fact that the village’s ability to balance the needs and requirements of its employees to that which the tax payers can afford remains *the* most critical issue of all.
- Assessed valuations (revenues) are *decreasing* at a sharp angle, while employee benefit and retirement costs are *rising* at a sharp angle. This is not a sustainable picture. The village must have a pro-growth strategy and find ways to increase the revenues to off-set costs, and in order to be affordable and sustainable into the future, and for our children. In this regard, the tax exempt initiative is very important ... the village will need their help.
- The village’s contracts with the PBA and Teamsters expired at the end of May 2010 – while the law provides continuation of the terms and provisions of the old contract for employees (i.e. nothing changes from old contract) - it is upsetting for both sides that a new mutual agreement has not been achieved. Dobbs Ferry is not the only municipality finding it challenging to achieve an agreement that makes economic sense for the village while at same time retains jobs and sustainable long-term success for its union employees. While the village has been prudent to plan and set aside contingencies, it is not possible to predict what the outcome of the labor arbitration will be; as such there will be a significant risk of volatility in future budgets going forward. Nevertheless, the village seeks to continue to work in a positive way for an agreement to be reached that is fair for all parties (tax payers and employees), which is sustainable and with more certainty going forward.

I would like to thank the entire Village Staff and the Department Heads for their work and efforts in the budget process. It is not an easy job, and elements of the process can be stressful on staff and workers during this time of year.

The Village Administrator and Assistant Treasurer have also done a great job working with the departments to review all the budget lines, requests and requirements, and to communicate the goals of the Board so that all parties are on same page and working to the same end result. It is not always such an easy thing to do.

I would also like to thank the members of the ad hoc Citizens Budget Committee for their efforts and for giving their time and expertise so positively to the process. We established parameters that have worked well these past two budget cycles, and it is great to see it working for the benefit of both the tax payers and employees of the village in the long-run. I am confident that more good things will come from this relationship.

Finally, thank you to all the residents that stay involved, or give their time volunteering, and for your feedback – good and bad. It is important. As usual, we encourage everyone to come to the meetings, and feel free to contact the Mayor by return to these Newsletters, or any of the Trustees. We want to hear from you, and any ideas or thoughts you might have.

The tentative 2011-2012 budget is available at Village Hall and is posted on the village's website.

Best Regards,

Mayor Connett