

Dear Fellow Residents:

We wish to bring to your attention some recent events that affect the Village and the impact such events will have on our budget for the June 1, 2009 – May 31, 2010 Village fiscal year. This letter will outline such events and, we hope, help explain why the Board of Trustees has authorized a Village tax increase of approximately 10% for the forthcoming fiscal year.

### **THE “BITI” PROJECT**

As many of you know, commencing in 2004 the Village government conducted public hearings with respect to a request by a developer (known as Biti LLC) to construct a residential condominium project in our downtown area (on the north side of Old Northern Boulevard, south of the viaduct). After a substantial effort by the Village, which included a number of hearings and a good deal of give and take between the Village and the developer, the Board of Trustees on September 16, 2008 granted both site plan approval and development incentive bonuses to the developer, which authorized the development of 78 residential units. This approval required various public amenities to be provided by the developer, including funding the cost of an upgrade to the Village sewer pumping station (approximately \$4,000,000), the construction of a waterfront promenade, a public green and other benefits to the Village.

It should be noted that there was substantial public opposition to the project and the end result reflected a reasonable and good faith effort on the part of the Village and (we thought) the developer to achieve a fair result. Following this approval, however, the economic downturn came upon us and the market turned against the developer who decided (rather than ride out the storm) to walk away from the project, and instead to sue the Village. Thus, in February of this year, the developer commenced a lawsuit in federal court, seeking damages of \$50,000,000. The lawsuit includes as defendants the Village, each of the members of the Board of Trustees individually and the Village counsel individually. The lawsuit alleges violations of federal law and includes a claim that the members of the board of Trustees engaged in a criminal racketeering enterprise.

The Village and the individual defendants are covered by insurance maintained by the Village to the extent of \$11,000,000, and the insurance carrier is providing counsel. Since, however, the claim exceeds the insurance proceeds it was considered prudent to engage separate counsel to advise the individual defendants and protect their interests to the extent that they face individual liability in excess of the available insurance proceeds.

This litigation is extremely upsetting, both because the claims are outrageous and without merit, and because of the financial burden that the BITI project has caused and will continue to cause the Village.

### **OUR PRIOR YEAR’S BUDGET (JUNE 1, 2008 – MAY 31, 2009)**

The increase in the Village tax rate has been modest over the last number of years, 4.37% for 06/07, 3.35% for 07/08, 4.61% for 08/09. When the budget for the 08/09 tax year was formulated in March and April 2008, the Board of Trustees had every expectation that the BITI project would be approved and that construction would commence sometime prior to May 31,

2009. For this reason, a revenue item of \$250,000 was projected for fees relating to building and other permits expected to be paid by BITI during that fiscal year. We now know that these payments will not occur. As a result, and also because of a diminution in New York State aid that took effect in the 08/09 fiscal year, there is a shortfall in our 08/09 budget that must be made up in the next fiscal year (09/10).

### **OTHER ITEMS AFFECTING THE 09/10 BUDGET**

As we face the 09/10 fiscal year, there are other events that affect our budget:

#### **PALL CORPORATION**

Pall owns its former corporate headquarters building just east of the Village on Northern Boulevard. Although Pall is not located within the confines of the Village, it has for years utilized the Village sewer system pursuant to an agreement under which Pall reimburses the Village for the costs incurred based upon actual usage. Pall no longer fully utilizes the Northern Boulevard building and the result has been that payments made by Pall in the last fiscal year were substantially in excess of the amounts that would be due under the agreement based upon actual usage. There is a shortfall of approximately \$200,000 and this amount is thus owed by the Village to Pall.

#### **THE SEWER PUMPING SYSTEM**

As many of you know, the Village sanitary sewer system is maintained by the Village but the effluent is gathered at the Village pump station on the west end of Skillman Street, and then pumped for disposal to a Nassau County sewage treatment plant. The maintenance of the sewer system and the costs payable by the Village to the County for treatment together with debt service on borrowings relating to the sewer system constitute by far the single largest item in the Village budget. We have been advised by the County that the disposal costs for the forthcoming year will increase by approximately \$300,000.

#### **THE BITI LITIGATION**

As explained above, the Village has retained separate counsel with respect to the BITI litigation. We have budgeted \$100,000 as additional legal costs in this regard for the 09/10 fiscal year.

#### **REDUCTION IN STATE AID**

Our expected revenues from New York State will be reduced in the 09/10 fiscal year as a result of the economic downturn. We expect reductions in the share received by the Village from the State mortgage recording tax, sales tax, and highway aid. We expect these reductions to be approximately \$40,000. Reduction in these items, by the way, also occurred in our current (08/09) fiscal year and contributed to the shortfall for this year.

## ACTIONS BY THE VILLAGE

The foregoing items will have a substantial and adverse effect on the financial condition of the Village and require remedial action. Actions that we propose to take include the following:

a) The basic costs to run the Village will be reduced. The “core” budget (i.e., normal operating items, not including the extraordinary matters discussed above) has been reduced from \$4,403,000 (for 08/09 fiscal year) to \$4,200,000 for the 09/10 fiscal year. This has been accomplished largely through a painful reduction in the Village staff.

b) A tax increase of 9.8% has been authorized.

c) A deal with Pall has been reached to defer any payments to them to future fiscal years. In addition, the Village will receive a credit against what is owed to the extent that Pall continues to utilize the Village sewer system from the Northern Boulevard building.

d) Short term borrowings of approximately \$500,000 will be required.

None of the foregoing is good news. Although it is now a cliché to refer to a combination of unfortunate events as a “perfect storm” that term best describes our current situation: the confluence of the BITI loss of revenues plus litigation costs, the massive increase in sewage costs imposed by the County and the economic turbulence which has given rise to the reduction of New York State aid. We have no choice but to face up to these issues.

Sincerely,

John Durkin, Mayor

Marshall E. Bernstein, Deputy Mayor

Martha Genovese, Trustee

Craig Westergard, Trustee

Lisa Aberle, Trustee