Financial Restructuring Board for Local Governments

RESOLUTION No. 2016-02

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

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, on February 24, 2015 the Board of the Financial Restructuring Board (the "Board") approved Resolution No. 2015-07 agreeing to undertake a Comprehensive Review of the City of Elmira (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 attached report on the Comprehensive Review of the City (the "Comprehensive Review Report") includes a recommendation that the City continue its action to join the Chemung-Schuyler Health Plan; and

WHEREAS, the Comprehensive Review Report provides that, if the City agrees to abide by and implement such recommendation, the Board may, in its sole discretion, award a grant of up to $850,000 to assist the City with costs associated with such health care plan migration; and

WHEREAS, included in the Comprehensive Review Report is a recommendation that the City maintain its recently enacted shared service endeavors, including the transfer of the entire buildings and grounds function and staff to the County, the permanent co-location and merger of finance/treasurer functions residing with the County, and the permanent reduction of two City police officers as a result of the County's staffing social service fraud investigators; and

WHEREAS, the Comprehensive Review Report provides that, if the City agrees to abide by and implement such recommendation, the Board may, in its sole discretion, award grants of up to $500,000 for the County, payable to the City, recognizing the costs borne by the County due to the absorption of duties and personnel for these shared services; $180,000 to assist the City and County with financial system software, hardware, or licensing costs associated with the combining of financial offices; and a bonus award of $400,000 for the City in aid of its 2016 financial plan in recognition of the totality of the shared service endeavors between the City and the County noted here within; and

WHEREAS, included in the Comprehensive Review Report is a recommendation that the City continue its Code Enforcement shared services with the Town of Horseheads; and

WHEREAS, the Comprehensive Review Report provides that, if the City agrees to abide by and implement such recommendation, the Board may, in its sole discretion, award a grant of up to $8,000 to assist the City with costs associated with computer hardware and remote access;

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

BE IT FURTHER RESOLVED that the Board authorizes, subject to conditions approved by the Chair of the Board, grants for financial restructuring and related purposes of up to: $850,000 to assist the City with costs associated with health care plan migration; $500,000 for the County, payable to the City, recognizing the costs borne on the County due to the absorption of duties and personnel for shared services; $180,000 to assist the City and County with financial system software, hardware, or licensing costs associated with the combining of financial offices; $400,000 for the City in aid of its 2016 financial plan in recognition of the totality of the shared service endeavors between the City and the County; and $8,000 for costs associated with computer hardware and remote access related to code enforcement shared services.

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

No. 2016-02
Dated: 6-20-16

City of Elmira
Comprehensive Review Report

Financial Restructuring Board
for Local Governments

June 2016

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Overview

The City of Elmira is a medium Upstate city in Chemung County. With a population of 29,200 at the 2010 Census, it is the 20th most populous city in New York State.* 2013 expenditures of $47.9 million were the 30th highest of all cities.

The City is governed by a Mayor and a six-member City Council. The Mayor is elected citywide for a four-year term. The Council members are elected by district, also with four-year terms.

The City Council adopted and the City Manager concurred with a resolution requesting a Comprehensive Review by the Financial Restructuring Board (see Appendix A). On February 24, 2015, the Financial Restructuring Board approved this request for a Comprehensive Review with Resolution No. 2015-07 (see Appendix B).

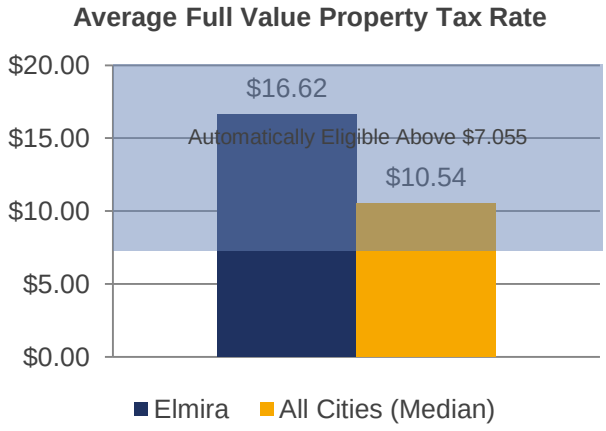
This Comprehensive Review first gives some background on the City's fiscal eligibility and demographic profile. It then provides information on the organization and finances of the City. Finally, it presents the Comprehensive Review's findings and recommendations.

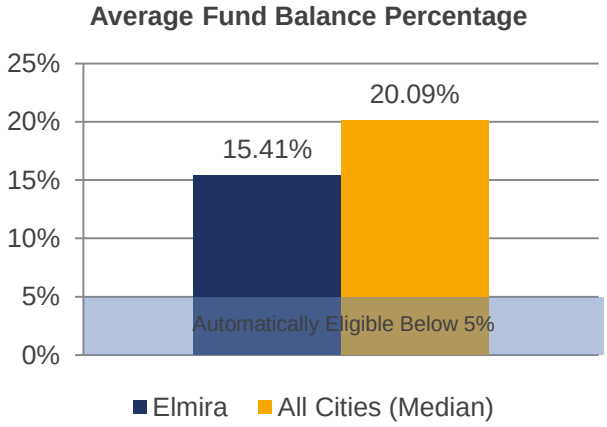
Background

Fiscal Eligibility and Stress

The City of Elmira is automatically considered a Fiscally Eligible Municipality because its Average Full Value Property Tax Rate (2009-2013) of $16.62 per $1,000 is above $7.055 per $1,000 – the 75th percentile for all municipalities. This is the 9th highest for cities.

The City's Average Fund Balance Percentage (2009-2013) of 15.41 percent is the 19th lowest for cities but is still above the five percent threshold.





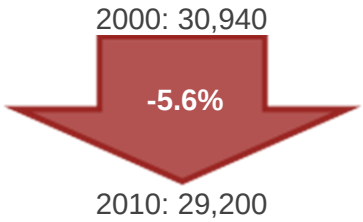
The Office of the State Comptroller's (OSC) Fiscal Stress Monitoring System gives the City of Elmira a Fiscal Rating of No Designation with a score of 33.8 percent for 2013 (a local government would be determined to be Susceptible to Fiscal Stress with a score of 45.0 percent or higher). The negative factors contributing to this score are a low fund balance, an operating deficit in two out of three of the last fiscal years, low cash levels as a percentage of monthly expenditures, and a high level of personal service and employee benefits spending compared to revenues.

OSC's Fiscal Stress Monitoring System gives the City of Elmira an Environmental Rating of "##" (considered to have nearly the worst environmental conditions) with a score of 41.3 percent for 2013 (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 decrease in population from 2000 to 2010 (-5.6 percent); a high child poverty rate (39.2 percent); low property value per capita ($21,778), and a high unemployment rate (10.7 percent).

Demographic and Socioeconomic Profile

As noted above, the City's population decreased 5.6 percent to 29,200 from 2000 to 2010. In contrast, the typical city's population grew 0.5 percent over that same period.

Population Change



The City of Elmira's median household income in 2014 was $29,865, which is less than the typical city's median household income of $40,111.

The City's median home value of $68,200 is less than the median home value of the typical city of $108,300.

Its property value per capita of $21,778 in 2013 is the 2nd lowest for cities in the State with a 2013 OSC Fiscal Stress Monitoring System rating - less than the property value per capita of the typical city of $40,021.

Organization and Finances

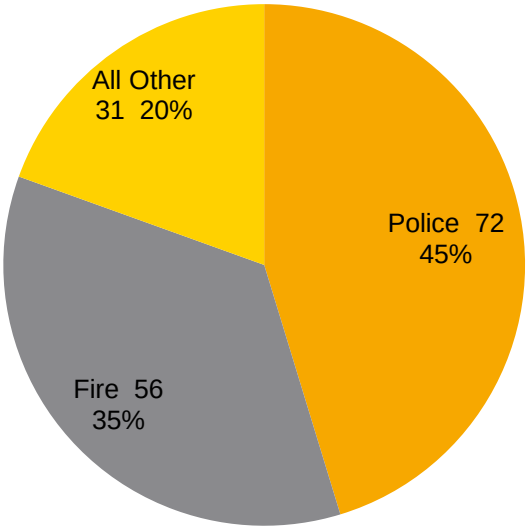
Organizational Profile

The City of Elmira is governed by a Mayor and a six-member City Council. The Mayor is elected citywide for a four-year term, with a new Mayor elected for the term which began January 1, 2016. The Council is also elected for four-year terms, all of which started a new term January 1, 2016.

The City has several departments: the Mayor's office, the City Manager's office, the Fire Department, the Police Department, Public Works, the Corporation Counsel's office, the City Chamberlain's office, the Assessor's office, the Clerk's office, Community Development, Personnel, and Codes.

For local fiscal year 2016, which began January 1st, the City's workforce is expected to comprise a total of 159 full-time equivalents (FTEs). This number is historically low and reflects the transfer of a large portion of the Department of Public Works' Street Division and Buildings and Grounds staff, approximately 40 total employees, to the County. This relocation is discussed in more detail later within this Comprehensive Review. In addition, the City has also collaborated with the County to merge fiscal offices, reducing the City's Office of the Chamberlain down to only one FTE.

2016 City of Elmira FTEs by Dept.



With the enactment of these major shared service endeavors with Chemung County, nearly 85 percent of remaining City staff are for public safety.

Three unions represent the City's unionized workforce, with various contract terms and salary increases. Employee health insurance contributions vary by union and whether the plan is for an individual or a family, from $20 per pay period to $68 per pay period. Management employees contribute either one or two percent of their salary.

City of Elmira Labor Contracts

Union	Contract Status	Contract Expiration	% Salary Increases			
			2014	2015	2016	2017
CSEA, Local 1000 AFSCME, AFL-CIO	Current	12/31/2017	3.0	3.5	0.0	1.0
Police Benevolent Association	Current	12/31/2017	1.5	2.5	2.5	2.5
Elmira Professional Firefighters Association	Current	12/31/2017	1.0	2.75	2.75	3.0
Elmira School Traffic Officers Organization	Current	8/31/2017	1.25	1.25	1.25	-

As noted above, the City has made efforts to keep contracts current, which eliminates a number of uncertainties or potential retroactive settlement pressures which can plague governments that fail to address long-expired contracts.

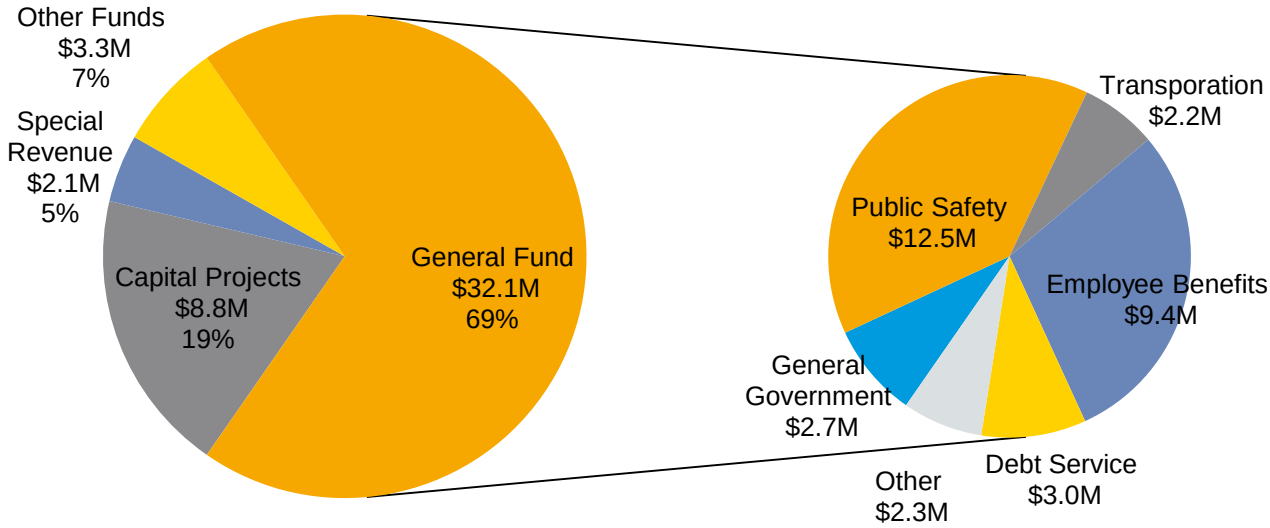
Despite the necessary and innovative major shared service agreements with the County, the City has endured and likely will continue to endure unbalanced fiscal operations, which is discussed in the upcoming section of the Comprehensive Review. Well over 80 percent of FTEs and personnel costs are related to public safety. Regardless of cost of living adjustments achieved via collective bargaining and arbitration decisions, and given the City's difficult fiscal condition, it will be unlikely that the City will be able to afford raises above inflation in the future.

Given prior bargaining agreements, decisions handed down via arbitration and the City's fiscal condition, it will be difficult for the City to afford future raises above inflation.

Budget Profile

The City's 2016 all funds adopted budget totals $46.3 million. This is a 8.6 percent increase from the 2015 all funds adopted budget of $42.6 million. This change is mostly attributed to an increase in capital spending from $5.8 million to $8.8 million due to the receipt of State and Federal funds for extreme reconstruction along Water Street. Otherwise, the General Fund decreased 2.1 percent by $700,000 compared to 2015.

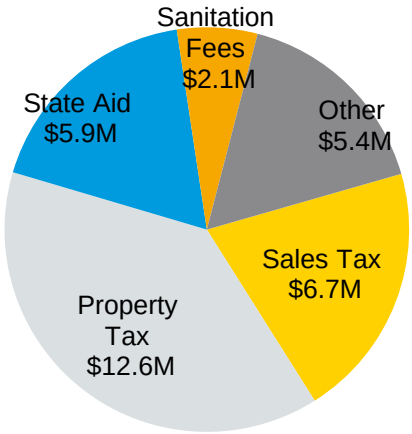
2016 City of Elmira Expenditures



The General Fund budget for 2016 totals $32.1 million. The largest spending category in the General Fund is for public safety, representing $12.5 million, or 39 percent of the total. The next largest category is for fringe benefits, including health care costs for employees and retirees, as well as necessary pension contributions.

Other funds total approximately $14.2 million, including $8.8 million for the Capital Projects Fund, and $2.1 million for the Special Revenue/Special Grants Fund.

2016 City of Elmira GF Revenues



The 2016 General Fund revenue sources include: 38.5 percent from property taxes; 20.5 percent from sales taxes and other non-property taxes; 18 percent from State aid; 16.5 percent from other sources; and 6.4 percent from sanitation fees.

County Sales Tax Agreement Modification

For years, the City of Elmira has received a share of County sales tax collections, pursuant to a County sharing agreement. In 2012, the City received an annual sales tax share of over $7.3 million. In 2013, fearing a sustained, downward trend in collections, Chemung County decided it needed to alter its sharing formula, keeping more revenue for itself and affording less to municipalities in the County.

Starting in 2015 and phasing in through 2018, the County's new sharing agreement increases the County's share by approximately 30 percent. When fully phased-in, this will reduce the City's annual revenues by an estimated $2 million, from $7.3 million in revenue to $5.3 million. A $2 million net drop represents over 6 percent of the total revenue base of the General Fund.

As noted below, Moody's cited this as one of the top reasons for its significant downgrade of the City's credit rating.

Bond Rating

According to its 2013 Annual Financial Report, the City had $25.9 million in serial bonds outstanding and $1.5 million in BANs outstanding at the end of 2013.

Prior to June 2015, the City had a bond rating of A2 with a negative outlook from Moody's. On June 1, 2015, Moody's released a new rating for the City's General Obligation (GO) bonds and lowered the rating by five notches - to Ba1 with a sustained negative outlook. This is a non-investment grade (junk bond) rating from Moody's.

The reasons Moody's cited for this severe reduction in the City's credit rating are:

- significant loss of revenue from the County sales tax sharing agreement;
- large, persistent health insurance-related overruns expected to continue in 2015, costing the City over $1 million more than planned; and
- recurring annual General Fund deficits and a depleted unassigned fund balance.

With the significant reduction in revenues due to the changes in the County sales tax sharing agreement, recurring budget gaps that are projected into the future, a depleted fund balance, and a "junk" credit rating, the City of Elmira is facing significant fiscal challenges that will continue to require difficult choices beyond fiscal year 2016.

Depleted Fund Balance

According to information provided by the City, the General Fund ran deficits of $895,000 in 2012, $840,000 in 2013, $990,000 in 2014, and $2.2 million in 2015.

The primary reason for the 2012-2015 deficits was due to health insurance overruns. Most notably, in 2014 the fringe benefit category increased by over 20 percent ($1.8 million) compared with 2013, which also increased by 9 percent over 2012.

The City's total General Fund balance decreased from $4.1 million at the end of 2012 to $3.2 million at the end of 2013 (11.3 percent of General Fund expenditures). At the time of its adopted 2015 budget, the City anticipated having a total General Fund balance of approximately $850,000. However, with the preliminary results for fiscal year 2015 estimating a General Fund structural imbalance of $2.2 million, the City will likely end 2015 with a negative fund balance well over $1 million when final audit results become available.

General Fund Gaps and the 2016 Budget

In developing the 2016 budget, the City Manager projected a General Fund gap of $3.2 million, which represented more than 10 percent of the General Fund.

In addition to rising personnel costs due to labor contracts and the progression of salaries, one other factor that added to the 2016 budget gap was the diminishing amount of forecasted sales tax the City was expected to receive from the County, as mentioned earlier. Already factored into the net gap was the escalating annual savings to be realized by the City due to the County's phased-in fiscal takeover of the City's Streets Division.

In large measure, the City's 2016 adopted budget closed the $3.2 million gap through the following means:

- No layoffs, but the realization of attrition and further shared service endeavors with the County, namely merging of finance offices;
- Assumed awards from the Board for Local Fiscal Year 2016 totaling approximately $1.5 million; and,
- A property tax levy increase of $600,000, or 4 percent, to total over $12.5 million. The City indicated that in the absence of the assumed and, at the time, hopeful State assistance, the necessary tax levy increase would have eclipsed 17 percent.

With the City's 2016 adopted budget, and the 5.5 percent levy increase, the City's full value tax rate jumped from $20.81 per $1000 assessed to $21.95, and Constitutional exhaustion has now surpassed 60 percent.

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

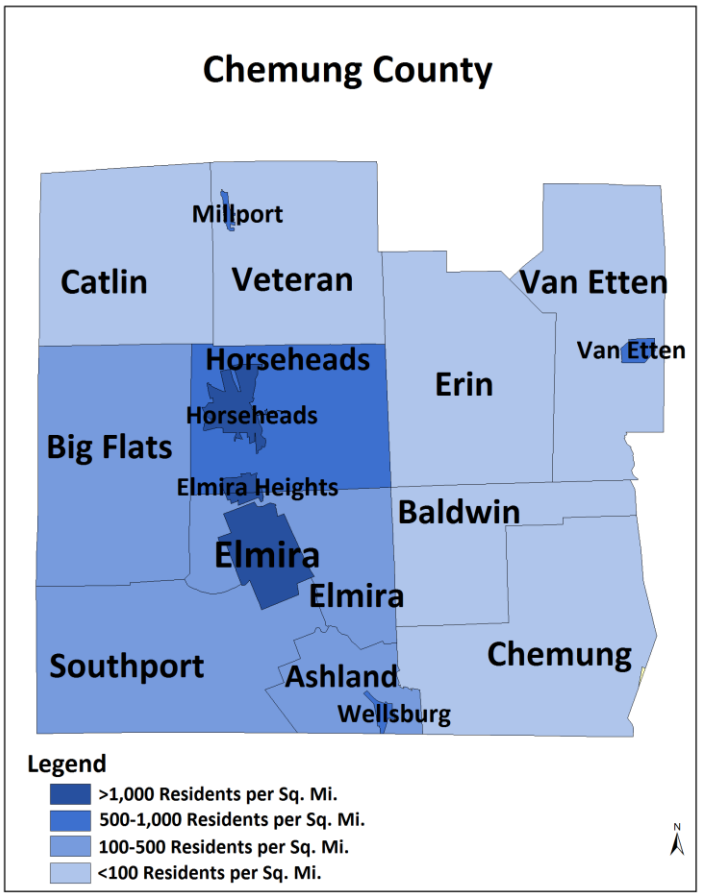
Regional Government Context

As of the 2010 Census, Chemung County had a population of 88,830 and was the 27th most populous county out of the 57 counties outside of New York City. With a land area of 407.4 square miles, it is the 48th largest county. With a population density of 218 residents per square mile, it is the 17th most densely populated county.

The County is governed by a County Executive and a 15-member County Legislature. Other elected County officials include: the Treasurer, the Sheriff, the District Attorney, and the Clerk. As of 2014, the County had total expenditures of $208.2 million, which is the 23rd highest for counties, and total expenditures per capita of $2,344, which is the 16th highest for counties.

Within the County, there is 1 city, 11 towns, 5 villages, 3 school districts, 10 fire districts, and more than 40 town special districts and other entities.

The City of Elmira is in the southwestern portion of the County, and is surrounded by the Towns of Elmira and Southport.



Survey of Shared Services

The Board worked with the City and its neighboring municipalities to conduct a survey on the services they provide in order to discover opportunities for further shared services. 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 Elmira	Chemung County	Elmira City School District	Town of Elmira	Town of Southport	Town of Big Flats	Village of Horseheads
Police	X	X		X			X
Dispatch/E-911		X					
Fire	X						X
Ambulance/EMS							
Tax Collection/Treasurer	X	X	X		X	X	X
Tax Bill Printing							
Tax Foreclosure		X					
Assessing	X			X	X	X	
Personnel/HR/Civil Service	X	X	X		X	X	X
Payroll/Time & Attendance	X	X			X	X	X
Purchasing		X			X	X	X
Budget/Finance	X	X		X	X	X	X
Code Enforcement	X			X	X	X	X
Building/Zoning/Planning	X				X	X	X
Park Maintenance	X	X		X	X	X	X
Animal Control	X						
Plowing		X	X		X	X	X
Paving/Street Maintenance		X		X	X	X	X
Lighting/Traffic Controls		X				X	X
Sanitation/Garbage	X						
Water						X	X
Wastewater/Sewer		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. With limited resources and rising costs, all local governments must continually look to partner with one another to find efficiencies and eliminate duplicative functions performed by multiple governments.

The City of Elmira and Chemung County have forged a solid relationship regarding shared services. The City and County already work together in the following areas: E-911/call center, civil service, tax foreclosure, purchasing, hazardous materials response, information technology, and sewer operations. In addition, the City has various sharing arrangements and agreements with many of its neighboring municipalities. For example, the City and the Town of Horseheads share a code enforcement officer and the City expanded animal control services to all municipalities throughout the county.

Further, the County's efforts to find and implement additional opportunities with the City and other municipalities serve as a model for local governments. The County has actively been offering its financial and public safety services to various towns and villages. These efforts to find and implement economies of scale is exemplary and should be commended.

While the previous chart depicts overlap among nearly every listed government, the City and County have, in the recent year or more, forged a number of shared service agreements that have emerged as a result of the City's fiscal condition and the willingness of the County to partner and support the City.

Joining the Chemung-Schuyler Health Plan

The City has been plagued with enormous annual employee and retiree health care cost overruns. Through 2015, the City was self-insured. Even though the City had "stop-loss" insurance, such benefit only kicked-in on a per-person basis after individual costs exceeded $130,000 in a plan/fiscal year. Unfortunately, persons with chronic and severe health issues could easily run hundreds of thousands of dollars annually. According to the City, several individuals were in such a situation. In 2015 alone, this issue cost the City well over $1 million in extra, unbudgeted costs. This was also one of the leading factors leading to Moody's junk-bond rating.

Last year, Chemung County offered to let the City join in its Preferred Physician Organization (PPO) health care plan. The Chemung and Schuyler (County) PPO health plan already covered an estimated 2,800 employees. The power and economy of scale inherent in a larger plan, combined with a modified out-of-pocket schedule, provided the means for the City to save significant money through this change.

Prior to making the 2016 financial plan, the City estimated that if all of its unions and employees modified their existing contracts, as applicable, and approve a change of plan, this action alone would save $1 million annually going forward. With annual budget overruns of $1 million or more and an impending budget gap for 2016 of at least $3.2 million at that time, securing this health plan change was an extremely vital step if the City is to come close to achieving fiscal stability over the coming years.

Recommendation: The Board recommends that the City continue its action to join the Chemung-Schuyler Health Plan. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to $850,000 to assist the City with costs associated with such health care plan migration. 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.

Finance Department Merger

Effective April 2016, the City's and County's finance departments were consolidated. In effect, the City's Chamberlain Office was whittled down to just the Chamberlain position, an action that will save the City $180,000 per year. The City, over the short term, must maintain the Chamberlain position as this position is not only required in the City's charter, but the Chamberlain is also responsible for internal controls, bonding, etc. The City transferred two employees to the County Treasurer's Office to enable the function to be consolidated and savings to be achieved.

Also as part of this transition, the City would need to change software and begin using the County software. The initial upfront, one-time expense is approximately $180,000. Savings from discontinuing the City's system are factored into the annual $180,000 savings noted above.

Chemung County has already entered into agreements to provide financial services to the Town of Elmira and the Town Of Erin, with pending agreements between two other municipalities. The full staff of the County and City offices would be co-located at the County Office.

Building and Grounds Department Merger

The City has finalized agreements with their CSEA bargaining unit and the County to effectuate a transfer of the City's building and grounds department to the County. The County will begin to absorb personnel costs in less than five years, which is when the Streets Department agreement should be fully effectuated. These costs would be offset at $400,000 per year until the County fully absorbed the cost of these personnel. Two vacancies will not need to be filled which will save an additional $180,000.

To assist the City's 2016 financial plan and beyond, and to meet the needs of the County as a whole, the County decided to hire two social service fraud investigators. This action enabled and enticed two Elmira City police officers to retire and be hired for the investigator positions with the County, allowing the City to save on Police Department payroll costs.

These recently enacted County-City actions are expected to save the City at least $2 million over five years. In order to effectuate these significant departmental and personnel changes, there are some initial costs to the County, such as the cost to merge financial systems.

Recommendation: The Board recommends that the City maintain its recently enacted shared service endeavors, including: the transfer of the entire buildings and grounds function and staff to the County, the permanent co-location and merger of finance/treasurer functions residing with the County, and the permanent reduction of two City police officers as a result of the County's staffing social service fraud investigators. If the City agrees to abide by and implement this

recommendation, the Board may, in its sole discretion, award grants of up to $500,000 for the County, payable to the City, recognizing the costs borne by the County due to the absorption of duties and personnel for these shared services; $180,000 to assist the City and County with financial system software, hardware, or licensing costs associated with the combining of financial offices; and a bonus award of $400,000 for the City in aid of its 2016 financial plan in recognition of the totality of the shared service endeavors between the City and the County noted here within.

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.

Code Enforcement

In 2015, the City and the Town of Horseheads began sharing a Director of Code Enforcement. This action is expected to save Elmira $40,000 per year. In order to maximize the benefits and efficiencies of co-managing this service with the Town, the City needs to make several technology investments. The Director of Code Enforcement has requested permission to purchase tablets, wireless internet access for these mobile tablets, remote desktop access of building complaint software for tablets, and three years of access to the New York State Building Codes software for mobile and office access in order to sustain the shared services effort of the Code Enforcement Office.

Recommendation: The Board recommends that the City continue its Code Enforcement shared services with the Town of Horseheads. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to $8,000 to assist the City with costs associated with computer hardware and remote access. 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.

Tax Assessment

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 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.

At present, the City of Elmira has forged yet another shared service endeavor with one if it's neighboring local governments via offering to share its Assessor with the Town of Elmira. This agreement is currently producing over $16,000 in annual revenue for the City. Another agreement to share one assessment staffer with the Town of Elmira is currently being reviewed as well.

Potential City Police/County Sheriff Collaboration

The City of Elmira, in conjunction with the County of Chemung, has submitted an application to the Municipal Restructuring Fund for the purpose of funding a study that will focus on police consolidation and providing countywide police enforcement. The goal is to create efficiencies and savings, especially for the City, in order to preserve police services under a new administrative structure. According to the County and City, the unions understand the need to consolidate, but the manner in which it occurs needs to be decided though the consultant's analysis. A steering committee will be formed with the consultant as the facilitator and will include elected officials, chief administrators, police administration, and unions.

Recommendation: The Board recommends that the City, in conjunction with the County, continue to implement an additional shared services plan that will lower the annual cost of providing specific services and address the inherent duplication of 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 and County with implementing such a shared services plan. 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.

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 New York State Department of State released the Request for Application for the Municipal Restructuring Fund – a new $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.

As noted earlier, the City has submitted an application to the MRF for police consolidation. 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.

Municipal Consolidation Competition

To further encourage local government consolidation, New York State created a new $20 million Municipal Consolidation Competition in the FY 2017 Enacted State Budget to empower counties and other local governments to pursue opportunities for consolidation, shared services, and other changes that permanently reduce the property tax burden. This competition is designed to bring forth aspirational consolidation ideas that will change the structure of local government.

The City should consider partnering with surrounding cities, towns, villages, or counties in order to craft an application for this funding that outlines a transformative change in the structure of their local governments or service delivery methods

Efficiencies

Recycling

Prior to 2014, the City conducted a detailed internal analysis of its current recycling program and found it lacking, as evidenced by the meager recycling percentage rate of seven percent. This low recycling rate exemplified a need and an opportunity for the City to make improvements to its recycling program that, in turn, would make a positive impact on its environment.

The City's analysis revealed the following two primary shortcomings that are the root cause of its low recycling percentage: lack of recycling containers and community understanding/ education with respect to recycling.

The City's overall objectives were to increase the tonnage of recyclables, which would reduce the amount of waste entering landfills.

By October 2014, the City had invested nearly $275,000 of its own capital dollars to initiate and commence Phase I of its new recycling program. These funds were used to procure a new recycling/sanitation truck, thousands of new recycling bins, and literature for its residents in order to help maximize this new endeavor. At present, the City is on track to save over $65,000 annually due to reduced tipping fees it has to pay in connection with its refuse program within City limits.

The City is expected to apply to the New York State Department of Environmental Conservation's (DEC) Municipal Waste and Reduction and Recycling Program. This program could provide a grant of up to 50 percent toward the City's initial implementation costs. However, given the number of applicants already on hand at DEC, even if the City were to receive a grant, it could be years away.

The City is interested in expanding this recycling effort, but it lacks the funds to invest in the expansion. The City believes that such investment could lead to further reductions in annual tipping fees – upwards of an additional $50,000 per year in savings.

Recommendation: The Board recommends that the City expand its recycling effort in order to save in tipping fee costs. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to $250,000 to assist the City with costs associated with such action. 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.

Expanding the Support for City Infrastructure Needs

The City of Elmira faces many of the infrastructure issues confronting other municipalities in Upstate New York. Harsh winters have stressed aging infrastructure. The ability to finance repairs to this infrastructure is limited by a shrinking population that is composed primarily of low to moderate income households. On top of this, the fact that nearly 40 percent of properties in the City are tax exempt places a burden on the remaining taxable properties to fund City operations and infrastructure. For many municipalities, the concept of funding infrastructure through traditional property taxes is not as sustainable as it once was. Municipalities are looking at creative ways to have tax-exempt properties pay for the share of the burden that they place on municipal services, including infrastructure repair and maintenance.

Following in the steps of a growing number of municipalities within the State and country, including the City of Rochester and the City of Ithaca, the City of Elmira seeks to pursue a new, innovative funding program that will address its ongoing infrastructure funding and maintenance issues for sidewalks, storm water, lighting, and street maintenance.

The City's current sidewalk policy makes the abutting property owner responsible for the full sidewalk construction and repair costs. This is a typical policy for municipalities. The policy has led to little to no construction of new sidewalk being built within the City. The main reasoning is the abundance of low-moderate income households that simply cannot afford to properly maintain their abutting sidewalk. There is little to no enforcement of the current policy because it is administratively difficult and leads to lengthy repair delays. The City has been looking at adopting a new policy similar to that of the City of Ithaca.

In 2014, the City of Ithaca implemented a new sidewalk funding program whereby low-foot-traffic lots (one- and two-family homes) were responsible for paying an annual maintenance fee of $70. All other lots pay an annual maintenance fee of $140, plus a square footage fee ($0.015 per square foot of buildings on a lot) and a frontage fee ($30 for each 55 feet of lot frontage or portion thereof).

In line with the City of Ithaca, the goals and objectives of the City of Elmira's sidewalk program would be as follows:

- Reduced regressivity of the current sidewalk policies & system;
- Inclusion of tax-exempt owners into a new system of financing to produce additional revenue to properly fund necessary City repairs and investments;
- Planned and predictable sidewalk costs for property owners;
- Reduced disincentive to new construction; and
- Improved sidewalk repair records in a simple and efficient system.

In addition to the sidewalk program, the City would create a similar construct and program for allocating costs associated with storm water runoff, similar to another program in the City of Ithaca. Beyond these programs, the City is also contemplating user fees to fairly allocate costs for street lighting and other street maintenance.

In order to properly gather the required data to implement these proposed series of programs the City of Elmira's Department of Public Works needs to complete an extensive amount of property classification and geographical information system (GIS) analysis to properly implement the process and generate the correct data for the annual assessments and fees for both programs. The City would need to hire at least a high-level GIS employee and/or manager. Other municipalities, in particular the City of Ithaca, have several GIS staff members on staff along with a full time manager for the programs. In addition, the initial data structuring and other clerical work would likely require the use of an outside consultant.

In addition to or in replacement of this potential approach, the City could consider establishing a Benefit Assessment pursuant to section 20(11) of the State's General City Law.

The Board finds that, with the goal of trying to fairly allocate certain infrastructure costs citywide, the City should continue to develop a work plan of costs and potential benefits of a new program of infrastructure financing, including how new fees would affect current taxpayers, tax exempt properties, and future tax increases.

Procurement

Unlike other municipalities reviewed by the Board, the City of Elmira has in place an inter-municipal agreement with Chemung County, whereby the County's Purchasing Coordinator also acts as the City's Purchasing Coordinator. This arrangement has been in place for approximately ten years. The City Chamberlain approves department head purchase requisitions for budgetary compliance and audits before invoices are paid, and department heads may reach out to vendors for quotes, but most aspects of procurement for the City are actually handled by the County's Purchasing Coordinator and centralized purchasing office, including issuing purchase orders, requests for proposals, and competitive bidding. Any purchases that will require competitive bidding are reviewed by the City's Law Department. The County handles searches for applicable State Office of General Services centralized contracts and other piggybacking opportunities including national cooperative purchasing organizations. The City's Common Council approves the award of any contracts, and may approve in advance going out to bid for any "large purchases."

There is an Article XX of the City Code entitled "Department of personnel and purchasing," but this has been obsolete since the inter-municipal agreement with the County. There are other miscellaneous sections that prohibit any employee or officer from making any unauthorized purchase or contract and for the Council's expenditure of City funds. There is also an Article XXXVIII, which authorizes "best value" purchasing, and was put in place by local law in 2014.

The City has a Purchasing Policy, which is reviewed and updated almost annually by the Common Council. The Policy is very thorough, explains which officials have certain duties and responsibilities, includes forms for written quotes, and makes reference to the City's Inter-municipal agreement.

The Board finds that the procurement operation for the City of Elmira seems to be effectively run.

Water Board

Established by Chapter 660 of the Laws of 1913, the Elmira Water Board maintains more than 215 miles of water mains that deliver over seven million gallons of water every day to the City of Elmira, the Village of Elmira Heights, and portions of the Towns of Elmira, Horseheads, and Southport.

According to the Water Board's 2014 financial statements, the Water Board increased its net position (revenues over expenses) by nearly $1.4 million in 2014, on top of a near $1 million increase for the 2013 fiscal year. Total net position for the Water Board exceeded $30 million.

General Municipal Law section §94 specifically permits a municipality to apply "profits" resulting from the operation of a gas, electric or water utility to pay its general expenses - and it is a fairly common practice. The Board is aware that the City of Jamestown received a $500,000 stipend for its current budget from its Board of Public Utilities (BPU). In addition, the Albany Water Board recently started to provide the City of Albany with an estimated $750,000 per year compensation, reflective of City administrative efforts on behalf of the Albany Water Board as well as recognition of strong Albany Water Board financials. The City of Elmira and the Water Board are currently involved in a lawsuit regarding charter language as it relates to additional payments to the City of Elmira from the Water Board's surplus.

Nonetheless, the Board finds that the City of Elmira should continue to encourage the Elmira Water Board to allocate a portion of its operational net income to the City, in recognition that the Water Board is in fact a department of the City and per State law, the City may receive a fair return/stipend due to positive fiscal operations. While the Water Board may have the opinion that, because it serves payers outside of the City, it cannot simply share profits with the City only, a simple way to address this dilemma is to determine the percentage of the overall Water Board revenue derived within the City of Elmira and apply such percentage to the fair surplus/profit of the Water Board.

Workforce

Employee Health Insurance Costs

For many municipalities across the State, including Elmira, employee benefits have been straining municipal budgets. With local governments facing significant budget deficits and needing to identify ways to reduce spending, more attention has been focused on healthcare costs for public sector employees.

Employee health insurance contributions vary by union and type of plan (family/individual) from $25 per pay period to $68 per pay period. Management employees contribute either one or two percent of their salary. Out of a total estimated current year premium of $3.7 million, employee contributions represent only $248,488 (6.75 percent).

If the City could employ health insurance practices that the State achieved with its unions in its last major round of bargaining, there is the potential for significant annual savings for the City. Overall, however, the City should strive to achieve the proper balance between the factors that affect salaries and employee contributions.

Of note, City's recent accomplishment with its unions and employees to migrate to the Chemung-Schuyler health insurance plan was an important operational change that produced vital recurring savings for the City. While credit and recognition should go to the employees and the City in cementing this change, future changes to employee health contributions will likely be necessary in order to keep the City in fiscal balance.

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 Enacted 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, it would likely qualify for application of the heightened ability to pay requirements should its labor negotiations require arbitration.

Economic Development

As noted earlier, the City's population has declined by nearly six percent from 2000 to 2010. A key element to improving the City's fiscal health is improving the City's economic health. Accordingly, a strong, multi-layered, multi-government approach to investing in and revitalizing the City's economic development is vital for its future.

West Water Street Redevelopment

Empire State Development (ESD) awarded the City a RESTORE grant for redevelopment of the West Water Street block a few years ago. The original grant was to restore and transform two prominent but vacant commercial buildings (106-112 West Water Street and 114-116 West Water Street) in the City's downtown area into mixed use retail, office, and residential spaces. Unfortunately, these properties were deteriorated beyond the point of rehabilitation. The City and Southern Tier Economic Growth (STEG) demolished the properties as well as two additional adjacent buildings leaving an approximately 1.5 acre infill site for redevelopment.

STEG has entered into a Preferred Development Agreement with a developer for new construction on the site. Commercial tenants have been identified and an initial design concept for the lot has been created. ESD has extended the grant award and staff from the City and Southern Tier Economic Growth will be made available to facilitate the new project.

Regional Economic Development Council Funding

In December 2015, the Southern Tier Regional Economic Development Council (REDC) was awarded a Best Plan award of $500 million over five years. This award was part of the Upstate Revitalization Initiative, a more than $2 billion competition funded by New York State. As part of the Southern Tier's strategic plan, the City of Elmira is set to receive $9.7 million of this $500 million award to revitalize the downtown area.

In addition to this large award, the Southern Tier was also awarded $117 million for 100 economic development projects as part of the traditional Consolidated Funding Application (CFA) grants. Of these 100 projects, four were in the City of Elmira and totaled approximately $4.5 million. The winning plans support an expansion for Anchor Glass; upgraded facilities for Arnot Health; a new Lake Erie College of Osteopathic Medicine (LECOM) medical school on the Elmira College campus; and a new mixed use residential/commercial redevelopment project on Water Street in downtown for Envision Elmira, LLC.

For the 2014 CFA funding round, the Southern Tier REDC awarded the City of Elmira $90,000 to assist the City with fully revising its Comprehensive Plan. According to the City and the REDC, the Plan will set the City's priorities and create a blueprint going forward to address topics such as economic development, downtown revitalization, land use regulations, transportation, infrastructure, and hazard mitigation. The Plan will serve as the citywide blueprint for land use regulation and neighborhood revitalization as well as encourage economic growth while protecting natural resources.

Also in 2014, the Business Improvement District, Elmira Downtown Development, Inc. received $200,000 from the REDC to renovate three mixed-use buildings in the South Main Street corridor, and the Elmira Stamping and Manufacturing Corporation received over $99,000 to

invest in workforce training in several facets of its company in order to increase business efficiency.

Hotel, Convenience, and Restaurant Development

In January 2016, the New York State Department of Transportation (DOT) completed the sale of several adjacent parcels in the City of Elmira to Edger Development, Inc. The company plans to build a 70 room hotel estimated to cost over $8 million, and an adjacent convenience-type gas station with other highway related services attached, costing an additional $5 million. The property is at the northeast corner of East Church Street and Judson Street in the City of Elmira on an eight acre site in an area zoned gateway commercial less than one-quarter of a mile from the I-86 exit 56 interchange.

The closure of this sale concludes a multi-year process which involved the purchase of multiple City-owned parcels by Edger, the elimination of a DOT easement, an environmental review, a DOT engineering review to ensure that the property was no longer needed for transportation purposes, an appraisal of the property's value, approvals from the DOT Commissioner and OSC, and the drafting of a deed by the State Attorney General.

Disposing of surplus property no longer needed by the State or a municipality is beneficial to communities because it provides an opportunity for the parcel to be developed and put to good use. It also eliminates maintenance responsibilities and liabilities and returns property to the tax rolls. Because of the economic development advantages of this sale, the Board continually discussed the importance of this Edger project with DOT colleagues in an attempt to ensure continued progress for the sale and transfer of these key parcels of State land which were vital to the project overall.

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 up to ten such land banks through Chapter 257 of the Laws of 2011, and this authorization was expanded to a total of 20 land banks through Chapter 106 of the Laws of 2014. In New York State, municipalities must first submit an application to create a land bank to 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 fifteen approved land banks in New York State: Albany County Land Bank Corporation, Allegany County Land Bank Corporation, Broome County Land Bank Corporation, Buffalo Erie Niagara Land Improvement Corporation, Cattaraugus County Land Bank Corporation, Chautauqua County Land Bank Corporation, Finger Lakes Regional Land Bank

Corporation, Greater Syracuse Land Bank, Land Reutilization Corporation of the Capital Region, Nassau County Land Bank Corporation, Newburgh Community Land Bank, Rochester Land Bank Corporation, Suffolk County Land Bank Corporation, Troy Community Land Bank Corporation, and the Oswego County Land Bank.

In April 2016, the Attorney General announced that an additional $30 million would be dedicated to the creation and operation of land banks within New York State as a result of additional settlement agreements with banks over deceptive lending practices leading up to the financial crisis. This funding is above and beyond the $20 million that the Attorney General has already devoted to land bank creation.

The City of Elmira and the County of Chemung are currently seeking to create a land bank, which could serve as a tool for combatting blight in the most affected areas of the region and encourage community development. Given the small size of the County, the Board finds that the City and County should consider working with other counties to create a multi-county regional land bank.

FY 2017 Enacted State Budget Actions Will Assist the City's Economic Development Climate

The FY 2017 Enacted State Budget agreement included a number of initiatives that will grow the economy within the City of Elmira and the surrounding Southern Tier. This includes supporting locally-driven priorities for economic development and bolstering some of the State's most vital forms of infrastructure. Investments include:

- Authorizing Upstate Revitalization Initiative Grants: This competition replicated the successful Buffalo Billion initiative to help further Upstate New York's economic recovery. Projects focused on strengthening critical infrastructure, revitalizing communities, bolstering workforce development, growing tourism, and improving quality of life. In December 2015, the Southern Tier was awarded $117 million for 100 economic development projects, including four within the City of Elmira. In addition to this funding, the Southern Tier won one of the Best Plan awards worth $500 million over five years.

- Creating an Anti-Poverty Initiative in Elmira: Building on the success of the Rochester Anti-Poverty Task Force, the FY 2017 Enacted State Budget includes $25 million for the Empire State Poverty Reduction Initiative. This will bring together State and local government, as well as non-profit and community groups to design and implement coordinated solutions to address poverty. Under the program, New York will provide planning and implementation grants, along with additional funding to address the most pressing issues identified during the planning process.

Downtown Revitalization Initiative

The FY 2017 Enacted State Budget provides $100 million for a new initiative to fund transformative housing, economic development, transportation, and community projects designed to attract and retain residents, visitors, and businesses to downtowns. Ten communities (one in each of the State's economic development regions) that are currently experiencing population loss and/or economic decline will be able to submit revitalization plans for their downtown area, developed in collaboration with policy and planning experts.

The City has applied to the Southern Tier Regional Economic Development Council in order to be chosen as the region's Downtown Revitalization Initiative candidate.

State Water Infrastructure Improvement Act

The Water Infrastructure Improvement Act of 2015 provides grants to municipalities for critical drinking water and wastewater system improvements. The FY 2017 Enacted State Budget increases the Act's funding from the $200 million approved in 2015, to $400 million total. Grants provided through the Act will help local governments advance approximately $2 billion in local drinking water and wastewater infrastructure investments while creating an estimated 33,000 construction jobs.

The City of Elmira, in conjunction with the Elmira Water Board and the County of Chemung, should contact the Environmental Facilities Corporation to inquire about funding.

New Transportation Capital Program

The FY 2017 Enacted State Budget included $21.1 billion for capital improvement of highways, bridges, rail, aviation infrastructure, non- Metropolitan Transit Authority transit, and DOT facilities throughout the State. This includes the launch of three new initiatives: BRIDGE NY, PAVE NY, and the Extreme Weather Infrastructure Hardening Program.

- The BRIDGE NY program will provide $1 billion to replace, rehabilitate and maintain State and local bridges over a five year period.

- The PAVE NY program will provide $1 billion to State and local paving projects over a five year period and will be distributed according to the Consolidated Local Street and Highway Improvement Program (CHIPs) formula. The City of Elmira will receive $181,636 in State Fiscal Year 2017 as part of this program.

- The Extreme Weather Infrastructure Hardening Program will provide $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.

Fiscal Performance and Accountability

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 Elmira currently has a multi-year financial plan. This current practice is enabling the City to estimate its out-year financial gaps earlier, which is providing an opportunity to address the underlying issues months prior to budget creation. For the reasons outlined above, the Board finds that the City should continue to maintain its multi-year financial plan.

State Fiscal Oversight

The fiscal stress facing the City is illustrated by the following:

- Significant and persistent budget gaps are looming. While the City has solved its 2016 $3.2 million budget gap – albeit nearly half of which assumes State assistance, the City is already projecting a $1.7 million to $2 million gap for the 2017 fiscal year and has already shed a number of employees/departments via shared services with the County;

- City sales tax revenue, as a share of County sharing formula, will continue to fall to the lower $5 million range in 2018, down from the mid-$7 million range a few years ago;

- The City's fund balance for the 2015 fiscal year stood at $2.2 million, but has completely dissipated throughout the course of the year and is projected to turn negative upon closing of the fiscal year; and,

- In May 2015, Moody's Investor Service (Moody's) lowered the City General Obligation (GO) bond rating a staggering five (5) notches to a Ba1 rating – a non-investment "junk bond' rating.

When local governments have faced severe fiscal stress in the past, the State has provided additional oversight in a number of different ways depending on the particular situation.

Standard Deficit Financing Oversight

The most common form of State oversight occurs as part of the authorization to undertake deficit financing. 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, 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 for each 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 recommended by OSC. Examples of entities subject to this enhanced requirement include the Village of Suffern (Chapter 99 of the Laws of 2015); City of Lockport (Chapter 332 of the Laws of 2014, as amended by Chapter 147 of the Laws of 2015); City of Yonkers School District (Subpart A of Part V of Chapter 55 of the Laws of 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 Aid and Incentives for Municipalities funding and property tax revenue are diverted to the fund to ensure that its full annual debt service was first provided for. This provided investors with additional confidence that all obligations would be repaid.

Oversight by Control Boards Established as Public Authorities

When large local governments experience significant fiscal stress, recent practice has been to establish an independent control board as a public authority. Examples include: the Nassau County Interim Finance Authority (NIFA), which was established in 2000 (Title 1 of Article 10-D of the Public Authorities Law); the Buffalo Fiscal Stability Authority (BFSA), which was established in 2003 (Title 2 of Article 10-D of the Public Authorities Law); and the Erie County Fiscal Stability Authority (ECFSA), which was established in 2005 (Title 3 of Article 10-D of the Public Authorities Law).

Each of these control boards is an independent public authority with its own board - NIFA and ECFSA have seven-person boards and BFSA has a nine-person board. Nearly all of the

members of the boards are appointed by the Governor; the exception is BFSA, which has the City of Buffalo's Mayor and the Erie County Executive serve ex officio. Some of the appointees are upon recommendation of the State Comptroller, the Majority Leader/Temporary President of the Senate, or the Speaker of the Assembly. There may also be residency requirements for certain appointees. All board positions have four-year terms.

These control boards have significant powers and oversight authority, including:

- While in an advisory period, the local government is required to submit a four-year financial plan with its executive budget each year to the control board demonstrating that all major operating funds are balanced in each fiscal year. The control board reviews the financial plan to determine if the plan is in compliance with the statute and provides any recommended modifications to the local government.

- A control board may impose a control period if the municipality takes or is likely to imminently take any of the following actions: fails to adopt an on-time balanced budget and financial plan; fails to pay debt service; incurs an operating deficit of more than one percent; loses market access for borrowing; or violates provisions of the control board statute.

- While in a control period, the control board has enhanced powers, including the authority to: approve or disapprove the financial plan; adopt and impose any modifications to the plan, as necessary; set a maximum level of spending for a budget; impose a wage or hiring freeze; approve or disapprove any collective bargaining agreements; approve or disapprove any municipal contracts; and approve any proposed borrowing.

- As an independent public authority, the control board can issue debt on behalf of a local government and often has a higher credit rating due to its intercept of certain revenues. Some of this debt can be used to finance current and future operating gaps, as provided for in the control board’s authorizing statute.

Establishing these independent oversight entities can provide significant, independent, and focused oversight of a distressed local government. It should be noted that this independence comes with additional administration (board and staff) and related operating costs that are paid through an intercept of the local government's revenue. For smaller local governments, this additional administration may be significant relative to the size of their budget.

Earlier Forms of Control Board Oversight

Prior to NIFA being established as an independent public authority, control boards were established as an independent, quasi-state agencies with costs charged to their respective local governments. This includes:

- City of Troy Supervisory Board, a five-member board chaired by the State Comptroller, with one member appointed by the City Council, one member appointed by the City’s chief executive officer, and two members appointed by the Governor (Chapter 721 of the Laws of 1994, as amended);

- Emergency Financial Control Board for the City of Yonkers, a seven-member board chaired by the Secretary of State, with the State Comptroller, the Mayor of the City, and four members appointed by the Governor (Chapter 103 of the Laws of 1984, as amended);

- Emergency Financial Control Board for the City of New York, a seven-member board chaired by the Governor, with the State Comptroller, the Mayor of the City, the City Comptroller, and three members appointed by the Governor (Chapter 868 of the Laws of 1975, as amended);

Although these control boards had many of the same powers as control boards established as public authorities, such as the review and approval of the financial plans, the approval of contracts, and the ability to impose a wage freeze, they were not able to issue debt on behalf of the local government. To take advantage of improved market access afforded an independent entity, a separate public authority with its own board had to be established, such as the Municipal Assistance Corporation for the City of New York (Title 3 of Article 10 of the Public Authorities Law) and the Municipal Assistance Corporation for the City of Troy (Title 4 of Article 10 of the Public Authorities Law).

The Board finds that the City should first continue to explore opportunities within its governmental structure and with its neighboring governments that will help achieve fiscal balance over the long term. However, if these efforts come to no avail, some form of State level oversight may be necessary.

Conclusion and Next Steps

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

- The Board recommends that the City continue its action to join the Chemung-Schuyler Health Plan. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to $850,000 to assist the City with costs associated with such health care plan migration.

- The Board recommends that the City maintain its recently enacted shared service endeavors, including the transfer of the entire buildings and grounds function and staff to the County, the permanent co-location and merger of finance/treasurer functions residing with the County, and the permanent reduction of two City police officers as a result of the County's staffing social service fraud investigators. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award grants of up to $500,000 for the County, payable to the City, recognizing the costs borne by the County due to the absorption of duties and personnel for these shared services; $180,000 to assist the City and County with financial system software, hardware, or licensing costs associated with the combining of financial offices; and a bonus award of $400,000 for the City in aid of its 2016 financial plan in recognition of the totality of the shared service endeavors between the City and the County noted here within.

- The Board recommends that the City continue its Code Enforcement shared services with the Town of Horseheads. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to $8,000 to assist the City with costs associated with computer hardware and remote access.

- The Board recommends that the City, in conjunction with the County, continue to implement an additional shared services plan that will lower the annual cost of providing specific services and address the inherent duplication of 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 and County with implementing such shared services plan.

- The Board recommends that the City expand its recycling effort in order to save in tipping fee costs. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to $250,000 to assist the City with costs associated with such action.

- 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 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 City of Elmira

CITY OF ELMIRA NEW YORK

Office of the City Manager
CITY HALL • 317 EAST CHURCH STREET • ELMIRA, NEW YORK 14901
www.cityofelmira.net • kmiddaugh@cityofelmira.net

Kimberlee Balok Middaugh, Esq.
City Manager

Office: (607) 737-5644
Fax: (607) 737-5824

December 11, 2014

The Financial Restructuring Board for Local Governments
NYS State Capitol Building, Room 135
Albany, NY 12224

To whom it may concern:

In concurrence with the City of Elmira's City Council, I hereby request that the New York State Financial Restructuring Board conduct a comprehensive review of the operations, finances, management practices, economic base and any other factors it deems relevant to improve fiscal stability for the City of Elmira. The City of Elmira is deemed a fiscally eligible municipality according to the requirements set forth by New York State.

Any assistance or guidance to further provide savings, efficiencies, or additional revenue is appreciated. Please contact me at your earliest convenience to address any questions to assist with this process.

Sincerely,

Kimberlee Balok Middaugh

October 20, 2014

RESOLUTION
NO. 2014 - 348

By [redacted] MAYOR SKIDMORE :

WHEREAS, In accordance with Local Finance Law Section 160.05, the City of Elmira wishes to request a comprehensive review by the New York State Financial Restructuring Board; and

WHEREAS, the Board may offer recommendations to a municipality on improving its fiscal stability, management, and the delivery of public services. In addition, the Board could offer grants and/or loans of up to $5 million through the Local Government Performance and Efficiency Program for undertaking certain recommendations; and

WHEREAS, The City of Elmira is deemed a fiscally eligible municipality according to the requirements set forth by the State of New York; and

NOW, THEREFORE, be it

RESOLVED, the City of Elmira thereby requests in concurrence with the City Manager that the New York State Financial Restructuring Board conduct a comprehensive review of the operations, finances, management practices, economic base and any other factors in its sole discretion it deems relevant to improve fiscal stability.

FURTHER RESOLVED, the City Council authorizes the City Manager to submit a comprehensive review request form and any other required documents to formally request this comprehensive review.

ADOPTED BY UNANIMOUS VOTE

ADOPTED BY THE FOLLOWING VOTE

AYES		NAYS
ABSENT	Councilmember Royle	
X	Councilmember Roe	
X	Councilmember Parks	
X	Councilmember Duffy	
X	Councilmember McCarthy	
X	Councilmember Stermer	
X	Mayor Skidmore	
6		0

-Elmira City Hall - 317 E.Church street - Elmira New York 14901-
-www.cityofelmira.net - (607)737-6644 -

Appendix B – Resolution Approving the City of Elmira

Financial Restructuring Board for Local Governments

RESOLUTION No. 2015-07

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

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 Elmira (the "City") is a Fiscally Eligible Municipality because it has an average full value property tax rate of $16.62 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(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. 2015-07
Dated: 2-24-15