

Financial Restructuring Board for Local Governments

RESOLUTION No. 2017-02

APPROVING THE COMPREHENSIVE REVIEW REPORT AND AUTHORIZING
GRANTS FOR THE CITY OF POUGHKEEPSIE

WHEREAS, pursuant to New York State Local Finance Law section 160.05(3), the Financial Restructuring Board for Local Governments (the "Board"), upon the request of a fiscally eligible municipality, by resolution of the governing body of such municipality with the concurrence of the chief executive of such municipality, may undertake a comprehensive review of the operations, finances, management practices, economic base and any other factors that in its sole discretion it deems relevant to be able to make findings and recommendations on reforming and restructuring the operations of the fiscally eligible municipality (the "Comprehensive Review"); and

WHEREAS, on June 20, 2016, the Board approved Resolution No. 2016-11 agreeing to undertake a Comprehensive Review of the City of Poughkeepsie (the "City") in accordance with New York State Local Finance Law section 160.05(3); and

WHEREAS, the Board subsequently undertook a Comprehensive Review of the City; and

WHEREAS, pursuant to New York State Finance Law section 54(10)(t)(ii), the Board may award funding under the Local Government Performance and Efficiency Program to fiscally eligible municipalities for financial restructuring and related purposes, as determined by the Board; and

WHEREAS, the report on the Comprehensive Review of the City (the "Comprehensive Review Report"), attached hereto as Attachment A, includes a recommendation that the City integrate its transit/bus service with Dutchess County's transit system; and

WHEREAS, the Comprehensive Review Report provides that, if the City agrees to abide by and implement the recommendation described in the immediately preceding recital, the Board may, in its sole discretion, award a grant of up to \$750,000 to assist the City with this integration; and

WHEREAS, the Comprehensive Review Report also includes a recommendation that the City invest in its parking infrastructure and invest in economic development through Dutchess County; and

WHEREAS, the Comprehensive Review Report provides that, if the City agrees to abide by and implement the recommendation described in the immediately preceding recital, the Board may, in its sole discretion, award a grant of up to \$1,000,000 for parking infrastructure needs and to establish an economic development function for the City, which would be staffed or supplemented by Dutchess County; and

WHEREAS, the Comprehensive Review Report also includes a recommendation that the City continue to seek labor and healthcare savings; and

WHEREAS, the Comprehensive Review Report provides that, if the City agrees to abide by and implement the recommendation described in the immediately preceding recital, the Board may, in its sole discretion, award a grant of up to \$1,250,000 to help the City meet certain operational expenses in the City's 2017 Budget;

NOW THEREFORE BE IT RESOLVED that the Board approves the Comprehensive Review Report, attached hereto as Attachment A, and all of the findings and recommendations therein; and

BE IT FURTHER RESOLVED that the Board authorizes a grant of up to \$750,000 to the City to assist the City with the integration of its transit/bus service with Dutchess County's transit system, which grant shall be subject to the terms of a contract entered into between the New York State Department of State and the City; and

BE IT FURTHER RESOLVED that the Board authorizes a grant of up to \$1,000,000 to the City for parking infrastructure needs and to establish an economic development function for the City, which would be staffed or supplemented by Dutchess County, which grant shall be subject to the terms of a contract entered into between the New York State Department of State and the City; and

BE IT FURTHER RESOLVED that the Board authorizes a grant of up to \$1,250,000 to the City to help the City meet certain operational expenses in the City's 2017 Budget, which grant shall be subject to the terms of a contract entered into between the New York State Department of State and the City.

This resolution shall take effect immediately and remain in effect until modified, replaced or repealed by resolution of the Board.

No. 2017-02

Dated: 6-19-17

A handwritten signature in black ink, consisting of a stylized 'S' or 'Z' shape followed by a horizontal line extending to the right.





City of Poughkeepsie Comprehensive Review Report

**Financial Restructuring Board
for Local Governments**

June 19, 2017

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Overview

The City of Poughkeepsie is a medium Upstate city in Dutchess County. With a population of 32,736 as of the 2010 Census, it is the 16th most populous city in New York State.* 2015 expenditures of \$70.3 million were the 16th highest of all cities.

The Common Council adopted, and the Mayor concurred, with a resolution requesting a Comprehensive Review by the Financial Restructuring Board (see Appendix A). On June 20, 2016, the Financial Restructuring Board approved this request for a Comprehensive Review with Resolution No. 2016-11 (see Appendix B).

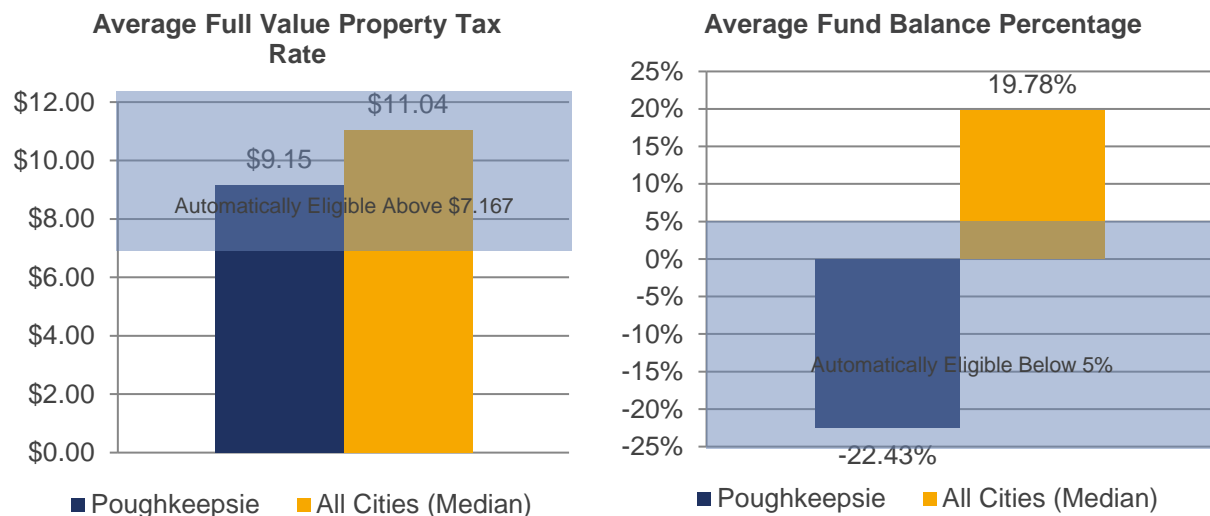
This Comprehensive Review first gives some background on the City's fiscal eligibility and demographic profile. It then provides information on the organization and finances of the City. Finally, it presents the Comprehensive Review's findings and recommendations.

Background

Fiscal Eligibility and Stress

The City of Poughkeepsie is automatically considered a Fiscally Eligible Municipality because its Average Full Value Property Tax Rate (2010-2014) of \$9.153 per \$1,000 is above \$7.167 per \$1,000 – the 75th percentile for all municipalities. This is the 44th highest for cities.

The City is also automatically considered a Fiscally Eligible Municipality because its Average Fund Balance Percentage (2010-2014) of -22.43 percent is below 5.00 percent. This percentage is lowest for all cities.



The Office of the State Comptroller's (OSC) Fiscal Stress Monitoring System gives the City of Poughkeepsie a Fiscal Rating of "Moderate Fiscal Stress" with a score of 62.5 percent for 2015. The negative factors contributing to this score include a low fund balance, an operating deficit in one of the last three fiscal years, low cash levels as a percentage of current liabilities and as a

percentage of monthly expenditures, and a high level of debt service spending compared to revenues. OSC projects that the City's score will decrease in 2016 to 60.3 percent, staying at "Moderate Fiscal Stress."

OSC's Fiscal Stress Monitoring System gives the City of Poughkeepsie an Environmental Rating of "Susceptible to Environmental Stress" with a score of 32.9 percent for 2015 (a local government would receive a designation with a score of 30.0 percent or higher). Negative environmental factors contributing to this score include: a high child poverty rate in 2010 (36.6 percent), an increase in the child poverty rate from 2000 to 2010 (4.8 percent), a decrease in property values over the last four years (-5.2 percent), a high unemployment rate in 2014 (6.6 percent), and a decrease in county-wide employment (-1.2 percent).

Demographic and Socioeconomic Profile

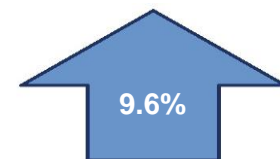
The City's population increased by 9.6 percent to 32,736 from 2000 to 2010. In contrast, the typical city's population grew 0.5 percent over that same period.

The City of Poughkeepsie's median household income in 2014 was \$38,973, which is slightly less than the typical city's median household income of \$40,111.

The City's median home value of \$211,400 is more than the median home value of the typical city of \$108,300. Its property value per capita in 2015 was \$50,338, and, as noted above, its four-year average change in property value was -5.2 percent. The City's unemployment rate is 6.6 percent, and its child poverty rate is 36.6 percent.

Population Change

2010: 32,736



2000: 29,871

Organization and Finances

Organizational Profile

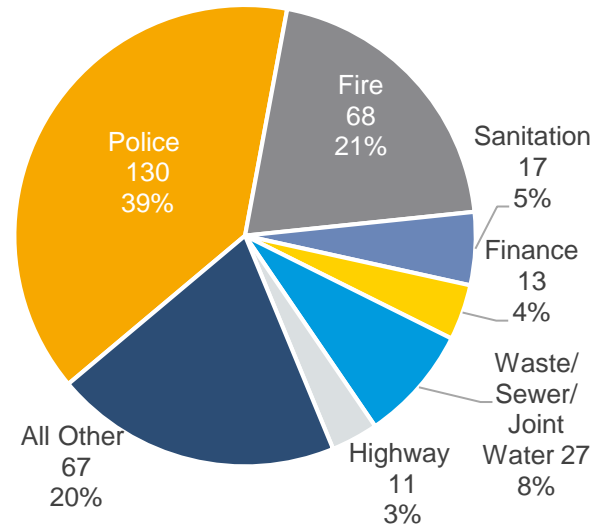
The City of Poughkeepsie is governed by a Mayor and an eight-member Common Council. The Mayor is elected City-wide for a four-year term, expiring December 31, 2019. The Council is also elected for two-year terms, with council members representing specific wards in the City.

The City has several primary departments: the Mayor's office, the City Administrator's office, Records, Law, Assessment, Finance, Public Works, Development, Police, and Fire.

As of the 2016 adopted budget, the City has 333 FTEs. This is down from 379 FTEs in 2010. The City Police Department has the most employees at 130, which includes 34 civilian FTEs, followed by the Fire Department at 68.

Several unions represent the City's unionized workforce, with various contract terms and salary increases, as provided below.

City of Poughkeepsie Full-Time Employees



City of Poughkeepsie Labor Contracts							
Union	Contract Status	Contract Expiration	% Salary Increases				
			2015	2016	2017	2018	2019
Civil Service Employees Association (Civilians)	Current	12/31/2017	1.25	3	3	-	-
Police Benevolent Association (Police)	Current	12/31/2019	1	1	1.25	1.25	1.5
Professional Fire Fighters Local 596 (Fire)	Expired	12/31/2016	1.25	3	-	-	-
United Federation of Police Officers Inc (Joint Water)	Current	12/31/2018	2	3	3	-	-

Early in 2016, the City settled a four-year contract with its fire union. The contract had been expired since December 31, 2012. This latest agreement ran through December 2016 and provides salary increases of one percent for years 2013 and 2014, 1.25 percent for 2015 and 3 percent for 2016. Given the City's precarious fiscal stance at the time, the union agreed to forego

the retroactive salary that would have been owed for years 2013 through 2015. In addition, members hired after July 1, 2016 will have to contribute 15 percent of health care costs.

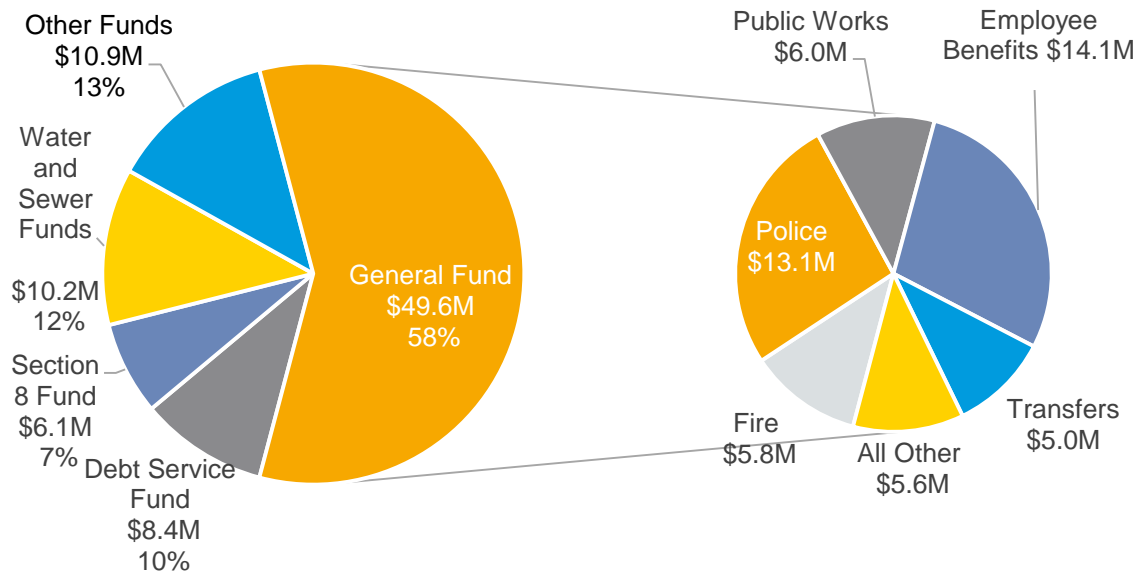
The administration also recently agreed to terms on a new seven-year contract with the Police Union that will run through December 2019. Within the Findings and Recommendations section of this Comprehensive Review is a detailed summary of the issues and negotiations this new administration faced with the police union as a result of the several years of unresolved contracts as well as the legal battle surrounding an alleged Memorandum of Agreement that was crafted between the former Mayor and the union in the latter half of 2015.

With respect to employee healthcare benefit contributions, most employees hired after 1990 contribute 20 percent of health care costs. However, in the Fire and Police Departments, those members' contributions drop to zero percent after a member has accrued 85 sick days during employment. This policy has been eliminated for new-hires in the Fire Department but has not yet been eliminated in the Police Department.

Budget Profile

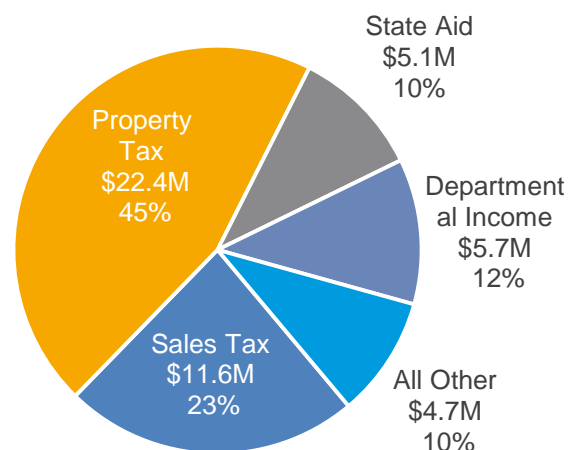
The City's 2017 all funds adopted budget totals \$85.1 million. This is a 2.3 percent increase from the revised 2016 budget. For the General Fund, which totals \$49.6 million for 2017, the largest expenditure category is for employee benefits, at \$14.1 million (28.4 percent of General Fund expenditures), followed by police at \$13.1 million (26.4 percent of General Fund expenditures).

2017 City of Poughkeepsie Expenditures



The 2017 General Fund revenue sources include: 45.2 percent from property tax; 23.4 percent from sales tax; and 10.3 percent from State aid. The property tax levy is \$22.4 million, which is up 16.5 percent from the 2016 budget.

2017 City of Poughkeepsie Revenues



An Extended History of Budget Deficits and Fiscal Stress

Over a decade ago, the City's General Fund was in a far better position, with a fund balance of over 26 percent of the budget and revenues consistently exceeding expenditures. Starting in 2005, the General Fund began a lengthy trend of negative operations, which has produced a cumulative reduction in fund balance of \$22 million – from \$8.9 million in 2005 to a negative \$13.1 million in 2015.

City of Poughkeepsie General Fund Operating Performance (2005-2015)		
Year	Surplus/ Deficit	Fund Balance
2005	(\$229,523)	\$8,886,359
2006	(\$1,667,831)	\$7,209,011
2007	(\$2,652,831)	\$4,556,180
2008	(\$3,460,326)	\$1,095,854
2009	(\$3,724,934)	(\$1,532,022)
2010	(\$4,213,823)	(\$5,522,771)
2011	(\$4,513,135)	(\$9,476,675)
2012	(\$2,557,684)	(\$12,034,359)
2013	\$813,801	(\$11,220,558)
2014	\$106,259	(\$11,114,299)
2015	(\$1,947,625)	(\$13,061,924)

Findings and Recommendations

After a thorough review of the City's operations, the Board identifies findings and recommendations in the following areas: shared services, efficiencies, workforce, economic development, and fiscal performance and accountability.

Shared Services

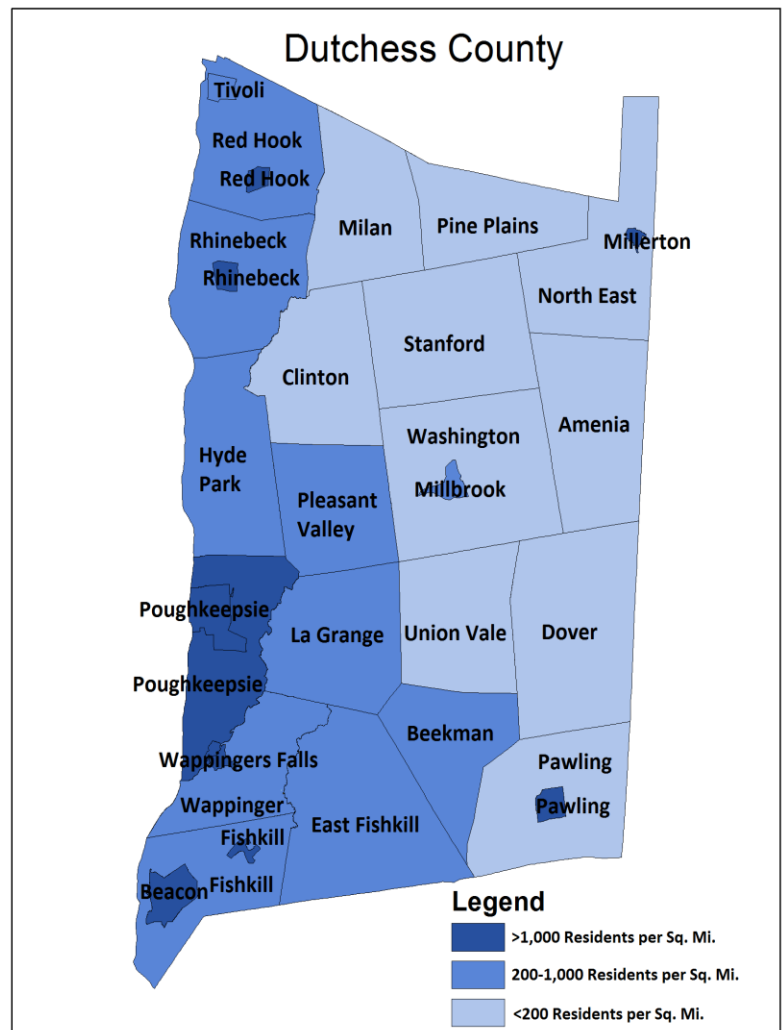
Regional Government Context

As of the 2010 Census, Dutchess County had a population of 297,488 and was the 10th most populous county out of the 57 counties outside of New York City. With a land area of 796 square miles, it is the 26th largest county. With a population density of 374 residents per square mile, it is the 13th most densely populated county.

The County is governed by a County Executive and a 25-member County Legislature. Other elected County officials include: the Sheriff, the District Attorney, the Comptroller, and the Clerk. As of 2015, the County had total expenditures of \$463.3 million, which is the 11th highest for counties, and total expenditures per capita of \$1,557, which is the 49th highest for counties.

Within the County, there are 2 cities, 20 towns, 8 villages, 13 school districts, 26 fire districts, and more than 150 town special districts and other entities.

The City of Poughkeepsie is on the western edge of the County, and is completely surrounded by the Town of Poughkeepsie.



Survey of Shared Services

Board staff in conjunction with the City conducted a survey on the general functions of the City and neighboring municipalities to ascertain duplication of services and potential areas for further consolidation. The City and its surrounding governments were asked to briefly describe current shared service arrangements in each service/function area and to identify any obstacles or opportunities for additional shared services.

Below is a summary of the results identifying which services are provided by each municipal entity:

Index of Municipal Services Provided				
Service/Function	City of Poughkeepsie	Dutchess County	Poughkeepsie City School District	Town of Poughkeepsie
Police	X	X		X
Dispatch/E-911	X	X		
Fire	X			
Ambulance/EMS	X			X
Tax Collection/Treasurer	X	X	X	X
Tax Bill Printing	X	X		
Tax Foreclosure	X	X		
Assessing	X			X
Personnel/HR/Civil Service	X	X	X	X
Payroll/Time Attendance &	X	X	X	X
Purchasing	X	X	X	X
Budget/Finance	X	X	X	X
Code Enforcement	X			X
Building/Zoning/Planning	X	X		X
Park Maintenance	X	X		X
Animal Control	X			X
Plowing	X	X	X	X
Paving/Street Maintenance	X	X		X
Lighting/Traffic Controls	X	X		X
Sanitation/Garbage	X		X	
Water	X	X		X
Wastewater/Sewer	X	X		X

Shared Services Actions and Opportunities

A local government's primary responsibility is to deliver services for the benefit and well-being of its residents. As the previous chart aptly displays, there is significant duplication of services among the City of Poughkeepsie and its neighboring municipalities.

If the City of Poughkeepsie is to address its fiscal stress and its future budget challenges, it must maximize available savings by pursuing and implementing a new shared services plan with its governmental partners. An effective plan will not only enable the City to reduce its cost structure going forward, but should also help partnering governments to reduce their costs as well.

According to the County, since 2012, the County has sought to shrink the size of government, as a whole, and help its localities collaborate and consolidate services and programs among each other. The County's Municipal Consolidation and Shared Services Grant Program has provided annual funding for a number of initiatives within the County. In 2016, six municipalities were awarded \$925,000. In the County's 2017 budget, \$1 million is again being appropriated under a new/rebranded program titled the "Municipal Innovation Grant Program".

The City of Poughkeepsie, in recent years, has been awarded several hundred thousand dollars from the County to assist or study its finances, as well as to study the City's Department of Public Works and Dispatching operation.

Some of the most promising opportunities for shared services include the following.

Emergency Dispatch

As noted above, the County recently awarded a \$75,000 grant to the City to study its 911 emergency dispatch function.

Through discussion with both the City and the County, Board staff has learned that the City employs 16 FTEs and budgets \$1.9 million for its 911 dispatch function. Dutchess County hosts a countywide 911 emergency dispatch function and provides this service for all areas of the County, with the exception of the City of Poughkeepsie. The County staffs 49.5 FTEs and budgets \$6.6 million annually for the function.

Eliminating duplicative emergency dispatch services is frequently recommended by the Board. If the City were to allow the County to provide dispatch services, the City could save a substantial percentage of its budgeted expenses in this area. The City and the County could approach this from a number of different ways. Depending on the precise path chosen and the specific operational changes envisioned for City staff, the City may need to engage in negotiations with the affected workforce and bargaining unit.

Tax Assessment

At present, the City of Poughkeepsie's Assessing Department employs 2.5 FTEs with a departmental budget of close to \$250,000 to oversee the needs of 8,352 parcels. Conversely, the Town of Poughkeepsie employs four FTEs with a departmental budget of over \$325,000 to handle 13,217 parcels in the Town.

While trying to combine assessing functions and offices can certainly present its challenges, some of them political in nature, it is nonetheless an opportunity that could provide savings without any diminishment of quality and service for both governments.

The Town and the City should seek to share an assessor and determine, based upon average transactional and customer-related needs each year, the overall staffing level to accommodate both entities' operations.

Section 579 of the Real Property Tax Law allows two or more assessing units located in the same county (or adjoining counties), having the same level of assessment, and having the same assessor, to enter into an agreement to become a Coordinated Assessment Program (CAP). Under this arrangement, the State Board of Real Property Services establishes identical equalization rates for all of the assessing units in the CAP. In addition to yielding standardization benefits, the CAP model can be particularly useful in spreading assessment costs between or among jurisdictions. For example, multiple assessing units in a CAP may be able to acquire professional assessment services that would otherwise be cost prohibitive were they acting separately. In addition, licensing fees for assessment software can be shared between municipalities, thus reducing the cost.

The CAP model also may represent an opportunity for further collaboration and efficiencies going forward. For example, a CAP (or series of CAPs) may serve as a building block for bringing all assessing units under agreement across the County in a way that enables standard levels of assessment and valuation standards.

With a local CAP, the City could also build on its comparatively robust assessment staff and capacity to provide assessment services to any of the surrounding towns on a contractual basis. Some of the surrounding municipalities have already expressed an interest in this option, which would also generate a new revenue source for the City.

If the City decides to pursue a local CAP, State aid is available through the Office of Real Property Tax Services within the Department of Taxation and Finance. The aid is provided in a one-time payment of up to \$7 per parcel.

IT Department Consolidation - Future Phase II Efforts

As part of Dutchess County's efforts to achieve shared services within the County, in early 2016, the County deployed its Information Technology (IT) staff to the City to ascertain the state of the City's IT infrastructure, including its age, capabilities, and limitations. This review was intended to ultimately provide recommendations to the City as to what portions or segments of its IT landscape the City needed to change or update in order to perform optimally in the future. It was also intended to create a roadmap of the various software and hardware systems that might need to be updated if the City and the County were to be in a position to potentially merge departments in the future.

The County review focused less on specific applications such as finance or human services, but more on underlying architecture and infrastructure such as the network, computer hardware, operating systems, database and email software, backup and recovery, and spam and web filtering.

According to the City, it is presently exploring the cost of upgrades required to bring systems up to the point where a more in-depth conversation can be continued with the County as to potential departmental consolidation or co-location of systems. Currently, City infrastructure is too antiquated to be easily adapted into County operations. More analysis by both governments needs to be done in this area to explore possible intersections and opportunities.

With the proximity of both the City and County operations, given that Poughkeepsie is the County seat, further exploration of co-location of IT departments makes sense. In the recent past, the Board has invested in IT solutions for governments that can demonstrate necessary savings and efficiencies through systems and/or application upgrades, especially when tied to the ultimate goal of multi-governmental collaboration. Financial applications or back office functions such as payroll and time & attendance are typical areas for these governments to consider.

Recommendation: The Board recommends that the City, in conjunction with its governmental neighbors, develop and implement a shared services plan that will lower the annual cost of providing specific services and address the inherent duplication of services via multi-governmental jurisdictions. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City and its neighboring governments with implementing such shared services plan. The specific structure and conditions of such grant, which would be developed in consultation with the City, and any other aspects of such grant would be subject to an affirmative vote of a majority of the total members of the Board.

City and County Transit Bus Service

In order to provide the best possible service for the City of Poughkeepsie's transit-riding public, broad systemic improvements to its bus network are needed. These improvements include changes to routing, schedules, fare policy, information systems, infrastructure design and operational standards.

The City lacks staff capacity to implement these needed changes to ensure that it is maintaining adequate service levels and has struggled with various compliance issues since 2012. With the assistance of an independent analysis of the City's bus system, and with a lengthy public comment period, the administration has concluded that consolidation of the City's system with the County's bus system will provide the best possibility for the City to ensure that its transit network not only meets the needs of existing residents but also that it maximizes the economic productivity of land uses, particularly within the downtown, helping to grow the tax base and leading to greater City-wide financial stability. Working in partnership with the County, the administration has developed a consolidation plan that maximizes efficiencies while preserving and even improving service to transit users. With a fully integrated bus system, redundant service within the two systems will be integrated, allowing for efficiencies that can lead to improved service delivery under a single operator.

Prior to the target consolidation date of July 1, 2017, both governments will need to develop inter-local agreements relative to the transfer of federal and State-funded equipment, develop a new bus service schedule, conduct necessary public marketing and outreach relative to the new service, determine necessary upgrades and retrofits to existing City buses, and test the new service to ensure effectiveness and efficiency.

Projected benefits include improved delivery of transit service and increased daily service spans by up to three hours longer than currently exists, adding an additional 4,000 service hours for the City annually. This collaboration with the County is essential to the City's five-year plan, with projected savings of over \$2.0 million within five years. The reduction of General Fund expenses in current and future years, and the elimination of new capital borrowing needs (given that the City's buses are nearing the end of their lives), will reduce debt service costs to the General Fund and help to standardize the real property tax burden.

The City and County were awarded \$315,000 from the Department of State's Local Government Efficiency Program, as part of the most recent round of funding in December 2016 to consolidate bus services.

The City, in conjunction with the County, is in need of additional funds to effectuate the collaboration and partnership. The City is requesting additional funds from the Board. Requested funds will be utilized for operations for the partial year of service, as the transit fund runs an annual deficit, and for required repairs and upgrades required by the County prior to taking control of the buses themselves. Funds will also be used for transition costs, including co-marketing with County, and potentially for a federal reimbursement requirement that may be triggered as a result of the City's exiting from the transit business.

Recommendation: The Board recommends that the City integrate its transit/bus service with Dutchess County's transit system. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$750,000 to assist the City with this integration. The specific structure and conditions of such grant, which would be developed in consultation with the City, and any other aspects of such grant would be subject to an affirmative vote of a majority of the total members of the Board.

Local Government Efficiency Grant Program

The State also offers competitive grants through the Local Government Efficiency Grant program (LGEG) to local governments for planning or implementing a local government efficiency project, including sharing services, functional consolidation, and regional service delivery. The maximum grant for an implementation project is \$200,000 per municipality/ \$1 million per grant. The maximum grant for a planning project is \$12,500 per municipality/ \$100,000 per grant. Planning projects require a 50 percent local match and implementation projects require a 10 percent local match. If a planning project is later implemented, the local match for implementation is offset by the amount of the local match for the planning project.

LGEG is administered by the Department of State. More information on grant requirements and how to apply is available at <https://www.dos.ny.gov/lg/lge/index.html>.

Transformational Municipal Restructuring Grants

On February 2, 2016 the Department of State released the Request for Applications for the Municipal Restructuring Fund (MRF) – a \$25 million program to assist local government and school officials with developing transformative projects that will lead to property tax reductions for New Yorkers. The MRF is a grant program with a continuous recruitment process and projects submitted through the program will be ranked as they are received based upon established criteria until funding is exhausted. Projects will be ranked by metrics that include potential impact across

local governments, effect across service delivery areas and municipal functions, and potential for long-term property tax savings.

The City should consider evaluating internal opportunities for consolidation or partner with surrounding communities for the purpose of filing an application for this grant funding. More information on MRF grant requirements and how to apply is available at <http://www.dos.ny.gov/funding/rfa-15-mrf-27/index.html>.

County-wide Shared Services Property Tax Savings Plans

The FY 2018 State Budget empowers citizens and local leaders to control the cost of local government through the creation of County-wide Shared Services Property Tax Savings Plans. Each county will gather the mayors and supervisors in the county and develop a plan that generates real, recurring taxpayer savings. The plan should include actions such as the elimination of duplicative services; shared services, such as joint purchasing, shared highway equipment, shared storage facilities, shared plowing services, and energy and insurance purchasing cooperatives; reduction in back office administrative overhead, and/or better coordination of services. The State will match the first year of savings from new shared services actions in approved plans.

The City should actively participate in the development of the Dutchess County plan, taking advantage of this opportunity to find and implement shared services actions with other local governments in the County. Additional information on this initiative is available at https://www.dos.ny.gov/lg/countywide_services.html.

Efficiencies

Expand Solid Waste Collection

Currently, the City employs 17 FTEs and budgets over \$2.7 million to handle sanitation/garbage needs. The City used to collect commercial waste, but at present, only concentrates on residential, leaving commercial properties to seek private haulers to dispose of their refuse.

In discussions with the City, the Board has learned that the City may be willing to again expand its waste and refuse collection operation. However, such expansion would certainly require a capital investment as well as potential changes to the level of employment.

Specific ideas for expansion include the potential to offer collection to the Poughkeepsie Housing Authority as well as the Poughkeepsie City School District, among other large commercial customers.

To take advantage of positive economies of scale in this arena and to expand net positive revenue for the City, the Board encourages the City to devise a plan in the near future to expand its sanitation and solid waste services.

Enhancing Code Enforcement

The City is in the process of revising a number of fees associated with code violations. There has been a lack of enforcement resulting from budget cuts made over the last four years. According to the current administration, in an effort to cut their way out of the deficit condition without raising property taxes, the prior administration's cuts brought the City below the minimum resources needed to effectively manage its code enforcement.

Some fees for code violations have not been updated in many years and therefore the combination of low fees and a lack of enforcement provides significant opportunity to rebalance and enhance this aspect of City government. The current impediment to improving this situation is staffing.

The Mayor's office believes that costs can be better managed by relying on part-time staff. There are several collective bargaining aspects to this concept, which the City plans on putting on the table in upcoming contract negotiations with CSEA.

Revamping enforcement and the associated fee structure is currently in the planning and design stage for the current administration.

Parking Adjudication Tribunal

Parking infractions in Poughkeepsie are currently adjudicated in the City Court system, a function of the State's Office of Court Administration, which can take up the limited time of City Court judges. According to City officials, parking infractions are less frequently adjudicated in the City Court system because the majority of time is spent presiding over the more serious criminal cases and infractions. Since these tickets are not prioritized as high as other issues or infractions, the City of Poughkeepsie loses out on a significant amount of revenue each year. At present, the City has a backlog of over 500 cases awaiting trial and, importantly, has nearly \$2.6 million of parking fines that have yet to be collected.

Through the establishment of a parking tribunal headed by an administrative law judge and/or hearing examiners, the City would like to reduce City Court case backlogs and establish a more efficient way to manage its parking ticket system. City officials do not anticipate increased costs to residents or in their budget to establish and operate such a parking ticket tribunal. The City plans to establish such a program with existing staff and resources.

A number of other cities have asked for State legislation authorizing the establishment of parking tribunals and/or parking violations agencies, namely Buffalo, Rochester, Syracuse, Yonkers, Peekskill, Utica and most recently Newburgh in 2012. These entities received the necessary State authorization allowing them to collect needed revenue on past due violations and create capacity for each to write and adjudicate future tickets in a more timely manner. The City of Poughkeepsie believes it should be granted the same opportunity.

As was found for the City of Jamestown in its Comprehensive Review, the Board finds that the State Legislature should grant permission to the City of Poughkeepsie to establish an administrative tribunal so that City Court personnel would be freed of this responsibility and the City would be better suited to collect much needed revenue that is currently delinquent. The City would be further benefitted by a court system that can better concentrate on adjudicating moving violations and other more serious matters before the court.

Parking Infrastructure & Personnel

The City currently manages eight public parking facilities with a total of 1,900 spots, and controls 55 meters tied to 400 on-street parking spaces located in the central business district. Meter prices are set by local ordinance (rates/duration of parking) adopted by the Common Council. Off-street parking (the eight public parking facilities) are under the oversight of the City Administrator. There are approximately 700 permits issued, granting parking privileges in one of the eight aforementioned City lots.

The equipment used in the lots is outdated. The servers and actual parking equipment are no longer supported. The City employs a variety of vendors and software to manage the parking systems, and various aspects of the parking function are controlled by different City departments and divisions. This is inefficient and confusing to staff because multiple service platforms and organizational controls are in effect.

The City lacks the staff to properly manage parking in both the lots and by meters. The current dilapidated infrastructure, coupled with the de-centralization of management that occurred as the City implemented budget cuts over the last five years, leaves the City with a poorly managed and under-utilized system. The Parking Authority was disbanded years ago, and the City only has three FTEs to handle the repairs, collections, and manning of booths. In a less than ideal situation, these parking employees report to the sanitation supervisor who has other assigned duties. Currently, no single department is responsible for parking.

Moreover, the City is severely limited in its ability to conduct regular reviews of accounts and permits to ensure compliance. A recent review took a sample of accounts and permits from the database of one major revenue producing lot. It was found that there were a number of City employees who still had access who were no longer employed. One of these cards was found to be actively used each day since January of this year even though the employee left in mid-2016. It is believed that his card was turned over to an acquaintance who worked at a nearby County

building in order to obtain free parking. This resulted in a loss of \$660 in City revenue, and is likely only one example of many.

Another review was done of active accounts and it was found that a number of card holders did not have their accounts paid in full, and in some cases were delinquent by hundreds of dollars. The City has begun the process of identifying these users, and re-designing the collection process.

A local real estate agent recently met with City staff inquiring about the leasing of 150 parking spaces for a business he was marketing. The revenue from that transaction alone would add \$80,000 per year in new revenue. However, to facilitate this agreement the City must reorganize and move some current users between lots in order to make sufficient space in the lot requested. This potential customer also has concerns about safety and appearance of the lots. Some City lots lack proper lighting, have little or no security, and are in general disrepair. In order to adequately attract customers to the parking areas, the City must be able to improve the infrastructure and make it safe and secure.

The following represents the initiatives the City could undertake and invest in:

- Create a central parking department with a supervisor responsible for the employees and the systems that operate parking.
- Hire additional staff to accommodate the parking department. This staff would provide the ability to assist customers in real time, make timely repairs and provide for the proper oversight of the parking system.
- Establish centralized space to accommodate staff and equipment inventory (now scattered across the City). This would either involve a leasing of available commercial space in a central location, or a pre-fab construction unit placed in one of the larger parking areas. This space would allow the use of a central monitoring of all parking lots and areas. The employees would be responsible for parking equipment status, help desk activities (customer inquiries and assistance in using kiosk equipment) and security of the lots.
- Increase security in the lots through the upgrade of LED lighting in all lots and areas not currently covered or in need of improvement.
- Install security cameras in all lots and parking areas to create a safe parking environment.
- Patch or resurface lots and make other improvements to improve their appearance.
- Place new street and lot striping to define parking areas and also improve handicap access.
- Purchase new equipment to handle parking including kiosks for direct payment and software to handle pay by plate and remote payment. Additional equipment is needed to handle the lots for quicker exit of card and permit holders.

- Automate, secure, and modernize parking facilities (add gating and electronic plate readers).
- Increase efficiency and enforcement via technology to generate permanent revenue increases.
- Reclaim underutilized surface parking lots.

Dutchess County is currently funding a third-party study to include on-street parking models that support the City's downtown business district and other development goals. Accordingly, the City must be in the right position with its parking infrastructure in order to accommodate all downtown development goals. Through these actions noted above, the fiscal impact to the City is estimated at \$1.2 million in additional parking revenues over the first two years, and \$4 million over five years. Given the City's present deficit situation and the recent increase in property taxes, achieving increased revenue from non-property tax sources is vital for the City's future. In addition, this initiative intersects with the City's 2017 budget, which increased violation fines for parking (from \$715,200 to \$1,000,000) and moving violations (from \$288,000 to \$400,000).

Economic Development Personnel

As discussed earlier in this Comprehensive Review, one of the reasons for the City's present fiscal situation was the recurrence of operating deficits and borrowing by the General Fund on a habitual basis for several years. The new administration has vowed to correct this situation by developing budgets that rely upon sound revenue and expenditure estimates. To do so, the Mayor's first budget needed to increase taxes significantly, by 16.5 percent. However, placing too much pressure on the tax levy to solve budget gaps is unsustainable.

The City knows it must seek to expand the tax base to take pressure off of taxpayers. Addressing the City's blight and investing in economic development efforts will help to strengthen this base. While there are several bright spots for the City and the region, including \$1 billion in new development noted by the Mayor in his recent budget address, more is needed to revitalize the City as a whole.

Since 2012, the City has been without an economic development office. Other regional cities, namely Newburgh, Kingston, and Peekskill, each with General Fund budgets roughly in the vicinity of Poughkeepsie's, spend one to two percent of their 2015 General Fund on planning and economic development, while Poughkeepsie spends nothing

The Mayor wishes to reconstitute this department, by establishing personnel and funding to help kick-start City-wide efforts. The City has requested funding from the Board for staffing and to seed a new and innovative anti-blight initiative that can be sustained in future years by the General Fund and new public-private partnerships.

The City acknowledges that this reconstitution could work in tandem with the County's economic development efforts. Accordingly, the Board believes that the City should approach the County, since the County seat is the City and both governments have a vested interest in the success of the City, and seek to establish a specialized City-focused staffing effort within the County, rather than trying to bolster such a department within the City alone.

Recommendation: The Board recommends that the City invest in its parking infrastructure and invest in economic development through Dutchess County. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$1 million for parking infrastructure needs and to establish an economic development function for the City, which would be staffed or supplemented by Dutchess County. The specific structure and conditions of such grant, which would be developed in consultation with the City, and any other aspects of such grant would be subject to an affirmative vote of a majority of the total members of the Board.

The Board further recommends that the City continue to implement additional efficiency actions that will lower the annual cost of providing specific services. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City with implementing such efficiency actions. The specific structure and conditions of any such grants, which would be developed in consultation with the City, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board

Workforce

Police Contract

In September 2015, the former Mayor signed a Memorandum of Agreement (MOA) with the police union for a new contract covering the 2012 through 2016 fiscal years.

Under the terms of that agreement, the former Mayor and City Administrator were to actively support the terms and the City Council was required to vote on such agreement by late October of that year. Neither requirement happened and, in early 2016, the police union filed an improper practice (IP) charge with the State's Public Employee Review Board (PERB) alleging that the former Mayor's signature along with the alleged breaches of the terms constituted an effective and executed agreement.

Throughout 2016, the City and police union waited for a potential decision by PERB. The new Mayor and administration determined that, should the City lose the IP hearing and decision, the cost to the City's General Fund would be over \$2.2 million in 2017. This is because the 2015 MOA included high annual cost of living adjustments (COLAs), retroactive payment on those COLAs, and changes to a number of other contractual provisions that would have added to the City's cost base in perpetuity.

Recognizing the risk of losing the IP case as well as the City's significant accumulated deficit, the new Mayor negotiated a new agreement with the union with the goal of certainty and stability to both the officers and the City's finances through a fair and reasonable long term agreement.

In December 2016, the City and its police union reached an agreement on a new contract, one that would provide stability to both sides by extending the term through 2019. Further, the agreement would ultimately nullify the outstanding IP charge.

Importantly, the new agreement helped the City lower what could have been costs of over \$2.2 million in 2017, down closer to \$1.2 million. This agreement significantly reduces fiscal risk and uncertainty and achieves a number of give-backs by the union, be it items in the former MOA or provisions and benefits the union was seeking. Moreover, the City faces continued criticism from rating agencies that view unsettled contracts as a liability, and this long term agreement would begin to allay those concerns.

The latest agreement differs from the provisions of the former MOA in the following ways, lowering the costs for City taxpayers:

- the former agreement/MOA included a number of years with COLAs of 3 percent, however, this agreement lowered those to 1 or 1.25 percent;
- the former agreement/MOA included increases to the following contractual items, however the new agreement does not increase these: clothing allowance, sick leave incentive, longevity, meal allowance, differential pay, special assignments, and educational reimbursements;
- in addition, the mediator recommended an increase in the Health Insurance Buyout (HIB) provision to 45 percent of the family premium, which would be approximately \$10,000 for

each person that does not take the insurance (regardless of whether they are single or not). The new agreement reduce this to 25 percent of the single NYSHIP plan or approximately \$2,500; and,

- further, through this compromise deal, the union has agreed to medical arbitration for those members ordered to return to light/full duty instead of the current lengthy hearing procedure.

The City believes that the PBA give-backs, and their willingness to recognize the City's fiscal condition and accept less than they may have otherwise been able to get via PERB or arbitration, will have a favorable “domino effect” elsewhere in the City and perhaps beyond the City.

For these reasons, the Board finds that the City should continue its efforts with the police union to solidify and implement the latest compromise agreement that will provide longer-term stability with respect to the labor contract, eliminate the uncertainty of an adverse PERB-decided outcome for both sides, and provide financial plan savings for the City as compared to the former and alleged improper MOA with the prior administration.

Police Department Staffing

It is imperative that the City and Police Department/union agree on and implement a long term contract that represents a fair and balanced compromise compared to the offer that was crafted by the former Mayor in late 2015.

However, separate and aside from determining what a fair compensation package is, the City should contemplate what it believes is the most optimal level of staffing for the Department. The staffing level must provide the necessary level of service to the community, but also be one that taxpayers can support.

The chart below represents a very high-level comparison of Poughkeepsie's uniform and civilian Police Department levels, as compared to several other peer cities, using a population and per capita basis.

City	Population	Total Law Enforcement Employees	Total Officers	Total Civilians	Total Employees per 10K	Total Officers per 10k	Total Civilians per 10k
Poughkeepsie	30,416	130	96	34	43	32	11
Newburgh	28,227	93	80	13	33	28	5
Saratoga Springs	27,653	90	75	15	33	27	5
Elmira	28,489	83	72	11	29	25	4
Auburn	26,865	71	33	5	26	25	2
Rome	32,376	78	76	2	24	23	1
Watertown	27,717	68	65	3	25	23	1
Middletown	27,633	76	63	13	28	23	5
Peekskill	24,171	63	54	9	26	22	4
Ithaca	30,892	73	65	8	24	21	3
Jamestown	30,263	70	61	9	23	20	3
Glen Cove	27,394	55	51	4	20	19	1
North Tonawanda	30,776	51	47	4	17	15	1

As shown in the chart above, the Poughkeepsie Police Department has the highest per capita level of officers and civilian departmental employees among these peer cities. The level of civilian employees in the Police Department seems, from this high-level comparison, to be particularly out of line when compared to Poughkeepsie's peer cities. However, the Board's understanding is that this number is inflated due to school crossing guards, rendering a comparison of this segment moot until data is available to determine the prevalence of school crossing guards in each of the other cities.

On its face, if staffing in the Department was closer to 26 officers per 10,000 (the upper edge of the average range for uniformed personnel), the Department would total 82 officers (including rank and file as well as supervisory).

The City (Mayor, Council, Police Department, and residents) should work together in the near future to further analyze what staff level makes the most sense for Poughkeepsie, recognizing the costs and benefits of various levels of staffing in light of its significant accumulated deficit, its junk bond rating, and the need to annually attain balanced budgets.

This analysis should be further expanded to all departments and services to find the optimal level of cost and benefit for City residents.

Binding Arbitration Reforms

In 2013, the Governor advanced and the Legislature enacted significant reforms to the binding arbitration process between local governments and police and fire unions. These reforms give increased weight to an eligible local government's ability to pay as well as require arbitrators to consider the limitations of the property tax cap for these local governments. These reforms were extended until 2019 as part of the FY 2017 State Budget.

If a binding arbitration panel finds that a local government is eligible because of its high property tax rate or low reserves, it must give 70 percent of the weight of its decision to the local government's ability to pay and consider the requirements and limitations of the property tax cap. The remaining 30 percent of the weight would be given to the other binding arbitration award factors, including wage comparison, prior contracts, and public interest. Prior to these reforms, higher weight was not given to a local government's ability to pay and there was not a specific requirement to consider the limitations of the property tax cap. Given the City's high average property tax rate and low fund balance, it would likely qualify for application of the heightened ability to pay requirements should its labor negotiations require arbitration.

Recommendation: The Board recommends that the City continue to seek labor and healthcare savings. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$1.25 million to help the City meet certain operational expenses in the City's 2017 budget. The specific structure and conditions of such grant, which would be developed in consultation with the City, and any other aspects of such grant would be subject to an affirmative vote of a majority of the total members of the Board.

The Board further recommends that the City continue to implement workforce actions, including but not limited to actions targeted toward fringe benefits and retiree costs, that will lower the City's annual cost structure. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City with implementing such workforce actions. The specific structure and conditions of any such grants, which would be developed in consultation with the City, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board.

Economic Development

FY 2018 State Budget Actions Will Assist the City's Economic Development Climate

The FY 2018 State Budget includes a number of initiatives that will grow the economy within the City of Poughkeepsie and the surrounding Mid-Hudson region. This includes supporting locally-driven priorities for economic development and bolstering some of the State's most vital forms of infrastructure.

Transportation Capital Program

The FY 2018 State Budget continues to fund \$21.1 billion for capital improvement of highways, bridges, rail, aviation infrastructure, non-metropolitan Transportation Authority transit, and Department of Transportation facilities throughout the State. This includes the continuation of three initiatives: BRIDGE NY, PAVE NY, and the Extreme Weather Infrastructure Hardening Program.

- The BRIDGE NY program provides \$1 billion to replace, rehabilitate and maintain State and local bridges over a five year period.
- The PAVE NY program provides \$1 billion to State and local paving projects over a five year period and is distributed according to the Consolidated Local Street and Highway Improvement Program (CHIPs) formula. The City of Poughkeepsie will receive \$102,000 in FY 2018 as part of this program.
- The Extreme Weather Infrastructure Hardening Program provides \$500 million to further improve conditions on State and local roads and bridges, as well as provide resiliency to roadways that are particularly susceptible to weather events.

Clean Water Infrastructure

The FY 2018 State Budget continues the effort to improve water infrastructure in the State through the Clean Water Infrastructure Act. The Act provides \$2.5 billion for local governments to help address water emergencies, pay for local infrastructure, construction projects, underwrite land acquisition for some water protection and investigate and mitigate emerging contaminants of drinking water. This investment will protect public health, safeguard the environment, and preserve the State's water resources. These projects will improve the quality and safety of municipal drinking water distribution, filtration systems, and wastewater treatment infrastructure.

Regional Economic Development Councils

To build on the success of the Regional Economic Development Council (REDC) and Upstate Revitalization Initiatives (URI), the FY 2018 State Budget continues this locally-driven economic development approach for a seventh round of REDC awards. Round VII of the Regional Council Initiative will include \$750 million to be split competitively among each of the State's ten regions.

During the 2016 awards process, the following projects within the City of Poughkeepsie were awarded a total of \$7.0 million in funding:

- \$500k – The City of Poughkeepsie will construct the 3,000 foot Southern Waterfront Promenade along the City’s Hudson River Waterfront based upon decades of community preparation, engagement, and collaboration.
- \$500k – The City of Poughkeepsie will prepare final designs for a trail connecting the City’s northern and southern waterfront parks.
- \$315k – The City of Poughkeepsie and Dutchess County will consolidate busing service in the County.
- \$200k – The Efco Products, Inc. Business Expansion.
- \$100k – Family Services Inc., plans to upgrade their human services hub located in downtown Poughkeepsie to better serve their clients.
- \$423k – The development of a Family Partnership Center Urban Park.
- \$2.5m – Foundation for Vassar Brothers Medical Center will continue phase II of its Patient Pavilion and modernization of significant portions of its existing campus located in the City of Poughkeepsie.
- \$2.0m – Poughkeepsie Waterfront Development, LLC proposed to redevelop a 14-acre parcel along the southern waterfront in the City of Poughkeepsie to include the expansion of the Marina.
- \$500k – The Poughkeepsie Highland Railroad Bridge Company will use funding to build a Welcome Center at the Walkway Over the Hudson State Historic Park’s east entrance.
- \$40k – Spark Media Administrative Workforce Expansion.

Downtown Revitalization Initiative Round II

The FY 2018 State Budget includes \$100 million for Round II of the Downtown Revitalization Initiative. The Initiative was created in FY 2017 to support transformative housing, economic development, transportation, and community projects to attract and retain residents, visitors, and businesses to downtowns. The first round awarded \$100 million last year to ten communities that are currently experiencing population loss or economic decline to develop revitalization plans for their downtown area, developed in collaboration with policy and planning experts.

Land Banks and Community Revitalization

In recent years, municipalities have sought to address problems associated with blight from vacant and abandoned buildings through the creation of municipal land banks. New York State authorized the creation of land banks in 2011, and the number of authorized land banks was increased to 25 as part of the FY 2018 State Budget. In New York State, municipalities must first submit an application to create a land bank to Empire State Development (ESD).

Land banks are not-for-profit corporations that may be able to more efficiently return vacant, abandoned, or tax delinquent properties back to productive use. They have several powers such as the ability to dispose of property under negotiated terms, to sell properties for non-monetary compensation, to retain equity in properties, to purchase tax liens, and special bidding privileges when purchasing properties at a tax foreclosure auction. Land banks allow municipalities to have a more efficient and streamlined process for property redevelopment and community revitalization. This in turn reduces the social and economic consequences of blight within a municipality. Currently, there are 20 approved land banks in New York State.

The Board finds that the City of Poughkeepsie should consider working with the County and other neighboring municipalities to create a regional land bank that could serve as a tool for combatting blight in the most affected areas of the region.

Fiscal Performance and Accountability

Addressing the City's Accumulated Deficit

As discussed earlier in this Comprehensive Review, the City's General Fund ended the 2015 fiscal year with an accumulated fund deficit of \$13.1 million, which is over 26 percent of its \$49 million annual budget. This is a staggering amount and is one of the leading causes for the City's below investment grade junk rating from Moody's (Ba1).

If the City intends to move out of the non-investment/junk bond category, which will provide both increased market access and lower interest cost on future financings, it must seek to remove this deficit from its books in a timely manner.

One common way in which municipalities in New York address and eliminate an accumulated deficit is to seek deficit financing authorization from the State Legislature and Governor. A description and the requirements of such financing are outlined in more detail below:

Standard Deficit Financing Oversight

When the State Legislature authorizes a local government or school district to issue debt to pay for an accumulated deficit, Local Finance Law § 10.10 requires oversight of the entity's finances. This includes:

- **Quarterly Reports.** The local government's chief fiscal officer must produce quarterly reports depicting revenue and expenditure trends for the entire budgets. These reports must include recommendations to address any unfavorable variances (i.e., lower than expected revenues or higher than expected expenditures). They are submitted to the local government's governing board and chief executive officer, the State Budget Director, OSC, the Chair of the State Assembly Ways and Means Committee, the Chair of the State Senate Finance Committee, and, if a school district, the State Education Commissioner.
- **Review of Tentative Budget.** No later than thirty days before the local government's budget is scheduled to be voted on or the last date on which the budget may be finally adopted (whichever is sooner), the tentative budget must be submitted to OSC for review (if it is a school district, it must also be submitted to the State Education Commissioner). OSC is to examine and make recommendations on the tentative budget no later than ten days before the scheduled budget vote or the last date on which the budget must be adopted (whichever is sooner). The local government must make adjustments to the budget consistent with OSC's recommendations or explain in writing why any recommendations have been rejected. Until the adjustments or explanations are made, the local government may not issue bonds for any object or purpose.
- **Multi-Year Financial Plan.** Within 30 days after the final budget adoption, the local government must prepare a financial plan that covers the year of the adopted budget and the two following fiscal years. This plan must include: projected employment levels; projected annual expenditures for personal service, fringe benefits, non-personal services, and debt service; appropriate reserve fund amounts; estimated annual revenues, including the projection of property tax rates, the value of taxable real property and

resulting tax levy, and the annual growth in sales tax and non-property tax revenues; and the proposed use of one-time revenue sources. The plan is to be submitted to the local government's chief executive officer and chief fiscal officer, the State Budget Director, OSC, the Chair of the State Assembly Ways and Means Committee, and the Chair of the State Senate Finance Committee.

- **Review of Debt Issuance.** At least fifteen days before the local government issues any bonds or notes or enters into any installment purchase contract, the local government must notify OSC. OSC may review and make recommendations on the affordability of the proposed issuances.

All of these requirements are in place starting with the fiscal year during which the local government is authorized to incur debt to finance the deficit, until the last fiscal year during which deficit financing bonds or bond anticipation notes are outstanding.

Enhanced Deficit Financing Oversight

Along with the standard requirements established by Local Finance Law § 10.10, some deficit financing authorizations place additional oversight requirements on local governments. This enhanced oversight has included the following:

- **Requirement to Adjust Budget.** Under standard deficit financing, a local government may make the changes to its tentative budget recommended by OSC's review or it may explain in writing why recommendations were rejected. Recent deficit financing authorizations remove this option and require the local government to make the changes consistent with any recommendations made by OSC. Entities with this additional oversight include the Village of Suffern (Chapter 99 of the Laws of 2015); City of Yonkers School District (Subpart A of Part V of Chapter 55 of the Laws of 2014); the City of Lockport (Chapter 332 of the Laws of the 2014); Rockland County (Chapter 468 of the Laws of 2013); and the City of Newburgh (Chapter 223 of the Laws of 2010).
- **Enhanced Multi-Year Financial Plan.** Along with requiring the City of Newburgh to adjust its budget based on OSC's recommendations, the "City of Newburgh Fiscal Recovery Act" (Chapter 223 of the Laws of 2010) enhanced the multi-year financial plan requirement. In addition to the standard requirements of the multi-year financial plan, the City of Newburgh's plan must identify actions necessary to achieve and maintain long-term fiscal stability. These actions to be identified include: improved management practices, initiatives to minimize or reduce operating expenses, and potential shared services agreements with other local governments. Further, the multi-year financial plan had to be updated quarterly, whereas standard deficit financing only requires an annual update.
- **OSC Special Debt Service Fund.** The "City of Newburgh Fiscal Recovery Act" also established a special debt service fund with OSC. The City's property tax revenue is remitted to OSC and a portion of it is deposited in the fund to ensure that its full annual debt service is first provided for. This provided investors with additional confidence that all obligations would be repaid.

Notably, the reference to and issues surrounding the City of Newburgh in 2010 were significant. The City's bonds were rated non-investment (junk bond) and more importantly, the City effectively lost complete market access due to lack of investor confidence. In addition, the City's deficits were, at the time, contemplated at close to 40 percent of budget.

While the City of Poughkeepsie's fiscal standpoint is extremely challenging, their overall situation, which includes their position within a strong regional/County economy, substantially differentiates them from what the City of Newburgh endured and what was required by the State in order to maintain market access for Newburgh.

This said, the City must begin to create a plan to dismantle and settle the General Fund balance, through developing and designating future annual surpluses and/or deficit financing.

Utilizing deficit financing for the entire \$13 million deficit over 10 years would add an estimated \$1.7 million per year (or more) to the General Fund budget, which would equate to a tax increase of close to 8 percent to accommodate the debt service with interest.

Poughkeepsie's Inter-Fund Deficit

The Board worked with the City and the City's auditor to determine that, of the \$13.1 million in accumulated deficit, approximately half of this amount is owed to "outside sources or entities," while the other half is due to other funds of the City – the predominance of such being owed to the City's Capital Projects Fund. While General Municipal Law requires inter-fund advances to be repaid by the end of the year, the City advances have generally not complied with this requirement. Some of these intra-fund loans date back to 2008 or earlier.

Since approximately half of the General Fund's debt is the same City-wide tax base and importantly does not involve residents and taxpayers of another government, it would make little sense for the City and its taxpayers to bond for the entire \$13.1 million. This would have the effect of taxpayers paying the cost of issuance and interest on \$13.1 million only to use half that money to pay themselves back.

As part of any future deficit financing act taken up by the State Legislature, provisions should be included which absolve the accumulated deficit that is associated with inter-fund advances that are completely and totally City-wide funds. Because this precedent could encourage other local governments to seek to absolve inter-fund advances, the bar must be set very high. This includes requiring approval by the State Legislature, Governor, and by the State Comptroller's office, so the entirety of the local government's situation can be taken into consideration. This approach should only be entertained for dire fiscal situations on a one-time basis, and in concert with a plan and commitment by the local administration to achieve and maintain fiscal stability.

If the City wishes to avail itself of this potential opportunity, the City's Law Department/counsel and the City's administration should work with the State Legislature, in consultation with the Governor's Office and, if necessary, the State Comptroller's Office, to craft a bill for introduction that properly accomplishes the stated goal.

Multi-Year Financial Plans

Multi-year financial plans can be an important tool for local government leaders. These plans project a local government's revenues and expenditures for a number of years into the future based on reasonable assumptions. This allows local officials to not only see the current fiscal situation but also see the fiscal situation over the next few years. This empowers local officials in two ways.

First, it enables local officials to avoid creating future problems with a current action. For example, using a one-time revenue source to fund an ongoing program would not show an impact in the current year, but could have a significant impact in future years, when the one-time revenue source is no longer available.

It also empowers local officials to address future problems today. As projected revenues seldom exceed projected expenditures, local officials can start to make decisions today to address out-year gaps. By proactively addressing future issues, the impact to the local government, its residents, its taxpayers, and its workforce can be lessened.

OSC has developed an extensive set of resources for local governments on multi-year financial planning. This includes a tutorial, a guide, and a template, which are all available on OSC's website <http://www.osc.state.ny.us/localgov/planbudget/index.htm>. These are designed to make it as easy as possible for local governments to develop multi-year financial plans.

The City of Poughkeepsie has created multi-year financial plans in the past, most recently covering the period of 2012-2015. The City also engaged Capital Market Advisors, LLC in 2015 to develop a Strategic Fiscal Improvement Plan. For the reasons outlined above, the Board finds that the City should continue to develop and maintain a multi-year financial plan.

Conclusion and Next Steps

The Board may, in its sole discretion, award any of the following grants:

- The Board recommends that the City, in conjunction with its governmental neighbors, develop and implement a shared services plan that will lower the annual cost of providing specific services and address the inherent duplication of services via multi-governmental jurisdictions. If the City agrees to abide by and implement this recommendation, the Board may award a grant to assist the City and its neighboring governments with implementing such shared services plan.
- The Board recommends that the City integrate its transit/bus service with Dutchess County's transit system. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$750,000 to assist the City with this integration.
- The Board recommends that the City invest in its parking infrastructure and invest in economic development through Dutchess County. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$1 million for parking infrastructure needs and to establish an economic development function for the City, which would be staffed or supplemented by Dutchess County.
- The Board recommends that the City continue to implement additional efficiency actions that will lower the annual cost of providing specific services. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City with implementing such efficiency actions.
- The Board recommends that the City continue to seek labor and healthcare savings. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$1.25 million to help the City meet certain operational expenses in the City's 2017 budget.
- The Board recommends that the City continue to implement workforce actions, including but not limited to actions targeted toward fringe benefits and retiree costs, that will lower the City's annual cost structure. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City with implementing such workforce actions.

The specific structure and conditions of any such grants, which would be developed in consultation with the City, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board.

* All city rankings in this report exclude New York City

Appendix A – Letter and Resolution from the City of Poughkeepsie



The City of Poughkeepsie

New York

John C. Tkazyik
Mayor

April 21, 2015

Dear Distinguished Members of the Financial Restructuring Board:

I am writing to formally request a comprehensive review of the City of Poughkeepsie (the "City") by the New York State Financial Restructuring Board (the "FRB") pursuant to Local Finance Law §160.05. The City is a "fiscally eligible municipality" as defined in §160.05 (2) because its average full value property tax rate exceeds the average full value property tax rate of 75% of the other municipalities. In addition, the City's fund balance is well below 5% of operating expenses.

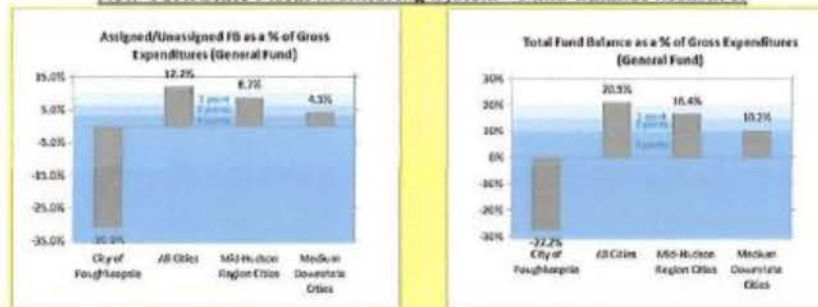
As the City's Chief Executive, I requested authorization from the City's Common Council to seek a comprehensive review by the FRB. At a meeting held on April 20, 2015, the Common Council authorized this request by a vote of 8 in the affirmative and 0 in the negative, with 0 members absent.

During the past several years the City has experienced severe fiscal challenges, resulting in a negative fund balance position since 2009. The primary cause of the deficit has been an imbalance of revenues compared to expenditures. Despite investigations into the generation of new revenue streams, the City's has been severely limited as a result of the property tax cap, a county implemented sales tax cap, a weak liquidity position, and a trend of declines to our tax base. Furthermore, City expenses have remained constrained due in part to costs associated with employee benefits, unsettled union contracts, a mature infrastructure, and public safety needs consistent with an urban community. At December 31, 2013, the independent audit report of the City showed a negative fund balance of \$11,220,559, representing approximately 25.5% of the 2014 total General Fund budget. This amount consisted of \$1,683,302 in assigned funds for self-insurance and unassigned funds of negative \$12,903,861.

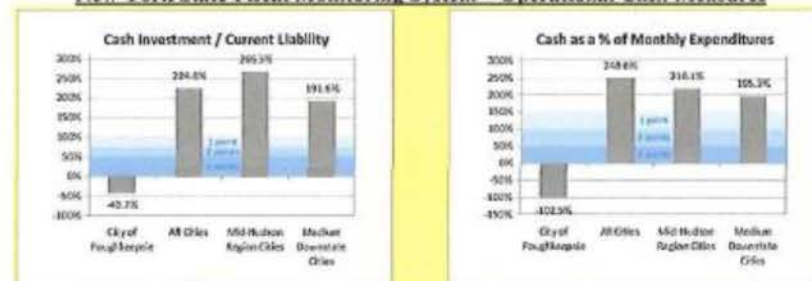
The below tables have been extracted from the Office of the State Comptroller's 2014 Annual Report on Local Governments and set forth an evaluation of the City fund balance and operational cash compared to all State cities, mid-Hudson cities, and medium downstate cities.

Municipal Building • 62 Civic Center Plaza • Poughkeepsie, NY 12601 • 845.451.4073 • 845.451.4201

New York State Fiscal Monitoring System - Fund Balance Measures



New York State Fiscal Monitoring System -- Operational Cash Measures



Source: The New York Office of the State Comptroller (2014 Annual Report on Local Governments.)

The City's fiscal distress is exacerbated by an aging infrastructure which is in drastic need of repair. Without these repairs, the City will not be able to provide essential services to its residents. Since the City will need to issue debt in order to finance these projects, it is critical that we maintain an investment grade rating with Moody's Investors Service ("Moody's"). On January 6, 2014, Moody's downgraded the general obligation rating of the City to "Baa3" (negative outlook) from "Baa2" (negative outlook). This rating was subsequently affirmed in January of 2015. As you may be aware, the Moody's rating scale, running from a high of "Aaa" to a low of "C," is comprised of 21 notches and is divided into two sections, investment grade and speculative grade. Thus, the City's present rating of "Baa3" represents the lowest possible investment-grade rating. If the City were to slip to a speculative grade rating, a portion of the investment community whose own internal credit criteria does not permit them to invest in debt rated below the investment grade level would no longer purchase City debt and interest expenses for new projects would increase substantially. A further downgrade would mean the City's debt would be considered speculative or non-investment grade by investors and further negative credit rating agency actions may have a materially adverse impact on the City's ability to complete the crucial infrastructure repairs. Moody's has advised that any further deterioration of reserves or in liquidity measures may result in negative action.

The City's tax base remains hindered due to a weak regional real estate market and economy. This has a direct impact on wealth and income levels in the City. In fact, median family income in the City for 2013, according to the American Community Survey – 5 Year Estimate (US

Census Bureau), was \$47,428 compared to \$70,670 and \$64,719 for families in the State and the Nation, respectively. Only 15.3% of all families in the City had annual incomes greater than \$100,000 compared to 33.9% of all State families and 28.5% of all families across the United States. The per capita money income of the City in 2013 (American Community Survey - 5 Year Estimate) was \$23,765, compared to \$32,382 and \$28,155 in the State and the Nation, respectively. Unfortunately, this unique amalgamation of factors has only propelled the local demand for public safety and other municipal services, while also limiting our ability to fund them.

Despite these challenges, we have taken various steps to help stabilize our finances. Some of these steps have included, developing more conservative and realistic annual budgets, implementing various procedures to control expenditures, conducting comprehensive reviews of vendor contracts, and reducing our workforce (the 2012 budget of the City included 323.5 positions, compared to 289.0 budgeted positions in 2013, 281.5 in 2014, and 287.0 in the 2015 adopted budget). In addition, the City continues to investigate the development of alternative revenue streams and have recently engaged the services of an external financial advisor to assist in the development of a strategic fiscal improvement plan. As a result of these efforts, for the first time in several years, the City ended the 2013 fiscal year with an operating surplus in the General Fund (+\$813,801).

Despite these recent positive results, we recognize the path before us is one that will be extensive and will entail a great deal of effort, planning and follow through. Nevertheless, we stand ready to embark on this journey. Accordingly, I concur with the resolution adopted by the City Common Council seeking assistance, a comprehensive review, and recommendations from the FRB on ways in which we may improve upon fiscal stability, management, and the delivery of public services.

On behalf of all City stakeholders, I would sincerely like to thank you for your time and consideration. Please do not hesitate to contact me with any questions or concerns that we may be able to help answer for you. We look forward to further discussing this matter with you.

Respectfully,

John C. Tkaczyk
Mayor

CC: City of Poughkeepsie Common Council Members
Camilo Bunyi, City Administrator
Karen Sorrell, Acting Commissioner of Finance

RESOLUTION
(R-15-27)

INTRODUCED BY COUNCILMEMBER RICH

WHEREAS, in June 2013 Governor Andrew Cuomo's Program Bill Number 21 was approved amending Section 160.5 of the Local Finance Law to establish a Financial Restructuring Board; and

WHEREAS, The Financial Restructuring Board for Local Governments is a ten-member panel available to offer assistance to eligible municipalities; and

WHEREAS, The Board is chaired by the New York State Budget Director and includes the New York State Comptroller, the New York State Attorney General, the New York State Secretary of State, and six other members appointed by the Governor; and

WHEREAS, Any county, city (except New York City), town, or village deemed a Fiscally Eligible Municipality by the Financial Restructuring Board may request, by resolution of its governing board with the concurrence of its Chief Executive, a Comprehensive Review from the Financial Restructuring Board; and

WHEREAS, If the Financial Restructuring Board decides to undertake a Comprehensive Review of a municipality, it can request any information necessary to understand the municipality's finances and operations and based on this information, the Financial Restructuring Board would make non-binding recommendations to that municipality on improving its fiscal stability, management, and the delivery of public services; and

WHEREAS, In addition, the Financial Restructuring Board could offer grants and/or loans of up to \$5 million through the Local Government Performance and Efficiency Program for undertaking certain recommendations, if the municipality agrees to undertake the Financial Restructuring Board's recommendations, it would be contractually bound to fulfill those terms in order to receive the aid; and

WHEREAS, The City of Poughkeepsie has been deemed a "fiscally eligible municipality" pursuant to criteria established by section 160.05 of the Local Finance Law; and

WHEREAS, given the current economic climate, the governing body of the City of Poughkeepsie has determined that a comprehensive review by the Financial Restructuring Board for Local Governments would be worthwhile; and

WHEREAS, the Common Council of the City of Poughkeepsie understands that the recommendations of the Financial Restructuring Board are not binding; and

NOW, THEREFORE,

Appendix B – Resolution Approving the City of Poughkeepsie

Financial Restructuring Board for Local Governments

RESOLUTION No. 2016-11

APPROVING THE REQUEST FOR A COMPREHENSIVE REVIEW FROM THE CITY OF POUGHKEEPSIE

WHEREAS, pursuant to New York State Local Finance Law section 160.05(2)(a), the Board of the Financial Restructuring Board (the "Board") must find that the City of Poughkeepsie (the "City") is a Fiscally Eligible Municipality because it has an average full value property tax rate of \$9.153 per \$1,000, which is greater than the average full value property tax rate of seventy-five percent of counties, cities, towns, and villages with local fiscal years ending in the same calendar year as of the most recently available information; and

WHEREAS, pursuant to New York State Local Finance Law section 160.05(2)(b), the Board must find that the City is a Fiscally Eligible Municipality because it has an average fund balance percentage of -22.43 percent, which is less than 5 percent; and

WHEREAS, pursuant to New York State Local Finance Law section 160.05(3), upon the request of a fiscally eligible municipality, by resolution of the governing body of such municipality with the concurrence of the chief executive of such municipality, the Board may undertake a comprehensive review of the operations, finances, management practices, economic base and any other factors that in its sole discretion it deems relevant to be able to make findings and recommendations on reforming and restructuring the operations of the fiscally eligible municipality (the "Comprehensive Review"); and

WHEREAS, the governing body of the City with the concurrence of the City's chief executive has requested that the Board undertake a Comprehensive Review of the City;

NOW THEREFORE BE IT RESOLVED that the Board agrees to undertake a Comprehensive Review of the City in accordance with New York State Local Finance Law section 160.05(3).

This resolution shall take effect immediately and remain in effect until modified, replaced or repealed by resolution of the Board.

No. 2016-11

Dated: 6-20-16

