

April 2, 2014

Town of Rye Dissolution Committee
10 Pearl Street
Port Chester, New York 10573

Committee members:

CGR is pleased to provide this updated fiscal analysis to inform your discussions regarding a potential dissolution of the Town of Rye. The update was completed pursuant to the Committee's request of March 14, 2014 and CGR's proposal of March 20, 2014.

Overview

This analysis updates the fiscal components of CGR's original study for the Town of Rye and the Villages of Port Chester, Rye Brook and Mamaroneck, completed in 2012. The Committee sought to update the analysis for two key reasons. First, its discussions about a potential implementation path have focused on a slightly altered plan from the first study. The revised plan would create a "paper town" in Rye Neck, in order to avoid removing the Village of Mamaroneck from the Town of Mamaroneck and thereby mitigating any fiscal impact on the Town of Mamaroneck.

Second, it sought to reflect updated assessments, fiscal conditions, debt and service adjustments that have occurred in the Town of Rye's operations, budget and fiscal position in the past two years – especially since the Town has divested some of the assets contemplated in the original analysis, privatized certain services and issued additional debt since 2011-12.

In preparing this update, CGR reviewed and incorporated data from the following sources:

- Town of Rye 2014 approved budget;
- Town of Rye 2013 final assessed valuations, disaggregated by village component;
- Town of Rye-owned property inventory as of March 28, 2014;
- Town of Rye audited financial statements (draft) for fiscal year ending December 31, 2012;
- Town of Rye debt service schedule for the period 2014 through 2034, including newly issued debt pertaining to bridge improvements;
- Village of Port Chester and Rye Brook property tax levies and rates for 2014; and
- A telephone interview with Bishop Nowotnik of the Town of Rye on March 28, 2014 to review data components and confirm any service changes that have been implemented since the original study.

Summary of Updated Impacts

The following summary tables are updated versions of the tables shown on pages 56-57 of the original November 2012 report. The methodology used to calculate them is the same, with the exception of the adjustment to account for the “paper town” over Rye Neck.

Estimated Fiscal Impacts : Rye Town Restructuring Model

Source: CGR Analysis of Town and Village Budgets, Services and Financial Statements

| | Village of Port Chester (entire) | Village of Rye Brook (entire) | Village of Mamaroneck (Rye Neck) |
|---|--|-------------------------------------|--|
| Recurring Impacts | | | |
| Removal of Rye Town property tax (\$0.049/1000) <i>Annual savings estimate based on \$500,000 home</i> | \$24.50 | \$24.50 | \$24.50 |
| Other recurring impacts <i>Includes net effects of reallocating Rye Town revenue, savings from elimination of property tax guarantee, service adjustments and debt service ; Annual estimate based on \$500,000 home</i> | \$105.41 | \$40.56 | \$113.17 |
| Total Recurring Impact | \$129.91 | \$65.06 | \$137.67 |
| One-Time Impacts | | | |
| <i>Includes net effects of disposition of Rye Town property and liquidation of balance sheet assets; Annual estimate based on \$500,000 home</i> | \$181.37 | \$188.08 | \$164.63 |
| Potential / Liability Impacts | | | |
| Retiree health insurance (OPEB) liability | (\$1,381,356) | (\$1,453,868) | (\$790,382) |
| Rye Town Park - Capital cost (60.722%) | TBD * 38.1% | TBD * 40.1% | TBD * 21.8% |
| Rye Town Park - Operational deficit (51.000%) | TBD * 38.1% | TBD * 40.1% | TBD * 21.8% |
| Bridge Maintenance | TBD * 38.1% | TBD * 40.1% | TBD * 21.8% |
| South Barry (Guion) (100.000%) | TBD * 38.1% | TBD * 40.1% | TBD * 21.8% |
| South Barry (Otter) (100.000%) | TBD * 38.1% | TBD * 40.1% | TBD * 21.8% |
| Jefferson Avenue (50.000%) | TBD * 38.1% | TBD * 40.1% | TBD * 21.8% |
| Short Street (50.000%) | TBD * 38.1% | TBD * 40.1% | TBD * 21.8% |
| Hillside Avenue (33.333%) | TBD * 38.1% | TBD * 40.1% | TBD * 21.8% |
| North Barry Avenue (33.333%) | TBD * 38.1% | TBD * 40.1% | TBD * 21.8% |
| General Maintenance | TBD * 38.1% | TBD * 40.1% | TBD * 21.8% |
| South Barry (Guion) (100.000%) | TBD * 38.1% | TBD * 40.1% | TBD * 21.8% |
| South Barry (Otter) (100.000%) | TBD * 38.1% | TBD * 40.1% | TBD * 21.8% |

Discussion of Key Differences

Compared to the original November 2012 analysis, the updated figures show an *increase* in the value of recurring benefits. Recurring benefits have increased relative to the November 2012 analysis for the following reasons:

- Certain Town of Rye budgeted revenues that would recur and be reallocated to the successor municipalities have increased by approximately \$140,000 since the original analysis; and
- Certain service adjustments implemented by the Town of Rye subsequent to the original analysis have reduced expenditures that would recur, and permitted a re-estimation of the costs that would be borne by the successor municipalities in functions like parks maintenance, assessment and tax collection.

Even though debt service costs have increased approximately 12 percent since the November 2012 analysis, the overall net recurring benefits have increased.

By contrast, the updated figures show a *decrease* in the value of one-time benefits. This is due to the following reasons:

- Certain Town-owned properties contemplated for sale in the November 2012 analysis have since been sold, reducing the potential proceeds for the successor municipalities by approximately \$850,000; and
- Certain Town of Rye balance sheet assets that would be reallocated to the successor municipalities have decreased since the November 2012 analysis, with unreserved / undesignated fund balance falling \$220,000 and capital fund balance falling \$280,000.

Note that in the updated analysis, we have still accounted for the pending sale of Town Hall at 10 Pearl Street as part of the one-time impact. This is because the sale has not yet closed. *However*, assuming it closes as scheduled in 2014, these proceeds would of course still positively impact the fiscal picture in a one-time fashion. Based on guidance from the Town of Rye, the sale proceeds have been included as \$1.5 million, which is the estimated sale price *net* of anticipated moving costs.

Impact of "Paper Town" Covering Rye Neck

The model contemplated in the November 2012 report assumed that the *entire* Village of Mamaroneck would become a coterminous town-village entity. This would have created two specific impacts beyond the Town of Rye, as detailed in the original report. First, taxpayers within the portion of the Village of Mamaroneck that rests in the Town of Mamaroneck would no longer have paid Town of Mamaroneck property taxes. This was estimated to create approximately \$459 in property tax savings for the average residential property. Second, by removing the Village of Mamaroneck from

the Town of Mamaroneck, it would have *reduced* the taxable assessed value of the Town of Mamaroneck, thereby *increasing* the tax rate for remaining properties in the Town of Mamaroneck. The original report estimated that, all else being equal, the rate increase would have been 42 percent.

Under the Committee's new "paper town" model, both of those impacts would be eliminated. By making no change to the current Village of Mamaroneck / Town of Mamaroneck boundaries, properties within the Town of Mamaroneck would continue paying town taxes, and thus receive no tax benefit; similarly, the Town of Mamaroneck would not lose its portion of the Village of Mamaroneck's taxable base, thus removing the need to raise the tax rate on remaining properties.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Stefko', with a long horizontal flourish extending to the right.

Joseph Stefko, Ph.D.
President & Chief Executive Officer