

Donna Conkling

From: Mayra Rodriguez Valladares <mrvassoc@yahoo.com>
Sent: Thursday, December 01, 2016 9:10 AM
To: Mayor; Carl Finger; Jane Veron; Bill Stern; Deborah Pekarek; Matthew Callaghan; Marc Samwick
Cc: Clerk's Department
Subject: Tuesday Meeting about the Library Renovation

Dear Mayor and Board of Trustees,

Thank you for running Tuesday's meeting about the proposed library renovation. For the record, at the meeting I did not state whether I support the library renovation or not. Before taking important decisions, quantitative analysis is critical. It is irresponsible to current and future generations for any project in any municipality to go forward without asking in depth questions about financial projections and the assumptions that underlie the projections.

On Tuesday, I posed financial questions to the library board and to you. As the stewards of Scarsdale Village, it is your fiduciary responsibility as the Board of Trustee to ask much more probing questions and to get answers from any entity that comes before you to ask for taxpayers dollars.

It is imperative that the library board and its supporters conduct much more in depth financial analysis. For example, in the entire library report, there is nothing about the current state of the labor market tightening, that is, labor wages are rising. Data from the Federal Reserve and Department of Labor confirm this trend. Additionally, third

quarter data this week also confirmed that retail spending is going up and that GDP went up more than expected. All of this sets up an appetite for increased consumer and corporate spending next year which will push both white and blue collar salaries upward.

If under the new Administration in Washington, infrastructure spending projects really take off, this will increase the demand for labor. It will challenge any contractor to get an adequate and reliable source of labor; workers will be in a position to demand even higher wages. Also, actual or even the threat of deportation of undocumented workers, will increase the scarcity of workers. This is not theoretical. Even the Wall Street Journal had an article this week about how businesses across America are in panic mode, because they cannot get enough labor because of the possible changes in immigration laws and enforcement. Scarsdale is not immune. I hope no one pretends for a moment that this town is not benefiting greatly on a daily basis from the hard work of undocumented workers. The library report does not have any analysis about labor demand and supply.

The library board also needs to quantify demand for the expansion of the library. Demand for expansion is different than quantifying current users of the library. A petition of 600 supporters certainly merits attention. Yet, that is a small sample of the thousands of Scarsdale residents.

Also, in the report, the authors state that they use a formula to determine fund raising potential. What is the

formula? What inputs went into it? Who validated the formula? Formulae do not determine fund raising; humans do.

Where is the analysis for commodity prices? Oil went above \$50 a barrel. As soon as oil prices start to go up, that will have a knock on effect not only on other commodities such as metals necessary in construction, but also on transportation of every type.

The authors state that they have an independent estimator. Who is that? Who pays his or her services? What library projections did s/he estimate, and how do we know that they are correct.

The library report also states that financial projections are being conducted by the Village. Is that by the treasurer? Is there another group at Village Hall working on projections? Are these projections on debt and interest rates?

It is important to understand how interest rate projections are conducted by Village Hall. At the meeting the village treasurer stated that a consultant does the projections. Who is this consultant and his/her qualifications? Who at Village Hall understands how the interest rate projections are made and how they are validated? I asked what the reference rate, and I did not get an answer. Is the rate based on a municipal bond index to which a certain number of basis points are added to reflect Scarsdale Village's current credit quality, AAA? Anytime anyone says 'a consultant does this,' or 'the computer' does it, it is a strong warning flag of operational risk exposure. As I have

stated before, operational risk is a potential breach in the day-to-day running of an organization due to people, processes, technology/systems, and external threats. Vendors and consultants fall under the category of external threat. What this means is that because vendors and consultants do not work full-time for an organization, they need to be verified and supervised even more closely than fulltime staff. If a consultant is creating any model for the village, such as interest rate projections, construction costs, not to mention property assessments, there has to be a qualified individual at Village Hall who knows exactly what the consultant is doing. Not understanding a vendor's model or forecasts exposes Village Hall to reputational and financial risks. It is great that Scarsdale has a AAA rating by Moody's. A rating is the independent opinion of a group of individuals at a credit agency. It is not set in stone. It is the Board of Trustees' responsibility to provide the oversight necessary of Village Hall to protect that AAA. We are formally entering a rising interest rate environment in a week and a half when the Federal Reserve is almost certain to raise rates. If Scarsdale loses its AAA rating in a rising interest rate environment, the village's cost of borrowing could quickly escalate.

It would be very beneficial if the Board of Trustees and Village personnel explain more fully to residents what are all capital projects and projected costs for the next couple of years. The Treasurer did present some useful spreadsheets, but given the need for her to present briefly and quickly, I assure you many details were lost. Also, since there were no hard copies of the presentation, unless

one was next to the screen, it was practically impossible to see the numbers. Many library supporters kept saying that the cost of the library per resident would only be about \$138. That is assuming that the library projections are complete and correct. Yet, to the resident what is the full cost not only of the library, but also of rising water rates and of other planned capital expenditures? How will over assessed residents be impacted by the collective costs of all of these planned expenditures?

It is imperative that the Board of Trustees get more financial answers from the library. Also, it needs to be made very clear whether the library will raise the money first or whether the village is being compelled to commit to a bond first. There were very mixed messages at Tuesday's meeting. Why should taxpayers' funds be committed first for anything other than necessary maintenance and construction to be compliant with any laws and regulations?

I know that many of you were very happy with the meeting. Yes, it is much nicer to sit before residents who are talking about the many great things that the library provides than to sit before frustrated residents criticizing you for having failed in your fiduciary duties. Yet, do not forget that you were selected by the elected Citizens' Nominating Committee to lead Scarsdale and make it a better place to live in. To lead effectively you must push beyond your comfort zone to get necessary answers before making decisions. Some residents said that we needed an expanded library to contribute to Scarsdale, so that it would be better for generations to come. Leaving

Scarsdale better for current and future generations very much involves improving governance at Village Hall, supervising personnel better, and not saddling current and future residents with debt for projects until it is proven that they are financially sound and that expenditures on them would be fiscally prudent.

Best regards,
Mayra Kirkendall-Rodriguez

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