

VILLAGE OF HASTINGS-ON-HUDSON, NEW YORK
BOARD OF TRUSTEES
SPECIAL MEETING
APRIL 27, 2011

A Special Meeting was held by the Board of Trustees on Wednesday, April 27, 2011 at 7:15 p.m. in the James Harmon Community Center, 44 Main Street.

PRESENT: Mayor Peter Swiderski, Trustee Bruce Jennings, Trustee Jeremiah Quinlan, Trustee Meg Walker, Trustee Nicola Armacost, Village Manager Francis A. Frobel, and Village Manager Susan Maggiotto.

CITIZENS: Nine (9).

35:11 ADOPTION OF BUDGET AND TAX RATE - FISCAL YEAR 2011 - 2012

Village Manager Frobel: After last evening's meeting we spent the afternoon going over the various lines once again. We are presenting to you tonight a budget for the general fund that reaches \$12,982,932. This will require an expenditure increase of 2.6 percent and a tax rate of \$235.50, a tax rate increase of 4.18 percent. We brought the rate down, and we brought the entire budget down. We did that through adjusting our expenditures further, and we have also taken a look at our revenues. We believe we can adjust "refund of prior year." That was one that Trustee Armacost had identified. It includes the dividend that we received from the workers' compensation program. We have increased that slightly. We are still holding firm at that contingency account at \$342,000. We are firm in our opinion that we need to build up that fund balance, and that is the best way to continue on that path so that we can get back to some financial strength and stability.

I have given you a revised, clean copy of the budget. We have highlighted in colors the changes that were made Monday and the changes that we made as a result of Monday night's meeting.

Mayor Swiderski: Are they different colors?

Village Manager Frobel: They are. The changes that we made Monday for Monday night's meeting are in yellow, and the ones that we made as a result of last evening's meeting are in blue.

The first change from last evening's meeting is on page three, Municipal Building. There was a question about the need for the custodian, with the services that we have. So we are looking to reduce that employee's hours somewhat. Right now, he is out on a leave. We feel that perhaps we can begin to reduce that allocation.

Under public safety, page four. The line item above we reduced, the longevity, overtime and holiday pay that our police officers receive. The next one is on page seven: overtime, street maintenance. We have reduced that, and the clothing allowance for the men. That is reflective of the reduction in the personnel for the department. Likewise on page eight, refuse and garbage: recycling overtime. We have reduced that.

Mayor Swiderski: Is that partly because of contract differentials?

Village Manager Frobel: Yes. That is what we believe could be part of our savings with this recent contract that we are in the process of reaching agreement on. We think we can see a real change there in eliminating some overtime hours.

That is it on expenditures. The one on revenues is page 14: that refund of appropriation from prior year. We have increased that, again reflective of the observation. That is the money we receive as a dividend from our workers' compensation carrier. If the group has good experience we realize a refund, and we have over the past few years. Although as I mentioned before, I do not want to count on it. Anything could happen to that industry or could happen to our experience. Being superstitious, I do not want to push that.

But it also includes, for example, we recently received a nice settlement from a municipal court case on some property in town that was in contention about the condition. That is why the number is very large for what we realized this year so far. That is a one-time, very unusual settlement that was awarded to the Village, again, based on a troublesome piece of property in the Village that we were awarded damages on.

So I think, again, what we heard last evening, the fact that by adopting a budget with that size contingency will get us on our feet again. We can begin to restore that. I think this is a wise move on the part of the Trustees to approve a budget of this size. It goes a long way in our long-term plans to become stronger.

Mayor Swiderski: What was the total amount of cuts?

Village Manager Frobel: It's \$22,225, and the revenue increase of \$8,000. That brings you down below your target that was discussed last evening.

Trustee Armacost: So Fran, as a result of the discussions that we had yesterday, what do you think that the carryover is going to be this year?

Village Manager Frobel: I would not change my estimate.

Trustee Armacost: You think it is \$82,000?

Village Manager Frobel: Yes, I would stick with that. We did the analysis. I demonstrated what we think will be our expenditures this year and our revenues, and I think the difference should be in the vicinity of \$80,000.

Trustee Armacost: But we had a discussion in the executive session which would have shifted that number. So are you still holding firm to the \$82,000?

Village Manager Frobel: Yes.

Trustee Armacost: How do I understand the discussion that happened in executive session, without revealing the numbers? I do not know how to compute that. That is a contradiction with what you are saying right now. So I am just trying to understand what you want us to do with that information that you gave us in executive session?

Village Manager Frobel: I am somewhat at a loss. I mean, I believe that we should ...

Trustee Armacost: Peter knows what I am talking about.

Mayor Swiderski: Yes, there was perhaps an over-reserve, and there might be some of that over-reserve now freed up.

Village Manager Frobel: I do understand what you mean. But the fact remains, to me it helps you get closer to your goal of building that fund balance.

Trustee Armacost: But what is it? I do not mind. I understand about the goal. The numbers are just not finally transparent, that is all. There is a delicacy here because it relates to contract issues, but if you can be a bit more direct about it, it would be a little bit helpful for us to understand exactly what numbers we are dealing with. Or not. But for me, it makes it very difficult to know where we stand.

Village Manager Frobel: Well, your opinion is that we should reduce our contingency, given the fact that we may have settled at a lower rate than we had anticipated.

Mayor Swiderski: That is right.

Trustee Armacost: I just want to have numbers so we can make a policy choice that is fully informed, that is all. That is how I like to make decisions. Maybe other people do not like to make decisions that way, but that is my preference.

Mayor Swiderski: Well, actually, I am going to ask Raf, the spread sheet magician. Is it possible to derive a number that reflects what we over-reserved for, given the potential resolution last night in terms of contract discussions?

Village Manager Frobel: He would not know. He is not privy to any of that information.

Mayor Swiderski: Oh, he isn't. Never mind.

Deputy Village Treasurer Zaratian: I have to say, since you opened the subject, that the more reserve we have the more sound we will be.

Mayor Swiderski: We certainly understand that principle.

Trustee Armacost: No one disputes that, Raf. We just want to make the decision on the amount of reserve we want to have. It has direct implication for taxpayers, so that is why I would like that information, please.

Village Manager Frobel: If it was in the vicinity of \$20,000 that might be a realistic approach.

Deputy Village Treasurer Zaratian: Everything is a direct implication.

Village Manager Frobel: In my message I indicated that I had held in reserve sufficient money because we are in negotiations with one employee group, and that I had indicated that our non-union employees had gone nearly three years without an increase. But if you need to attach number to it, I think it would probably be close to the \$15,000 or \$20,000 range.

Mayor Swiderski: Is that useful? That is probably about right, given the number we saw last night. Is there anything you want to do with that information?

Trustee Armacost: No. Why do we not go ahead.

Mayor Swiderski: No. Because one alternative is to reduce the contingency by that amount, and make the rate 4.0 even. That is why I am prompting a question. Is that the implication of the request?

Trustee Armacost: I actually think this whole process has been rushed, and I do not think we have been given all the information that we need. And this is an indication of it. So we can do what you are saying, and we can do that if you want to. We can adjust that now, or

we can talk about the process a little bit, and what is happening today, and when the decision has to be made, and all of those kinds of things. So it is really up to you how you want to move this forward. I think, for me, the information has come to me in a very not such a clear, transparent, or timely way, making it difficult for me to make choices. Maybe everyone else feels very comfortable with the way the information has come to them.

Mayor Swiderski: I can say that the question is not material enough to sway the general decision on my end.

Trustee Armacost: But are you aware of all the other monies embedded in the budget? Because I am not. Maybe you are aware of that.

Mayor Swiderski: No more so than as we have understood it today. It is the issue of gaps between budget, and actual. I do not know, realistically, what step forward is possible here. We are at this point.

Village Manager Frobel: Going back to the original question, if what I presented to the Board last evening comes to pass, and it has not been considered by our employee group, then yes we would probably come in greater than the \$80,000 I projected last evening. None of that has happened yet. We do not know how the members are going to accept it. If they do, then yes we will end the year up better than, in all likelihood, the \$80,000 I originally projected. And it would be closer to the number that I have revealed.

Trustee Quinlan: I think it has been explained to everybody that we are trying to work to get actuals versus actuals. Trustee Armacost has guided me personally to that goal. And that is transparency in the best form that we can be. So I just have a few questions. They do not have to particularly do with the budget, per se, but they have to do with questions that I have learned during the budget process. My first question, and the most interesting question, is, and I think I asked this last year, how will we be penalized if we do not bring the budget in by May 1? What will happen to us? What will happen to the Village if we bring it in on May 15 or June 1 or June 30? Do we have more time?

Village Manager Frobel: I do not believe so. The law reads you have it in place by May 1. What the penalty is, I could not tell you. There must be something. Being an attorney I would think you might know what the general provision is for breach of a state law. I do not know the classification, if it is a crime. I do not understand the penalty. I do not know enough about the law to tell you that. I can only advise you that it requires it be in place by May 1.

Trustee Quinlan: Do you know the answer, Susan?

Village Clerk Maggiotto: It may be that it reverts then to the first published budget. That becomes your budget. I cannot say that with 100 percent certainty, but I am pretty sure because this question did come up once before, and I believe that was the answer. That is pretty serious.

Trustee Quinlan: So the first published budget would be what? The one we received tonight?

Village Clerk Maggiotto: I guess it was 4.5 percent - whatever Fran's first budget was.

Trustee Quinlan: The one that we had the public hearing on.

Trustee Quinlan: Well, that is a good enough answer. I have another question. I am very happy that the accounting firm and the state have changed their accounting principles so that we cannot borrow from ourselves. I think that was a mistake, though legal, and now we are paying the price for it. So I would like to hear from the Board as a policy that we cannot do it, or we can form a policy that we will never do it again. What are we going to do about it? It is like borrowing from Peter to pay Paul. Are we going to stop that, or are we going to do it in the future, or is it going to be up to the individual Board members as they get elected? Any idea of how we are going to prevent ending up where we are today?

Mayor Swiderski: It is a GASB audit rule, is it not? So it is applied, period.

Trustee Quinlan: I guess you could still do it. But then you have to cover it with your reserve, right?

Mayor Swiderski: Right. And when the auditor comes in, they will adjust the books for you. It is a GASB audit practice. I am speaking up here, but I am assuming that is the answer.

Village Manager Frobel: That is my understanding. It would be ill-advised. What I would recommend is, in the future, when we, say, embark on a project like a Fenwick drainage project, we tell the Manager to take from an account adequate money to cover those costs, and do not borrow it with our cash flow from our general fund.

Trustee Quinlan: I think that is prudent. And if we do have to borrow money, then it would have to be a normal borrowing from a bond or something like that, with an interest rate, that the Board would have to approve.

Trustee Armacost: Jerry, just on that point, I think we need to have a strategy meeting on specifically this issue. We need to be much better informed about exactly how the process changed and what the implications are for us moving forward. The Village Manager, in his letter to the Village, indicated he had I cannot remember how much it was, maybe \$80,000 worth of projected capital projects for next year. I have a serious concern about that. This is a really important discussion to have a strategy meeting over, where we invite someone in to talk to us strategically about these kinds of decisions, given the new shifts in law.

Mayor Swiderski: I agree. The auditor has recommended that they come before us to do that. It is in line with my desire, expressed last night, for a fund balance policy. We may want to take a breather of a week or two after this process before we engage in that, but I agree.

Trustee Jennings: I would like to add my agreement to this general idea, and simply add that it is not only because of this auditing procedure change that we need to have a very careful and deliberate decision-making about our bonded indebtedness, but also because we are now at a fairly high level of debt, around 10 percent, which is about the limit that past Boards have set as a guideline for the Village. So we are not at this moment in a position to take on a significant amount of new debt.

Mayor Swiderski: There are two issues. One is an issue of policy-process-procedures. I think that is what our accountant speaks to us, and that is what we do as we perhaps borrow from neighboring villages their fund balance processes and figure out what works for us. There is actual discussion about suggested capital borrowing and what makes sense. So there is an implementation and a process, and procedures. I think those are two discussions.

Village Manager Frobel: I intend over the summer to update our capital improvement plan. Five years ago I put together a multi-year capital improvement plan. We have adhered to that, and every item that has come before you over the past six years has been reflected in that plan. In it was not only the expenditure, but a revenue plan as well, and we have adhered to that over the past six years. But it is time now to update that to have it more current to what our needs are going forward for the next five years.

Trustee Quinlan: What I was trying to get at last night is that I believe that we need a savings account. We need to build that up because it is a prudent fiscal policy not only for a village but for a business or for a homeowner. We learned last night that for whatever reasons Dobbs Ferry has been able to do it, and we have not. I feel responsible for that to a certain extent because I have been sitting up here for five years, and this is the fifth budget I have worked on, and now I find myself with what amounts to, at this point in time, a savings account that is zero, for all intents and purposes, or minus. That disturbs me, as part of my

years as a Trustee to the Village. I think that that is very dangerous. That is the only reason why I was satisfied with the 4.5 percent increase, because we hope, and we will see what happens at the end of the year, that we will have a better fund balance, a reserve, at the end of the year, whether it be \$300,000 or \$400,000 or \$500,000. It is something that we really have to be cognizant of, work on, when it comes to borrowing money, when it comes to spending money, and when it comes to budgeting money with actuals versus actuals.

I will give you an example what I learned through this process in the last few days. One of the things that we borrowed from ourselves was an approximately \$61,000 development of Kinnally Cove, if I am reading this list correctly. I am wondering why I did not pick that up, and why I did not ask to get that \$61,000 out of the fund from the waterfront. I am supposed to be Mr. Waterfront Guy, and I did not pick it up and no one else picked it up. I am sure, almost positive, that Riverkeeper and BP/ARCO would have agreed to let us take it out of the million dollar fund that we have. That is almost a percentage point of it. Well, \$94,000 is a percentage point; it is two-thirds of a percentage point. Maybe you can explain why.

Village Manager Frobel: I can. I do not know if you want to take the time this evening, but it was a misstep.

Trustee Quinlan: I take responsibility personally.

Village Manager Frobel: No, it predates both of us, Jerry. It goes back to an award of an engineering project for McLaren Industries. McLaren was an engineering firm specializing in work on the river. That was awarded by the council to do work at Kinnally Cove. That was supposed to be charged to the operating budget. Riverkeeper did participate in the construction of the cove. We went to them, and they told us we could take from the trust about \$210,000. So you are right. The construction was done through the trust fund and a grant. But the engineering work, which predates all of that, was now charged to a capital project rather than the operating budget, at that time. And that is when it happened. It was McLaren engineering, so it was before your watch.

Trustee Quinlan: And if it was before mine, then it was before yours.

Village Manager Frobel: Yes.

Trustee Quinlan: That is good to know. But still, that is the kind of thing that we have to be cognizant of.

Village Manager Frobel: Right. And that is why I alluded to the other neighborhood projects. Another one in that group is the mobile command unit which, at that time, the

Trustees believed they would be reimbursed through a grant. It was purchased around the time of 9-11. Never materialized. We get the van, it sits in the garage. It has never really been activated. But that was another one that got charged to a capital, but there was never money allocated for its purpose except for borrowing from the general fund.

Trustee Armacost: I spent quite a lot of time today looking through audits. Susan gave me audits going back to 1998. I have to say, the fund balance swung quite a lot. There were points where it was \$1.4 million; it went down to \$200,000. It is very unclear why for me, looking at those audits. I think it would be very valuable, not tonight, but should be a session for all of us. I certainly do not understand the history, and it would be revealing even for some of the Trustees who were Trustees at the time that these things happened, to understand why those fluctuations happened and what got moved where. This is part of the goal of promoting transparency, so everyone understands how we got to where we are and which helps you to make informed decisions about where you want to be next, because some of those decisions are geared very strongly at achieving something which I do not know if everyone 100 percent grasps all the implications of. So if we can schedule that, maybe the public is interested, as well. That would be a useful Board training session.

Village Manager Frobel: Sure, be happy to. And we can demonstrate to you that it is not uncommon, as some our neighbors are doing today, using their reserve fund for what is often called "rainy days." Over the history of the community, as we began to lose property, say, on the waterfront, as our assessed value started to drop rather dramatically, it was not uncommon for a board of trustees to turn to that reserve to support a less than really market value tax increase. In other words, they would turn to that so they did not have to have a tax increase of a certain percentage. They could reduce that effectively, and use what they had in reserve. But we can go into some of the history, and we would be able to chart that it was during that time some of the values were dropping off, and dropping off considerably.

Trustee Walker: I wonder if some of those higher fund balances were due to unanticipated revenues, revenues that were not budgeted for.

Village Manager Frobel: Yes.

Trustee Walker: So for example, our Building Department fee that we are receiving for one single-family house of \$426,000. We think of that as an unanticipated revenue. When there was building going on, before 2008, granted we were not getting building fees that high. But still, there was a much higher level of construction, and probably quite a bit coming in from the Building Department. You cannot plan for it because you do not know what construction is going to be happening. So there may have been years when there was a considerable amount. And then what do you do with that unanticipated revenue? Probably put it in the

fund balance. And I would bet, I do not know, but some of our neighbors' fund balances may be a lot higher than ours because they have had more development. I do not know about Dobbs Ferry, but Pleasantville has a much higher fund balance. It may have been because they have had a significant amount of development projects. It is not just big development, but redevelopment in their downtown. It is just a higher level generally. I would be curious to know if that is why it swung higher in the past. That is something you can never count on, but because we have been in the recession for three years we have certainly lost out on it.

Village Manager Frobel: Well, let us spend some time and do a little research for you.

Mayor Swiderski: All right. So the next step is do we approve the rate and the budget.

Trustee Walker: I am sorry I had to step out of the room for a second. Did we finish the discussion about the extra \$20,000? In terms of we know that there is maybe more surplus at the end of this year, but that does not mean we are necessarily going to alter anything. It simply would go into the fund balance.

Mayor Swiderski: Into the reserve, yes.

Trustee Jennings: It is the case that we are deciding on this budget at a moment when the negotiations are not complete. We can make some projections, but until the new agreement has been reached and executed we will not know the exact numbers. It is prudent to have a precautionary set of assumptions. I do not want to pad this budget. I do not want to increase the tax rate because of unnecessary over-budgeting of these lines by any means. But in this particular case it does not strike me that this is an excessive or an unusual thing to do. I would not favor, at this moment, knocking out another \$20,000 just on the basis of some hopes and some expectations.

In general, I do not feel that we should build up our contingency by deliberately setting out a budget that we know is going to be under-spent so we can capture a surplus at the end of the year. That is not the right way to build up our contingency and our reserve fund, in general as a matter of policy. I believe, and agree with what other Boardmembers have expressed, that we should make the contingency line clear, and set a goal for that and budget accordingly. On the other hand, not as a matter of concealment in any way, but just as a normal managerial thing, it is very difficult to get your budget and your actuals to be exactly the same at the end of a fiscal year. To have that sort of zero discrepancy. Historically if we have been showing something like \$80,000 differential on a surplus side, on a budget of about \$13 million, that that is not excessive. That is within the range of reasonable managerial practice and tolerance.

I am no expert in this. The biggest budget I ever managed was \$3 million, so I do not know. But it does not strike me as outrageous, or as an indication that something is being hidden or we are not scrutinizing this adequately. I can imagine a range of monies much larger than \$80,000 that would ring warning bells in my head. But I must tell you that this particular state of affairs while not completely desirable, I wish it was a little bit lower and we would put the money in the contingency fund explicitly, it seems to me well within the range of reasonable management practice. Nobody has a crystal ball about this, so hitting it exactly right is extremely difficult and probably is not going to happen in any \$13 million budget.

Trustee Armacost: Building a reserve fund with a very clear and well thought out strategy is very sensible for any kind of organization, particularly an organization that is a municipality or a not-for-profit that needs to rely on those kinds of things. I fully, 100 percent support that effort. It just needs to be done in a way which is, particularly if you are dealing with public money, as transparent as it can be without revealing contract negotiations or other kinds of things. But with the people who are making the decisions who are the trustees, I think they know what the ongoing negotiations are. They should know what those amounts are embedded prior to the time that they make decisions on percentage point tax increases. So that is the transparency issue. Whether it is transparent with a public or not, for me as a decision-maker it is very difficult to make a decision without having had that information in advance. Last night, when we had the discussion about the budget—I know, because I have been through that budget with a fine-tooth comb, that budget probably better than some people who actually have to deal with it—at least from the point of view of numbers I know the budget, and I know that the difference between budget and actual. This is not asking the budget to be exactly like the actual. This is about quite a big difference between the budget and actual, substantial differences.

Village Manager Frobel: \$80,000.

Trustee Armacost: No, no, no, no. That is the surplus at the end of the year. The budget versus actual difference is actually much, much bigger than that. That was just the projected surplus by the Village Manager at the end of this year.

Trustee Jennings: Because the next year's expenditures are higher than the last year's actuals.

Trustee Armacost: For whatever reason it is.

Trustee Jennings: What was that amount? About 2 percent, did you say?

Village Manager Frobel: I think we are resting right now at about 2.6 percent.

Trustee Armacost: The year before that it was \$170,000. The year before that it was \$130,000. It is different amounts different years. And when we are talking about adding tax increases when we have very large surpluses of other kinds we need to be very clear about those numbers as a group. What happened last night was, we had asked that everything be embedded in the contingency fund. We got a figure of \$300,000. We then, through the course of the discussion, uncovered this additional \$80,000 which was the projected surplus at the end of the year. Then there was an additional amount after the meeting which we discovered, and there is an amount that is embedded in the capital pool funds which have not yet been expended which, the Village Manager explained to us yesterday, will, in fact, be transferred in. When I am making decisions about percentage increases for taxpayers I want all that information presented to me prior to making the decision, not as I am going along. I want to understand the full extent of what I am deciding on so that I do not think I am making a tax increase based on a \$300,000 contingency fund when maybe it is more like \$500,000 and then deciding afterwards we have to build the reserve fund, it is always good to build the reserve fund, the more that is in the reserve fund the better.

That is not the way we want to be making decisions. We want to be making decisions based on as close to correct information as possible with the kinds of monies embedded revealed to us. In very tough economic times we should resist putting additional burdens on taxpayers if we do not absolutely have to. That is the problem. I do not know if we absolutely have to or not because the numbers keep shifting on me. That is why I am uncomfortable making those decisions. It is not about not thinking that building a reserve fund is important. It is about having all the information we need in order to make the choice of how much we build the reserve fund, and how quickly we want to build that reserve fund and why we want to build it quickly. If we are building the reserve fund quickly in order to borrow more, that is not a great reason to be building the reserve fund quickly.

Trustee Walker: When we talk about our policies we can be specific about where we think reserve fund monies can come from, so if perhaps there are certain revenues that are channeled into the reserve fund, so that is it not basically squeezed out of our expenditures, out of our departments, or out of our taxpayers. There may be other ways. I would be curious to know how other communities do it. Just coming up with clear-cut ways of how we build it over time, so it does not seem so hit-or-miss and arbitrary, because we do not know how much money we will have at the end of the year. But if we have particular revenues that are channeled into it, that might help make it more clear, and not just an estimated number that we will not know until the end of the year. I do not know the answer. I am posing it as a question. I would like to know what other municipalities do.

Trustee Jennings: My wife works in the corporate sector and she was describing to me a process that they go through in her company, which may be what other villages do, too. Last night we all agreed that we wanted to monitor this fiscal year's budget periodically and see what the actuals were, and how that compared to the budget that we have before us. It is possible to develop a number, a metric, which is an index. My wife's company gears it at 1.0. That is where you have budgeted exactly the right amount of money, and you are spending it all, and you are not going to have any surplus or any deficit at the end. Then they look at deviations because during the course of the year it fluctuates. You are going to get 1.2, 1.5, 0.8, around the number 1.0. They have policies where if you get outside a certain range that sets off a lot of bells and whistles and alarms.

Trustee Armacost: Exactly.

Trustee Jennings: That seemed to be something we might be able to adopt to our own fiscal and managerial situation in a municipal government. Watch it in that way, and have something tangible and concrete like a numerical index to go by, as opposed to talking about what happens with each line item and who writes which check. No one, certainly not me, is arguing that we, the Board of Trustees, should not have adequate information in a timely way. I would not argue that for a second. But a process that gets us bogged down so we cannot see the forest for the trees is not a very good process either. We do need the metrics and we need the mechanisms to do good oversight that will help guide the Village management and get us where we want to be at the end of the fiscal year.

Mayor Swiderski: I certainly concur.

Trustee Walker: I was at a sustainability conference today. I learned about some interesting revenue possibilities which we can talk about another time. There are some creative ways to increase your revenues through fees that are basically coming from polluters and a number of other ways of making your municipality greener, increasing your sustainability, and at the same time increasing your revenues. That would be an interesting thing to look at.

Trustee Armacost: Absolutely.

Mayor Swiderski: Are there any more thoughts? We have a reason for coming here tonight. There is a resolution before us unless we are further adjusting the monies, which I have not heard we should do.

Trustee Armacost: Would you like me to say that I think we should? I do not have the data yet to know where we stand. That is my feeling. Maybe all of you do.

Trustee Walker: You mean about the surplus?

Trustee Armacost: About the additional amounts embedded, and whether we have enough information to go with a 4.2 percent increase. What I heard yesterday, I went in hearing we had a \$300,000 projected contingency fund. And then I heard quite large additional amounts added on through various sources after that, which means that the contingency fund is actually a lot bigger, which means the reserve fund will be a lot bigger.

I still feel that 4.2 percent is too high for this year. If the money is already there in the budget, why are we taxing people for it? If it is not there in the budget, of course you have to do a difficult thing like tax people. But if it already there, if what we wanted was a reserve fund of \$300,000 and we are going to get a reserve fund of \$500,000, why are we taxing people this year?

You cannot go backwards on taxation. Once you have done it, your rates are up. You are moving forward from that rate, and it is compounded over time. It does have a very serious impact on people who are elderly, on people who are on fixed income, on people who are lower-income. Someone today sent me statistics in Hastings, and we are not as affluent a community as perhaps some people think. There are pockets in the community that are really suffering, and even some of the more affluent people are suffering, quite frankly. My view is that if you are going to increase the tax rate do it really consciously because you have to, not because you accidentally fell into it because you did not get the numbers quite right the first time.

Trustee Walker: I agree with you, Niki. I do believe, having looked at every line item, budget versus actual, that there is extra money in there. However, I think unfortunately we have run out of time. We are at the point where we cannot keep going back and squeezing it out at this point because we have to have this passed by May 1. I do not think we get any kind of extension on our budget. We are not like the state, or the federal government. We have to pass it. We have to promise ourselves that we are going to make sure this does not happen next year, that we have a information earlier, or at least we look at it quarterly, so we know where the savings can be made and we have those discussions with Fran and with the department heads. I do not think we can do it now.

Trustee Armacost: May 1 is Sunday. There are quite a few days between now and Sunday. We were asked to make a decision in less than 24 hours. I do not know about you. I got the budget data to make the decision in the meeting in which we were asked to make the decision, plus additional data came to me after the meeting. So for me, that is not ideal conditions under which to be making a 4.2 percent tax increase decision. I am uncomfortable with it, and do not feel I have adequate information to vote on a tax increase

today. Maybe I will just remove myself from the discussion, and you guys can decide. You have a quorum, so you can decide among yourself. But I do not think I have adequate information to make that decision. I am willing to work between now and May 1, which is Sunday, to get myself informed well enough that I can make the decision.

Mayor Swiderski: Is that a sentiment felt elsewhere on the Board? Is there majority sentiment in that direction? I think I do have enough to make a decision. It is not a perfect decision, but it is adequate. However, the resolution is on the table for the evening tonight, and we need three votes. Do we have other people uncomfortable with voting tonight? All right, then do we have anyone willing to put a motion on the table to adopt the budget and tax rate for the fiscal year 2011?

Trustee Jennings: Mr. Mayor, may I ask a question before the motion goes forward? I do not share the feeling that we have been asked to make a decision based upon a budget that we have not had a chance to scrutinize. We have looked at several iterations of a budget, and made specific recommendations and requests and inquiries about different line items that we thought were perhaps over-budgeted, and so forth and so on. We have wrung the budget out at least three times. Can we find more so that we can reduce the tax rate even further than 4.2 percent? That is a valid and significant question. Before I decide whether to go forward tonight or wait until Monday or Sunday, I would like to have a better idea of what exactly is going to happen in the next two days that would find us a significant amount of additional reductions so that a meaningful difference could be made in the tax rate that we have to vote on. If someone really believes that that could happen, and that there is a lot more in this budget to be wrung out, and not just say it is there but how are we going to find it, then I would certainly say let us give it the extra two days. Let us do as much work on this as we possibly can in order to be responsible. But I think it is a mischaracterization to say that we have not been investigating and querying this all along for at least the better part of a month, because we have been.

Trustee Armacost: We have been, and the recommendations were not taken up. That is why I know that there is extra money there. A very small percentage of the recommendations were taken up.

Trustee Jennings: Then perhaps we should be making motions to do those recommendations and vote on it. Then it will be taken up. We keep throwing it back into the Village Manager's lap, though, and I am not sure how productive that is for yet another iteration.

Trustee Armacost: There is just a huge resistance to budget versus actual analysis. I do not understand it. I think it is an incredibly useful tool. It gives you a huge amount of freedom to

understand where you can move things. But it is not viewed that way. It is viewed as coercive. That is a shame because it is something that is quite helpful at the end of the day.

Trustee Quinlan: I feel that I know this budget as well as I have known, or more than I have known, other budgets that we have passed. I have scrutinized it, we have talked about it. Although I am not happy the way it was fed us and switched around, I still understand what is going on tonight. But what I do not understand, Trustee Armacost, is can you give us a specific example of an item that you think can be reduced in a significant way to decrease the percentage of the increase for the taxes in this budget? That I would agree with?

Trustee Armacost: I asked for this budget to be sent to me in spread sheet form yesterday during the meeting. If I had had it in spread sheet form I could have given it to you. It is really quick to do that analysis, Jerry, and it would not take very long to do at all. Right now, I cannot do it because I only just got this document. So it is very difficult to do it on this document.

Trustee Quinlan: You mean the document that we are talking about, with blue and yellow?

Trustee Armacost: Yes. To be able to see a shift that happens in one place affecting something in another place. While everyone was on vacation we got a budget which was increased by \$75,000 from the last budget. Then that came down: there were changes made here, there were changes made there. I have been trying to follow all these different budgets, and the numbers are shifting in different places. So for me to do a proper budget versus actuals analysis I need the budget in spread sheet form, and I need an hour and I can give you the numbers, Jerry.

Trustee Walker: What about items that were on the budget that we originally got that we did the analysis on? I did not bring it, but the one that we sent to Fran. And, Niki, you collected all of our comments.

Trustee Armacost: Yes. As you know, not one of the comments that we made was adopted by any of the team. There was a reason for all of them.

Trustee Walker: Can you remember what some of those are?

Trustee Armacost: We never ended up having a discussion about any of those. So I do not know, really. It is a very frustrating process is all I can say.

Trustee Walker: Do you want to point out some of those?

Trustee Armacost: Not really. I would rather have the document in spread sheet form and do it in a proper way. I do not want to do it in an ad hoc way. That is not how I like to operate. And that is the whole point I am making. I want to be properly informed, I want to make my decisions with proper data. So I cannot make a decision today. But if you guys can, go for it.

Trustee Quinlan: Trustee Armacost, if we delay this and you have your spread sheet can you guarantee that you are going to find significant savings that I agree with on certain lines so that I can vote?

Trustee Armacost: I cannot guarantee anything, Jerry. I am not you. You have to decide for yourself. I can certainly show you line items. But the issue that we are dealing with is the size. We know from the discussion we had yesterday that the anticipated contingency fund at the end of this coming year is going to be \$500,000. So whether or not ...

Mayor Swiderski: We do not know that.

Trustee Jennings: We do not know that.

Trustee Quinlan: We have no idea.

Trustee Jennings: That is the most optimistic possible assumption.

Trustee Quinlan: In fact, I would bet you that it does not even come near that.

Mayor Swiderski: Absolutely.

Trustee Quinlan: I hope it does, but I will bet you right now that ...

Trustee Armacost: Fran is probably the most conservative budgeter I have ever met and those were the numbers that he threw out yesterday.

Mayor Swiderski: He did not throw those numbers out yesterday. He threw out some line items that, if everything went well, would add up to that. But a bad storm season, certiorari findings that would break it: there are any number of areas that can work against us.

Trustee Armacost: We had a really bad storm season and we still came out with \$85,000 surplus this year. Fran is really conservative in his budgeting, which is a great quality in a village manager. So at the end of the day if Fran is successful with his \$500,000 reserve fund, which is what he talked to us about yesterday, that is based on having an increase of

4.2 percent. If you think it is really important to have that reserve fund go from \$388,000 to \$500,000 in one year, after we have wiped out all of the debt, if you think that is a strategic decision to make this year, then you should vote for the 4.2 percent. I think that is too much to try and do in one year. I think this is the year when we can give residents a tax break.

Trustee Quinlan: What we are doing now is, we are identifying what the problem is, what the debate is. The debate is what the number should be in the reserve fund.

Trustee Armacost: Exactly.

Trustee Quinlan: My view is I would like to see the reserve fund as high as possible because it is prudent fiscal policy. I think that the estimate of \$500,000 is pie in the sky. I hope we get it. I do not think we are going to get it. I think we will be lucky if we get \$300,000. I am sure there will be a lot of people that would disagree with me, but this is the way I run my life. We are all taxpayers. We are not sitting up here in some cocoon. Anything we vote for is going to affect us personally. Personally, I do not mind a 4.2 percent tax increase if we can build up our reserve fund. So I am ready to vote tonight. If we frame the issue on the reserve fund, and there will be people that disagree with me, they will say, Oh, I want less taxes and less reserve fund, that is fine. Maybe that is how they run their life. They borrow money off their credit cards and they pay high interest.

Trustee Armacost: It is not off a credit card.

Trustee Quinlan: And they do not save their money. That is fine, but that is not my philosophy. If that is the question that we are faced with tonight, then I am ready to vote. I will hope and pray that we have \$500,000. But I will bet that we do not. If we do, I am wrong and I will be happy. But I think if we are lucky we will get \$300,000, because there are a lot of things in here we do not know what is going to happen. Peter talks about storms. Who is to say that the gas prices are not going to be \$5 a gallon this summer? Who is to say the Middle East is not going to blow up? And that is just one thing. We can have storms, we can have gas, we can have certioraris. Who knows what can happen? And that is why you save for a rainy day.

That is my own personal philosophy. I am glad we framed the issue to that extent. And the other thing we brought out last night, and I am probably in the minority because I came from a meeting at my house with some Village members who were having an early dinner, and they were all saying decrease the tax increase because it is psychological to make everybody happy, and, I would like to see it go down.

Trustee Armacost: Not psychological.

Trustee Quinlan: What we learned last night is, we are talking about pennies, right?

Village Manager Frobel: Yes.

Trustee Quinlan: We are talking about 48 cents, 46 cents, 44 cents, 43 cents. I know it means a lot to people on fixed incomes. I am about to go on a fixed income. I know it means a lot to people that are elderly, and I am not getting any younger. I do not live in a fancy neighborhood. I live in the same house I bought 31 years ago. First house I ever bought, when I was 30 years old. I am prepared to build that reserve fund, and vote on this tonight.

Mayor Swiderski: We got ourselves to where we are here partly because for a number of years now we have cut it too close to the bone, or cut ourselves some slack because we did not want to charge the high tax rates. I am not willing to risk cutting it too close this time around. I would rather be sure of coming out with a solid reserve of \$300,000, and if there is an upside of \$100,000 more than that, it is not outrageous. I would rather risk on the upside than on the down side, and be shaking my head here in a year's time, saying we were not cautious enough.

We have been very clear that we backed ourselves into the position over the years. I do not want to repeat that mistake this year. I hear many of the points about wringing out further savings, but I do not think the town is going to be spending like drunken sailors this year. I think it is going to be very tight. And if there is another \$80,000 in hidden savings, then it will fall to the bottom line and that is okay. It is less than a percent. It is heading toward half a percent. We have gone in circles on this budget. It is not a perfect process. Yes, some information came up yesterday. But in the scheme of things it was big-ticket information that is pretty well incorporated in my understanding of what we are voting on here.

We discovered that we may be able to benefit from some positive numbers in those capital funds instead of the negative ones hurting us. That is great. That a contract negotiation which is not yet complete may put another \$20,000 in our pocket. And we may enjoy another \$80,000 surplus falling out next year like we did this year, or more. That is okay. I would rather risk the upside than the downside. I would rather celebrate next year by the lower taxes, and say we righted the ship instead of sitting exactly here in one year's time saying we made a mistake, we are going to have to go with 4.5 percent, 5.5 percent, 6.5 percent. Or nightmare scenario, Cuomo passes a 2 percent property tax cap and we are here saying we cannot do anything, and we are stuck with \$200,000 in a reserve fund. I am just not comfortable with cutting it further. And even if we wrung another \$80,000, I would rather see that \$80,000 hit the reserve fund at the end of the year.

Trustee Quinlan: I want to add one more thing, and thank you, Peter. That is, I am not building up the reserve fund to borrow more money, and I want everybody to remind me of this. If we go out in the next year while I am still sitting here, and we want to borrow more money then I am going to say no. And also, Meg, I know this is another thing that is going to be disturbing to some people. But matching grants with money? I am not prepared to do that right now. .

Mayor Swiderski: Unless it is infrastructure, some pressing concern.

Trustee Quinlan: Pressing concerns: a sewer blows up, or a road caves in to a sinkhole, or things like that where we cannot go down the street anymore. Then those are catastrophes. But to improve Wagner Park and all these other things, I am not going to be spending any money on these grants.

Mayor Swiderski: This is cod liver oil time.

Trustee Quinlan: This is a time that we have to hunker down and live with what we got and save, and see what happens.

Trustee Walker: Last night, when we had the community development block grant discussion, we talked about if we go after grants the only matches that we can use will be other grants, and it is not easy to pull that off.

Mayor Swiderski: It is a trifecta, really, these days to do that.

Trustee Walker: But it is worth looking at. And even going through the process of doing it is an exercise that helps us understand the costs of improvements and helps us plan for the time when we can afford to do it. I think we always have to have a long-term as well as a short-term outlook. As we are thinking about cutting right now, we still need to be planning for a future when we can make infrastructure improvements and we can build sidewalks. So we need to think about that. I agree we cannot do it now, with our money at any rate. Other people's money maybe. So yes, we all agree. We discussed that last night. And I am prepared to vote on the budget. I want to thank Fran for pulling some of the excess out of some of these expenditures that we did look at last night. I am happy with that. I did want to get below \$13 million in expenditures, and you did and I am pleased with that. Granted, we are not getting the tax rate that I would prefer. I agree with Niki that there is more that could come out of this budget. But I want to take the position that we have done what we can at this point, we will do more going forward. This is not a perfect process. As the Mayor points out, we want to make this process better. So let us hope we learn from this

experience. I am willing to err on the side of being a little more conservative and putting whatever that excess is into the reserve fund. I just want to voice that it was not my preference. I would rather have scrutinized it and gotten it down to 3.5 percent. So that is where I stand, but I am willing to vote.

Trustee Jennings: As Trustee Quinlan framed it, if this is principally about the question of how large our contingency fund should be, there are just two thoughts that I have. One has to do with precautionary and conservative assumptions. If we shoot for a contingency fund of about \$300,000 we are doing roughly what we should do, the responsible thing to do. I think that there is as much a probability that we will end up under that as there is that we will end up over it. That is my judgment, my best guess. We would not be in a good position if we ended next fiscal year with \$200,000 or less in that fund. I want to err on the side of avoiding that misfortune in terms of the target. This is not rocket science. This is a matter of judgment, and it is impossible to be precise because there are too many variables that we do not control and that are as yet unknown.

The other thing is, it is a fair question for everyone to ask what the purpose of the surplus is, after all. It is not to borrow money, and it is not just to get a good bond rating so that we could borrow money at favorable terms if we were out there to do so. Those are important things. And it is not just to have it in the bank. A reserve fund gives us the kind of creativity and operational flexibility that a government needs going forward. If we had to fund everything year-by-year out of tax increases and operations, if we lived from hand-to-mouth, we would be very constrained and we would end up with wildly fluctuating tax rates. Whenever we needed to do something that was expensive, we would have to jack it up a couple of percents, up and down. That would not be conducive to good government, good policymaking, or very good for the people. They would not be able to know from year to year what their tax burden was going to be either. It gives us the opportunity to tap into it when we do have an opportunity or a need so that we are, in effect, spreading the tax revenue burden out over time. We are not asking people to pay for everything at the time we have to purchase it.

That is the function of a reserve fund as I see it, and I think it is very beneficial to the Village because the kinds of things we would use that money for are not frivolous things. They are things that need to be done, that have a direct impact on the lives of people, including those who are not affluent and who are on fixed income who need to have safe streets, safe sidewalks, and services. These are things that have a direct beneficial impact on the lives of real people, just as paying taxes have direct effects on the lives of real people, too. So it is a balancing act, it is a judgment call. I respect those whose judgment balances it differently. But that is the way I see it, that is the problem that is before us, and that is what I am wrestling with. I am prepared to vote this evening.

Trustee Armacost: I do not have enough information to vote this evening. I received the audit an hour before we ended up having a big set of meetings with the heads of departments. I ended up being given the budget actually during meetings when we were being asked to make decisions. It has been very difficult to see, because of the shifts in the budget, what changes have been made. I know that there is more that is embedded in there, and so I feel like it would be prudent to do a little more analysis before we end up making a decision which is not a reversible decision, which is increasing taxes for people, particularly those people who are poor, who are on fixed incomes, who are elderly.

As we have been sitting here, and in the letters that I have received from people in the community, every single letter has asked us to reduce the proposed tax cap that we had placed in December of last year. Maybe you did, I did not hear one person ask for us to increase it. No one asked about increasing the reserve fund. No one had any comments about that. Today, we received a letter from a realtor, who said that it is very difficult to sell houses in Hastings because the tax rates are so incredibly high that people are afraid to buy. They do not want to buy the houses, they cannot afford them. She also said that she is having difficulty selling the houses of people who have been forced to move because the tax rates have gone up.

This is a very serious decision that needs to be made, with complete information, as good information as is possible, and so I am not in a position to vote tonight.

Mayor Swiderski: All right. That is certainly your right. I would like a motion.

On MOTION of Trustee Quinlan, SECONDED by Trustee Jennings with a voice vote of all in favor, the following Warrants were approved:

RESOLVED: that the Mayor and Board of Trustees adopt the 2011 - 2012 Village Budget as follows:

APPROPRIATIONS

| | |
|--------------|---------------|
| General Fund | \$12,982,932 |
| Library Fund | 780,826 |
| Pool Fund | 360,455 |
| Draper Fund | <u>31,000</u> |
| | \$14,155, 213 |

REVENUES

| | |
|--------------|------------------|
| Property Tax | \$ 9,785,862 |
| State Aid | 427,500 |
| Sales Tax | 1,050,000 |
| Other | <u>2,891,851</u> |
| | \$14,155,213 |

And be it further

RESOLVED: that the property tax rate be established at \$235.50 per thousand of assessed valuation.

| ROLL CALL VOTE | AYE | NAY |
|--------------------------|------------|------------|
| Trustee Bruce Jennings | X | |
| Trustee Jeremiah Quinlan | X | |
| Trustee Meg Walker | X | |
| Trustee Nicola Armacost | | X |
| Mayor Peter Swiderski | X | |

ADJOURNMENT

On MOTION of Trustee Walker, SECONDED by Trustee Jennings with a voice vote of all in favor, Mayor Swiderski adjourned the Special Meeting at 8:35 p.m.