



# Financial Restructuring Board for Local Governments

June 13, 2018

# Agenda

- New Comprehensive Reviews and Awards
  - City of Dunkirk, Village of Herkimer, Village of Potsdam
- Activity Update on Previously Reviewed Municipalities
  - Cities of Lockport, Niagara Falls, and Plattsburgh
- Approval of New Fiscally Eligible Municipality List
- New Applicants for Comprehensive Review
  - Five (5) total, including the Cities of Ogdensburg, Watervliet, Yonkers, Syracuse, and Long Beach



# Completed Reviews



# City of Dunkirk

Chautauqua County



# City of Dunkirk Overview/Fiscal Status

- 2010 population of 12,563 (ranked 45<sup>th</sup> of cities) and 2015 expenditures of \$29 million (ranked 35<sup>th</sup> of cities); median home value \$62,600 (ranked 62<sup>nd</sup> of cities); and median household income of \$37,930 (ranked 42<sup>nd</sup> of cities).
- Due to the closure of the coal-fired NRG plant in January 2016, the City's \$2.6 million PILOT revenue declined to \$136,000.
- Although special State aid is cushioning this decline, the City needed to cut the 2017 Budget (\$14.6 million) by \$1 million in order to prevent a significant increase in taxes.
  - The City is counting on \$305,000 from the FRB for its current 2018 General Fund.
- The City has recently lost major manufacturing plants/companies and is expected to lose its only hospital to a nearby relocation.
- Though all labor contracts are currently settled, the next round of negotiations will occur prior to any re-powering of the NRG plant.



# Findings and Recommendations



# City of Dunkirk

## Efficiency Actions

- The City could take steps to: 1) re-evaluate the cost structure of its solid waste collection program; 2) evaluate revenue-positive options to upgrade its current parking meter infrastructure and system; and 3) convert City lighting infrastructure to more efficient LED technology.

## Recommendation:

- The City should pursue advancements in energy efficiency by converting its City-wide lighting infrastructure to LED technology. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$1.1 million to assist the City with implementing such action.



# City of Dunkirk

## Workforce

- The City has curbed employee benefit cost increases. New hires in each of its four unions will contribute 10 percent to their health insurance premiums.
- The City reduced one police FTE through an ERI, saving \$360,000 in salaries/fringe over three years.
- The City has several costly provisions in its union contracts, including 50 percent health insurance premium buy-outs if an employee opts out of coverage, longevity pay, and no-layoff and minimum staffing clauses.
- Current employees of the Police and Fire unions pay 10 percent of their health insurance premiums. The City's largest union (DPW/Clerical) does not contribute to their cost of coverage.
- The City should consider addressing these health insurance premium buy-outs, premium cost sharing, and minimum staffing clauses in future collective bargaining rounds.





# City of Dunkirk

## Fiscal Performance and Accountability

- The City faces increasing annual revenue declines due to the closure of the NRG coal-fired power plant, amounting to approximately \$1.77 million, in total, for City fiscal years 2018, 2019, and 2020. By 2024, if the power plant does not repower, the City will face an annual \$2.2 million revenue loss relative to 2017.

### Recommendation:

- In recognition of the City's fiscal situation and the expectation of future significant restructuring actions to restore sustainability, the Board recommends a grant of up to \$1.77 million to stabilize the City's finances and tax levy, which shall be contingent on the adoption of prudent City budgets.



# Village of Herkimer

Herkimer County



# Village of Herkimer Overview/Fiscal Status

- The Village's full value tax rate is \$22.40 per \$1,000. Per OSC data, the Village has the second highest property tax rate among all villages in New York State, just below the Village of Hempstead in Nassau County.
- Since 2013, the Village has annually exhausted just under 100 percent of its Constitutional tax limit.
- The Village General Fund totals \$6.48 million, of which \$5.12 million (79%) of this amount is funded by the tax levy.
- In recent years, the Village has been able to manage its expenditures by eliminating positions through attrition and some success in modifying health insurance benefits. However, for long term stability, it must champion consolidation and/or shared services with the geographically-contiguous Villages of Mohawk and Ilion.



# Findings and Recommendations



# Village of Herkimer

## Shared Services/Function Consolidation

- Shared services opportunities between the Villages exist for nearly all of the services Herkimer provides, including police, fire, and public works.
- If the Villages of Herkimer, Ilion, and Mohawk consolidated, their structure would equate to that of a City, with a population of approximately 18,500 and a land area of six square miles.
- An opportunity exists to abolish the Office of Village Justice.

## Recommendation:

- The Village, in conjunction with its governmental neighbors, should develop and implement a shared services plan and work towards. The Board may provide a grant to assist with the implementation of the plan.



# Village of Herkimer

## Efficiency Actions

- The Village is in the process of repairing its traditional coin-operated parking meters while maintaining a 25 cent per hour parking fee. And, its streetlights do not utilize the most efficient and up-to-date technology. The current streetlights utilize traditional bulbs that are costly and draw more energy than LEDs.
- The Village should take steps to modernize its parking infrastructure and transition to cost-effective LED lights.

## Recommendation:

- The City should pursue efficiency actions. The Board may provide a grant to assist the City with implementation of such actions.



# Village of Herkimer

## Workforce

- As is typical for governments, General Fund expenditures are driven by labor.
- Police and Fire Department expenditures including fringe benefits account for approximately 68 percent of the property tax levy.
- The Village provides a 50 percent bonus payment for employees that “opt-out” of taking health insurance.
- All three bargaining units’ contracts expired May 31, 2018.

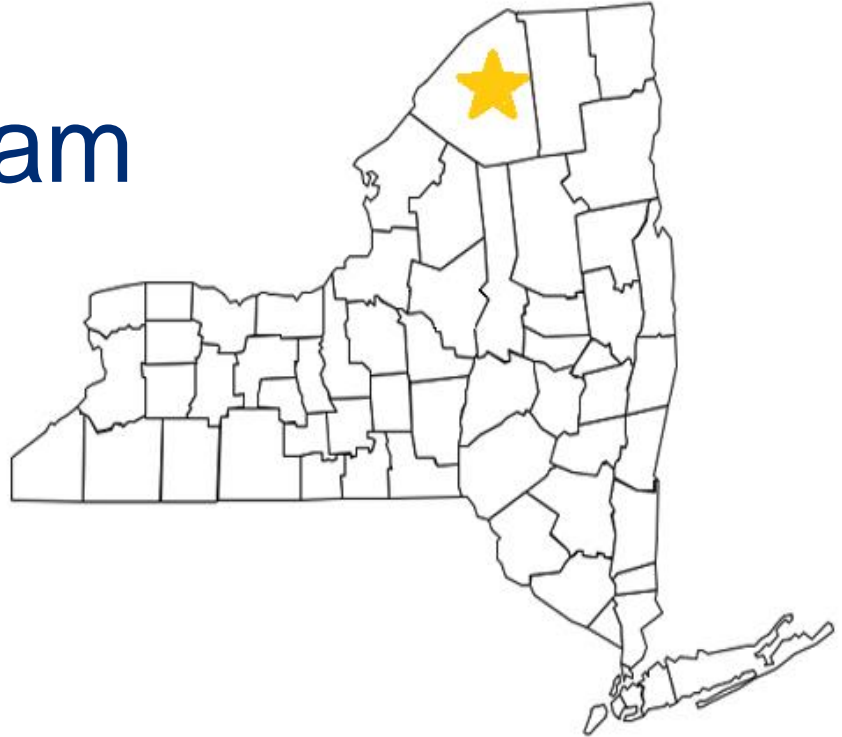
## Recommendation:

- The Village should pursue a number of potential workforce actions. The Board may provide a grant to assist the City with implementation of such actions.



# Village of Potsdam

St. Lawrence County





# Village of Potsdam Overview/Fiscal Status

- Village finances are burdened by a low median household income of \$31,790 (ranked 531st of villages); and, a low median home value of \$100,900 (ranked 332nd of villages).
- The Village's General Fund budget totals about \$6.0 million, with a tax levy of \$3.7 million. The tax rate is \$17.15 per thousand in full valuation.
- Although it received a "Susceptible Fiscal Stress" designation in 2014 and a "Significant Fiscal Stress" designation in 2015 under the OSC fiscal stress monitoring system, Village finances have improved by implementing various shared service initiatives, budgeting revenues conservatively, and eliminating positions through attrition.
  - The Village received a rating of "No Designation" in 2016.



# Village of Potsdam Overview/Fiscal Status

- The Village is slowly replenishing its General Fund balance since it dipped below \$400,000 in 2015. The estimated fund balance for FY 2017 is \$1.4 million, about 23 percent of the General Fund budget.
- The fiscal stress designations and annual usage of fund balance were due, in part, to the separate failures of both the East and West hydroelectric dams, one of which remains inoperable today.
- The Hydroelectric Fund typically runs an annual deficit of approximately \$130,000 and requires General Fund transfers.



# Findings and Recommendations



# Village of Potsdam

## Shared Services

- Potential areas to consolidate with the County include police dispatch and shared back-office IT. The County already performs dispatching for five other villages in the County. Dispatching would also create additional workforce efficiencies.

## Recommendation:

- The Board recommends that the Village transfer its dispatching function to St. Lawrence County. If the Village 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 Village and County with implementing such action.



# Village of Potsdam

## Efficiency Actions

- As the host to two higher education facilities, the Village downtown sees plenty of motor and foot traffic. The Village generates approximately \$29,000 in revenue from parking meters. The meters malfunction often and the rates are antiquated. The Village could potentially increase revenues and reduce costs by modernizing its meters and parking rates.

## Recommendation:

- The Village should upgrade its parking infrastructure and evaluate its current parking rates. If the Village agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the Village with its implementation.



# Activity Update on Previously Reviewed Municipalities



# City of Lockport

## Background

- The City's General Fund has a fund balance totaling over \$2.6 million as of December 31, 2016. In 2013, the City had a negative fund balance of \$830,000. The City has run a surplus in every fund (General, Water, Sewer, Refuse) from 2014 through 2016, and is expected to for 2017.
- The 2018 Budget was the first budget since 2013 to stay under the Tax Cap.
- In 2016, the Board recommended that the City continue to work on developing its government-owned vacant properties and offered \$200,000 for this purpose if the City was able to enter into a new shared service arrangement with Niagara County.
- As part of its "Vacant Lands in Private Hands" initiative and its first "Home Ownership Auction," the City sold government-owned properties for the purpose of economic development.

## Recommendation:

- The Board should award up to \$200,000 to help the City defray the costs of demolition and/or redevelopment.



# City of Niagara Falls

## Background

- In its report last year, the Board recommended that the City seek to continue to achieve efficiencies in its government. The City is interested in purchasing an online property tax payment system that would allow residents to make payments online and enable the City to reduce staff by at least one full-time employee.
- The City's 2018 adopted budget increased General Fund spending 1.1 percent, to \$91.4 million. The City Council exceeded the Tax Cap for 2018 by \$500,000 (4.53 percent, total), although the tax levy was \$1 million less than what the Mayor proposed.
- In reaction to the prospect of the City running out of reserves before the end of the 2019 calendar fiscal year, Moody's downgraded the City to Baa3 (lowest investment grade), and maintains a negative outlook.

## Recommendation:

- The Board should award up to \$100,000 to assist the City with purchase of an online property tax payment system, assisting the City will collections and helping to reduce staff.





# City of Plattsburgh

## Background – Efficiencies

- In its report last year, the Board recommended that the City continue to implement additional efficiency actions that would lower the cost of certain services.
- Soon thereafter, the City consolidated its Engineering, Assessment, Human Resources, and Recreation Departments and reduced FTEs by six staff/managers to cut expenses.
- The City also relocated its finance division into City Hall, saving the City over \$46,000 annually.
- The City has the opportunity to install 50 boat docks at the City Marina, generating \$80,000 in additional annual income

## Recommendation:

- The Board should award up to \$125,000 to assist the City with the separation costs it incurred due to its departmental restructuring.
- The Board should award \$50,000 to install 50 boat docks at the City marina.
- The Board should award \$45,000 to help relocate the City's finance division/office into City Hall.



# City of Plattsburgh

## Background – Shared Services

- In June 2017, The Board recommended that the City seek to achieve additional savings through shared assessing with the County, among other shared services.
- In October 2017, the City and Clinton County signed a 3-year deal for the County to take over the City's assessing function, saving the City approximately \$100,000 annually.

## Recommendation:

- The Board should award up to \$820,000 in recognition and support of the City/County assessment consolidation.
  - \$425,000 would be provided to the City to offset the cost of a property revaluation, which has not been done in 30 years.
  - \$395,000 for the County, payable through the City/Council in recognition of the County's agreement to take over the City's assessing function.



# Approval of New Applicants for Comprehensive Review



# City of Ogdensburg

St. Lawrence County

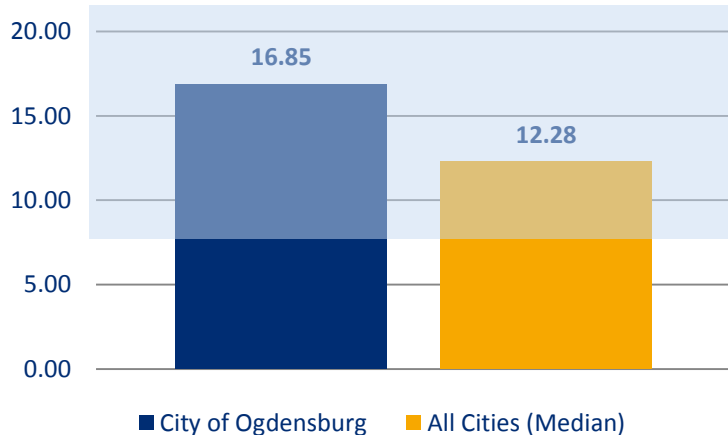


# City of Ogdensburg

Automatically considered a Fiscally Eligible Municipality because of Average Full Value Property Tax Rate.

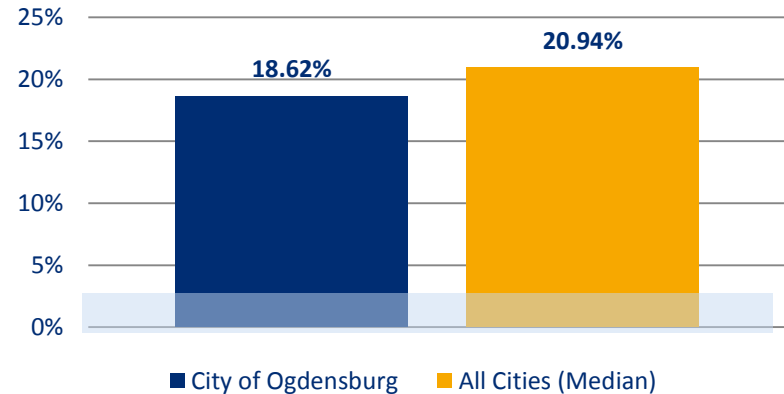
## Average Full Value Property Tax Rate

(Automatically Eligible Above 7.3381)



## Average Fund Balance Percentage

(Automatically Eligible Below 5%)



# City of Ogdensburg

- 2010 population of 11,128 (ranked 45<sup>th</sup> of cities) and 2016 expenditures of \$19.1 million (ranked 48<sup>th</sup> of cities); median home value \$68,000 (ranked 57<sup>th</sup> of cities); and median household income of \$36,832 (ranked 45<sup>th</sup> of cities).
- For the 2018 General Fund Budget of \$14.0 million, the City exhausted 89.63% of its Constitutional tax limit, leaving \$564,460 as its remaining tax margin. The tax levy of \$5.5 million was within the cap, but water and sewer rates were increased by 10 percent each year. Its 2018 Full Value Tax Rate is \$19.67 per \$1,000 of full value.
- The City estimates a 2017 year-end fund balance of \$1.4 million, however it owes \$1.5 million to the School District and County to make them whole for uncollected taxes.
- No fund balance is appropriated in the 2018 budget, as the estimated unassigned General Fund balance is under \$150,000.



# City of Ogdensburg

- Nearly 60% of all property in the City is tax-exempt, one of the highest proportions in the State.
- The City has requested the FRB's assistance for the following:
  - Evaluating its fiscal relationship with its library and community museum;
  - Fire and police operational/efficiency “studies” in preparation for a collective bargaining round in 2019;
  - A shared services study with the County; and,
  - An evaluation of and potential solution for its system/obligation for unpaid property taxes.



# City of Watervliet

Albany County



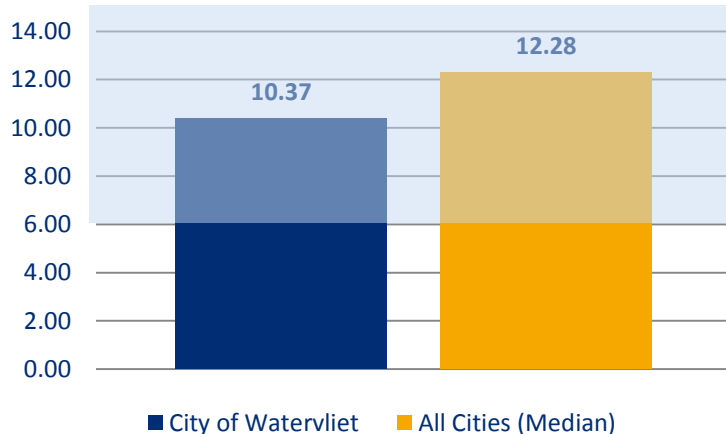


# City of Watervliet

Automatically considered a Fiscally Eligible Municipality because of Average Full Value Property Tax Rate.

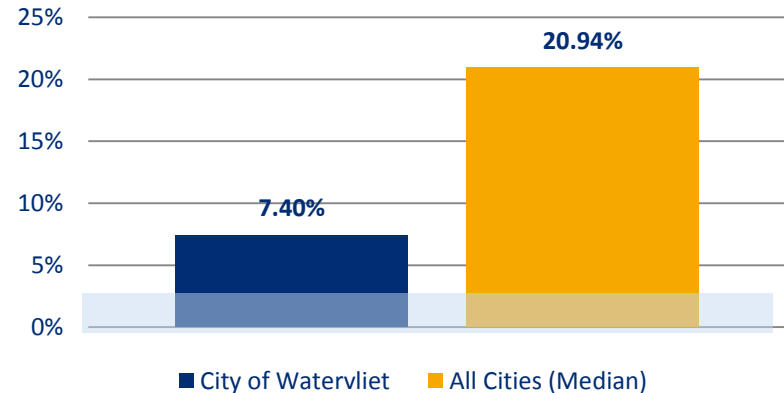
## Average Full Value Property Tax Rate

(Automatically Eligible Above 7.3381)



## Average Fund Balance Percentage

(Automatically Eligible Below 5%)



# City of Watervliet

- 2010 population of 10,254 (ranked 51<sup>st</sup> of cities) and 2016 expenditures of \$17.9 million (ranked 50<sup>th</sup> of cities); median home value \$139,000 (ranked 26<sup>th</sup> of cities); and median household income of \$48,994 (ranked 15<sup>th</sup> of cities).
- Between 2014 and 2016, with OSC’s fiscal stress monitoring system, the City’s rating increased from “Susceptible Fiscal Stress” to “Significant Fiscal Stress.”
- The City’s 2018 adopted budget increased the property tax levy by approximately 16 percent and exceeded the Tax Cap for the first time.
  - For the City’s 2017 budget, the City assigned approximately \$300,000 of fund balance, leaving only about \$120,000 of unassigned fund balance at the end of 2017.
- Workforce Issues: Both police and fire contracts are expired. All contracts require the City to reimburse all employee healthcare co-pays.



# City of Watervliet

- For years prior to 2018, the City was forced to rely on a “skeleton crew” in its Administration and Public Works departments due to substantial turnover. However, the 2018 budget appropriated funds to hire personnel to cover approximately 90 percent of the vacant positions in these two departments.
- 52 percent of the City’s property is property tax exempt, and nearly 80 percent of this total amount is from the Watervliet Arsenal, a Federally-owned property.
- A recent audit of fiscal years 2014 to 2016 by OSC found that the City Council did not adopt structurally balanced budgets, experienced operating deficits in all three of its funds (General, Water, Sewer) and did not report budget actuals appropriately. OSC made recommendations and eventually concluded that the City’s 2018 budget successfully implemented some of the recommendations.



# City of Yonkers

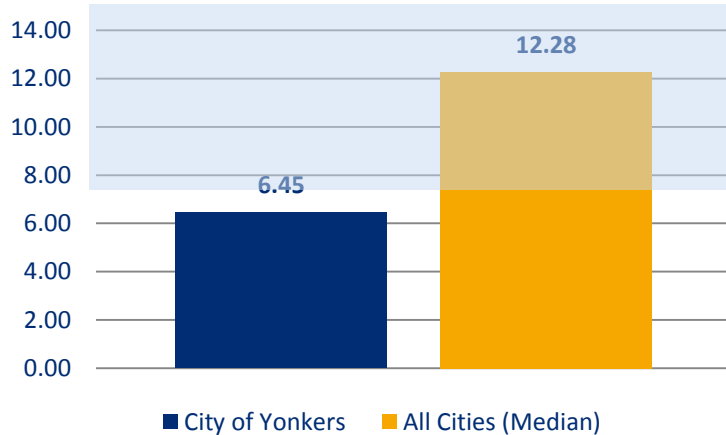
Westchester County



# City of Yonkers

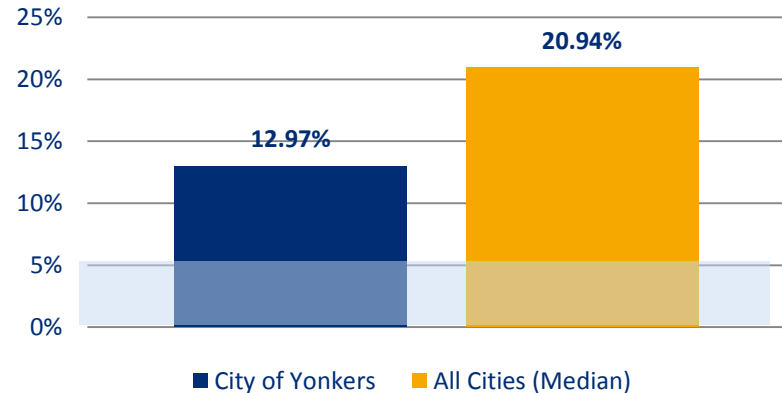
## Average Full Value Property Tax Rate

(Automatically Eligible Above 7.3381)



## Average Fund Balance Percentage

(Automatically Eligible Below 5%)



NOTE: Yonkers is not automatically considered a Fiscally Eligible Municipality, however, the Board may find the City fiscally eligible using other criteria as it deems appropriate.

# City of Yonkers

- 2010 population of 195,976 (ranked 3<sup>rd</sup> of cities) and 2016 expenditures of \$578.8 million (ranked 2<sup>nd</sup> of cities); median home value \$379,500 (ranked 6<sup>th</sup> of cities); and median household income of \$61,272 (ranked 8<sup>th</sup> of cities).
- From 2014 and 2016, the City went from a “Susceptible Fiscal Stress” rating to a “Moderate Fiscal Stress” rating, per OSC’s fiscal monitoring system.
- The City exhausted 93.2 percent of its Constitutional tax limit in FY 2018. The FY 2019 Executive Budget proposed a levy of \$117.4 million, a 1.64 percent increase from FY 2018, and would exhaust 87.7 percent of its Constitutional tax limit, as proposed.
- General Fund balance usage: Approximately \$23 million used for FY 2017; an estimated \$45 million may be used for FY 2018; and, the remaining \$19 million available is being used to balance the FY 2019 Executive Budget.
- In 2009 the City agreed to nine- and ten-year labor agreements with its five collective bargaining units. The agreements contained back-loaded salary increases, with many employees receiving four percent salary increases in FY 2019.



# City of Yonkers

- In addition to depleting available fund balance, the FY 2019 Executive Budget proposed cutting 182 positions (excluding schools), mostly through layoffs across 18 departments, including police, sanitation, and fire.
- The City's bond covenants provide that the City's budget is not effective until the State Comptroller, as Fiscal Agent, approves the budget as being in compliance with the Fiscal Agent Act.
- The City budgeted \$5 million in one-time revenue from the Financial Restructuring Board as a means to balance its FY 2019 City-side budget.
- A separate audit of FYs 2014 to 2016 by OSC found that the City did not adopt structurally balanced budgets, mostly as a result of failure to establish a fund balance policy or long-term capital plan.
- Based upon the foregoing issues and overall fiscal position of the City, staff recommend that the Board finds Yonkers to be a Fiscally Eligible Municipality.



# City of Syracuse

Onondaga County



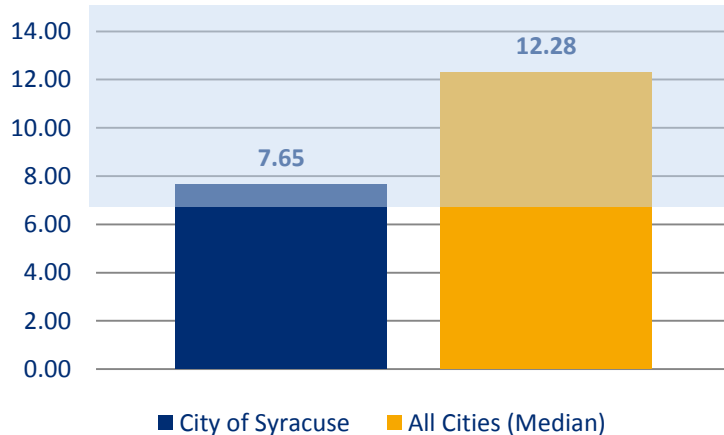


# City of Syracuse

Automatically considered a Fiscally Eligible Municipality because of Average Full Value Property Tax Rate.

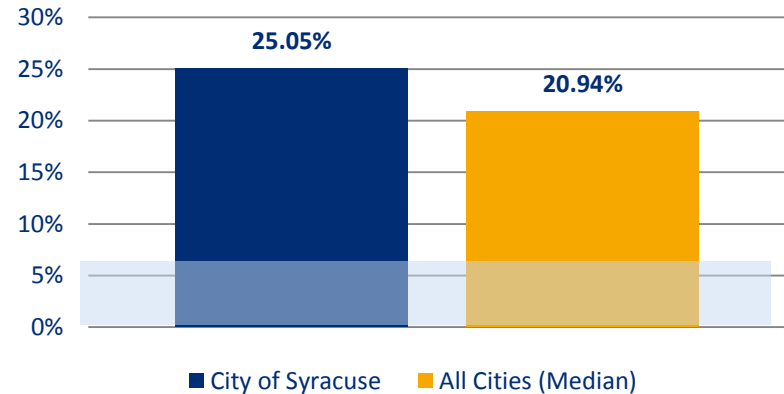
## Average Full Value Property Tax Rate

(Automatically Eligible Above 7.3381)



## Average Fund Balance Percentage

(Automatically Eligible Below 5%)



# City of Syracuse

- 2010 population of 145,170 (ranked 4<sup>th</sup> of cities) and 2016 expenditures of \$318.6 million (ranked 4<sup>th</sup> of cities); median home value \$89,900 (ranked 41<sup>st</sup> of cities); and median household income of \$32,704 (ranked 52<sup>nd</sup> of cities).
- Mayor Walsh's first budget (FY 2019) increased the levy by less than \$250,000, to \$34.7 million; utilizes \$11 million of the \$52 million in reserves to balance the City-side budget, and decreases total General Fund Expenditures by about \$3 million over current year, to \$245.1 million. The budget was adopted without amendments.
- The City has never exceeded the Tax Cap. Average levy increases over last 6 budgets is less than 0.6%. The tax levy represents only 14% of the General Fund.
  - Syracuse relies heavily on its sales tax sharing agreement with Onondaga County. The 2011 agreement helped increase annual revenue from \$63 million in FY 2011 to nearly \$86 million for FY 2019. The current agreement will expire in 2020.



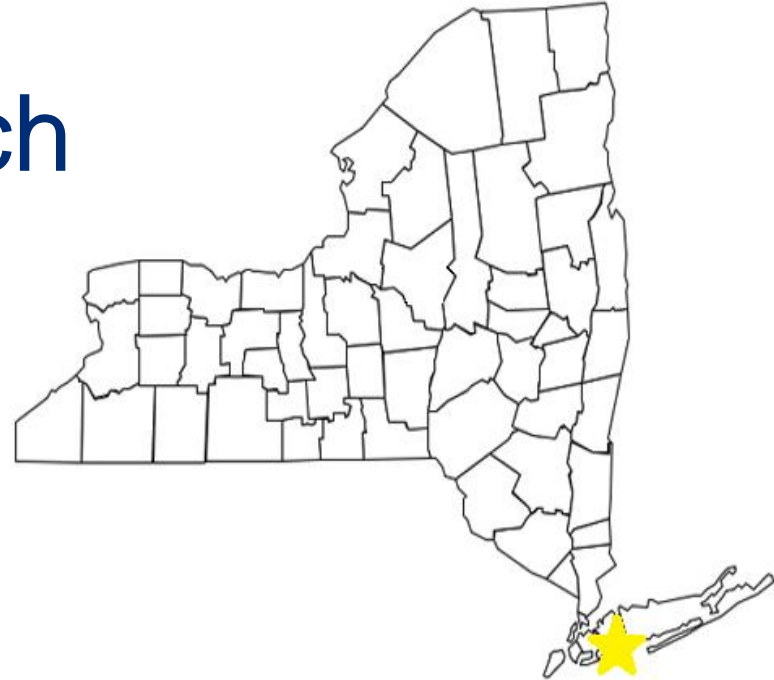
# City of Syracuse

- The last 4 budgets (FYs 2015-2018) have run GF operating deficits ranging from \$2.4 million to \$10.6 million. Over those years, the City appropriated an average of \$14.5 million of fund balance annually, but needed less than \$6 million annually, on average.
- According to data provided by the Office of the State Comptroller, the City's full-value property tax rate was \$7.88 per thousand in 2017, one of the lowest among the cities in the State and 2<sup>nd</sup> lowest among the "Big Four" (Yonkers).
  - Syracuse is projecting a 71% property tax exhaustion rate, 2<sup>nd</sup> lowest among the "Big Four" (Buffalo).
- The City's most recent fiscal stress monitoring score was 30.0, well below the score to receive a designation. The City has never received a fiscal stress score from the State Comptroller.
- In February 2017, the Commission on Local Government Modernization released its Consensus report, which recommended the City and Onondaga merge to become one government. The report found that the merger could produce as high as \$32.8 million in savings annually.



# City of Long Beach

Nassau County

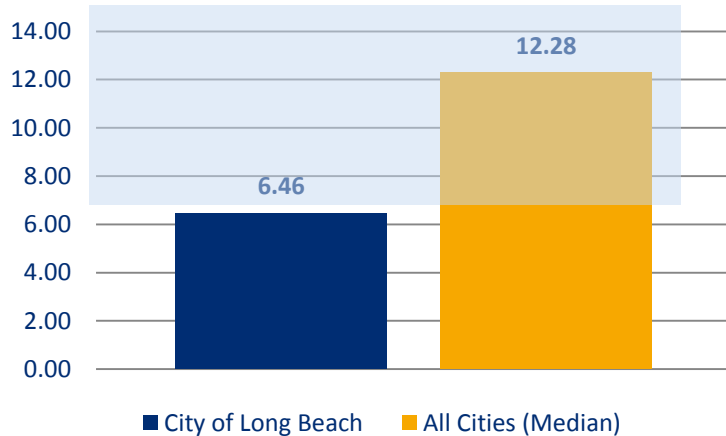


# City of Long Beach

Automatically considered a Fiscally Eligible Municipality because of Average Fund Balance Percentage.

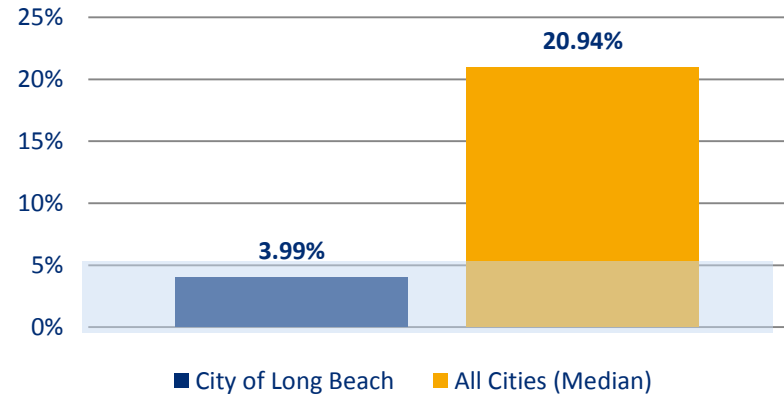
## Average Full Value Property Tax Rate

(Automatically Eligible Above 7.3381)



## Average Fund Balance Percentage

(Automatically Eligible Below 5%)



# City of Long Beach

- 2010 population of 33,275 (ranked 15<sup>th</sup> of cities) and 2016 expenditures of \$107.8 million (ranked 11<sup>th</sup> of cities); median home value \$455,800 (ranked 5<sup>th</sup> of cities); and median household income of \$84,256 (ranked 2<sup>nd</sup> of cities).
- FY 2012 culminated in a severe accumulated deficit of \$11.6 million, and a 5-notch rating downgrade to near-“junk” level.
  - The City imposed supplemental tax levy surcharges in FYs 2013 and 2014, and ended up borrowing \$8.2 million via deficit financing authorization.
- Later in calendar 2012, the City was ravaged by Superstorm Sandy, which caused hundreds of millions of dollars in damage.
- In recent years, the City has run, or is expected to run, annual General Fund deficits in each of FYs 2015-2018. Accordingly, between 2015 and 2017, Long Beach’s OSC fiscal stress score went from a rating of “No Designation” to “Significant Fiscal Stress”.



# City of Long Beach

- The City recently adopted its FY 2019 budget totaling \$82 million (GF) that included a 10.3% levy increase (\$3.8 million). The tax rate, with this increase, is \$7.23; Constitutional tax exhaustion is under 35 percent; and according to the City, the percentage of tax exempt property is less than 7 percent.
- The vast majority of employees pay nothing toward the cost of healthcare. In addition, the City annually incurs over \$2 million in employee accrual payouts.
  - Though ultimately averted, a temporary inability to pay/bond for the current year's \$2.1 million cost for accrual payouts created cash flow/payroll concerns, including the contemplation of layoffs and service modifications.
- In 2015, the City successfully reorganized its Fire Department to separately staff firefighters and EMT/paramedics, rather than firefighting staff carrying the dual role.
- Overall, the City's Administration is looking to streamline services, expand revenues, and renegotiate certain labor provisions.





# Financial Restructuring Board for Local Governments

June 13, 2018