

MAYOR'S COLUMN

This past week the Village issued serial bonds in the amount of \$4.8 million to take advantage of a longer payback period for the cost of financing the capital projects in the last four capital budgets.

By converting our bond anticipation notes (BANS) into more permanent financing at this time we saved \$300,000 in the current fiscal year, stretched out our payment period and reduced our annual debt service going forward.

The \$4.8 million financed capital expenditures including new sidewalks, sewers, road resurfacing, police cars and heavy equipment for DPW included in the Village's past four capital budgets.

In order to sell the bonds, the Village prepared an Official Statement. This document, completed by the Village's fiscal agents, includes information pertaining to the Village's financial operations, a discussion of the items being financed from the bond proceeds, statistical information and the Village's latest audit report. This document serves a two-fold purpose: as the basis for evaluation by Moody's to determine a bond rating and as information to potential buyers.

I am pleased to report that despite these difficult economic times, we have maintained our Aa1 rating due to our solid financial position, reserve levels and low direct debt burden.

Moody's made this determination based on the expectation that the Village's financial position stabilizes with reserves at or near current levels assuming continuation of our conservative budgeting practices, timely tax rate increases, and expenditure management.

Current reserves (fund balance) total \$1.98 million and reflect a healthy 15.2% of our General Fund revenues.

Other factors in Moody's very favorable rating determination included our very modest \$378,000 budgetary increase in the 2009 budget. Of particular importance was the fact that the Village budgeted conservatively for economically sensitive revenues by budgeting sales tax revenue at a \$36,000 decrease and investment interest earnings at about half of 2008 levels. The mortgage tax was budgeted flat at 2008 collection levels which may dip given the current housing slowdown. The 2009 budget also conservatively includes a 12% increase for health care costs with the actual increase anticipated to be closer to 6.5% and flat public safety costs due to retirees being replaced with newer employees and resulting lower salaries.

These conservative budgeting practices may help to offset any unanticipated revenue losses from economically sensitive revenues or potential State aid cuts. The Village also garners additional financial flexibility from our substantial (86.6%) amount of unused taxing margins. To illustrate, based on assessed value, New York State assigns a municipality a property tax capacity. The Village was assigned a \$44 million tax cap. The Village's current tax levy of \$7 million is 13.4% of our allowable total (net of

exclusions). We also maintain excellent property tax collections with 100% of the levy collected on a current basis annually.

The Village's debt position will likely remain favorable given our minimal future debt plans and an average amortization of principal (64.7% retired within 10 years). The Village's current direct debt burden is below average at 0.4% of full valuation. Debt service comprised a moderate 9.5% of fiscal 2008 expenditures. Moody's agreed that the Village could issue notes for \$1.2 to \$1.5 million annually over the next three years to fund future capital projects, if necessary and still not alter our current debt. The Village also has no exposure to variable rate debt and is not a party to any derivative action.

For these reasons and our resulting rating in the municipal market, we were able to attract six interested parties despite the economic climate.

We chose Roosevelt and Cross, Inc. a very well established municipal bond underwriter based upon their very favorable interest rate of 3.95%.

This extremely advantageous outcome is primarily the result of the extraordinary professionalism and vigilance of our Village Treasurer, Robert Fels, as well as the expertise of our Village Finance Committee and oversight by the Trustees.

The Village budget represents 17% of your Village tax dollars so a spending increase or revenue shortfall of just \$71,000 translates into a full percentage point tax increase.

I can assure you that in these difficult economic times we will be steadfast in our efforts to control costs and spend wisely.