

Donna Conkling

From: Mayra Rodriguez Valladares <mrvassoc@yahoo.com>
Sent: Thursday, July 26, 2018 9:31 AM
To: Mayor; Jane Veron; 'Justin Arest'; Carl Finger; Matthew Callaghan; 'Lena Crandall'; 'Seth Ross'
Cc: Donna Conkling
Subject: More than ever, Scarsdale needs a long-term financial plan

Dear Mayor and Trustees,

I trust that you are all doing well. As you know since April, I have been writing and recommending that Village personnel create and implement a long-term financial plan. The housing market in Westchester, and even more so Scarsdale, has taken a pummeling. Nationwide, yesterday's data showed a decrease both in new and existing home sales.

Whilst tomorrow's GDP numbers will be very positive, I have been writing and telling you at BOT meetings that I am very bearish on the US economy. American households and corporations are more leveraged than they were in 2008. And there are rising late payments and defaults in credit cards and auto loans. The tariff threats and trade war already has already resulted in lower corporate earnings for America's largest car companies, and there are a number of companies that are starting to lay-off people. The time to prepare for an economic and market downturn is now. You were elected to be stewards of this town and to leave it better off than when you took over. You need a long-term financial plan with input from residents in order to find cost savings and to prioritize spending to match with what all residents want and need.

Below is my recent article on why municipalities like ours should have a long-term financial plan.

Here is the link in Crains Business New York as well <http://bit.ly/2uOckVK>.

Ms. Conkling kindly post my letter and article in the Written Correspondence on the Village Site.

Best regards,
Mayra

July 26, 2018 12:01 a.m.

OP-ED

All of New York should worry about Westchester's slowing housing market

More homeowners are selling in the wake of the new tax law

By Mayra Rodríguez Valladares

Mayra Rodríguez Valladares

Recent news that home sales in Westchester County declined by 18% the second quarter in 2018 in comparison to the same period in 2017, should have not only local elected municipal officials very concerned, but also those at the New York state level. This is the fourth consecutive quarterly decline in the county's home sales.

After New York county, Westchester county has the highest per capita income in New York state. Yet, even this county is not immune to the adverse effects of Trump's federal tax reform. Westchester residents are putting up

their homes for sale since federal tax reform now significantly limits to \$10,000 the deduction of local and state taxes. This is about half the \$17,179 average tax paid by Westchester residents in property taxes in 2017. As more and more people put up their homes up for sale, this will start to lower home values. In turn, residents will grieve their taxes which will lower what municipalities can collect for municipal services and schools.

Even before these news, Westchester County is already coping with a significant budget gap of [almost \\$29 million](#); the amount of the shortfall could grow depending on the outcome of ongoing labor contract negotiations. Unfortunately, news at the New York state level are also not positive. New York State Comptroller, Thomas Di Napoli recently announced that “spending will outpace revenues over the next three years with potential cumulative gaps totaling [\\$17.9 billion](#).” This number, however, only includes on-balance sheet assets and liabilities. According to Truth in Accounting, a Chicago-based not-for-profit organizations that analyzes municipal finances, New York state has about a [\\$143 billion shortfall](#), a figure which also estimates off-balance sheet liabilities. This would mean that each New York resident would need to come up with about \$21,500 to cover this significant gap. Even more worrisome is that officials are not being sufficiently transparent about the level of retiree health care debt that it carries off-balance sheet. According to Sheila Weinberg, the founder and CEO of Truth in Accounting, hundreds of billions of dollars have been promised to government workers in the form of pension and health care benefits, but the state has set aside less than one percent in assets to fund these promises.

Additionally, the [state lags](#) a lot of the rest of the country in economic growth. Growth could slow down even more depending on how the New York state economy will fare with the Trump administration’s tariffs. According to the US Chamber of Commerce, about [2.7 million jobs](#) in the state are supported by trade.

In light of these negative news, what should elected officials at the municipal, county, and state level do? They absolutely need to create a long-term financial model and plan to determine whether they can withstand economic or market downturns. For decades, municipal officials punt doing serious planning and kick the can down the line in to the future. Well, the future has arrived. Elected officials need to canvass their constituents through surveys or focus groups to determine what their priorities are and include them in the long-term financial plan. Elected officials also need to go through their budgets with a fine-tooth comb and get rid of projects that are only for special interest groups rather than for the good of all of their constituents.

Urging officials to have a long-term plan would seem very common sense. Yet, very few municipalities nationwide have long-term plans unless they are in serious financial trouble. In other words, they are reactionary rather than preventative.

Take Scarsdale, New York, one of Westchester County’s and in fact the nation’s wealthiest towns. Despite repeated pleas by several residents that municipal officials create and implement a long-term plan, Scarsdale Village’s mayor, Dan Hochvert, is on record stating that he does not believe one is necessary. Scarsdale’s over 100-year establishment party and local laws enable local officials to pass a budget without it even being put it to a vote.

No law requires Scarsdale to write a long-term plan, so the mayor and trustees come up with whatever agenda suits them. While Scarsdale officials can brag about having Moody’s assigned AAA rating, this should hardly be an excuse for officials to shirk their fiduciary duty of being accountable stewards for the municipality’s fiscal soundness in light of the very clear warning signals coming from the local housing markets.

Scarsdale’s home sales declined by 20%, slight higher than for the whole county. Additionally, unlike other nearby towns which has a shortage of houses for sale, the number of houses being listed in Scarsdale rose during the second quarter of 2018 in comparison to the same period in 2017.

	Q1, Price, \$m 2018	Q1, 2017	% Change	Q2, 2018	Q2, 2017	% Change	2H2018	1H2017	%Change
1 & <	4	5	-20	11	7	57	15	12	25
1-1.9	13	28	-54	32	39	-18	45	67	-33
2-2.9	4	8	-50	16	10	60	20	18	11
3-3.9	2	6	-67	2	5	-60	4	11	-64
4 & >	3	1	200	1	1	0	4	2	100
TOTAL	26	48	-46	62	62	0	88	110	-20

The New York Office of the Comptroller of the currency produces a very useful [manual](#) for municipalities to guide them in writing a long-term financial plan. It is very irresponsible that so many municipalities in New York, including Scarsdale, do not take up the state's free advice and resources.

Mayra Rodríguez Valladares is managing principal of [MRV Associates](#), which provides financial consulting, research and training on financial regulation issues. She is on Twitter @MRVAssociates.

www.MRVAssociates.com

<https://www.linkedin.com/in/mrvassociates>

Twitter@MRVassoc

Tel: +1-212-491-9153