



CITY OF RYE, NEW YORK

# Financial Forecast 2004 - 2006

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## TABLE OF CONTENTS

Disclaimer .....	2
Introduction.....	3
Forecast Development – Funds Used.....	3
Assumptions.....	3
Cost of Living Increase .....	3
2003 Forecast.....	4
The Capital Improvement Plan .....	4
Vehicle Acquisitions.....	4
Taxable Assessed Valuation .....	4
Specific Major Revenues .....	4
All Other Revenues.....	5
Salaries and Wages .....	5
Equipment.....	5
Materials and Supplies.....	6
Contractual Costs .....	6
Employee Benefits .....	6
Transfers Out to Other Funds.....	6
Conclusion .....	7
Forecast Charts and Analysis.....	8
Tax Rate Per \$1,000 Taxable Assessed Valuation.....	10
Real Property Tax Levy .....	11
Taxable Assessed Valuation .....	12
Real Property Tax Items .....	13
Sales and Use Taxes.....	14
Gross Utility Receipts Taxes.....	15
Charges for Services .....	16
Intergovernmental Charges Use of Money and Property.....	17
Use of Money and Property .....	18
Licenses and Permits.....	19
Fines and Forfeitures.....	20
Sale of Property and Compensation for Loss.....	21
Miscellaneous Revenues .....	22
Interfund Service Charges.....	23
State Aid.....	24
Salaries and Wages .....	25
Equipment.....	26
Materials and Supplies.....	27
Contractual Costs .....	28
Employee Benefits .....	29
Transfers Out to Other Funds.....	30

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## **Disclaimer**

Although this document was prepared under the highest professional standards, the City of Rye, New York, including its officers, employees, and agents does not guarantee the accuracy or completeness of any information contained herein.

The City of Rye, New York, including its officers, employees, and agents, specifically disclaims all warranties, expressed or implied, with respect to the use of this information or any results with respect thereto.

The assumptions, estimates, forecasts, and analysis presented in this document are those of the Rye City Comptroller. The Rye City Comptroller makes no representation as to the fitness, merchantability, or use of such information for any purpose.

The information contained herein shall in no way be construed to represent an offer, ability, or willingness on the part of the City of Rye, including its officers, employees, or agents, to enter into or provide funding for a contract with any person or organization including but not limited to, vendors and employees.

The information contained herein shall in no way be construed to constitute a recommendation, or be relied upon, with respect to any personal or business decision, including but not limited to, the purchase or sale of debt issued by the City of Rye, New York.

## Introduction

The *2004 – 2006 Financial Forecast* attempts to peek into the future and determine what effects various factors may have on the cost of delivering quality services. The information provided in this document will help in decision-making and planning, and allow us to consider how actions taken today might affect our future.

It is important to note that the information contained in this document cannot be relied upon for accuracy or timeliness, and in no event should it be used in making investment decisions. It is also important to note that the City Comptroller, using his professional judgment and skills, developed the analyses and supporting criteria. Others may have selected different criteria, and may have developed different analyses even if the criteria were the same.

Perhaps most important is to understand the following limitations of forecasting:

- ⌘ There will always be uncertainty about the future.
- ⌘ There will always be factors unknown at the time the forecast is developed.
- ⌘ Formulating policy in response to a forecast will change the accuracy of the forecast.
- ⌘ Forecasts are based on current knowledge, trends, expectations, and policies, any and all of which may change, affecting the accuracy of the forecast.
- ⌘ Any reasonable assumption is as good as any other reasonable assumption.

We welcome your comments and suggestions, and hope you enjoy our *Financial Forecast*.

## Forecast Development – Funds Used

The *2004-2006 Financial Forecast* was developed using the following funds: General, Cable TV, Nature Center, Debt Service, Risk Retention, and Building and Vehicle Maintenance. Also contributing to the information on funds and funding was the draft *2004-2008 Capital Improvement Plan* as of June 30, 2003, which provided information on proposed capital projects. The enterprise funds (Boat Basin and Golf Club) were not considered, as they are self-supporting and requiring no subsidy from the General Fund.

While all of the above were used in developing our forecasts, the information presented in this report covers only the General Fund, as the focus of this report is designed to see the net effect on operations, fund balance, and property taxes over the period covered.

## Assumptions

Assumptions considered in developing these forecasts include:

### **Cost of Living Increase**

Where a cost of living increase was calculated into an estimate, we used the change (2.55%) in the consumer price index (CPI), not seasonally adjusted, for New York-Northern New Jersey-Long Island, NY-NJ-CT-PA, all items, 1982-84=100, from April 2002 (191.8) to April 2003 (196.7). The same factor (2.55%) was used for all three forecast years. The CPI information was obtained from the U.S. Department of Labor web site <http://www.bls.gov> on June 9, 2003.

## **2003 Forecast**

The figures included as a 2003 forecast represent the adopted budget amounts increased or decreased by material changes since the adoption of the budget. While every attempt has been made to capture the changes that would have a dramatic effect on the original budget estimates, developing a more thorough year-end forecast would have required significant resources in time and personnel from every department.

## ***The Capital Improvement Plan***

The City annually publishes in August a multi-year capital improvement plan covering the forthcoming five or six-year period, listing all major infrastructure (streets, sidewalks, drains, sewers, etc.) and building projects.

At the time of this document's publication, the *2004-2008 Capital Improvement Plan* was in its formative stage and not ready for distribution. As such, we used the draft version of that plan as of June 30, 2003, making certain assumptions as to what projects might be supported and the funding (General Fund, fund balance/retained earnings, debt, grants/aid, etc.) that might be provided to support those projects. The projects and the information concerning them, including funding, may differ materially from the final version of the plan, the projects approved by the City Council, and the assumptions we have made in developing our forecasts.

## ***Vehicle Acquisitions***

The City regularly replaces vehicles that have met the criteria for replacement based on years of service, mileage, and/or hours of operation. This list of replacement vehicles, and any new vehicle requests, is submitted to the City Manager in June.

At the time of this document's publication, the list of new and replacement vehicles for 2004 was under review by the City Manager. Accordingly, we have made certain assumptions as to what funding might be provided for vehicle acquisitions. These assumptions may differ materially with the final determinations made by the City Manager and/or acquisitions approved by the City Council for 2004, and the decisions concerning new and replacement vehicles in 2005 and 2006.

## ***Taxable Assessed Valuation***

Per the City Assessor, we anticipate a small reduction (0.11%) in our taxable roll for fiscal 2004 due to successful certiorari challenges and state-mandated reductions. The City Assessor has also advised that the roll will probably remain unchanged in 2005 and 2006, as any increases related to new construction will be offset by successful certiorari challenges and state-mandated reductions.

## ***Specific Major Revenues***

Mortgage taxes have risen dramatically over the past two years, most likely due to the historically low financing and refinancing rates. The Mortgage Bankers Association of America's *Monthly Finance Forecast* for June 13, 2003 (<http://www.mbaa.org/marketdata/forecasts/index.html>) forecasts a dramatic drop in home financing in 2004. Based on this information we are assuming for 2004 the average of 2001 actual, 2002 actual, and \$1 million (an average of mortgage tax receipts prior to the low interest environment), increased by the CPI for the following two years.

State aid revenue sharing has remained unchanged for the past three years and there is no indication that this will be increased during the forecast period. We therefore assume that this amount will remain fixed at \$842,606 per year.

### **All Other Revenues**

We anticipate all other revenues, major and non-major, to increase with the CPI (2.5%) each year during the forecast period.

### **Salaries and Wages**

We assume that staffing would remain the same, with average increases as follows:

- €# Administrative Pay Group – Includes all full-time management personnel. This group of employees does not belong to a bargaining unit, and increases are per policy of the City Council as implemented by the City Manager. We have assumed that all administrative pay group members will receive a 4% percent increase per year.
- €# CSEA Clerical Unit – Includes all full-time clerical personnel. This group has a bargaining unit formed under the Civil Service Employees Association (CSEA), with a recently renewed three-year contract expiring December 31, 2006. While the individual increases for employees would be determined by their salary grade and the number of years they have been employed, the average annual increases for this unit is 6.34% in 2004; 6.09% in 2005; and 8.67% in 2006.
- €# CSEA DPW Unit - Includes all full-time public works and recreation other than administrative and clerical personnel. This group has a bargaining unit formed under the Civil Service Employees Association (CSEA), with a recently renewed three-year contract expiring December 31, 2006. While the individual increases for employees would be determined by their salary grade and the number of years they have been employed, the average annual increases for this unit are 5.20% in 2004; 4.24% in 2005; and 4.03% in 2006.
- €# Police Officers - Includes all full-time sworn police officers. This group has a bargaining unit formed under the Rye Police Association (RPA), with a contract that expires December 31, 2003. Assuming that a three-year contract under the same terms and conditions were renewed with a 3.5% increase on base salary, the average annual increases (including step and longevity increases) for this unit would be 4.47% in 2004; 4.21% in 2005; and 3.72% in 2006.
- €# Firefighters - Includes all full-time sworn firefighters. This group has a bargaining unit formed under the International Association of Firefighters (IAFF), with a contract that expires December 31, 2004. While the individual increases for firefighters would be determined by their salary grade and number of years they have been employed, the average annual increase for this unit in 2004 is 5.06%. Assuming that a two-year contract under the same terms and conditions were renewed with a 3.5% increase on base salary, the average annual increases (including step and longevity increases) for this unit would be 7.02% in 2005 and 4.33% in 2006.
- €# Part-time, seasonal, and overtime wages – Includes all part-time and seasonal employees, and amounts provided for overtime. Part-time and seasonal increases are determined by policy of the City Council and implemented by the City Manager. Overtime is paid in accordance with labor law and labor contracts. Since these wages may fluctuate with any given year, we assumed for each year a CPI increase over the prior year (2004=2003+CPI; 2005=2004+CPI; 2006=2005+CPI).

### **Equipment**

Since the total amount expended for equipment purchases can vary from year to year, we assumed for 2004, an average of 2001 actual, 2002 actual, and 2003 forecast, increased by the CPI. We then calculated a CPI increase over 2004 for 2005, and a CPI increase over 2005 for 2006.



## ***Materials and Supplies***

Like equipment, the total amount expended for purchases of materials and supplies can vary from year to year, so we assumed for 2004 an average of 2001 actual, 2002 actual, and 2003 forecast, increased by the CPI. We then calculated a CPI increase over 2004 for 2005, and a CPI increase over 2005 for 2006.

## ***Contractual Costs***

Contractual costs differ widely in how they are calculated, so the assumptions we used were very specific to each cost. For many lines we assumed for 2004 an average of 2001 actual, 2002 actual, and 2003 forecast, increased by the CPI. We then calculated a CPI increase over 2004 for 2005, and a CPI increase over 2005 for 2006.

Risk Retention Fund (liability insurance) service charges were based on an assumed 15% per year increase in risk-related costs (insurance, claims administration, judgments and claims). Information obtained from insurance administrators, consultants and articles appearing in the media concerning municipal liability insurance forecast increases from 12% to as high as 40%. A separate forecast worksheet for the Building and Vehicle Maintenance Fund was developed using the same assumptions as those for the General Fund to determine the forecast of service charges for that fund. Contract agencies (Rye Youth Council, Rye Town Park, Southeast Consortium, and Rye Free Reading Room) are assumed a 2.5% CPI increase each year, starting with the 2003 forecast as a base year. Audit fees assume the increases per the 2002-2006 audit services contract: 5%, 3%, and 3% respectively. Ambulance services are assumed to increase by 11.5% each year, and transportation services by 12% each year, both based on recent historical experience. Contingency was forecast as per the City Charter requirement that contingency must equal 1% of appropriations.

## ***Employee Benefits***

All full-time employees are required to be members of the New York State Retirement Systems (NYSRS). While the NYSRS does not publish rate forecasts, we were able to obtain verbally the estimated 2004, 2005, and 2006 rates. While the actual rate used is dependent upon the position the employee holds and the date they joined the retirement system, on an average basis the rates for 2004 through 2006 are estimated to be 14.9%, 14.9%, and 16.3% for public safety (police and firefighters), and 10.7%, 10.7%, and 11.7% for all other employees.

In calculating estimated employer FICA contributions we used the rates published by the Social Security Administration (<http://www.ssa.gov>). When adjusted for the earnings in excess of the maximum taxable amount for social security, the effective rate is 7.34%. We applied this rate to the total of salaries and wages to arrive at the FICA employer contribution in each forecast year.

For workers compensation, life insurance, unemployment insurance, disability insurance, hospitalization and medical insurance, dental insurance, and vision insurance, we assumed a 15% increase for each year. This is based on discussions with insurance administrators and consultants, and a variety of articles appearing in the media.

## ***Transfers Out to Other Funds***

The following assumptions were made concerning transfers out to other funds:

- €# The Cable TV Fund will not require operating subsidies from the General Fund, and will draw down from its fund balance if necessary to balance operating expenditures that exceed revenues. A forecast worksheet was developed for the Cable TV Fund using the same assumptions as those

for the General Fund, and indications are that there will be operating deficits of \$2,802, \$7,108, and \$12,856 in 2004, 2005, and 2006 respectively. The fiscal 2003 budget forecast a fund balance of \$27,260 at December 31, 2003.

- €# The Nature Center Fund will continue to require operating subsidies from the General Fund, and based on a forecast worksheet developed for the Nature Center Fund using the same assumptions as those for the General Fund, we forecast that subsidy to be \$118,462, \$130,190, and \$139,308 in 2004, 2005, and 2006 respectively.
- €# The Debt Service Fund will continue to require transfers from the General Fund to cover the payment of principal and interest on general long-term debt (debt not otherwise covered by the Golf Club Fund or Building and Vehicle Maintenance Fund). In addition to debt already issued, we assume that the draft (as of June 30, 2003) *2004-2008 Capital Improvement Plan* will be implemented, requiring new debt to be issued of \$1,545,000 in 2004 and \$1,448,717 in 2005. We assumed a 4% interest rate on 15 and 20-year maturities (dependent on the purpose of the proposed issue), using level debt service (where the total debt payment remains relatively the same each year for the life of the issue, similar to a traditional mortgage). We also assumed that no use of Debt Service Fund fund balance would be used to offset debt service requirements. Based on these assumptions, debt service requirements for existing and new general long-term debt are estimated to be \$130,646, \$244,530, and \$351,221 in 2004, 2005, and 2006 respectively.
- €# The Capital Project Fund will continue to receive funding from the General Fund for at least the recurring annual infrastructure projects (street resurfacing, sidewalks, drainage, and sewers). Assuming the draft (as of June 30, 2003) *2004-2008 Capital Improvement Plan* will be implemented, the Capital Projects Fund will require the General Fund to provide \$540,000, \$425,000, and \$350,000 in 2004, 2005, and 2006 respectively.
- €# The Building and Vehicle Maintenance Fund will receive \$300,000 in 2004, and \$500,000 each year in 2005 and 2006 from the General Fund, for those building projects and vehicle purchases not otherwise funded by debt or aid. In 2004 there will be sufficient retained earnings to provide \$200,000 from the Building and Vehicle Maintenance Fund, but our forecast indicates that beyond 2003 there will be no substantial excess of revenues over expenses to add significantly to retained earnings. This assumes that the draft (as of June 30, 2003) *2004-2008 Capital Improvement Plan* will be implemented and that the City will continue funding annually on average \$500,000 of building projects and/or vehicle purchases.

## Conclusion

This *Financial Forecast* is meant to provide some data and analysis of that data based on a set of assumptions. It is meant to provide the reader with some thought on how current policy decisions may affect future operations, and to provide those managing the City with a tool to assist them in crafting policies for the future. This document draws no conclusion as to the appropriateness or inappropriateness of any given policy, and makes no claim as to the validity or applicability of assumptions used in developing the forecasts presented.

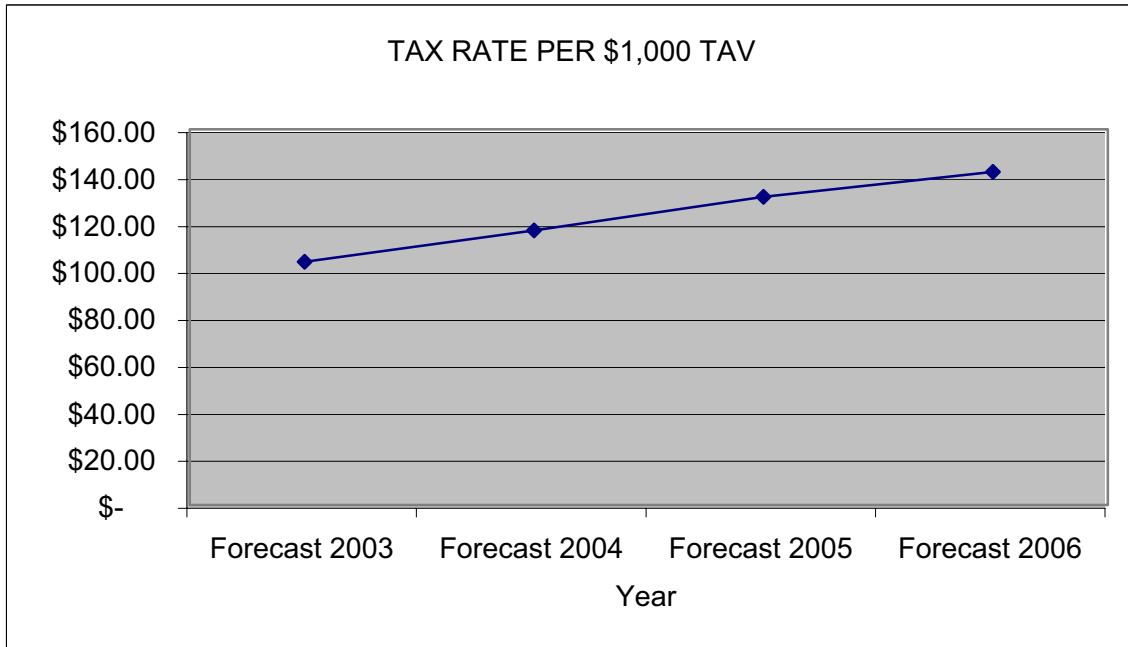
As with all documents produced by the Finance Department, we look forward to your comments, questions, and suggestions that will help us improve future editions of this document. We thank you for taking an interest in this *Financial Forecast*, and hope that it stimulates your thoughts concerning our journey into the future.

As H.P. Liddon once said, “*What we do on some great future occasion will probably depend on what we already are, and what we are will be the result of previous years of self-discipline*”.

~ Michael A. Genito, City Comptroller

## **Forecast Charts and Analysis**

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	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 103.55	\$ 116.90	\$ 131.18	\$ 141.88
Increase (decrease)		12.88%	12.22%	8.16%
Taxes on \$20,000				
TAV residence	\$ 2,071	\$ 2,338	\$ 2,624	\$ 2,838

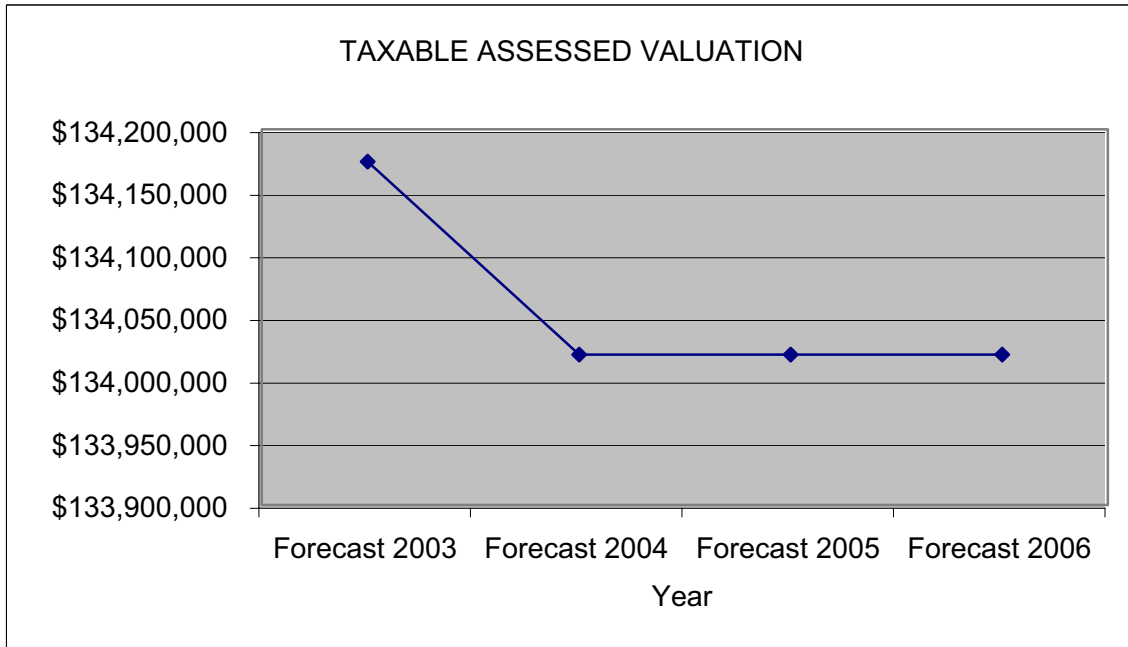
The tax rate per \$1,000 taxable assessed valuation ("TAV") is based on the total appropriations needed to support programs, the revenues other than taxes estimated to be received, the amount of fund balance, if any, to be appropriated, and the taxable assessed value of properties in the City.

On the average home assessed at \$20,000, the annual property taxes would rise approximately \$500 from 2004 to 2006.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 13,894,248	\$ 15,666,498	\$ 17,580,279	\$ 19,014,653
Increase (decrease)		12.76%	12.22%	8.16%

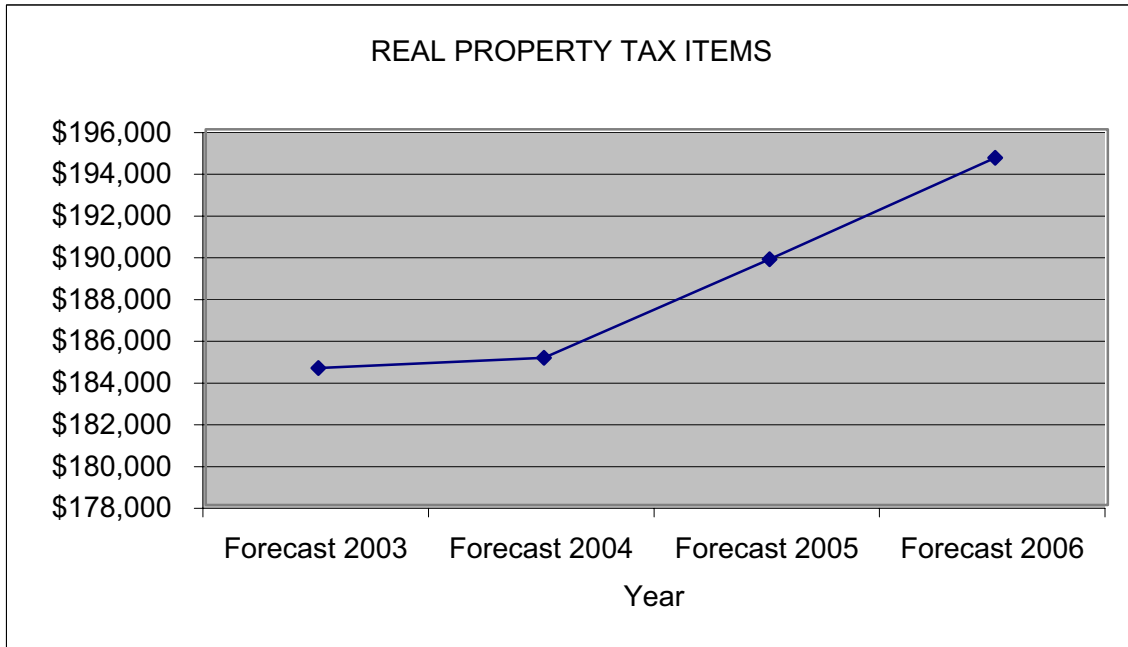
The amount of real property taxes to be levied is arrived at by dividing the taxable assessed value of all properties in the City by \$1,000, and multiplying that number by the tax rate.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 134,174,171	\$ 134,020,206	\$ 134,020,206	\$ 134,020,206
Increase (decrease)		(0.11)%	0.00%	0.00%

The taxable assessed valuation is expected to decrease from 2003 to 2004 due to certiorari settlements, court judgments, and adjustments mandated by the New York State Office of Real Property Services.

The City Assessor estimates that any growth due to new construction will be offset by certiorari settlements and court judgments in fiscal years 2005 and 2006.

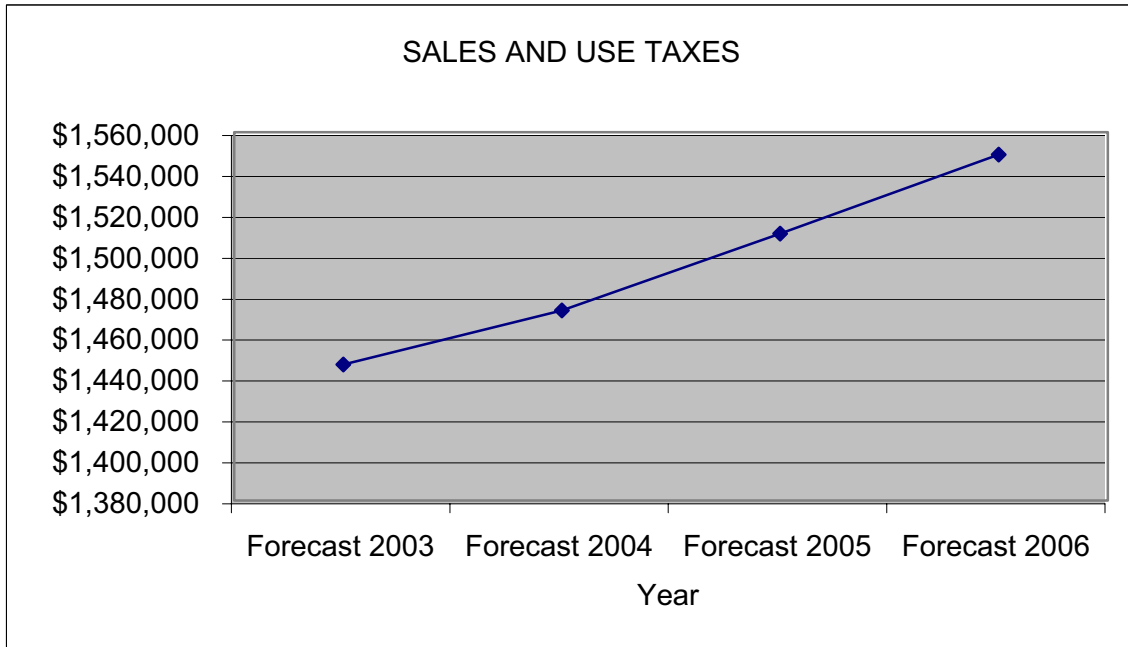


	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 184,555	\$ 185,054	\$ 189,782	\$ 194,631
Increase (decrease)		0.27%	2.55%	2.56%

Real property tax items include payments in lieu of taxes ("PILOT") and interest and penalties on delinquent real property tax payments.

Our forecast assumes the one PILOT agreement in effect will increase by a Consumer Price Index (CPI) of 2.5% per year for each forecast year. We assume that interest and penalties on property taxes in 2004 will represent an average of the past two years actual plus 2003 forecast increased by the CPI, and thereafter a 2.5% CPI increase for 2005 and 2006.

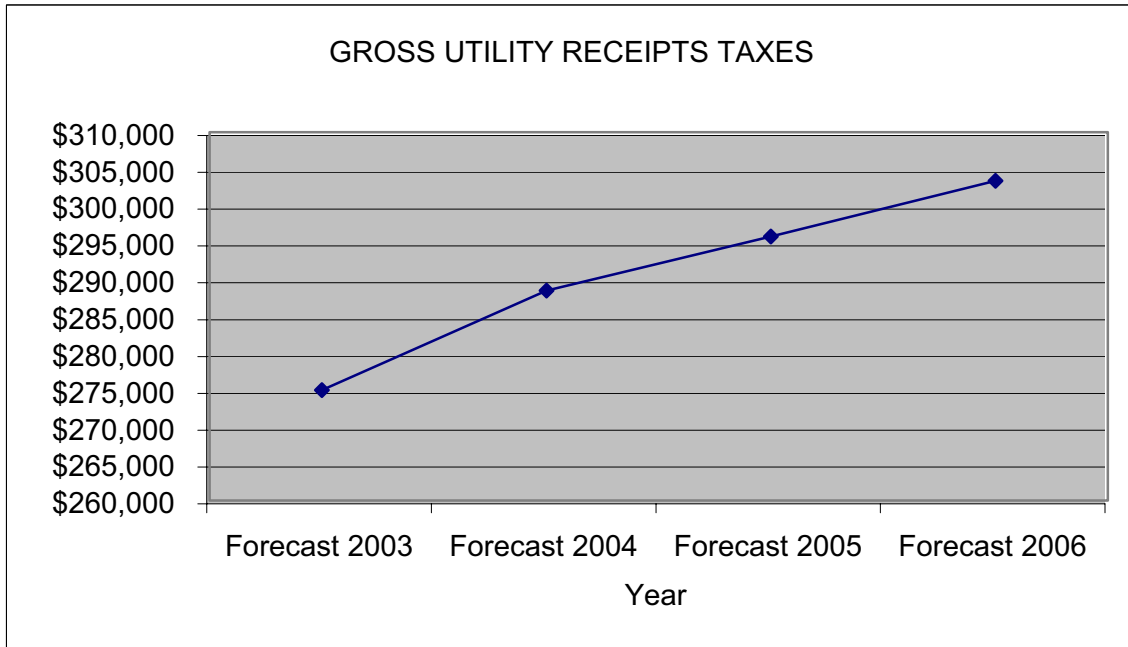




	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 1,446,440	\$ 1,472,867	\$ 1,510,495	\$ 1,549,084
Increase (decrease)		1.83%	2.55%	2.55%

Sales and use taxes are collected by merchants and remitted to the New York State Division of Taxation and Finance. Effective June 1, 2003, the sales and use tax rate in Westchester County increased from 6.75% to 7%. Distribution of the 7% collected is as follows: 4.25% to New York State; 0.25% to MTA; 1.5% to Westchester County. The remaining 1% is divided between school districts and local governments that do not have a local sales tax (Mount Vernon, New Rochelle, White Plains and Yonkers have their own local sales tax) as follows: 0.333% to Westchester County; 0.5% to local governments proportionately by percent of population to total population of all local governments; 0.167% to school districts proportionately by percent of population to total population of all school districts.

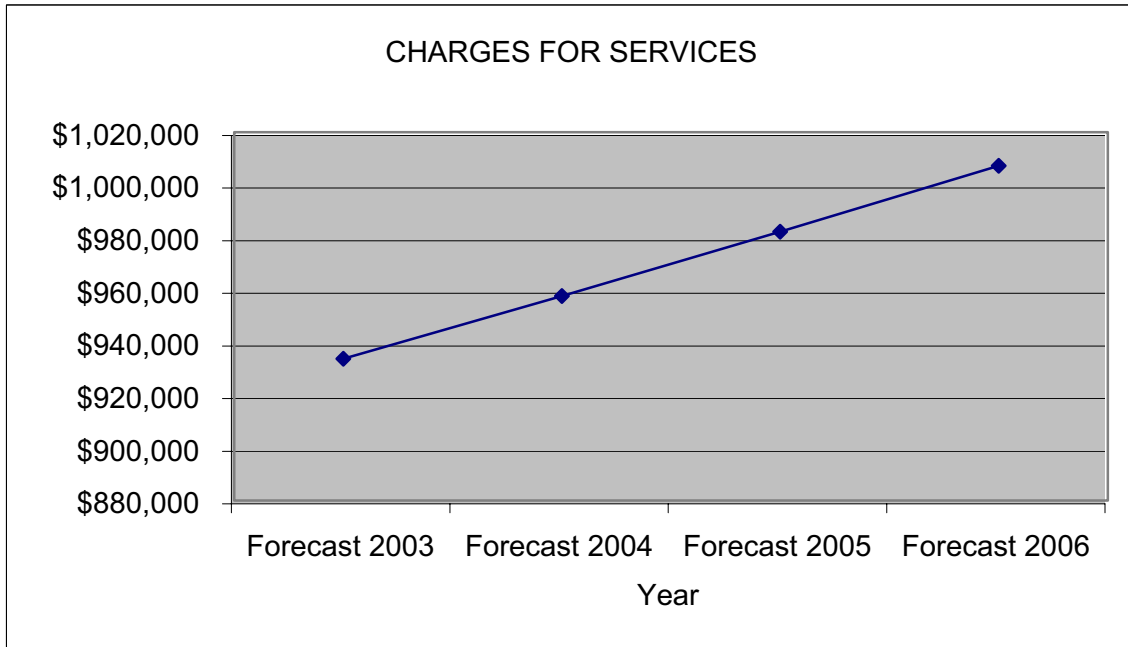
Our forecast estimates an average of the past two years actual plus 2003 forecast increased by the CPI for 2004, and thereafter a 2.5% CPI increase for 2005 and 2006.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 275,000	\$ 288,489	\$ 295,859	\$ 303,417
Increase (decrease)		4.91%	2.55%	2.55%

Gross utility receipts taxes are collected by the City from utilities doing business in the City of Rye, and in accordance with Rye City Code §177, represent 1% of the gross income earned from services provided to Rye City customers.

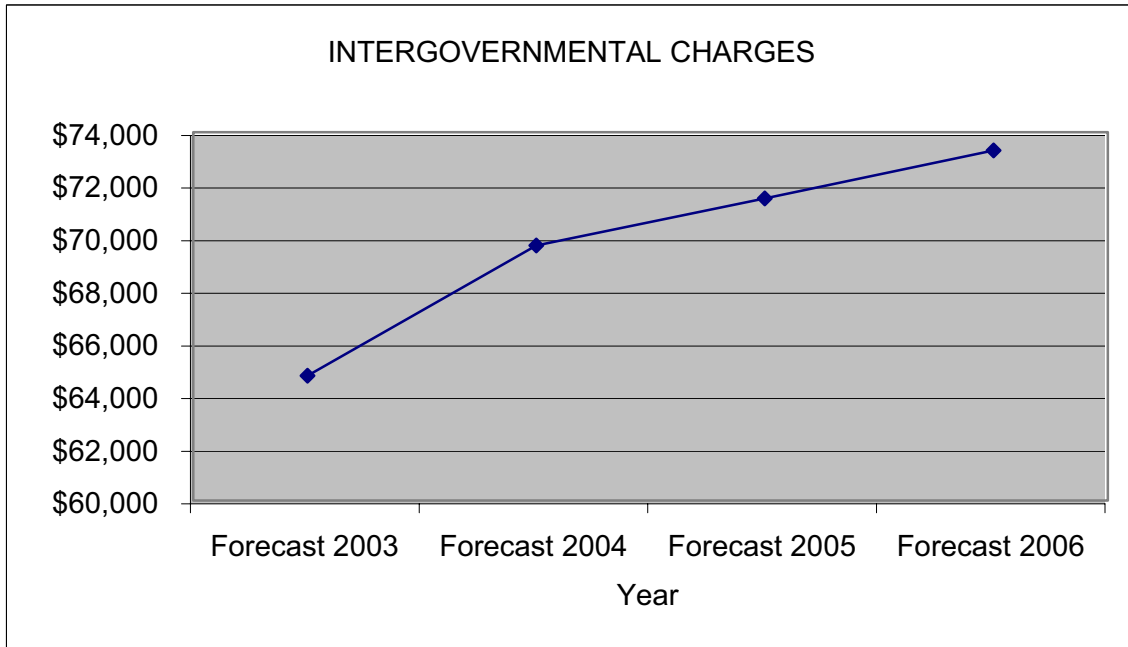
Our forecast estimates an average of the past two years actual plus 2003 forecast increased by the CPI for 2004, and thereafter a 2.5% CPI increase for 2005 and 2006.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 933,847	\$ 957,704	\$ 982,171	\$ 1,007,263
Increase (decrease)		2.55%	2.55%	2.55%

Charges for services are the amounts received in the form of fees or user charges for services provided by the City.

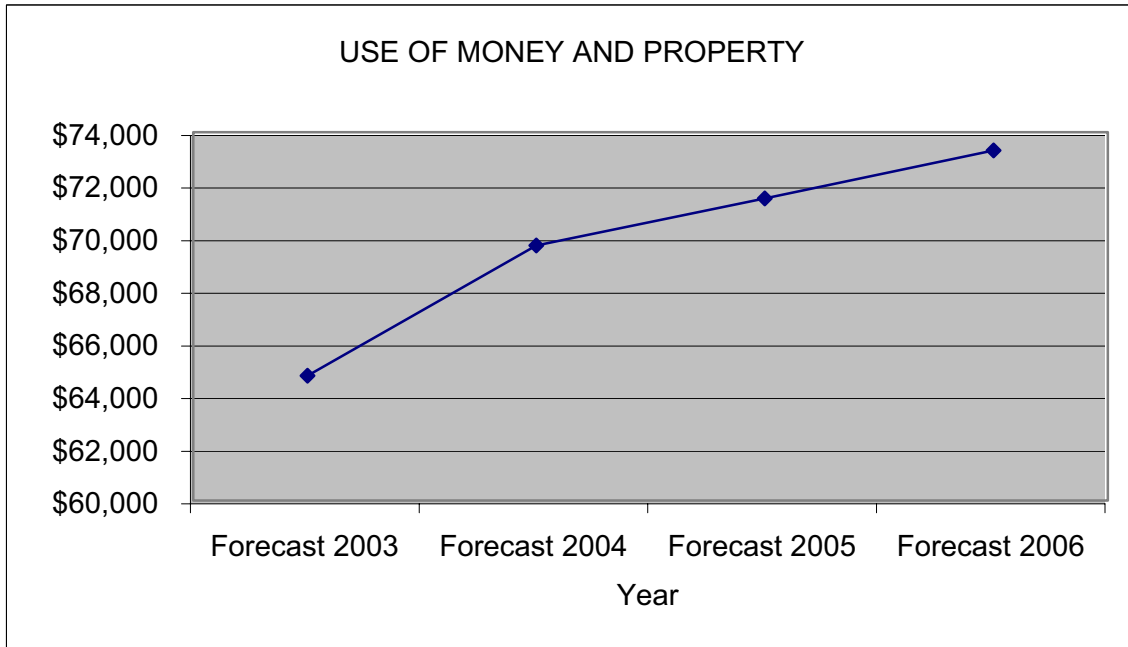
Our forecast estimates an average of the past two years actual plus 2003 forecast increased by the CPI for 2004, and thereafter a 2.5% CPI increase for 2005 and 2006.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 64,745	\$ 69,696	\$ 71,477	\$ 73,303
Increase (decrease)		7.65%	2.56%	2.55%

Intergovernmental charges are those revenues received for services provided to state and local governments, such as snow removal, fire protection, and sewer services.

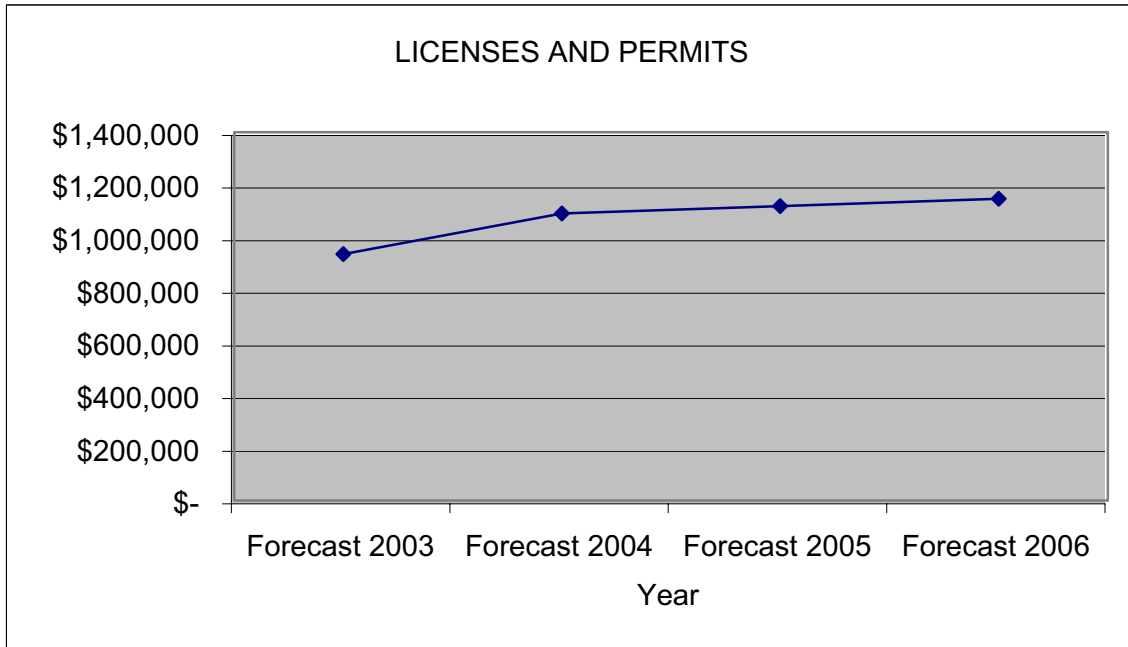
Our forecast estimates an average of the past two years actual plus 2003 forecast increased by the CPI for 2004, and thereafter a 2.5% CPI increase for 2005 and 2006.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 184,600	\$ 189,316	\$ 194,153	\$ 199,113
Increase (decrease)		2.55%	2.55%	2.55%

Use of money and property includes interest earned on deposits and investments, and revenues from the rental of equipment and property.

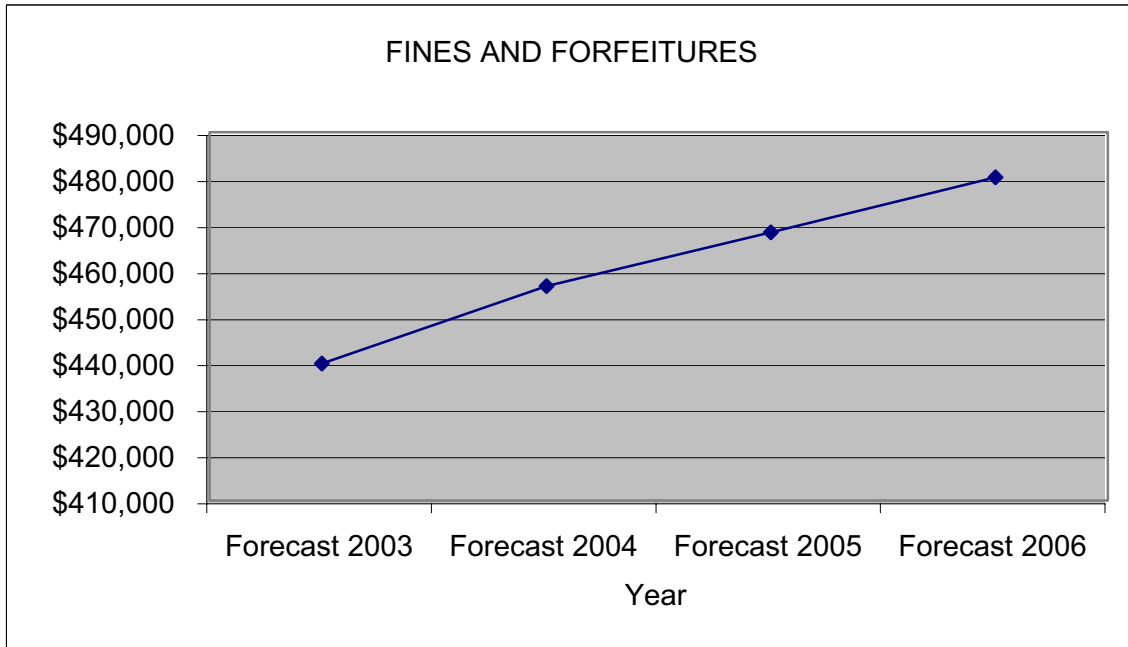
Our forecast estimates an increase equivalent to a 2.5% CPI each year.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 936,915	\$ 1,090,919	\$ 1,118,789	\$ 1,147,371
Increase (decrease)		16.44%	2.55%	2.55%

Licenses and permits revenues are generated from the issuance of various business and occupational licenses, dog licenses, alarm permits, parking permits, building and alteration permits, and other miscellaneous licenses and permits.

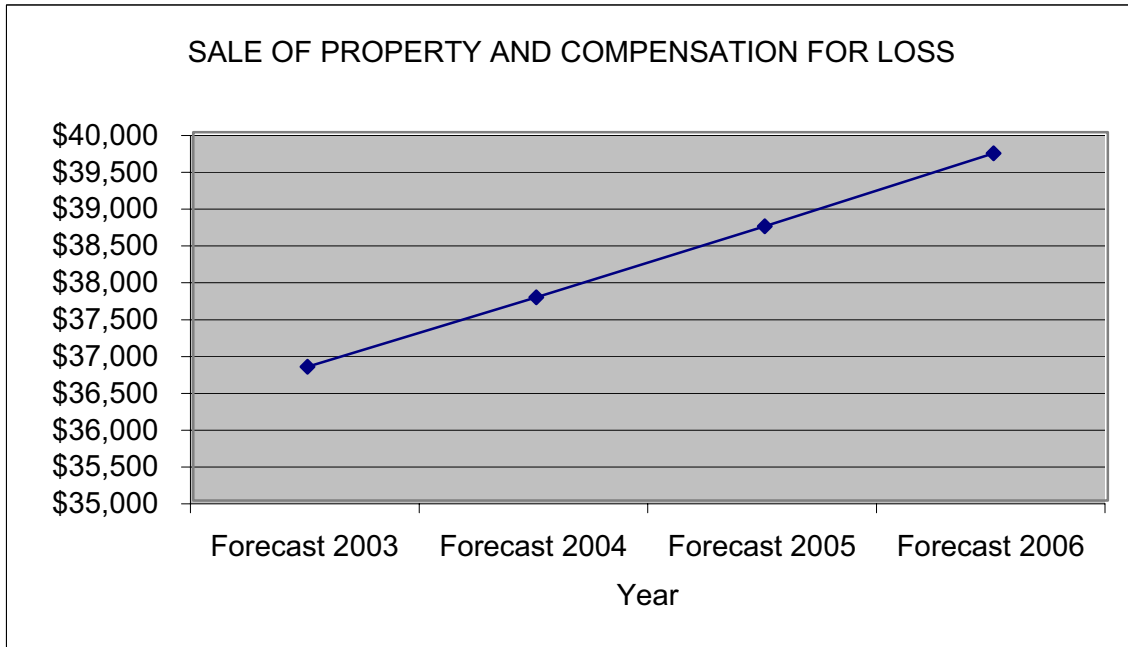
Our forecast estimates an average of the past two years actual plus 2003 forecast increased by the CPI for 2004, and thereafter a 2.5% CPI increase for 2005 and 2006.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 439,738	\$ 456,588	\$ 468,253	\$ 480,216
Increase (decrease)		3.83%	2.55%	2.55%

Fines and forfeitures include vehicle and traffic fines, parking violation fines, forfeitures of bail and other deposits, and miscellaneous related items.

Our forecast estimates an average of the past two years actual plus 2003 forecast increased by the CPI for 2004, and thereafter a 2.5% CPI increase for 2005 and 2006.

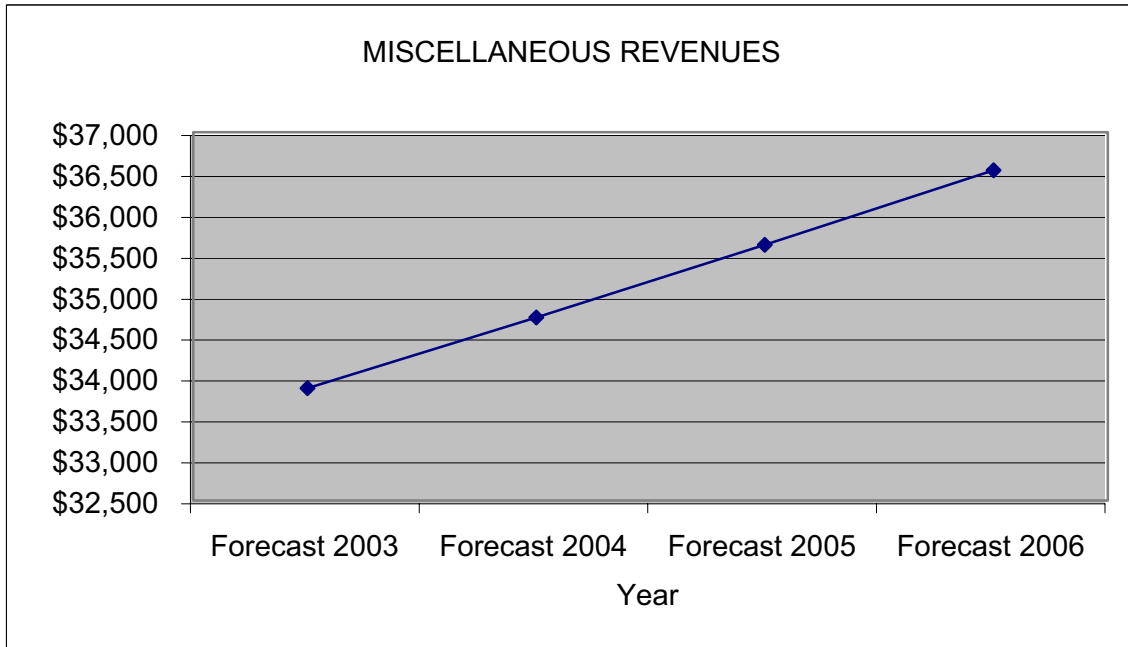


	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 36,817	\$ 37,758	\$ 38,723	\$ 39,712
Increase (decrease)		2.56%	2.56%	2.55%

Sale of property and compensation for loss includes those revenues derived from the sale of property (land, buildings, equipment, etc.), and insurance recoveries.

Our forecast assumes a base equal to the 2003 forecast, increased each year by a 2.5% CPI.

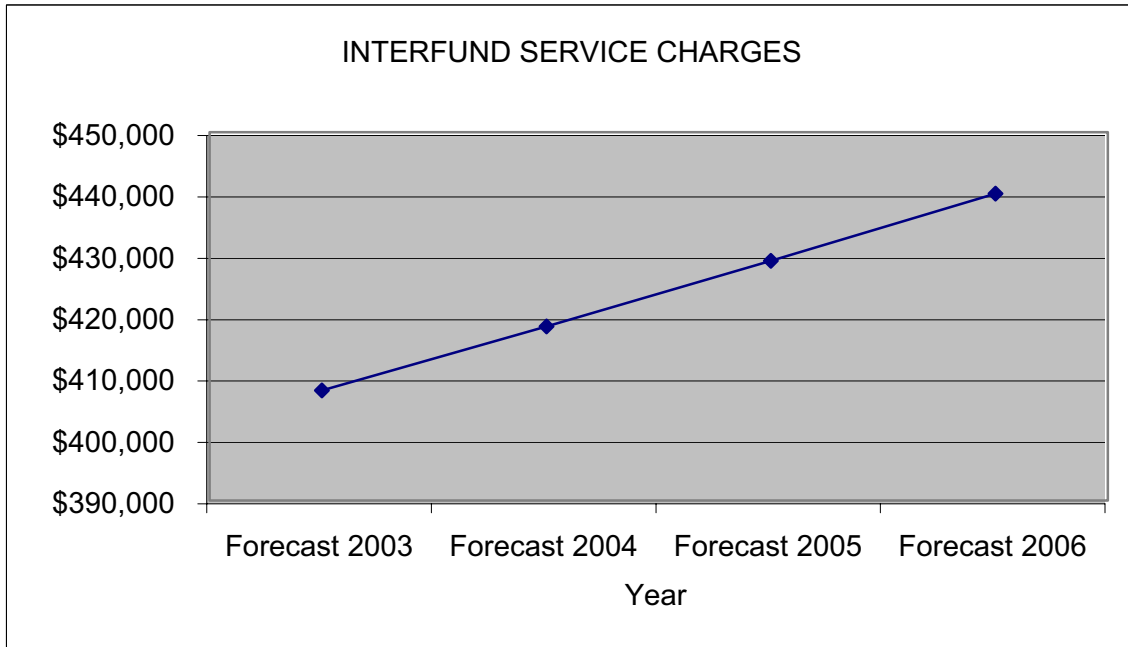




	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 33,873	\$ 34,738	\$ 35,625	\$ 36,535
Increase (decrease)		2.55%	2.55%	2.55%

Miscellaneous revenues are those that do not otherwise meet the definition of another revenue category, and include such items as gifts, donations, and refunds of prior year expenditures.

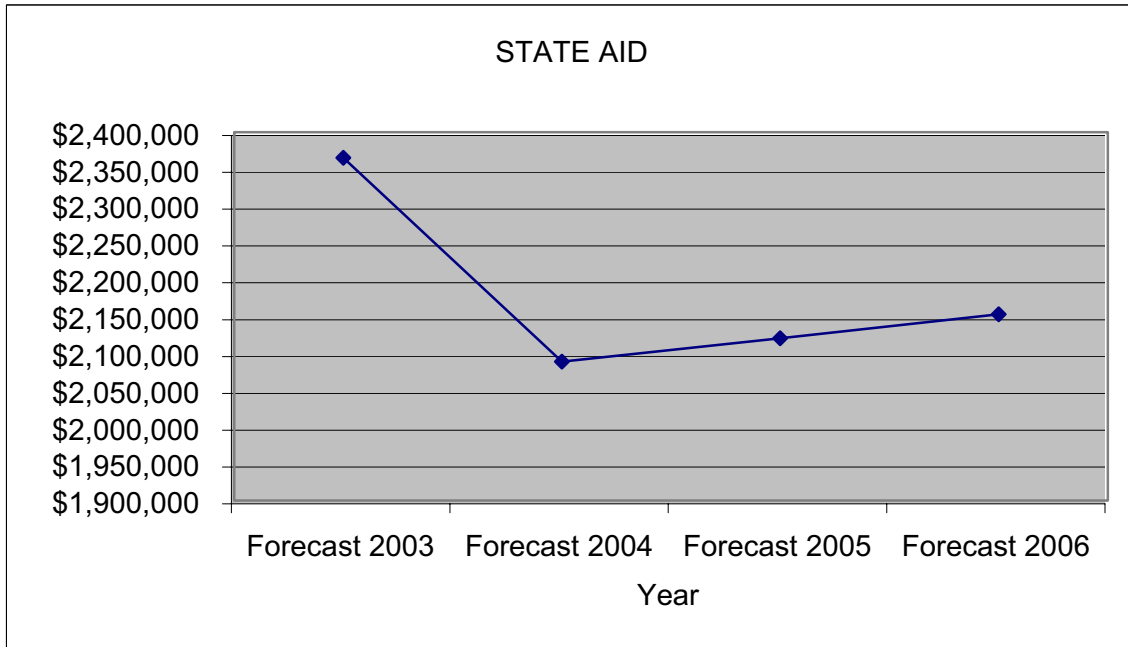
Our forecast assumes that these revenues will increase by a 2.5% CPI each year on the base amount forecast for 2003.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 407,924	\$ 418,346	\$ 429,034	\$ 439,996
Increase (decrease)		2.55%	2.55%	2.56%

Interfund service charges are revenues representing charges to other funds for the recovery of administrative costs, and more recently, additional revenues to assist in supporting General Fund operations.

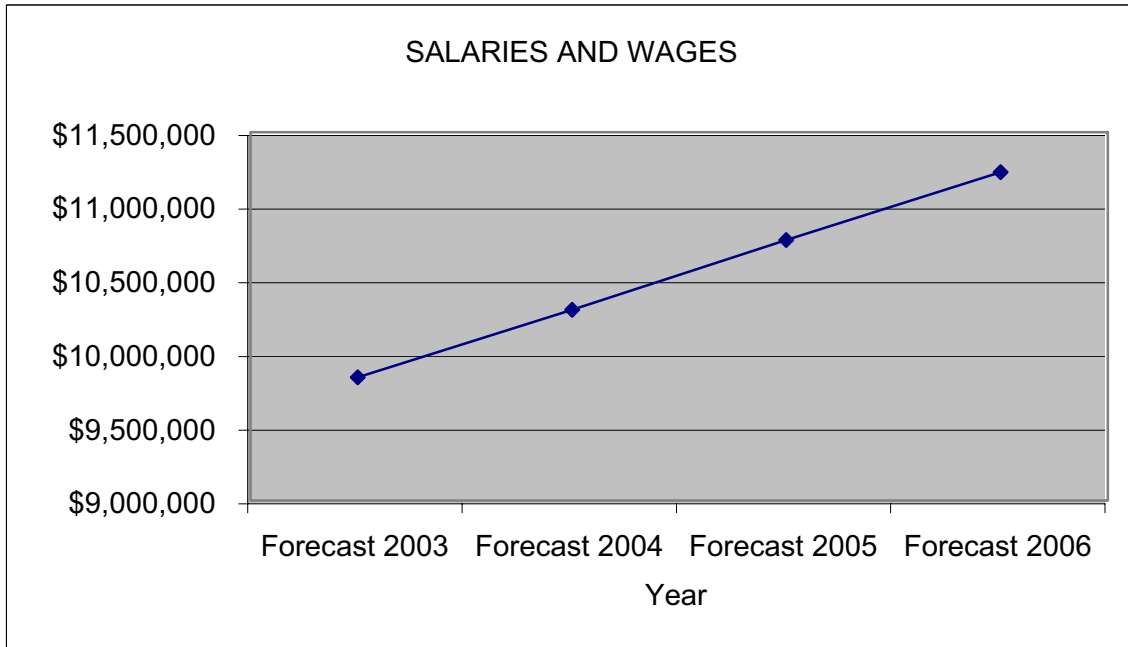
Our forecast assumes that the interfund service charges forecast for 2003 will increase annually by the current CPI.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 2,365,441	\$ 2,088,346	\$ 2,120,171	\$ 2,152,809
Increase (decrease)		(11.71)%	1.52%	1.54%

Mortgage taxes represent approximately 56% of all state aid received; general revenue sharing represents approximately 40%, and the remaining 4% represents miscellaneous state aid programs.

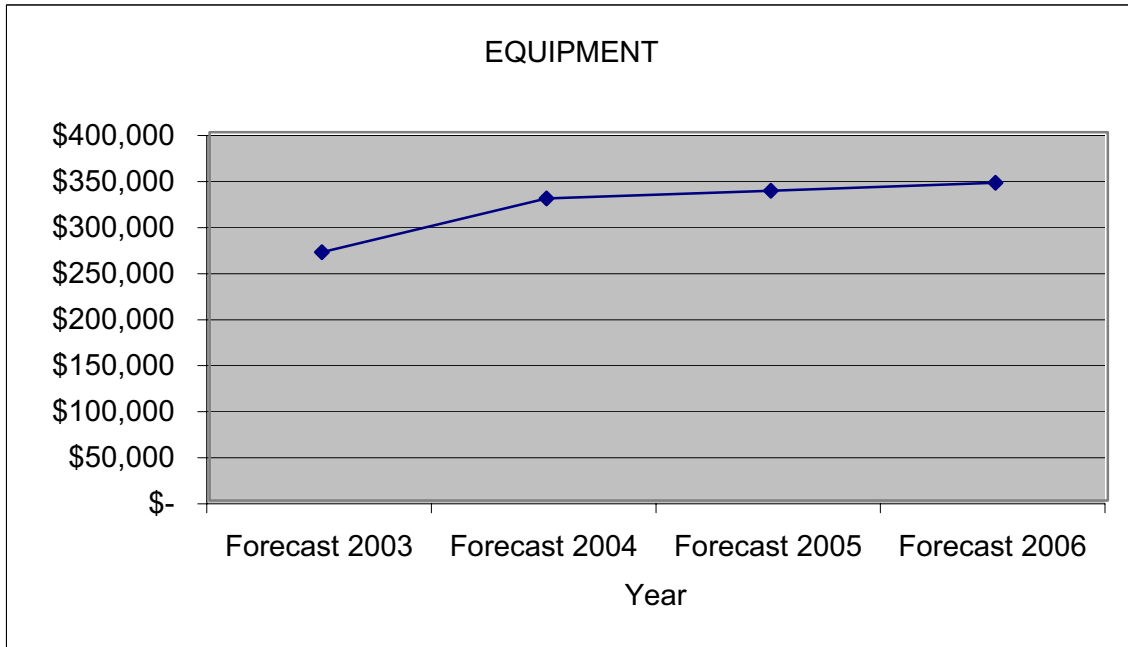
Our forecast assumes that mortgage taxes in 2004 will be equal to the average of 2001 and 2002 actual plus \$1 million (the \$1 million representing an average of the receipts prior to the substantial decline in mortgage rates), increased by the CPI, and thereafter a 2.5% CPI increase for 2005 and 2006. The amount of general revenue sharing received has remained the same for the past three years, and we assume no change in this amount for 2004 through 2006. Miscellaneous state aid revenue is assumed to increase annually by a 2.5% CPI using the 2003 forecast amount as a base.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 9,836,096	\$ 10,293,680	\$ 10,768,820	\$ 11,228,992
Increase (decrease)		4.65%	4.62%	4.27%

Salaries and wages include all amounts paid for labor to all full-time, part-time, and seasonal employees. There are five categories of full-time employees: the administrative pay group (no bargaining unit or representation), clerical employees (represented by the CSEA Clerical Unit), public works employees (represented by the CSEA Public Works and Recreation Unit), police officers (represented by the Rye Police Association), and the firefighters (represented by the International Association of Firefighters).

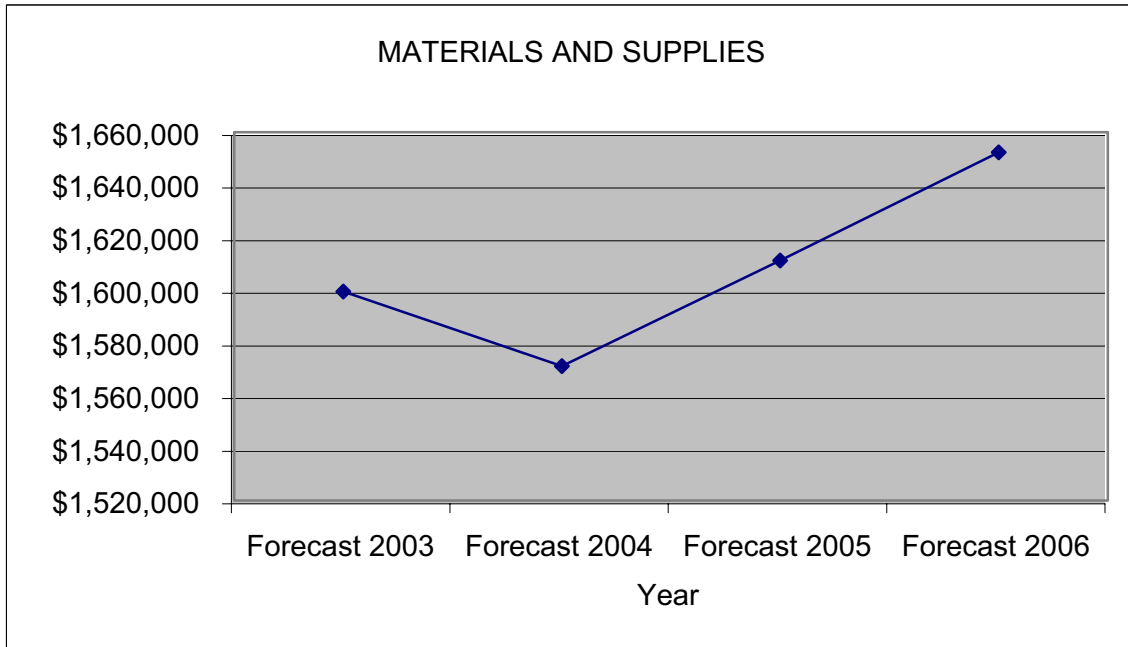
Our forecast assumes a 4% increase per year for the administrative pay group; increases for the CSEA units in accordance with their contracts that expire December 31, 2006; a 3.5% increase on base salaries per year for police officers (their contract expires December 31, 2003); increases in 2004 for the firefighters in accordance with their contract that expires December 31, 2004, and thereafter a 3.5% increase on base salaries; and a 2.5% CPI increase each year for part-time, seasonal, and overtime wages. We also assume the same staffing as in 2003, and include anticipated step and longevity increases. Assumptions, estimates, and forecasts concerning expired contracts do not imply or express an ability or willingness on the part of the City to provide future benefits.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 269,556	\$ 328,099	\$ 336,481	\$ 345,077
Increase (decrease)		21.72%	2.55%	2.55%

Equipment expenditures include all non-capital machinery and equipment purchases, generally under \$15,000 in value, such as office machines, computers, and communications equipment.

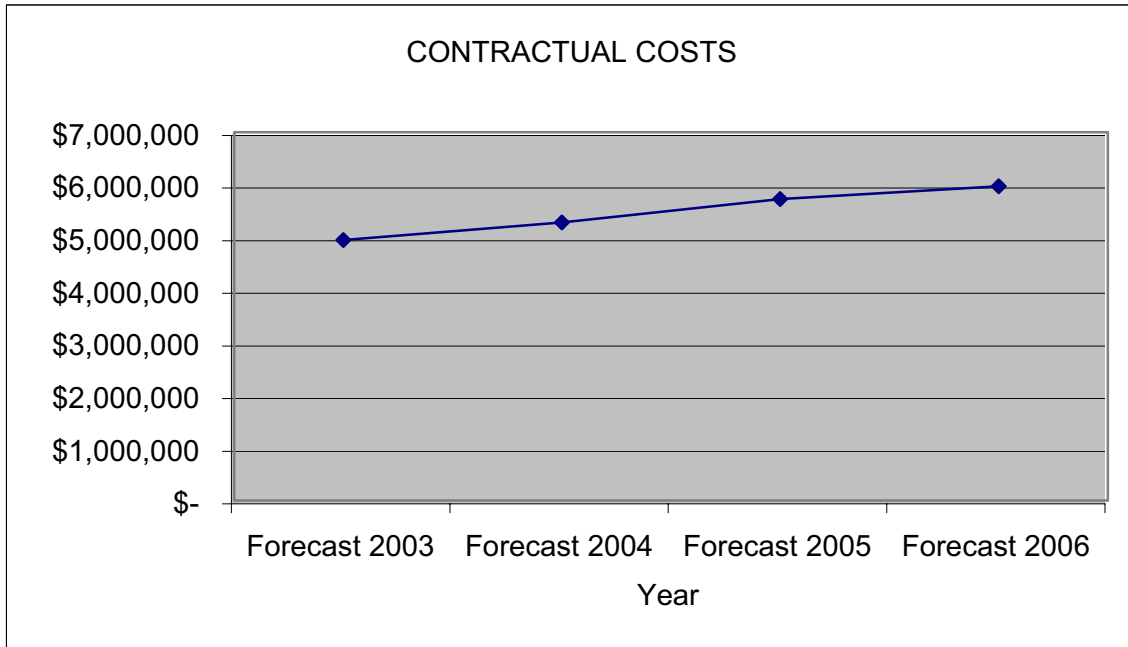
Our forecast estimates an average of the past two years actual plus 2003 forecast increased by the CPI for 2004, and thereafter a 2.5% CPI increase for 2005 and 2006.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 1,599,370	\$ 1,571,073	\$ 1,611,210	\$ 1,652,372
Increase (decrease)		(1.77)%	2.55%	2.55%

Materials and supplies includes all expenditures for goods or services required to meet program objectives, other than salaries and wages, equipment, contractual costs, employee benefits, or transfers to other funds.

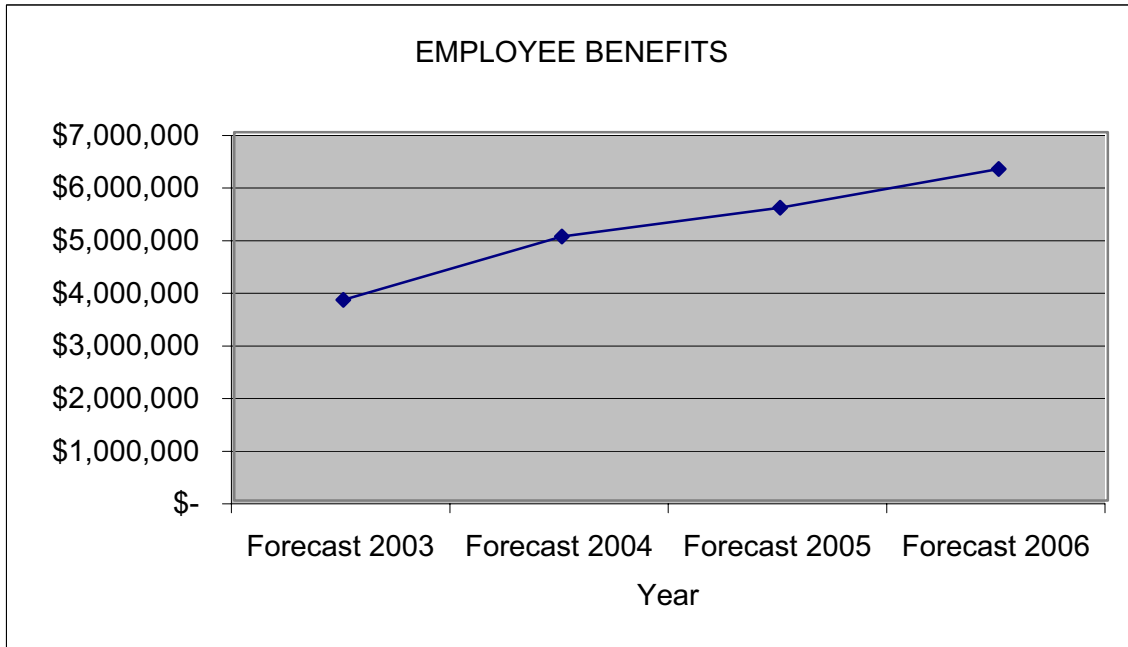
While there may be a wide variety of spending patterns for the various lines included in this expenditure category, we assume that the total would increase an average of the past two years actual plus 2003 forecast increased by the CPI for 2004, and thereafter a 2.5% CPI increase for 2005 and 2006.



	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 4,952,608	\$ 5,282,690	\$ 5,730,904	\$ 5,969,273
Increase (decrease)		6.66%	8.48%	4.16%

Contractual costs include expenditures for professional services, service charges paid to the internal service funds (Building and Vehicle Maintenance Fund and Risk Retention Fund), contract agencies such as the Rye Free Reading Room and Rye Youth Council, and contingency.

There are varying assumptions depending on the line item category of expenditure. For most lines we assume an average of the past two years actual plus 2003 forecast increased by the CPI for 2004, and thereafter a 2.5% CPI increase for 2005 and 2006. Internal service fund costs for each year are per estimates of the payments required by those funds. Contract agencies are assumed a 2.5% CPI increase each year. Audit fees assume the contracted increase. Ambulance and transportation services assume increases based on recent historical experience. Contingency per City Charter must equal 1% of appropriations.

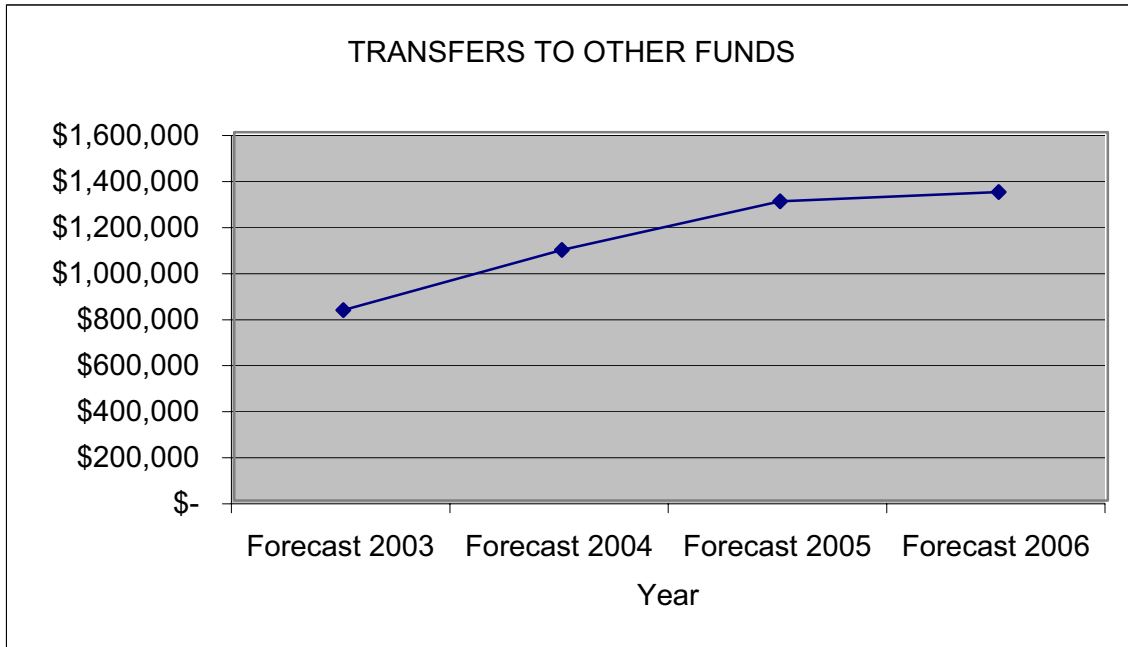


	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 3,813,519	\$ 5,016,669	\$ 5,562,676	\$ 6,301,860
Increase (decrease)		31.55%	10.88%	13.29%

Employee benefits include the City's share of retirement, social security and medicare, medical insurance, workers compensation, life insurance, and disability insurance for persons employed by the City.

The New York State Retirement Systems has advised us that we can assume non-public safety employee retirement rates to average 10.7%, 10.7%, and 11.7% of salaries, and public safety employee (police and fire) retirement rates to average 14.9%, 14.9%, and 16.3% of salaries, each respectively for 2004 through 2006. FICA rates are forecast to remain the same per the Social Security Administration, with minor increases in the ceiling for maximum earnings subject to social security taxes and no limit to earnings subject to Medicare taxes. Medical, workers compensation, life insurance, and disability rates are all assumed to increase by 15% per year, based on general information obtained from insurance consultants, insurance providers, and media coverage.





	Forecast 2003	Forecast 2004	Forecast 2005	Forecast 2006
Amount	\$ 827,201	\$ 1,089,108	\$ 1,299,720	\$ 1,340,529
Increase (decrease)		31.66%	19.34%	3.14%

Transfers to other funds provide operating funds to the Nature Center Fund; to the Debt Service Fund for the payment of principal and interest on general long-term debt; to the Capital Projects Fund for infrastructure projects (streets, drains, sewers, etc.), and to the Building and Vehicle Maintenance Fund for building projects and vehicle purchases.

Our forecast for Nature Center funding requirements assumes the General Fund will provide the funds needed to balance the Nature Center Fund budget in each forecast year (\$118,462, \$130,190, and \$139,308 in 2004-2006 respectively). The Debt Service Fund will require \$130,646 in 2004, \$244,530 in 2005, and \$351,221 in 2006. We assume funding transfers to the Capital Projects Fund in the amount of \$540,000, \$681,283, and \$350,000 for infrastructure, and to the Building and Vehicle Maintenance Fund \$300,000, \$500,000, and \$500,000 for building projects and/or vehicles in 2004, 2005, and 2006 respectively.

