



City of Dunkirk Comprehensive Review Report

**Financial Restructuring Board
for Local Governments**

June 13, 2018

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Overview

The City of Dunkirk is a small Upstate city in Chautauqua County. With a population of 12,563 at the 2010 Census, it is the 45th most populous city in New York State.* 2016 expenditures of \$23.0 million were the 41st highest of all cities.

The City is governed by a Mayor and a five-member Common Council. The Mayor is elected city-wide for a four-year term. The Council is elected for two-year terms, with four representatives representing specific wards in the City and one representative who is elected city-wide and presides over the Council.

The Common Council adopted and the Mayor concurred with a resolution requesting a Comprehensive Review by the Financial Restructuring Board (see Appendix A). On June 19, 2017, the Financial Restructuring Board approved this request for a Comprehensive Review with Resolution No. 2017-10 (see Appendix B).

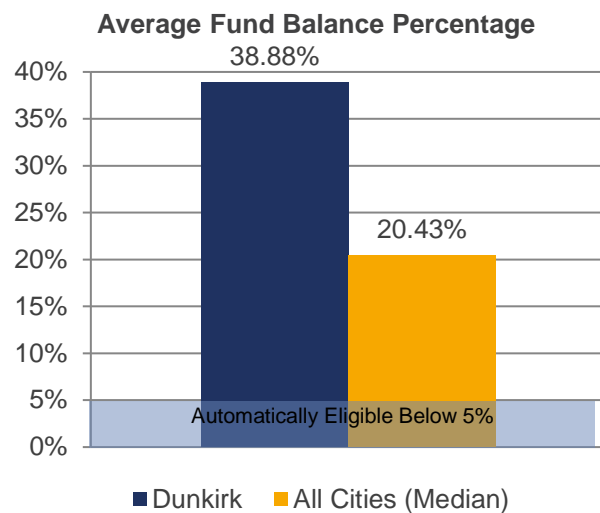
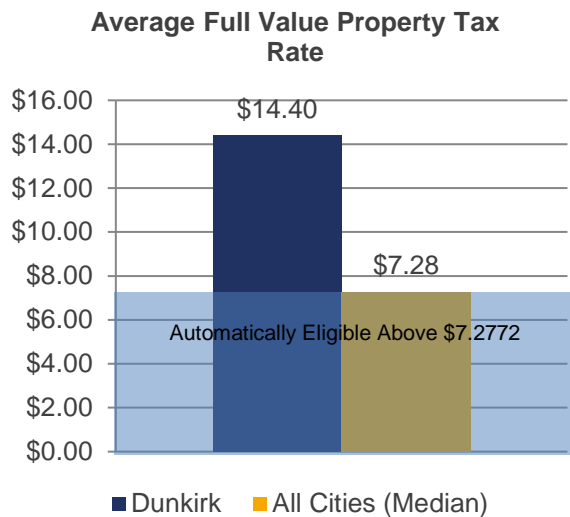
This Comprehensive Review first gives some background on the City's fiscal eligibility and demographic profile. It then provides information on the organization and finances of the City. Finally, it presents the Comprehensive Review's findings and recommendations.

Background

Fiscal Eligibility and Stress

The City of Dunkirk is automatically considered a Fiscally Eligible Municipality because its Average Full Value Property Tax Rate (2011-2015) of \$14.4022 per \$1,000 is above \$7.2772 per \$1,000 – the 75th percentile for all municipalities. This is the 18th highest for cities.

The City has an Average Fund Balance Percentage (2011-2015) of 38.88 percent, which is above 5.0 percent. This is fifth highest for all cities.



* All city rankings in this report exclude New York City

The Office of the State Comptroller's (OSC) Fiscal Stress Monitoring System gives the City of Dunkirk a Fiscal Rating of "No Designation" with a score of 20.8 percent for 2015 (the City did not report to OSC for 2016). A local government would receive a designation of "Susceptible to Fiscal Stress" at 45.0 percent. The factors contributing to this score include a low combined fund balance compared to gross expenditures, an operating deficit in two of the last three fiscal years, and a high level of personal service and benefits costs compared to revenues. OSC projects that the City's score will increase in 2016 to 23.1 percent, staying at "No Designation."

OSC's Fiscal Stress Monitoring System gives the City of Dunkirk an Environmental Rating of "Moderate Environmental Stress" with a score of 45.0 percent for 2015. Negative environmental factors contributing to this score include: a loss in population between 2000 and 2010 (-4.3 percent), a high child poverty rate in 2010 (45.8 percent), an increase in the child poverty rate from 2000 to 2010 (7.6 percent), low property value per capita (\$27,139), a high unemployment rate in 2014 (6.8 percent), a decrease in county-wide employment (-0.8 percent), and a high percentage of Constitutional tax limit exhausted (61.0 percent).

Demographic and Socioeconomic Profile

The City's population decreased by 4.3 percent to 12,563 from 2000 to 2010. In contrast, the typical city's population grew 0.5 percent over that same period.

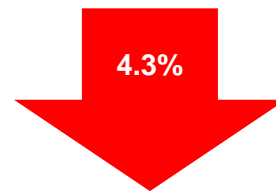
The City of Dunkirk's median household income in 2016 was \$35,858, which is less than the typical city's median household income of \$41,607.

The City's median home value of \$65,300 is less than the median home value of the typical city of \$109,600. Its property value per capita in 2015 was \$27,139, and its four-year average change in property value was 4.3 percent.

The City's unemployment rate is 6.8 percent, and its child poverty rate is 45.8 percent.

Population Change

2000: 13,131



2010: 12,563

Organization and Finances

Organizational Profile

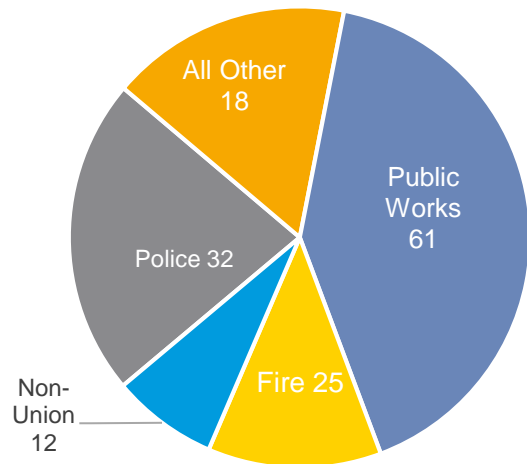
The City of Dunkirk is governed by a Mayor and a five-member Common Council. The Mayor is elected city-wide for a four-year term, expiring December 31, 2019. The Council is elected for two-year terms, with four council members representing specific wards in the City and one council member elected city-wide and who presides over the Council.

The City has several primary departments: Office of the Mayor, Personnel, Law, Assessment, Finance and Treasury, the City Clerk, Public Works, Planning and Development, Youth and Recreation, Parks, Building and Zoning, Police, and Fire.

As of the 2018 adopted budget, the City had 148 FTEs. This is the same as 148 FTEs in 2010. The City Public Works Department has the most employees at 61, followed by the Police Department at 32.

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

2018 City of Dunkirk Full-Time Employees



City of Dunkirk Labor Contracts									
Union	FTEs	Contract Status	Contract Expiration	% Salary Increases					
				2015	2016	2017	2018	2019	2020
IAFF Local 616 (Fire)	25	Expires	12/31/2020	0.0	1.0	0	0.5	1	1.5
Dunkirk Police Benevolent Association (Police)	32	Current	12/31/2019	3.0	0.0	0.0	0.0	2.0	0.0
AFSCME AFL-CIO Local 912 (DPW/Clerical)	71	Current	12/31/2020	0.0	0.0	2.5	1.5	1.0	1.0
USW Local 2693 C.O.D. (Multiple)	8	Current	12/31/2020	0.0	0.0	2.5*	1.5	1.0	1.0

*Note: The 2.5 percent salary increase only applies to the final four weeks of 2017.

City of Dunkirk Labor Contracts

City of Dunkirk Labor Contracts							
Union	Department	FTEs	Contract Status	Contract Expiration	Minimum Staffing Clause	No-Layoff Clause	Other Restrictive Provisions
IAFF Local 616	Fire	25	Current	12/31/2020	Yes	N/A	Insurance contributions and Longevity
Dunkirk Police Benevolent Association	Police	32	Current	12/31/2019	Yes	N/A	Insurance contributions and Longevity
AFSCME AFL-CIO Local 912	DPW/Clerical	71	Current	12/31/2020	No	Yes	Insurance contributions
USW Local 2693 C.O.D.	Multi	8	Current	12/31/2020	No	Yes	Insurance contributions

The City has current contracts with all four of its bargaining units, covering the majority of the City’s unionized workforce. 136 out of 148 total City positions are represented by a collective bargaining unit, totaling approximately 92 percent of the City’s workforce.

Local 912 (DPW/Clerical): In December 2016, the City agreed to a contract with its largest collective bargaining unit, which represents employees in the Department of Public Works and clerical workers. In addition to the annual salary increases shown above, the City pays for the full cost of premiums of the City’s Blue Cross/Blue Shield health insurance coverage for these 71 employees, a significant cost to the City of \$784,000 annually. Were these employees required to contribute 10 percent of the cost of their health insurance premium, the City could save approximately \$78,000 annually under current assumptions. This contract also contains a clause that requires the City to pay employees that elect to opt out of their health insurance coverage 50 percent of the premium payment savings credited to the City. This contract also prohibits layoffs.

PBA (Police): The City agreed to a contract with the City of Dunkirk Police Benevolent Association in April 2017. The City negotiated a one-FTE reduction from 33 to 32 in the police force, saving the City \$120,028 in each of the next three years. This bargaining unit pays 10 percent of their health insurance premiums. Every member of this bargaining unit—in addition to the Chief of Police—receives an additional \$1,050 annually for longevity pay, amounting to an approximately \$35,000 annual cost to the City. When calculating annual salary increases, the longevity pay is included as a part of the base salary computation.

Local 616 (Fire): In July 2017, the City agreed to a contract with the bargaining unit representing its firefighters. The salary increases are shown in the chart above. All members of this unit pay

10 percent of their health insurance premiums. This contract also contains a clause that requires the City to pay any employee who elects to opt out of their health insurance coverage 50 percent of the premium payment savings. Additionally, this contract also includes a minimum staffing requirement of 24 firefighters, at which the City is currently one above.

Members of the Fire bargaining unit also receive \$1,050 longevity pay after five years' service, which costs the City approximately \$26,250 annually and which is included in the base salary for salary increase computations.

Local 2693 (Supervisory): In December 2017, the City settled a contract with the smallest of its four bargaining units and the last one to settle to a contract, the supervisory union, USW 2693. The previous contract had been expired for seven years, since 2010. This bargaining unit has eight employees, with an average salary of \$59,722. The City also successfully negotiated a reduction in the amount of required compensation for members of this unit who are called into work during time off. Previously, the required compensation was a minimum of two hours' pay; going forward this will be reduced to one hour. The City estimates the savings from this change will be significant.

Additionally, the members of this unit do not contribute to their health insurance after five years of employment. A 10 percent contribution toward the health insurance premiums would save the City approximately \$17,050 annually. The City did negotiate a 10 percent contribution for new employees going forward, which should set a new standard in the next round of negotiations for the City's AFL-CIO Local 912 (the largest City unit), which still has zero percent health insurance premium contributions, even for new employees.

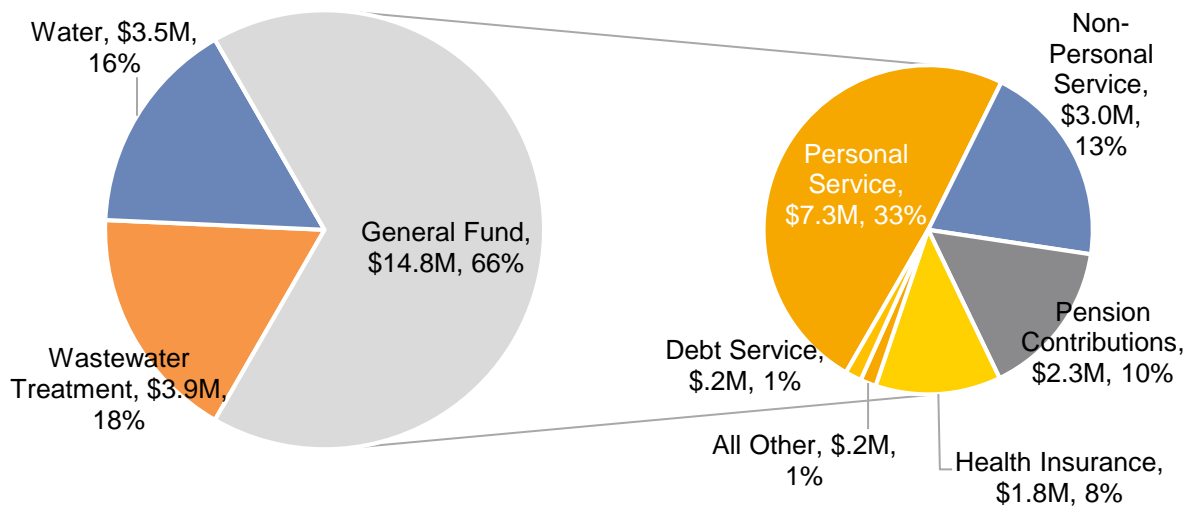
The City has been proactive in finding and achieving workforce savings. Management successfully implemented two early retirement incentives in its most recent PBA and DPW/Clerical contract negotiations. These incentives induced 10 DPW/Clerical and several PBA retirements, resulting in annual savings of \$200,000 for each of the next four years.

Additionally, the City entered a three-year agreement with the Labor Management Health Fund, a healthcare consortium, which is expected to save \$160,000 per year for years 2017-2019.

Budget Profile

The City's 2018 All Funds adopted budget totals \$22.2 million. This is a 0.16 percent decrease from the All Funds adjusted 2017 budget. For the General Fund, the largest expenditure category is personal service, at \$7.3 million (33.0 percent of General Fund expenditures), followed by non-personal service at \$3.0 million (13.0 percent of General Fund expenditures). Of the personal service category (excluding overtime), \$2.9 million was for Police Department employees and \$1.5 million was for Fire Department employees.

2018 City of Dunkirk Expenditures



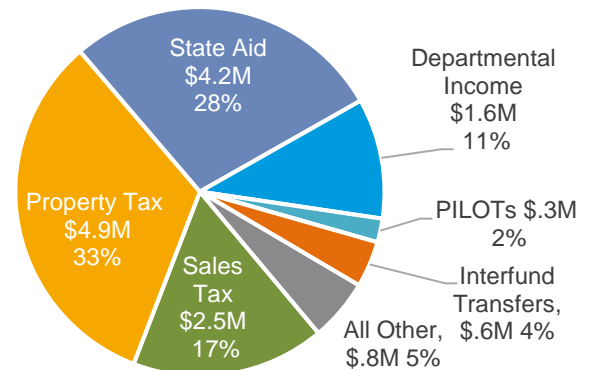
The 2018 General Fund revenue sources (adjusted for interfund revenue and transfers) include: 33 percent from property tax; 28 percent from State aid; and 17 percent from sales tax. The property tax levy is \$4.9 million, which is the same as 2017 and within the Property Tax Cap.

According to its 2016 Annual Financial Report, the City had \$11.8 million in general obligation bonds outstanding and \$11.5 million in bond anticipation notes outstanding at the end of 2016.

Fiscal Performance

The City's General and All Funds budgets have remained stable over a five-year period between 2012 and 2018, with General Fund expenditures increasing by 0.5 percent and revenues decreasing 0.5 percent in total in that time.

2018 City of Dunkirk Revenues (General Fund)



The 2018 adopted budget estimates are reasonable and prudent. The general fund balance, while higher than average for cities, may be overstated due to outstanding interfund loans that are not repayable with immediate resources.

Major General Fund expenditure categories, including employee benefits and overtime have decreased since 2013, and although personal service in the 2018 adopted budget shows an increase, the City's projections have historically been overestimated, and year-end actuals will likely be lower. Water Fund actual expenditures in 2016 fell to \$2.8 million as the result of changes in management policies and controls. Waste Water Treatment Fund expenditures also fell for 2016, the most recent year for which actuals are available. The table below depicts revenue and expenditures trends for the five-year period between 2013 and 2017, as well as figures for the 2018 adopted budget.

City of Dunkirk Revenue and Expenditure Trends, 2013-2018						
General Fund	2018 Adopted	2017 Adjusted	2016 Actual	2015 Actual	2014 Actual	2013 Actual
Expenditures	\$14,805,628	\$14,562,441	\$14,443,842	\$15,479,912	\$15,530,031	\$14,728,516
Revenues	\$14,805,628	\$14,652,085	\$14,993,521	\$14,546,251	\$15,590,772	\$14,881,975
Fund Balance	-	-	\$6,366,542	\$5,770,427	\$5,676,764	\$6,206,087
Property Tax Levy	\$4,870,287	\$4,871,870	\$4,837,476	\$4,837,477	\$4,837,477	\$4,830,639
Full Value Tax Rate	-	13.97	14.14	14.19	14.19	14.19
Full Valuation	-	\$348,726,383	\$342,041,818	\$340,951,983	\$340,971,424	\$340,489,467
Personal Service	\$7,255,902	\$6,925,261	\$7,059,185	\$7,196,623	\$7,095,553	\$7,081,625
Overtime	\$415,232	\$407,700	\$456,650	\$577,586	\$540,810	\$568,423
Employee Benefits	\$3,821,848	\$4,144,027	\$4,065,167	\$3,907,739	\$4,402,630	\$4,442,201
Water Fund	2018 Adopted	2017 Adjusted	2016 Actual	2015 Actual	2014 Actual	2013 Actual
Expenditures	\$3,547,788	\$3,754,849	\$2,823,968	\$3,179,713	\$3,220,694	\$2,831,014
Waste Water Treat. Fund	2018 Adopted	2017 Adjusted	2016 Actual	2015 Actual	2014 Actual	2013 Actual
Expenditures	\$3,862,736	\$3,933,459	\$3,395,935	\$3,604,920	\$3,675,985	\$3,412,984

This budget discipline is the result of several restructuring and efficiency efforts the City has implemented over the previous few years. In addition to savings in labor negotiations, the City reduced its health insurance administrative fees by 40 percent and entered an agreement with the Labor Management Health Fund to realize \$160,000 in annual savings due to lower rates.

Fiscal Threats

Despite its fiscal prudence, the City still experiences fiscal stress. As OSC's Environmental Stress Score shows, the City and its residents suffer from unique challenges including high unemployment, high rates of child poverty, low property value per capita, and population loss. One of the City's largest employers, Brooks Memorial Hospital, is expecting to leave the City and relocate to the Town of Pomfret within several years. On top of the associated job and economic

activity loss, the Hospital's facility located in the City's downtown occupies a full city block, and the structure's future remains in question.

Additionally, the City reports significant capital deficiencies, including aging police and fire fleets, dilapidated fire facilities, and municipal building space constraints resulting from growth in its City-operated court. Necessary upgrades to City capital assets would put additional pressure on a stagnant property tax base with stagnant growth that is already taxed double the 75th percentile for all cities (\$14.40 versus \$7.28 per \$1,000 of full valuation).

NRG, Inc. Power Plant

A key issue for the City's fiscal future is the formerly coal-fired electric generation plant located in the City which is owned by NRG, Inc. Prior to the 2016 closing of all four of the plant's power-generating units, the City received a substantial payment in lieu of taxes (PILOT), which in 2016 amounted to \$2.6 million, or 17.7 percent of 2016 General Fund revenue. Upon the plant's closure, NRG, Inc. reduced its scheduled 2017 PILOT to the City from \$2.7 million to \$404,846—a revenue loss of \$2.3 million, or 15.8 percent of the 2017 Adopted Budget General Fund revenue. This payment was once again reduced in 2018 to \$135,807.

The City received aid for its FY 2017 through Empire State Development's Electric Generation Facility Cessation Mitigation Program, which provides grant assistance to support local government entities impacted by reductions in the tax liability and/or PILOTs (Tax Loss) owed by an electric generation facility subject to their taxing authority. For FY 2017, Mitigation Aid grant assistance totaled \$1.8 million. The Program has been a vital bridge for the City during the period of reduced PILOTs, and without it the City may have faced a significant fiscal crisis and would have more quickly approached its Constitutional tax limit, which in 2016 and 2017 amounted to \$6.8 and \$6.9 million, and exhaustion rates of 60.92 and 52.29 percent, respectively. The tax margins—the maximum amount in property tax which the City could levy—was thus \$2.6 million and \$3.2 million in 2016 and 2017, roughly equal or near the value of the lost PILOT. Despite the success in stabilizing the City's tax rate and finances, Mitigation Aid is statutorily required to decrease over time, and any grant assistance is provided as an "up-to" amount of the tax loss, subject to the availability of funds and the number of applicants. The number of applicants is expected to increase in the near future.

NRG, Inc. has said it intends to repower the plant as a natural gas plant, a \$15 million conversion project, and resume PILOT payments under a 2017 amendment to the original PILOT agreement (the Amendment). Originally, NRG, Inc. stated an anticipated commercial operation date of 2020, during which three of the four units would be repowered incrementally but within several weeks of each other.

The repowering of the plant with natural gas is contingent on several processes. These include the permit approval and construction of a 9.67-mile, 16-inch in diameter natural gas pipeline, to be constructed by the National Fuel Gas Company and interconnected with the Tennessee Gas Pipeline at a station in the Town of Arkwright; approval from the New York State Independent System Operator (the NYISO, which manages the State's electrical grid and markets); and assistance from Empire State Development.

Beginning in FY 2018, NRG, Inc. agreed in the Amendment to pay a transitional PILOT of \$135,818 per year to the City until 2023, or when repowering occurs. These transitional

payments—times two—are deductible from future amended-PILOT years beginning in reverse with FY 2028.

In June of 2018, the NYISO notified NRG, Inc. that the cost to re-interconnect the power plant to the electric grid could exceed \$100 million. Original total project estimates (totaling \$15 million) by NRG, Inc. did not include any costs for interconnection. Moreover, the NYISO stated that interconnection would require transmission upgrades in New York State as well as Pennsylvania, which could potentially push back the energy delivery timeline until 2024. A spokesperson for NRG, Inc. told a local paper that these facts could make the project “uneconomic and impossible,” leading to “massive uncertainty” (Dunkirk Observer, “NRG future in serious doubt”, June 7, 2018). As a result, the City must plan for a scenario in which the facility and its generators are never repowered and returned to service, or their repowering is substantially delayed or partial.

The below chart displays a schedule for the step-down of Mitigation Aid, as required by current law. Each year is compared to 2017 as a base year. This represents the amount of revenue lost because of the power plant closing, compared to 2017. As the chart displays, the amount of revenue lost increases as the Mitigation Aid steps-down. In 2024, the City will not receive any PILOT from NRG, Inc. (according to the current Amended PILOT agreement), nor will it receive Mitigation Aid. The budgetary impact, relative to 2017, will be negative \$2.2 million—15.8 percent of 2018 Adopted General Fund expenditures.

Non-Repowered Dunkirk NRG PILOT and Mitigation Aid Schedule						
FY	Former PILOT	PILOT	Tax Loss	Mitigation Aid	Revenue	vs. 2017 Revenue
*FY 17	\$2,646,054	\$404,846	\$2,241,208	\$1,792,966	\$2,197,812	-
FY 18	\$2,646,054	\$135,817	\$2,510,237	\$1,757,166	\$1,892,983	(\$304,829)
FY 19	\$2,646,054	\$135,817	\$2,510,237	\$1,506,142	\$1,641,959	(\$555,853)
FY 20	\$2,646,054	\$135,817	\$2,510,237	\$1,255,119	\$1,390,936	(\$806,877)
FY 21	\$2,646,054	\$135,817	\$2,510,237	\$1,004,095	\$1,139,912	(\$1,057,900)
FY 22	\$2,646,054	\$135,817	\$2,510,237	\$753,071	\$888,888	(\$1,308,924)
FY 23	\$2,646,054	\$135,817	\$2,510,237	\$502,047	\$637,864	(\$1,559,948)
FY 24	\$2,646,054	\$0	-	\$0	\$0	(\$2,197,812)

*Actual amounts.

The chart displays the transitional nature of the Mitigation Aid. It is not intended to replace the old PILOT. In the shorter term, for its FY 2018, 2019, and 2020 budgets, the City faces the prospect of the scheduled step-down of aid. Compared to FY 2017, this budgetary impact is \$304,829 in FY 2018, \$555,853 in 2019, and \$806,887 in 2020.

Without repowering, while the facility would eventually return to the tax rolls and be subject to the City’s tax levy, the revenue loss would be severe—\$2.2 million by 2024. It is difficult to estimate the potential revenue generated from the property were it to return to the tax rolls; however, it is likely that the City will face significant budgetary pressures. Serious restructuring of City operations will likely be needed to return to fiscal stability. Nonetheless, it still remains remotely possible that NRG, Inc. eventually repowers the power plant and resumes its scheduled PILOT payments. The table below displays a best-case-scenario revenue schedule for the Mitigation Aid

and the interim PILOT payment, as well as a projected PILOT payment that assumes restoration of three of the four generating units (units two, three, and four) and the PILOT beginning in FY 2021. In any given year, the City would receive either 1) the Combined Revenue from the Mitigation Aid or Interim PILOT, or 2) the Repowered PILOT. NRG, Inc. has indicated repowering before 2021 is unlikely, even before the complications raised by the NYISO.

Repowered Dunkirk NRG PILOT and Mitigation Aid Schedule				
FY	Mitigation Aid	Interim PILOT	Revenue	Repowered PILOT
*FY 17	\$1,792,966	\$404,846	\$2,197,812	-
FY 18	\$1,757,166	\$135,818	\$1,892,984	-
FY 19	\$1,506,142	\$135,818	\$1,641,960	-
FY 20	\$1,255,119	\$135,818	\$1,390,937	-
FY 21	\$1,004,095	\$135,818	\$1,139,913	\$2,921,460
FY 22	\$753,071	\$135,818	\$888,889	\$2,979,889
FY 23	\$502,047	\$135,818	\$637,865	\$3,039,486
FY 24	\$0	\$0	\$0	\$3,100,276
FY 25	\$0	\$0	\$0	\$3,162,282
FY 26	\$0	\$0	\$0	\$2,953,892
FY 27	\$0	\$0	\$0	\$3,018,403
FY 28	\$0	\$0	\$0	\$3,084,204

*Actual amounts.

As the chart displays, if the plant is repowered and the PILOT resumes, the City will be back to receiving the same amount as under the original PILOT agreement. It will experience immediate budgetary pressure only up until then and unless there is no repowerment.

Brooks Memorial Hospital Relocation

As part of a multi-year effort by the New York State Department of Health (DOH) to realign the regional health care system in Western New York and Northern Chautauqua County, Brooks Memorial Hospital (“the Hospital”) was consolidated with the nearby TLC Health Network hospital in Irving and incorporated into the Kaleida Health System. Per DOH, neither Brooks nor TLC were financially viable, due primarily to declining inpatient utilization, difficulty attracting and retaining physicians and other clinical staff, and unsustainable fixed operating costs associated with obsolete and oversized facilities. The Hospital specifically has an operating margin of negative 16 percent.

To ensure the continuation of essential health care services, DOH has provided \$28.8 million in operating subsidies to both the Hospital and TLC since 2014. DOH then awarded \$74 million in capital funds to construct a new hospital. Per DOH, by aligning two once-competitive hospitals into a financially sustainable integrated delivery system led by Kaleida, quality of care could improve, access to services could be expanded, and efficiencies could be achieved.

This realignment plan, however, will result in the planned closure of the current Brooks Memorial Hospital. Per the Hospital and DOH, redevelopment of the existing Hospital was determined not to be cost-effective, as the new hospital is planned to be approximately 35 beds smaller, and the

measures necessary to safely operate the Hospital during the construction period would have significantly increased the cost of the project.

Thus, the Brooks Memorial Hospital Board of Directors retained a consultant to conduct the site selection for the new hospital, and 23 sites were evaluated, including three within the City. The three sites in the City, however, did not rate well due to concerns about shovel-readiness, overhead power lines, and closeness to an active rail yard.

Instead, the consultant recommended a site that was approved by the Hospital in the Town of Pomfret, approximately three miles away from the current Hospital. While there is no specific plan for the current Hospital after planned construction is completed in approximately two years, the Hospital is working with Kaleida on the reuse process, as Kaleida redeveloped Deaconess, Millard Filmore, and Buffalo Women and Children's hospitals. The Board of Directors has stated it plans to establish a Hospital Reuse Project Advisory Committee with a cross-section of community members to sit on the Board to determine reuse opportunities and goals.

The Financial Restructuring Board has initiated and partaken in meetings across the State enterprise to facilitate reuse efforts toward an outcome that is favorable for the City and that can ensure the Hospital does not become a significant fiscal issue. While reuse would likely take several years and the precise impact of the Hospital leaving is unknown, there exists opportunity in the relocation. For instance, depending on the ultimate reuse the parcel could return to taxable status. Additionally, there may be opportunities to coordinate reuse with existing needs for the City, such as a new community or government center.

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

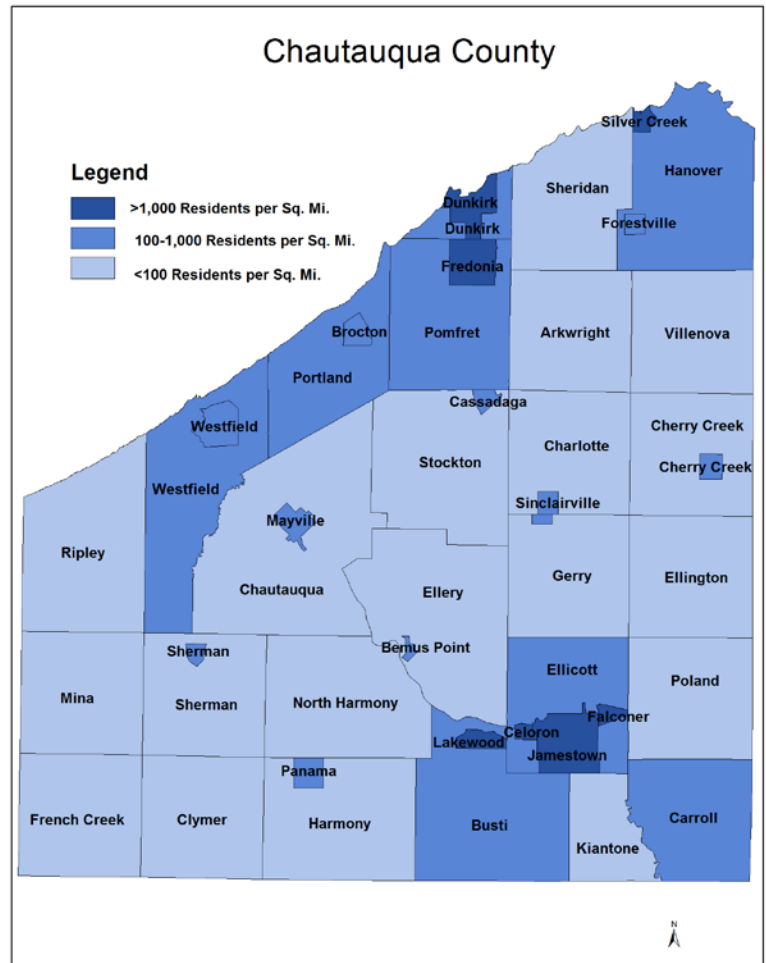
Regional Government Context

As of the 2010 Census, Chautauqua County had a population of 134,905 and was the 18th most populous county out of the 57 counties outside of New York City. With a land area of 1,060 square miles, it is the 13th largest county. With a population density of 127 residents per square mile, it is the 24th most densely populated county.

The County is governed by a County Executive and a 19-member County Legislature. Other elected County officials include the Sheriff, the District Attorney, and the Clerk. As of 2016, the County had total expenditures of \$278.0 million, which is the 18th highest for counties, and total expenditures per capita of \$2,027, which is the 27th highest for counties.

Within the County, there are 2 cities, 27 towns, 14 villages, 18 school districts, 19 fire districts, and more than 150 town special districts and other entities.

The City of Dunkirk is on the northern edge of the County, on the shore of Lake Erie, and it is surrounded on the east and west by the Town of Dunkirk and to the south by the Village of Fredonia.



Survey of Shared Services

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

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

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

Shared Services Actions and Opportunities

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

If the City of Dunkirk is to address any future budget challenge, it must maximize available savings from pursuing and implementing a 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.

In addition to the current shared service efforts between the City and its governmental neighbors and partners, other opportunities exist that may allow Dunkirk to lower its current cost structure for existing services, enable future job attrition (presenting savings opportunities to both the City and the governmental partner it engages with to share the service), and allow the City and its neighboring government the opportunity to receive grants and assistance from the State.

One of the top priorities of a Board engagement with a municipality is to help identify and fund, when appropriate, shared service endeavors in order for the local government being reviewed as well as other local governments, to save money while maintaining or improving service to their constituents. Chautauqua County also realizes the importance of shared service opportunities and endeavors within its boundary and has taken many steps over several years to help its governments through its "Regional Solutions Commission."

Municipal Consolidation and Efficiency Competition

In 2017, the County submitted an Intent to Propose for the Municipal Consolidation and Efficiency Competition and was granted \$50,000 to design and submit a Municipal Consolidation and Efficiency Plan. The County is one of six counties to advance to this second phase of the Competition and compete for up to \$20 million to implement the Plan.

The County's Plan proposed a wide range of government efficiencies and consolidations, including various village dissolutions and mergers, court consolidations, and shared services. The City of Dunkirk actively participated in the formulation of the Plan and is involved specifically in two projects, including a shared service with the Village of Fredonia to divert sludge from their waste water treatment plants from the County landfill through a shared composting facility as well as shared construction and use of a new police facility with the Village of Fredonia. These two shared services are estimated to have a net present value of \$7.1 million.

Shared police and composting facilities are innovative examples of shared services, and they display the commitment by the City and County to municipal restructuring to achieve better public service and lower property taxes for their citizens.

The Municipal Consolidation and Efficiency Plan heavily informs the County's County-Wide Shared Services Initiative Property Tax Savings Plan, of which the City has also been an active participant by exploring the projects mentioned above as well as shared court facilities and various collaborations with the County and its other governmental neighbors on water supply, police, and fire. Even if the County and its local government partners are not awarded funding through the

Municipal Consolidation and Efficiency Competition, the City should attempt to implement the cost-saving projects, perhaps by utilizing other State resources and programs.

County-Wide Shared Services Initiative

Through Part BBB of Chapter 59 of the Laws of 2017, the FY 2018 State Budget empowered citizens and local leaders to control the cost of local government through the creation of the County-Wide Shared Services Property Tax Savings Plans Initiative. The initiative consists of two rounds, one beginning September 2017 and the other beginning in September 2018, and requires each county to convene a shared services panel consisting of local government leaders within the county, the goal of which is to create property tax savings plans that benefit taxpayers.

Per the law, plans should include actions such as the elimination of duplicative services; shared services, such as joint purchasing, shared highway equipment, shared storage facilities, shared plowing services, and energy and insurance purchasing cooperatives; reduction in back office administrative overhead, and/or better coordination of services. The State will match the first year of savings from new shared services actions in approved plans.

The FY 2019 State Budget continues the County-Wide Shared Services Initiative by authorizing the panels to continue to convene until 2020 and continues to match the first year of net savings from new shared services actions. Furthermore, the law was expanded to allow counties to invite fire districts and fire protection districts to participate in addition to their current authorization to invite school districts and BOCES to participate. The FY 2019 State Budget includes a \$225 million appropriation to match the first year of qualified net savings from new shared services actions within approved local plans from 2017-2021.

34 counties submitted shared services plans in 2017 projecting savings of over \$200 million in net savings from all of the actions identified by each county, and all of the plans can be found on the website of the Department of State https://www.dos.ny.gov/lq/countywide_services.html.

Chautauqua County submitted a plan in 2017, and its qualified first year net savings from implemented projects will be matched by the State. The City was an active participant in the county plan, which included the possibilities of a shared composting facility with the Village of Fredonia and a shared police facility with the Village of Fredonia. The City should remain an active participant in the county's shared services panel to identify additional shared services which would be eligible for State matching funds and would reduce the City's property tax burden. In addition, the Board would give priority consideration to shared service projects adopted and implemented through the County's shared services panel.

Shared Services with the Town of Dunkirk

Significant opportunities exist for expanded shared services between the City and Town of Dunkirk. Town and City residents already share an independent school district (the Dunkirk City School District, which also encompasses the Town of Sheridan), some police service, and water provision.

The Town of Dunkirk has a population of 1,318 as of the 2010 Census and is bisected by the City into east and west halves. The 2016 total Town levy was \$297,585 on a taxable full value of \$140.3 million, resulting in a full value tax rate of \$2.06 per \$1,000 of full value.

Along with sharing services and finding efficiencies, consolidating local governments can save local taxpayers money. As the City is surrounded by the Town on the east and west, this low tax rate compared to the City's \$14.40 rate would be one of the most significant barriers to any potential merger, or annexation of additional jurisdiction by the City. The process for annexation is outlined in the New York State Constitution in Article IX, Section 1 Subdivision D and General Municipal Law Section 716, were residents or local officials of either the City or Town ever interested in evaluating this option to reduce duplicative services and streamline their local governments.

Annexation would require the filing of a petition by at least 20 percent of the qualified voters or by the owners of a majority of the assessed value of real estate within the territory to be annexed. The annexing municipality (which would be the City of Dunkirk in this case) would then be required to have a public hearing to determine whether annexation is in the overall public interest. The boards of each affected local government would then have to approve annexation by a majority. Once approved, a referendum would be held in the territory to be annexed.

Barring annexation, which would increase the City's tax base and make the region overall more efficient in the provision of public services, sharing services between the City and the Town would bring benefits to the residents of both jurisdictions.

Fire service for Town residents is currently provided by two volunteer fire companies, one for the east and one for the west. The 2016 levy for the Town's fire protection district was \$206,735, approximately 69 percent of the Town's total levy. While volunteer fire companies dramatically reduce the property tax burden on residents, there may be a time when the Town requires full-time professional fire service to meet desired service levels. This is especially true as larger businesses, such as Athenex, locate in the Town. In such a scenario, the Town and City should seek to find mutually beneficial agreements rather than duplicate service in the region.

Police service for the Town is provided by the New York State Police and Chautauqua County Sheriff. The City of Dunkirk also provides police service to the Town of Dunkirk on a limited basis of 12 hours per week, for a total of 48 hours per month. The Town reimburses the City at an annual rate of \$21,000 for this service. The shared service is beneficial to both the Town, for which it would cost substantially more to provide a similar level of police service by hiring its own full- or part-time officers, as well as to the City. As Town residents have found the addition of police patrols beneficial, and with the relocation of Athenex to the Town, there is reason to expand the current contract for shared police service between the City and Town of Dunkirk, provided that the City receives a fair value for the service.

The Board has learned that the Town of Dunkirk is exploring options to consolidate or relocate its Highway Department and that it is potentially searching for a central location between the two halves of the town. The Board encourages the Town and City to discuss the potential for shared services and co-location.

North Chautauqua County Water District

In February 2016, the North Chautauqua County Water District was formed to consolidate water provision among the City of Dunkirk, which supplies water to the system, the Village of Brocton, and the Towns of Portland, Pomfret, Dunkirk, Sheridan, and the North County Industrial Water

District. In 2018, the City hopes to become the sole provider of water for the Water District, thereby increasing its customer base.

\$15 million of construction required for the regional water district, including new water mains, pumps, and water storage facilities, is expected to be completed by the summer of 2018. The construction was financed through a combination of bonds and a \$2 million grant from Empire State Development as part of the \$2.5 billion Clean Water Infrastructure Act of 2017, and a \$5.6 million interest-free loan from the Environmental Facilities Corporation. The new system aims to reduce overall system costs and improve reliability of safe drinking water throughout the region, and it is another example of the City's efforts to share services and reduce costs both within the City and across the region. It should be noted that the nearby community of the Village of Fredonia is not part of the regional District and has experienced ongoing water quality problems.

Court Consolidation and Shared Police Facility with Village of Fredonia

The Village of Fredonia shares a border with the City to the City's south. Thus, it is a natural partner for shared services actions and opportunities. Chautauqua County's County-Wide Shared Services Plan and Municipal Consolidation and Efficiency Competition plan proposed a shared police and court facility between the City and Village.

Both the City and Village have substantial capital deficiencies in their respective police facilities. Current estimates are that, separately, the departments would require an estimated 23,000 square feet with building costs estimated at \$300 per square foot, for a total cost of \$7 million for two separate facilities. However, the local governments estimate that approximately 30 percent of a combined structure could be shared, saving \$2 million in construction costs.

In addition, the City requires a new facility for its City Court, which has encountered space issues in its current location at the City hall. By consolidating the Village and City courts and co-locating them to the police facility, the two local governments could realize substantial recurring savings while also upgrading their facilities.

In the 2019 Enacted Budget, the Governor signed legislation streamlining the process for some court consolidations / sharing of justices. However, the statutory and Constitutional requirements for court consolidation, and particularly city-village court consolidation, are cumbersome and difficult. Accordingly, focusing efforts on facility consolidation rather than court consolidation may be the best option at this time.

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

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/lq/lge/grant.html>

Efficiencies

Solid Waste Collection

Currently, the City budgets over \$500,000 to handle solid waste collection. The City collection is mandatory for all residential units at a cost of \$140 per dwelling unit per year (\$11.67 per month) and is non-mandatory for commercial units. Commercial rates are determined at the discretion of the Director of the Department of Public Works. The City utilizes a three-person truck operation, which appears efficient for the City due to narrow and congested streets. Much of the City waste collection fleet is significantly aged.

In discussions with the City, the Board has learned that the City may be willing to evaluate its waste and refuse collection operation. However, any expansions could possibly require a capital investment as well as potential changes to the level of employment.

Specific ideas for evaluation could include modernizing the rate structure, the potential to offer collection to the Dunkirk Housing Authority as well as the Dunkirk City School District, among other large commercial customers, and expansion to residents of the Town of Dunkirk.

Assuming similar average commercial rates, if the City were to increase its annual residential trash fee from \$140 to \$150, \$175, or \$200 per unit per year, it could realize additional annual recurring revenue of approximately \$55,000, \$190,000, and \$328,000, respectively.

To take advantage of positive economies of scale in this arena and to expand net positive revenue for the City, the City could, if it so desires, devise a plan to expand its revenue-making potential from sanitation and solid waste services.

Parking Meters

The City of Dunkirk currently operates a system of 146 coin-operated meters in its downtown business area. The Police Department estimates that approximately 40 percent of the meters currently do not work. The disrepair has been the focus of several local news stories, which have voiced concerns about the parking meters being haphazardly located, making them a detriment to specific businesses and possible tourism. The City reports that the parking meters are so old that the model is no longer manufactured.

However, the City only generated approximately \$6,000 from its meters (including all tickets and fines, \$65,000) in 2016. Nonetheless, the City's enforcement and collection process appears efficient. Its collection rate is near 100 percent for offenders who are ticketed using court-collection with a 14-day notice.

The negligible revenue potential for upgrading the City's parking meters, as well as the concerns about the fairness of the system in place, necessitate further evaluation by the City on the best way to move forward. The City should likely find another way to rectify the parking meters and downtown business-area parking situation other than upgrading to a new parking meter system, which can be a costly investment, especially when considering the City's other capital needs.

LED Lights

The City is in need of upgrading its City-wide light infrastructure to LED lights. This would include all 1,528 City-operated street lights and 3,237 other lights in all municipal buildings. This excludes the 2,000 traffic control lights, which are already LED.

Converting streetlights and indoor lights from existing metal halide or high-pressure sodium lighting technology to LED would reduce energy draw and thus energy costs. LEDs have been shown to produce energy savings of 60 to 70 percent. On average, they last longer, up to 100,000 hours or over 20 years, require less maintenance and attention compared to their older counterparts, and offer improved lighting quality. Therefore, conversion to LED lights would benefit the City through reduced wattage draw as well as lowered average annual maintenance costs.

In October 2015, Governor Cuomo signed Chapter 495 of the Laws of 2015 (“the Streetlight Replacement and Savings Act”), which established the procedures for the transfer of street light systems ownership from a utility to a municipality. The procedure requires all utilities to establish a process to facilitate the transfer of ownership. The price of the transfer is negotiated between the municipality and the utility, and the municipality files an application with the Public Service Commission, which includes an inventory of street lights including numbers, location, and lighting type and a statement including anticipated financial impacts and any plans to retrofit the fixtures with energy efficient lighting.

Additionally, in the 2018 State of the State, Governor Cuomo announced a State-wide Smart Street Lighting Program to convert 500,000 streetlights to LED technology by 2025. The New York Power Authority (NYPA) will lead this interdisciplinary and interagency initiative with the New York State Energy Research and Development Authority, the Department of Public Service, the Department of Environmental Conservation, and the Department of State and other State agencies. The State will offer a one-stop-shop solution for municipalities to replace inefficient streetlights with LEDs and provide technical expertise on design, procurement and construction, along with financing and guidance on Internet of Things devices that allow streetlights to function as part of a Smart City. NYPA will also explore modifications to existing street lighting utility tariffs to allow for greater cost savings from lighting conversions. This program has the potential to reduce energy consumption annually across the State by 482 gigawatt hours, the equivalent of 44,770 households, save taxpayers \$87 million annually, reduce greenhouse gas emissions and improve the quality of light and safety of communities across the State.

Based on a proposal from a consultant procured by the City Common Council, such an upgrade for both streetlights and all other City-owned lights would cost \$1.1 million, including a rebate of \$100,000, and could be serviced over a five-year period. The City’s streetlights are currently owned and operated by National Grid, and the transfer/buy-out price quoted by National Grid is \$1.1 million, a significant cost to the City that could preclude it from pursuing the project further. If the City can overcome this hurdle, the upgrades City-wide for the total \$2.2 million could be completed by the end of the year.

Currently, the City pays approximately \$140,000 annually for streetlight electric costs and \$400,000 for all other City lights. By upgrading to LED, the total electricity costs for the City are estimated at \$98,000 per year—yielding conservatively estimated annual recurring savings of approximately \$440,000.

Recommendation: The Board recommends that the City pursue advancements in energy efficiency. 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 help the City with the conversion of its lighting infrastructure to light emitting diode (LED) technology. The specific structure and conditions of 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.

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 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.

Workforce

Employee Health Insurance Costs

For many municipalities across the State, including Dunkirk, employee benefits have risen substantially each year, thus 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.

The City has made efforts to increase employee health insurance contributions in recent labor contracts. The most recent contracts for the Fire Department and Police Department each require new employees to contribute 10 percent of their premium, and the newest USW Local 2693 contract requires new hires to contribute the same. While not as high as some other local governments, these rates are far better than the zero percent healthcare premiums that many current employees contribute. These changes will take time to offset the high labor costs facing the City.

However, 85 percent of the City's General Fund expenditures are related to the City's workforce (see Budget Profile). 92 percent of the City's workforce is unionized, over half of which are under contracts that contain no-layoff clauses, while the rest are under contracts that contain minimum staffing requirements. The four contracts are set to expire in 2019 and 2020, and these negotiations will have a significant impact on the City's budgetary future.

For instance, if the City were to face the prospect of long-term changes in its revenues (such as if the NRG, Inc. power plant were to not repower and resume its payments in lieu of taxes), the City could be significantly constrained by these contractual provisions if it needed to take requisite workforce actions to achieve fiscal balance and sustainability. In such a scenario, if workforce-related expenditures are unable to be reduced, revenues, such as the property tax, would need to be raised to compensate, despite the City's laudatory efforts to realize savings through early retirement incentives and other workforce actions.

The total annual cost of several of the City's contractual provisions could be re-examined given this uncertain fiscal future. For instance, the 50 percent premium payment savings credited to any employee that elects to opt out of their health coverage costs the City over \$350,000 in 2018: \$71,000 for Fire employees, \$112,000 for Police employees, \$162,000 for DPW/Clerical employees, and \$10,000 for employees of the Supervisory unit.

Additionally, if every employee of each bargaining unit paid 10 percent of their health insurance premium in 2018, costs to the City would have been approximately \$104,000 less, based on the family rate: \$18,000 less in Fire, \$21,000 less in Police, \$57,000 less in DPW/Clerical, and \$7,000 less in the Supervisory unit. Using similar assumptions, if every employee of each bargaining unit paid 20 percent of their health insurance premium in 2018, costs to the City would have been approximately \$208,000 less.

If the City could employ health insurance practices that the State achieved with its unions in the most recent 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.

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.

Throughout 2016 and 2017, the City settled with all four of its collective bargaining units. The upcoming round of negotiations, beginning in 2019, will be impactful to the City's cost structure and should likely be reflective of the City's future budgetary uncertainty.

Recommendation: The Board recommends that the City continue to implement workforce actions that will lower the City's annual cost structure. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to help the City in the next round of collective bargaining. 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.

Fiscal Performance and Accountability

Multi-Year Financial Planning Grants for Local Governments

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 Board has available funding to assist fiscally-stressed local governments with multi-year financial planning on a reimbursement basis. Eligible local governments that meet the requirements may be eligible for a reimbursement equal to the lesser of (1) 50 percent of the cost of engaging in multi-year financial planning with the assistance of an external advisor, which may be increased to up to 100 percent of such cost upon approval by the Chair of the Board, or (2) \$12,500.

The City of Dunkirk has not created multi-year financial plans in the recent past. The City could especially benefit from the multi-year financial planning process due to the uncertain future of its major revenue source, the NRG PILOT. Additionally, the serious and growing long-term capital needs such as fire stations, fire and police fleets, and municipal office space will necessitate long-term strategic planning. For the reasons outlined above, the Board finds that the City should develop and maintain a multi-year financial plan.

Budget and Fund Balance Stabilization

The City of Dunkirk faces short-term and long-term fiscal threats to its fund balance and fiscal stability. In the short-term, the City will receive decreasing aid from the Electric Generation Facility Cessation Mitigation Program, until either 2024 or the NRG power plant resumes operation. This means for City Fiscal Year 2018 and 2019 budgets, and possibly 2020, the City will need to appropriate fund balance, raise an already-high tax rate (which corresponds to a high school tax rate, for which the same taxpayers are liable), or make budget cuts that would be restrained by current labor provisions. In addition, many of the more obvious and attainable efficiencies and savings have already been garnered as a result of restructuring actions taken prior to the City's

application to the Board, including early retirement incentives, reduced staffing levels, and pooling of health benefits administration.

Thus, it is in the interest of the City to temporarily stabilize its finances and levy, while pursuing additional restructuring actions in the areas of workforce, shared services, and efficiencies, especially by engaging Board staff on an ongoing basis.

However, the City should adhere to corrective actions outlined in its FY 2016 Independent Auditors' Report in order to reconcile its outstanding interfund loans. The possibility of a lowered fund balance remains a potential fiscal threat to the City, as the City's general fund balance is one of the most positive components of its fiscal position and may need to be relied on as a reserve in the near future.

To that end, the City should continue to identify and explore additional restructuring actions over the next several years, due to the revenue uncertainty surrounding repowering of the NRG, Inc. site. It should work with its neighboring local governments on shared services through the County-Wide Shared Services Initiative, including, but not limited to those referenced in this Review, as well as creatively address rising personal service and fringe benefit costs in its workforce. Additional efficiencies, other than converting its lighting infrastructure to LED technology, should be identified and aggressively pursued.

Recommendation: In recognition of the City's fiscal situation and the uncertainty of a resumed NRG, Inc. payment in lieu of taxes, the Board may award, in its sole discretion, a grant of up to \$1.77 million to help temporarily stabilize the City's 2018, 2019, and 2020 finances and tax levy, while the City prepares for the potential long-term loss of an NRG, Inc. payment in lieu of taxes, and to help limit further erosion of the City's current fund balance, which shall be contingent on the submission and adoption of fiscally prudent City budgets and be subject to the terms of a contract entered into between the New York State Department of State and the City. 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.

Economic Development

FY 2019 State Budget Actions Will Assist the City's Economic Development Climate

The FY 2019 State Budget included a number of initiatives that will grow the economy within the City of Dunkirk and the surrounding Western New York region. This includes supporting locally-driven priorities for economic development and bolstering some of the State's most vital forms of infrastructure.

Transportation Capital Program

The FY 2019 State Budget continues to fund \$21.1 billion for capital improvement of highways, bridges, rail, aviation infrastructure, non-Metropolitan Transportation Authority transit, and Department of Transportation facilities throughout the State. This includes the 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 Executive Budget committed \$100 million for FY 2019.
- The PAVE NY program will provide \$1 billion to State and local paving projects over a five-year period and will be distributed per the Consolidated Local Street and Highway Improvement Program (CHIPs) formula. The Executive Budget committed \$100 million for FY 2019, of which the City of Dunkirk will receive \$79,134 in FY 2019 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. The City of Dunkirk will receive \$53,600 in FY 2019 as part of this program.

Clean Water Infrastructure

The FY 2019 State Budget continues the effort to improve water infrastructure in the State through the Clean Water Infrastructure Act. The Act provides \$2.5 billion for local governments to help address water emergencies, pay for local infrastructure, construction projects, underwrite land acquisition for some water protection and investigate and mitigate emerging contaminants of drinking water. This investment will provide protect public health, safeguard the environment, and preserve the State's water resources. These projects will improve the quality of and safety of municipal drinking water distribution, filtration systems, and wastewater treatment infrastructure.

Regional Economic Development Councils & Upstate Revitalization Initiative

The FY 2019 Budget provides \$850 million in Economic Development grant moneys across a number of valuable programs, including Regional Economic Development Council (REDC) Round VIII, a third round of the \$100 million Downtown Revitalization Initiative and support for a wide array of investments in high technology, infrastructure and manufacturing. These grant programs

incentivize local private sector investments that stimulate and strengthen local economies and create jobs across the State. In addition, previous budgets and State assistance have accomplished the following:

- The City of Dunkirk received \$2.5 million in Western New York Smart Growth Community Funds for various projects, which could include improvements to the pier and reconfiguration of the harbor plaza, funding for the Central Connections Community Connector for rebranding and improved signage between Dunkirk, SUNY Fredonia, and the Village of the Fredonia, and funding for mixed-use infill development along the waterfront.
- Empire State Development announced in 2016 that Athenex, the pharmaceutical manufacturer, would be locating a manufacturing plant in the Town of Dunkirk on the City's border, bringing 900 jobs to the area. The State is investing \$200 million in what will be called the High Pharmacy Oncology Manufacturing Facility, which is expected to be completed in the coming years.
- In 2017, the City received a \$2.5 million Water Infrastructure Improvement Act grant from the Environmental Facilities Corporation to help fund a \$10 million upgrade to its waste water treatment plant. The upgrades will include the bar screen and grit removal systems, and the replacement of the plate and frame presses with upgraded belt presses. These upgrades will prepare the City for increased waste water treatment demands from nearby industry, including Athenex.
- The Brownfield Opportunity Area Program provides financial and technical assistance to municipalities and community based organizations. These plans allow these communities and organizations to apply for designation by the Secretary of State and receive the accompanying Brownfield development tax credits. The FY 2019 Executive Budget includes legislation that would make enhancements to the BOA program to allow plans that are financed with local or other state funding to also apply for designation as well as reform the current BOA process to bolster efficiency.

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 10 such land banks through Chapter 257 of the Laws of 2011. This authorization was expanded to a total of 20 land banks through Chapter 106 of the Laws of 2014, and then expanded to a total of 25 land banks through Chapter 55 of the Laws of 2017. In New York State, municipalities must first submit an application to create a land bank to Empire State Development (ESD).

Land banks are not-for-profit corporations that may be able to more efficiently return vacant, abandoned, or tax delinquent properties back to productive use. They have several powers such as the ability to dispose of property under negotiated terms, to sell properties for non-monetary compensation, to retain equity in properties, to purchase tax liens, and special bidding privileges

when purchasing properties at a tax foreclosure auction. Land banks allow municipalities to have a more efficient and streamlined process for property redevelopment and community revitalization. This in turn reduces the social and economic consequences of blight within a municipality.

Currently, there are 25 approved land banks (the maximum under current law) 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, Capital Region Land Reutilization Corporation, Cattaraugus County Land Bank Corporation, Chautauqua County Land Bank Corporation, Chemung County Property Development Corporation, Finger Lakes Regional Land Bank Corporation, Greater Mohawk Valley Land Bank Corporation, Greater Syracuse Property Development Corporation, Kingston City Land Bank, Livingston County Land Bank, Nassau County Land Bank Corporation, Newburgh Community Land Bank, Niagara-Orleans Regional Land Improvement Corp, Ogdensburg Land Bank Corporation, Oswego County Land Bank Corporation, Rochester Land Bank Corporation, Suffolk County Land Bank Corporation, Sullivan County Land Bank Corporation, Steuben County Land Bank Corporation, Tioga County Property Development Corporation, and the Troy Community Land Bank, and the Wayne County Land Bank.

The Board finds that the City of Dunkirk should continue working with the Chautauqua County Land Bank in combatting blight in the most affected areas of the region.

Conclusion and Next Steps

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

- The Board recommends that the City, in conjunction with its governmental neighbors, develop and implement a shared services plan that will lower the annual cost of providing specific services and address the inherent duplication of services via multi-governmental jurisdictions, in areas including but not limited to police service and court administration. 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 Board recommends that the City pursue advancements in energy efficiency. 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 help the City with the conversion of its lighting infrastructure to light emitting diode (LED) technology.
- The Board recommends that the City continue to implement additional efficiency actions that will lower the annual cost of providing specific services. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City with implementing such efficiency actions.
- The Board recommends that the City seek labor and healthcare savings. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to help the City alter its long-term cost structure.
- In recognition of the City's fiscal situation and the uncertainty of a resumed NRG, Inc. payment in lieu of taxes, the Board may award, in its sole discretion, a grant of up to \$1.77 million to help temporarily stabilize the City's 2018, 2019, and 2020 finances and tax levy, while the City prepares for the potential long-term loss of an NRG, Inc. payment in lieu of taxes, and to help limit further erosion of the City's current fund balance, which shall be contingent on the submission and adoption of fiscally prudent budgets and be subject to the terms of a contract entered into between the New York State Department of State and the City.

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.

Appendix A – Letter and Resolution from City of Dunkirk



WILFRED ROSAS
Mayor
716-366-9882
Fax 716-366-2049

CITY OF DUNKIRK
OFFICE OF THE MAYOR
City Hall, Dunkirk, New York 14048
www.dunkirktoday.com

October 14, 2016

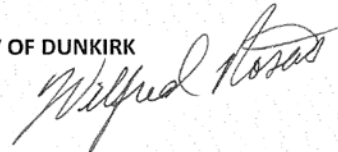
NYS Department of Budget
Financial Restructuring Board

To Whom It May Concern:

As Mayor of the City of Dunkirk, New York, I present herewith my concurrence of the decision of the City of Dunkirk Common Council, October 4, 2016, to request the financial restructuring board of the State of New York to 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 City of Dunkirk.

Sincerely,

CITY OF DUNKIRK



Wilfred Rosas
Mayor

RESOLUTION # 88-2016
October 4, 2016

BY: ENTIRE COUNCIL

CONSENT TO NEW YORK STATE FINANCIAL RESTRUCTURING BOARD REVIEW

WHEREAS, the City of Dunkirk is facing serious fiscal issues in the near future, including but not limited to loss of large PILOT payments and the possibility of reaching the constitutional limit on property taxes; and

WHEREAS, the City may benefit from the non-binding advice of the New York State Financial Restructuring Board; now, therefore, be it

RESOLVED, that the City of Dunkirk, as deemed a fiscally eligible municipality by the State Comptroller's Office of the State of New York, requests the financial restructuring board to 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 City of Dunkirk.

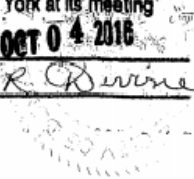
Carried, all voting aye.

I HEREBY CERTIFY that the foregoing is a true and correct copy of a resolution adopted by the Common Council of the City of Dunkirk, New York at its meeting

held on OCT 04 2016

Lillian R. Devine

City Clerk



Appendix B – Resolution Approving the City of Dunkirk

Financial Restructuring Board for Local Governments

RESOLUTION No. 2017-10

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

WHEREAS, pursuant to New York State Local Finance Law section 160.05(2), the Financial Restructuring Board for Local Governments (the "Board") must find that the City of Dunkirk (the "City") is a Fiscally Eligible Municipality because it has an average full value property tax rate of \$14.402 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. 2017-10
Dated: 6-19-17

