

March 4, 2014

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THE SCARSDALE FORUM, INC.

**Report of the Village Fiscal Affairs Committee
On
The Village of Scarsdale 2014-2015 Budget**

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

RESOLVED, that the Report of the Village Fiscal Affairs Committee on the Village of Scarsdale 2014-2015 Budget be approved.

Preliminary Statement

The Committee acknowledges that FY' 13-14 was another difficult year for the Village of Scarsdale. Non-tax revenue has not grown significantly. Property tax rates have not risen appreciably, but the value of ratables has been sluggish; although recently rising, ratables (value) are still below 2009 levels. See Appendix 1.

The Village Manager and his staff deserve credit for keeping expenditure increases moderate. In fact, spending has grown at an average rate of 3.56% over the past five years. This is a favorable average when compared to neighboring towns.

However, we believe that this low rate of growth is unsustainable. Double digit increases in the cost of pensions and health insurance will bring corresponding increases in Village tax rates and/or significant reductions of service due to necessary reductions in Department head counts. Added to this upward pressure are the pending resolutions of the Village unionized service contracts, rising interest rates, and stagnant non-property tax revenues.

Additionally, consider that 74.5% of the Village expenses were allocated to salaries, health insurance, pensions, and debt service. Indeed, two-thirds of the 4.5% increase in Village expenses for FY' 13-14 resulted from increases in contractual obligations, pensions, health insurance, liability insurance, library, and wage contingencies. These increases are largely uncontrollable within the current construct of governmental law and regulation and their effects will be felt on future borrowing.

Discussion

1. The Village provides funds for 214.65 full time equivalents (FTEs). The head count has fallen over the years. Further decreases in the level of employment will be difficult to continue without a corresponding decrease in Village services. The cost of maintaining these services will certainly increase, as five labor unions have settled their contracts recently. Two other unions are still in negotiation with the village. The head count in the Police and Fire Departments (101 FTEs) represent 40% of all those employed by the Village. Added to these costs are the legacy commitments to the Village to 185 pensioners.

2. The stock market crash of 2008 caused the potential for shortfalls in funding obligations on the part of the NYS pension fund. As required by State law, municipalities were required to increase their contributions significantly to the NYS pension fund. The shortfalls in the past five fiscal years have seen the Village contribution to NYS pension fund increase from \$2.2 million to \$4.8 million, or 118%. The crash was the principal reason for these large increases. This rate of increase will diminish over the next two to three years due to the recovery in the stock market. However, the rate of increase is not expected to abate significantly owing to the huge obligations needed to support those currently employed by the Village and 185 former employees already collecting pensions.
3. Health insurance costs have risen 25% over the past five years. The effect of rising health insurance costs is not fully reflected in the current budget due to the increased contributions of the work force. Without further increases in health insurance contributions by the Village's labor force, the cost of healthcare will increase significantly for the foreseeable future. In fact, the Village's unfunded obligations for the work force's healthcare coverage -- both current and 185 retired -- are \$80 million.
4. The Capital Plan for FY'14-15 is modest. With the passage of the Firehouse #1 restoration, there are no current plans for additional projects for FY'14-15. Without the ability to significantly diminish spending in the FY'14-15 budget there is little that the Village can do to address issues in its aging and deteriorating infrastructure. At the present time, only the maturity of several bond issues, FEMA dollars from Super Storm Sandy, funds realized from foreclosures, and contributions from the General Fund would free up capital necessary to complete new projects.
5. The Village will spend almost \$53 million from the General Fund for FY'14-15. This represents an increase of 4.21% from the previous fiscal year. Much of this increase can be attributed to the contractual wage increases, pension, and health insurance costs.
6. The contributions from the General Fund toward capital improvement are expected to be \$1.125 million. This represents an increase of \$750,000 from the current fiscal year.
7. *Revenue forecast:* FY'14-15 may bring some fiscal relief to the Village. The business climate is expected to improve. Accordingly, the Village Manager expects sales tax revenue to be up over 6%. Home improvements should increase significantly. A 19% increase in revenue for licenses and permits is expected. A busy home re-sale season should bring a 9% increase in mortgage tax receipts. However, at the present time the Village Manager is [conservatively and properly] not forecasting a significant increase in property tax receipts as the prices of home re-sales are expected to be flat.
8. *Expenditures:* FY'14-15 expenditures will rise in part due to the expected resolution of the labor contract for the Public Works Department. An increase in wages in excess of \$275,000 is anticipated. Additionally, existing contractual agreements will bring increases in salary for both the Fire and Police Departments. Raises based on experience will total an additional \$300,000. In all, the increased wages for these three departments accounts for 80% of the rise in departmental expenses for the Village.
9. Lastly, the total expenditures for debt service, pension, personnel services, health insurance, social security, and the contingency fund will account for 72.5% of all expenditures by the Village in FY'14-15.
Personnel services, pension, and health insurance account for 86% of the increase in the Village's legacy obligations.

Recommendations

1. Health Insurance:

- a) Over the past seven years, health insurance costs have risen significantly. We recommend that the Village revisit the coverage supplied to the work force. Given that many of the labor contracts are presently unsigned, the time to revisit these coverages is opportune. Rebidding and restructuring the coverage may bring significant cost savings to the Village. During the rebidding process, we recommend that the Village offer more plans to choose from, increased co-pays, and increased contributions to health insurance, and options for reduced individual coverages should be explored.
 - b) Employees of the Village contribute to their health insurance through payroll deductions. On average, these employees contribute 12-15% of the cost of their health insurance policies. Based on a report from Kaiser Permanente regarding public employees, we believe that a reasonable level of contribution should be 15% for single employees and 20% for family coverage. The municipal labor unions will need to be brought into this negotiating process.
- ### *2. Leaf pickup:*
- We join members of the Forum's Sustainability Committee in encouraging the Village to adopt these changes. The annual leaf pick-up program will cost the Village \$750,000 for the coming year. We propose that the Board of Trustees require that all homeowners bag leaves. These leaves would be placed in recyclable bags and placed at the homeowners' curbside for pick-up. This is the same requirement, which has been in place in the Town of Greenburgh for the past two years. Supervisor Paul Feiner, of the Town of Greenburgh, has reported that this program is currently saving his Village over \$100,000 per year. We believe that the savings for the Village of Scarsdale would be greater than those seen by the Town of Greenburgh. Furthermore, we believe that this change may encourage more mulching in the Village.
- ### *3. Head count:*
- The Village Manager has done an excellent job at lowering the total number of Village employees to 214.65. We applaud his efforts. We strongly believe that there is more work to be done. We recommend a top-to-bottom review of the head counts for all Village departments. Particular attention should be placed on the Departments of Police, Fire, and Public Works where the majority of Village employees work. We believe that a reduction of 3-5 FTEs can be realized without a reduction in Village services.
- ### *4. Consolidation of services:*
- We believe that the Village of Scarsdale can consolidate some of its services with the neighboring towns without losing its character and independence. In fact, our Police and Fire services already have shared responsibility agreements in place with our neighboring towns. Initially we recommend that the Village Board direct both the Departments of Tax Collection and Assessor to explore similar shared responsibility agreements with their sister departments in our neighboring towns. Similar agreements for other departments should be considered in the near future.
- ### *5. Fire Department:*
- The Fire Department has budgeted over \$600,000 in overtime (OT) for the coming fiscal year. When compared to other municipal services, this level of OT seems high. In fact, the Police Department, which maintains a similar staffing level has an OT rate that is almost half of that of the Fire Department. We recommend that the Village Board closely analyze the need by the Fire Department for this level of OT funding.
- ### *6. Commercial rate for Village services for private businesses:*
- Once again, we strongly recommend that the Village of Scarsdale charge a commercial rate (almost four times the residential rate) to all private businesses, including golf courses within the Village of Scarsdale. Recently, we learned that the Quaker Ridge Golf Course filed a grievance with the

Village regarding their property tax rate. This will result in a refund to the Country Club of approximately \$500,000 from the school district and \$135,000 from the Village. Now is the time, to institute commercial rates to private businesses for all Village services through the utilization of the Homestead Law by the Village Board of Trustees.

7. *Trash Pickup*: Previously issued reports by the Village Fiscal Affairs Committee have recommended a variety of changes to service levels, which were believed to have the potential for significant savings. Among these were:

- Once a week trash pickup
- Curbside trash pickup
- No rear-yard pickup

We recognize that if any of these measures were to be adopted, there would be considerable opposition throughout the Village. We believe that robotic collection of trash may be an alternative.

We have noted that small and large towns and cities throughout the nation have purchased robotic trash removal vehicles. Indeed, the City of White Plains is currently conducting a Pilot Program, using a Robotic Side-Loader vehicle.

The Village's Trash vehicle fleet is aging, and will have to be replaced. Rather than replace the fleet, we recommend that a similar pilot program be explored here in Scarsdale.

The initial experience of the City of White Plains has shown:

- Lower levels of staffing due to one person per vehicle
- Increased efficiency
- Green technology can collect comingled recyclables and paper at the same time. This is due to the dual collection capability of these vehicles.
- Low rate of worker injuries leading to lower Worker's Compensation claims
- Rear-loader vehicles can be retrofitted to become side loaders
- Lower number of FTES will decrease legacy costs for pensions and insurance

We strongly urge that the Mayor and the Board of Trustees study these initiatives further. We believe that there is potential for the Village to save significant amounts of taxpayer dollars. If this study indicates that this program is cost effective, we strongly urge that the Village Board begin a **Pilot Program**.

Conclusion

We view this report of the Village Fiscal Affairs Scarsdale Committee as an outline for the first steps in protecting the integrity and independence of our great Village. We envision a strong and vibrant Village of Scarsdale serving not just our families, but generations of families in the future. The time to begin is now.

Respectfully submitted,

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Co-Chair Co-Chair

Robert Harrison
Terri Harrison
L. William Kay III
Linda Killian (except recommendation #4)
Miriam Popp Seeley

Richard Streicher (abstain recommendation #4)
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