

Dear Honorable Supervisor Pool, Deputy Supervisor Saland and members of the Town Board:

It is my pleasure to present the 2021 tentative budget for your consideration. This is the first Town budget prepared during the COVID-19 pandemic and so the challenge of predicting revenues and planning expenditures in such an uncertain time is daunting to say the least. We believe this budget successfully controls discretionary spending and costs in order to accommodate uncertain revenues anticipated in 2021.

With the onset of pandemic, the Town Board became acutely aware of the financial impacts of COVID-19 on our residents. The Board provided clear direction regarding the 2021 budget: maintain services to our residents, but hold the line on spending and keep the tax levy flat. Despite these unprecedented challenges, **this budget proposes a 0% increase in the (General & Highway) tax levy.** The 2021 Budget actually presents an \$117,372 decrease in total expenditures over 2020, but due to a drop in the total assessed value of \$3,846,742, the tax rate actually increased by .36%. Homeowners with an average assessed value of \$170,000 will see an increase of \$9.68 per parcel. This represents the third year in a row of declining property values which followed two years of rising home prices. This continued dip in property values may, in part, be due to the federal government's decision to slash State and Local Tax (SALT) deductions which is having a disproportional detrimental effect to property values in the Northeast. However, with increased sales and increased home prices due to the pandemic in 2020, we may see this trend reverse yet again in 2021. If the assessed value does rise in 2021, this would impact the 2022 assessment roll and will not affect the tax rate in 2021 which was based on the 2020 assessment roll set in June of 2020.

The total tax levy, driven by a rise in expenditures by special districts, increased by .42% or \$93,496. These special districts include the Northern Fire Protection district and the Enhanced Ambulance district. The Northern Fire District increased its levy by \$61,279. These increases were due to bond

payments for planned construction projects in the fire district. We were able to blunt the impact of the full increase by this district last year to these residents by using \$75,000 of district fund balance; this year we will use another \$25,000 to help defray the costs to the district residents. Enhanced Ambulance is also increasing its levy by \$23,455 or 6.10%. This increase is due to a significant rise in insurance costs and to address a continuing operating deficit in the district.

Revenue Decreases

Due to the pandemic, we experienced significant revenue shortfalls in 2020; those revenue sources are not expected to return to pre-COVID -19 levels in 2021. In total, the 2021 general fund non-tax revenue has been budgeted to decrease by \$744,575. These revenue losses are attributed to declines in commuter parking, recreational activities, fines and forfeitures and building permits to name just a few.

Commuter Parking: The 2020 budget relied on our commuter parking lot to generate \$1.15 million between annual commuter permits and daily meter permits (\$950,000), hourly fees (\$200,000) and, tangentially, fines from parking tickets. With our commuter lot all but empty since March of 2020, we have been unable to sell commuter parking passes for the 2020-2021 parking season. Although we are hopeful that normalcy will return to businesses operating in New York City and White Plains, it is clear that a return to pre-COVID-19 commuting habits may take some time to resume. In light of this, we dropped anticipated revenue from the commuter lot in 2020 and continued that conservative outlook by reducing the 2021 expected revenue from the commuter parking lots by 47.3% or by \$450,000 as well as the parking meter income by 25% or \$50,000. We also shifted the term of the parking permit year from June 1, to October 31 to December 31 in an attempt to salvage a portion of the lost revenue from 2020. As this slow return to normalcy is expected to continue into 2021, the anticipated reduction in revenue from this previously consistent and reliable income stream resulted in \$500,000 less revenue in the 2021 budget.

Recreation: Due to the uncertainty of being able to run our regular programming, we dropped the expected revenue for recreational programs by \$24,000 (2.98%).

Fines and Forfeitures: Tangentially tied to parking, we are predicting a reduction in monies generated through fines and forfeitures by \$70,000 (24.93%).

Interest Earnings: With the Federal Reserve indicating its intention to keep low interest rates steady through 2022, we are predicting a \$30,000 decrease in earnings from 2020 levels.

Building Permits: Shortages in construction supplies and general uncertainty as to the building market results in a potential decline in building permits next year and a corresponding decrease in the revenue generated by \$50,000.

Expenditure Increases

Despite successful aggressive efforts to control discretionary spending and deferral of non-essential purchases for 2020 and 2021, there are contractual and obligated expenses that will rise in 2021.

Non-employee contractual expenses: The 2021 budget contains contractual expenses including a \$40,000 increase for anticipated appraisal services for upcoming golf course certiorari cases, and a \$50,000 increase in the tax refund line for pending tax certiorari matters.

Retirement system contributions: Required contributions to the police and employee benefit systems will rise by a combined \$285,353, or 11.75%. This spike is tied to negative market conditions due to COVID at the time 2021 retirement contributions were calculated as well as the pandemic's impact on other retirement system investments.

Health Insurance: Health insurance, usually a significant budget driver, will only rise by 1.78% or \$86,456.05. Although standing alone this is a significant number, the industry overall is experiencing a double-digit increase for 2021. Our continued participation in MEBCO continues to pay dividends.

Just a note on background. Almost twenty years ago, New Castle joined with other municipalities to form a consortium to help manage health care costs. That health care consortium, Municipal Employees Benefit Consortium (MEBCO), continues to provide quality health care coverage at reasonable rates for our employees. As per the terms of the contract with both the PBA and CSEA, we offer both MVP and MEBCO (United Health). Although rates for both will rise for 2021, the low single digit increase for MEBCO is far below the national average once again in 2021.

Employee contractual obligations: The PBA contract which runs through 2021, obligates the Town to a 2.5% increase resulting in a \$98,131 rise in police salaries in 2021. The CSEA's contract ends in December of 2020 and no raises for 2021 are being offered. Only those employees who are guaranteed "step" increases will receive raises next year pursuant to prior contracts. Management and non-union employees are also not expected to receive raises.

Reductions in Municipal Spending

To accomplish the Town Board's goal of holding the levy flat during the pandemic, the Town made a number of difficult decisions. Understanding that revenues may not recover in 2021, and that there are

several areas of expenditures, including, but not limited to employee benefits and retirement and contractual obligations, that we cannot avoid, we took these further steps to curtail spending.

Staff reductions through attrition: The 2021 budget reduces staffing levels by four positions. All four positions will either be vacant by January 1, 2021 or will become vacant during the course of the year and will not be filled. We have already started the process of eliminating positions through attrition. We expect retirements or anticipated retirements to result in vacancies that will remain. These positions will yield a savings of \$267,204 plus \$50,000 in fringe benefits.

o Specifically, the positions with vacancies or anticipated vacancies include:

- 1) Caretaker (currently vacant) \$65,995
- 2) Police officer ((anticipated vacancy 2021*) \$73,730
- 3) DPW Laborer (anticipated vacancy 2021) \$65,995
- 4) Recreation Supervisor (anticipated vacancy 12.2020) \$61,484

*Number of active officers will remain unchanged.

Parks equipment. The 2021 budget reduced the equipment and vehicle line by \$145,000. Purchases of a mason dump truck, tractor and lawn maintenance equipment were budgeted and purchased in 2020.

Assessor data processing: Assessor software upgrades budgeted for 2020 were not ready as anticipated and will not be delivered until 2021. This upgrade will now be covered under the IT Capital Project expenditures. As a result, the budget line for data processing in the Assessor's budget will be decreased by \$30,690 from 2020's budget.

Highway Fund: This fund was reduced by \$114,899 for 2021 over 2020 budget levels. However, key elements of this budget remained unchanged, including paving (\$1,125,000), salt purchases (\$295,000),

and snow removal overtime (\$195,000). Reductions are attributable to the elimination of one staff position due to attrition and the purchase of required equipment in 2020, not needed to purchase again in 2021.

Water Fund: This budget line decreased by \$218,528 (2.26%) over 2020 levels. The most significant decrease was electricity costs for powering the Inningwood pump station during the Croton Aqueduct shut down. Interim shutdowns of the Croton Aqueduct will continue over the next few years while the rehabilitation project for the aqueduct continues. We were able to reduce electric costs by \$85,267 or 48.7% due to more accurate estimates based on actual numbers for consumption established during the shut-down in 2020. Coupled with this is the fact the variable cost of water decreased \$64,213 (4%) due to decreased consumption estimates. Salaries and benefits both decreased due to re-allocation of the Commissioner's salary line.

Refuse Fund- This budget line increased by 4.66% or \$134,526 over 2020 numbers. Fees to Sani-Pro increased by \$25,000 pursuant to their contract. The current seven year contract with Sani-Pro expires at the end of 2021. Other increases are attributable to the re-allocation of the Commissioner's salary.

Fund Balance: The utilization of fund balance (\$500,000) to offset debt costs due to recent borrowing, including for the downtown Chappaqua infrastructure project, was always part of our financial plan for 2021. In addition, we have allocated another \$700,000 from fund balance to offset revenue declines in 2021 that are specially attributed to COVID-19. The total allocation from fund balance in the 2021 budget is \$1,200,000. This sizable transfer is required for 2021 only to offset revenue losses attributed to COVID-19, although our sales tax, tax penalties and mortgage tax revenues are expected to hold steady in 2021.

Workers Compensation – The Town continues to be in a strong position with regard to its Workers' Compensation coverage. Our premiums are predicted to remain steady at a low \$427,210. We expect our safety record to continue to earn us additional dividends from the safety group. As our practice has been to conservatively budget, we are projecting a slight decrease of \$4,419 over last year's budget for 2021. This decrease can be attributed to our reduction in staff as premiums are based on payroll projections. We remain committed to safety training and a safe workplace now more than ever. The well-being of our staff is of paramount importance. Our continued commitment to safety training and safety protocols work. These exceptional results are due to the partnership between management and staff; together we continue to work every day to ensure the safety of our staff on every job.

Concession income-This budget line has been increased from \$450,000 to \$480,000 to reflect Homeland Tower's \$30,000 in payments received pursuant to their agreement with the Town. The remainder of the budget line reflects \$400,000 in cable franchise fees and \$50,000 annual rent from the train station.

Legal Fees

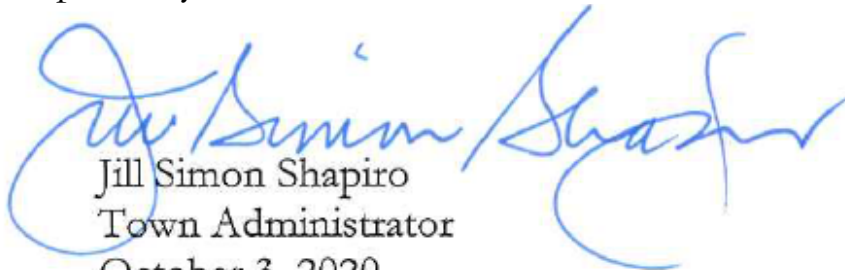
Keane & Beane will hold their retainer flat in 2021, a fifth straight year. In addition, their hourly rate for matters with the Town outside the retainer will also be unchanged for 2021, a blended rate of \$255 which has also held steady since 2017.

Conclusion

Every year presents its own unique challenges. The 2021 Tentative Budget challenged Comptroller Rob Deary and the entire staff to responsibly plan a budget that anticipates the uncertainty of the continuing effects of COVID-19 on our economy. The 2021 Budget sets forth a roadmap for responsible budgeting; controlling spending and limiting expenditures while maintaining critical services for residents.

I would like to thank Rob Deary for his integrity, expertise, and unwavering commitment to the financial health of the Town throughout this budget process. I would also like to thank the entire staff, especially my assistant Lauren Cascone and the department heads for all of their assistance in preparing this budget- without them, this budget would never have been produced. It is my privilege to work among these professionals and the Town is fortunate to have such dedicated staff working tirelessly on its behalf.

Respectfully submitted,



Jill Simon Shapiro
Town Administrator
October 3, 2020