

EXHIBIT F

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1720 Annexation Summary

Memorandum to the Mayor and Board of Trustees

Background. This Memorandum is an integral part of the work effort by the Village Manager, Village Treasurer, Village Counsel, and Village Staff in addressing several of the questions that you (and others at the 12 December 2013 Joint Public Hearing) have posed regarding the pending 1720 Annexation Petition. As you recall, the physical area in question are the two contiguous election districts (ED) of 17 and 20 in the unincorporated part of the Town of Ossining (TOS).

Part 1. **Annexation Presentation Update.**

On 12 December 2013, the TOS and VBM held a Joint Public Hearing at the Ann M. Donner School in the Town of Ossining. This Joint Public Hearing was to meet the NYS Village Annexation Law requirement to hear and receive questions, comments and/or opinions from the public. The hearing was both videotaped and a court stenographer engaged to record the session: all costs of notice (mailings etc.) and the hearing itself are to be borne jointly by TOS and VBM. At the start of the hearing, it was recognized that notice had been duly made and recorded. With the exception of routine administrative issues to be addressed, the agenda format was to provide a summary of the Annexation Statutes and Annexation process. TOS Town Attorney Wayne Spector, Esq. led the presentation and VBM Dan Pozin, Esq. interceded with his remarks, as necessary. There following, representation by the 1720

Petitioners themselves stated the reasoning, purpose, intent and desire of them to be annexed by the VBM. The VBM and TOS thereafter made presentations for the record outlining the impacts of the 1720 Annexation petition: VBM Village Manager Zegarelli and TOS Supervisor Donnelly doing so respectively. The VBM presentation (and updated, as necessary) as well as numerous supporting documents are attached precedent to this Memorandum. This Memorandum does not address nor dwell on the opinionated statements of TOS Town Attorney as it pertains to the Annexation Law or the lack of documentation by the TOS's presentation regarding whether this annexation meets the statutory standard of being in the overall public interest.

The bulk of the Joint Public Hearing was devoted to soliciting public comment. While the number of separate speakers presented a wide range of opinions, there was a central core that asked to have a neutral party engaged to fact find and/or determine as to which presentation (VBM or TOS) was accurate as to financial calculations. To the best of our knowledge and belief, no actual calculations were presented by the TOS at the hearing. Therefore, the unanswered question as to "what is a TOS district and how are they to be addressed in an Annexation" was not addressed by the TOS at the hearing. Only on 4 February did the TOS provide any calculations as to the financial impacts. This is addressed by the VBMs in Part 2., below.

The Joint Public Hearing was closed that night but a public comment period (comment or questions to be addressed to both the TOS Supervisor and the VBM Village Manager) was provided until Wednesday, 15 January 2014. For purposes of the record, no public/citizen comments were directed to the VBM Village Manager.

Since the Joint Public Hearing, the VBM has undertaken to re-review the source data and analysis that was presented on 12 December 2013. The attached presentation is virtually identical to the original: the changes are written dialogue parallel to the oral presentation adjacent to the various "plates" of the VBM's presentation. Other changes include but are not limited to adjustments of costs or further revisions to calculations as a result of information received as outlined in Part 2 below.

Part 2.

What is a “district”.

Obviously from the Joint Public Hearing was an overriding issue of what is a “district” and does having a TOS district cause an impediment to cost savings and the efficient delivery of public services expected through annexation. The Town Attorney took the position during the public hearing that annexation does not change district boundaries and therefore, 1720 can expect ‘double taxation’ in connection with many municipal services. The VBM BOT has asked that we address this issue as a part of the “post-Joint Public Hearing” annexation analysis.

Section A. On February 19, 2014, Dan Pozin, Esq., spoke with Ellen McDonald, an attorney with the New York State Comptroller’s Office, and the lead counsel with respect to special districts. He previously had forwarded to Ms. McDonald information pertaining to the existing special districts within the unincorporated part of the TOS as well as existing agreements and IMAs for the provision of services in those districts. The basis of discussion was a summary of existing special districts that had been secured by the Village of Briarcliff Manor (VBM) as part of the Village’s own due diligence.

On behalf of VBM, the primary concern posed to Ms. McDonald was how to address / consider how the TOS Town Council and the VBM BOT should treat “special districts” currently in force within the unincorporated part of TOS. Setting aside the VM’s public hearing presentation as to the financial, organizational, operation and community aspects favoring the 1720 Annexation, the subject of what a special district is, how organized and would be treated in an annexation still remains. The question posed to Ms McDonald was, in essence, how should (or how can) the VBM and TOS treat the special districts in the unincorporated TOS if the annexation is approved? This theme was noted by several citizens during the 12 December 2013 Joint Public Hearing.

This question stems from the “Annexation Law” itself, General Municipal Law Article 17 (“GML”). GML §716(12) provides that where a Village is annexing territory of a Town in which the Village is situated, the annexation “shall not affect the boundaries of any Town, special or improvement district in such Town or the boundaries of any fire district, fire pro-

tection district or fire alarm district." This was raised by the Town Attorney at the Joint Public Hearing on Annexation and remains a concern in connection with the Town's ambulance, refuse, lighting, fire, water, and sewer districts (the latter including the North State Road Sewer District). Most of these special districts, while formed pursuant to Town Law, are served by contracts or inter-municipal agreements with day-to-day service provided by other outside entities including the Village of Ossining (VOS) and VBM. The contracts with the VOS and the VBM are renewable on an annual or multi-year basis. Two major service components are also serviced by renewable contract: Police services by Westchester County and sanitation (garbage pick-up) by a private carter.

The specific discussion with Ms. McDonald related to how these districts are addressed going forward in a 1720 Annexation. The Town Attorney suggested that the Annexation itself would result in the property owners in the Annexed territory being "double taxed" for many services. It was clear from our prior research and our discussions with Ms. McDonald that this is not an area of significant practice and in fact there is very limited case law and few Comptroller's opinions on this issue. With that in mind however, Ms. McDonald indicated that throughout GML Article 17, there are numerous references that suggest realistic solutions: that is, having the competing municipalities (TOS and VBM) enter into agreements to address the treatment of these types of issues. While Town and Village law may not address the issue in a concise manner, they do direct such unanswered questions to simple person-to-person resolution. This can be typified as "self-help dispute resolution". She indicated that both the TOS and the VBM can/should act in good faith to resolve any outstanding contradictory positions to the benefit of the residents. However, in recognizing the possibility that agreements could not or cannot all be reached, Ms. McDonald referred to Article 17-A of the General Municipal Law as well as NYS Town Law §202-c.

GML Article 17-A provides the mechanism for the dissolution of "local government entities." This term is defined in the Law to mean a town, village, district, special improvement district, or other improvement district, including, but not limited to, special districts created pursuant to Articles 11, 12, 12-A, or 13 of the Town law, library districts, and other districts created by law, but not including school, city or county districts. (GML §750(13)).

The procedures of GML §779 provide that a petition duly signed by at least 10% of the electors in the "local government entity" (districts) to dissolve that "local government entity" (districts) may be submitted to the (TOS) Town Council for action subject to a public referendum. According to Ms. McDonald, using the 1720 scenario as an example, 10% of the residents in the TOS's lighting district could petition for the dissolution of that district and thereafter, the TOS could reinstate it on the basis of the then existing populace within the remaining unincorporated Town; that is, without 1720. She did think that this was a cumbersome process and that perhaps Town Law 202-c would be more appropriate.

This section of Town Law provides a mechanism not only to dissolve certain districts, but also to diminish their size. This section references lighting, snow removal, water supply, refuse, garbage and sewer districts specifically and is broad enough to include other similar districts. The key is that this may not apply to districts with outstanding indebtedness. Like the GML, Town Law 202-c provides for a petition by not less than 10% of the registered voters in such district requesting that a referendum be set to diminish the district. In the present case a single petition could seek to diminish all districts in unincorporated TOS, which might be deemed redundant to 1720 after annexation and the provision of service by the Village.

An overriding issue that Ms. McDonald confirmed is that despite the annexation and/or any efforts to either dissolve or diminish a district, any existing agreement relative to services provided in such districts would continue until the end of their term and thereafter require renegotiation. Ms. McDonald felt that renegotiation of the contracts should be undertaken in the event of an annexation without regard to dissolving or diminishing districts and that the TOS in this case should act in good faith so that it does not renew or enter into new agreements to provide services to the 1720 territory which VBM would have already undertaken to provide.

Section B. There are many instances where TOS "districts" are in fact only service contracts with the district providing the vehicle for assessing the costs of such service contracts. We have included several subject services and analyzed the actual contractual service provided in what has been called a "district", as follows:

- The current Fire District 20 (FD 20) is but a fire protection area where the VBM provides fire protection and BLS Ambulance Service (basic life support) to virtually the entire 1720 area. (Only a small part of Election District 17 enjoys VOS FD service under its own separate annual fire contract.) In the case of FD 20, this has been provided by the VBM since 1942/3 (we believe) on a parcel by parcel basis and is the subject of an annual contract. TOS FD 20 has no firemanic assets or related debt of its own: that is, within the FD 20. The VBM provides services via its own volunteers with the exclusive use of VBM's own firefighting equipment and personnel. Similarly, the VOS does the same for the rest of the TOS (including the small section noted above in ED 17) on an assessment roll basis. We have repeatedly noted that there is a tax revenue differential benefitting the TOS at the cost to current FD 20 residents: a dollar surplus ... a bonus ... to the TOS. This is due to the fact that FD 20 pays the VBM on a parcel rate basis while all of TOS (including FD 20) is charged on an assessment roll basis. This means that FD 20 residents are charged by the TOS based on their property assessment while VBM is paid by number of parcels. This bonus amount for 2012 cost the FD 20 residents \$50,000.00 whose cash disposition within the TOS's budget is unknown. This has been an annual event, undisclosed to FD 20 residents: the difference proves to be a wind-fall for the TOS: at the cost to FD 20 residents on one side (paying more) and to the VBM thereby receiving less for the fire protection service we provide for FD 20 on the other.

- Ambulance service (ALS: advanced life support and "flycar" response) is provided through a "district" but is no more than a service contract with Ossining Volunteer Ambulance Corp. (OVAC). The service is provided by contract (to VOS, TOS and VBM and others) all belonging to the OVAC system. The funding is via a charge based on the TOS assessment roll. This cost is separately assessed in the TOS, in the VBM it is included in the Village tax rate and the cost is spread out over the entire VBM achieving economies of scale
- Garbage collection was a TOS service that was eliminated for cost cutting reasoning: the economies of scale proved negative due to union contract costs and the capital expenses of maintaining a fleet of garbage trucks against the taxpayer revenues to support this service. TOS garbage collection is contracted by annual private carter specifications

and bid and charged in the TOS on an assessment Roll basis. Throughout the county, there are other costing methods to coverage garbage collection: on a volume basis (number of standard garbage cans/bags per pick-up, twice a week) or based on the assessment roll. The fact remains that the TOS garbage contract is renewable and based on assessment rather than volume. Note also that the VOS provides recycling services on an IMA basis. The VBM consolidates both services under our DPW and is included in the VBM village tax rate.

- Police protection is not a district in any manner, form or designation. TOS police protection is the classic "contract for service model" and this current situation is worthy of commentary. Approximately 4 years ago, the VBM was asked to provide, a proposal to provide police services to the entire TOS unincorporated area. Two weeks prior to our presentation, the TOS announced their decision to contract for police services with the Westchester County Police Department. While the reasoning was to save money, the opposite occurred and the actual cost of a "non-residential based" PD was significantly higher than proposed. When the County submitted the "bill" for County Police Protection, the amount was approximately 18+% higher than estimated and budgeted. Significant counter negotiations (by the then TOS Supervisor, now County Legislator) occurred where the County reduced the charge (there still being a deficit in the TOS budget) on one side but no charge for the use (no rental/lease) for the vacant TOS Police Department Hdq. Indeed, the County thereafter also utilized the TOS Police Hdq for local police coverage only a limited basis but extended their (County) use to other non-TOS oriented services rent free (including but not limited to photocopier, electric, heating and similar freebies). Indeed, at key County Police service renewal timeframes, the cost of was adjusted: the county then abandoned the use of the TOS Police Hdq and serviced the TOS out of their Hawthorne barracks in the Town of Mount Please ... some 2+ miles away. All of this is without any effect to the recent sale of the TOS PD Hdq where approximately only 50% of the total debt then outstanding. It was repaid but no current documentation provided as to the nature or manner in which the TOS unincorporated residents will be repaying "unsecured" government debt (see subsequent events regarding this issue and the TOS posting of 10 January 2014). The WC Police contract is up for renewal shortly and we have been advised that the TOS intends to issue an RFP for police protection with the

VOS as the likely bidder/provider. Currently both VOS and VBM provide mutual aid to the TOS in both fire and police response when needed.

- The water and lighting districts are somewhat unique. Both can be viewed as service contracts but also real districts with assets and capitalized debt. Water lines are owned by the TOS: under a service/maintenance type of contract, the VOS provides day-to-day service in the event of a need for hydrant repair or similar action when a TOS water transmission line leaks. Major expansion of new water lines or the repair of a catastrophic break becomes the cost of the TOS. In those cases, a private contractor can be hired to repair or extend lines at TOS cost. TOS residents enjoy VOS water at outside VOS rates. While this could all continue on a short term basis, a long range determination would be for the VBM (at a cost to the TOS analogous to current debt) to take over servicing of lines. 1720 residents would enjoy VBM at Village rates, significantly lower than VOS outside rates charged TOS water consumers. That aspect has not been factored in our cost savings equation. Water, sewer and storm drainage services are contained in the VBM's Water Fund: funded by the sale of water to all VBM's water consumers. In regards to lighting, a parallel service oriented contract exists. The VOS is contracted by the TOS to provide routine repair and maintenance of the street lighting fixtures in the TOS. Replacement of the light structures including upgrades or new extension of lighting facilities are paid by the TOS: paid to a private contractor to do the work or the TOS. Approximately 80% of the so-called Lighting District is for the cost of electricity. If 1720 becomes part of VBM, the street lights are included in the Village tax: surely no double counting will be tolerated if the TOS attempts to collect additional funds to cover electric rates.

Finally, it should be clarified that the approval of the annexation itself does not result in "double taxation" for certain services as suggested by the Town Attorney; at least not in the long term. If the 1720 Annexation is ultimately approved, and the TOS chooses to enter into extensions of existing agreements or new agreements which include 1720 for services otherwise provided by the VBM, then it is the TOS which is "causing" the double taxation, as a technical matter.

Section C. As previously stated, at the 12 December 2013 Joint Public Hearing many citizens also expressed to both Boards that there was a need to have a person or agency that could provide an objective analysis as to not only "what is a district?" but to agree to "the numbers" as they applied to the costs and expenses of a 1720 Annexation. The suggestion was made to engage someone; to present both sides of the many financial and legal questions; so to determine in an open and fair setting ... a common denominator ... that would address the lingering controversy. While we know of no attempt on the part of the TOS to do so, the VBM sought out many people to come up with someone to make a fair determination. The VBM approach met with several dead ends: people conflicted out due to current engagements or employment; a lack of expertise / knowledge of the annexation law and process; or no desire to address the issue. This last occasion was based on a perceived political component to the annexation question. Notwithstanding the condensed time frame both Boards must operate within (the TOS and the VBM must vote to accept or reject the Annexation Petition within 90 days of the close of the Joint Public Hearing: that is, by 12 March 2014) the VBM did meet with senior auditors of the accounting firm, O'Conner, Davies, LLP. The approach was done because both TOS and VBM utilize the same accounting firm although serviced by different individual accountants. The Village Manager arranged to have a meeting in the VBM VH on 30 January 2014 at 12:30 PM and the following people were in attendance: H. Chris Kopf and Domenic Consolo, the senior auditors for the VBM and TOS, Village Counsel Dan Pozin, VBM Treasurer Robin Rizzo, and the Village Manager.

While we met with the accounting firm prior to Dan Pozin's teleconference with Ellen McDonald, the attorney with the New York State Comptroller's Office, the questions and orientation of discussion were the same. Our conclusions were that virtually all the so-called districts were in fact, service contract areas. With what they could understand, they confirmed that the VBM appeared to be correct in its conclusions vis-s-vis the nature of districts being service areas. The auditors confirmed that in the case of fire protection, garbage collection, ambulance service there were no assets and that the formation of the "district" was done in various manners and structures. Districts by their very nature are a creation of the Town and as such can be changed: indeed, changes could be sought by 10% of the population within the specific district.

Ironically the few districts that could be viewed as permanent with specific assets and capital indebtedness were the very districts that we had determined would be carried over with the 1720 area in lieu of VBM providing such services. Others were viewed as pure service contracts and subject to change or modification as to size, number of "members" and scope of work all in due course and/or as the contract expired on its own accord. It was also acknowledged that there could be service contracts that had more than a year before expiration and, that for good order, could or should be left in place as the 1720 annexation and conversion to VBM services worked its way through to completion.

We specifically asked as to what would be the disposition of the Police Department Headquarters currently slated for sale closing within days. The TOS PD Hdq currently has approximately \$3.1 million in debt: the sale price is \$1.4 million notably of leaving a stub "unsecured series of TOS unincorporated bonds of approximately \$1.7 million. The accountants advised that even though the PD debt was the obligation of the TOS outside, the proration of debt would have to be absorbed by the VBM in any annexation. This amount would equal approximately \$108K per year until the debt was to be extinguished based on its then current payout of approximately 10 years from now.

[However, and since the TOS PD Hdq has closed and we have been advised that the TOS expects to extinguish all PD Hdq debt by 2017 and due to the reserves remaining with the TOS, no transfer of PD Hdq debt would be levied on the VBM in an annexation. This is a major (and favorable) change since our 12 December 2013 presentation and enhances the benefit to the VBM since a large savings to VBM will be realized with no PD Hdq debt carryover.]

Due to the above, our follow-up question was a parallel consideration. What happens to the various reserves or fund balances in the various districts? Whether an asset/capitalized debt district or a service district, the various districts have "reserves" or fund balances on deposit with the TOS. Our question was: "therefore, do the 1720 residents carryover their own pro-rata share of the reserves to VBM if the VBM is required to take over the district or its debt?" The response was that the reserves or fund balances remain with the Town. This obliquely is parallel to the PD Hdq debt pay down: the reserves remain and pay down the debt since it is a de facto TOS debt obligation. This can be viewed as logical since Town districts are crea-

tions of the town and in this case the TOS would have to guarantee payment of the district obligations in the event of a default. This is no different than VBM Water Fund debt is serviced by the water fund (water rates) but the VBM guarantees all Water Fund debt payments regardless of the source of debt repayment.

The last series of discussion points confirmed previous information that we have gathered: there should not be a double taxation of the 1720 residents if they become a part of the VBM. The primary example being the FD 20 Fire Protection District where the VBM would seemingly charge 1720 for Fire Protection District already provided for by the VBM through its village tax rate. The final point of confirmation is that people acting in good faith and fair dealing would and should meet to resolve this service types of issues within a short period of time ... using a transition type of format to be fair to the residents of 1720 who may have ultimately been able to vote for and succeeded in their annexation effort.

Philip E. Zegarelli, Village Manager

Robin Rizzo, Treasurer

Dan Pozin, Esq., Special Counsel