



# City of Lockport Comprehensive Review Report

Financial Restructuring Board  
for Local Governments

June 2016

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## Overview

The City of Lockport is a medium Upstate city in Niagara County. With a population of 21,165 at the 2010 Census, it is the 29th most populous city in New York State.\* 2014 expenditures of \$33.5 million were the 31st most of all cities.

The City is governed by a Mayor and a six-member Common Council, five of which are elected by ward. The City Treasurer is also elected. The Mayor and Treasurer serve four-year terms. The members of the Common Council serve two-year terms.

The Common Council adopted and the Mayor concurred with a resolution requesting a Comprehensive Review by the Financial Restructuring Board (see Appendix A). On February 24, 2015, the Financial Restructuring Board approved this request for a Comprehensive Review with Resolution No. 2015-09 (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.

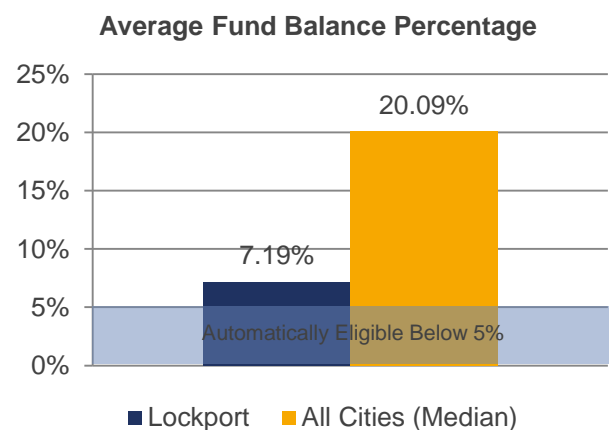
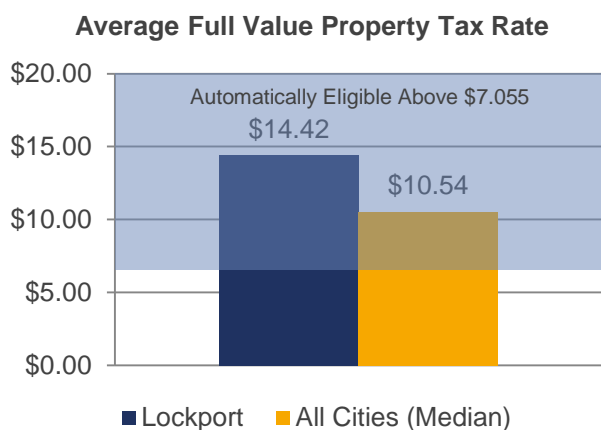
## Background

### Fiscal Eligibility and Stress

The City of Lockport was not automatically considered a Fiscally Eligible Municipality for Board services and assistance because it had not submitted to the Office of the State Comptroller (OSC) all of the information necessary to calculate its Average Full Value Property Tax Rate and Average Fund Balance Percentage as of when OSC calculated these eligibility measures. Upon written confirmation that the City had subsequently reported this information, the Board deemed the City a Fiscally Eligible Municipality.

The City would have been automatically considered a Fiscally Eligible Municipality because its Average Full Value Property Tax Rate (2009-2013) of \$14.42 per \$1,000 is above \$7.055 per \$1,000 – the 75th percentile for all municipalities. This is the 15th highest for cities.

The City's Average Fund Balance Percentage (2009-2013) of 7.19 percent would have been the 10th lowest for cities but is still above the five percent threshold.



OSC's Fiscal Stress Monitoring System rates the City of Lockport as Susceptible to Fiscal Stress with a score of 49.6 percent for 2014, which is worse than the median score of 20.8 percent for all cities that are rated for 2014 (a local government is determined to be Susceptible to Fiscal Stress with a score of 45.0 percent or higher). Negative fiscal factors include: a low fund balance, operating deficits, and a high level of personal service and employee benefits spending compared to revenues. OSC projects that the City's score will increase to 54.6 percent in 2015, remaining Susceptible to Fiscal Stress.

OSC's Fiscal Stress Monitoring System gives the City of Lockport an Environmental Rating of # (considered to be susceptible to environmental stress) with a score of 38.8 percent for 2014, which is worse than the median score of 29.2 percent for all cities that are rated for 2014 (a local government receives a designation with a score of 30.0 percent or higher). Negative environmental factors contributing to this score include: a decrease in population from 2000 to 2010 (-5.0 percent) and from 1990 to 2000 (-8.8 percent); a high child poverty rate (29.9 percent), which increased from 2000 to 2010; a constitutional tax limit that is more than 65 percent exhausted as of 2014 (68.5 percent); a county unemployment rate that is higher than the statewide rate; and a decrease in intergovernmental aid.

## Demographic and Socioeconomic Profile

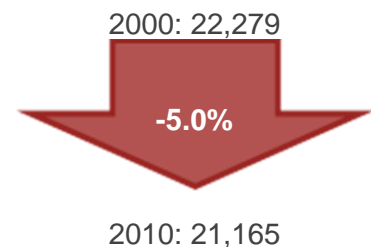
The City's population declined 5.0 percent from 2000 to 2010 to 21,165. In contrast, the typical city's population grew 0.5 percent over that same period.

The City of Lockport's median household income in 2014 was \$40,111, which is identical to the typical city's median household income of \$40,111.

The City's median home value of \$80,800 in 2014 is less than the median home value of the typical city of \$108,300. Its property value per capita of \$33,440 in 2014 is less than the property value per capita of the typical city (with a 2014 OSC fiscal stress score) of \$38,167. The four-year average change in property value of 0.1 percent is more than the average change of the typical city (with a 2014 OSC fiscal stress score) of -0.2 percent.

The surrounding county's unemployment rate of 8.5 percent is more than the unemployment rate of the typical city (with a 2014 OSC fiscal stress score, or its surrounding county if the city has a population less than 25,000) of 7.9 percent. With a child poverty rate of 29.9 percent, the City of Lockport has a higher child poverty rate than the typical city (with a 2014 OSC fiscal stress score), which is 26.6 percent.

### Population Change



## Organization and Finances

### Organizational Profile

The City is governed by a Mayor and a six-member Common Council, five of which are elected by ward. The City Treasurer is also elected. The Mayor and Treasurer serve four-year terms, which expire December 31, 2019. The members of the Common Council serve two-year terms, which expire December 31, 2017.

In November 2015, the Mayor was re-elected for a new four-year term, and a new Treasurer was also elected to a four-year term. Five of the six common council seats turned over in the November election.

In 2015, the City had an estimated 174 employees across all funds and departments. In the General Fund, wages and salaries represent over 83 percent of annual expenditures.

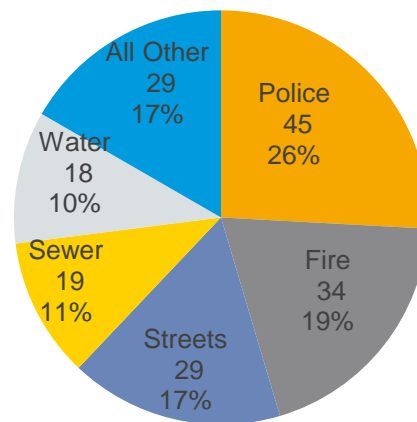
The Police Department is the City's largest department with 45 employees and \$4.2 million in personal services costs. In addition to police services, the Department includes crossing guards and handles calls for police and fire dispatch.

The Fire Department is the City's second largest department with 34 employees and \$3.0 million in personal services costs.

The Streets Department is the third largest department with 29 employees and \$1.5 million in personal services costs.

In 2015, the Sewer Department had 19 employees with \$1.2 million in personal services costs while the Water Department had 18 employees with \$1.2 million in personal services costs. The remaining positions were spread across a number of departments, including: Common Council, Building Inspection, Accounting, City Clerk, Assessment, Community Development, Civil Service, and Engineering.

**2015 City of Lockport  
Employees by Dept.**



### Personnel Reductions in 2014 and early 2015

In 2014, the City was facing a fiscal crisis and needed to address accumulated deficits, depleted cash flows, and a structurally imbalanced budget. To address this, the City oversaw a number of personnel actions including:

- In January 2014, seven full-time firefighters and one building inspector were laid-off; one youth and recreation coordinator position and one city clerk position were eliminated; and three police department employees retired through a retirement incentive.
- In mid-2014, two department of public works employees retired and their positions were not refilled; one engineer resigned and their position was not refilled; one youth and recreation director position was eliminated; and one police officer retired.
- In October 2014, four CSEA employees, four AFSCME employees, one attorney, and five firefighters were laid off.
- In December 2014, the fire chief retired.
- In January 2015, one police officer and one department of public works employee retired.
- In May 2015, one firefighter retired.

Due in large measure to these actions and attritions, the City's total workforce was reduced to 174. By comparison, 2013 employment totaled over 200 – a near 15 percent decline in a short time period. Although these actions and attritions were difficult for the City Administration to take, they were the largest factor in helping the City regain some fiscal balance. Without these actions, the fiscal crisis and imbalance would have continued.

## Labor Contracts

The City's workforce is represented by five bargaining units – AFSME Local 885, Hickory Club (Police), Professional Fire Fighters Association, CSEA Local 832, and Department Head Association.

Contracts for CSEA, AFSCME, and the Professional Fire Fighters Association employees expired on December 31, 2012. The City and its fire union are in arbitration to determine awards for 2013 and 2014. A decision is expected sometime in 2016. CSEA employees agreed to 0 percent increases for 2013 and 2014. City employees in these unions currently make no contributions to health insurance premiums.

The Department Head Association has not received a wage increase through 2015.

Like the other unions, the City had a contract with the Hickory Club (Police) through 2012. In late 2013, then-Mayor Tucker negotiated a Memorandum of Understanding (MOU) between the City of Lockport and the Hickory Club covering years 2013 - 2018. The Mayor assured the Council that the MOU did not contain wage increases for the years 2013 through 2016. Although the MOU did not increase the salaries for specific titles, it did change the titles for all members of the union in 2014. This change of titles resulted in a cumulative wage increase of 5.85 percent, but some title changes resulted in wage increases as high as 15.48 percent.

Along with the salary increases, the MOU contained additional modifications to the contract with cost and operational impacts to the City including:

- Work Day: Patrol positions went from 8-hour to 12-hour shifts.
- Clothing Allowance: The MOU increased the clothing allowance for members of the union from \$975 per member to \$1,250 per member at an annual cost to the City of approximately \$12,375.

Because of the misrepresentations as well as other reasons, Mayor McCaffrey refused to sign the MOU when she became Mayor.

In September 2015, however, the City and the Hickory Club agreed on a new, 10-year contract. While this new contract nullified much of the unsettled issues present in the unsigned MOU, it is important to note that the cost provisions of the MOU will still affect the City through 2016, as the various title and salary changes noted above are still in effect.

Although there are some costs to the City, the new contract represents the collaboration and efforts between the Administration and the union and includes a number of positive changes and decisions that are beneficial to both the City and the union. Some noteworthy provisions include:

- All new hires beginning January 1, 2016 will pay 15 percent of the premium for health insurance and will need 20 years of service as a police officer with the City to be eligible for health insurance in retirement. With 20 to 24 years of service, the retiree will be responsible for 20 percent of the premium. With 25 years or more of service, the retiree will be responsible for 15 percent of the premium.
- The City will hire three additional police officers in 2016 and an additional three officers in 2017.
- The 12-hour shifts that were established in the MOU will return back to 8-hour shifts. This change should help contain overtime costs when officers need to fill-in shifts for coverage.

### City of Lockport Labor Contracts

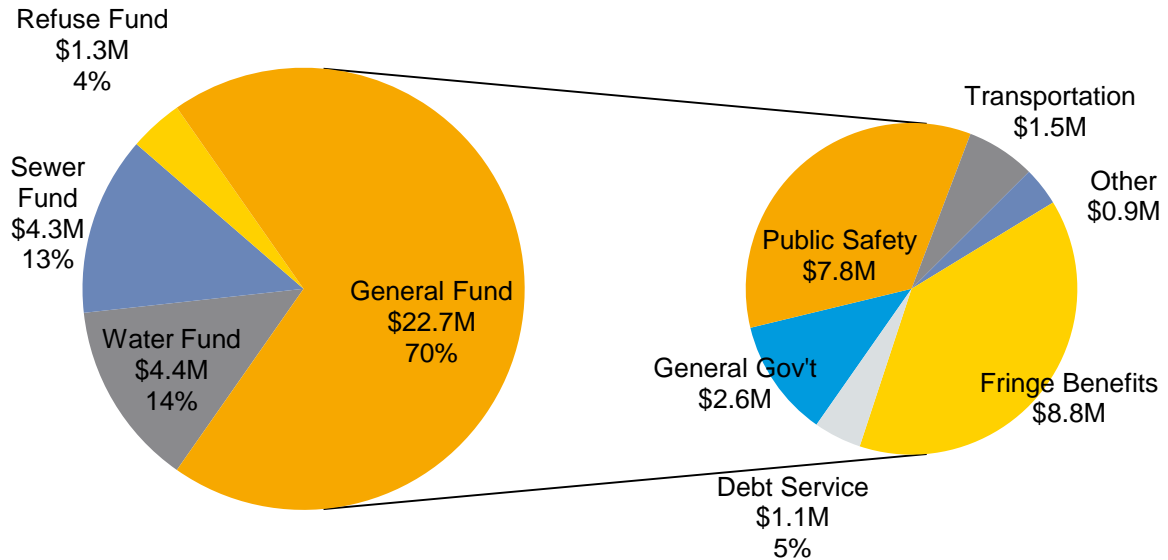
Union	% Salary Increases							
	2011	2012	2013	2014	2015	2016	2017	2018
AFSCME	3.0	3.0	0.0	0.0				
Hickory Club (Police)	4.0	4.0	0.0	Various*	0.0	0.0	3.0	3.0
Professional Fire Fighters Association	4.0	4.0						
CSEA	3.0	3.0						
Department Head Association	3.0	3.0	0.0	0.0	0.0			

\*As noted in the police MOU section above, the change in titles and salaries, in effect, increased salaries.

## Budget Profile

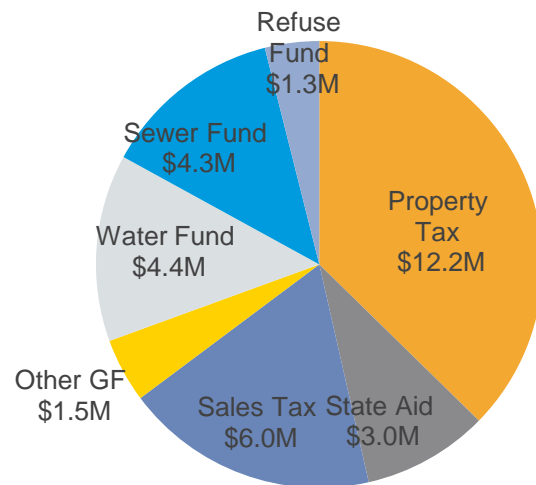
The City's 2015 all funds adopted budget totals \$32.7 million. This is a 2.85 percent decrease from the 2014 adjusted budget. For the General Fund, the largest expenditure is for fringe benefits at \$8.8 million (38.8 percent of General Fund expenditures), followed by public safety at \$7.8 million (34.6 percent of General Fund expenditures).

### 2015 City of Lockport Expenditures



The 2015 all funds revenue sources include: 37.3 percent from real property taxes; 18.3 percent from sales tax; 13.5 percent from Water Fund revenues; 13.1 percent from Sewer Fund revenues; and 9.1 percent from State aid. The 2015 property tax levy is \$11.7 million – an increase of 9.8 percent from the prior year.

### 2015 City of Lockport Revenues



According to its 2013 Annual Financial Report, the City had \$28.0 million in outstanding long term debt and \$10.9 million in BANs outstanding at the end of 2013. The City has a bond rating from Moody's of Baa3 (the lowest investment-grade rating) with a stable outlook.



## Discovering the Deficit

In December 2013, OSC released an audit on fiscal stress in the City of Lockport. This audit outlined a number of very troubling findings about the City's financial condition, the accuracy of its budget, and the oversight of its finances.

In the City's 2012 financial statements, OSC found numerous instances of the value of assets being overstated and liabilities being underreported across the General Fund, Water Fund, Sewer Fund, and Refuse Fund. The unassigned fund balance across all of these funds was more than \$2.9 million lower than what was stated in the Financial Statements, with three of these four funds having a negative unassigned fund balance.

For the 2013 Budget, OSC found that the City was going to realize more than \$2.3 million in operating deficits across these four funds due to unrealistic estimates in the 2013 Adopted Budget. These unrealistic estimates include: underestimating police and fire overtime by more than \$500,000; underestimating health insurance costs by more than \$700,000; and overestimating water, sewer, and refuse revenues by more than \$1.5 million. These deficits further eroded the fund balance in each of these funds.

In OSC's December 2013 audit as well as an August 2014 audit, OSC found significant issues with the City's cash flow. The City experienced cash flow problems in 2012, 2013, and 2014. These problems resulted in the City inappropriately using bond anticipation note (BAN) proceeds as well as requesting that the State make an aid payment early.

In 2014, the Legislature advanced and the Governor signed Chapter 332 of the Laws of 2014, and amended by Chapter 17 of the Laws of 2015, which authorized the City to issue debt to liquidate deficits in the General, Water, Sewer, and Refuse Funds accumulated in 2011-2013. In late 2014, OSC certified the total deficit at just under \$4.2 million, which the City subsequently borrowed. This deficit financing must be paid back over ten years. As a condition of this financing, the City is subject to enhanced oversight by OSC, including: OSC review of and recommendations on proposed budgets, preparing quarterly financial reports, and the preparation of a multi-year financial plan.

<b>Fund</b>	<b>Deficit Financing Amount (millions)</b>	<b>Annual Debt Service</b>
General	\$1.09	\$152,000
Water	\$1.56	\$219,000
Sewer	\$1.04	\$145,000
Refuse	\$0.26	\$36,000
<b>Total</b>	<b>\$3.95</b>	<b>\$552,000</b>

## Correcting the Structural Imbalance

While the deficit financing addressed prior year short falls and the related cash flow issues, the City still faced significant structural imbalances. To correct these imbalances, the City Administration took many difficult but critical actions. In 2014 and early 2015, the City reduced its workforce by nearly 15 percent, as outlined earlier. With these reductions and the careful monitoring of expenditures, the City was able to keep 2014 actual expenditures \$825,000 below what was budgeted, resulting in an operating surplus of nearly \$340,000 for the year.

As a result of the City's outside/annual audit process for fiscal year 2014, the City was able to realize a one-time benefit of nearly \$750,000 due to uncovering unrealized and unused bond proceeds. This helped to double the City's debt service reserve to over \$1.3 million, some of which was used to aid the 2016 budget.

While 2014 placed the City on a stronger fiscal path in making the budget for 2015, the City was still facing rising costs in several areas including labor and health insurance. The significant labor actions of 2014 helped shape a General Fund 2015 budget that totaled \$22.7 million - \$800,000 less than adopted for 2014. Even with these savings, the City needed to raise property taxes by over 9.8 percent to balance the 2015 budget.

Early reports indicate that the General Fund could achieve its second consecutive surplus in the range of \$250,000 - \$500,000. This represents another testament to the tough choices and strong management by the City, providing the necessary services via lowered staff levels.

In addition, the City stopped outsourcing the crafting of the annual budget and other fiscal oversight to consultants/audit firms. Instead, it hired a new Director of Finance in the spring of 2015 to help gain better control of the City's finances, reporting, and future fiscal stabilization efforts.

Toward the end of 2015, Standard and Poor's recognized the strong work that City management had accomplished over the short time period by removing the negative watch annotation on the City's BBB credit rating. Similarly, on June 7, 2016 Moody's revised the credit outlook for the City of Lockport to stable.

## **2016 Budget**

The General Fund budget enacted for 2016 increases spending by just over 2.7 percent, which is more than the spending decrease in the 2015 budget. While 2016 is the first year the City had to accommodate the full principal and interest payment for its deficit financing, the City was aided by the availability of the debt service reserve fund's higher balance, which artificially lowered debt service for 2016 by nearly \$300,000.

The City Council adopted a budget that included a 1.81 percent tax levy increase and included the hiring of the additional police officers pursuant to the latest agreement. While this tax levy increase required an override of the City's tax levy limit, it is far less than the nearly 10 percent increase in the 2015 budget.

While the General Fund budget was much more stable in 2016, the City still faced significant structural issues with its Water Fund. Through 2013, the Water Fund had the largest accumulated deficit at \$1.6 million. This imbalance continued through 2014, with an imbalance of over \$400,000. In planning for 2016, the Mayor's office estimated that the Fund would be out of balance by as much as \$500,000 for the year. To address this and attempt to avoid further accumulation of negative fund balance, water rates were increased by 15 percent.

## Findings and Recommendations

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

### Shared Services

#### Regional Government Context

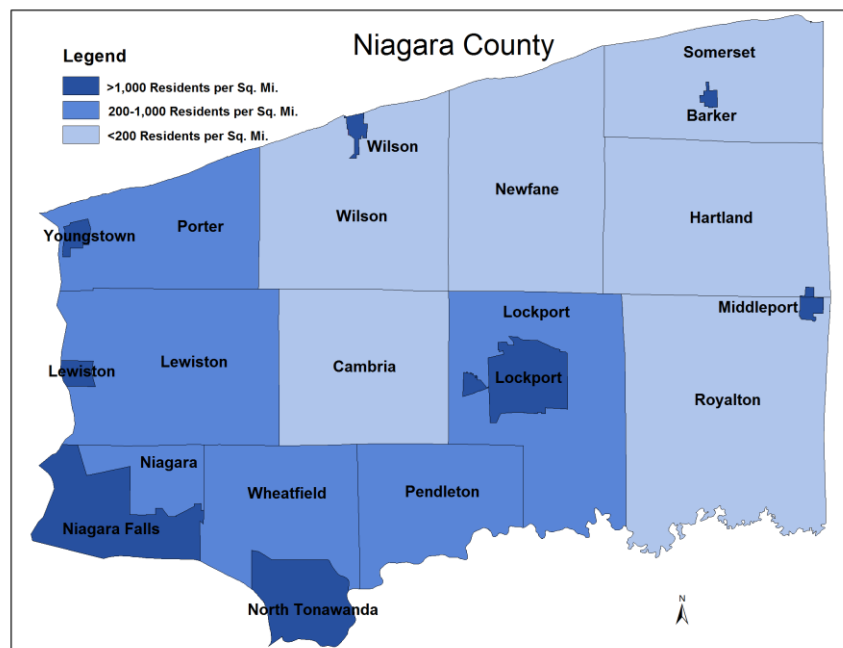
As of the 2010 Census, Niagara County had a population of 216,469 and was the 13th most populous county out of the 57 counties outside of New York City. With a land area of 522.4 square miles, it is the 41st largest county. With a population density of 414 residents per square mile, it is the 12th most densely populated county.

The County is governed by a 15-member County Legislature with an appointed County Manager. Other elected County officials include: the

Treasurer, the Sheriff, the District Attorney, the Clerk, and four Coroners. As of 2014, the County had total expenditures of \$394 million, which is the 13th highest for counties, and total expenditures per capita of \$1,821, which is the 41st highest for counties.

Within the County, there are 3 cities, 12 towns, 5 villages, 10 school districts, 2 fire districts, and approximately 100 town special districts and other entities.

The City of Lockport is near the center of the County and is completely surrounded by the Town of Lockport.



## Survey of Shared Services

A survey was conducted by the City to gather information on the general functions of the City and neighboring municipalities to ascertain duplication of services and potential areas for further consolidation. The City was asked to briefly describe current service levels in each service/function area and to identify existing or potential shared services, efficiencies, and consolidation activities in each area.

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

## **Shared Services Development and Implementation**

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

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

The Board's analysis of municipal services provided by the City and its neighboring municipalities identified several areas of overlap. Some of the most promising opportunities for shared services include:

### **Police/911 Dispatch**

The City Police Department currently receives and dispatches all landline 911 calls in the City. At the same time, Niagara County has its own 911 dispatch operations. This duplication offers a opportunity for savings through a shared services agreement - one that another city has already undertaken with the County.

In 2012, the County began to implement an agreement to take over the City of North Tonawanda's 911 dispatch operations. According to City of North Tonawanda officials, a multi-year phased-in implementation was developed between the County and City of North Tonawanda. Through 2013, the City of North Tonawanda was required to compensate the County for all of the City's former dispatch costs. From 2014 through 2017, the City of North Tonawanda will phase down its monetary responsibility until it is eliminated in 2017. When fully phased-in, the City of North Tonawanda projects annual savings of nearly \$570,000 from this agreement.

The City of Lockport and Niagara County have discussed a County takeover of City dispatch. According to the City, these talks have stalled for two reasons – the City police union's reluctance to let the dispatch work leave the City without compensation and the City's lack of funds to effectuate the transfer. In discussions with the Board, the County indicated that it was willing to host the City, but wanted the support of the Police Department. Transferring the City's dispatch to Niagara County would enable the City to save an estimated \$350,000 annually.

### **Information Technology/Financial Systems Management**

The City of Lockport's financial struggles are partially related to its inability to input and receive critical budgetary information when needed. This lack of knowledge can lead to poor financial and operational management.

Through discussions with the City, it has been determined that the City's enterprise resource programs provide limited reporting/data export functions; are not user-friendly; do not integrate with other systems; lack sufficient security; and are no longer supported/cannot be upgraded.

The City should seek to replace its enterprise resource programs, including: payroll; human resources management; financial management; utility billing; miscellaneous billing and accounts receivable; community development management; and tax billing and receivable systems.

New programs would enable the City to improve: reporting and tracking of all accounting, billing, and financial management processes; information analysis; transparency; customer service; internal information sharing; security; and workflow oversight. They would also eliminate independent tracking mechanisms, paper-intensive manual processes, and duplication of effort.

The Board held discussions with the City and County regarding the possibility of the City using the County's enterprise resource systems and related hardware. In addition to the benefits outlined above, it would also result in savings to the City. To effectuate this shared service the City would need assistance with acquiring the equipment, licenses, and training for the new shared system.

### Property Assessing

Facing a vacancy for the position of Assessor throughout 2015, the Mayor, in the preparation of the 2016 budget, sought to provide and ensure both a high level of service and a quality, comprehensive product, while simultaneously keeping expenses and, by default, property taxes, as low as possible.

One substantial option considered by the Mayor was to engage the City of Niagara Falls in the potential sharing of their professional assessor to cover duties for both cities. The mayors of each city, in conjunction with Niagara Falls's assessor, agreed on terms to share the service. The agreement terms set the cost and hours/schedule the assessor would spend on Lockport's needs, including weekly hours in Lockport for residents' direct issues.

In the 2016 Lockport City budget, the Mayor proposed, and the former City Council approved funding the shared service at \$30,000 annually, which would have been paid to Niagara Falls in compensation for the Assessor's efforts. At this annual cost, the City of Lockport would be able to save over \$70,000 per year, while providing appropriate and comprehensive service to its residents.

The Board firmly believes that the sharing of services between municipalities should be exercised where and when possible as a means to continue providing for residents while lessening the burden on property taxpayers.

Recommendation: The Board recommends that the City develop and implement a shared services agreement for property assessment with the City of Niagara Falls or a similarly qualified municipality. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$60,000 to assist the City with implementing such shared services agreement. 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.



## Water Supply

The City currently operates its own water treatment facility, which treats raw water obtained from the Niagara River through a 13-mile long water pipe, with some stretches over 100 years old. The City is currently providing approximately six million gallons of potable water per day. Given the large capital investment needed by the City's plant, using excess capacity from another municipal entity instead of upgrading the City's plant may provide the City with savings.

The City received a Local Government Efficiency Grant (LGEG) to inspect the condition of its raw water line and study its potential use for interconnecting with the City of North Tonawanda. An earlier study estimated the interconnect costs, presuming the raw water line is serviceable, to be \$5 million, with an additional \$4 million to \$5 million needed to replace the nearest two miles of the current 13-mile line.

The City has also researched the possibility of connecting to the Niagara County Water Authority and purchasing potable water from them, however early findings indicate that this solution is not as feasible financially, as compared to connecting to North Tonawanda.

If the City bought treated water from North Tonawanda and closed its treatment facility, it would likely achieve substantial savings. The City is awaiting the final analysis of what the costs and savings could be.

The City's Water Fund has been under mounting fiscal pressure over recent years. Through 2013, the fund had accumulated a deficit of over \$1 million. In 2014, the Fund had a deficit of over \$400,000. In the 2016 budget, the Water Fund was again facing a deficit situation of \$500,000. In order to alleviate this and keep the Fund from again accumulating a significant deficit as that which occurred through 2013, the City raised water usage rates by 15 percent.

The City should continue to work with the City of North Tonawanda as the primary option (and the Niagara County Water Authority as a backup) to find a solution that allows the City of Lockport to decommission its water treatment and distribution plant.

To help effectuate this endeavor, the City could seek assistance from the State's Environmental Facilities Corporation (EFC). EFC is a public benefit corporation dedicated to promoting environmental quality through a wide range of funding and technical assistance focused on protecting, improving and restoring New York's precious natural resources.

New York State's Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) are available for providing financial assistance for projects promoting water quality, improving public health and the environment, and helping local governments to enhance economic opportunities and create jobs. EFC administers the CWSRF on behalf of the Department of Environmental Conservation, and administers the DWSRF in conjunction with the Department of Health.

## State Water Infrastructure Improvement Act

The Water Infrastructure Improvement Act of 2015 provides grants to municipalities for critical drinking water and wastewater system improvements. The FY 2016 Enacted State Budget included authorization for EFC to provide \$200 million in grants for State Fiscal Years 2016-

2018. Loans may be repaid for a term of up to 30 years, and projects can be pre-financed through EFC's Short Term Financing program, at rates as low as interest-free. The FY 2017 Enacted State Budget increases the Act's funding from the \$200 million approved in 2015, to \$400 million total.

This new source of funding for clean water and drinking water projects will be available to municipalities in amounts of up to \$5 million and \$2 million, respectively, with priority given to hardship applicants and projects in development. SRF loans may be repaid for a term of up to 30 years, and projects may be pre-financed through EFC's Short Term Financing program, at rates as low as interest-free.

EFC has provided more than \$9 billion in subsidized loans, grants and loan re-financings since 2011 – the largest, five-year investment in clean water infrastructure since the revolving loan funds were created more than 25 years ago. With a Triple A-credit rating, EFC is able to offer large interest rate subsidies. EFC offers loans either interest-free or at subsidized low interest rates that help local governments afford major infrastructure projects to ensure the availability of clean water, protect the environment, and provide the vital infrastructure necessary to create jobs and economic development.

Some SRF grant funds are also available to assist with offsetting the expense of clean water and drinking water projects. Without these subsidized loans, many communities would be unable to meet public health and water quality standards, threatening the environment as well as the opportunity to retain and attract commercial investment. EFC is dedicated to helping as many communities as possible with CWSRF and DWSRF financing. Additional information is available on EFC's website <http://www.efc.ny.gov/>.

Recommendation: The Board recommends that the City explore a permanent solution to procuring potable water and decommissioning its water treatment facility. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$250,000 to stabilize the City's Water Fund and reduce the need for future rate increases until the savings from decommissioning the water treatment facility can be realized.

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

### **Local Government Efficiency Grant Program**

The State also offers competitive grants through the Local Government Efficiency Grant program (LGEG) to local governments for planning or implementing a local government efficiency project, including sharing services, functional consolidation, and regional service delivery. The maximum grant for an implementation project is \$200,000 per municipality/\$1



million per grant. The maximum grant for a planning project is \$12,500 per municipality/ \$100,000 per grant. Planning projects require a 50 percent local match and implementation projects require a 10 percent local match. If a planning project is later implemented, the local match for implementation is offset by the amount of the local match for the planning project.

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

### **Transformational Municipal Restructuring Grants**

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

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

### **Municipal Consolidation Competition**

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

The City should consider partnering with Niagara County in order to craft an application for this funding that outlines a transformative change in the structure of their local governments or service delivery methods.

## Efficiencies

### Public Works

The City currently has seven disparate public works service entities: Engineering, Water Billing, Water Distribution, Water Treatment, Wastewater Treatment, Highways and Parks, and Building Maintenance, but no formal Sewer Distribution entity. This results in duplication of manpower, equipment, and effort with little coordination, communication, or cooperation. For example, the Streets Division must request heavy equipment operators from the Water Distribution Division to excavate in order to repair a sewer break. Greater coordination between public works crews is needed. The City recognizes that it needs to reorganize these entities and potentially reestablish a Director of Public Works and has engaged a consultant to assist in this effort. The reorganization and consolidation of equipment, personnel, and responsibilities will significantly improve services and cost effectiveness.

Recommendation: The Board recommends that the City develop a plan to reorganize its public works service entities. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$50,000 to defray the cost of developing and implementing such reorganization 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.

### Fire Department Efficiency

The City of Lockport currently has at least six firefighters on duty 24 hours per day. If there is a significant fire that requires additional support, off-duty firefighters are called in for overtime to fight the fire. Currently, these additional firefighters have to go to City Hall and pick up their turnout gear before they can respond to the fire. In some instances, firefighters have driven past the fire to report to City Hall first. This inefficiency could be addressed by equipping each firefighter with their own turnout gear to keep in their vehicle. This would allow these additional firefighters to respond directly to the fire without taking additional time to go to City Hall and could help limit overtime costs. The cost of the turn-out gear is \$2,350 per firefighter. For 33 firefighters, the total cost would be \$77,500 and would provide a more efficient response to large fires and reduce the amount of overtime required by responding off-duty firefighters.

Recommendation: The Board recommends that the City provide turnout gear to firefighters in a manner that improves response time. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$77,500 to defray the cost of purchasing such gear. 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.

### Procurement

The City does not have a purchasing agent or centralized purchasing, rather each department does its own purchasing. The Treasurer or Finance Director is supposed to approve all purchases before they are made and issue a purchase order; however in practice this does not always happen. It is up to the department heads to solicit quotes and follow the purchasing policy. Any procurement done by competitive bid is supposed to be approved by the City's

Common Council. Large procurements may be approved in advance by the Common Council, although there is no specific amount and the practice is ad hoc.

There is no board, such as Contract and Supply, that lets competitive bids. The City Clerk opens sealed bids and conducts the meetings, and the Common Council ultimately approves the contracts. Vendors are often used as consultants to help draft bid specifications and then allowed to participate in the bids, which is troubling. The City should consider using independent consultants when necessary who do not participate in the bid that they have worked on. The City should also consider whether a centralized purchasing office or official would be beneficial.

There is no chapter, article, or section of the Lockport City Charter or Code (which are, in many respects, anachronistic and in need of an update) that specifically deals with procurement; however, the City does have a procurement policy, a copy of which was provided to the Board. The policy was last updated and approved by the Common Council in 2012, although State law requires annual review. Overall, the policy is satisfactory.

The Board provided a “best value” local law sample as well as guidance documents from OSC. The City should review and consider adopting by local law “best value” purchasing and expanded “piggybacking” as authorized by recent amendments to the General Municipal Law § 103(1) and (16).

The City’s Budget Director is aware of the State Office of General Services’ centralized contracts and other piggybacking opportunities, and attempts to remind department heads where appropriate. The City has not taken advantage of piggybacking opportunities through national organizations.

The City was the subject of an OSC audit covering January 2012 – January 2013. The audit found several deficiencies in the area of procuring independent audit services. The audit recommended that adequate policies and procedures be developed for procurement and that these procedures provide for the segregation of financial duties or mitigating controls.

## Workforce

### Employee Health Insurance Costs

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

In Lockport, nearly all employees and retirees make no contributions toward health insurance premiums. The cost for employee health benefits total \$4.2 million per year, and the cost for retiree benefits total \$1.5 million per year. In addition to fully paying health insurance premiums, the City is required to support an estimated \$200,000 annual Healthcare Reimbursement Account for all of the employees. This account compensates employees for out-of-pocket healthcare expenses each year.

The City made some progress in having employees contribute to health insurance costs with the most recent police contract. All new hires beginning January 1, 2016 will pay 15 percent of the premium for health insurance and will need 20 years of service as a police officer with the City to be eligible for health insurance in retirement. With 20 to 24 years of service, the retiree will be responsible for 20 percent of the premium. With 25 years or more of service, the retiree will be responsible for 15 percent of the premium.

If the City is able to go further and employ health insurance practices that the State achieved with its unions in recent years, there is the potential for significant annual savings for the City.

### Fire Department

#### Ambulance Service

In 2014, as part of the many actions that the City needed to make to close its structural budget gap, ambulance/EMT service provided by the Fire Department was terminated, which resulted in private providers providing the service directly.

The cost to provide the service averaged \$1.25 million per year, offset in part by an estimated \$500,000 per year in revenue/billing, leaving a net cost to the City. By terminating this service, the City was able reduce its levels of minimum shift level manning from nine to six, pursuant to the contract with the firefighters union.

The firefighters union is still challenging the ruling granting the City to downwardly amend the minimum shift level. Should the City lose the ability to privatize the work that the Fire Department used to provide, the City would incur additional annual costs of between \$750,000 and \$1 million.

#### Arbitration

As noted earlier, the City's contract with its firefighters expired in 2012. The following chart provides the estimated effective wage increases and cost to the City of a potential arbitration award of either one percent or two percent based upon actual W-2 wages for each of the years

2013 through 2014 and budgeted 2015 wages. Taking into account the compounding effect of these increases, it is estimated that the City would incur an estimated \$220,000 cost in the 2016 budget to cover an annual one percent increase in wages and an estimated \$440,000 cost in the 2016 budget to cover an annual two percent increase in wages if such compensation was retroactive. This would be in addition to the higher salary schedules that would have to be paid throughout 2016 and beyond.

While the fiscal picture of the City is improving, City finances are still very precarious and hefty raises especially retroactive payment requirements could jeopardize any potential stability that might be achievable in the near future. The Board notes that the police department settled with zero percent increases for the years that the firefighter union is seeking an arbitration award.

	<b>W-2 Wages</b>	<b>1% Increase</b>	<b>1% Increase Compounded</b>	<b>2% Increase</b>	<b>2% Increase Compounded</b>
2013	\$3,793,334	\$37,933	\$ 37,933	\$75,867	\$75,867
2014	\$3,774,320	\$37,743	\$ 75,676	\$75,486	\$151,353
2015	\$3,044,309	\$30,443	\$106,109	\$60,886	\$212,239
Total			\$219,718		\$439,459

### **Binding Arbitration Reforms**

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

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

## Economic Development

### Regional Economic Development Councils & Upstate Revitalization Initiative

To build on the success of the Regional Economic Development Council (REDC) and Upstate Revitalization Initiatives (URI), the FY 2017 Enacted State Budget continued this locally-driven economic development approach with \$950 million for a sixth round of REDC awards and URI runners-up awards. Round VI of the Regional Council initiative will include \$750 million to be split competitively among each of the State's ten regions, and \$200 million to fund top projects for the runners up from last year's URI. During the 2015 awards process, the following projects within and near the City of Lockport were awarded:

- South Street Neighborhood Project - Funds will be used to complete a Community Needs Assessment for the South Street Corridor - \$50,000.
- Vineyard Expansion at Beau Vine Vineyards - The Vineyard will purchase equipment and infrastructure to meet the need for better harvesting, especially as it relates to variations in weather that cause fluctuation in crop volume and to sustain production growth. This equipment will be available to other area vineyards so that the entire region can increase quality and production to meet new demand - \$370,000.
- Lockport Industrial Park Feasibility Analysis - The Town of Lockport will conduct a series of environmental and engineering studies as part of a preliminary planning process to evaluate the feasibility of expanding the Lockport Industrial Park - \$19,000.
- Excelsior Jobs Program Tax Credits - Region wide, these credits will be reserved for future projects including business investments in targeted industries that are within the region and that create or retain jobs and create capital - \$7,500,000.
- Low Cost Economic Development Financing Federal Industrial Development Bond (IDB) Cap - Region wide, this authority will be made available for state and local government issuers to sell tax-exempt bonds for eligible economic development, infrastructure and community revitalization efforts - \$41,000,000.

These grants are in addition to grants that were awarded as part of the Buffalo Billion. The following projects from that program also were dedicated to improvements in the City of Lockport:

- Lockport Main Street, Inc. - This group received and administered a New York Main Street grant to help renovate seven downtown buildings and create three new upper-level residential units - \$250,000.
- The Lockport Ice Arena - Opened in 2014, this rink is the home of a Junior A hockey team, is expected to serve 150,000 visitors annually and expects a \$1 million - \$2 million increase in bed and sales tax in Niagara County. The project involved demolishing a long vacant supermarket located in the heart of downtown Lockport and investing \$11 million in capital costs - \$1 million.



- Community Development Block Grant - This grant helped the City of Lockport provide assistance to 20 low and moderate income households for the purchase of homes. Grants up to \$19,000 per household are being provided to assist with down payment and closing cost expenses for home purchases - \$400,000.

## **Land Banks and Community Revitalization**

In recent years, municipalities have sought to address problems associated with blight from vacant and abandoned buildings through the creation of municipal land banks. New York State authorized the creation of up to ten such land banks through Chapter 257 of the Laws of 2011, and this authorization was expanded to a total of 20 land banks through Chapter 106 of the Laws of 2014. In New York State, municipalities must first submit an application to create a land bank to 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 fifteen approved land banks in New York State: Albany County Land Bank Corporation, Allegany County Land Bank Corporation, Broome County Land Bank Corporation, Buffalo Erie Niagara Land Improvement Corporation, Cattaraugus County Land Bank Corporation, Chautauqua County Land Bank Corporation, Finger Lakes Regional Land Bank Corporation, Greater Syracuse Land Bank, Land Reutilization Corporation of the Capital Region, Nassau County Land Bank Corporation, Newburgh Community Land Bank, Rochester Land Bank Corporation, Suffolk County Land Bank Corporation, Troy Community Land Bank Corporation, and the Oswego County Land Bank.

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

Given the relatively smaller population and the more rural setting of the County, the Board finds that the City of Lockport should seek to become part of an existing land bank, such as the Buffalo Erie Niagara Land Improvement Corporation, or work with Niagara County and other municipalities to create a regional land bank, which could serve as a tool for combatting blight in the most affected areas of the region and encourage community development.

## **City Revitalization Needs**

In discussions with the City, there are specific government-owned parcels that are in need of investment in order to help attract new development and ultimately beautify City property at large and increase City tax collections.

Specifically, within the City there is an existing four unit structure on Park Lane Circle. This structure is uninhabitable due to the presence of water in the basement and mold throughout the unit. The termination of electric service may have resulted in the failure of the sump pump which may have caused the present accumulation of water and mold throughout the unit. This property is part of an area of approximately 7.5 acres of developable land in a residentially zoned area of the City. The presence of these structures and the absence of adequate water and sewer services are preventing the development of this area.

It is estimated that the demolition of the structure(s) will cost approximately \$30,000 with an additional \$60,000 to repair existing or install new water and sanitary sewer connections, \$20,000 for installation of a retention pond, and \$50,000 for a new road connecting a landlocked parcel on the property.

The potential also exists for a change in zoning to support a professional services or commercial zoning as best use or a mixed use planned unit development. Developers have expressed interest in the City of Lockport for one-story senior housing that would enable seniors to downsize from single-family homes with little or no external maintenance. There are few properties in the City of Lockport that could accommodate such a request. By making this property ready for a developer, the City would benefit from an increase in the tax base and the advantage of residential density in the current residential area. The City issued an RFP in 2013 to seek interested developers to purchase of the property and subsequent develop it. There were no developers who responded to the RFP. The City contends that by making the improvements to the property as described above, developers would be likely to respond to an RFP, purchase the property and build additional housing in the City.

Two other properties in the City, namely Dussault Foundry and Kohl Cycle are vacant structures for potential investment in economic development opportunities. Dussault Foundry specifically has been identified as a prime hotel location to complement the ice arena that Empire State Development has invested heavily in. The City contends that the addition of a hotel downtown would add to the City's ability to attract more tourists, as well as keep ice arena visitors in the City and provide a greater impact on the city's economy. The City's economic development agency conducted a market study of the demand for a hotel downtown and it was determined that a hotel is needed. The City requires \$40,000 to provide street improvements and water/sewer repairs and connections to the location.

Recommendation: The Board recommends that the City continue to work on developing its government-owned vacant properties. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$200,000 to defray the costs of demolition or redevelopment, potentially in conjunction with a regional land bank. Any potential award pursuant to this recommendation shall be contingent upon the successful development of an executed agreement for a new shared services endeavor with the County. The specific structure and conditions of such grant, which would be developed in consultation with the City, and any other aspects of such grant would be subject to an affirmative vote of a majority of the total members of the Board.



## **Downtown Revitalization Initiative**

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

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

## **New Transportation Capital Program**

The FY 2017 Enacted State Budget included \$21.1 billion for capital improvement of highways, bridges, rail, aviation infrastructure, non-Metropolitan 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 PAVE NY program will provide \$1 billion to State and local paving projects over a five year period and will be distributed according to the Consolidated Local Street and Highway Improvement Program (CHIPs) formula. The City of Lockport will receive \$129,986 in State Fiscal Year 2017 as part of this program.
- The Extreme Weather Infrastructure Hardening Program will provide \$500 million to further improve conditions on State and local roads and bridges, as well as provide resiliency to roadways that are particularly susceptible to weather events.

## **Fiscal Performance and Accountability**

### **Multi-Year Financial Plans**

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

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

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

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

As a condition of deficit financing, the City of Lockport is required to prepare a multi-year financial plan. However, prior to this requirement in 2014, the City had not conducted the practice of formulating and maintaining multi-year plans. The Board finds that the City should continue to maintain its multi-year financial plan, even when the statutory requirement to produce one expires.

### **State Fiscal Oversight**

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

#### **Standard Deficit Financing Oversight**

The most common form of State oversight occurs as part of the authorization to undertake deficit financing. When the State Legislature authorizes a local government or school district to issue debt to pay for an accumulated deficit, Local Finance Law § 10.10 requires oversight of the entity's finances. This includes:

- **Quarterly Reports.** The local government's chief fiscal officer must produce quarterly reports depicting revenue and expenditure trends for the entire budgets. These reports must include recommendations to address any unfavorable variances (i.e., lower than expected revenues or higher than expected expenditures). They are submitted to the local government's governing board and chief executive officer, the State Budget Director, OSC, the Chair of the State Assembly Ways and Means Committee, the Chair

of the State Senate Finance Committee, and, if a school district, the State Education Commissioner.

- **Review of Tentative Budget.** No later than thirty days before the local government's budget is scheduled to be voted on or the last date on which the budget may be finally adopted (whichever is sooner), the tentative budget must be submitted to OSC for review (if it is a school district, it must also be submitted to the State Education Commissioner). OSC is to examine and make recommendations on the tentative budget no later than ten days before the scheduled budget vote or the last date on which the budget must be adopted (whichever is sooner). The local government must make adjustments to the budget consistent with OSC's recommendations or explain in writing why any recommendations have been rejected. Until the adjustments or explanations are made, the local government may not issue bonds for any object or purpose.
- **Multi-Year Financial Plan.** Within 30 days after the final budget adoption, the local government must prepare a financial plan that covers the year of the adopted budget and the two following fiscal years. This plan must include: projected employment levels; projected annual expenditures for personal service, fringe benefits, non-personal services, and debt service; appropriate reserve fund amounts; estimated annual revenues, including the projection of property tax rates, the value of taxable real property and resulting tax levy, and the annual growth in sales tax and non-property tax revenues; and the proposed use of one-time revenue sources. The plan is to be submitted to the local government's chief executive officer and chief fiscal officer, the State Budget Director, OSC, the Chair of the State Assembly Ways and Means Committee, the Chair of the State Senate Finance Committee.
- **Review of Debt Issuance.** At least fifteen days before the local government issues any bonds or notes or enters into any installment purchase contract, the local government must notify OSC. OSC may review and make recommendations on the affordability of the proposed issuances.

All of these requirements are in place for each fiscal year during which deficit financing bonds or bond anticipation notes are outstanding. Since the City of Lockport was authorized to undertake deficit financing, it is currently subject to this additional oversight.

### Enhanced Deficit Financing Oversight

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

- **Requirement to Adjust Budget.** Under standard deficit financing, a local government may make the changes to its tentative budget recommended by OSC's review or it may explain in writing why recommendations were rejected. Recent deficit financing authorizations remove this option and require the local government to make the changes recommended by OSC. The City of Lockport is subject to this enhanced requirement (Chapter 332 of the Laws of 2014, as amended by Chapter 147 of the Laws of 2015).

Additional entities with this additional oversight include the Village of Suffern (Chapter 99 of the Laws of 2015); City of Yonkers School District (Subpart A of Part V of Chapter 55 of the Laws of 2014); Rockland County (Chapter 468 of the Laws of 2013); and the City of Newburgh (Chapter 223 of the Laws of 2010).

- **Enhanced Multi-Year Financial Plan.** Along with requiring the City of Newburgh to adjust its budget based on OSC's recommendations, the "City of Newburgh Fiscal Recovery Act" (Chapter 223 of the Laws of 2010) enhanced the multi-year financial plan requirement. In addition to the standard requirements of the multi-year financial plan, the City of Newburgh's plan must identify actions necessary to achieve and maintain long-term fiscal stability. These actions to be identified include: improved management practices, initiatives to minimize or reduce operating expenses, and potential shared services agreements with other local governments. Further, the multi-year financial plan had to be updated quarterly, whereas standard deficit financing only requires an annual update.
- **OSC Special Debt Service Fund.** The "City of Newburgh Fiscal Recovery Act" also established a special debt service fund with OSC. The City's Aid and Incentives for Municipalities funding and property tax revenue are diverted to the fund to ensure that its full annual debt service is first provided for. This provided investors with additional confidence that all obligations would be repaid.

### Oversight by Control Boards Established as Public Authorities

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

Each of these control boards is an independent public authority with its own board - NIFA and ECFSA have seven-person boards and BFSA has a nine-person board. Nearly all of the members of the boards are appointed by the Governor; the exception is BFSA, which has the City of Buffalo's Mayor and the Erie County Executive serve ex officio. Some of the appointees are upon recommendation of the State Comptroller, the Majority Leader/Temporary President of the Senate, or the Speaker of the Assembly. There may also be residency requirements for certain appointees. All board positions have four-year terms.

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

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

- A control board may impose a control period if the municipality takes or is likely to imminently take any of the following actions: fails to adopt an on-time balanced budget and financial plan; fails to pay debt service; incurs an operating deficit of more than one percent; loses market access for borrowing; or violates provisions of the control board statute.
- While in a control period, the control board has enhanced powers, including the authority to: approve or disapprove the financial plan; adopt and impose any modifications to the plan, as necessary; set a maximum level of spending for a budget; impose a wage or hiring freeze; approve or disapprove any collective bargaining agreements; approve or disapprove any municipal contracts; and approve any proposed borrowing.
- As an independent public authority, the control board can issue debt on behalf of a local government and often has a higher credit rating due to its intercept of certain revenues. Some of this debt can be used to finance current and future operating gaps, as provided for in the control board's authorizing statute.

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

### Earlier Forms of Control Board Oversight

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

- City of Troy Supervisory Board, a five-member board chaired by the State Comptroller, with one member appointed by the City Council, one member appointed by the City's chief executive officer, and two members appointed by the Governor (Chapter 721 of the Laws of 1994, as amended);
- Emergency Financial Control Board for the City of Yonkers, a seven-member board chaired by the Secretary of State, with the State Comptroller, the Mayor of the City, and four members appointed by the Governor (Chapter 103 of the Laws of 1984, as amended);
- Emergency Financial Control Board for the City of New York, a seven-member board chaired by the Governor, with the State Comptroller, the Mayor of the City, the City Comptroller, and three members appointed by the Governor (Chapter 868 of the Laws of 1975, as amended);

Although these control boards had many of the same powers as control boards established as public authorities, such as the review and approval of the financial plans, the approval of contracts, and the ability to impose a wage freeze, they were not able to issue debt on behalf of the local government. To take advantage of improved market access afforded an independent entity, a separate public authority with its own board had to be established, such as the

Municipal Assistance Corporation for the City of New York (Title 3 of Article 10 of the Public Authorities Law) and the Municipal Assistance Corporation for the City of Troy (Title 4 of Article 10 of the Public Authorities Law).

The City of Lockport is currently subject to the enhanced oversight as required by its authorization to undertake deficit financing. This includes: producing quarterly reports, submitting its budget to OSC for review, making any changes consistent with OSC recommendations, and preparing a multi-year financial plan. The Board finds that the City should take this additional oversight seriously and leverage it to put the City on a path of fiscal health. If the City is unable to achieve balanced financial plans and build a reasonable fund balance, more enhanced forms of control may be necessary to ensure fiscal solvency.

## Conclusion and Next Steps

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

- The Board recommends that the City develop and implement a shared services agreement for property assessment with the City of Niagara Falls or a similarly qualified municipality. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$60,000 to assist the City with implementing such shared services agreement.
- The Board recommends that the City explore a permanent solution to procuring potable water and decommissioning its water treatment facility. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$250,000 to stabilize the City's Water Fund and reduce the need for future rate increases until the savings from decommissioning the water treatment facility can be realized.
- 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 Board recommends that the City develop a plan to reorganize its public works service entities. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$50,000 to defray the cost of developing and implementing such reorganization plan.
- The Board recommends that the City provide turnout gear to firefighters in a manner that improves response time. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$77,500 to defray the cost of purchasing such gear.
- The Board recommends that the City continue to work on developing its government-owned vacant properties. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$200,000 to defray the costs of demolition or redevelopment, potentially in conjunction with a regional land bank. Any potential award pursuant to this recommendation shall be contingent upon the successful development of an executed agreement for a new shared services endeavor with the County.

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

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



**Appendix A – Letter and Resolution from City of Lockport**



*Office of the Mayor*  
Anne E. McCaffrey, Mayor



LOCKPORT MUNICIPAL BUILDING  
One Locks Plaza  
Lockport, NY 14094  
P: (716) 439-6665  
F: (716) 439-6668

August 7, 2014

Mr. Robert Megna, Chair  
The Financial Restructuring Board for Local Governments  
NYS Capital Building, Room 135  
Albany, NY 12224

RE: City of Lockport

Dear Mr. Megna:

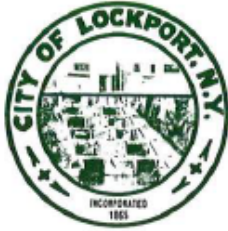
As Mayor and Chief Executive of the City of Lockport, I concur with the Common Council's request for a comprehensive review by the Financial Restructuring Board. I am requesting that the Restructuring Board undertake a comprehensive review of the city's operations, finances, management practices, economic base and other factors in order to make recommendations on reforming and restructuring city operations.

If you need to contact me, I can be reached at 716-439-6665 or by email at [mayor@elockport.com](mailto:mayor@elockport.com). Thank you for your consideration.

Sincerely,

Anne E. McCaffrey  
Mayor





**CITY OF LOCKPORT, NEW YORK**  
LOCKPORT MUNICIPAL BUILDING  
ONE LOCKS PLAZA  
LOCKPORT, NY 14094

**OFFICE OF CITY CLERK**

Richelle J. Pasceri, City Clerk  
Shirley M. Browning, Dep. City Clerk/Registrar of Vital Statistics

Office (716)439-6676  
Fax (716)439-6668

**TO:** Whom it may concern

**FROM:** Richelle J. Pasceri, City Clerk *RJP*

**DATE:** August 7, 2014

Please be advised, that at a regular meeting of the Common Council of the City of Lockport, NY held on August 6, 2014 the following resolution was adopted:

**080614.11E**

By Alderman Genewick:

Whereas, the Financial Restructuring Board for Local Governments is available to offer assistance to eligible municipalities and to make recommendations to improve fiscal stability, management, and the delivery of public services. In addition, the Board can offer grants and loans and serves as an arbitration panel for binding arbitration, and

Whereas, the Common Council is desirous of the City to make such application, now therefore be it

Resolved, that the Mayor, subject to Corporation Counsel approval, is hereby authorized and directed to submit an application to the Financial Restructuring Board for Local Governments.

Seconded by Alderman Schrader and adopted. Ayes 5.

## **Appendix B – Resolution Approving City of Lockport**

Financial Restructuring Board for Local Governments

RESOLUTION No. 2015-09

DEEMING THE CITY OF LOCKPORT A FISCALLY ELIGIBLE MUNICIPALITY AND APPROVING THE REQUEST FOR A COMPREHENSIVE REVIEW FROM THE CITY OF LOCKPORT

WHEREAS, the Financial Restructuring Board for Local Governments ("the Board"), created pursuant to Chapter 67 of the Laws of 2013, is empowered by §160.05 of the Local Finance Law to, among other things, deem certain municipalities as Fiscally Eligible Municipalities; and

WHEREAS, in accordance with §160.05(2) of the Local Finance Law, a municipality may not be deemed a Fiscally Eligible Municipality if it has not reported to the Office of the State Comptroller (the "Comptroller") during the pertinent fiscal year the information necessary to calculate its average full value property tax rate or average fund balance percentage; and

WHEREAS, on February 26, 2014, the Board approved Resolution No. 2014-08 providing that if a municipality which has not been deemed a Fiscally Eligible Municipality subsequently reports to the Comptroller during the pertinent fiscal year the information necessary to calculate its average full value property tax rate and average fund balance percentage, and the Comptroller confirms in writing to the Board that it received such information from the municipality, the Board is willing to exercise its discretion to consider whether that municipality should be deemed a Fiscally Eligible Municipality provided that municipality submits to the Board such other information that the Board deems relevant in making that determination; 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 City of Lockport (the "City") previously did not submit to the Comptroller during the pertinent fiscal year the information necessary to calculate its average full value property tax rate or average fund balance percentage, and hence is among those municipalities that may not be deemed a Fiscally Eligible Municipality; and

WHEREAS, on December 23, 2014, the Comptroller confirmed in writing to the Board, attached hereto, that the City has subsequently filed during the pertinent fiscal year the information necessary to calculate its average full value property tax rate and average fund balance percentage; and

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

NOW THEREFORE BE IT RESOLVED that the Board is willing to exercise its discretion and determine that the City should be deemed a Fiscally Eligible Municipality; and

BE IT FURTHER 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); and

BE IT FURTHER RESOLVED that this Resolution shall supersede anything to the contrary set forth in Resolution No. 2015-05 or any list attached thereto that suggests the Board cannot exercise its discretion to consider whether the City should be deemed a Fiscally Eligible Municipality.

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

No. 2015-09

Dated: 2-24-15





**THOMAS P. DINAPOLI**  
COMPTROLLER

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**  
110 STATE STREET  
ALBANY, NEW YORK 12236

**GABRIEL F. DEYO**  
DEPUTY COMPTROLLER  
DIVISION OF LOCAL GOVERNMENT  
AND SCHOOL ACCOUNTABILITY  
Tel: (518) 474-4037 Fax: (518) 486-6479

December 23, 2014

Robert L. Megna, Chair  
Financial Restructuring Board  
State Capitol Building, Room 113  
Albany, NY 12224

Dear Mr. Megna:

The City of Lockport filed its 2013 Annual Update Document with this Office on December 18, 2014. This letter is to confirm that the City has filed required AUD reports with OSC for the five fiscal years ending 2009-2013. Based upon the information in those reports, the average fund balance percentage is 7.19.

There have been no changes to the average full value property tax rate for the City of Lockport. The rate remains at 14.42.

If you have any questions or concerns regarding this information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Gabriel F. Deyo".

Gabriel F. Deyo