

**To: Mayor Jonathan Mark
Members of the Village Board of Trustees**

From: The League of Women Voters of Scarsdale

Re: 2016-2017 Tentative Village Budget

Date: April 12, 2016

The League of Women Voters of Scarsdale (the “League” or “LWVS”) held a membership meeting on Tuesday, April 5, 2016 to evaluate the 2016-2017 Tentative Village Budget (the “Budget”). We thank Village Manager Steve Pappalardo, Deputy Village Manager Rob Cole, Village Treasurer Mary Lou McClure and Trustee and LWVS Liaison Deb Pekarek for attending the meeting and addressing our questions relating to the budget, as well as potential issues going forward.

The League supports the 2016-2017 Budget. We commend the Village staff, Mayor Mark, the Board of Trustees (the “Board”) and its Finance Committee for conducting a well-managed, thoughtful process and proposing a budget that evidences careful planning, taking into consideration both the current and anticipated needs of the Village.

The League understands it was necessary for the Board to vote to exceed the state-mandated cap on the tax levy increase (or “tax cap”) of 0.45%, or \$168,840. Adhering to the tax cap would have required a material reduction in services and likely in workforce. In addition, adherence to last year’s tax cap, a prudent decision based both on the size of the tax cap and the opportunity for many residents to obtain a cumulative tax rebate of \$2.2M dollars, adversely impacted the ability to stay within the tax cap this year.

The proposed tax rate increase is 3.70%, which corresponds to a tax bill increase of approximately \$230 for a Village homeowner with an average assessed property value of \$1,515,000. This homeowner would pay roughly \$6,465 in Village taxes in 2016-2017, representing approximately 18.25% of the homeowner’s total tax bill.

Budget Highlights

The League supports the Village’s overall stated goals and objectives for the Budget, and values the emphasis on maintaining current levels of service and addressing as much as possible the Village’s ongoing capital needs. The League recognizes that the Budget meets its stated objectives, specifically:

- “Control the growth of expenditures” - Regardless of the tax cap calculations, this budget proposes a budget-to-budget increase in expenditures of only 1.85%, which is significantly lower than the prior year’s increase in expenditures of 3.35%.

- “Replenish the fund balance after an atypically high use in 2015-2016 to stay within the tax cap” - The 2016-2017 Tentative Budget recommends the application of \$1,023,000 of General Fund balance as a tax relief measure, leaving adequate assigned and unassigned fund balance in the general fund as of May 31, 2016.
- “Investigate cost effective methods to provide services” and “Develop productivity improvements” - These cost control measures were applied across the board in every department. While the League acknowledges that these measures help control costs, we question the long-term viability of this strategy, as discussed below.
- “Obtain revenues from non-property tax sources, i.e. gifts, grants, user fees and reserves” - The Village has persistently and successfully obtained gifts and grants where available. In addition, the Village has increased potable water and sanitary sewer fees to fund critical infrastructure projects in those areas and has increased some other user fees (e.g., building permit, parking and recreation fees).
- “Judiciously address the Village’s future capital needs and manage debt obligations” - The Village will address major infrastructure projects in 2016-2017 and will utilize various funding strategies to effectively manage debt obligations. They will avoid annual project deferrals that would result in long-term physical harm to our infrastructure and increased costs for repair and remediation.

We will now address the details of our consensus opinions on these and other issues, including the village revaluation project and the need for community input and education.

Capital Projects

The League supports the Village’s robust plan to go ahead with several new and continuing capital projects in FY 2016-2017, in order to maintain the community’s infrastructure, including:

- Sheldrake River Storm drainage improvements;
- Crane Berkeley Pond improvements;
- Hutchinson River flood mitigation;
- Heathcote Road Bridge rehabilitation;
- Fire Station #1 addition and renovation;
- road/pedestrian/traffic Improvements;
- LED streetlight replacement program; and

- sanitary sewer evaluation study.

In addition, we support the Village's decision to complete the following projects over the next 5 years, and urge the Village to adhere to this timeframe:

- Freightway Garage rehabilitation;
- Fire Station #3 renovation; and
- storm drainage improvements in flood prone areas.

There are several other capital projects that the Village has decided to defer, including:

- more extensive road resurfacing and curb replacement;
- Village Hall third floor renovation; and
- additional highway equipment and vehicles purchase.

The League urges the Village to consider the long-term consequences of continuing to defer these projects and the potential for even greater cost once these projects can no longer be deferred.

The League commends the Village on its effective use of available sources to fund the capital plan. The Village has persistently and successfully obtained gifts and grants where available, having received \$22 million in grants over the last ten years. The League also commends the Village for completing several studies on Village systems, including a stormwater mitigation study, that contributed significantly to Scarsdale winning several project-related grants. In addition, the League supports the Board's decision to increase potable water and sanitary sewer fees to fund critical infrastructure projects in those areas and to increase some other user fees (e.g., building permit, parking and recreation fees) to add revenue to specific departments or the General Fund. Finally, the League acknowledges that the Village has effectively funded additional capital projects contingent on the transfer of additional cash from the General Fund balance, when available and prudent, after the final closeout of each fiscal year.

General Fund Balance

The League commends the Village for their prudent and strategic use of some surplus as a tax relief measure, while leaving fund balance at appropriate levels. The League understands that the proposed application of \$1,023,000 is deliberately somewhat lower than in the past. Last year's budget increased the use of fund balance in order to stay under the tax cap and then be eligible to obtain a one-time \$2.2M tax rebate to many homeowners from the Governor's Tax Freeze Program. This fund balance, restored to

historical levels, should be adequate to maintain the Village's Aaa bond rating and to address any unplanned or emergency situations arising from storms, infrastructure failures, etc. The League recommends that the Village continue to employ this responsible strategy and to regularly communicate this information with the community-at-large.

Personnel Issues

The League commends the Village for management of personnel costs in the 2016-2017 budget. We recognize the need for tight control of these costs because they account for 73.2% of total expenditures and are therefore the most significant driver of the budget. We also recognize that in the current year, much of the personnel cost, particularly union personnel costs, representing 56% of the budget increase of \$1,007,253, is subject to contracts and not within the Village's immediate control. The League does recommend, however, that in future budgets, the Village closely examine personnel compensation and staffing practices. Over the last 30 years, the Village staff has been reduced by 10 full-time employees, while compliance and communication needs have grown tremendously, increasing employee workload considerably. In addition, the 2016-2017 Tentative Budget provides for very modest increases in salaries and other benefits for non-union employees. The Village has lost several key staff in the last year and has continued to delay filling vacant positions. As a result, the League is concerned that in the Board's continuing efforts to keep costs low, it is becoming more difficult to recruit and retain quality employees to non-union department management positions. If this trend is allowed to continue, the League worries that the quality of services and programs Scarsdale residents currently enjoy could suffer.

Village Property Revaluation

The League commends the Village for handling the laborious and costly disposition of most of the assessment grievance filings and appeals from the 2014 revaluation roll, that represented a more than three-fold increase in filings over 2013. More importantly, the League commends the Village on its commitment to conduct assessments on a regular basis, beginning with the review of all properties again for the June 1, 2016 revaluation, due to the substantial changes in market conditions since the posting of the 2014 revaluation and the need to adjust certain other assessments needing further review. This practice will continue to reduce the inequities among property owners. The League recognizes the cost of this undertaking but urges the Village to continue to review properties on a regular basis, using the originally proposed five-year cycle as a guideline, to maintain an accurate inventory of property assessments in order to preserve the fairness resulting from the recent revaluations. The League encourages the Village to communicate information to the residents regarding property revaluations on a timely and comprehensive basis.

Community Input and Education

The League commends the Village, as it has for the past several years, for continuing to provide services to the community at a level consistent with prior years while minimizing spending and keeping tax rate increases relatively low. The League recognizes that striking this balance has become difficult in the face of the tax cap laws, ever-increasing unfunded state-mandated costs and pressure from the governor on municipalities to share services and/or consolidate. The League commends the Village for recognizing that the tax cap could not be met this year, and that in the future, it is likely that adherence to the tax cap may not be practical. However, the complexities of the budget need to be communicated to the community, in order to engage them in the budget process.

The League recommends that the Village make a greater effort at the outset of the budget process, utilizing the website, Scarsdale Public TV, village meetings, neighborhood association meetings, and other forums to:

- proactively solicit input from the community regarding the relative values residents attach to Village-provided services and programs, both those funded through the operating budget and those funded as capital projects;
- educate the community about the impact on the Budget, and resulting tax implications, of these services and projects;
- provide a general overview of the budget process, including a discussion of the tax cap, surplus allocation, and other funding sources, to the community on the website and through the relevant community organizations;
- educate the community about the challenges posed by the Village's aging infrastructure needs, both those visible to the community, including roads, buildings and parks, and those not visible, including storm drains and sanitary sewers

In conclusion, we thank you for the invaluable assistance and cooperation that was extended to us in our study of the proposed budget. We commend the Board and Village Management on the timeliness and quality of the data and analysis provided during the budget process and applaud the professionalism and dedication with which the Village Manager, Deputy Village Manager, Village Treasurer, Mayor Mark and the Trustees developed the 2016-2017 Tentative Budget. Thank you for considering our comments.

Sincerely,

Janice Starr
LWVS Village Budget Chair

Deb Morel
LWVS President