



**Voters' Choice Party Urges Scarsdale Village Substantially  
Revise Tentative Budget Due to COVID-19 Impact**

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**Scarsdale Voters' Choice Party Working Paper**

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## Executive Summary

The American economy is almost completely at a standstill. A wide range of Federal Reserve, government, and Wall Street economists are predicting declines in Gross Domestic Product (GDP) and employment levels not seen since the Great Depression. Presently, expectations are for a second quarter decline in GDP of 14-24% and unemployment levels of 20% and even as high as 50% by this summer. Closer to home, New York State and Westchester County face significant budget gaps. Westchester County's second quarter GDP could decline over 13%.

According to Moody's Investors Services "The coronavirus crisis poses a range of profound challenges for state and local governments, including costs associated with a massive public health response and substantial declines in tax revenue." Scarsdale Village residents are not immune to deteriorating national and local economic conditions. Scarsdale's general obligations are Aaa; yet, that rating is largely predicated on a high median income level and property values before COVID-19.

Based on the Voters' Choice Party's ("VCP's") review of recent reports of the income distribution of Scarsdale households, we believe the economic scenario laid out above will pose serious challenges to the financial well-being of many of our residents across the income spectrum, but especially among those in our lower income quartiles and our senior citizens. 50% of our households earn less than about \$250,000 *per annum*, and of those households the average annual income is just \$146,000 (near the top range of NY "middle class"). Unfortunately, these households are the ones most vulnerable to *reduced income and layoffs* in this crisis. Of the 50% of Scarsdale households earning above \$250,000 annually, the average annual household income is \$758,000. All of our residents, but especially the 50% of our neighbors in the lower half of Scarsdale's income distribution, will have to make painful cuts to their household budgets this year and next, and some will no doubt face financial ruin unless something is done.

According to the [2019-2020 budget documentation](#), Village taxes are about 18% of our residents' burden, with school taxes taking up the lion's share of 64%; the remaining 18% is allocated to Westchester County. We understand that the Scarsdale school taxing authority is working on providing relief to our tax-payers, and thus focus exclusively on the Village's role in doing so in this working paper.

The 2020-2021 [draft Village budget](#) document posted online on Friday, March 20, does not take into account the financial and health crisis we are facing, and surprisingly proposes an *increase* in property taxes of over 2%. Leaving the pandemic aside for a moment, the slide on page 140 in the document shows that in the past 11 years, Village property taxes have increased by over 23% in real inflation-adjusted terms (over 46% in dollar terms), meaning that one might have expected to see a 23% increase in the provision of goods and service whether or not such increase was desired, let alone realized.

Much needs to be revised in the draft budget posted Friday. It calls for property tax revenue of \$42 million, a good bit higher than last year, but given the current crisis and its impact on our homeowners, we are not likely to collect that. *Real estate tax rates will have to be cut for our single-family homeowners, or we will be causing severe financial distress.*

The VCP respectfully urges Scarsdale Village personnel and officials to:

- **Call an urgent Emergency Budget Meeting to revise the recently released draft budget.**
  - This meeting must be well publicized not only via traditional means of communication in Scarsdale such as press releases to the media and community and neighborhood associations, but also via Facebook, Twitter, and Instagram as well as flyers at stores, pharmacies, and train stations. If at all possible, the Village should also use robo phone calls. Wide outreach is critical.
  - Run a fast, simple survey and also ask residents to write in immediately as to what their municipal priorities are.
- **Revise the draft budget to include current,** fast changing macroeconomic conditions due to the COVID-19 crisis.
  - With input from residents, property tax reductions, property payment delays, and budget cuts have to be considered immediately.
    - Non-property tax revenue projections must be reduced by \$5 million for fiscal 2020-2021, and substantial cuts must be made on the expense side of the tentative budget, as determined by residents, Village staff, and elected officials at the emergency public meeting.
- **Establish a Residents' Advisory Committee for risk and emergency management** (finance, public health, cyber-security, natural disasters) to provide expert professional advice to Village officials.
- **Assist local businesses** in connecting with the Small Business Administration for disaster relief and loan applications.
- **Create and implement a five-year long-term financial plan** to aid Village personnel and officials in decision making, especially during times of crises.
  - The VCP encourages Scarsdale Village to undertake the creation of a long-term financial plan and a quantitative model that projects the costs of maintaining current services and capital plans and how it can do in stressed environment like right now during the COVID-19 health and economic crisis.
- **Analyze the possibility of issuing short-term paper or a long-term bond.**
  - The Village should take advantage of Scarsdale general obligation's AAA rating. These funds could be used for operations of the Village while coping with property tax revenues that may be delayed or may not arrive due to financial distress of some residents.

After the Emergency Budget Meeting, the VCP will update this working paper to include residents’ municipal priorities. If an Emergency Budget Meeting is not held, the VCP will hold a Zoom Town Hall meeting and will also create a survey to solicit input from residents about municipal priorities.

## The Economic Context

### National Macro Economic Forecasts

Last week may well be the week that the unemployment tsunami began. With thousands of restaurants, bars, hotels, and small businesses closing down voluntarily or due to state government executive orders, jobless claims are rising at unprecedented levels. All sectors of the economy are vulnerable to varying degrees.



Source: Moody’s Investor Services, March 20, 2020

According to James Chung, Partner at StratoDem Analytics, “it is crystal clear that the US has entered a sharp recession.” StratoDem Analytics national consensus Gross Domestic Product (GDP) forecast for the second quarter of 2020 is a decline of 12.9%. Goldman Sachs announced on March 19 that second quarter GDP could contract as much as 24%. JP Morgan, for the moment, envisions a 14% decline in second quarter GDP.

| % chg, saar             | 1Q    | 2Q    | 3Q   | 4Q  | 4Q/4Q |
|-------------------------|-------|-------|------|-----|-------|
| <b>Global</b>           | -12.0 | -1.2  | 19.1 | 4.3 | 0.5   |
| <b>Global ex. China</b> | -5.8  | -13.7 | 18.1 | 4.0 | -0.4  |
| <b>Developed</b>        | -7.5  | -16.0 | 21.9 | 3.8 | -0.8  |
| US                      | -4.0  | -14.0 | 8.0  | 4.0 | -1.9  |
| Euro area               | -15.0 | -22.0 | 45.0 | 3.5 | -0.1  |
| Japan                   | -3.0  | -1.0  | 5.0  | 3.5 | 1.1   |
| UK                      | -10.0 | -30.0 | 50.0 | 2.5 | -0.8  |
| <b>Emerging</b>         | -18.8 | 21.4  | 14.9 | 5.0 | 2.5   |
| <b>EM Asia</b>          | -26.0 | 35.4  | 17.5 | 5.8 | 4.1   |
| China                   | -40.8 | 57.4  | 23.9 | 5.5 | 5.1   |
| Others                  | -0.8  | -2.0  | 6.5  | 6.2 | 2.4   |
| <b>Latin America</b>    | -1.2  | -11.6 | 8.4  | 2.6 | -0.8  |
| <b>EMEA EM</b>          | -2.1  | -13.1 | 9.0  | 3.8 | -1.0  |

Source: J.P. Morgan

Counties across America will suffer differently. “Many counties will likely see a -10% to -14% drop in Q2 GDP, within the range of many of the most-recent GDP estimates,” says Chung. “But the economic impact hits much harder for counties driven by tourism or cyclical manufacturing.”

The Thursday March 19 jobless claims certainly already show that we will be in an unemployment crisis way before official GDP data are released. 281,000 people nationwide filed for unemployment benefits, about 30% higher than the figures before the coronavirus pandemic hit.

Based on those numbers and business closures statewide this past week, Goldman Sachs announced last Thursday that it is predicting that next Thursday’s numbers will show that last week’s jobless claims could be as high as 2.3 million, almost a 720% rise in jobless claims in one week.



Source: Goldman Sachs, March 19, 2020

We will know in a few weeks how accurate Goldman Sachs forecasts were. If correct, these figures will end up making 2008-2009 unemployment levels look like a blip.



Source: Goldman Sachs, March 19, 2020

Unfortunately, Goldman's forecasts may even end up being much lower than actual results. The forecasts were made before New York Governor Cuomo issued guidelines for all non-essential workers to stay home and before California Governor Newsom ordered his entire state to shelter in place. Most other Governors have followed suit, and most of the country is in a state of lockdown except for essential services. These measures, while likely necessary to tackle this significant public health crisis, will lead to additional business closures and more layoffs.

Last week, U.S. Treasury Steve Mnuchin stated that unemployment could hit 20% by this summer. National unemployment is at about 3.5% presently. The U.S. last had 20% unemployment in 1935 during the Great Depression. Moody's Analytics economist Mark Zandi puts the coming unemployment figure as high as [50%](#).

On Sunday, March 20, Federal Reserve Bank of St. Louis President James Bullard stated that the U.S. unemployment rate could reach [30%](#) in the second quarter. If his forecast turns out to be true, this would be much higher than during the Great Depression and about three times higher than the unemployment during the 2007-2009 recession and financial crisis. Bullard also stated a 50 percent reduction in gross domestic product was possible in the second quarter given the shutdown of business throughout much of the country, which is only expected to increase. Bullard stated that the crisis "could result in a \$2.5 trillion loss in income, and that a huge stimulus would be needed to make up for it."

It will take a few months to see the true extent of unemployment, but leaders of key cities in the U.S. already know that their municipalities are in serious trouble. Last Wednesday, March 18, the United States Conference of Mayors, which represents 1,400 cities across the U.S. [requested \\$250 billion](#) from Congress. As millions of Americans continue to lose their jobs or have their work hours reduced, this municipal bailout request is likely only to be the first. And thousands of other municipalities, which are not part of this group, will also be coming forward in the hopes of getting help from legislators in Washington.

## Market Signals

Stock market declines are so significant that the gains of the last three years have been wiped out. The [corporate bond market](#), which is much larger than the stock market, is also showing significant distress.



## New York State

In September 2019, in its State of the State review, the non-partisan accounting think tank, Truth in Accounting, gave New York State the [letter grade of 'F'](#) due its poor fiscal state.



| <b>THE STATE'S BILLS EXCEED ITS ASSETS</b>   |                    |
|--|--------------------|
| Total assets                                 | \$365,904,000,000  |
| <i>Minus:</i> Capital assets                 | -\$201,728,000,000 |
| Restricted assets                            | -\$24,163,000,000  |
| Assets available to pay bills                | \$140,013,000,000  |
| <i>Minus:</i> Total bills                    | -\$276,593,174,000 |
| Money available (needed) to pay future bills | -\$136,580,174,000 |
| Each taxpayer's share of this debt           | -\$20,500          |

| <b>BILLS THE STATE HAS ACCUMULATED</b>       |                          |
|--|--------------------------|
| Bonds  | \$106,011,000,000        |
| Other liabilities                            | \$142,439,000,000        |
| <i>Minus:</i> Debt related to capital assets | -\$92,467,000,000        |
| Unfunded pension benefits                    | \$9,977,951,000          |
| Unfunded retiree health care benefits        | \$110,632,223,000        |
| <b>Total bills</b>                           | <b>\$276,593,174,000</b> |

Source: Truth in Accounting.

In its latest credit opinion on February 21, 2020, Moody's Investors Services had the State of New York's rating as Aa1 with a stable outlook. The ratings agency at the time wrote that "The state has an expensive business environment and reliance on financial activities sector employment and wages. Recent slowing in revenue growth and dependence of the state on high income individuals for personal income tax payments will add to the challenges of funding growing healthcare and local school aid costs in an uncertain federal policy environment. The state has experienced recent management lapses related to its Medicaid program that led to sharp increases in spending greater than allowed by spending guardrails that the state has used for nearly a decade to constrain its previously unsustainable spending trends."

Since then, to protect the public, Governor Andrew Cuomo has basically shut down the State, except for essential services. New York is being adversely affected by the shutdown of restaurants, bars, and businesses large and small. Moreover, the decline in oil prices also affects state coffers because of reduced oil products tax revenues. The economic impact on the State will be very damaging in the short-term. On March 17, State Comptroller Tom DiNapoli [wrote](#) New York State Governor Andrew Cuomo, stating that the State could face a \$4 billion shortfall and that is assuming a mild scenario. "The Office of the State Comptroller's estimate of a minimum \$4 billion decline in state tax receipts from the Executive Budget assumes a mild recession," DiNapoli wrote. "Economic forecasters are currently unable to rule out a more severe

recession or sharper stock market declines; if either occurs, the revenue outlook could be significantly worse."

## Westchester County

Westchester County has faced significant economic challenges in the last few years. In 2018, Truth in Accounting gave Westchester the [grade of 'D'](#) because the County did not have enough funds to pay its bills.

In November 2019, Moody's Investor Services assigned an [Aa1](#), with a negative outlook, to the County's general obligations bonds. According to Moody's "The negative outlook reflects the county's ongoing challenge to balance financial operations across all funds which has led to continued deterioration of the overall financial position despite recent revenue enhancements."

In an [interview](#) last week with Journal News, Westchester County Executive George Latimer summarized the current, extraordinary challenge before the County. "We're in a free-fall situation. The drop-off in business activity is going to make a major hit to the sales tax. We have no idea how bad it will be. Will it be two weeks? Two months? Four months?" Sales taxes represent about 35% of Westchester County's \$2.2 billion budget. According to James Chung, partner at [StratoDem Analytics](#), Westchester County could see a second quarter GDP contraction of over 13%.

## Scarsdale Village

In its [annual review](#) of Scarsdale's general obligation bonds in January 2020, Moody's Investor Services reaffirmed Scarsdale's Aaa rating. As of January 2020, the rating agency's outlook for Scarsdale was stable. On the positive side, the rating agency stated that "The key credit factors include an exceptionally strong wealth and income profile, an extensive tax base, and a healthy financial position. The Village's credit position also reflects a very low debt burden and a moderate pension liability."

|   | 2015      | 2016      | 2017      | 2018      | 2019      | US Median | Credit Trend |
|---|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
| <b>Economy / Tax Base</b>   |           |           |           |           |           |           |              |
| Total Full Value  | \$8,085M  | \$9,012M  | \$9,033M  | \$9,982M  | \$9,794M  | \$1,904M  | Improved     |
| Full Value Per Capita   | \$458,866 | \$509,657 | \$505,892 | \$558,820 | \$548,311 | \$94,106  | Improved     |
| Median Family Income (% of US Median)                                       | 379%      | 368%      | 353%      | 353%      | 353%      | 111%      | Weakened     |
| <b>Finances</b>   |           |           |           |           |           |           |              |
| Available Fund Balance as % of Operating Revenues                           | 24.0%     | 26.1%     | 27.0%     | 27.5%     | 25.6%     | 34.6%     | Stable       |
| Net Cash Balance as % of Operating Revenues                                 | 30.6%     | 30.4%     | 31.8%     | 60.5%     | 31.6%     | 39.6%     | Stable       |
| <b>Debt / Pensions</b>  |           |           |           |           |           |           |              |
| Net Direct Debt / Full Value  | 0.3%      | 0.3%      | 0.2%      | 0.2%      | 0.3%      | 1.1%      | Stable       |
| Net Direct Debt / Operating Revenues  | 0.47x     | 0.42x     | 0.38x     | 0.32x     | 0.54x     | 0.84x     | Stable       |
| Moody's-adjusted Net Pension Liability (3-yr average) to Full Value         | 1.0%      | 0.9%      | 1.0%      | 0.9%      | 0.9%      | 1.9%      | Stable       |
| Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues | 1.52x     | 1.57x     | 1.60x     | 1.49x     | 1.70x     | 1.56x     | Stable       |

Source: Moody's Investors Services, January 2020

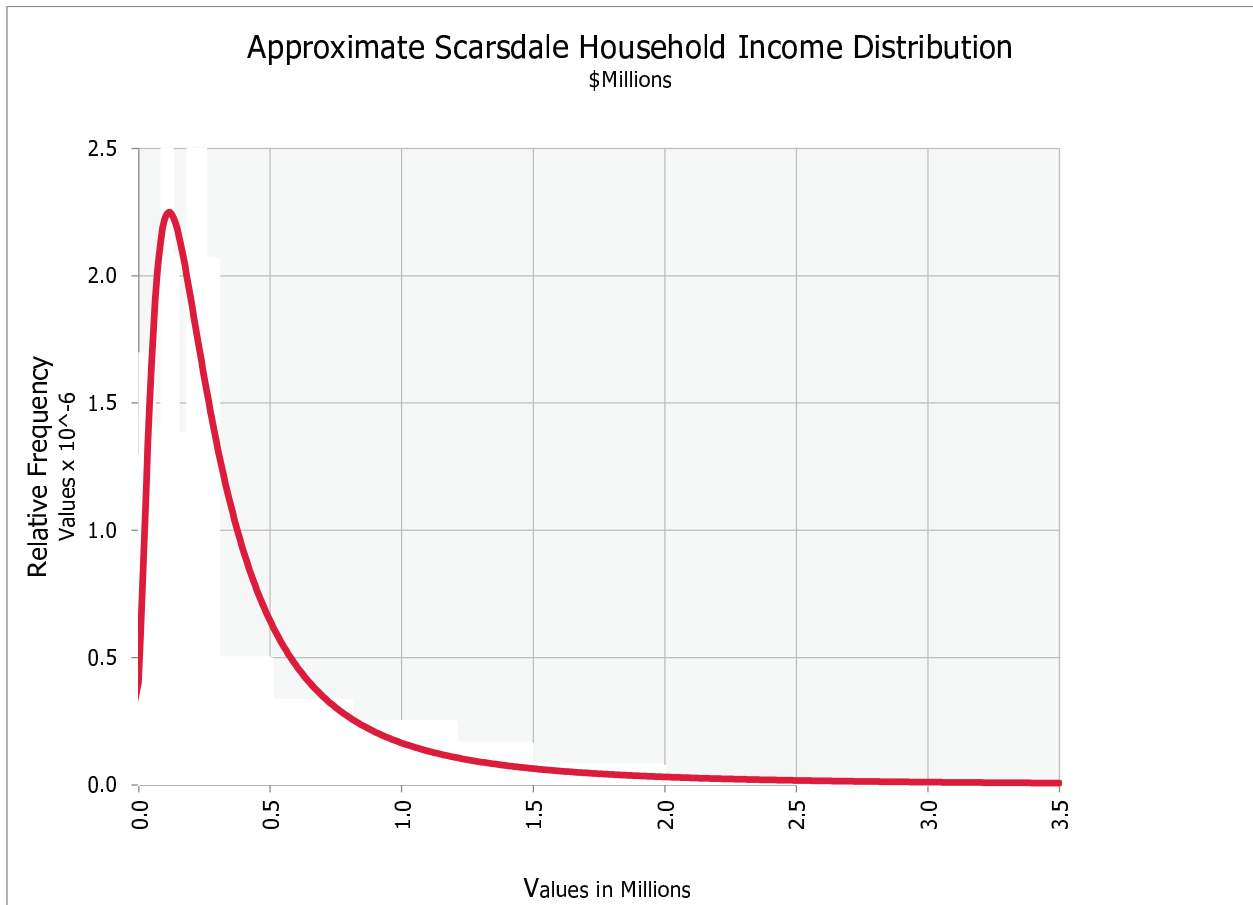
It is important to note that even before the COVID-19 crisis, Scarsdale's median income as a percent of the US median has weakened and that its net pension liabilities have been rising.

|  | 2015     | 2016     | 2017     | 2018     | 2019     | US Median |
|--|----------|----------|----------|----------|----------|-----------|
| <b>Debt and Financial Data</b>                                 |          |          |          |          |          |           |
| Population   | 17,621   | 17,684   | 17,856   | 17,863   | 17,863   | N/A       |
| Available Fund Balance (\$000s)                                | \$12,636 | \$14,252 | \$14,810 | \$15,706 | \$13,454 | \$8,028   |
| Net Cash Balance (\$000s)                                      | \$16,105 | \$16,600 | \$17,485 | \$34,610 | \$16,621 | \$9,530   |
| Operating Revenues (\$000s)                                    | \$52,617 | \$54,586 | \$54,910 | \$57,205 | \$52,522 | \$23,172  |
| Net Direct Debt (\$000s)                                       | \$24,950 | \$22,980 | \$20,665 | \$18,570 | \$28,315 | \$19,139  |
| Moody's Adjusted Net Pension Liability (3-yr average) (\$000s) | \$80,005 | \$85,546 | \$88,085 | \$85,490 | \$89,154 | \$35,448  |

Truth in Accounting recently graded Scarsdale as 'D' because of the Village's significant unfunded liabilities. The accounting think tank specifically cited, "unfunded retirement obligations that have accumulated over many years." The Truth in Accounting report is [here](#).

## Scarsdale Village Budget

Based on VCP’s review of recent reports of the income distribution of Scarsdale households, we believe the economic scenario laid out above will pose serious challenges to the financial well-being of many of our residents across the income spectrum, but especially among those in our lower income quartiles and our senior citizens. While [Bloomberg recently reported](#) that Scarsdale’s average household income is \$452,000, it is important to understand that *that vaunted average figure is about \$200,000 higher than what most households in the Village earn*. Indeed, 50% of our households earn less than about \$250,000, and of those households the average income is just [\\$146,000](#) (near the top range of NY “middle class”). Unfortunately, these households are the ones most vulnerable to *reduced income and layoffs* in this crisis. Of the 50% of Scarsdale households earning above \$250,000, the average household income is [\\$758,000](#). All of our residents -- but especially the 50% of our neighbors on the lower half of Scarsdale’s income distribution -- will have to make painful cuts to their household budgets this year and next, and some will no doubt face financial ruin unless something is done.



Source: City-Data, <http://www.city-data.com/income/income-Scarsdale-New-York.html>.

While we focus on the [Village budget](#) below, the 2019-2020 [budget documents](#) point out that Village taxes are about 18% of our property tax levies. School taxes are responsible for the lion's share of 64% of our property tax dollars, while the remainder is collected by Westchester County. We feel the Village should establish a standard of care for our taxpayers' well-being.

The 2020-2021 draft Village budget document posted online on Friday does not take into account the financial and health crisis we are now facing, and surprisingly proposes an *increase* in property taxes of over 2%. Leaving the pandemic aside for a moment, one slide in the [document](#) shows that in the past 11 years, Village property taxes have increased by over 23% in real inflation-adjusted terms (over 46% in dollar terms). This means that one might have expected to see a 23% increase in the provision of goods and service whether or not such increase was desired (let alone realized).

Much seems to need revision in the budget posted on March 20, 2020. The tentative budget calls for property tax revenue of \$42 million, a good bit higher than last year, but given the current crisis and its impact on our homeowners, we're likely not going to collect that – *real estate tax rates will have to be cut for our single-family homeowners or else we will be causing severe financial distress for many of our residents.*

The budget calls for sales tax revenues of 6.1% of the general fund revenues (vs. a budgeted 4.6% last year) – based on the experience of the 2008-2009 financial crisis that will most certainly not happen and a \$2mm shortfall is not unlikely. The pie charts at the end of the document show mortgage tax revenues of 4% of the general fund revenue for 2020-2021 vs. 0.3% realized last year; this is also very unlikely and will probably result in a shortfall of over \$2 million. Building permit fees will also be slashed and that could cost upward of \$1mm.

Notable increases in budget expenditures include a \$484,237 increase in police department salaries. Another budget outlier is \$430,000 for fire department overtime. It is important that our residents understand that salaries and benefits account for fully 70% of our Village budget and changes to that budget line are particularly high-powered. For example, a 10% change to that line means a 7% change in property taxes. It has largely been hyperinflation in salaries and benefits paid by the Village that have driven Village taxes up 46.5% over the past 11 years (vs. an increase in the general cost of living of only 18.5%). Expenditures at the recreation department are budgeted at \$2.99mm, supported by \$1.78mm in expected fees (meaning a \$1.21mm taxpayer subsidy). However, the receipt of fees is highly uncertain in this environment, potentially putting a good part of the \$1.78mm at risk.

## Preliminary Recommendations

"It has become clear that our economy will face severe disruptions." "Aggressive efforts must be taken across the public and private sectors to limit the losses to jobs and incomes and to promote a swift recovery once the disruptions abate."

## Call For An Emergency Public Meeting

We need an ***EMERGENCY PUBLIC MEETING ON THE VILLAGE BUDGET***. Many of the revenue and expense assumptions underlying the tentative budget are no longer relevant given the economic crisis and must be changed, at once, to reflect our new reality.

If we were running a business, we would already have stated our plan as to significant cuts we would have to make, lines of credit we would use, or other critical measures that we would have to take to stay afloat. Yet, we are a municipality and need input from residents immediately to think carefully of solutions that will benefit the majority. As residents' municipal priorities become clearer, we might make amends to this working paper.

The Village will have to reduce and delay property tax payments for all single-family homeowners in order to respond to the unfolding crisis. First and foremost, the VCP urges the Mayor and Board of Trustees to call an emergency budget meeting immediately. This emergency budget meeting must be publicized through press releases, Twitter, Facebook, Scarsdale's neighborhood associations, the Village's website, the Scarsdale Inquirer, and other distribution channels, such as flyers at local grocery stores and pharmacies. It is imperative that all residents are made aware of such a meeting. The Village should quickly run a survey or at least ask all residents to write in with what are their municipal priorities.

The coronavirus pandemic presents an unprecedented challenge to our residents and our Village, both from an economic and a public health standpoint. We all must face the unwelcome reality that life as we know it has changed irrevocably for the foreseeable future. In order to navigate through this significant crisis, we need strong leadership from our Village government and flexibility and adaptability from all of us as circumstances change, sometimes daily or even more frequently.

## Budget Assumption Revisions

### **Reduce Projections for Non-Property Tax Revenues for Fiscal 2020-2021 by \$5 Million**

***We urge that the Village revise its revenue projections downward substantially, especially its non-property tax revenues projections, because the currently projected revenue streams are highly unlikely to materialize in the new economic environment.*** In particular, a cursory review of some significant sources of non-property tax projected revenue streams the Village relies upon suggest to us that in the next fiscal year, at least the following projected amounts are

greatly overstated: (1) sales tax (\$3,525,000); (2) mortgage tax (\$1,600,000); (3) building permits (\$1,300,000); (4) interest income (\$425,000); (5) parking permit fees (Freightway, \$790,000; Christie Place, \$527,000; Open Lots, \$52,150; Valet, \$195,900); (6) parking meter fees (\$870,000); (7) fines, Justice Court (\$650,000); (7) safety inspection fees (COs)(\$90,000); (8) alarm user annual permits (\$205,000); (9) storm water/erosion control permits (\$87,000);(10) street opening permits (\$91,000); (11) plumbing permits (\$75,000); and (12) electrical permits (\$50,000).

The Village is budgeting revenues amounting to \$10,533,050 from these non-property tax revenue sources, which comprise 17.9% of the Village's proposed \$58,813,419 general operating budget for fiscal 2020-2021. In our view, potentially \$5 million of these expected revenues may not materialize because of the deteriorated economic conditions, or perhaps the number might be higher.

***Unless a commensurate \$5 million in cuts to the proposed budget are made, our Village property taxes would have to be raised by over ten percent to fund the budget gap.*** For example, the tentative budget calls for \$42,019,855 to be raised by the Village property tax levy. The assessed value of all properties in the Village is \$8,877,795,000, yielding a property tax rate of \$4.733141. If we assume, instead, that the Village must raise \$47,000,000 in the Village property tax levy to fund its operating budget, the property tax rises to an astonishingly high \$5.294107. Simply put, if as we expect, \$5 million in non-property tax revenues that the Village has been counting on to fund its operations next year fails to materialize, the Village must cut expenditures.

### **Make Substantial Cuts to the Expense Side of the Budget**

Budget cuts, of course, are not popular with anyone. Residents want to maintain all the services that we have come to enjoy over the years that define life in Scarsdale. Village staff want to keep their jobs and their raises and benefits. In this time of crisis, there must be shared sacrifice. Our Village government must engage in a dialogue right now with residents to discuss what cuts we must make in Village expenditures to come up with a Village budget for fiscal 2020-2021 that is financially sustainable for our residents, our Village staff, and that preserves the services and programs that we find most essential.

At present, the VCP does not intend to recommend specific budget cuts. This is because such decisions should come from *all* residents, our Village leaders, and Village staff. It is urgent that we start the discussion now. We want the Village government to hold the necessary public emergency meeting on the budget to hear from residents their concerns and recommendations and to hear what Village staff and our elected officials recommend as well. With this input, the VCP will update this working paper.

## Aid to Small Businesses Is Urgent

The [Small Business Administration](#) has certified Westchester County, as well as some other New York counties, as eligible to receive financial assistance in the form of Economic Injury Disaster Loans due to loss of revenue or substantial economic injury in connection with COVID-19. Substantial economic injury means the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses. The Village should act as a clearinghouse for small businesses located in Scarsdale and Scarsdale residents who own small businesses, and help them facilitate whatever assistance in terms of loans and grants the Small Business Administration will be providing.

## The Need for Long-Term Financial Planning

Like any sovereign, business, or municipality, Scarsdale Village needs a long-term financial plan to match financial needs to operational objectives and capital projects. We have recommended to the last two Village administrations to create a long-term financial model and plan. Thus far the Village does not have a long-term financial plan. [Rating agencies](#) and the [Government Financial Officers Association](#) also recommend that all municipalities create and implement long-term financial plans.

A very important element in a financial plan is not only to come up with a base case, but also to develop a worst-case scenario that encompasses stresses that can arise due to unexpected macroeconomic, fiscal, legislative, or natural disaster shocks. The COVID-19 and Trump's tax reform (SALT cap) are examples of unanticipated fiscal strains on the Village with yet unknown consequences that should be considered in the Village's planning. Currently, without a long-range fiscal plan, there is no way for the Village to document the possible effect that COVID-19 or the new federal income tax law may fully have on residents.

A long-range fiscal plan would have provided a "game book" for the Trustees and Village Manager, showing what austerity measures could be implemented to protect our residents and our Village staff and services. Without one, we are left to improvise under the most stressful of circumstances.

An essential component of financial modeling is to conduct a stress test, that is, to include well thought out assumptions about possible shocks that could challenge an organization reaching its stated objectives. The VCP recommends that once the Village has chosen the long-term financial model that it wants to use, that the Village apply, at least annually, shocks to the model such as stock market downturns, healthcare cost spikes, unemployment rises, and gross domestic product (GDP) declines, in order to determine whether its reserves are sufficient to withstand unexpected adverse developments. The Village could use as guidance the economic scenarios<sup>1</sup>

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<sup>1</sup> Please see <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200206a.htm> for details on the methodology of the Federal Reserve macroeconomic shocks.



that the Federal Reserve Board annually requires banks in the United States utilize when they forecast the impact of market shocks. And certainly, the Village could use current macroeconomic and market signals in a long-term financial model when it creates one. A financial model would also help the Village establish not only base and worst-case scenarios, but also look at a best case. This type of analysis would enable the Village to look at a range of outcomes given different economic, market or legislative changes to help them with important decision making.

Given that a number of members in the VCP's executive ranks have professional expertise and degrees related to financial modeling, the Voters' Choice Party stands ready to assist the Village with any necessary financial modeling or research. Moreover, the VCP recommends that the Village create an *ad hoc* committee of residents who can periodically meet with Village officials and personnel to discuss model inputs and stress scenarios that could impact the Village's financial stability and its ability to meet community priorities for services and capital plans.

Here are useful resources for municipal long-term financial planning:

[Budgeting and Long-Term Financial Planning Action Group](#)

[Deloitte's Leading practices in infrastructure investment](#)

[Government Financial Officers Association Long-Term Financial Planning](#)

[Price WaterHouse's Long-Term Financial Analysis](#)

[Taking a Longer View on Our Local Budgets](#)

[Why Municipalities Need Long-Term Financial Plans](#)

**Note: Hit 'control' and left click on the links to open the resources above**

## Conclusion

The COVID-19 crisis is an unprecedented public health and economic crisis. Village personnel and officials must act quickly to protect the fiscal sustainability of our Village. Given how connected so many Scarsdale residents are to political and economic developments in New York City, residents will be greatly affected by the downturn in the City, especially those in the financial sector.

The Voters' Choice Party (VCP) respectfully urges Scarsdale Village personnel and officials to:

- Call an urgent Emergency Budget Meeting to revise the recently released draft budget;
- Revise the draft budget;
- Establish a Residents' Advisory Committee for risk and emergency management;
- Assist local businesses in connecting with the Small Business Administration for disaster relief and loan applications;
- Create and implement a five-year long-term financial plan; and
- Analyze the possibility of issuing short-term paper or a long-term bond.

After the Emergency Budget Meeting, the VCP will update this working paper to include residents' municipal priorities. If an emergency budget meeting is not held, the VCP will hold a Zoom Townhall meeting and will also create a survey to solicit input from residents about municipal priorities. The authors stand to assist Village personnel and officials with our professional experience and expertise.

## Appendix

### Authors' Brief Biographies

**Bob Berg**- Partner at law firm Denlea Carton LLP. He began his career at Skadden Arps and has been a litigator for 37 years. BA is in Economics and Psychology, Amherst College. MBA and JD from The University of Chicago.

**Sean Cohen**- Founder and President of Rand Diamond, a primary supplier to high-end retailers of ethical diamonds. BA in History and Political Science from Tulane University and JD from Benjamin N. Cardozo School of Law, Yeshiva University.

**Mayra Kirkendall-Rodríguez**- Managing Principal of MRV Associates, a bank and capital markets risk consultancy and training firm. She has published over 300 articles for *American Banker*, *Bloomberg*, *Forbes*, *The Hill*, and *The New York Times*. A.B in Russian and Soviet Studies, Harvard and Radcliffe Colleges, M.A in International Studies, Eurasian and Russian Studies, The Lauder Institute of the University of Pennsylvania, MBA in Finance and Emerging Markets, The Wharton School, and Raoul Wallenberg Scholar, The Hebrew University.

**Robert Selvaggio**- Co-Owner and Head of Analytics at Rutter Associates. He has long worked in risk modeling, capital markets, municipal finance, market and credit risk management, credit portfolio management, regulatory capital, economic capital and risk adjusted performance measurement. BA in Economics and Mathematics from the University of Pennsylvania and PhD in Economics from Brown University.