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PRESS RELEASE

To: Garden City News Contact: Trustee Nicholas P. Episcopia,
Chairperson
Public Information Committee
John L. Mauk,
Commissioner of Finance

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Recently, the Village's debt burden has been discussed in Letters to the Editor in the local newspapers as well as on a website created by a Village resident. All too often, however, the writers present their comments in a context that would have readers believe that the Village is accumulating too much debt that will result in an "unsustainable" future burden on Village finances.

As an initial matter, the municipal indebtedness of the Village of Garden City has to be considered on its own terms. It must be remembered that although the indebtedness of both the Village and School District is an obligation of all our taxpayers, it is misleading to conclude that the Village Board of Trustees ("BOT") is somehow responsible for the total amount of debt.

The Village and School District are two separate legal entities and their operating budgets and debt proposals are separate, and are determined by two totally unrelated Boards of Trustees. It is inaccurate and misleading to lump the School District's recently passed \$36,500,000 bond issue with debt numbers for the Village and attribute all of that debt to the "Village." Likewise, it is inaccurate and misleading to portray, accumulated pension benefits and the required disclosure of actuarial projections of health care expenses as also part of the Village's "debt".

To help understand the real debt picture, the BOT asked our Village Administrator, Bob Schoelle, and Village Auditor, James Olivo, to explain and clarify the issues, and hopefully put to rest any inaccurate claim that the Village of Garden City has an "excessive debt burden", when in fact the Village's debt is quite reasonable in comparison to other municipalities of its size.

The Village's Debt Burden

To correctly assess the Village's existing debt burden, it is necessary to compare it to the Village's debt capacity. A very good way to approach this is to measure our indebtedness against a formula

established by New York State that limits the amount of debt that can be incurred by each village throughout the State. This standardized formula measures a village's ability to service its debt based on the full assessed valuation of real property within the village. The State requires this calculation so that communities do not over burden their residents and taxpayers with debt.

As of the fiscal year ending on May 31, 2009, the average total assessed valuation of real property in Garden City over the past five years was \$6.3 billion. The debt limit allowed by New York State based on its formula is 7% of this valuation. Applying this measure to Garden City indicates that at present the Village has a legal borrowing capacity of over *\$439 million*. By comparison, the Village's actual debt at the moment is no more than *\$15 million*, of which amount \$7.3 million is debt of the Village Water District (a separate entity with its own revenue and expense budget) which is not even included in NY State's calculation.

Allegations that the Village is increasing our debt to "unsustainable levels," are simply untrue. Garden City's gross debt, as measured by the New York State limitation, was \$10.6 million in 2000 and \$8.7 million in 2009. Since 2006, bonds were used to finance projects including the construction of improvements to St. Paul's Recreation Park, Community Park, the Library, and renovations to Village Hall, including the long over-due construction of an elevator required by law for handicap access, which is in progress and will be part of an upcoming bond issue.

As of May 31, 2009, the Village has a net debt contracting margin of 1.98%. This means that we still have a very healthy and available borrowing capacity of 98.2%. These facts stand counter to the many allegations erroneously claiming that the Village is close to being highly or "over" leveraged, and close to being precluded from borrowing. Clearly this doesn't even come close to the truth. The Village's 1.98% net debt contracting margin is also down significantly from 5.80% in 2000, primarily due to increased property value factors and runoff of maturing debt.

A listing filed with the New York State Comptroller's Office on May 31, 2008 by all Nassau County villages with outstanding debt further demonstrates the moderation of Garden City's debt. A comparison of the 39 villages reporting outstanding debt and each village's calculation of debt to full value assessment of real property, indicates that Garden City ranks 25th, out of 39. Other large villages, such as Rockville Centre, Valley Stream and Massapequa Park, all had higher debt ratios than Garden City.

As another measure of the financial stability and credit worthiness of Garden City, Moody's Investor Service rated the Village's last bond issue in 2008 as AA1, their second highest rating. The proposed bond issue for this spring has not yet been rated.

Employee Healthcare and Pension Benefits are Costs, not Debts

Some of the letter writers to Garden City's local newspapers would also have residents believe that long-term employee healthcare benefits should also be considered as part of the Village's gross debt. The numbers they cite are based on actuarially determined *liabilities* under accounting statement #45 issued by the Government Accounting Standards Board (GASB). That statement makes it mandatory for each government entity to estimate the projected costs of post retirement health benefits over a future looking thirty year period and disclose those costs as a single discounted sum on their statements. GASB is careful to point out that only disclosure is required; *not* funding. In fact, New York State *does not allow funding*. In the view of the accountants and the State, healthcare benefits are effectively a long-term *cost associated with offering health care benefits to Village employees and are not to be treated as a long-term debt*. It is incorrect and misleading, not to mention improper accounting, to include this annual cost projection in any calculation of the Village's long-term debt.

Nor is there an outstanding obligation with respect to retirement pensions. The Village's pension commitments, which are established by State law, are met as they become due by annual contributions made to the State under the New York State Retirement System. Pursuant to law, the Village and its employees must contribute annually to this defined benefit plan and is therefore completely "paid up" with respect to benefits currently accrued by its employees. Letter writers who have referred to this mandatory annual cost as "debt" are *totally and purposely misleading the residents*.

The Village and State avoid including pension commitments as part of the Village's debt analysis precisely to avoid this type of confusion and misleading information.

Our Budget Process

Over the years, a succession of Village Boards of Trustees has been proud to note that the Village of Garden City has received formal commendation from the Government Finance Officers Association of the United States and Canada virtually every year for our financial reporting. Nevertheless, we all recognize and continue to look for ways of improving the process.

At the present time, your Board of Trustees and the Village Administration are working diligently on the Village's 2010-2011 Budget. We are also involved in negotiating new union contracts with many of our Village staff. In these difficult times, the Trustees are doing what we can to strike an appropriate balance between the preservation of services and the quality of life in Garden City, while keeping our tax burden as low as possible. After all, the Board members are all resident taxpayers as well, and will be encumbered the same as all residents by our ultimate decisions about the next budget.

Further allegations regarding "a lack of transparency" in the Village budget process are similarly totally inaccurate. All budget meetings are open to the public, and public comments have often been invited and entertained, whether scheduled or not. All of the financial information about the Village is available upon request at Village Hall. The BOT is also pleased that the Citizen's Budget Advisory

Committee (“CBAC”), which was appointed by the Joint Conference Committee of our four Property Owners Associations, is once again contributing to the process by attending budgetary work sessions, reporting to the POA’s, and otherwise participating in the budgeting process. CBAC members have met with Village staff and reviewed each department’s budget proposal and the overall Budget process. In sum, the Trustees are each doing their best to develop a workable and acceptable budget in these trying times. We are here to serve the public to the best of our abilities, and we hope our residents support this effort.