

Town Board Minutes
Town of North Castle
Armonk Fire House
400 Bedford Road
Armonk, New York
on
November 30, 2010

Supervisor Weaver called the meeting to order at 6:00 p.m. and the following persons were present:

Supervisor	William R. Weaver
Councilmen	Rebecca A. Kittredge
	Michael J. Schiliro
	Diane Roth
	John J. Cronin
Town Clerk	Anne Curran
Town Attorney	Roland A. Baroni

The meeting was immediately adjourned into executive session, which was then closed at 7:30 p.m. The regular meeting was reconvened at 7:35 p.m.

The minutes of the Public Hearings which commenced at 8:02 p.m. follow at the end of these minutes.

Supervisor Weaver announced that the Town has come to an agreement on the Police Department contract negotiations for 2009 and 2010. Pursuant to a positive recommendation from the Town's labor consultant, Councilman Kittredge moved, seconded by Councilman Schiliro, that the Supervisor be authorized to sign the agreements with 2.75% pay increases for 2009 and for 2010.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Roth, Cronin and Supervisor Weaver.

Noes: None.

Councilman Schiliro moved, seconded by Councilman Kittredge, receipt of letters from O'Connor Redd LLP, Oxman Tulis Kirkpatrick Whyatt & Greiger LLP, Sive Paget & Riesel P.C. and Veneziano & Associates Re: Special Use Permit Application of 7 Round House Road.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Roth, Cronin and Supervisor Weaver.

Noes: None.

Councilman Roth moved, seconded by Councilman Schiliro, the adoption of an emergency declaration for snow and ice control services for the roadways in the Sands Mill Subdivision. The resolution follows:

Resolved, that the Town Board of the Town of North Castle hereby declares an emergency situation to enable the roads in the Sands Mill Subdivision (which have been improved and are acceptable for dedication to the Town) to receive snow removal, sanding and ice control services during the winter months due to title issues which will likely temporarily delay the road dedication process.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Roth, Cronin and Supervisor Weaver.

Noes: None.

Upon the recommendation of General Foreman Useted, Councilman Roth moved, seconded by Councilman Schiliro, approval to award the bid for the purchase of uniforms for the Highway,

Town Board Minutes
November 30, 2010

Recreation and Parks and Sewer and Water Departments to Varsity Army & Navy, in the amount of \$5,866.00.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Roth, Cronin
Supervisor Weaver abstained.

Councilman Kittredge moved, seconded by Councilman Schiliro, authorization for the Town Attorneys to execute Consent Judgements in the following matters:

Longo vs North Castle, Index #21328/07 et al; Valenti Armonk Corp. vs North Castle – Index #20297/06 et al.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Roth, Cronin and Supervisor Weaver.
Noes: None.

The Agreement between the Town of North Castle and the Society for the Prevention of Cruelty to Animals of Westchester, Inc. (SPCA) was tabled at the request of Supervisor Weaver.

Councilman Kittredge moved, seconded by Councilman Schiliro, approval for one additional day per week of part-time work to be shared by Amelia DeFeo and Rita Ross for the balance of the year 2010.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Supervisor Weaver.
Noes: Councilmen Roth and Cronin.

Councilman Kittredge moved, seconded by Councilman Schiliro, approval of the appointment of Betty Sanchirico to the position of Senior Office Assistant Automated Systems, Group 8, Step 2, at the budgeted salary, effective January 3, 2011.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Supervisor Weaver.
Noes: Councilmen Roth and Cronin.

Councilman Kittredge moved, seconded by Councilman Schiliro, approval of the appointment of Rita Ross to full time status in her current title of Intermediate Clerk, effective January 3, 2011.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Supervisor Weaver.
Noes: Councilmen Roth and Cronin.

Councilman Schiliro moved, seconded by Councilman Roth, receipt with regret, of a letter of resignation from Comptroller Dawn Donovan, effective December 15, 2010.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Roth, Cronin and Supervisor Weaver.
Noes: None.

Councilman Kittredge moved, seconded by Councilman Schiliro, approval of the request of Gerardo DiFeo, Highway Department, to carry 10 vacation days from 2010 to 2011.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Roth, Cronin and Supervisor Weaver.
Noes: None.

Councilman Kittredge moved, seconded by Councilman Schiliro, approval of the request of Marc DiFiore, Highway Department, to apply two weeks vacation from 2010 to 2011.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Roth, Cronin and Supervisor Weaver.
Noes: None.

Councilman Kittredge moved, seconded by Councilman Schiliro, authorization for payment of terminal leave to Douglas Ross.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Roth, Cronin and Supervisor Weaver.

Noes: None.

Councilman Schiliro moved, seconded by Councilman Kittredge, approval of the request of General Foreman Useted for the release of Highway Bonds as follows:

Con Edison Permit # 929 \$1,000
To be reinstated to the \$50,000 bond provided.

Mark Donsky Permit #541 \$500
Cross Co. Asphalt Permit #554 \$500 rolled over to Permit 0569
Erik Cohen Permit #558 \$500

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Roth, Cronin and Supervisor Weaver.

Noes: None.

The Town Board audited and approved payments totaling \$1,457,286.58 as indicated on Warrant #22.

After all persons were heard who desired to be heard the Supervisor adjourned the meeting at 9:38 p.m. in memory of Columbia Spasoto and Robert Schmidt, former member and Chairman of the Zoning Board of Appeals.

Anne Curran, Town Clerk

Dated: December 10, 2010

PUBLIC HEARING

November 30, 2010

At 8:03 p.m. Supervisor Weaver stated that Public Hearings would be held in accordance with the Public Notices that follow:

**LEGAL NOTICE
PUBLIC HEARING – TOWN OF NORTH CASTLE
PRELIMINARY TOWN BUDGET**

NOTICE IS HEREBY GIVEN THAT THE Preliminary Budget of the Town of North Castle for the year 2011 has been completed and that the same has been filed in the office of the Town Clerk of said Town where the same is available for inspection by any person interested therein, and that a Public Hearing thereon will be held by and before the Town Board of said Town at H.C. Crittenden Middle School, 10 MacDonald, Armonk, NY, on November 30, 2010 at 7:30 p.m., or as soon thereafter, when any person may be heard in favor of or against the Preliminary Budget as compiled, or for or against any item therein contained.

Supervisor \$105,000
Four Town Council Members \$ 72,544
Town Clerk \$ 92,000

Town Board Minutes
November 30, 2010

By Order of the Town Board
Town of North Castle, NY
Anne Curran, Town Clerk
Date: November 18, 2010
Armonk, NY

LEGAL NOTICE
PUBLIC HEARING – TOWN OF NORTH CASTLE
SPECIAL DISTRICTS' BUDGETS

NOTICE IS HEREBY GIVEN that the Preliminary Budgets for the year 2011 have been completed for Sewer District Nos. 1, 1B, 2, 3, 4 and 5; Water District Nos. 1, 2, 4, 5, 6 and 7; Street Light District Nos. 1, 2 and 3; Parking District No. 1; Ambulance District Nos. 1 and 2; and Fire Protection District No. 1; and that the same have been filed in the office of the Town Clerk of said Town, and

FURTHER NOTICE IS GIVEN that the Town Board of the Town of North Castle, NY, has been assessed the amount of estimated expenditures for Sewer District Nos. 1, 1B, 2, 3, 4 and 5 for the year 2010 less the estimated revenues as set forth in proportion as nearly as may be to the benefits which each lot or parcel will derive therefrom, and has prepared an assessment roll describing the several properties, the names of the owners or reputed owners thereof and the aggregate amount of assessment levied there against, and filed the same with the Town Clerk of said Town where it may be examined by any person interested therein, and

FURTHER NOTICE IS GIVEN that the Town Board will meet and review such Preliminary Budgets and such assessment roll at a Public Hearing to be held by and before said Board on November 30, 2010 at 7:30 p.m., or as soon thereafter, at H.C. Crittenden Middle School, 10 MacDonald Avenue, Armonk, NY, at which time any person may be heard in favor of or against the estimates and/or assessment roll as compiled or in favor of or against any item therein contained.

By Order of the Town Board
Town of North Castle, NY
Anne Curran, Town Clerk
Dated: November 18, 2010
Armonk, NY

The Public Notices were marked Exhibit "A" for the record.

The Affidavits of Posting calling the Public Hearings were marked Exhibit "B" for the record.

The Affidavits of Publication from The Journal News were marked Exhibit "C" for the record.

The 2011 Preliminary Budget was marked as Exhibit "D" for the record.

Supervisor Weaver provided highlights of the 2011 tentative budget which currently reflects a 2.84% increase in Town tax. Mr. Weaver said the budget is being reviewed for potential further decrease prior to the adoption of the budget at the next Town Board meeting on December 15, 2010. The increase in total expenses is \$268,000; and the increase in the Town tax rate from 2010 to 2011 is \$4.18 per \$1,000 in assessed value. Based on the average assessed value of \$23,950, the average annual increase in Town tax to homeowners is \$100.

The capital project line has been increased by \$185,000 bringing the total amount to \$260,000. In 2011, the NYS Retirement System pension cost rate will increase about 42 percent and health insurance costs will increase about 14 percent. The decrease in salary and overtime expenses is \$340,000 which reflects reductions in staff

Using a Powerpoint presentation, Comptroller Donovan then gave an overview of the 2011 budget including:

- Pie charts illustrating the components of the budget, and the percentage breakdown of town, county and school property taxes for each of the three school districts.

- Graph illustrating the economically sensitive General Fund revenues which include mortgage tax, sales tax, building permit fees and interest rates.
- Actions taken by the Town Supervisor to reduce the 2011 budget, including: continuation of the hiring freeze implemented in 2008; reduction of overtime except for emergencies; zero percent salary increases for Department Heads, non-union employees and elected positions; reductions in overall department expenses; and staff reductions and positions not being filled.
- Chart of overall staffing reflecting a decrease from 2010 levels.

William Potvin, Chairman of the Budget and Financial Advisory Task Force, read the following statement:

Analysis of the Preliminary Budget

In September, the Task Force delivered a report on the Town's fiscal condition which concluded that if the Town continued to operate as it had in the recent past, the burdens on taxpayers would grow to an unacceptable level. In particular, we pointed out that the Town had been depleting its financial reserves and deferring needed capital spending in order to sustain an untenable cost structure, driven largely by high employee costs. We noted that the Town's operating cost structure was unsustainable and that fundamental reforms were necessary, and we presented a 5 year Financial Outlook which illustrated where we would be without reforms.

We would like to share a few observations regarding the Preliminary Budget and note where progress has been in relation to the Outlook.

EXPENSES:

Total expenses in the 2011 Budget increase by \$268,000 or 1.15% over this year's budget. The increase is driven by a handful of items most notably increases in Capital Expenditures and NYS Retirement and Health Insurance offset by reductions in Salaries & Overtime. The CAPEX increase is consistent with the amounts called for in the five year outlook though the Town needs to further develop a long term CAPEX Plan. NYS Retirement costs are non-controllable as are Health Insurance costs at least in the short term and have experienced large rate increases. The decrease in Salaries & OT is driven by a handful of headcount reductions and results in a 3% decrease in Salaries from 2010.

It is important to understand that the 2011 Preliminary Budget does not include a 2011 increase in salaries for union or non-union employees. These increases have historically run at approximately a 4% annual increase in Salaries in the past five years. This is a positive variance from our five year outlook.

REVENUES:

Despite the increased revenues from Tax Penalties, Sales Tax and Mortgage Tax in 2010, the 2011 budgeted revenues appear low; indeed some of the line items are budgeted below 2010 revenues received to date. It could be argued that budgeted revenues for 2011 could be increased by as much as \$225,000. We have suggested that the Town consider these increases and set up an offsetting contingency to provide for any downside revenue risks.

APPROPRIATED FUND BALANCE (Reserves)

The current final projection for 2010 revenues exceeds the 2010 budget by \$462,000. The excess is driven by a one-time benefit from police special jobs and incremental revenue from Tax Penalties, Sales Tax and Mortgage Tax. These excess revenues coupled with the unused Contingency of \$200,000 will enable the Town to increase the General Fund Reserve Account by as much as \$650,000 compared to where it was budgeted for year end of 2010. This is a very positive development.

Our five year outlook suggested the town needs to increase the General Fund Reserve Account by \$400,000 per year over the 5 year outlook period. If the Town's year end projections hold, it will have funded our suggested 2011 and part of the 2012 dollar amount in 2010.

In 2010 the Town used \$360,000 of Reserves to fund expenses and reduce the amount of Real Property Taxes paid by its residents. It plans to use \$175,000 of reserves in 2011.

The Town has set a goal to attain a reserve amount for the General Fund of 10% - 20% of annual expenditures. The Task Force chose the midpoint of this range, 15% as the reserve replenishment goal in its Outlook. As of the close of 2010 the Town expects to have attained the 10% level. The proposed use of the reserves in 2011 comes from the Library & Highway Funds not the General Fund. Nonetheless the reserves for these Funds will be approximately 10% or more at the end of 2011.

ASSESSED VALUATION:

The other item that contributes to the Town's tax rate is the amount of the total Assessed Valuation of the Town's real estate. The 2011 Preliminary Budget contemplates a decrease of .8% from 2010. This will have the impact of increasing the tax rate. Our five year outlook contemplated a decrease of 1%.

Comments on Cost Management Efforts

Importantly, we note that the favorable differences in potential tax increases between the Preliminary Budget and the Outlook presented by the Task Force in September results largely from the continues use of reserves to fund the budget and retirement without replacement of Town Employees - and not any of the needed structural changes in the Town's operations. The Budget assumes that cost reductions through efficiencies and structural changes are largely deferred to 2012 and beyond, due to the timeframes associated with their implementation.

It is important to view 2011 as a transition year. A number of initiatives have been identified by the Town and the Task Force to achieve a sustainable organizational and cost structure for the Town. The Board bears the burden in 2011 of bringing these to completion and implementing the recommended changes.

- A project has been ongoing to consolidate several town operations into a Department of Public Works. The Task Force was briefed on the project last March and again in June. It is anticipated that substantial operating savings can be achievable by consolidating jobs, streamlining work assignments, and sharing equipment. However, at this point the plan has not been substantially implemented and, outside of creating a separate budget for the Public Works administrator, it is not provided for in the budget. The Task Force recommends that:
 - The budgets be revised to reflect a consolidated DPW organization;
 - A provision be made in the budget for the implementation of this project no later than the second quarter of this year;
 - That the DPW budget be reduced to reflect the anticipated savings and the amount of the reduction be transferred to the Contingency Budget;
 - If DPW management fails to implement the changes which have already been identified and achieve the anticipated savings, they should be required to return to the Board to explain the implementation delays before releasing any needed funds from the Contingency budget.
- The Town has commissioned a study of its largest operation, the Police Department, the initial meeting for which is scheduled for next week. We look forward to working with Chief D'Angelo and his staff on this important project. The study is expected to be completed in the second quarter and we strongly encourage the Board to swiftly and decisively act upon its recommendations.
- The Capital Budget process recently started by the town is underway but could benefit from additional focus. We believe that it should be integrally linked with the Five Year Budget process recommended to the Board by the Task Force. A provision for financing to support new capital expenditures is included in the Preliminary Budget. We welcome the restoration of much needed capital spending after years of decline and encourage the Town Board that, if it is to finance CAPEX through new financing, it must identify real

spending cuts or new revenue sources to provide cash for ongoing reductions in debt and to maintain a high investment grade credit rating for our community.

- Efforts to control salary and benefit costs will be paramount as contract negotiations with the Town's union employees commence next year. We appreciate that the Town Board has initiatives under way to achieve zero expense growth for wages and benefits and highlight for the Board that the completion of re-engineering operations such as DPW, among others, is critical before negotiations begin, potentially locking in legacy structures.

Comments Regarding the Budget Process

The Task Force believes that the budget process used by the Town this year needs to be substantially improved.

- As previously recommended by the Task Force to the Board, budgeting assumptions need to reflect the best expectations of revenues and expenses and amounts set aside to be conservative or to allow for unexpected events should be separately budgeted as contingencies. Without such transparency, it is not possible to establish any accountability for results. It is not clear whether this recommendation was accepted.
- Departmental budgets need to be tied metrics and productivity measures on each Department's activities. None of the budgets presented to the Board addressed this.
- Budgets need to be zero based, especially as they related to staffing levels. To the extent that there were any zero based build ups, they only related to incidental expenses. There were few if any budget challenges made. There was an explicit assumption that the only personnel changes on the table would be through attrition. While this may be desirable, it should by no means be a starting assumption.
- The budgeting process should be expanded to a long term financial planning process.”

Frank Benish, Sterling Road North, said he applauded the Board for the 2.84% proposed tax increase as a starting point and recommended it aim for a zero percent tax increase as the County Executive has proposed.

Howard Arden, Cole Drive, also expressed support for the tax decrease proposed by the County Executive, and said the issue in North Castle is benefits.

Supervisor said most Town employees pay a portion of health care costs and pension costs are mandated by NYS. Councilman Schiliro added that it is difficult to force a referendum to make changes to the pension plan which is part of the State constitution.

Kerry Lutz, Birdsall Farm Drive, said he would like to see costs of retiree health benefits be included in the budget.

Lydia Rippstein, School Street, requested an explanation of how the costs are determined for each sewer district. Superintendent Futia and Assistant Superintendent Misiti provided information and asked Ms Rippstein to meet with them so they could provide further details.

Councilman Schiliro thanked the Budget and Financial Advisory Task Force for its continued work. He clarified that the reserves which were used last year and this year were only in Highway and Library which are internally controlled and are not looked at by the rating agencies. The General Fund, which is the large majority of the Town budget, has had a structurally balanced budget for the second year in a row. Mr. Schiliro disagreed with the comment that the reserves target for 2011 is flat and said that \$200,000 has been set aside and not earmarked. Mr. Schiliro noted that the goal for the contingency fund to reach ten percent in three to five years has been reached in two years; clearly progress has been made, and there is more work to do.

Town Board Minutes
November 30, 2010

Supervisor Weaver thanked the Task Force for its dedication and the information they provided to the Board and to Town residents. Mr. Weaver said that the plan is to increase the reserve fund an additional 2.5 % percent by the end of 2011.

Councilman Roth said the basic structures are doing well, but a restructuring of the Department of Public Works (DPW) has been requested for many months and no progress has been made.

Supervisor Weaver said he cannot agree with the comment that no progress has been made with regard to the restructuring of DPW. He said he has met with civil service personnel and work is being done regarding title changes.

In response to Councilman Cronin's request that the Board consider making the Budget and Financial Review Task Force a permanent committee, Town Attorney Baroni said that it would continue to function as an advisory committee unless the Board made a decision to disband it.

Councilman Kittredge thanked Dawn for her work on the budget and said that the Town will miss her.

No other comments or correspondence were entered for the record.

After all persons were heard who desired to be heard, Councilman Kittredge moved, seconded by Councilman Cronin, that the Public Hearing be adjourned at 9:02 p.m.

The roll call vote was as follows:

Ayes: Councilman Kittredge, Schiliro, Roth, Cronin, Supervisor Weaver.

Noes: None.

Anne Curran, Town Clerk

Dated: December 10, 2010