

Financial Restructuring Board for Local Governments

RESOLUTION No. 2014-09

APPROVING THE COMPREHENSIVE REVIEW REPORT FOR THE CITY OF
FULTON

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 November 19, 2013 the Board of the Financial Restructuring Board (the "Board") approved Resolution No. 2013-05 agreeing to undertake a Comprehensive Review of the City of Fulton (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;

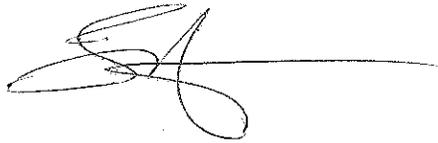
NOW THEREFORE BE IT RESOLVED that the Board approves the attached report on the Comprehensive Review of the City and all of the findings and recommendations therein (the "Comprehensive Review Report"); and

BE IT FURTHER RESOLVED that if the City agrees to abide by and implement one or more of the recommendations contained in the Comprehensive Review Report, the Board may, in its sole discretion, award funding to implement the recommendations of the Report; the specific structure and conditions of any such funding, which would be developed in consultation with the City, and any other aspects of such funding would be subject to an affirmative vote of a majority of the total members of the Board at a later date.

This resolution shall take effect immediately and remain in effect until modified, replaced or repealed by resolution of the Board.

No. 2014-09

Dated: 6-30-14

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

Financial Restructuring Board
for Local Governments

**Comprehensive
Review Report**

City of Fulton

June 2014

Table of Contents

Overview 2

Background 2

 Fiscal Eligibility and Stress..... 2

 Demographic and Socioeconomic Profile 3

Organization and Finances 4

 Organizational Profile..... 4

 Budget Profile 5

Findings and Recommendations 7

 Shared Services..... 7

 Economic Development 12

 Workforce - Public Safety Analysis 17

 Debt 20

Conclusion and Next Steps 22

Appendix A - Letter and Resolution from the City of Fulton..... 23

Appendix B - Resolution Approving the City of Fulton..... 25

Appendix C - IACP Staffing Model for Fulton 27

Overview

The City of Fulton is a small Upstate city in Oswego County established in 1902. With a population of 11,896 at the 2010 Census, it is the 46th most populous city in New York State.* 2012 expenditures of \$24.5 million were the 41st most of all cities.

The City is governed by a Mayor and a six-member Common Council. The Mayor is elected citywide for a four-year term. The Common Council is elected by wards for two-year terms.

The City Common Council adopted and the Mayor concurred with a resolution requesting a Comprehensive Review by the Financial Restructuring Board (see Appendix A). On November 19, 2013, the Financial Restructuring Board approved this request for a Comprehensive Review with Resolution No. 2013-05 (see Appendix B).

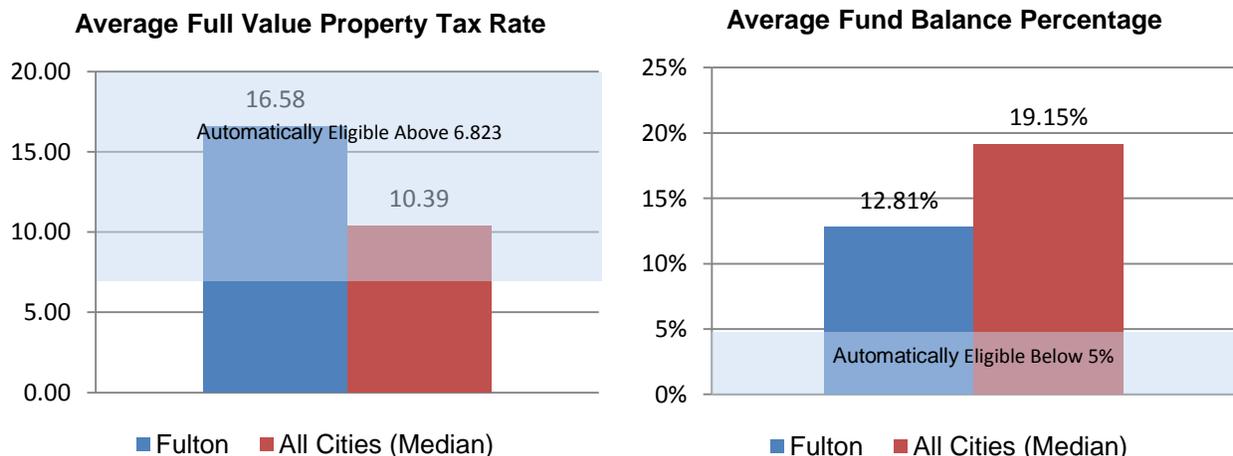
This Comprehensive Review first gives some background on the City's fiscal eligibility and demographic profile. It then provides information on the organization and finances of the City. Finally, it presents the Comprehensive Review's findings and recommendations.

Background

Fiscal Eligibility and Stress

The City of Fulton is automatically considered a Fiscally Eligible Municipality because its Average Full Value Property Tax Rate (2008 -2012) of \$16.58 per \$1,000 is above \$6.823 - the 75th percentile for all municipalities. This rate is eighth highest for cities.

The City's Average Fund Balance Percentage (2008 -2012) of 12.81 percent is the 13th lowest for cities but is still above the five percent threshold.



The Office of the State Comptroller's (OSC) Fiscal Stress Monitoring System rates the City of Fulton as having Moderate Fiscal Stress with the fifth worst score of cities that are rated for 2012. This score is primarily the result of having a low fund balance and operating deficits. From 2010 to 2012, its General Fund Total Fund Balance as a Percentage of Expenditures decreased from 13.7 percent to 6.2 percent. The City had operating deficits as a percentage of expenditures of 4.0 percent in 2010, 1.9 percent in 2011, and 1.4 percent in 2012. The OSC projects that the City's score will increase in 2013 to a level of Significant Fiscal Stress.

OSC's Fiscal Stress Monitoring System gives the City of Fulton an Environmental Rating of No Designation with a score of 28.3 percent, which is the 16th worst score of cities that are rated for 2012 (a local government would receive a designation with a score of 30.0 percent or higher). Negative environmental factors contributing to that score include: a constitutional tax limit that is more than 70 percent exhausted as of 2012; a county unemployment rate that is higher than the statewide rate with a decrease in the number of jobs; and a child poverty rate of 29 percent, which increased from 2000 to 2010.

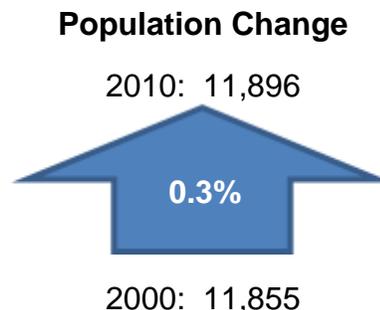
Demographic and Socioeconomic Profile

The City's population grew 0.3 percent from 2000 to 2010 to 11,896. This growth is less than the 0.5 percent population growth experienced by the typical city over that same period.

The City of Fulton's median household income in 2011 was \$34,593, which is less than the typical city's median household income of \$38,669.

The City's median home value of \$74,900 is less than the median home value of the typical city of \$99,700. Its property value per capita of \$29,045 in 2012 is less than the property value per capita of the typical city (with a 2012 OSC fiscal stress score) of \$41,368. The four-year average change in property value of 4.2 percent is more than the average change of the typical city (with a 2012 OSC fiscal stress score) of 0.5 percent.

The surrounding county's unemployment rate of 10.3 percent is higher than the unemployment rate of the typical city (with a 2012 OSC fiscal stress score, or its surrounding county if the city has a population less than 25,000) of 8.2 percent. With a child poverty rate of 29.0 percent, the City of Fulton has a higher child poverty rate than the typical city (with a 2012 OSC fiscal stress score), which is 24.3 percent.



Organization and Finances

Organizational Profile

The City of Fulton is governed by a Mayor and a six-member Common Council. The Mayor is elected citywide for a four-year term, which expires December 31, 2015. The Common Council is elected by wards for two-year terms, which expire December 31, 2015.

The City has seven departments: Traffic Department, Recreation Department, Water Department, Public Works Department, Police Department, Fire Department, and Sanitation Department. In addition to the Public Works Department, the Public Works Commissioner oversees the Water Department and Sanitation Department. In addition to the Police Department, the Police Commissioner oversees the Traffic Department and the Animal Control Officer.

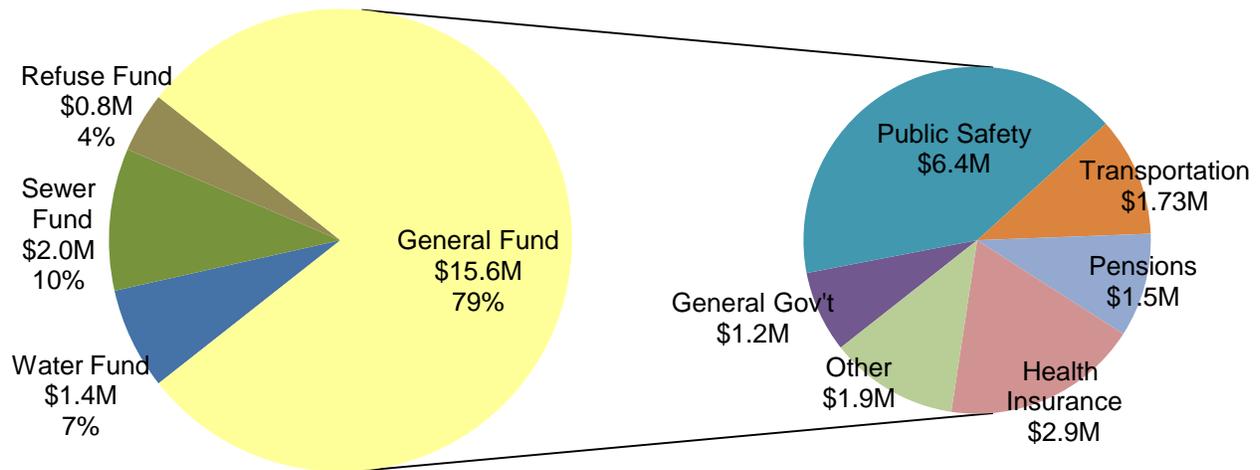
Fulton currently staffs 135 full-time equivalent (FTE) positions. This is down from a high of 153 FTE positions in 2009. These figures do not include elected officials and part-time employees. According to the salary schedule in the 2014 budget, the City Police Department has the most employees at 36, followed by the Fire Department at 35, and the Public Works Department at 27. Of the \$9.27 million in personal services, overtime, and other compensation (excluding employee benefits) in the 2014 budget, the Police Department represents the largest portion of this cost at \$3.0 million, followed by the Fire Department at \$2.9 million.

Three unions represent the City's unionized workforce: the International Association of Firefighters, Local 3063; Fulton Police Benevolent Association; and CSEA, Local 1000 AFSME/AFL-CIO. All are under contract through December 31, 2014. The wage increases in these contracts are: 0 percent for 2012; 0 percent for 2013; and 2 percent for 2014. Fire and Police have a 15 percent premium contribution to medical and dental insurance. CSEA's contribution is the lesser of 10 percent or \$1,000 per year for individual coverage/\$2,100 per year for family coverage.

Budget Profile

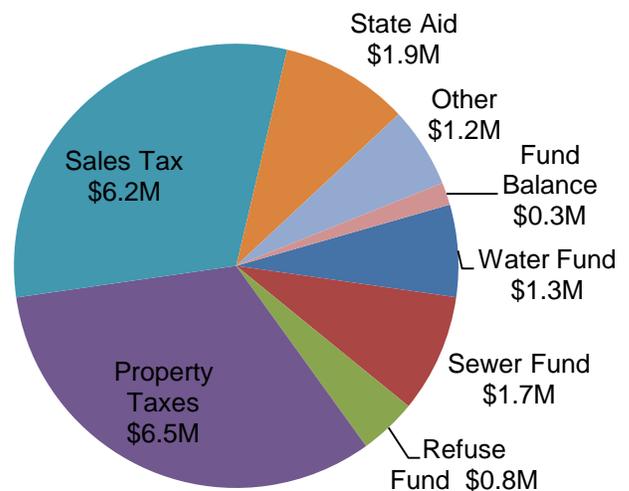
The City's 2014 all funds adopted budget appropriations total \$19.8 million. This is a 1.2 percent increase from the 2013 adopted budget. For the General Fund, the largest appropriation in the 2014 budget is for public safety (41.3 percent of General Fund appropriations), primarily police and fire.

2014 City of Fulton Expenditures



The 2014 General Fund revenues sources include: 43.2 percent from real property taxes and liens; 41.1 percent from non-property taxes, which is mainly sales and use tax; and 12.0 percent from state aid. The property tax levy is \$6.5 million - an increase of 11.8 percent from 2013.

2014 City of Fulton Revenues



According to its 2012 Annual Financial Report, the City had \$4.8 million in serial bonds outstanding and \$2.8 million in BANs outstanding at the end of 2012. In the 2012 report, the City's bond rating from Moody's was Baa2, which is two steps above "junk bond" status, and it is the same as it was in 2011.

At the end of 2012, the City had a Total Governmental Funds Balance of \$1.9 million (7.8 percent of Total Governmental Funds expenditures for 2012), \$933,255 of which is General Fund Balance. The City's General Fund balance has been declining the last few years. At the end of 2009, the City had a robust General Fund balance of \$2.9 million. That amount fell to \$1.6 million (45.8 percent decrease) by the end of 2010. At the end of 2011, it had further fallen to \$1.3 million (18.6 percent decrease) and to \$933,255 (27.3 percent) at the end of 2012.

The City's 2013 budget increased the real property levy by \$206,980. The budget also continued the trend of depleting reserves by appropriating \$300,000 of the City's General Fund Balance, which left approximately \$630,000 at the end of 2013. Though the City has not yet completed its year-end audit for 2013, officials fear that higher than budgeted medical insurance expenditures could use up further reserves. Depending on how 2013 ends, the estimated fund balance could be lower than anticipated and close to being exhausted.

In its 2014 budget, the City chose not to use fund balance. Due to the dwindling nature of City reserves, it instead was forced to rely more heavily on the property tax to generate additional revenue to cover operational costs. The budget increased the real property levy by an additional \$686,258, or 11.82 percent. Since 2011, the City's tax levy has increased by nearly 15 percent. To make matters worse, the City has also been experiencing a gradual decline in total assessed property value. As a result, property tax rates have been increasing substantially to offset the decline in property values. Since 2011, the City's tax rate increased by more than 20 percent, with more than 15 percent (\$17.06 to \$19.66 per \$1,000) coming in the most recently adopted 2014 Budget.

	2011	2012	2013	2014
RPT Levy	\$5,661,812	\$5,599,763	\$5,806,743	\$6,493,001
% Change	-	-1.1%	3.7%	11.8%
RPT Rate	\$16.35	\$16.54	\$17.06	\$19.66
% Change	-	1.2%	3.1%	15.2%

The fiscal burden on the City of Fulton and its taxpayers is growing significantly worse. Due to the City's limited options to offset expenditure growth, which has been outpacing revenue growth over the last few years, it was forced to deplete its fund balance. Without sufficient reserves to mitigate unforeseen circumstances or expenses, and an already high property tax burden, the City could find itself in a difficult situation in 2014 and beyond. The City therefore needs to address its escalating expenditures as it becomes more apparent that revenues can no longer keep pace.

Findings and Recommendations

After a thorough review of the City's operations, the Board identifies findings and recommendations in the following areas: shared services; economic development; workforce; debt; and procurement.

Shared Services

Regional Government Context

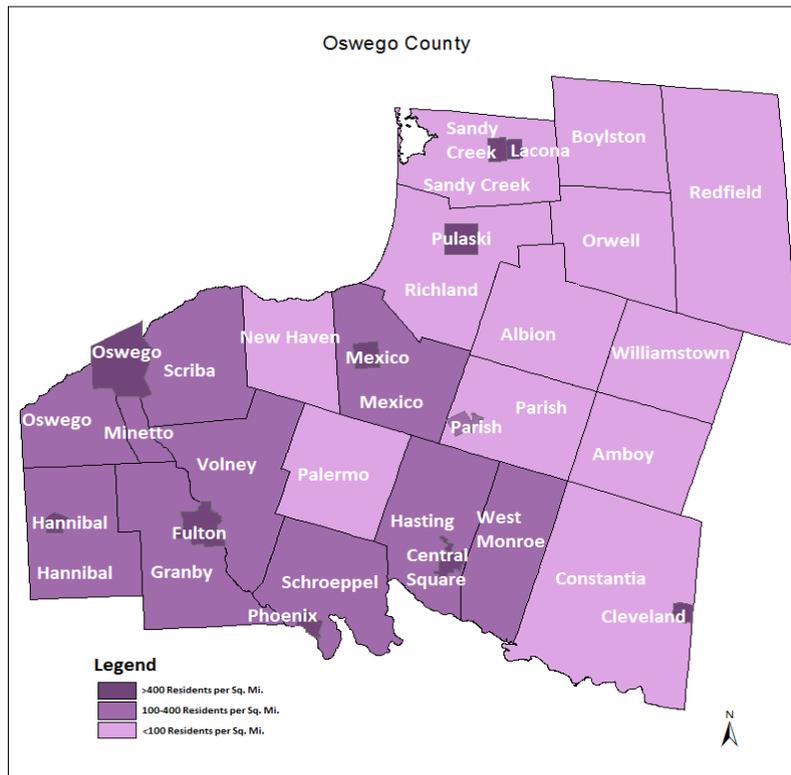
As of the 2010 Census, Oswego County had a population of 122,109 and was the 19th most populous county out of the 57 counties outside of New York City. With a land area of 951.7 square miles, it is the 19th largest county. With a population density of 128 residents per square mile, it is the 23rd most densely populated county.

The County is governed by a 25-member County Legislature. Other elected County officials include: the Treasurer, the Sheriff, the District Attorney, and the clerk. As of 2012, the County had total expenditures of \$205 million, which is the 23rd highest for counties, and total expenditures per capita of \$1,676, which is the 48th highest for counties.

Within the County, there are 2 cities, 22 towns, 9 villages, 9 school districts, and 6 fire districts and more than 100 town special districts and other entities.

The City of Fulton is in the southwest portion of the County and is surrounded by the Town of Granby to the southwest and the Town of Volney to the northeast.

The only other city in the County is the City of Oswego, which is approximately ten miles to the northwest through the Towns of Granby and Minetto.



Survey of Shared Services

The Board held multiple discussions with the City and the County, as well as other neighboring municipalities. A survey was conducted to gather information on the general functions of each entity and to ascertain duplication of services and potential areas for further consolidation. The City of Fulton was asked to briefly describe current shared service arrangements in each service/function area and 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	County	School	Volney	Granby	Comments
Police/patrol	X	X				City provides school resource officer for reimbursement
Dispatch/E-911		X				
Fire	X (Paid)			X (Vol)	X (Vol)	County has coordinator not a fire district, Towns have districts
Ambulance						Private contractor. City and Towns no longer contribute funds.
Tax Collection	X	X	X	X	X	Majority of City/School taxes collected by local bank
Tax Bill Printing		X				
Tax Foreclosure	X	X				
Assessing	X			X	X	
Personnel/HR/Civil Service	X	X	X	X	X	
Payroll	X	X	X	X	X	
Purchasing	X	X	X	X	X	
Budget/Finance	X	X	X	X	X	
Code Enforcement	X			X	X	
Building/Zoning/Planning	X	X		X	X	
Park Maintenance	X	X	X	X		Granby has no parks, Volney contracts out to private company
Animal Control	X			X	X	City is looking to contract with neighboring Town.
Plowing	X	X	X	X	X	School contracts to private company
Paving/Street Maintenance	X	X		X	X	Granby contracts with County for paving, does own pot holes and maintenance
Sanitation/Garbage	X	X				County operates a landfill only. Private haulers in Towns.
Water	X			X	X	Volney and Granby have OCWA water districts
Wastewater/Sewer	X					City sewer/wastewater system only. Cover some of Towns.

Shared Services Plan Development and Implementation – Helping to Restore City Finances

It comes as no surprise that a government's primary responsibility is to deliver services for the benefit and well-being of its residents. As the above chart aptly displays, there is significant duplication of services among the City of Fulton, its direct governmental neighbors, and the County of Oswego.

If the City of Fulton is to begin to restore balance to and rebuild its financial structure and annual budget, it must maximize available savings from 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.

Recommendation

The Board recommends that the City, in conjunction with the County and its other 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 at a later date.

As noted in the succeeding Economic Development segment of this report, successful development and implementation of this shared services plan is a prerequisite to receiving any other potential Board award or grant.

Unpaid Property Taxes - Potential County and City Cooperation

In the context of the City's need to develop and implement a shared services plan with its governmental partners, the handling of unpaid property taxes offers an opportunity for Fulton.

With respect to unpaid property taxes, and specifically, which governmental entity is responsible for making other jurisdictions whole, the process varies across the State and from county to county. For example, in Albany County, the County is responsible for the entire foreclosure process, and therefore compensates all cities, towns, villages and school districts for unpaid property taxes each year.

In Oswego County, the County makes all of the towns, villages and school districts whole, with the exception of the school districts within the Cities of Oswego and Fulton.

The Cities of Fulton and Oswego are responsible for the foreclosure process and therefore, besides dealing with their own non-payment of City property taxes, they must also make whole the City School District and the County for unpaid property taxes each year.

The process in Oswego County is similar to that which has taken place in Schenectady County, whereby the City of Schenectady makes the County whole each year. In recent years, the deteriorating fiscal position of the City has made it increasingly difficult to compensate the County each year. Given the City's position, and as an example of cooperation between the County and the City, earlier in 2014, the two entities decided to modify the fiscal relationship with respect to unpaid property taxes. Effective in 2014, the City would no longer have to make the County whole each year. The City would retain the foreclosure process; however, it would only pay the County when it recovers the unpaid taxes. In addition, if the foreclosed property sells for less than taxes owed, the County agreed to accept the pro-rata share.

The City of Fulton has to annually compensate the County for an average of \$225,000 in uncollected property taxes each year. If the County and City were to formulate a similar agreement to the one that Schenectady entered into, it could save the City's budget a like amount of funds beginning in 2015.

Going a step further, if the County were able or willing to do so, it could contemplate taking over the entire foreclosure process for the City; the same as the County presently does for the towns and villages. Such is the process in Albany County, and elsewhere.

As noted earlier, in relation to the shared services matrix, the City, County and surrounding municipalities each have a dedicated role in tax collection and/or monitoring of tax liability.

Property Tax Credit Program

As part of the 2015 State Budget, Governor Cuomo advanced and the Legislature enacted a new Property Tax Credit to provide relief to New York homeowners and address one of the primary drivers of the State's high property taxes – the outsized number of local governments. The property tax relief package is designed to incentivize local governments and school districts to share services and reduce their financial burden on the taxpayer.

In the first year under the reform plan, New Yorkers will receive property tax relief if their local governments stay within the property tax cap. The property tax cuts will be extended for a second year in jurisdictions which comply with the tax cap and put forward a plan to save one percent of their tax levy per year, over three years.

For the City of Fulton, this prospective plan will need to generate savings of one percent of the tax levy, which would be \$65,000 annually on a \$6.5 million levy. Savings achieved by the City through the implementation of the recommended shared services plan would help the City meet the one percent threshold for the Tax Credit.

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 for them is available at <https://www.dos.ny.gov/lq/lge/grant.html>.

Economic Development

Comprehensive Planning

One way to assist communities facing challenging economic times is to invest in their future.

The municipal planning process (creation of a Comprehensive Master Plan) allows all stakeholders in a community to identify challenges, to discover opportunities, to assemble resources, and to reinvent the municipality with a five-, ten-, and twenty-year roadmap for the future. This process will promote civic optimism, smart growth, investment attraction and a renewed sense of identity.

Communities that were once dependent on economic drivers that now lack vitality or see their days numbered will be able to search for new business niches, alternative forms of housing, transportation methodologies and development incentives for local revitalization. Zoning laws, including strategically applied overlay districts, can be crafted to bring about exciting forms of land-use redevelopment while at the same time protecting, preserving, and promoting all the traditional assets of the locale.

While it is often tempting to provide financial assistance to satisfy immediate community needs, more fundamental and truly structural assistance will result from creating or updating a community plan. This form of investment will pay dividends for years to come.

Recommendation: The Board recommends that the City update and/or revise its Comprehensive Master Plan in accordance with the guidelines established by General City Law. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$50,000 to assist with updating and/or revising the City's Comprehensive Master 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 at a later date.

Note: Any potential award pursuant to this recommendation shall be contingent upon the successful development and implementation of the recommended shared services plan.

Putting City-Owned Property back on Tax Roll

Over time Fulton has taken possession of numerous City parcels due to non-payment of property taxes by residents and businesses. When the City takes possession of these parcels, they come off the tax rolls, which places an added burden on already stressed

City taxpayers. The City has attempted to put these properties back on the rolls by selling or redeveloping them, but many times it has been unsuccessful.

The City currently owns property adjacent to the Oswego River and State Route 481, which it believes makes it prime real estate. The property is a former manufacturing site. It has access to utilities and municipal water but is not serviced by the City's municipal sewer system. As a result, it has been difficult for Fulton to develop this parcel.

The City believes that the property's close proximity to a major City thoroughfare makes the property very attractive for a retail style development. The City has had preliminary talks with a restaurant business that is interested in building on the site, but would need access to the City's municipal sewer system. The City would therefore like to make this property more marketable by extending the sewer system under State Route 481 to the property. The City has been unable to extend its municipal sewer system to this point, because it would require a significant capital investment, which the City does not have.

Recommendation: The Board recommends that the City continue to work on developing this parcel consistent with a Comprehensive Master 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 \$100,000 to the City to help defray the costs of extending sewer infrastructure, tied to a plan to secure new businesses and job creation. 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 at a later date.

Note: Any potential award pursuant to this recommendation shall be contingent upon the successful development and implementation of the recommended shared services plan.

Nestle Industrial Park

Revitalizing the local economy, bringing new jobs and growing the tax base is one of the most critical issues facing the City of Fulton. From an historical perspective, plants owned by Bird's Eye Frozen Foods (once employing upwards of 370 workers), Nestle (1,500 workers), and Miller (1,500 workers), all closed within the past two decades. Since then, the economic recovery has been slow to materialize.

However, Sunoco Biofuels recently completed construction of an ethanol facility at the former Miller site in 2010; K&N Foods USA acquired the former Bird's Eye facility (with \$1 million in Excelsior tax credits in 2013); and ALDI Inc. has been in negotiations with Fulton to build a store on part of the former Nestle property.

In general, Fulton has encountered difficulty attracting tenants to these vacated industrial facilities. The cost associated with razing buildings and removing debris has been one of the lead obstacles to the redevelopment of Fulton's vacant industrial sites.

Within City limits, dating back to 1910, the Nestle Corporation occupied close to 38 acres of land, 23 of those acres accommodating close to 60 buildings with over 1 million square feet of space to effectuate company production. At present, this core acreage is privately owned, and in recent years, the owner has begun to demolish the structures in favor of creating parcels that can be sold to companies willing to establish a new presence in the City of Fulton. While the owner has been able to clear close to 50 percent of the land, as noted above, readying the remaining tracts is challenging due to the substantial costs of demolition, including asbestos remediation.

The potential Aldi investment is encouraging, as is the possibility of a number of other potential businesses the City is starting to hear from. After the substantial loss of jobs and industry over recent history, the City must ensure that continued progress is made with the remainder of the former Nestle lands and buildings. To this end, the Board would like to ensure the furtherance of this goal — to create "shovel ready" land to attract new business development and ownership, adding jobs and increasing the taxable base.

Recommendation: The Board recommends that the City continue to work on developing the aforementioned Nestle lands and buildings. 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 the City to help defray the costs of demolition and asbestos removal, tied to a plan to secure new businesses and job creation. 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 at a later date.

Note: Any potential award pursuant to this recommendation shall be contingent upon the successful development and implementation of the recommended shared services plan.

Potential City Real Property Tax Law Proposal

The City's economic development needs extend beyond large-scale industrial and/or manufacturing needs. City officials note the excessive properties either vacant, abandoned or in need of significant repair and investment. Given the need to improve the residential and smaller commercial (mixed-use) stock, the City of Fulton might consider pursuing special State legislation to create a Real Property Tax (RPT) exemption program aimed at incentivizing development/redevelopment within the City. This could grow the City's tax base and help to minimize or reduce blight, while also increasing the overall quality of life for City residents. These types of exemptions are

usually offered for specific purposes such as mixed-use redevelopment, rehabilitation of vacant structures, residential improvements, or for energy efficiency investments.

Over the last 10 to 15 years, many municipalities have enhanced local economic development efforts by encouraging development in their communities through the creation of various property tax exemption programs. For example:

- The City of Syracuse (2008 & 2013) requested special legislation to create residential investment exemption geared toward promoting the rehabilitation of vacant residential structures and encouraging environmentally friendly standards (LEED) improvements to new residential structures.
- Livingston (2011) and Steuben (2012) Counties requested special legislation to create residential-commercial investment exemption for the purpose of attracting investors to build or modernize commercial and mixed-use buildings in order help revitalize their rural downtown communities.
- The Town of Evans (2012) requested special legislation to create residential investment exemption for improvements made to residential buildings occupied by three families or less.
- The City of Rome (2004) requested special legislation to create a partial residential investment exemption for the new construction of residential units within City limits.

Typically for these exemptions, the increase in assessed value attributable to the improvements is exempt or partially-exempt for several years, with an annual decline over the subsequent program years. Exemptions on average range from 5 to 12 years before becoming fully taxable.

The New York State Office of Real Property Tax Services (ORPTS) traditionally will advise that a local RPT exemption should be offered through comprehensive statewide statute rather municipal-specific legislation. Local officials, however, repeatedly find that existing statewide exemptions don't completely meet their needs and often don't provide enough incentive to have achieved desired outcomes. Instead, municipalities request, and are typically granted, special State legislation permitting them to offer specialized exemptions specifically tailored to the municipality's needs. It is important to note that these exemption programs don't reduce a local government's existing RPT revenue. Instead, the exemption would secure additional investments by foregoing short-term increases in assessed value from the targeted improvements. For many local governments, these types of exemption programs are very appealing to policymakers that seek to find the perfect strategy to revitalize their community.

Opponents could argue that the creation of a new local property tax exemption shifts the tax burden from property owners who benefit from it to the remaining taxpayers who don't. However, without an exemption program, property investment opportunities in distressed communities such as Fulton may fail to materialize. In order to attract or spur investment, the City of Fulton could consider pursuing special legislation to create a RPT exemption program that might prevent further tax base erosion and help to facilitate future economic growth.

State 2014-15 Enacted Budget Actions Will Assist the City's Economic Development Climate

The 2014-15 enacted Budget keeps with the State's promise to create jobs in every region of the State, while also providing significant tax relief. Specifically, the enacted Budget will:

- **Establish a 20 Percent Real Property Tax Credit for Manufacturers:** The Budget provides a statewide credit equal to 20 percent of property taxes paid by manufacturers who own or lease property. The credit is nonrefundable for corporate tax filers and refundable for pass-through entities whose members file personal income tax returns.
- **Eliminate the Net Income Tax on Corporate Manufacturers:** To encourage the growth of manufacturing, the Budget lowers the tax rate on income for corporate manufacturers from the current 5.9 percent to zero in 2014 and thereafter.
- **Accelerate the Phase-Out of 18-A Utility Surcharge:** The Budget accelerates the phase out the 18-a temporary assessment for all customers. New Yorkers pay some of the highest energy bills in the nation and the temporary utility assessment exacerbates this burden on struggling businesses and families. The Budget will save businesses and residents \$600 million over the next three years.

Workforce - Public Safety Analysis

As is the case with many other local governments, public safety accounts for a large percentage of the City of Fulton's budget. Over the course of time, as the City has lost population and businesses, the impact of funding programs at historical levels has placed even a larger strain on the municipal budget.

Fire Protection Services

In 2012, the City of Fulton's per capita expenditures on fire protection as reported to OSC was \$337. This is significantly higher than the median per capita expenditures on fire protection of 48 Upstate cities of \$172. The City's 2012 number was particularly high due to an apparatus expense. In 2013, this apparatus expense was not included, but the per capita expense of \$272 was still significantly higher than the median cost for Upstate cities.

Fulton currently operates two fire stations in the City, one on the east side of the Oswego River and one on the west side of the Oswego River on NYS Route 3, and immediately west of the railroad tracks. Generally, the City's current equipment includes two trucks/ladders, two engines, a specialty rescue vehicle, and two boats. The City is currently in the process of replacing a ladder truck and has not undertaken a recent review of response procedures and operating practices.

The City has a 24/72 hour shift structure established through collective bargaining. In this shift structure, firefighters work one 24 hour shift followed by 3 days off. In this model, when the fire department needs to fill a position due to a scheduled or unscheduled absence, the amount of potential overtime incurred is limited to the shift length which is 24 hours (not including recall or incidents which span shifts). This shift structure repeats every fourth week.

The City of Fulton does not have a minimum complement of firefighters required by contract, but does have a minimum staffing requirement of eight firefighters per shift. In the event that a firefighter is out, the City needs to call in a full-time firefighter to work a 24 hour overtime shift. The overtime cost to the City in 2013 was \$420,997. This has increased substantially from \$287,868 in 2011 and \$347,043 in 2012. Fulton does not use any part-time firefighters at this time.

The City also provides firefighters with four "Kelly Days" per year. A Kelly Day is a day off given to firefighters to bring the work week down to the negotiated number of hours. Without the Kelly Days, overtime would have to be paid to firefighters because of their unusually long shifts and complicated schedules. These days help to balance the 48 hour work versus a traditional 40 hour work week. The use of a Kelly Day can sometimes trigger the need for overtime coverage. The time due for use of Kelly Days in 2013 equaled \$179,649.

Police Services

In 2012, the City of Fulton's per capita expenditures on police services as reported to OSC was \$255. This is higher than the median per capita expenditures on police of 48 Upstate cities of \$224. The City of Fulton's cost per capita for police services ranked just outside the top 10 of the highest cost Upstate city police departments.

The collective bargaining agreement between the City and the Fulton Police Benevolent Association provides that the City will maintain a compliment of 34 employees in the police department. The contract further requires a minimum staffing complement of one desk officer and four police officers for patrol duties during the hours of 8:00 p.m. to 4:00 a.m. from June 1 through September 30. Before June 1st and after September 30th of each year, minimum staffing requires one desk officer and a minimum of three police officers for patrol duties on all shifts and all days.

The New York State Department of Criminal Justice has historically provided local governments with an analysis of police staffing levels using the International Association of Chiefs of Police (IACP) staffing model upon request. The Board's analysis using this model considers a number of influencing factors in determining an appropriate force size in a community, including the total number of hours needed for one patrol position, average time needed to handle complaints, a buffer for preventative patrol and activities not captured in call data, and time off (see Appendix C). Further analysis was completed using Department of Justice (DOJ) data on local police departments which indicates that, on the average, police departments operate with an average of one full-time police officer per 1,000 residents.

According to estimates, the City of Fulton had 11,776 people in 2012 and 17,078 total complaints. Based on this ratio and the IACP model estimates that the City should have roughly 25 full-time officers. Using the City's 2012 financial data, the average of the cost of the 34 employees is equal to approximately \$89,500. The approximate cost of nine officers amounts to over \$800,000 annually to the City.

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.

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, the City would likely qualify for application of the heightened ability to pay requirements should its labor negotiations require arbitration upon expiration of existing contracts this December.

If the City believes certain contractual work rules or requirements are leading to unaffordable costs, the City should address such with its unions during the next round of negotiations. The City could also look at comparing itself to similarly sized cities in Upstate New York and present its case to an arbitration panel given its likely designation as a fiscally eligible municipality.

Debt

In working with the City regarding its present debt portfolio, the general approach by the Board was primarily to ascertain whether:

- 1) The City regularly consults with a “Fiscal Advisor” (FA) when the need arises to issue debt. The Board believes that municipalities should have regular, consistent advice with respect to incurring and managing debt service needs; and,
- 2) There any present refinancing/refunding opportunities for the City which haven’t been acted upon.

The City of Fulton maintains a relationship with a FA, and further, debt service and debt burden are determined to be at a reasonable levels. Of the City’s \$15.6 million General Fund budget for 2014, debt service is a modest \$500,000, or three percent of budget. The City has confirmed for the Board that there are no serial bonds that are presently refundable/callable.

Procurement

The City does not have a Purchasing Agent or centralized purchasing, rather each department seems to do its own purchasing. The Department of Public Works does the bulk of the City's purchasing, including water/sewer needs or any kind of public works projects. Most purchases for City Hall are done by the Deputy City Clerk. Police and Fire Departments do most of their own purchasing.

The Public Works Commissioner was familiar with and did apparently utilize State Office of General Services centralized contracts where appropriate. The City is also a member of the National Joint Powers Alliance, which is a national procurement organization based in Minnesota. Contracts that the organization competitively bids are available for piggyback to its members. The City has also taken advantage of piggybacking opportunities on Oswego and Onondaga County contracts.

Chapter 21 of the City Code is entitled, "Procurement Policy." The chapter is somewhat outdated and the City should consider updates and revisions, including raising thresholds on competitive bidding to match the General Municipal Law (GML), authorizing piggybacking from other states and the federal government as set forth in GML § 103(16), and authorizing "best value" purchases pursuant to GML § 103(1). The City would also benefit from adding more detail to the Chapter or referring to a supplemental purchasing policy that sets forth a specific process. The City should consider whether a centralized purchasing official would be beneficial.

Conclusion and Next Steps

If the City agrees to abide by and implement one or more of these recommendations, the Board may, in its sole discretion, award any of the following grants to implement the recommendations of this report:

- A grant to assist with implementing a shared services plan among the City and its neighboring governments; and
- As noted within the body of this report, the following potential economic development grants are contingent upon the successful development and implementation of the recommended shared services plan:
 - Up to a \$50,000 grant to assist with updating and/or revising the City's Comprehensive Master Plan in accordance with the guidelines established by General City Law;
 - Up to a \$100,000 grant to help defray the costs of extending sewer infrastructure, tied to a plan to secure new businesses and job creation; and/or
 - Up to a \$250,000 grant to help defray the costs of demolition and asbestos removal on the Nestle lands and buildings tied to a plan to secure new businesses and job creation.

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 at a later date.

* All city rankings in this report exclude New York City.

Appendix A - Letter and Resolution from the City of Fulton



Ronald L. Woodward, Sr.
Mayor

City of Fulton
Municipal Building • 141 South First St.
Fulton, New York 13069-1765
www.cityoffulton.com
e-mail: rwoodward@cityoffulton.com

Phone: (315) 592-7330
Fax: (315) 598-7051

October 22, 2013

NYS Financial Restructuring Board
For Local Governments
Attn: Robert L. Megna, Chairman
State Capitol, room 135
Albany, New York 12224

Dear Chairman Megna:

As Mayor and Chief Executive Officer of the City of Fulton; I am respectfully requesting, along with the governing board of the City of Fulton, that the New York State Financial Restructuring Board For Local Governments do a complete review of the City of Fulton's financial conditions and make any recommendations that would help us to improve our current financial conditions.

Respectfully,

Ronald L. Woodward, Sr.
Mayor, City of Fulton

Cc: Members of the Common Council
James Laboda, City Clerk/Chamberlain

Councilor Knopp introduced the following and moved its adoption:

[RESOLUTION 23 -2-2013]

RESOLVED, That the City Clerk Chamberlain be authorized as the primary municipal contact to provide the information and complete the request for a Comprehensive Review from the Financial Restructuring Board for Local Governments pursuant to Local Finance Law Section 160.05 (3); and

BE IT FURTHER RESOLVED, That by adopting this resolution, this Common Council is officially requesting a Comprehensive Review with the concurrence of the Mayor of the City of Fulton.

Seconded by Councilor Foster

Ayes: Councilors Emrich, Knopp, Franco, Foster

Nays: None

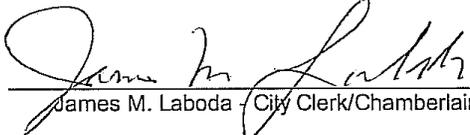
Absent: Councilors Cavallaro, Macner

Motion carried.

State of New York
County of Oswego ss:
City of Fulton

I, James M. Laboda, City Clerk/Chamberlain of the City of Fulton, New York do hereby certify that I have compared the foregoing copy of this resolution with the original in my possession and that the same is a true and complete transcript thereof; I further certify that said resolution was adopted at a meeting of the Common Council of the City of Fulton on the 17th day of October, 2013.

In witness whereof, I have hereunto set my hand and seal of the City of Fulton, New York on the 18th day of October, 2013.


James M. Laboda - City Clerk/Chamberlain

Appendix B - Resolution Approving the City of Fulton

Financial Restructuring Board for Local Governments

RESOLUTION No. 2013-05

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

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 Fulton (the "City") is a Fiscally Eligible Municipality because it has an average full value property tax rate of \$16.58 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, on October 23, 2013, the governing body of the City with the concurrence of the City's chief executive 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. 2013-05

Dated: _____

Appendix C - IACP Staffing Model for Fulton

(Produced by the Department of State Division of Local Government Services)

Step 1.	Enter the total number of complaints or incidents received and responded to in one year by the police agency:	17,078
Step 2.	Enter the average time necessary to handle a complain or incident (0.75 hours is the generally accepted average):	0.75
Total Incident Hours:		12,809
Step 3.	Multiply by three to add a buffer factor for time and preventative patrol (3 is the generally accepted factor).	3
Total Working Hours:		38,426
Step 4.	Enter the number of hours necessary to staff one basic one-officer patrol unit for one year (8 hours per unit shift multiplied by 365 days equals 2,920 hours).	2,920
Total Patrol Units Needed:		13.16
Step 5.	Enter the total non-available officer time which includes holidays, vacation, sick days, court time, training, personal leave, etc. (days * hours/shift):	
	<i>Regular Days Off (2 Days/Week)</i>	832.00
	<i>Holidays (13 days)</i>	104.00
	<i>Bereavement (3 days)</i>	24.00
	<i>Vacation (15 days)</i>	120.00
	<i>Sick Days (20 days)</i>	160.00
	<i>Personal Days (3 days)</i>	24.00
	<i>Court Time (estimated at 5 days, or 40 hours)</i>	40.00
	<i>Training Days (5 days)</i>	40.00
Total Non-Available Time		1,344.00
Total Time Available for Duty		1,576.00
Total Officers Needed Per Patrol Unit		1.85
Total Number of Patrol Officers Needed		24.38
		or
		25

