



REESE BERMAN
Supervisor

TOWN OF NORTH CASTLE

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Established 1736

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November 4, 2009

Dear Residents,

The 2010 Tentative Budget reflects the difficult economic times facing North Castle, surrounding communities, and our Country. The Town Board has been sensitive to our many residents who have lost their jobs, seen their incomes reduced, and their savings diminished, and who are anxious about the future. At the same time, our Town government is faced with declining revenues and increasing mandated expenses. This budget seeks to restrain tax increases, provide essential services, and project revenues realistically.

Tax Rate and Impact on Residents

The 2010 Tentative Budget proposes a 6.46% increase in the tax rate; that represents \$148.24555 per \$1000 of assessed value. In 2009 the tax rate represented approximately \$139.22497 per \$1000 of assessed value. The 2010 tax rate is an increase of \$8.99585 per \$1000 of assessed value. For the average home assessment of \$23,900, a homeowner would see an increase of \$215 in his Town taxes.

Budget Approval Process

The budget time-table is dictated by New York State Law. The Tentative Budget was filed, as required by law, with the Town Clerk on October 30. The Town Board will receive the Tentative Budget at its meeting on November 9 and will be able to make further adjustments prior to the public hearing on December 1 and thereafter until the Final Budget is adopted. The Final Budget must be adopted by December 20; adoption is currently scheduled for December 16. During the next six weeks, the Town Board and Department heads will be looking for ways to further reduce expenditures and revise the budgets.

Reduced Sources of Revenue and Projections for 2010

Four major sources of revenue declined in 2009: mortgage recording tax, sales tax, earnings on investments, and building permit fees. We are projecting 2009 revenues to be about \$750,000 less than in 2008. The largest decline is in mortgage recording tax receipts. These tax receipts were \$1,598,348 in 2007 and \$1,062,425 in 2008. Based on this downward trend, we budgeted \$766,000 for 2009, a reduction of 28% from 2008 receipts. However, actual 2009 receipts are going to be approximately \$518,000. This is less than half of actual 2008 receipts and is \$248,000 lower than projected. We expect the housing market to remain soft for at least a year and are budgeting a conservative \$500,000 in mortgage recording tax receipts for 2010.

We have seen similar declines in our next two major sources of income, sales tax receipts and investment earnings, and, accordingly, we are projecting lower receipts in these areas also. Building permit fees, although lower than in 2008, may meet projections.

Expense Reductions in 2009

Once it became clear that revenues would fall short of projections, the Town Board, Department Heads and union representatives worked to make up the shortfall. We eliminated non-essential expenses, such as attendance at seminars, non-emergency overtime, leaf vacuuming, and paying for leaf grinding, reduced purchases of supplies and fuel, and permitted fewer employees to take home town-owned vehicles. We negotiated savings with the unions, and did not replace employees who retired.

Reductions in Staffing

Eight positions were eliminated in 2009. Three full-time employees have taken our recently adopted retirement incentive; others have retired or resigned, and another will be leaving shortly. None of these positions will be replaced with full-time employees. We will have 122 full-time employees in 2010, our lowest number since 2002 when we had 121. Our Highway Department has four fewer employees than it did in 2008 and is at its lowest staffing level since 1997. However, this reduced staff must maintain many more miles of road than in 1997.

General Fund Balance

The general fund balance is the Town's savings account, but appropriations have been made from it since 1997 to cover expenses and avoid or minimize tax increases. We must now work to build up the fund balance to provide stability. Accordingly, we will not to use money from the general fund balance to cover expenses, and the Tentative Budget shows a zero Appropriated Fund Balance. This decision obviously impacts the 2010 budget, but a majority of the Town Board feels that this is the only fiscally responsible decision consistent with our fiduciary duty to protect the Town's assets.

Mandated expenses in 2010

Mandated expenses are expenses which are forced upon us by existing law or by new initiatives, which we neither control nor agree to. In addition, we cannot predict and budget for new initiatives, such as the recently imposed MTA payroll tax. For 2010, these mandated expenses include:

- 60% increase in contribution rates to the New York State Retirement System
- 4.5% increase in Health Insurance Rates
- MTA payroll tax estimated to cost North Castle \$40,000

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Reductions in Expenses for Elected Officials and Non-Union Staff

We have adopted the following cost saving policies:

- 10% reduction in salary for Supervisor and Town Board
- Elimination of dental and vision benefits for Supervisor and Town Board
- 0% increase for all other elected officials, department heads and non-union employees

Reductions in Spending

Our anticipated total 2009 expenses for the General, Highway, and Library Funds are \$22,720,672. This is \$1,213,625 or 5.07% less than the budgeted amount of \$23,934,297, and has been accomplished in spite of increases in mandated expenses and in compensation for our unionized staff. Our projected expenses of \$23,452,188 for 2010 are \$482,109 or 2.01% lower than our budgeted expenses for 2009.

Sincerely,



Supervisor, Town of North Castle