

April 19, 2019

THIS REPORT HAS BEEN PREPARED UNDER EXPEDITIOUS TREATMENT PROCEDURE OF SCARSDALE FORUM INC. BY THE COMMITTEE WHOSE MEMBERS' NAMES APPEAR BELOW. IT HAS BEEN APPROVED BY THE BOARD OF DIRECTORS (EXECUTIVE COMMITTEE) OF THE FORUM AND AUTHORIZED FOR RELEASE TO THE PUBLIC, BUT IT HAS NOT YET BEEN SUBMITTED TO THE FORUM MEMBERS FOR THEIR APPROVAL.

SCARSDALE FORUM INC.

**Report of the Fiscal Affairs Scarsdale Committee
On
The Village of Scarsdale 2019-2020 Budget¹**

The Committee proposes the following resolution for adoption by the Forum:

RESOLVED, that the Report of the Fiscal Affairs Scarsdale Committee on the Village of Scarsdale 2019-2020 Budget be approved.

Preliminary Statement

The Committee supports adoption of the 2019-20 Tentative Budget. The tentative budget was filed with the Village Clerk on March 20, 2019.² A hearing on the tentative budget was held on April 9, 2019 to consider public comments and suggestions. The Board will vote on the budget on April 23, 2019. The Village staff, the Mayor, the Board of Trustees (the "Board") and its Finance Committee have prepared a budget that "maintains the existing service levels residents have been accustomed to over the past decade"³ at a modest tax increase well under the state-calculated property tax cap despite a multitude of continuing challenges.

Discussion

The Budget Process. This Committee commends the Board for its long and rigorous collaboration with the staff in preparing the Village's 2019-20 budget and for making that process open to the public. The Finance Committee of the Board held five meetings beginning on September 13, 2018, including a day-long meeting with the Village Department heads. In addition, there were two public briefings--one covering the operating budget and a second

¹ Note: This report has been signed by 15 members of the Committee and is referred to as the "majority report." Attached to the majority report is a report signed by two members of the Committee and is referred to as the "minority report." The majority report and minority report were circulated to all Committee members who were given the opportunity to select which they wished to sign.

² Village of Scarsdale Tentative Budget Fiscal Year 2019-2019, March 20, 2019, at <https://www.scarsdale.com/ArchiveCenter/ViewFile/Item/128> .

³ Tentative Budget, Staff Letter to the Board, p. 1.

covering the capital budget. On January 10, 2019, Village staff presented at Taxes 10583, an educational program jointly sponsored by the League of Women Voters and the Scarsdale Forum. League and Forum representatives attended these meetings, as did the incoming mayor and trustees and other members of the public. Observers were permitted to ask questions and comment.

The Tentative Budget. The Tentative Budget proposes an increase in the tax levy of \$1,166,747, or 2.91% over the current fiscal year budget.⁴

Budgeted expenditures are \$58,025,449, increasing \$1,450,786, or 2.56%, over the current year. In comparison, expenditures in the current year adopted budget increased \$141,907 over the previous year. The addition of \$452,248 in debt service related to the library addition and renovation project and increased health insurance costs of \$488,188 account for most of the increase in expenditures over the current year.

Non-property revenues are projected to increase by \$295,701 or 1.91%. Projected mortgage tax revenue is \$1,700,000, unchanged from the current adopted budget. Projected interest income is \$375,000, reflecting increasing interest rates over current year. Sales tax revenue is projected to increase by \$75,000 to \$2,625,000, reflecting state law increases in sales taxes. The tentative budget applies \$1,023,000 of fund balance to cover budgeted expenditures and reduce the increase in the levy.

A 1% increase in the tax levy generates \$400,524.⁵

The recommended tax rate is based on total assessed valuation of \$8,884,761,016.⁶ The tentative budget recommends increasing the tax rate to \$4.637991 per thousand dollars of assessed valuation, a 2.71% increase over the current fiscal year. It means a tax increase in Village taxes of approximately \$256 for a homeowner with the average assessed property value of \$1,515,000.⁷ For the current fiscal year, Village taxes account for 18.32% of the total property tax levy. School taxes account for 63.65% and county taxes account for 18.04%.⁸

The Tax Cap. The New York State Tax Cap for the Village's 2019-20 fiscal year is 3.32%, which is comprised of a 2% CPI increase and a 1.32% growth factor. The cap is 4.84% inclusive of the FY 18/19 carryover. Thus, The Village could have increased spending by

⁴ Tentative Budget, Staff Letter to the Board, p. 1.

⁵ Finance Committee Agenda, February 14, 2019 at <https://www.scarsdale.com/DocumentCenter/View/4278/February-14-2019-Finance-Committee-3rd-Pass-Budget-Presentation-PDF>, p. 5.

⁶ Tentative Budget, Staff Letter to the Board, p. 14-15.

⁷ Tentative Budget, Appendix A7. This tax rate is based on the March 20, 2018 total assessed valuation of \$8,884,761,016. It is subject to change pending resolution of pending certiorari claims. Tentative Budget, Staff Letter to the Board, p. 14-15.

⁸ Tentative Budget, Staff Letter to the Board, p. 3.

\$1,940,531 without exceeding the cap.⁹ The Trustees chose not to enact a local law to override the cap for the fiscal year 2019-20 because the proposed increase is well below the cap.

Limit on State and Local Tax Deductions. Federal tax law was amended to limit the amount of state and local taxes (SALT) that can be deducted in computing federal income tax liability to \$10,000 beginning in calendar year 2018. The first individual income tax returns reflecting the SALT limitation were due on April 15, 2019. While generally anticipated to adversely affect communities in our area, the impact of this change on Village taxpayers and on the Village's financial condition is still not known. At least some Scarsdale homeowners will be paying significantly higher federal taxes, but it is difficult to know how many. Some Scarsdale taxpayers likely fell under the alternative minimum tax scheme, and therefore were not fully benefitting from SALT deductions under pre-amendment law. Others may pay less federal income tax under the new tax law, notwithstanding the cap on SALT deductions, or will opt to take the now increased standard deduction.

Pursuant to New York state enabling legislation, the Village created a Charitable Gift Reserve Fund to support the public purposes of Village government and share in some of the costs.¹⁰ Some residents made contributions to the fund equal to the amount of their property tax liability and received a tax credit for 95% of the contributions. The IRS took the position in a May 23, 2018 Notice and in Proposed Regulations issued on August 23, 2018 that these contributions would not qualify as charitable deductions in computing federal income tax liabilities.¹¹ That proposed regulation has not been finalized, and will likely be subject to pending litigation in federal court once finalized, with no clear timeline for resolution of the issue. The Village Treasurer website strongly cautions taxpayers regarding deductibility of contributions.¹²

At the first Finance Committee budget meeting in September 2018, Trustee Justin Arest observed that "SALT hasn't changed our job at all," which is to provide municipal services desired by the community at the lowest possible cost. This Committee agrees. We are not in a position to quantify the impact of the SALT cap on Village taxpayers and, in particular, are not aware of any significant change in the real estate market that can be definitively linked to the SALT cap at this time.¹³ Despite concerns about the SALT cap, residents did not call for service

⁹ Tentative Budget, Staff Letter to the Board, p.1. The cap for each year is computed by taking the previous year's tax levy, multiplying it by a potential growth factor provided by the State and then multiplying that number by *the lesser of 2% or the CPI*. See generally New York State Dept. of Taxation and Finance, The Property Tax Cap, Guidelines for Implementation, at <https://www.tax.ny.gov/pdf/publications/orpts/capguidelines.pdf>.

¹⁰ See Village Treasurer website at <https://www.scarsdale.com/566/Charitable-Gift-Fund-Tax-Credit>.

¹¹ IRS Notice 2018-54, <https://www.irs.gov/newsroom/irs-issues-notice-on-state-and-local-tax-deductions>; IRS Proposed Regulations at <https://www.irs.gov/newsroom/treasury-irs-issue-proposed-regulations-on-charitable-contributions-and-state-and-local-tax-credits>.

¹² See <https://www.scarsdale.com/566/Charitable-Gift-Fund-Tax-Credit>.

¹³ See "Housing Market Shows Few Ill Effects from Tax Reform," Forbes, August 31, 2018 at <https://www.forbes.com/sites/zillow/2018/08/31/housing-market-showing-few-ill-effects-from-tax-reform/#5d88c276112b>; "Economic Woes Take Their Toll on Scarsdale Real Estate Plus Sales and Featured Listings," Scarsdale10583.com January 16, 2019 at <http://www.scarsdale10583.com/real-estate-/7346-economic->

cuts or an austerity budget during the budget process. Both of the residents who spoke at the public hearing on the budget wanted the Village taxes to decrease but did not identify specific services or programs that could be eliminated or cut back to make that happen.

The Tentative Budget Avoids Service Reductions. The tentative budget allows the Village to continue to provide a “level of services that residents have been accustomed to.”¹⁴ This Committee agrees with this approach and believes that it generally reflects the views of Village taxpayers. The community continues to be resistant to perceived service cuts, and indeed residents have requested additional or the continuation of existing services. Food scrap recycling and weekly curbside pickup of food scraps are new services that increase costs.¹⁵ \$670,215 is budgeted for leaf pickup.¹⁶ Residents complained about the poor condition of Village roads, prompting the Village to substantially increase repaving.¹⁷ In a 2017 report, the Scarsdale Forum’s Municipal Services Committee recommended code enforcement to promote quality of life.¹⁸ A part-time employee is added in the tentative budget to provide additional code enforcement.¹⁹ Another 2017 report requested additional signage, sidewalks and police enforcement to calm traffic (though most of those surveyed in the latter study indicated they would not favor an increase in taxes to cover those additional efforts).²⁰ Other residents have requested that the Village provide a dog park²¹ and build a comfort station at the Middle School. And of course, residents requested, and the Board approved, borrowing \$9.9 million in 2018 to renovate the public library, which added \$452, 242 in debt service expense to the tentative budget.²²

The Village budget is largely driven by the expense of salaries, health care, pensions and other employee benefits that amount to approximately 70.6% of budgeted expenditures. The Village government has little ability to manage these costs because of unfunded mandates imposed by New York State relative to pension costs, and collective bargaining laws regulating the Village’s negotiated, binding contracts with the labor unions representing Village employees, which particularly impacts the increase in health insurance costs. Pension costs have increased

[woes-take-their-toll-on-home-sales-in-scarsdale](#) (declining sales and prices in 2018 attributed to increasing interest rates and “a tough fourth quarter on Wall Street” in addition to the SALT cap).

¹⁴ Tentative Budget, Staff Letter to the Board, p. 1.

¹⁵ Food scrap recycling costs \$70/ton and garbage costs 28.30/ton. The Village recycles five tons of food scraps per week. There is no cost to dispose of paper and co-mingled recycling. The tentative budget projects a decrease in waste disposal (garbage tipping fees) of \$10,000. Tentative Budget at p. 43.

¹⁶ Tentative Budget, Appendix A20. Virtually all of this amount is for residential curbside leaf removal.

¹⁷ “Road Resurfacing Program,” October 18, 2018 presentation by DPW at <https://www.scarsdale.com/DocumentCenter/View/3677/ROAD-RESURFACING-PROGRAM-OVERVIEW---VILLAGE-OF-SCARSDALE---final?bidId=>.

¹⁸ Scarsdale Forum, Initial Report of the Municipal Services Committee on Quality of Life Village Code Violations, September 19, 2017.

¹⁹ See Finance Committee Meeting February 14, 2019 Presentation slide 4 at <https://www.scarsdale.com/DocumentCenter/View/4278/February-14-2019-Finance-Committee-3rd-Pass-Budget-Presentation-PDF>.

²⁰ Scarsdale Forum, Report of the Municipal Services Committee on The Scarsdale Forum Traffic Survey, January 18, 2018.

²¹ Scarsdale Forum, Initial Report on the Feasibility of a Dog Park in Scarsdale, May 9, 2018.

²² Tentative Budget, Staff Letter to the Board p. 12.

96% since the 2009/10 fiscal year; health insurance costs have increased 28% over the last three years.²³ The number of full-time employees (FTEs) is 232.7 and has not changed since 2006.²⁴

The only way for the Village to reduce these costs is to eliminate FTEs. Reducing FTEs, however, would most likely mean a reduction in the amount and quality of municipal services. From time to time, residents have suggested eliminating Village employees by, for example, privatizing sanitation services; switching from a Village police force to the Westchester County police; and either using an all-volunteer fire department or consolidating the Village's fire department with those of neighboring municipalities. While none of these measures were raised at any of the budget meetings, this Committee has informally discussed them. In our discussions, while there were various aspects of these ideas that were controversial, one point of agreement had to do with consolidation: namely, that due to Scarsdale's high assessed values relative to neighboring municipalities, consolidation that would result in costs shared by assessed value (i.e. anything consolidated to the County) would very likely raise the cost of those services for residents in Scarsdale. We note that the Village benefits from an active volunteer firefighter cadre, and from fire and police mutual aid agreements with neighboring municipalities.

This Committee does not advocate for service cuts that could have been made in the 2019-20 budget (for example, eliminating leaf pickup,²⁵ reducing trash pickups or moving pickups to curbside, reducing police patrols or response time, eliminating recreation department programs and/or further increasing fees, or cutting back on road maintenance). We do, however, recognize that all of these possible cost reduction measures and others might need to be reexamined by the community in the coming years. The Committee urges residents and the Board to heed staff's warnings that bigger year-to-year tax increases are inevitable in the future if the goal is to continue to provide existing levels of service.²⁶

The Committee supports use of fund balance of \$1,023,000 for tax relief in the tentative budget given that the Village will maintain a large enough fund balance – between 10 and 15% of the prior year's budget – to maintain its Aaa credit rating.

Specific Comments and Recommendations

1. Parks, Recreation and Conservation Issues. The current adopted budget (2018/19) includes \$100,000 for consulting fees to develop a Master Plan for PRC facilities and programs.²⁷ No RFP has been issued to date. The Committee understands that the Board does not intend to spend these funds for a consultant. As part of the 2019/20 budget process, the PRC undertook a comprehensive study of public interest in, and pricing of, the various

²³ Tentative Budget, Staff Letter to Board, p. 2.

²⁴ See Tentative Budget, Appendix A12.

²⁵ Projected costs of leaf collection and disposal are \$670,215. Tentative Budget, App. A20.

²⁶ Tentative Budget, Staff Letter to the Board, p. 4.

²⁷ Tentative Budget, p. 99. An additional \$40,000 is budgeted for consulting services relating to pool improvements and upgrades. Tentative Budget, p. 112.

recreational programs it offers to residents.²⁸ The Advisory Council on Parks and Recreation reviewed and approved the PRC offerings and pricing for the 2019/20 fiscal year.²⁹ We do not see an outside consultant adding any value to the work done by staff and the Council and support using those funds for other purposes.

For 2019-20, PRC program user fees, including for the day camp, represent 64% of all of the departmental operating expenses, continuing a policy that has been in place for a number of years.³⁰ If employee benefits classified as non-departmental expenses are included, the coverage is 56%. Staff notes in its Budget letter to the Trustees that if the the cost of Facilities/Parks Maintenance and also Administration (to which the salaries of the Superintendent and Assistants are charged) are excluded, program fees cover close to 100% of the remaining direct operating expenses (or 87% when benefits are included).³¹ The administration and facilities functions would exist and need to be funded whether or not the PRC offered the day camp and other programs. The Committee agrees that comparing program fees to direct costs is a reasonable approach to pricing these programs. While a portion of administrator salaries could be viewed as an additional cost of a particular program, the Committee does not think that tracking administrators' time and including part of their salaries in costs that have to be covered by program fees is appropriate. The PRC study shows that fees approved for the 2019/20 fiscal year more than covers the direct departmental expenses of the largest programs- youth camps (107%), athletics programs (130%) and tennis (118%).³² Fees for the Scarsdale summer camp are higher than the five neighboring communities considered by the PRC.³³ The Committee agrees with the views expressed by the Trustees during the budget process that these programs enhance the quality of life in the Village; deliver services that residents want, including a robust and well-attended day camp and athletic programs; and may increase real estate values, justifying any modest "subsidy" that might exist in the PRC fee structure.

The Village PRC has administered the Scarsdale Youth Football League, a travel tackle football program among youth football teams in Southern Westchester since 1944. Because the number of participating teams has declined, the Village will no longer administer the League and will enter the county-wide Westchester Football League.³⁴ The Village, however, will continue to offer tackle football for children in grades three through eight. Only 56 children participated in 2018.³⁵ Awareness about the effect of tackle football and potential concussions on youth brain

²⁸ PRC Presentation at January 17, 2019 Finance Committee Meeting at <https://www.scarsdale.com/DocumentCenter/View/4164/January-17-2019-PRC-Fee-Charges-Presentation-PDF>. The analysis could have been improved by considering PRC employee benefits that are classified as non-departmental expenditures. See Recommendation 8.

²⁹ Brian Gray, PRC fee memo dated December 14, 2018 p. 1 attached to January 17, 2019 Finance Committee Meeting Agenda at . https://www.scarsdale.com/AgendaCenter/ViewFile/Agenda/_01172019-579.

³⁰ PRC Presentation, slide 1.

³¹ Tentative Budget, Staff Letter to the Board, p. 26

³² PRC Presentation, slides 2 and 3.

³³ PRC Presentation, slide 12.

³⁴ Brian Gray, PRC fee memo dated December 14, 2018 p. 5.

³⁵ PRC Schedule of Recreation Fees and Charges-Proposed p. 3 attached to agenda for January 17, 2019 Finance Committee at https://www.scarsdale.com/AgendaCenter/ViewFile/Agenda/_01172019-579.

development and related litigation has continued to grow.³⁶ The Committee's opinion is that it is time for the Village to discontinue tackle football given the low participation, the ample evidence of a risk of head injuries, and the subsequent potential for lawsuits filed against the Village.³⁷ We note that the PRC also offers flag football, which is a much safer alternative,³⁸ and attracted 139 children last year. To be clear, we do not advocate banning tackle football. If Scarsdale parents and coaches want to continue the sport, it can be picked up by another Youth Sports Organization within the village, similar to the way little league baseball and youth lacrosse is run.

2. **Commuter Parking Permit Fees.** The monthly charge for an annual resident parking permit at Christie Place was increased last year from \$1,500 to \$1,600. The waiting list of 30-50 residents shows that demand for Christie Place permits substantially exceeded the number of available spaces at the increased fee even though Freightway resident annual permits cost \$1,000. During the budget discussions with staff, the Finance Committee increased the Christie Place garage fee from \$1,600 to \$1,700.³⁹ This increase will generate an additional \$30,000 in fee income. We recommend that the Village consider further increasing the Christie Place permit fee to the amount determined by demand for parking in our premium garage.

3. **Water Rates.** Water rates are increasing again in fiscal year 2019/20 as part of a five-year plan to fix our water infrastructure that was installed between the 1890s and the 1940s and to restore the water fund balance to an acceptable level.⁴⁰ Infrastructure maintenance and repair is critical – an estimated 20% of the water the Village purchases from New York City is lost through leaks before it can be delivered to, and billed to, residents. Last year, the Village decided to revert to an excess rate of three times the base rate, passing on New York City's reduction in the cost of excess water.⁴¹ Beginning this month, a second tier excess rate of 3.5 times the base rate will be imposed for water in excess of 125 units. The top 10-15% of water customers during the peak usage periods will pay the second excess tier. New York City has

³⁶ See "Playing Youth Tackle Football Is Linked to Earlier Symptoms of Brain Disease," April 30, 2018, at <http://time.com/5258406/cte-youth-tackle-football/>; <https://www.bu.edu/research/articles/youth-football-linked-to-earlier-brain-problems/>; "New findings on concussion in football's youngest players," December 13, 2018, at https://www.eurekalert.org/pub_releases/2018-12/sc-nfo121218.php, reporting new research from Seattle Children's Research Institute and [UW Medicine's Sports Health and Safety Institute](#) that concussion rates among football players ages 5-14 were higher than previously reported, with five out of every 100 youth, or 5%, sustaining a football-related concussion each season.

³⁷ See "Youth Tackle Football Faces Litigation Over Head Injuries, Along With Proposals To Ban The Sport, Altogether," August 2018 ABA Journal, at http://www.abajournal.com/magazine/article/youth_tackle_football_head_injuries/P1 – ; "Pop Warner Lawsuit Reveals a Hidden Risk About Youth Football," Forbes, October 27, 2017, at <https://www.forbes.com/sites/leeigel/2017/10/27/pop-warner-cte-lawsuit-reveals-a-hidden-risk-about-youth-football/#546c0b1f7f1f>.

³⁸ Aspen Institute Study, September 18, 2018, advocating flag football before high school, at <https://assets.aspeninstitute.org/content/uploads/2018/09/FINAL-Future-of-Football-Paper.3.pdf>.

³⁹ Revised FY 2019-20 Village-Wide Fees and Charges Memorandum, February 21, 2019 p. 7 attached to February 26, 2019 Board meeting agenda p. 95-113.

⁴⁰ Tentative Budget, Staff Letter to Board p. 20-21.

⁴¹ Village of Scarsdale website, <https://www.scarsdale.com/178/Water>; and <http://www.scarsdale.com/DocumentCenter/View/2775>.

identified Scarsdale as a top 10% user of NYC water and set a goal for Scarsdale to reduce its water consumption by 5% by 2022. The Committee supports pricing that charges the highest rates to the heaviest users. Even with this year's increase, Scarsdale's base water rate will still be in the bottom 10% of Westchester water utilities.⁴²

4. **Road Maintenance.** In 2017, a consultant determined that 50% of the Village's 79 miles of roads were in either poor or fair condition.⁴³ In an October 2018 presentation to the Board and the community, the DPW recommended that the Village pave 4.5 to 5 miles of roadway every year, focusing on the fair and poor roads.⁴⁴ Only in last two years has the Village paved more than 4.5 miles. For ten years before that, very little paving was done. In seven of those years, less than two miles of roads were resurfaced leading to the unsatisfactory condition of our roads.⁴⁵ Paving costs \$250,000 per mile; the annual cost of the recommended program net of CHIPS reimbursement is \$1,500,000.⁴⁶

In this year's budget discussions, the Board affirmed the importance of maintaining roads and reducing the number of fair and poor roads and the five mile per year goal. In fact, during the budget process, the Finance Committee allocated \$103,000 away from parking meter replacement proposed by staff to pay for additional paving. Staff expects to spend up to \$1,315,300 on paving in the 2019/20 fiscal year.⁴⁷ This Committee believes that condition of the roads is a priority for residents and endorses the Board's decision to continue to adequately fund road resurfacing.

5. **Code Enforcement.** The tentative budget includes \$35,000 to pay for a new part-time employee to handle code enforcement.⁴⁸ The new position was not in staff's initial proposed budget. Following Board discussions during the budget process, the position was added in the "third pass" adjustments. Specifically, \$17,500 was added to Engineering Personal Services and \$17,500 was added to Building Department Personal Services as the employee will work for both departments.⁴⁹ While the Forum's Municipal Services Committee has encouraged code

⁴² Tentative Budget, Staff Letter to Board, p. 22; Village of Scarsdale website, at <https://www.scarsdale.com/179/Water-Rates>.

⁴³ MHM Associates report, November 28, 2017 at <http://www.scarsdale.com/DocumentCenter/View/2892/Scarsdale-Street-Condition-AssessmentPavement-Management-Study-2017?bidId=>.

⁴⁴ "Road Resurfacing Program," October 18, 2018 presentation by DPW at <https://www.scarsdale.com/DocumentCenter/View/3677/ROAD-RESURFACING-PROGRAM-OVERVIEW---VILLAGE-OF-SCARSDALE---final?bidId=>.

⁴⁵ Road Surfacing Program, slide 13.

⁴⁶ Road Surfacing Program, slide 14.

⁴⁷ Tentative Budget, p. 108- \$303,400 and \$20,000 for curbing and CHIPS reimbursement of \$491,900 is budgeted. Staff anticipates a \$500,000 year-end closeout transfer based on the May 2019 financials.

⁴⁸ See Finance Committee Meeting February 14, 2019 Presentation slide 4 at <https://www.scarsdale.com/DocumentCenter/View/4278/February-14-2019-Finance-Committee-3rd-Pass-Budget-Presentation-PDF>.

⁴⁹ These amounts were included in the Personal Service amounts in the Tentative Budget (Engineering p. 40; Building p. 59) but omitted from the Position Summaries (p. 37, p. 59). We understand that this will be corrected in the adopted budget.

enforcement to enhance quality of life in the Village and only qualifiedly endorsed hiring an additional employee,⁵⁰ this Committee proposes that the Village police department and other Village employees authorized to enforce the Code⁵¹ make code enforcement more of a priority and increase their efforts in this area at the same time. There is no projection of additional fine revenue that would be generated by the new code enforcement employee. We recommend that the Village monitor fee income brought in by this employee to ensure that the position is supported by revenue and also encourage the police department and other authorized code enforcement employees to make code enforcement more of a priority.

6. *Salary Increase for Non-Union Employees.* A salary increase for non-union Village employees is not included in the Tentative Budget.⁵² The staff letter states that this issue will be addressed in the resolution adopting the final budget in April.⁵³ The letter states that wage increases in the tentative budget are in the 2 to 2.5% range for local government employees and comparable to other Westchester communities.⁵⁴ Village union employees received a 2% increase for the most recent year, except for police department employees who received 3.5% and fire department employees who received 3%. Non-union Village employees have received a 2% increase in each of the last nine adopted budgets.⁵⁵ There are 47 non-union employees. The impact of a 2% increase would be approximately \$102,000. This Committee does not support an “automatic” across-the-board increase of 2% or any other amount. We do, however, support salary increases that are comparable to non-union salary increases approved in comparable communities and that are necessary to retain these employees.

In addition, this Committee questions why this budget item was excluded from the otherwise open and transparent process that led to the Tentative Budget in which residents were advised of, or free to inquire into, the factual basis and underlying policy rationale for the items included in the budget. The Board’s public hearing on the 2019-20 budget took place on April 9, 2019, and the proposed salary increase was not included at that time. In the past, this salary increase has been added in the form of a resolution after the public hearing, and voted on without the opportunity for the public to be informed of or inquire into the factual basis or rationale for the resolution. This Committee encourages the Board to discontinue this exceptional budget process for non-union salary increases going forward.

7. *Comfort Station.* The Village continues to discuss construction of a comfort station near the Middle School tennis courts with the School Board. At a March 11, 2019 meeting, the Village agreed to pay for all construction costs, estimated to total \$130,000. \$15,000 is appropriated in the current capital budget.⁵⁶ The Village is preparing construction drawings.

⁵⁰ Scarsdale Forum, Initial Report of the Municipal Services Committee on Quality of Life Village Code Violations, September 19, 2017, retrieved from <https://www.scarsdaleforum.com/Reports/View/557/40>.

⁵¹ See Scarsdale Village Code Ch. 15 at <https://ecode360.com/6437552>, identifying Village employees authorized to issue appearance tickets for Code violations.

⁵² Tentative Budget, Staff Letter to Board p. 7.

⁵³ Tentative Budget, Staff Letter to Board, p. 17-19.

⁵⁴ Tentative Budget, Staff Letter to Board p. 7.

⁵⁵ Tentative Budget, Staff Letter to Board p. 17-18.

⁵⁶ Tentative Budget, p. 100.

The School Board agreed to facilitate the application to the New York State Education Department for the necessary approval which is expected to take from six to 12 months. This Committee continues to support this project and encourages the School Board to continue these discussions.

8. ***Budget Format.*** Going forward, the Committee recommends the inclusion of an Appendix in the budget that shows the expenses of the various departments *including* benefit costs. These costs are currently bundled into “Non-departmental expenses,” thus, it is not possible to see a true, all-in cost of each department.

Conclusion

The Committee hereby concludes that the recommendations set forth in this Report be adopted.

Respectfully submitted by the following members of the Fiscal Affairs Scarsdale Committee:

Madelaine Eppenstein
Timothy Foley
Diane Greenwald
Dara Gruenberg
Anne Hintermeister
Linda Killian
Michael Levine
Mark Lewis
Barry Meiselman
Evelyne Otten
Steve Pass
ML Perlman
Greg Soldatenko
Richard Streicher
James Wetmur

April 22, 2019

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SCARSDALE FORUM INC.

**Report of a Minority of Members of the Fiscal Affairs Scarsdale Committee
On
The Village of Scarsdale 2019-2020 Budget**

The Committee proposes the following resolution for adoption by the Forum:

RESOLVED, that the Report of the Fiscal Affairs Scarsdale Committee on the Village of Scarsdale 2019-2020 Budget be edited as outlined below and approved.

Preliminary Statement

The undersigned Committee members agree with and approve much of the Committee Report. However, the undersigned disagree with certain statements contained in the body of the Report and certain Recommendations made in said report. Therefore, we submit this Minority Report which sets forth several alternative substantive paragraphs and recommendations for consideration and vote by the Forum Membership at the next General Meeting of the Forum.

A “red line” copy of the Committee Report reflecting all alternative text follows on the subsequent pages. “~~Strikethrough text~~” indicates passages in the Committee Report to be deleted. “Red text” indicates new passages to be added to the Committee report.

April 19, 2019

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RESOLVED, that the Report of the Fiscal Affairs Scarsdale Committee on the Village of Scarsdale 2019-2020 Budget be approved.

Preliminary Statement

~~The Committee supports adoption of the 2019-20 Tentative Budget.~~ **The Committee supports adoption of the 2019-20 Tentative Budget subject to the recommendations contained herein.** The tentative budget was filed with the Village Clerk on March 20, 2019.² A hearing on the tentative budget was held on April 9, 2019 to consider public comments and suggestions. The Board will vote on the budget on April 23, 2019. The Village staff, the Mayor, the Board of Trustees (the "Board") and its Finance Committee have prepared a budget that "maintains the existing service levels residents have been accustomed to over the past decade"³ at a modest tax increase well under the state-calculated property tax cap despite a multitude of continuing challenges.

Discussion

The Budget Process. This Committee commends the Board for its long and rigorous collaboration with the staff in preparing the Village's 2019-20 budget and for making that process open to the public. The Finance Committee of the Board held five meetings beginning

¹ ~~Note: This report has been signed by 15 members of the Committee and is referred to as the "majority report." Attached to the majority report is a report signed by two members of the Committee and is referred to as the "minority report." The majority and minority reports were circulated to all Committee members who were given the opportunity to select which report they wished to sign.~~

² Village of Scarsdale Tentative Budget Fiscal Year 2019-2019, March 20, 2019, at <https://www.scarsdale.com/ArchiveCenter/ViewFile/Item/128> .

³ Tentative Budget, Staff Letter to the Board, p. 1.

on September 13, 2018, including a day-long meeting with the Village Department heads. In addition, there were two public briefings--one covering the operating budget and a second covering the capital budget. On January 10, 2019, Village staff presented at Taxes 10583, an educational program jointly sponsored by the League of Women Voters and the Scarsdale Forum. League and Forum representatives attended these meetings, as did the incoming mayor and trustees and other members of the public. Observers were permitted to ask questions and comment.

The Tentative Budget. The Tentative Budget proposes an increase in the tax levy of \$1,166,747, or 2.91% over the current fiscal year budget.⁴

Budgeted expenditures are \$58,025,449, increasing \$1,450,786, or 2.56%, over the current year. In comparison, expenditures in the current year adopted budget increased \$141,907 over the previous year. The addition of \$452,248 in debt service related to the library addition and renovation project and increased health insurance costs of \$488,188 account for most of the increase in expenditures over the current year.

Non-property revenues are projected to increase by \$295,701 or 1.91%. Projected mortgage tax revenue is \$1,700,000, unchanged from the current adopted budget. Projected interest income is \$375,000, reflecting increasing interest rates over current year. Sales tax revenue is projected to increase by \$75,000 to \$2,625,000, reflecting state law increases in sales taxes. The tentative budget applies \$1,023,000 of fund balance to cover budgeted expenditures and reduce the increase in the levy.

A 1% increase in the tax levy generates \$400,524.⁵

The recommended tax rate is based on total assessed valuation of \$8,884,761,016.⁶ The tentative budget recommends increasing the tax rate to \$4.637991 per thousand dollars of assessed valuation, a 2.71% increase over the current fiscal year. It means a tax increase in Village taxes of approximately \$256 for a homeowner with the average assessed property value of \$1,515,000.⁷ For the current fiscal year, Village taxes account for 18.32% of the total property tax levy. School taxes account for 63.65% and county taxes account for 18.04%.⁸

The Tax Cap. The New York State Tax Cap for the Village's 2019-20 fiscal year is 3.32%, which is comprised of a 2% CPI increase and a 1.32% growth factor. The cap is 4.84% inclusive of the FY 18/19 carryover. Thus, The Village could have increased spending by

⁴ Tentative Budget, Staff Letter to the Board, p. 1.

⁵ Finance Committee Agenda, February 14, 2019 at <https://www.scarsdale.com/DocumentCenter/View/4278/February-14-2019-Finance-Committee-3rd-Pass-Budget-Presentation-PDF>, p. 5.

⁶ Tentative Budget, Staff Letter to the Board, p. 14-15.

⁷ Tentative Budget, Appendix A7. This tax rate is based on the March 20, 2018 total assessed valuation of \$8,884,761,016. It is subject to change pending resolution of pending certiorari claims. Tentative Budget, Staff Letter to the Board, p. 14-15.

⁸ Tentative Budget, Staff Letter to the Board, p. 3.

\$1,940,531 without exceeding the cap.⁹ The Trustees chose not to enact a local law to override the cap for the fiscal year 2019-20 because the proposed increase is well below the cap.

Limit on State and Local Tax Deductions. Federal tax law was amended to limit the amount of state and local taxes (SALT) that can be deducted in computing federal income tax liability to \$10,000 beginning in calendar year 2018. The first individual income tax returns reflecting the SALT limitation were due on April 15, 2019. While generally anticipated to adversely affect communities in our area, the impact of this change on Village taxpayers and on the Village's financial condition is still not known. At least some Scarsdale homeowners will be paying significantly higher federal taxes, but it is difficult to know how many. Some Scarsdale taxpayers likely fell under the alternative minimum tax scheme, and therefore were not fully benefitting from SALT deductions under pre-amendment law. Others may pay less federal income tax under the new tax law, notwithstanding the cap on SALT deductions, or will opt to take the now increased standard deduction.

Pursuant to New York state enabling legislation, the Village created a Charitable Gift Reserve Fund to support the public purposes of Village government and share in some of the costs.¹⁰ Some residents made contributions to the fund equal to the amount of their property tax liability and received a tax credit for 95% of the contributions. The IRS took the position in a May 23, 2018 Notice and in Proposed Regulations issued on August 23, 2018 that these contributions would not qualify as charitable deductions in computing federal income tax liabilities.¹¹ That proposed regulation has not been finalized, and will likely be subject to pending litigation in federal court once finalized, with no clear timeline for resolution of the issue. The Village Treasurer website strongly cautions taxpayers regarding deductibility of contributions.¹²

~~At the first Finance Committee budget meeting in September 2018, Trustee Justin Arest observed that "SALT hasn't changed our job at all," which is to provide municipal services desired by the community at the lowest possible cost. This Committee agrees. We are not in a position to quantify the impact of the SALT cap on Village taxpayers and, in particular, are not aware of any significant change in the real estate market that can be definitively linked to the SALT cap at this time.¹³ Despite concerns about the SALT cap, residents did not call for service~~

⁹ Tentative Budget, Staff Letter to the Board, p.1. The cap for each year is computed by taking the previous year's tax levy, multiplying it by a potential growth factor provided by the State and then multiplying that number by *the lesser of 2% or the CPI*. See generally New York State Dept. of Taxation and Finance, The Property Tax Cap, Guidelines for Implementation, at <https://www.tax.ny.gov/pdf/publications/orpts/capguidelines.pdf>.

¹⁰ See Village Treasurer website at <https://www.scarsdale.com/566/Charitable-Gift-Fund-Tax-Credit>.

¹¹ IRS Notice 2018-54, <https://www.irs.gov/newsroom/irs-issues-notice-on-state-and-local-tax-deductions>; IRS Proposed Regulations at <https://www.irs.gov/newsroom/treasury-irs-issue-proposed-regulations-on-charitable-contributions-and-state-and-local-tax-credits>.

¹² See <https://www.scarsdale.com/566/Charitable-Gift-Fund-Tax-Credit>.

¹³ See "Housing Market Shows Few Ill Effects from Tax Reform," *Forbes*, August 31, 2018 at <https://www.forbes.com/sites/zillow/2018/08/31/housing-market-showing-few-ill-effects-from-tax-reform/#5d88e276112b>; "Economic Woes Take Their Toll on Scarsdale Real Estate Plus Sales and Featured Listings," Scarsdale10583.com January 16, 2019 at <http://www.scarsdale10583.com/real-estate/7346-economic>.

~~cuts or an austerity budget during the budget process. Both of the residents who spoke at the public hearing on the budget wanted the Village taxes to decrease but did not identify specific services or programs that could be eliminated or cut back to make that happen.~~

At the first Finance Committee budget meeting in September 2018, Trustee Justin Arest observed that "SALT hasn't changed our job at all" which is to provide municipal services desired by the community at the lowest possible cost." While the Committee agrees that the SALT cap has not changed that "job," the SALT cap has changed the playing field and the rules of play dramatically. For many taxpayers who reside in the Village of Scarsdale, the SALT cap has ballooned their "after-tax" costs of home ownership or rent. Although a sizable percentage of Scarsdale taxpayers are subject to the Alternative Minimum Tax and did not fully benefit from the SALT deductions, likely the majority of Scarsdale taxpayers did, in fact, benefit, and now will find themselves paying more (in many cases, significantly more) in federal taxes this year and beyond as a consequence. Besides the direct blow to many Scarsdale residents' pocketbooks, the SALT cap is seriously hurting the Scarsdale Village residential real estate market. The residential real estate market in Scarsdale Village has struggled ever since the Great Recession, especially at the luxury high end. The enactment of the SALT cap at the end of 2017, coming on the heels of the upheaval in the local market occasioned by the mismanaged and chaotic Ryan town wide revaluation on July 1, 2016, put the kibosh on any sort of mild recovery from the Great Recession. The high end of the Scarsdale market particularly has suffered dramatic price declines and increases in inventory and days on the market, though the residential real estate market in Scarsdale at all price ranges has suffered over the past two years, continuing into this Spring, despite a robust economy overall, a strong stock market, and low interest rates. The SALT cap is a primary factor negatively impacting the residential real estate market in Scarsdale. Moreover, the legal challenges to the cap are unlikely to be successful since the removal of this tax deduction is well within Congress' legislative powers. And there is little prospect for removal of the cap on the legislative front, given President Trump's desire to punish the SALT-heavy Blue states for not voting for him and the lack of enthusiasm progressive Democrats are likely to have to reinstate a tax break that largely benefits the wealthy. Thus, in the years to come, the Village Board is likely to face increased pressure from residents to lower the Village property tax burden, even while minimizing municipal service cuts, making the budgeting process much more trying.

The Tentative Budget Avoids Service Reductions. The tentative budget allows the Village to continue to provide a "level of services that residents have been accustomed to."¹⁴ This Committee agrees with this approach and believes that it generally reflects the views of Village taxpayers. The community continues to be resistant to perceived service cuts, and indeed residents have requested additional or the continuation of existing services. Food scrap

~~[woes take their toll on home sales in scarsdale](#) (declining sales and prices in 2018 attributed to increasing interest rates and "a tough fourth quarter on Wall Street" in addition to the SALT cap).~~

¹⁴ Tentative Budget, Staff Letter to the Board, p. 1.

recycling and weekly curbside pickup of food scraps are new services that increase costs.¹⁵ However, the new weekly curbside food scraps pickup program has increased sanitation costs by only a trivial amount (5 tons/week times \$70/ton or \$350/week). That sums to \$18,200 per year, but the cost is probably significantly less considering the summertime drop in food scrap recycling volume. There are no additional labor or capital costs to the program since the Village uses the same personnel and equipment and does not incur overtime costs. The only additional cost is the "tipping fee" for the relatively small tonnage of food scraps collected which is offset by the diminished tonnage of "garbage" that is now collected, resulting in lower solid waste tipping fees (a decrease of \$10,000 is budgeted). Thus, the incremental costs to taxpayers of this new municipal service are perhaps a maximum of \$8,000 per year (out of a \$58 million budget) - just one hundredth of one percent of the overall budget -- which is why adding this new, eco-friendly service was a no-brainer and was heartily endorsed by the community. \$670,215 is budgeted for leaf pickup.¹⁶ Residents complained about the poor condition of Village roads, prompting the Village to substantially increase repaving.¹⁷ In a 2017 report, the Scarsdale Forum's Municipal Services Committee recommended code enforcement to promote quality of life.¹⁸ A part-time employee is added in the tentative budget to provide additional code enforcement.¹⁹ Another 2017 report requested additional signage, sidewalks and police enforcement to calm traffic (though most of those surveyed in the latter study indicated they would not favor an increase in taxes to cover those additional efforts).²⁰ Other residents have requested that the Village provide a dog park²¹ and build a comfort station at the Middle School. And of course, residents requested, and the Board approved, borrowing \$9.9 million in 2018 to renovate the public library, which added \$452, 242 in debt service expense to the tentative budget.²²

The Village budget is largely driven by the expense of salaries, health care, pensions and other employee benefits that amount to approximately 70.6% of budgeted expenditures. The Village government has little ability to manage these costs because of unfunded mandates imposed by New York State relative to pension costs, and collective bargaining laws regulating the Village's negotiated, binding contracts with the labor unions representing Village employees, which particularly impacts the increase in health insurance costs. Pension costs have increased

¹⁵ Food scrap recycling costs \$70/ton and garbage costs 28.30/ton. The Village recycles five tons of food scraps per week. There is no cost to dispose of paper and co-mingled recycling. The tentative budget projects a decrease in waste disposal (garbage tipping fees) of \$10,000. Tentative Budget at p. 43.

¹⁶ Tentative Budget, Appendix A20. Virtually all of this amount is for residential curbside leaf removal.

¹⁷ "Road Resurfacing Program," October 18, 2018 presentation by DPW at <https://www.scarsdale.com/DocumentCenter/View/3677/ROAD-RESURFACING-PROGRAM-OVERVIEW---VILLAGE-OF-SCARSDALE---final?bidId=>.

¹⁸ Scarsdale Forum, Initial Report of the Municipal Services Committee on Quality of Life Village Code Violations, September 19, 2017.

¹⁹ See Finance Committee Meeting February 14, 2019 Presentation slide 4 at <https://www.scarsdale.com/DocumentCenter/View/4278/February-14-2019-Finance-Committee-3rd-Pass-Budget-Presentation-PDF>.

²⁰ Scarsdale Forum, Report of the Municipal Services Committee on The Scarsdale Forum Traffic Survey, January 18, 2018.

²¹ Scarsdale Forum, Initial Report on the Feasibility of a Dog Park in Scarsdale, May 9, 2018.

²² Tentative Budget, Staff Letter to the Board p. 12.

96% since the 2009/10 fiscal year; health insurance costs have increased 28% over the last three years.²³ The number of full-time employees (FTEs) is 232.7 and has not changed since 2006.²⁴

The only way for the Village to reduce these costs is to eliminate FTEs. Reducing FTEs, however, would most likely mean a reduction in the amount and quality of municipal services. From time to time, residents have suggested eliminating Village employees by, for example, privatizing sanitation services; switching from a Village police force to the Westchester County police; and either using an all-volunteer fire department or consolidating the Village's fire department with those of neighboring municipalities. While none of these measures were raised at any of the budget meetings, this Committee has informally discussed them. In our discussions, while there were various aspects of these ideas that were controversial, one point of agreement had to do with consolidation: namely, that due to Scarsdale's high assessed values relative to neighboring municipalities, consolidation that would result in costs shared by assessed value (i.e. anything consolidated to the County) would very likely raise the cost of those services for residents in Scarsdale. We note that the Village benefits from an active volunteer firefighter cadre, and from fire and police mutual aid agreements with neighboring municipalities.

This Committee does not advocate for service cuts that could have been made in the 2019-20 budget (for example, eliminating leaf pickup,²⁵ reducing trash pickups or moving pickups to curbside, reducing police patrols or response time, eliminating recreation department programs and/or further increasing fees, or cutting back on road maintenance). We do, however, recognize that all of these possible cost reduction measures and others might need to be reexamined by the community in the coming years. The Committee urges residents and the Board to heed staff's warnings that bigger year-to-year tax increases are inevitable in the future if the goal is to continue to provide existing levels of service.²⁶

The Committee supports use of fund balance of \$1,023,000 for tax relief in the tentative budget given that the Village will maintain a large enough fund balance – between 10 and 15% of the prior year's budget – to maintain its Aaa credit rating.

Specific Comments and Recommendations

1. Parks, Recreation and Conservation Issues. The current adopted budget (2018/19) includes \$100,000 for consulting fees to develop a Master Plan for PRC facilities and programs.²⁷ No RFP has been issued to date. The Committee understands that the Board does not intend to spend these funds for a consultant. As part of the 2019/20 budget process, the PRC undertook a comprehensive study of public interest in, and pricing of, the various recreational programs it

²³ Tentative Budget, Staff Letter to Board, p. 2.

²⁴ See Tentative Budget, Appendix A12.

²⁵ Projected costs of leaf collection and disposal are \$670,215. Tentative Budget, App. A20.

²⁶ Tentative Budget, Staff Letter to the Board, p. 4.

²⁷ Tentative Budget, p. 99. An additional \$40,000 is budgeted for consulting services relating to pool improvements and upgrades. Tentative Budget, p. 112.

offers to residents.²⁸ The Advisory Council on Parks and Recreation reviewed and approved the PRC offerings and pricing for the 2019/20 fiscal year.²⁹ ~~We do not see an outside consultant adding any value to the work done by staff and the Council and support using those funds for other purposes.~~ We do not see an outside consultant adding any value to the work done by staff and the Council and support returning to taxpayers the \$100,000 in funds previously appropriated for that purpose. The Committee takes a particularly dim view of the poor governmental practice of appropriating funds from taxpayers for a particular purpose, and then, after deciding not to expend those funds for that purpose, either retaining those funds or expending them for some alternative use. This practice amounts to a "bait and switch" perpetrated on taxpayers, and allows for the existence of undefined pools of taxpayer monies to be held for indeterminate periods and used for undetermined purposes (essentially "slush funds). This \$100,000 fund should be returned to taxpayers to reduce the increase in the tax levy. Another way to accomplish the same end is to reallocate the \$100,000 to a specific item in the 2019-2020 capital budget and reduce the appropriations from taxpayers in the 2019 tax levy by \$100,000.

For 2019-20, PRC program user fees, including for the day camp, represent 64% of all of the departmental operating expenses, continuing a policy that has been in place for a number of years.³⁰ If employee benefits classified as non-departmental expenses are included, the coverage is 56%. Staff notes in its Budget letter to the Trustees that if the the cost of Facilities/Parks Maintenance and also Administration (to which the salaries of the Superintendent and Assistants are charged) are excluded, program fees cover close to 100% of the remaining direct operating expenses (or 87% when benefits are included).³¹ The administration and facilities functions would exist and need to be funded whether or not the PRC offered the day camp and other programs. The Committee agrees that comparing program fees to direct costs is a reasonable approach to pricing these programs. While a portion of administrator salaries could be viewed as an additional cost of a particular program, the Committee does not think that tracking administrators' time and including part of their salaries in costs that have to be covered by program fees is appropriate. The PRC study shows that fees approved for the 2019/20 fiscal year more than covers the direct departmental expenses of the largest programs- youth camps (107%), athletics programs (130%) and tennis (118%).³² Fees for the Scarsdale summer camp are higher than the five neighboring communities considered by the PRC.³³ The Committee agrees with the views expressed by the Trustees during the budget process that these programs enhance the quality of life in the Village; deliver services that residents want, including a robust

²⁸ PRC Presentation at January 17, 2019 Finance Committee Meeting at <https://www.scarsdale.com/DocumentCenter/View/4164/January-17-2019-PRC-Fee-Charges-Presentation-PDF>. The analysis could have been improved by considering PRC employee benefits that are classified as non-departmental expenditures. See Recommendation 8.

²⁹ Brian Gray, PRC fee memo dated December 14, 2018 p. 1 attached to January 17, 2019 Finance Committee Meeting Agenda at . <https://www.scarsdale.com/AgendaCenter/ViewFile/Agenda/01172019-579>.

³⁰ PRC Presentation, slide 1.

³¹ Tentative Budget, Staff Letter to the Board, p. 26

³² PRC Presentation, slides 2 and 3.

³³ PRC Presentation, slide 12.

and well-attended day camp and athletic programs; and may increase real estate values, justifying any modest “subsidy” that might exist in the PRC fee structure.

The Village PRC has administered the Scarsdale Youth Football League, a travel tackle football program among youth football teams in Southern Westchester since 1944. Because the number of participating teams has declined, the Village will no longer administer the League and will enter the county-wide Westchester Football League.³⁴ The Village, however, will continue to offer tackle football for children in grades three through eight. Only 56 children participated in 2018.³⁵ Awareness about the effect of tackle football and potential concussions on youth brain development and related litigation has continued to grow.³⁶ The Committee’s opinion is that it is time for the Village to discontinue tackle football given the low participation, the ample evidence of a risk of head injuries, and the subsequent potential for lawsuits filed against the Village.³⁷ We note that the PRC also offers flag football, which is a much safer alternative,³⁸ and attracted 139 children last year. To be clear, we do not advocate banning tackle football. If Scarsdale parents and coaches want to continue the sport, it can be picked up by another Youth Sports Organization within the village, similar to the way little league baseball and youth lacrosse is run.

2. ***Commuter Parking Permit Fees.*** The monthly charge for an annual resident parking permit at Christie Place was increased last year from \$1,500 to \$1,600. The waiting list of 30-50 residents shows that demand for Christie Place permits substantially exceeded the number of available spaces at the increased fee even though Freightway resident annual permits cost \$1,000. During the budget discussions with staff, the Finance Committee increased the Christie Place garage fee from \$1,600 to \$1,700.³⁹ This increase will generate an additional \$30,000 in fee income. We recommend that the Village consider further increasing the Christie Place permit fee to the amount determined by demand for parking in our premium garage.

³⁴ Brian Gray, PRC fee memo dated December 14, 2018 p. 5.

³⁵ PRC Schedule of Recreation Fees and Charges-Proposed p. 3 attached to agenda for January 17, 2019 Finance Committee at <https://www.scarsdale.com/AgendaCenter/ViewFile/Agenda/01172019-579>.

³⁶ See “Playing Youth Tackle Football Is Linked to Earlier Symptoms of Brain Disease,” April 30, 2018, at <http://time.com/5258406/cte-youth-tackle-football/>; <https://www.bu.edu/research/articles/youth-football-linked-to-earlier-brain-problems/>; “New findings on concussion in football’s youngest players,” December 13, 2018, at https://www.eurekalert.org/pub_releases/2018-12/sc-nfo121218.php, reporting new research from Seattle Children’s Research Institute and [UW Medicine’s Sports Health and Safety Institute](http://www.uw.edu/medicine/sports-health-and-safety-institute) that concussion rates among football players ages 5-14 were higher than previously reported, with five out of every 100 youth, or 5%, sustaining a football-related concussion each season.

³⁷ See “Youth Tackle Football Faces Litigation Over Head Injuries, Along With Proposals To Ban The Sport, Altogether,” August 2018 ABA Journal, at http://www.abajournal.com/magazine/article/youth_tackle_football_head_injuries/P1-; “Pop Warner Lawsuit Reveals a Hidden Risk About Youth Football,” Forbes, October 27, 2017, at <https://www.forbes.com/sites/leeigel/2017/10/27/pop-warner-cte-lawsuit-reveals-a-hidden-risk-about-youth-football/#546c0b1f7f1f>.

³⁸ Aspen Institute Study, September 18, 2018, advocating flag football before high school, at <https://assets.aspeninstitute.org/content/uploads/2018/09/FINAL-Future-of-Football-Paper.3.pdf>.

³⁹ Revised FY 2019-20 Village-Wide Fees and Charges Memorandum, February 21, 2019 p. 7 attached to February 26, 2019 Board meeting agenda p. 95-113.

3. **Water Rates.** Water rates are increasing again in fiscal year 2019/20 as part of a five-year plan to fix our water infrastructure that was installed between the 1890s and the 1940s and to restore the water fund balance to an acceptable level.⁴⁰ Infrastructure maintenance and repair is critical – an estimated 20% of the water the Village purchases from New York City is lost through leaks before it can be delivered to, and billed to, residents. Last year, the Village decided to revert to an excess rate of three times the base rate, passing on New York City’s reduction in the cost of excess water.⁴¹ Beginning this month, a second tier excess rate of 3.5 times the base rate will be imposed for water in excess of 125 units. The top 10-15% of water customers during the peak usage periods will pay the second excess tier. New York City has identified Scarsdale as a top 10% user of NYC water and set a goal for Scarsdale to reduce its water consumption by 5% by 2022. The Committee supports pricing that charges the highest rates to the heaviest users. Even with this year’s increase, Scarsdale’s base water rate will still be in the bottom 10% of Westchester water utilities.⁴²

4. **Road Maintenance.** In 2017, a consultant determined that 50% of the Village’s 79 miles of roads were in either poor or fair condition.⁴³ In an October 2018 presentation to the Board and the community, the DPW recommended that the Village pave 4.5 to 5 miles of roadway every year, focusing on the fair and poor roads.⁴⁴ Only in last two years has the Village paved more than 4.5 miles. For ten years before that, very little paving was done. In seven of those years, less than two miles of roads were resurfaced leading to the unsatisfactory condition of our roads.⁴⁵ Paving costs \$250,000 per mile; the annual cost of the recommended program net of CHIPS reimbursement is \$1,500,000.⁴⁶

In this year’s budget discussions, the Board affirmed the importance of maintaining roads and reducing the number of fair and poor roads and the five mile per year goal. In fact, during the budget process, the Finance Committee allocated \$103,000 away from parking meter replacement proposed by staff to pay for additional paving. Staff expects to spend up to \$1,315,300 on paving in the 2019/20 fiscal year.⁴⁷ This Committee believes that condition of the roads is a priority for residents and endorses the Board’s decision to continue to adequately fund road resurfacing.

⁴⁰ Tentative Budget, Staff Letter to Board p. 20-21.

⁴¹ Village of Scarsdale website, <https://www.scarsdale.com/178/Water>; and <http://www.scarsdale.com/DocumentCenter/View/2775>.

⁴² Tentative Budget, Staff Letter to Board, p. 22; Village of Scarsdale website, at <https://www.scarsdale.com/179/Water-Rates>.

⁴³ MHM Associates report, November 28, 2017 at <http://www.scarsdale.com/DocumentCenter/View/2892/Scarsdale-Street-Condition-AssessmentPavement-Management-Study-2017?bidId=>.

⁴⁴ “Road Resurfacing Program,” October 18, 2018 presentation by DPW at <https://www.scarsdale.com/DocumentCenter/View/3677/ROAD-RESURFACING-PROGRAM-OVERVIEW---VILLAGE-OF-SCARSDALE---final?bidId=>.

⁴⁵ Road Surfacing Program, slide 13.

⁴⁶ Road Surfacing Program, slide 14.

⁴⁷ Tentative Budget, p. 108- \$303,400 and \$20,000 for curbing and CHIPS reimbursement of \$491,900 is budgeted. Staff anticipates a \$500,000 year-end closeout transfer based on the May 2019 financials.

5. Code Enforcement. The tentative budget includes \$35,000 to pay for a new part-time employee to handle code enforcement.⁴⁸ The new position was not in staff's initial proposed budget. Following Board discussions during the budget process, the position was added in the "third pass" adjustments. Specifically, \$17,500 was added to Engineering Personal Services and \$17,500 was added to Building Department Personal Services as the employee will work for both departments.⁴⁹ While the Forum's Municipal Services Committee has encouraged code enforcement to enhance quality of life in the Village and only qualifiedly endorsed hiring an additional employee,⁵⁰ this Committee proposes that the Village police department and other Village employees authorized to enforce the Code⁵¹ make code enforcement more of a priority and increase their efforts in this area at the same time. There is no projection of additional fine revenue that would be generated by the new code enforcement employee. We recommend that the Village monitor fee income brought in by this employee to ensure that the position is supported by revenue and also encourage the police department and other authorized code enforcement employees to make code enforcement more of a priority.

Turning to the merits of this proffered headcount addition, the Committee believes that the proposed \$35,000 appropriation to hire a part-time Village Code Enforcement Officer is the most egregious example of unnecessary and wasteful budgeting in the proposed budget. While, as noted above, the Committee believes that Village Code enforcement should be a higher priority for Village and Police staff, both have more than ample resources to do so with present staff. Perhaps unbeknownst to the public, the Village and Police Department already employ at least 50 Village Code Enforcement Officers. Every sworn police officer is a Village Code Enforcement Officer. That includes all patrol officers, sergeants, lieutenants, captains, and the Police Chief. Additionally, the Village Parking Enforcement Officer and the Animal Warden are Village Code Enforcement Officers. On the Village Staff side, the Building Inspector and Deputy Building Inspector are Village Code Enforcement Officers, as are the Village Engineer, the Superintendent of Public Works, the Highway Department foremen, and the Sanitation Department foremen. Finally, the Village Manager is a Village Code Enforcement Officer. Any Village Code Enforcement Officer, regardless of Department or position, is authorized to enforce any provision of the Village Code. To the extent that greater enforcement of certain provisions of the Village Code is deemed advisable, the solution is not to hire another body, but to have the

⁴⁸ See Finance Committee Meeting February 14, 2019 Presentation slide 4 at <https://www.scarsdale.com/DocumentCenter/View/4278/February-14-2019-Finance-Committee-3rd-Pass-Budget-Presentation-PDF>.

⁴⁹ ~~These amounts were included in the Personal Service amounts in the Tentative Budget (Engineering p. 40; Building p. 59) but omitted from the Position Summaries (p. 37, p. 59). We understand that this will be corrected in the adopted budget.~~ These amounts were included in the Personal Service amounts in the Tentative Budget (Engineering p. 40; Building p. 59), but suspiciously omitted from the Position Summaries (p. 37, p. 59), perhaps intentionally to hide the fact that an additional .5 staff person was proposed to be hired -which would have "red flagged" this late headcount addition. After the Committee pointed out this omission to the Village Treasurer, we understand that the proposed additional .5 staff person to Village staff will be corrected in the adopted budget.

⁵⁰ Scarsdale Forum, Initial Report of the Municipal Services Committee on Quality of Life Village Code Violations, September 19, 2017, retrieved from <https://www.scarsdaleforum.com/Reports/View/557/40>.

⁵¹ See Scarsdale Village Code Ch. 15 at <https://ecode360.com/6437552>, identifying Village employees authorized to issue appearance tickets for Code violations.

50 plus existing code officers direct greater attention to code enforcement.

A perfect example of how easy it is to do so is presented by the Village and Police Department's efforts in late January and early February 2018 to illegally infringe residents' free speech rights in connection with the highly contested school district vote on the massive school facilities bond. During the campaign preceding that vote, a large number of proponents of the school facilities bond placed "Vote Yes" political lawn signs on the lawns in front of their homes. Up to 500 such political "Vote Yes" signs were deployed, many on residents' lawns within 13 feet of the street curb. Certain Greenacres residents who were strongly opposed to the bond called the Police Department to complain that the Vote Yes signs had been illegally placed on Village property (in the Village right of way) in violation of the Village Code. Significantly, the Village has a longstanding official policy that notwithstanding any Village Code provisions which otherwise might preclude lawn signs in the Village right of way, during "election season," all political lawn signs are permitted in the Village right of way so long as they do not impede traffic or present a safety hazard or are not placed in front of a resident's lawn without that resident's consent. Despite this official Village policy permitting political lawn signs in the Village right of way during election season, and despite the Constitutional protections to Free Speech guaranteed to Scarsdale residents under the First and Fourteenth Amendments to the U.S. Constitution and the New York State Constitution, the Police Chief and his supervisory staff, the Village Manager and his supervisory staff, and the Village Attorney decided to order that the Vote Yes signs be removed from the Village right of way in front of residents' homes under the pretense of Village Code enforcement. Accordingly, the Police Chief, his Captain, and supervising officers ordered their patrol officers to contact any residents who displayed a Vote Yes lawn sign within the Village right of way and directed them to move the signs back more than 13 feet from curbside or else they would be issued a criminal summons for violating the anti-littering provision of the Village Code. If no resident was on the property at the time of the officer's visit, the officer was directed to confiscate the political lawn sign and bring it to headquarters for "safekeeping," without leaving a note or contacting the homeowner to explain that the Police Department had removed the sign. Again, the false premise behind this forced removal was enforcement of the anti-littering provision of the Village Code. Numerous patrol officers removed scores of signs or told the residents to do so. Two officers in particular removed several dozen Vote Yes signs. Even though this entire "Village Code enforcement effort" was illegal and was eventually enjoined by a federal judge pursuant to an emergency temporary restraining order, this sorry episode illustrates the quick and effective redeployment of Village and Police Department resources to enforce Village Code without the need to hire additional personnel.

Finally, the Committee is particularly concerned with the process by which this \$35,000 appropriation for the half-time Village Code Enforcement Officer was added to the budget and the poor analysis that led to its inclusion. The Committee strongly recommends that this \$35,000 appropriation be removed from the proposed budget.

6. *Salary Increase for Non-Union Employees.* A salary increase for non-union Village

employees is not included in the Tentative Budget.⁵² The staff letter states that this issue will be addressed in the resolution adopting the final budget in April.⁵³ The letter states that wage increases in the tentative budget are in the 2 to 2.5% range for local government employees and comparable to other Westchester communities.⁵⁴ Village union employees received a 2% increase for the most recent year, except for police department employees who received 3.5% and fire department employees who received 3%. Non-union Village employees have received a 2% increase in each of the last nine adopted budgets.⁵⁵ There are 47 non-union employees. The impact of a 2% increase would be approximately \$102,000. This Committee does not support an “automatic” across-the-board increase of 2% or any other amount. ~~We do, however, support salary increases that are comparable to non-union salary increases approved in comparable communities and that are necessary to retain these employees.~~ **We value the Village's non-union employees, and believe that they deserve compensation comparable to non-union staff filling similar positions in comparable neighboring communities such as the Village of Larchmont, the Village of Bronxville, or the City of Rye. Unfortunately, the Village Manager has once again failed to provide any data or evidence supporting an across the board 2% salary rise for all Village non-union employees. Instead, every year for the past 9 years, the Village Manager simply has proposed (and has again proposed this year) the identical 2% yearly across the board non-union employee salary increase, and every year the Village Board has reflexively and unanimously adopted the resolution authorizing said increase. Last year, one of our Committee members objected vociferously to this practice. During the public comments session at the Village Board meeting at which said resolution was approved, he remonstrated the Village Manager for providing zero data or evidence justifying the yearly 2% raise. The Committee member stated that the Village Manager needs to conduct a study or analysis of the salaries and benefits of non-union employees in neighboring comparable municipalities to determine how Scarsdale's non-union employees compare in relation to their peers. The Committee member objected to the knee-jerk granting of yearly 2% salary years in a vacuum of information. Unfortunately, our Committee member's pleas fell on deaf ears. The Village Board failed to press the Village Manager to obtain such relevant data, and the Village Manager made no effort to gather the data. Accordingly, the Committee urges the Village Board to adopt a moratorium on salary and benefit increases to non-union Village employees pending the gathering of salary and benefits data for non-union employees of comparable neighboring municipalities. Moreover, the Committee encourages the Village Board and Village Manager to base their financial decision-making on reliable data and to obtain relevant data whenever possible before making significant financial decisions.**

In addition, this Committee questions why this budget item was excluded from the otherwise open and transparent process that led to the Tentative Budget in which residents were advised of, or free to inquire into, the factual basis and underlying policy rationale for the items included in the budget. The Board’s public hearing on the 2019-20 budget took place on April 9, 2019, and the proposed salary increase was not included at that time. In the past, this salary

⁵² Tentative Budget, Staff Letter to Board p. 7.

⁵³ Tentative Budget, Staff Letter to Board, p. 17-19.

⁵⁴ Tentative Budget, Staff Letter to Board p. 7.

⁵⁵ Tentative Budget, Staff Letter to Board p. 17-18.

increase has been added in the form of a resolution after the public hearing, and voted on without the opportunity for the public to be informed of or inquire into the factual basis or rationale for the resolution. This Committee encourages the Board to discontinue this exceptional budget process for non-union salary increases going forward.

7. **Comfort Station.** The Village continues to discuss construction of a comfort station near the Middle School tennis courts with the School Board. At a March 11, 2019 meeting, the Village agreed to pay for all construction costs, estimated to total \$130,000. \$15,000 is appropriated in the current capital budget.⁵⁶ The Village is preparing construction drawings. The School Board agreed to facilitate the application to the New York State Education Department for the necessary approval which is expected to take from six to 12 months. This Committee continues to support this project and encourages the School Board to continue these discussions.

8. **Budget Format.** Going forward, the Committee recommends the inclusion of an Appendix in the budget that shows the expenses of the various departments *including* benefit costs. These costs are currently bundled into “Non-departmental expenses,” thus, it is not possible to see a true, all-in cost of each department.

Conclusion

The Committee hereby concludes that the recommendations set forth in this Report be adopted.

Respectfully submitted by the following members of the Fiscal Affairs Scarsdale Committee:

Robert J. Berg
Robert Harrison

⁵⁶ Tentative Budget, p. 100.