

## **Donna Conkling**

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**From:** John Schwarz <john.schwarz12@gmail.com>  
**Sent:** Tuesday, May 10, 2016 1:28 PM  
**To:** Clerk's Department  
**Subject:** Village proposed tax increase of 3.69%

To the Mayor and Board of Trustees:

I have lived at 2 Norma Place since 1979 and recently watched with some concern the debate over the 3.69 percent Village tax increased as suggested by the Board for next year.

I have never really followed the numbers nor do I know what the right level of contingency should be. I just know that the Board's reasoning for their numbers makes little sense as it was discussed.

The fact was emphasized that this village tax increase is small relative to the total tax bill because the increase in the school tax, the biggest component in dollar terms, was to be minimal this year. Obviously, each component of a homeowner's expense is important as they add up at some point. We should not ignore or minimize the importance of things like Con Ed rate hikes, cable rate hikes, water rate hikes or any other homeowner expenses simply because each only makes up a small component of total homeowner expense.

Also, I feel that the Village Treasurer should be able to defend the AAA rating with Moody's even if the surplus is not as high as the Trustees would like for next year based on the Village's past level of prudence and performance as well as its historical compliance with guidelines for surplus historically applicable to Scarsdale specifically.

Then the Treasurer should also examine what real impact a downgrade to AA+ or so would have on the village's interest expense forecast based on projected use of the bond market. If it's only a marginal increase in interest expense based on market characteristics and limited projected borrowing, the homeowners should not have to pay for the privilege of a AAA rating that has little economic benefit to the village but is more an ego thing. I have worked with company treasurers that oddly rejoiced in a slight downgrade simply as it enabled them to take on more debt before facing another downgrade. In the case of the village, the issue is arriving at a the level of appropriate taxation of the homeowners based on the tradeoffs involved.

Considering the months of work done on the budget, you are the ones to decide on the appropriate level of surplus. However, I would humbly suggest that you use cogent and insightful points to defend your decision and not rely on the village tax not amounting to much relatively nor worrying so much about what Moody's hypothetical reaction might be. Just ask Moody's how they would consider a slightly lower surplus and you may be surprised at their positive reaction.

This also ignores the discussion on whether the final audited numbers that have been released in September for the last few years have exceeded the spring numbers used for budgeting. If true, that would argue for a slight reduction this year which would still leave the village in compliance with needed contingency fund levels.

Thank you for considering these points and I look forward to your response.

Very truly yours,

John Schwarz

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