



City of Niagara Falls Comprehensive Review Report

**Financial Restructuring Board
for Local Governments**

June 19, 2017

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Overview

The City of Niagara Falls is a medium Upstate city in Niagara County. With a population of 50,193 as of the 2010 Census, it is the 11th most populous city in New York State.* 2015 expenditures of \$131.4 million were the 9th highest of all cities.

The City Council adopted and the Mayor concurred with a resolution requesting a Comprehensive Review by the Financial Restructuring Board (see Appendix A). On June 20, 2016, the Financial Restructuring Board approved this request for a Comprehensive Review with Resolution No. 2016-09 (see Appendix B).

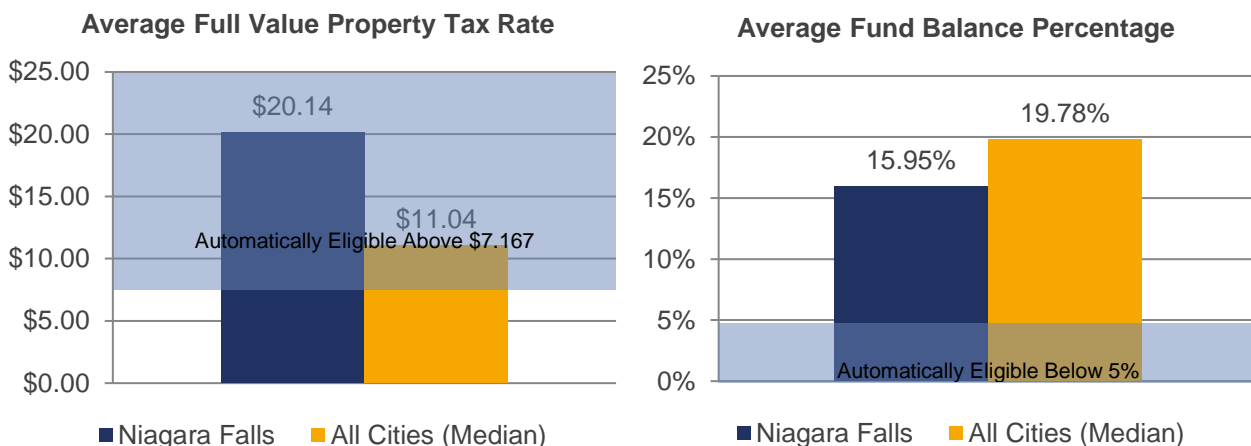
This Comprehensive Review first gives some background on the City's fiscal eligibility and demographic profile. It then provides information on the organization and finances of the City. Finally, it presents the Comprehensive Review's findings and recommendations.

Background

Fiscal Eligibility and Stress

The City of Niagara Falls is automatically considered a Fiscally Eligible Municipality because its Average Full Value Property Tax Rate (2010-2014) of \$20.143 per \$1,000 is above \$7.167 per \$1,000 – the 75th percentile for all municipalities. This is the 4th highest for cities.

The City's Average Fund Balance Percentage (2010-2014) of 15.95 percent is well above the five percent threshold and was aided by a large retroactive payment owed from the Seneca Nation.



The Office of the State Comptroller's (OSC) Fiscal Stress Monitoring System gives the City of Niagara Falls a Fiscal Rating of "Susceptible to Fiscal Stress" with a score of 47.9 percent for 2015 (a local government would be determined to be Susceptible to Fiscal Stress with a score of 45.0 percent or higher). The negative factors contributing to this score include a low fund balance, an operating deficit in two of the last three fiscal years, low cash levels as a percentage of net current liabilities, and low cash levels as a percentage of monthly expenditures. OSC projects that the City's score will increase in 2016 to 70.0 percent, moving to "Significant Fiscal Stress."

OSC's Fiscal Stress Monitoring System gives the City of Niagara Falls an Environmental Rating of "Moderate Environmental Stress" with a score of 48.8 percent for 2015 (a local government would receive a designation with a score of 30.0 percent or higher). Negative environmental factors contributing to this score include: a decrease in population from 2000 to 2010 (-9.7 percent), a high child poverty rate in 2010 (30.4 percent), an increase in the child poverty rate from 2000 to 2010 (0.04 percent), low property value per capita in 2015 (\$28,573), and a high unemployment rate in 2014 (8.5 percent).

Demographic and Socioeconomic Profile

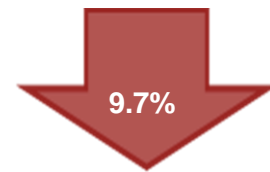
The City's population decreased by 9.7 percent to 50,193 from 2000 to 2010. In contrast, the typical city's population grew 0.5 percent over that same period.

The City of Niagara Falls' median household income in 2014 was \$33,009, which is less than the typical city's median household income of \$40,111.

The City's median home value of \$67,600 is less than the median home value of the typical city of \$108,300. Its four-year average change in property value was 1.4 percent, and, as noted above, its property value per capita in 2015 was \$28,573. The City's unemployment rate is 8.5 percent, and its child poverty rate is 30.4 percent.

Population Change

2000: 55,593



2010: 50,193

Organization and Finances

Organizational Profile

The City of Niagara Falls is governed by a Mayor and a five-member Common Council. The Mayor is elected citywide for a four-year term, expiring December 31, 2019. The Council is also elected citywide for staggered four-year terms.

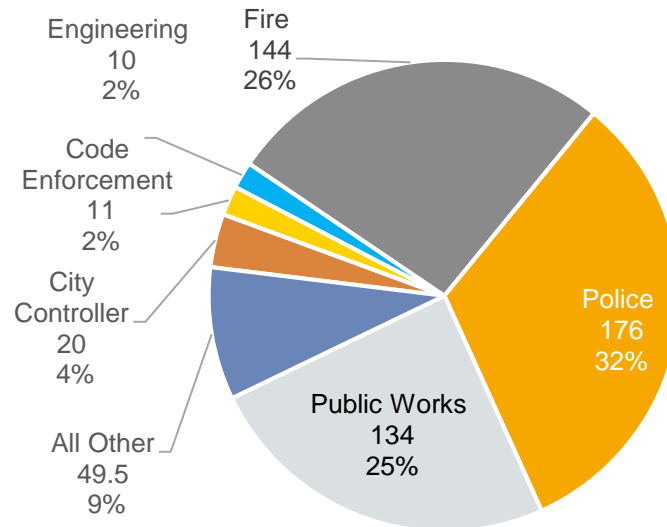
The City has several primary departments including: Fire, Police, Community Development, Human Resources, Code Enforcement, Economic Development, Purchasing, Engineering, Assessment, Parks & Public Works, and Management Information Services. Additional employees perform various administrative and management functions, including the City Clerk, the City Controller, and the City's Corporation Counsel.

For 2016, the City's budget financed approximately 544 FTEs. From 2006 to 2016, total FTEs rose by 67.5, an increase of 14.5 percent, with the biggest increases in Police (17.3 percent), Fire (16.1 percent), and Public Works (22.9 percent). However, the total level has remained relatively stable since 2010. One main reason for the sizeable increase in the latter part of the 2000s was due to the casino operation, as the City was reacting to the change and determining what they believed to be the appropriate areas in each applicable department. As detailed in the chart above, the City Police Department has the most full-time employees at 176, followed by the Fire Department at 144.

Several unions represent the City's unionized workforce, with various contract terms and salary increases. Recently, the City settled with the Uniformed Firefighters Association (for years 2014 - 2026), Niagara Falls Fire Department Officers Association (for years 2014 - 2024), Niagara Falls Police Club (for years 2015 - 2018), and the Police Captains and Lieutenants Association (for years 2014 - 2024). See the table on the next page for a summary of COLAs by unit through 2019.

As a result of these new deals, all new hires within these units now have a 15 percent contribution to the health insurance plan and co-pays for prescriptions, doctor and specialist visits, and emergency room visits have all increased. Employees hired after January 1, 2008, but before the most recently negotiated contracts, contribute five percent toward the cost of their single or family health insurance coverage, while earlier hires have no required contribution. Regardless of the

City of Niagara Falls Full-Time Employees



newest negotiated contracts, for the 2017 adopted budget, only 1.1 percent of the total employee health benefit costs are expected to be paid from its employees.

City of Niagara Falls Labor Contracts										
Union	Contract Status	Contract Expiration	% Salary Increases							
			2013	2014	2015	2016	2017	2018	2019	
Uniformed Firefighters Association, Local 714	Current	12/31/2026	2.0*	1.0	0.0	0.0	2.0	2.0	2.0	
Niagara Falls Fire Dept. Officers Association, Local 3359	Current	12/31/2024	2.0*	1.0	0.0	0.0	2.0	2.0	2.0	
Niagara Falls Police Club	Current	12/31/2018	2.0	1.0	0.0	0.0	2.0	2.0	-	
Police Captains and Lieutenants Assoc.	Current	12/31/2024	2.0*	1.0	0.0	0.0	2.0	2.0	2.0	
Niagara County Building Trades Council	Expired	12/31/2013	2.0	-	-	-	-	-	-	
United Steelworkers Local 9434-00	Expired	12/31/2013	2.0	-	-	-	-	-	-	

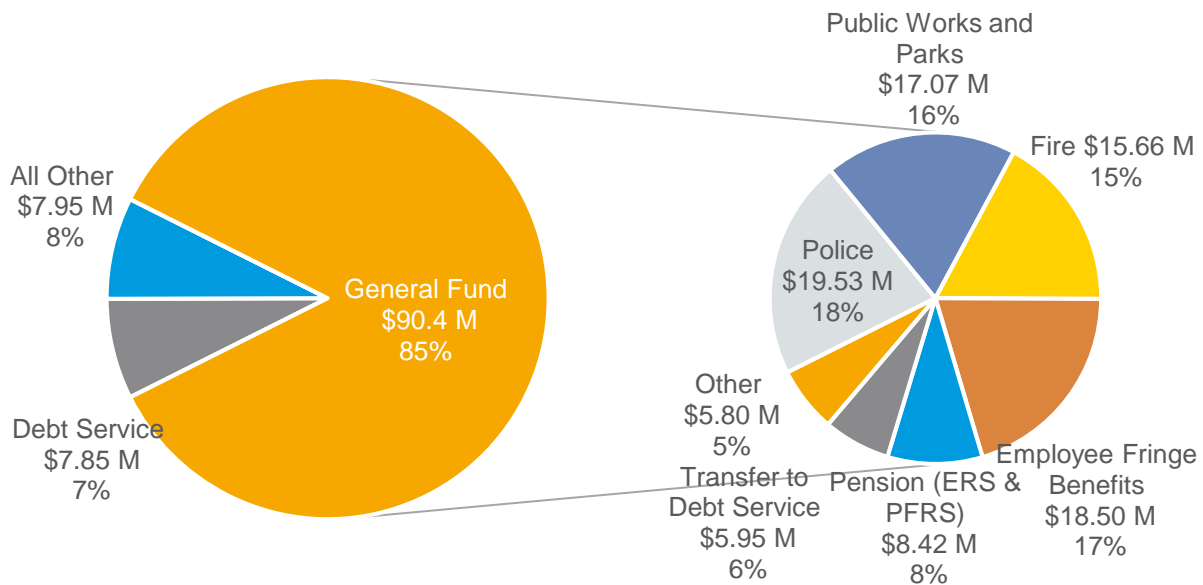
*One percent increase in July and one percent increase at the end of December

Employee Health Insurance Cost Sharing			
	City	Employee	Total
Exempt	\$435,651	\$7,566	\$443,217
Cost Share	98.3%	1.7%	-
Civil Service and Hourly	\$3,719,720	\$48,679	\$3,768,399
Cost Share	98.7%	1.3%	-
Fire Brass	\$791,329	\$0	\$791,329
Cost Share	100.0%	0.0%	-
Firefighters	\$1,591,754	\$23,656	\$1,615,410
Cost Share	98.5%	1.5%	-
Police Brass	\$397,460	\$0	\$397,460
Cost Share	100.0%	0.0%	-
Police Officers	\$2,084,443	\$22,788	\$2,104,231
Cost Share	99.1%	1.1%	-
All Active Employees	\$9,020,357	\$102,691	\$9,123,048
Cost Share	98.9%	1.1%	-

Budget Profile

The City's 2017 all funds adopted budget totals \$106.2 million. This is a 3.8 percent increase from the adopted 2016 budget. Of this amount, the 2017 General Fund totals just under \$91.0 million, an increase of \$1.6 million, or 1.8 percent over 2016. Within the General Fund, the largest expenditure category is for police, at \$19.5 million (21.4 percent of General Fund expenditures), followed by public works at \$17.1 million (18.8 percent of General Fund expenditures), and fire (17.2 percent of General Fund Expenditures).

2017 City of Niagara Falls Expenditures



The below chart details the recent trend in General Fund expenditures since 2013, showing that, since fiscal year 2014, to the credit of the Mayor and City Council, spending has been held predominantly flat.

General Fund Expenditures, City of Niagara Falls					
(\$ in millions)					
Item	2013	2014	2015	2016	2017
Police	\$17.9	\$19.8	\$18.6	\$18.9	\$19.5
Public Works and Parks	\$15.4	\$16.3	\$15.7	\$16.6	\$17.1
Fire	\$16.2	\$17.7	\$16.2	\$15.6	\$15.7
Retiree Medical	\$6.8	\$7.4	\$8.4	\$8.7	\$8.9
Pension (ERS and PRRS)	\$6.5	\$7.2	\$7.7	\$8.0	\$8.4
Transfer to Debt Service	\$6.4	\$6.4	\$6.3	\$6.5	\$6.0
Other	\$13.2	\$14.8	\$13.8	\$14.4	\$15.4
Total	\$82.4	\$89.6	\$86.7	\$88.8	\$91.0

The 2017 General Fund revenue sources include: 37.0 percent from property tax; 21.0 percent from State aid; 20.0 percent from non-property taxes; and, approximately 12.0 percent from the casino. The property tax levy is \$33.6 million – about a 2.5 percent increase over 2016.

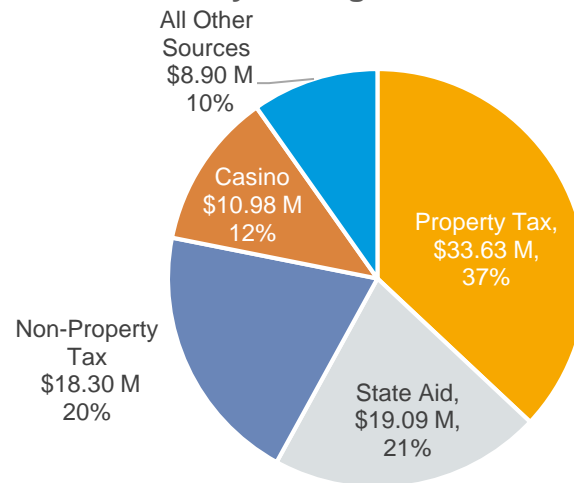
According to the City's audited financial statements for the fiscal year ending December 31, 2015, Niagara Falls exhausted 79.4 percent of its Constitutional tax limit. As of that time, a margin of \$6.9 million remained. In nominal terms, real property tax revenue (excluding PILOTs and other payments) has grown a modest \$1.1 million between 2013 and the adopted 2017 budget. This low growth has been aided by a consistent and growing use of casino proceeds by the General Fund.

As noted, the City's second largest General Fund revenue is State aid. In total, the 2017 budget anticipates State support of \$19.1 million. The overwhelming majority of that amount (\$17.8 million) comes from the Aid and Incentives to Municipalities (AIM) program. Within the non-property tax category, sales tax and hotel/ restaurant/ utility tax revenues account for the largest amounts.

As discussed in this Comprehensive Review, the City has relied on a portion of its casino-related revenues from the Seneca Gaming Compact agreement with the State to make capital investments, and has therefore been able to avoid issuing debt for general improvements in recent years. Except for a 2014 refunding, the City last entered the bond market for general improvements in 2011, issuing \$7.4 million. Applying casino proceeds to make general investments in the City has allowed Niagara Falls to avoid interest payments, reduce the percentage of Constitutional debt limit it has exhausted, and fund much of its capital on a pay-as-you-go basis.

In October 2016, Moody's Investors Service affirmed the City's Baa2 rating on its outstanding general obligation bonds. In keeping the outlook stable, Moody's noted: "The underlying Baa2 rating incorporates the City's modest tax base with below average wealth and income levels, recent deterioration in available fund balance, and an elevated debt burden. The rating also incorporates the City's reliance on economically sensitive revenues." A Moody's Baa2 rating is two 'notches' above non-investment (or junk bond) grade.

2017 City of Niagara Falls Revenues



Casino Proceeds – Background and Uses

On June 1, 2001 the Seneca Nation of Indians and the State of New York entered into a Memorandum of Understanding for the operation of a Class III exclusive gaming operation compact. The compact was dated April 12, 2002 and had a 14-year term.

A renewal of the extension of the compact was extended on July 6, 2016 and is effective until December 31, 2023. The newly extended agreement provides that a minimum of 25 percent of the net drop from electronic gaming devices shall be distributed to the host municipality, the City of Niagara Falls.

Per State law, allocations are drawn off the top for Niagara Falls Memorial Hospital, Niagara Falls School District, Niagara Tourism and Convention Center, Niagara Frontier Transportation Authority, and the Niagara Falls Underground Railroad Commission, while the balance (73.5 percent) remains with the City.

According to City budgets and financial statements, the City has been applying those funds to existing debt service, an economic development contract with Empire State Development Corporation, and the General Fund to offset certain lost property taxes associated with the Seneca Niagara Casino. Any unused casino funds, as well as any that have been designated for specific purposes but not yet actually expended, flow to the City's Miscellaneous Special Revenue Fund (MSRF).

The City's adopted 2017 budget anticipates \$11.0 million in casino proceeds, \$1.5 million less than the \$12.5 million contained in the City's adopted 2016 budget. The amount of casino revenues actually realized by the City since 2013 has varied dramatically, a function of ebbs and flows in release of funds by the Seneca Nation and the State. In 2013, the City reported actual revenues of \$22.8 million, which included multiple back-years of payment that had been held up due to a dispute between the Seneca Nation and the State.

The City has sought to use casino proceeds to avoid issuing debt. This has resulted in substantial cost avoidance over the life of the compact.

Of importance, as of late March 2017, the Seneca Nation has made initial claims that they believe the gaming compact allows them to halt revenue payments to the State (and, by extension, all localities) after 2016. Given the City of Niagara Falls' reliance on casino proceeds for its General Fund budget, the Board will monitor this issue and situation in cooperation with City officials.

Budgetary Gaps

Over the past six completed fiscal years, the total fund balance of the City's General Fund has decreased from \$24.7 million to \$10.6 million, a 57.1 percent reduction. Niagara Falls' adopted budget for 2017 appears balanced, based on the revenue and expenditure assumptions contained therein. However, the City continues to face structural deficit challenges.

Since 2013, the City has budgeted prior year fund balance to close its budget every year but one. And in that one year (2016), its casino revenue was budgeted to increase by approximately \$5.4 million, offsetting the need for a fund balance appropriation. The reliance of the recent City budgets on fund balance to achieve balance, as well as other pertinent fiscal trends, is as follows.

City of Niagara Falls Fiscal Trends					
(\$ in millions)					
	2013	2014	2015	2016	2017
Total General Fund Budget	\$98.9	\$81.7	\$83.8	\$88.8	\$91.0
Property Tax Revenue	\$28.1	\$28.1	\$29.0	\$28.7	\$29.7
Annual Casino Proceeds Available	\$66.5	\$13.7	\$12.5	\$12.3	\$12.1
Casino Proceeds Budgeted for GF	\$22.5	\$6.6	\$7.5	\$12.5	\$11.0
Excess Proceeds for Special Revenue (Capital) Fund	\$44.0	\$7.1	\$5.0	\$0	\$1.1
Available Fund Balance - GF	\$12.1	\$3.6	\$5.1	\$2.6	*
Additional GF Balance Used for Budget	\$2.0	\$4.4	\$4.9	\$0	\$2.5
Available Fund Balance - Special Revenue Fund	\$44.0	\$31.0	\$28.0	\$25.0	*

* Not available at the time

Fiscal Summary Takeaways

The City's tax levy has been stable over the last few years as the City has used more casino proceeds to balance the General Fund. However, the City's blended (homestead/non-homestead) property tax rate is close to \$21 per \$1000, which is one of the highest rates for all cities – a reflection of the poverty and lower home values in the City.

The City is concerned about the steady decline of their net casino proceeds. For 2016 and 2017, the City used all or nearly all of the total net casino proceeds from each year to balance the General Fund, and for 2017, the City had to apply additional General Fund Balance for budget-balancing.

The available General Fund balance at the end of 2016 was less than three percent of the General Fund budget (approximately \$2.5 million). However, the City still has ample casino proceeds saved in its Miscellaneous Special Revenue Fund (estimated at about \$25 million at the end of 2016). This fund is typically used to pay for capital projects and other needs.

Overall, the General Fund has become heavily reliant on casino proceeds. If the City's annual casino receipts continue to fall, officials will have to develop new savings plans to reduce overall spending and reliance on casino revenues. This Comprehensive Review highlights a number of opportunities the City may undertake as its expenses continue to rise and casino receipts potentially fall.

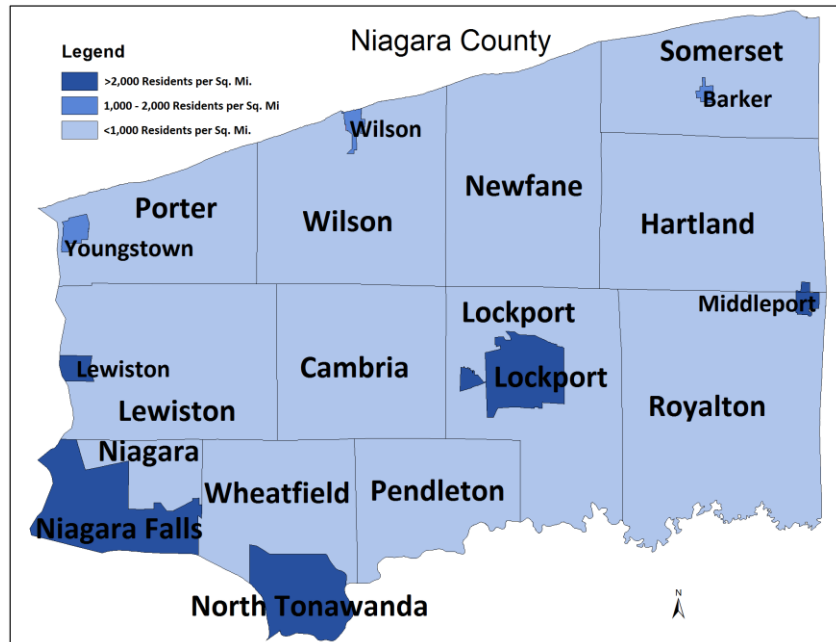
Findings and Recommendations

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 2015, the County had total expenditures of \$400.4 million, which is the 13th highest for counties, and total expenditures per capita of \$1,850, which is the 37th highest for counties.

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

The City of Niagara Falls is in the southwestern corner of the County, and is predominantly surrounded by the Towns of Niagara and Wheatfield in Niagara County.

Survey of Shared Services

The Board procured the services of the Center for Governmental Research (CGR) to conduct a survey on 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 Niagara Falls	Niagara County	Niagara Falls City School District	Town of Lewiston	Town of Wheatfield
Police	X	X		X	X
Dispatch/E-911	X	X			
Fire	X	X		X	X
Ambulance/EMS					
Tax Collection/Treasurer	X	X		X	X
Tax Bill Printing	X	X			
Tax Foreclosure	X				
Assessing	X	X		X	X
Personnel/HR/Civil Service	X	X	X	X	X
Payroll/Time & Attendance	X	X	X		X
Purchasing	X	X	X	X	X
Budget/Finance	X	X	X	X	X
Code Enforcement	X			X	X
Building/Zoning/Planning	X	X		X	X
Park Maintenance	X	X		X	X
Animal Control	X			X	X
Plowing	X	X	X	X	X
Paving/Street Maintenance	X	X		X	X
Lighting/Traffic Controls	X			X	X
Sanitation/Garbage	X	X	X	X	X
Water		X		X	X
Wastewater/Sewer		X		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 above chart aptly displays, there is significant duplication of services among the City of Niagara Falls and its neighboring municipalities.

If the City of Niagara Falls is to address future budget challenges, 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.

In addition to the current shared service efforts between the City and its governmental neighbors, other opportunities exist which may allow Niagara Falls to lower its current cost structure for existing services, enable future job attrition without exact refilling of current staff levels (presenting savings opportunities to both the City and the governmental partner it so engages with to share

the service), and allow the City and its neighboring government the opportunity to receive grants and assistance from the State via a number of programmatic options.

Consolidate Emergency Dispatch with County

The City operates its own emergency communications (911) service, meaning that it serves as the official public safety answering point (PSAP) and dispatch entity for all emergency calls that originate from landlines within the City.

The function is essentially split between the City's Police and Fire Departments, with staff allocated from each department (and the costs of those staff shared between the two departments within the City's General Fund). The 2017 budget includes funding for 17 full- and part-time positions to support the emergency communications function, including 12 within the Police Department (a communications technician, senior communications technician, 5 dispatchers and 5 complaint report technicians) and 5 within the Fire Department (all of whom are fire alarm operators).

The City's emergency communications system has a salary budget of \$1.6 million in 2017. That figure does not include any capital upgrades that may be required to maintain or improve the system in 2017 or beyond.

An analysis of data provided by the Police and Fire Departments suggests that the City's emergency communications system processes approximately 50,000 to 55,000 calls per year, or more than 140 per day on average. To handle that call volume, at any given time the dispatch system is staffed by one to two call takers (who receive the initial call), one fire dispatcher (to whom fire calls are handed off) and one police dispatcher (to whom police calls are handed off).

At the same time, Niagara County also operates its own PSAP and emergency dispatch system. Administered by the County Sheriff's Office, it is the primary PSAP for all 911 calls from landlines that originate in Niagara County except for those originating in the cities of Niagara Falls and Lockport. For calls that originate via cellphone, the County serves as the primary PSAP for every jurisdiction – including the cities of Niagara Falls and Lockport. The agencies the County dispatches for include:

- The County Sheriff's Office;
- The City of North Tonawanda;
- Municipal police departments in the Town of Niagara, and the Villages of Lewiston, Youngston, Barker and Middleport;
- Twenty-eight volunteer fire companies; and,
- Two volunteer ambulance services.

The County's emergency communications budget for 2017 is \$3.0 million, and provides for 35 full- and part-time staff (25 full-time dispatchers, six part-time dispatchers, three senior dispatchers and an emergency communications director), which is roughly twice the size of the City's dispatch staff. In 2015, the County received 343,767 telephone calls (a daily average of 942) and dispatched 161,031 calls (a daily average of 441). The dispatch volume is roughly three times that of the City of Niagara Falls.

As the County's E911 cost center is included in its General Fund, taxpayers underwrite it through their general county taxes. This includes City of Niagara Falls taxpayers, who also underwrite the cost of the City's emergency communications system.

Notably, the City of North Tonawanda consolidated its emergency dispatch function with Niagara County's in 2012-13. Under the original five-year contract, the City of North Tonawanda was to pay a declining amount of the cost and save a total of \$1.7 million. The merger was supported by a \$400,000 Local Government Efficiency Grant from the State. Part of the motivation for that consolidation, beyond direct savings, was the ability for the City of North Tonawanda to avoid future capital investment costs associated with necessary upgrades to its dispatch system.

The City of Niagara Falls could explore consolidating its emergency communications system with the County. This would eliminate duplication in capital equipment, operations staffing and administrative requirements, and would further streamline the PSAP framework within Niagara County. The actual structure of such a City-County service consolidation would require more detailed analysis, but there are two potentially viable options:

- First, the City could combine its emergency communications system within the County's according to the model used by the City of North Tonawanda five years ago. Under the model, the City would fully transfer the function and pay the County a declining cost over a period of years, until the function was fully merged. It is worth noting that the County indicates its system has expansion capability.
- Second, the City and County could pursue a shared E911 service, recognizing that they are the two largest emergency dispatch services in the community today. Such a partnership model currently exists in Monroe County, where the County and City of Rochester effectively co-own the emergency dispatch system, with City and County personnel, equipment and facilities blended into a jointly owned and operated system that serves the entire county.

Determining the potential impact of such a consolidation would require a more detailed analysis, as well as a comparison of possible structural models.

Operating an emergency communications system requires certain threshold investments, including administrative personnel, operations staff, facilities and technology. Operating multiple such systems requires those investments be duplicated. Such is the case between the City and County today.

While a full consolidation of the two operations would not completely eliminate the City's current \$1.6 million salary appropriation, migrating to a single staffing / administrative framework and unified technology platform would almost certainly reduce those costs. Moreover, beyond the operating budget, emergency communications systems can be subject to costly maintenance and upgrade costs over time. It would be inherently more cost effective to make investments in a single system than in two.

Combining the resources currently allocated by the City and County within a unified emergency communications system would yield certain efficiencies. One example involves emergency calls that originate from cellphones anywhere in Niagara County. At present, all of those calls go to the County's PSAP, only to be transferred to the City PSAP. And within the City's PSAP, they are

taken by a call-taker who then hands off the call to either the police or fire dispatcher. Such handoffs can build additional time into an emergency response where seconds are critical.

Combine Civil Service with County

The City maintains and funds its own civil service function based in the Human Resources Department. It is not the only municipality in the area to run its own civil service office – the City of Lockport also operates its own. However, Niagara County administers civil service for all other municipalities and school districts in the area. This role includes administering all applications and forms, job postings, competitive examinations, promotional examinations, recruitment and position specification reviews.

According to the City, its civil service function provides civil service administration for a number of agencies under its jurisdiction, in addition to itself, including the Niagara Falls Water Board, Niagara Falls School District, Niagara Falls Housing Authority, and Niagara Falls Public Library. In total, the Department's purview spans 1,300 positions.

A three member commission is responsible for administering the provisions of the State Civil Service Law as it applies to the City and these covered organizations. This involves prescribing, amending, and enforcing local civil service rules, classifying positions and allocating positions to the appropriate jurisdictional class, ascertaining the merit and fitness of applicants for competitive class positions, administering and monitoring the examination process and ensuring examination security, certifying eligible lists for appointment, maintaining a detailed employment history for each employee under their jurisdiction, certifying payrolls, and reporting to the State Civil Service Commission.

The staff of the City's Human Resources Department provide administrative support and help carry out all actions of the City's Civil Service Commission.

The City could shift its Civil Service function to the County, joining the other municipalities and school districts for which the County already provides that service.

If the City were to eliminate its municipal Civil Service Commission and shift to the County's, there would be immediate and recurring savings. Given the functional overlap between Human Resources and Civil Service, the City's budget does not separately identify civil service functions as an independent cost center. Rather, they are subsumed within the Human Resources Department's budget of approximately \$613,000. However, the potential cost savings of eliminating the City's Civil Service function can still be estimated.

The Department estimates that 3 human resources staff spend approximately two-thirds of their time on Civil Service functions (including the Director), and a fourth spends nearly all of his/her time on civil service-related paperwork. Additionally, there are the three part-time Commissioners. In total, it is estimated that the Civil Service function costs the City approximately \$150,000 per year in staff time and equipment. Transitioning to the County could potentially enable savings of \$75,000 to \$100,000 on a recurring basis.

There is precedent for moving civil service functions to the County. As noted, Niagara County already provides this service for 18 of its 20 municipalities (including one city, the City of North Tonawanda) and all school districts outside the City of Niagara Falls.

Statewide, only 36 of the 62 city governments have their own Civil Service Commission.

The most significant obstacle to transitioning Civil Service to the County would appear to be City officials, particularly department heads, believing that the municipal commission provides a more direct and higher level of service. With that comes a sense that the municipal commission is more flexible, responsive and efficient in processing requests and approvals than they perceive the County would be positioned to provide.

Tax Assessment

Section 579 of the Real Property Tax Law allows two or more assessing units located in the same county (or adjoining counties), having the same level of assessment, and having the same assessor, to enter into an agreement to become a Coordinated Assessment Program (CAP). Under this arrangement, the State Board of Real Property Services establishes identical equalization rates for all of the assessing units in the CAP. In addition to yielding standardization benefits, the CAP model can be particularly useful in spreading assessment costs between or among jurisdictions. For example, multiple assessing units in a CAP may be able to acquire professional assessment services that would otherwise be cost prohibitive were they acting separately. In addition, licensing fees for assessment software can be shared between municipalities, thus reducing the cost.

The CAP model also may represent an opportunity for further collaboration and efficiencies going forward. For example, a CAP (or series of CAPs) may serve as a building block for bringing all assessing units under agreement across the County in a way that enables standard levels of assessment and valuation standards.

With a local CAP, the City could also build on its comparatively robust assessment staff and capacity to provide assessment services to any of the surrounding towns on a contractual basis. Some of the surrounding municipalities have already expressed an interest in this option, which would also generate a new revenue source for the City.

If the City decides to pursue a local CAP, State aid is available through the Office of Real Property Tax Services within the Department of Taxation and Finance. The aid is provided in a one-time payment of up to \$7 per parcel.

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/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>.

County-wide Shared Services Property Tax Savings Plans

The FY 2018 State Budget empowers citizens and local leaders to control the cost of local government through the creation of County-wide Shared Services Property Tax Savings Plans. Each county will gather the mayors and supervisors in the county and develop a plan that generates real, recurring taxpayer savings. The plan 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 City should actively participate in the development of the Niagara County plan, taking advantage of this opportunity to find and implement shared services actions with other local governments in the County. Additional information on this initiative is available at https://www.dos.ny.gov/lg/countywide_services.html.

Efficiencies

Revaluation of Taxable Property

The City lacks a systematic, updated program of real property revaluation. As a result, its assessed valuations lag true market values. There has been a focus on the need for a City-wide property revaluation for some time. According to the report produced by the City Council's Financial Advisory Panel in November 2015, "The City Assessor stressed that the process to move toward a unified tax rate had to begin with a comprehensive, citywide property revaluation in order to determine true market values."

The last full reassessment in the City occurred in 2003; additional neighborhood-based updates were undertaken in 2004 and 2005.

The lack of a recent City-wide revaluation has compromised the City's ability to ensure ad valorem taxes are assessed on a fair and equitable basis. Moreover, and more directly impactful on the City's fiscal health, increases in value could be used to generate additional property tax revenue to sustain essential services.

In order to evaluate the extent of the disparity between assessed valuations and true market values, 656 total property sale transactions that were recorded in the City of Niagara Falls between January 3, 2015 and July 15, 2016 were analyzed. The overwhelming majority of the transactions – 74 percent – involved single family residential properties. The next-most transacted categories were two-family residential (11 percent of all transactions) and commercial properties (10 percent). The remaining transactions involved three-plus family residential (3 percent), vacant land (1 percent), community service (1 percent) and industrial properties (less than 1 percent).

In two particular categories – single family residential and commercial – there were material differences between sale prices (i.e. true market value) and the current taxable assessed value.

The City would gain significant benefit from a citywide revaluation of all properties (and across all categories). The City's current valuations result in assessments that are not consistently accurate. Moreover, the dated nature of the City's property data (particularly regarding commercial properties) prevents assessments from being kept accurate through regular updates. A full revaluation would enable the City to better manage and project trends within its taxable assessed valuation. This would ensure that property owners are being taxed fairly and equitably based on the true value of their property, as well as enable the City to add to its taxable base, and by default, revenue at a constant tax rate.

Category	Aggregate Sales	Aggregate Taxable Assessed Value	Difference	Revenue at Current Rate
Residential (All Types)	\$39.5M	\$34.5M	\$4.9M	\$88,420
Commercial	\$28.0M	\$19.0M	\$9.0M	\$310,044
Industrial	\$2.0M	\$1.1M	\$0.8M	\$28,513
Subtotal			\$14.8M	\$426,977

In the context of the City’s overall taxable assessed value, these transactions account for only a small share. The residential sales were equal to approximately 0.6 percent of City-wide homestead taxable value, and the commercial / industrial sales were equal to approximately 5.0 percent of City-wide non-homestead value. If the same average differential were present in other properties (i.e. those that were not involved in a transaction during the period reviewed) within each category, the following would result:

Category	Revenue at Current Rate
Residential (all types)	\$2.240M
Commercial/ Industrial	\$6.839M
Subtotal	\$9.079M

There are challenges to implementing a full revaluation. The largest is the concern that any revaluation will result in assessments that redistribute the property tax burden among property owners in the City, such that some tax levels will go up while others will go down. However, to the extent that a revaluation results in assessments that are true to market value, the outcome (tax shift or not) will produce a system that is fairer and more equitable than the one currently in place.

The largest implementation consideration involves cost. The City Assessor estimates the cost of a revaluation contract to be approximately \$700,000. For comparison, the Town of Amherst (in neighboring Erie County) contracted its revaluation of all parcels at a cost of \$600,000. Although Amherst’s parcel count (43,892) is nearly double that of Niagara Falls (22,947), the dated nature of Niagara Falls’s current valuations is likely to add complexity to the revaluation that will impact cost.

Consolidate City-wide Purchasing

The City lacks a coordinated procurement system, resulting in departmental inefficiencies and lost economies of scale. There is a purchasing division within the City’s administration, staffed by three FTEs and carrying an overall cost of \$276,000. However, the division’s involvement in the purchasing process is generally confined to form approvals and publishing of RFPs. All other purchasing tasks are handled independently by each department, including tracking commodity / supply needs, developing bid specifications, soliciting price quotes, and making the actual purchase decision.

The City’s purchasing agent estimates that Niagara Falls procures approximately 20 to 30 formal bids per year.

Because the purchasing process is so decentralized, staff resources in each department must be allocated to procurement. This is duplicative and could be delivered more efficiently City-wide through a central department empowered to coordinate the purchasing process. But more importantly, in some instances, the staff resources that departments are allocating to the purchasing process are more costly than dedicated purchasing staff would be (e.g. uniformed personnel in Police and Fire).

This lack of centralization prevents the City from taking advantage of economies of scale. With procurement decisions being made in a decentralized fashion, individual departments do not know what other departments in City government are buying. So where there may be

opportunities to produce bulk bids that drive down unit costs, or have one department take advantage of a more aggressive price secured by a separate department for a common item, those opportunities are not as apparent as they would be were the process centralized.

A consolidated purchasing division that serves all City departments would enable Niagara Falls to leverage economy of scale opportunities on common supplies and reduce the process duplication that currently results in each department.

There are primarily two potential impacts of a consolidated purchasing system. First, economy of scale opportunities. There were \$2.6 million in departmental-level purchases of commodities, services, and equipment (including leases) in 2016. The largest categories in terms of cost included automotive supplies, laundry / cleaning, and electronic-related items. Notably, many of the commodity / service categories had a large number of departments and cost centers separately making purchases. A review of City departments suggests that there are certain common items – especially office supplies, equipment and leases – that could provide unit cost savings if procured in a more coordinated fashion.

The second opportunity involves staffing in individual departments. At present, every department allocates some staff resources to the procurement process – timing, bidding, price solicitation, filing, etc. And in some cases, the staff performing these functions are high-cost personnel. Even if it is only a fraction of their time, this results in a material inefficiency on a City-wide basis. While we would not expect any department to reduce its staff level if purchasing were consolidated, such a move would allow already staff-challenged departments to ensure their personnel resources are more readily available to focus on mission-related tasks than on procurement.

The most significant implementation consideration involves technology. At present, the purchasing division does not believe it has the IT / systems capacity to assume City-wide procurement responsibility. A strategic investment, however, would position the City to transition to a more centralized approach over time. One opportunity to expedite the transition may be to collaborate with Niagara County and adopt a common software platform.

While it is likely that some departments may resist giving up control of their purchasing function, we would note that this decision would be a managerial prerogative and could be implemented by the City's administration.

Merge Planning, Environmental Services, and Community Development into Economic Development

The Department of Planning and Environmental Services is critical to the development of master plans and the capital planning needs of the City, including the maintenance of accurate mapping information. However, the lack of a permanent department head has eroded the quality of master planning and other capacity building functions.

The current lack of a permanent department head offers an opportunity to realign the department's structure and capitalize on synergies with Community Development. Merging Planning and Environmental Services into the Community Development Department would provide a more unified management structure, improve coordination and community-engaged planning, and better (and more strategically) support the City's economic development and neighborhood vitality goals.

At present, Planning and Environmental Services existing as a standalone department creates certain administrative / support tasks that could be reduced (or at least shared) if they were part of another department. The volume of activity performed should be weighed against the potential to absorb those tasks into existing comparable staff in Community Development and better deploy staff resources to more mission-critical functions.

Internal processes could be improved within and across departments in City Hall by having access to better integrated data associated with community planning efforts, comprehensive locations of City and public assets, and centralized mapping support services. External public processes could be improved with streamlined permitting and coordinated community and economic development and planning (residential and commercial) strategies.

Overlapping administrative and clerical tasks could be merged with other similar positions within the Community Development Department, potentially generating budget cost savings through the consolidation of at least a half-time position (estimated to be \$25,000 with benefits).

When Board staff discussed these initial options and suggestions with the City, the City appreciated the suggestion and believed, even further, that it should possibly consider merging Planning, Environmental Services, and Community Development into the City's Economic Development Department.

The City's administration is empowered to drive such a restructuring, as it sees fit, although there may be collective bargaining implications depending on the path chosen. Those details, as applicable, would need to be addressed as part of realignment.

Establish 311/ CitiStat Performance

Currently, data on service complaints received by individual departments and the corresponding status of the City's response are maintained in separate systems within and across City departments. Within the Department of Public Works alone, there are six different systems that track information and activity by property address, resulting in staff having to undertake a labor intensive, recurring process to aggregate and analyze data. As a result, multiple visits to the same property cannot be easily tracked across the department.

Additionally, Engineering and Code Enforcement are both sharing a system to track infrastructure assets in the public right-of-way and the condition of private property throughout the City. However, the data is maintained separately in the system by both departments and cannot be reliably or easily merged to present comprehensive data on a City-wide basis.

Currently, the 911 system is fielding non-emergency calls that could be more cost effectively and responsibly diverted to a 311 system to track the nature of the call and deploy City resources in a more strategic and time appropriate manner. The City Clerk's office maintains a central City information line.

From a management perspective, this lack of data organization and integration limits administrators in deploying resources most effectively. This has implications for service responsiveness and citizen engagement and makes it difficult to focus limited City resources.

The City would benefit from implementing a 311 / CitiStat-type performance tracking system to coordinate the City's various data management systems, provide timely and accurate information

to the public, track public inquiries and requests, track City responses to complaints, and maintain a cross-department management structure to deploy City resources that most efficiently meet service demand levels and effectively respond to needs.

The 311 system is a toll-free number reserved nationwide for non-emergency calls to police and other government offices, allowing residents to register quality of life complaints and concerns. 311 centers usually operate 24 hours a day, taking requests for services only within their designated jurisdiction. Viewed as a customer service improvement strategy, operators handle the intake of citizen concerns and electronically route service requests to the appropriate departments.

The CitiStat concept, which is built off a Baltimore initiative and traces its roots to New York City CompStat model, is a data-driven management system designed to monitor and improve the performance of city departments in real time. CitiStat uses basic, generally inexpensive computer software to track a myriad of government performance indicators. Administrators leverage this data to identify underperformance and press for improvements.

By attending to the numbers and carefully monitoring performance, City departments could be able to zero in on problem areas, spot trends, and allocate resources more efficiently.

This could generate internal process improvement through better shared data management, a more seamless and responsive community complaint tracking process, and better public service delivery across all City departments.

The public would receive the benefits of having one easy number to remember when they have a question or problem, being helped by the first person they talked to, and gaining 24-hour access to information about City services.

Additionally, 311 serves as an important public safety role, steering non-emergency calls away from 911, preserving the availability of the emergency system for callers truly in need of immediate attention. This decrease in volume has the potential to reduce emergency response times. The 311 system is deemed a very valuable tool for municipalities in the case of emergencies, such as hurricanes or winter storms.

Beyond having a sufficiently robust technology infrastructure, the cost to implement a CitiStat program is relatively small. The country's most well-known general municipal CitiStat effort in Baltimore had a start-up cost of approximately \$285,000, and a recurring cost of \$400,000 (most of which was staff salaries).

Convert Solid Waste Collection to Fee-Based Service

The City outsources its refuse, solid waste and recycling services to Modern Disposal. Under a five-year contract that began in 2014, City property owners receive trash collection services once per week and recycling services biweekly. Notably, the City recently implemented an overhaul in its recycling program, designed to increase awareness of the cost-effectiveness of diverting recyclable materials from landfill. As part of that effort, the City implemented a tote program.

In total, the City's waste disposal costs are budgeted at approximately \$3.5 million in fiscal year 2017. The majority of that cost is attributable to the Modern Disposal contract. Because the cost is contained in the City's General Fund, it is supported by property taxes.

The \$3.5 million refuse and recycling cost represents approximately over 10 percent of the City's total property tax levy in fiscal year 2017 (and more than four percent of the total General Fund). Not every property within the City is taxable, meaning that not every property is funding the service. Within Niagara Falls, those properties not paying for the service (or paying less than their full taxable valuation would have them pay) include nonprofits and tax abated properties.

Like many cities, Niagara Falls is home to a number of nonprofit, tax exempt institutions. A 2012-13 analysis by OSC (using data from the State Department of Taxation and Finance) found that among cities statewide, Niagara Falls had the 12th-highest incidence of tax exempt value as a percentage of total valuation (44.25 percent). The same analysis showed that Niagara County faces the same challenge, as it has the 5th-highest incidence among counties statewide (35.9 percent).

In order to address this issue, some cities have implemented user fees and accounted for them outside of the General Fund, typically as an enterprise fund. This approach would convert a General Fund, property tax supported operation to an assumingly self-supported enterprise operation. The rationale is that although tax-exempt properties do not pay directly into the property tax system, they do tap the municipal service delivery infrastructure. In some cases – particularly for larger institutions – that service impact can be material.

The City of Buffalo in neighboring Erie County successfully implemented a user fee based enterprise fund for refuse and recycling more than a decade ago. Under the fee program, costs related to the service are removed from the general fund (and, by extension, from the property tax) and shifted into a self-liquidating fund. Under the user fee framework, the City can charge all property owners an equitable rate, rather than just those who pay property taxes.

Converting to a fee-based enterprise fund approach would not directly impact the contract or cost structure the City currently has with its vendor, Modern Disposal. What it would do, however, is the following:

- ensure that every property that is receiving refuse and recycling service is paying equitably for them; and
- release the City's \$3.5 million property tax commitment to the service to return to property taxpayers. For most property taxpayers, this will be more than offset the portion of their property tax that currently goes to fund trash services. This will also reduce the City's reliance on the property tax and increase its available Constitutional taxing margin.

This funding framework could be established by the City Council with approval of the Mayor. Although this would broaden the base on which this cost would be spread, an important consideration in taking this action is that, depending on the fee structure, there may be instances in which taxpayers may pay more in fees than what they were in property taxes, particularly in residences with lower property values.

Franchise-Based Contract for Ambulance

Although the City's Fire Department provides first-response emergency medical service at the EMT – D level, ambulance and transport services with Niagara Falls are provided by a private vendor: Rural Metro/ AMR. The City does not operate any of its own ambulances. As a private

provider, AMR is permitted to bill residents directly for services rendered. In most cases, those bills are passed onto service recipients' insurance providers.

The City of Niagara Falls does not currently have a franchise-based contract in place with its ambulance provider. Other cities have successfully been able to secure franchise-based agreements with their providers, including AMR, to produce a two-fold benefit. First, such agreements can provide revenue to the City, both to provide general financial relief and reinvest in their own first-response capabilities. Second, contracts can include formal performance requirements that provide greater assurance to the City and its residents that this critical public safety function is being delivered in a high-quality manner.

The best regional example of a municipality entering into a franchise-based ambulance contract is the City of Buffalo. Also served by AMR, Buffalo recently renewed its ambulance services contract in August 2015. The five-year contract provided for the following:

- a minimum number of ambulances on duty within the City during peak and non-peak hours;
- specific provisions regarding response times to ensure that calls for service were addressed within an agreed-upon number of minutes; and
- alternative service and transportation options for non-emergency calls that require medical services but do not require a full ambulance;

Notably, the City of Buffalo's contract renewal with AMR increased the annual franchise revenue the City receives. Under the agreement, AMR's annual payment to the City was \$450,000 in 2015, growing to \$477,614 in 2019. A portion of the funding was to be invested in an oversight panel to monitor AMR's compliance with the performance terms of the contract.

Entering into a franchise-based service contract with AMR would provide two benefits to the City of Niagara Falls. First, it would create a revenue stream that the City is not currently receiving. Second, it would create an explicit set of performance criteria to ensure that the level of service being provided by AMR (or whichever other vendor may assume responsibility for the function in the future) is adequately matched to the City's needs.

Ambulance call volume in the City of Niagara Falls is almost certainly lower than that of the City of Buffalo. For that reason, it is highly likely that any franchise fee generated through a newly negotiated ambulance contract would be less than the \$450,000 paid to Buffalo last year. Given Niagara Falls' population relative to Buffalo's, we would estimate that the City may be able to generate \$85,000 to \$100,000 in recurring revenue through such a franchise agreement. As noted above, there are also potential service impacts through a new contract, including specific performance measures.

Any franchise-based contract would require approval of both the City and its ambulance vendor.

Recommendation: The Board recommends that the City continue to implement additional efficiency actions that will lower the annual cost of providing specific services. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City with implementing such efficiency actions. The specific structure and conditions of any such grants, which would be developed in consultation with the City, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board.

Workforce

Police Paid Officers Scheduling

The collective bargaining agreement between the City of Niagara Falls and the Niagara Falls Police Club, Inc. (NFPC) provides for a “4-on, 2-off” work week. The Police Superintendent determines the number of officers assigned to each shift and the number of teams on each shift. Presently, the superintendent maintains three teams on each shift platoon, with an average of six to 8 officers per team. Resulting staffing levels are approximately 19 A-shift officers, 21 B-shift officers, and 24 C-shift officers.

All other officers not assigned to a shift work a standard 8-hour day, 40-hour workweek. This includes the Roving Anti-Crime (RAC) Unit and the Traffic Division, both of which work a five-day week with two consecutive days off.

The City’s contract with the Captains and Lieutenants Association similarly provides for a “4-on, 2-off” schedule.

The “4-on, 2-off” schedule has the effect of increasing the size of the required workforce beyond what it would otherwise need to be. This is because under a “4-on, 2-off” schedule system, officers effectively work 136 fewer hours (or 6.5 percent less) on average than they would under a standard 40-hour schedule. That amounts to 17 fewer days per year, per officer.

Extrapolated to the City’s entire sworn officer workforce, the Niagara Falls Police Department’s “4-on, 2-off” schedule results in approximately 20,400 “lost hours” per year, or the equivalent of nearly 10.5 full-time equivalent officers. The same provision in the Captains and Lieutenants Association contract yields another 2,700 “lost hours” per year, equal to approximately 1.4 FTE command personnel.

Converting to a “5-on, 2-off” schedule for both officers and command personnel would save the City approximately \$1.1 million on a recurring basis.

Addressing this cost savings opportunity is subject to collective bargaining between the City and the Niagara Falls Police Club, Inc.

Police Command Staffing Levels

The City’s Police Department uses a captain assignment format that results in more captain-level personnel than necessary. The issue is greatest within the Patrol Division, where the Department assigns a captain on a 24/7 basis. In many peer departments, the standard approach would be to have a single captain overseeing the entire division, supported on a 24/7 basis by a team of lieutenants (who effectively serve as the patrol officer in charge in the Captain’s absence). By contrast, the City has a captain and a lieutenant assigned to the Patrol Division at all times.

In order to fully staff this framework, the Department employs four captains within the Patrol Division: one for each of the aforementioned shifts, plus one relief captain (a position that is technically based in the administration Division). In addition to these four captains, the Department places a captain atop each of its other divisions: administration, Criminal Investigation, Narcotics Intelligence, Crime Scene and Traffic.

The assignment of a captain to each patrol shift is provided via contract. Whereas the 1994-96 collective bargaining agreement provided that “the Superintendent of Police shall determine the number of supervisors assigned to each shift,” a memorandum of agreement between the City and union covering the period 2000-03 added a new section to the contract that provided that each shift have a captain.

Regaining management prerogative to determine supervisory staffing levels would enable the Police Department to reduce the number of captains within its Patrol Division. The Division would almost certainly be adequately staffed with half the current number of captains.

Reducing the current Patrol Division captain staffing level in half would generate approximately \$210,000 in recurring savings; reducing it further so that a single captain was overseeing the Division (i.e. reducing by three captains) would produce \$315,000 in savings.

Given that the City ceded management prerogative to determine captain staffing levels in the 2000-03 MOA, addressing this cost savings opportunity would be subject to collective bargaining between the City and the Niagara Falls Police Captains and Lieutenants Association. The union is currently out of contract, with the terms and conditions of employment preserved by Triborough Amendment to the most recent contract period, which expired December 31, 2013.

The City should pay particular note to the timing of this opportunity. A review of its current captain staff finds that all have service credit in excess of 20 years, with an average of 25.9 years. The age of the captain cohort ranges from 44 to 56 years, with an average of 50.3 years. It is likely that the City’s captain staff will begin turning over through natural attrition over the next 3-to-5 years.

Major Department Workforce Turnover and Health Benefits

The aging and retirement eligibility of the City’s workforce portends reasonably substantial employee turnover during the next decade, particularly in higher-cost departments like police and fire. This transition may offer the City an opportunity to negotiate more cost effective and flexible collective bargaining agreements that reduce costs and better empower managers to deploy resources according to service demand.

In total, the City of Niagara Falls reports 540 active employees. More than four-fifths of that total (446, or 83 percent) is concentrated in three departments: Police, Fire, and Public Works. The bargaining units representing sworn and civilian employees in these departments are also among the largest in the City: The Niagara Falls Police Club, the Niagara Falls Uniformed Firefighters Association (AFL-CIO Local 714), and the United Steel Workers of America (Local 9434-02).

An analysis of work tenure in each of these departments shows that as of December 2016, a material number of police and fire employees are retirement eligible. Moreover, within the next decade, significant shares of police, fire and public works employees will become retirement-eligible.

In the Police Department, the average number of years of creditable service among sworn personnel is 13.3, and the average age is 39.7. The corresponding numbers for all personnel (i.e. sworn and civilian) are all slightly higher – 13.8 and 41.3, respectively. The City of Niagara Falls provides retirement coverage through its Police Club contract through the State Police and Fire

Retirement System (PFRS). With at least twenty years of creditable service, employees are eligible to retire with a benefit equal to 50 percent of their final average salary.

At present, 31.5 percent of sworn personnel are retirement eligible. That figure grows annually, reaching 33.3 percent in three years, 38.9 percent in six years and 50.0 percent in nine years. Over the next decade, more than half of the Police Department's sworn workforce will be retirement eligible (or already turned over). The turnover in sworn police workforce has already begun, as evidenced by the fact that 11 sworn personnel have less than one year of creditable service. In total, 13.5 percent of the force has been hired within the past three years.

In the Fire Department, the average number of years of creditable service among uniformed personnel is slightly higher, at 14.4, and the average age is 42.4. As with police, the retirement coverage provided in the Uniformed Firefighters Association contract is through PFRS. At present, 32.8 percent of uniformed fire personnel have twenty or more years of creditable service. That figure grows annually, reaching 33.6 percent in three years, 38.9 percent in six years and 50.4 percent in nine years. It jumps further in ten years, when 60.3 percent will be retirement eligible. As with police, the turnover has already begun in the Fire Department – 11.4 percent of the uniformed workforce has fewer than three years of creditable service.

In Public Works, the average years of creditable service (14.6) and average age (49.4) is higher than police or fire, but retirement eligibility is lower. This, in part, is a function of the different retirement plans available to non-uniformed personnel. DPW employees participate in the State Employees' Retirement System (ERS), which requires more years of creditable service (and / or higher age) to qualify for pension benefits. At present, only 4.1 percent of the workforce is retirement-eligible. And while that figure grows more slowly over the next several years, there appears to be a window beyond five years. In five years, 25.4 percent will be retirement eligible, growing to 33.6 percent in six years, 38.5 percent in seven years and 42.6 percent in eight years. By the tenth year, more than half of the department workforce will be retirement-eligible. That figure is less than the proportion in the Fire Department, but higher than police.

The pending turnover the City will likely experience with these three workforces over the next decade offers an opportunity to negotiate on specific contractual cost drivers and restrictive work rules. Even if those negotiations are forward-looking in that they hold current employees harmless, this may be an opportune time to invest in efficiencies that will begin paying off in the relatively near term as the current workforce turns over.

The most obvious opportunity to leverage workforce turnover involves employee cost sharing on health insurance. At present, the City pays an extremely high 98.9 percent of health insurance costs for active employees. That amounts to approximately \$752,000 per month, or \$9.0 million of its \$9.1 million annual medical coverage bill. Employees pay the difference (i.e. 1.1 percent, on average). More recent collective bargaining agreements have made some headway in addressing medical costs. Within the three departments reviewed above – Police, Fire and Public Works – newer hires contribute five percent towards their health insurance premium. Within Police, that policy applies to hires since January 1, 2008. Within Fire, it applies to new hires as of August 30, 2010. Within Public Works, it applies to new hires since January 1, 2009. Still, the overwhelming majority of City employees are paying little to nothing toward their health insurance premiums. On a full-year basis, those premiums cost \$21,984 for a family plan and \$7,920 for a single plan.

Today, and largely as a result of these more recent changes, slightly more than 22 percent of employees contribute something to their health insurance premium. With the exception of three

exempt employees (who contribute 20 percent), those contributing employees are paying 5 percent.

The implications are largely dependent on the specific contractual provisions the City may wish to negotiate, as well as any one-time buyout investment that may be required to secure the support of collective bargaining units and their members.

As noted above, health insurance cost sharing is the most obvious area of focus in terms of providing material financial relief to the City. As a frame of reference for potential savings impacts, consider the following scenarios.

If health insurance contributions for all active employees were increased, the City would realize significant financial relief on an immediate and recurring basis. Increasing the current contribution level to a modest five percent (for all staff) would generate \$353,000 in savings. A more aggressive adjustment to 15 percent would create savings of \$1.3 million, reducing the City's own cost liability by more than 15 percent.

Conversely, if health insurance contributions were increased only for new hires, the analysis presented earlier in this section on pending workforce turnover offers a frame of reference for analyzing potential savings impacts. Compared to the City-wide example above, the savings accrue much more slowly, of course. At an assumed 15 percent contribution level, the City would realize recurring savings of nearly \$400,000 by year five; the savings would grow to nearly \$670,000 at a 25 percent contribution level. By year ten, the savings would be \$635,000 at a 15 percent contribution level, compared with \$1.1 million at a 25 percent contribution level.

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 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.

Recommendation: The Board recommends that the City continue to implement workforce actions, including but not limited to actions targeted toward fringe benefits and retiree costs, 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 assist the City with implementing such workforce actions. The specific structure and conditions of any such grants,

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

Economic Development

FY 2018 State Budget Actions Will Assist the City's Economic Development Climate

The FY 2018 State Budget includes a number of initiatives that will grow the economy within the City of Niagara Falls 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 2018 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 continuation of three initiatives: BRIDGE NY, PAVE NY, and the Extreme Weather Infrastructure Hardening Program.

- The BRIDGE NY program provides \$1 billion to replace, rehabilitate and maintain State and local bridges over a five year period.
- The PAVE NY program provides \$1 billion to State and local paving projects over a five year period and is distributed according to the Consolidated Local Street and Highway Improvement Program (CHIPs) formula. The City of Niagara Falls will receive \$320,000 in FY 2018 as part of this program.
- The Extreme Weather Infrastructure Hardening Program provides \$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.

Clean Water Infrastructure

The FY 2018 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 protect public health, safeguard the environment, and preserve the State's water resources. These projects will improve the quality and safety of municipal drinking water distribution, filtration systems, and wastewater treatment infrastructure.

Regional Economic Development Councils

To build on the success of the Regional Economic Development Council (REDC) and Upstate Revitalization Initiatives (URI), the FY 2018 State Budget continues this locally-driven economic development approach for a seventh round of REDC awards. Round VII of the Regional Council Initiative will include \$750 million to be split competitively among each of the State's ten regions.

During the 2016 awards process, the following project within the City of Niagara Falls was awarded \$300,000 thousand in funding:

- \$300,000 – The Aquarium of Niagara constructed a new penguin exhibit for its colony of Humboldt Penguins. The new exhibit is to attract additional visitors of all ages to the facility and Niagara Falls.

Downtown Revitalization Initiative Round II

The FY 2018 State Budget includes \$100 million for Round II of the Downtown Revitalization Initiative. The Initiative was created in FY 2017 to support transformative housing, economic development, transportation, and community projects to attract and retain residents, visitors, and businesses to downtowns. The first round awarded \$100 million last year to ten communities that are currently experiencing population loss or economic decline to develop revitalization plans for their downtown area, developed in collaboration with policy and planning experts.

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 land banks in 2011, and the number of authorized land banks was increased to 25 as part of the FY 2018 State Budget. 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 20 approved land banks in New York State, including the Buffalo Erie Niagara Land Improvement Corporation.

The Board finds that the City of Niagara Falls should seek to work with 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 that could serve as a tool for combatting blight in the most affected areas of the region.

Of note, the Attorney General recently announced that the City of Niagara Falls would receive funding through the Cities for Responsible Investment and Strategic Enforcement ("Cities RISE") program for a two-year subscription to a data platform designed to integrate and analyze data such as code enforcement records, tax liens, fire, and police data. The program is intended to transform vacant or poorly maintained problem properties through the use of housing and community data from various State agencies.

Fiscal Performance and Accountability

Multi-Year Financial Plans

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

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

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

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

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

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. If the City agrees to abide by and implement this recommendation, the Board may award a grant to assist the City and its neighboring governments with implementing such shared services plan.
- The Board recommends that the City continue to implement additional efficiency actions that will lower the annual cost of providing specific services. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City with implementing such efficiency actions. The specific structure and conditions of any such grants, which would be developed in consultation with the City, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board.
- The Board recommends that the City continue to implement workforce actions, including but not limited to actions targeted toward fringe benefits and retiree costs, 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 assist the City with implementing such workforce actions.

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

* All city rankings in this report exclude New York City

Appendix A – Letter and Resolution from the City of Niagara Falls



Paul A. Dyster
Mayor

City of Niagara Falls, New York

P.O. Box 69, Niagara Falls, NY 14302-0069

City Hall
745 Main Street

OFFICE OF THE MAYOR
Telephone: (716) 286-4310

Website: www.niagarafallsusa.org
e-mail: paul.dyster@niagarafallsny.gov

Phone: (716) 286-4310
Fax: (716) 286-4349

August 24, 2015

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

Dear Chairman Megna:

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

Respectfully submitted,

PAUL A. DYSTER
Mayor

cc: Members of the City Council
Carol Antonucci, City Clerk

I hereby certify that the following is an excerpt from the Minutes of the City Council Meeting held on July 20, 2015:



City of Niagara Falls, New York

P.O. Box 69, Niagara Falls, NY 14302-0069

OFFICE OF THE MAYOR
Telephone: (716) 286-4310

July 14, 2015

The City Council
Niagara Falls, New York

RE: Financial Restructuring Board

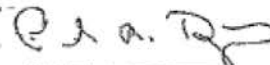
Council Members:

In correspondence to the City Administrator dated October 9, 2013 the State of New York Financial Restructuring Board for local governments notified the City that the City of Niagara Falls is a municipality that is fiscally eligible to participate in this new program. Attached is a copy of that correspondence and an explanation of the program. Upon request by the City, the Board may undertake a comprehensive review of the City's finances and operations and recommend ways to improve its fiscal stability and the delivery of public services.

The Board also has the ability to offer grants and/or loans of up to \$5 million dollars in this regard. If the City, with Council approval at that time, agrees to undertake the Board's recommendations, it would be contractually bound to fulfill those terms in order to receive the aforementioned aid.

Will the Council so approve and authorize the Mayor to execute any pertinent agreements in order to obtain the review and recommendations of the Board?

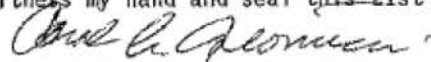
Respectfully submitted,


PAUL A. DYSTER
Mayor

Council Member Anderson moved that the communication be received and filed and the recommendation approved.

Yeas - 4
Council Members Anderson, Grandinetti, Walker and Chairman Touma
Nays - 1
Council Member Choolokian
APPROVED

Witness my hand and seal this 21st day of August, 2015


Carol A. Antonucci, City Clerk

Appendix B – Resolution Approving the City of Niagara Falls

Financial Restructuring Board for Local Governments

RESOLUTION No. 2016-09

APPROVING THE REQUEST FOR A COMPREHENSIVE REVIEW FROM THE CITY OF NIAGARA FALLS

WHEREAS, pursuant to New York State Local Finance Law section 160.05(2)(a), the Board of the Financial Restructuring Board (the "Board") must find that the City of Niagara Falls (the "City") is a Fiscally Eligible Municipality because it has an average full value property tax rate of \$20.143 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. 2016-09

Dated: 6-20-16

