



City of Syracuse Comprehensive Review Report

**Financial Restructuring Board
for Local Governments**

June 2019

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Overview

The City of Syracuse is a large Upstate city, one of the State's Big Five Cities, located in Onondaga County. With a population of 145,170 at the 2010 Census, it is the fourth most populous city in New York State.* 2017 expenditures of \$321.6 million were the fourth most of all reporting cities. 2017 expenditures per capita were \$2,215, 28th highest of reporting cities and slightly higher than the \$2,181 median of reporting cities.

The City is governed by a ten-member Common Council, including a Council President, and a Mayor. The President and four Councilors are elected city-wide for four-year terms, while the remaining five members are district councilors elected within each of the five Common Council districts, serving two-year terms. Term limits prohibit the Council President and Councilors from serving more than eight years in the same seat, and Council districts are based on population figures received from the Federal decennial census, with each district containing not less than 17-nor more than 23-percent of the population. In any given year, two at-large Council seats are elected, while every other year the remaining seats are elected.

The Mayor is elected every four years with a two-term limit, and the current Mayor is the Honorable Ben Walsh, who took office in 2018.

The Common Council adopted, and the Mayor concurred with a resolution requesting a Comprehensive Review by the Financial Restructuring Board (see Appendix A). On June 13, 2018, the Financial Restructuring Board approved this request for a Comprehensive Review with Resolution No. 2018-11 (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.

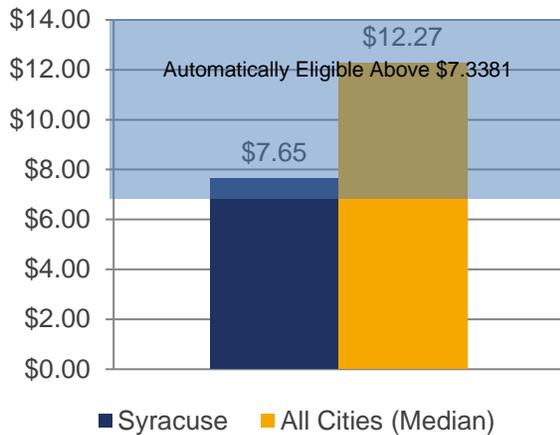
Background

Fiscal Eligibility and Stress

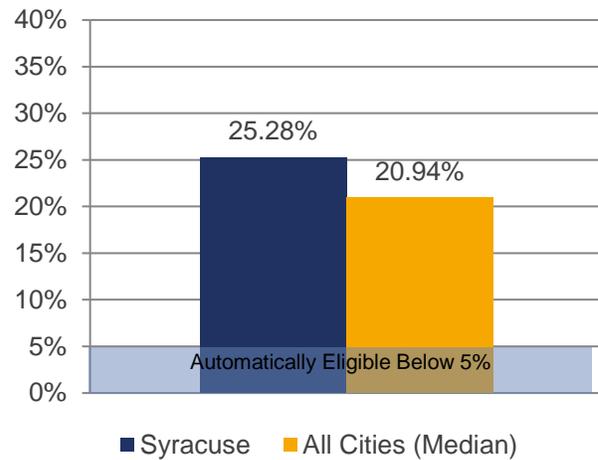
The City of Syracuse is automatically considered a Fiscally Eligible Municipality because its Average Full Value Property Tax Rate (2012-2016) of \$7.6489 per \$1,000 is above \$7.33871 per \$1,000 – the 75th percentile for all municipalities. This is the 11th lowest for all cities.

The City has an Average Fund Balance Percentage (2012-2016) of 25.05 percent, which is above 5.0 percent. This is 16th highest for all cities.

Average Full Value Property Tax Rate



Average Fund Balance Percentage



* All city rankings in this report exclude New York City

The Office of the State Comptroller's (OSC) Fiscal Stress Monitoring System gives the City of Syracuse a Fiscal Rating of "No Designation" with a score of 30 for 2017, down from 39.2 in 2016 (the City filed their OSC data recently, but the system does not yet report a score for 2018). The factors contributing to this score include a low cash ratio and soft overall cash position, high short-term debt compared to expenditures, the issuance of short-term debt each of the last three years, and high personal service and benefits costs compared to revenues over a three-year average.

OSC's Fiscal Stress Monitoring System gives the City an Environmental Rating of "Significant Environmental Stress" with a score of 63.3 for 2017 (the City filed their OSC data recently, but the system does not yet report a score for 2018). Negative environmental factors contributing to this score include: a loss in population between 2011 and 2016 estimates (-0.83 percent), a high proportion of households with public assistance (31.65 percent), low change in median home value from 2011 to 2016 compared to the change in the consumer price index (6.26 percent compared to 8.7 percent), low household income (\$32,704), a high unemployment rate in 2016 (10.7 percent), and a high reliance on State and Federal aid over a three-year average (31.81 percent of total revenues).

Demographic and Socioeconomic Profile

The City's population decreased by 1.5 percent to 145,170 from 2000 to 2010. In contrast, the typical city's population grew 0.5 percent over that same period.

The City of Syracuse's median household income in 2016 was \$32,704, which is less than the typical city's median household income of \$35,731.

The City's median home value of \$89,900 is less than the median home value of the typical city of \$136,300. Its property value per capita in 2016 was \$30,953-- the 20th

Population Change



lowest of all cities in the State-- and its four-year average change in property value was 4.3 percent. The City's 2016 unemployment rate was 10.7 percent, and the percentage of households on public assistance was 31.7 percent in 2016.

Sociodemographic data provide important context for understanding the City of Syracuse and the fiscal challenges that it faces. In the City, 32.4 percent of residents live with incomes below the federal poverty line. This percentage is significantly higher than Onondaga County as a whole (13.9 percent), New York State (14.1 percent) and the nation (13.4 percent). Nearly half of City children, 47.4 percent, live in poverty.

Poverty also is heavily concentrated along racial and ethnic lines. A 2016 study by Rutgers University found that of the nation's 100 largest metropolitan areas, Syracuse had the highest rate of extreme poverty concentrated among African-Americans and Hispanics. Poverty is likely reflected in the performance of the City's school district, where, in 2016, the four-year graduation rate exceeded 60 percent for the first time in 10 years.

Organization and Finances

Organizational Profile

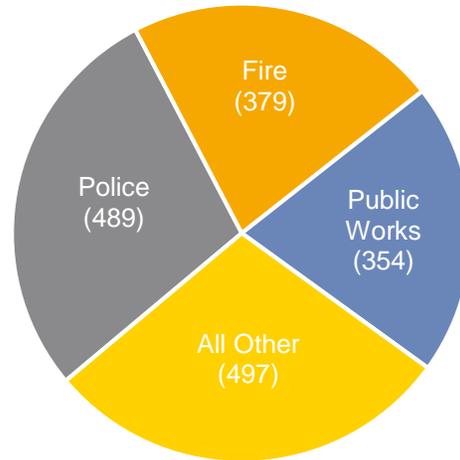
The City of Syracuse is governed by a ten-member Common Council and an elected Mayor. Four members of the Council are elected city-wide for four-year terms and five members are elected from districts for two-year terms. In any given year, two at-large Council seats are elected, while every other year the remaining seats are elected.

The City has several primary departments: Law Department, City Clerk, Department of IT, Department of Budget, Department of Engineering, Department of Public Works, Police, Fire Department, Department of Assessments, Department of Parks, Department of Personnel, and the Department of Finance.

As of the 2019 adopted budget, the City had 1,719 FTEs (excluding the City Council), down 1.3 percent since 2013. The City Police Department has the most employees at 489, followed by the Fire Department at 379. The Department of Public Works has 354 employees. Together, these three departments account for 71 percent of the City's total full-time workforce.

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

2019 City of Syracuse Full-Time Equivalents by Department



Labor Contracts							
Union	Contract Status	Contract Expiration	% Salary Increases				Health Insurance Cost Share (Average)
			2017	2018	2019	2020	
Police Benevolent Association	Expired	12/31/2017	2%	-	-	-	10.40%
Firefighters IAFF Local 280	Current	12/31/2020	4%	2%	2%	2%	12.00%
Deputy Chiefs of Fire	Current	12/31/2020	4%	2%	2%	2%	16.40%
CSEA Local 7801-00	Current	12/31/2020	2%	2%	2%	2%	6.90%
CSEA Local 7801-02 (Crossing Guards)	Current	6/30/2016	0%	2%	2%	2%	5.70%
AFSCME Local 1773 (Crew Leaders)	Current	12/31/2020	2%	2%	2%	2%	7.60%
AFSCME Local 400	Current	12/31/2020	0%	2%	2%	2%	6.60%
AFSCME Local 3952 (Middle Managers)	Current	12/31/2020	2%	2%	2%	2%	10.10%
Skilled Trades	Current	12/31/2020	2%	2%	2%	2%	13.50%

Labor Contracts

Nine collective bargaining units represent the bulk of the City's unionized workforce, each with varying contract terms and salary arrangements. Seven units have contracts that will expire at the end of the 2020 calendar year (Syracuse Firefighters Association Local 280, Deputy Chiefs of Fire (IAFF 280), CSEA 7801-00, the Central and Northern New York Building Trades, and AFSCME Locals 1773, 400 and 3952). Several of these agreements were reached in summer or fall of 2018 under the Walsh administration. The City also reached a retroactive agreement in September 2018 with the Syracuse Police Benevolent Association for 2016 and 2017, but there is no current agreement in place.

Recent agreements have provided comparatively modest salary increases. For units with current contracts, the agreements include increases of 2 percent each in 2018, 2019 and 2020. The most recent agreements with police and deputy fire chiefs provided increases of 2 percent for 2016 and 2017. Crossing guards also received raises of 2 percent each in 2014, 2015 and 2016 under their most recent contract.

Employees in most bargaining units are eligible for time-and-a-half overtime pay for work above and beyond their standard schedules (or higher rates in special circumstances, such as being called to work during a scheduled vacation). Employees also generally have the option of earning compensatory time off at the same time and-a-half rate in lieu of overtime pay.

Caps on banking unused compensatory time vary among bargaining units, but banked hours typically can be paid out upon an employee's departure or retirement. Police can be compensated for up to 480 hours under an arbitration award issued in 2003. Firefighters can bank up to 480 compensatory hours and access a maximum of 220 per calendar year; crew leaders under AFSCME Local 1773 can bank 80, while AFSCME Local 400 can bank no more than 40.

Health Insurance

All units pay a percentage of monthly premium costs for health care, ranging from 6 percent to 22 percent, depending on the bargaining unit and the type of coverage. For individual plans, members of the Crossing Guards pay the least (8 percent), followed by CSEA 7801-00 and AFSCME Local 400 (9 percent). Deputy Chiefs of Fire pay the most (22 percent). All unions pay a smaller percentage for family coverage than individual plans. Family premium contributions are as little as 6 percent (Crossing Guards) or 7 percent (CSEA 7801-00, AFSCME Local 400) and as much as 16 percent (Deputy Fire Chiefs). Among public safety employees, police pay 14 percent of the monthly premiums for individual plans and 10 percent for family plans, while firefighters pay 16 percent and 12 percent, respectively.

Retirees eligible for Medicare must enroll into the City's Employer Group Medicare C plan and contributions may be reduced at that time. Non-Medicare eligible retirees are enrolled into the City of Syracuse retiree benefits and generally pay the same percentages for premiums. Deductibles for health coverage apply for out-of-network, and typically are capped for individuals at \$50 (for retirees) and \$125 (for active employees); and are capped for families at \$150 (for retirees) and \$375 (for active employees). Co-pays for doctor visits are \$15 for retirees, and \$25 for active employees. Most bargaining units pay 15 percent of the premium for an individual dental plan or 18 percent for family dental coverage. Vision care is provided at no cost, if employees are enrolled in the health benefit (active employees). For the most part, active employees have a co-pay of \$25 for brand-name prescription medications and none for generic versions of the same drugs. Non-Medicare retirees have a co-pay of \$15 for brand-name prescription medications and a co-pay of \$5 for generic versions of the same drugs.

Retirement

City police and firefighters are eligible for 20-year retirement plans under the Police and Fire Retirement System (PFRS). Members of both units may retire with 50 percent of their final average salary after 20 years of creditable service at any age, per Section 384-d of state Retirement and Social Security Law. The City in the mid-1990s made 384-e available for a finite period of time, which provided additional benefits to retirees for each creditable year of service beyond 20 years. Deputy Chiefs of Fire also are eligible for 20-year retirement plans under Section 384-d of state Retirement and Social Security Law. Syracuse opted into the State's one year final average salary for the purposes of retirement for the fire bargaining units, which allows salary calculations using either the member's last year of service, or the three-year average, whichever is greater. Police union members' pensions are calculated based on the three-year final average

salary, which is also used by the State . The calculation includes regular salary, overtime, holiday and longevity payments. Unused sick and vacation time are not considered. Other bargaining units are members of the New York State Employees Retirement System.

Paid Time Off

Paid time off arrangements vary among bargaining units. Police and firefighters are eligible for 160 hours of sick time between their first and fifth years of service, or 20 eight-hour work days. This increases with length of service to a maximum of 280 hours for union members who have worked more than 16 years. Police and firefighters can bank up to 1,040 sick hours (or 130 days).

By contrast, AFSCME Local 400 members accrue one day of leave for each month of service, meaning that an employee with five years of service would be eligible for 60 hours in their fifth year, 120 in their 10th, and so on. CSEA employees earn 1.25 days of leave per month of service after their first year on the job, with the option to bank up to 230 days, and have the option to cash out any unused sick days in excess of 165 at retirement for a maximum of \$1,950. Some units, including police and firefighters, have sick leave incentives offering payments for perfect attendance.

Vacation accruals also vary across bargaining units. Police accrue 15 days, or three weeks, of vacation time in each of their first 4 years with the department; 18 days in years 5-9; 20 days in years 10-14; and 25 days in years 15-20. Firefighters who work 10- and 14-hour shifts accrue 11 shifts of vacation time in years 1-4; 15 shifts in years 5-14; and 16 shifts after 15 years. Members of CSEA Unit 7801 accrue 2 weeks of vacation in their first year, with accruals increasing at the 5, 8, 11, 13, 15, 20 and 25-year marks to a maximum of 5 weeks and 1 day. AFSCME Local 400 has fewer tiers of longevity for determining vacation time, but the minimum and maximum accruals are similar to CSEA.

Generally, unused vacation time can be paid out upon retirement or separation, along with unused holidays. While the police and fire contracts do not directly address any limit on accumulating vacation time, other agreements do impose restrictions; the AFSCME and CSEA contracts, for example, cap vacation accruals at 20 days.

Personal leave is generally limited in most City contracts, providing 2-3 days per year for most bargaining units.

Police and Firefighter Disability

Contracts for police and firefighters outline similar processes for paid leave related to injuries and illnesses sustained in the line of duty. In 2018, the City recorded approximately 18,000 hours of police injured on duty time, equivalent to approximately 9 FTEs. As of October 2018, the department had 414 uniformed employees, suggesting a relatively small share of uniformed police out on disability.

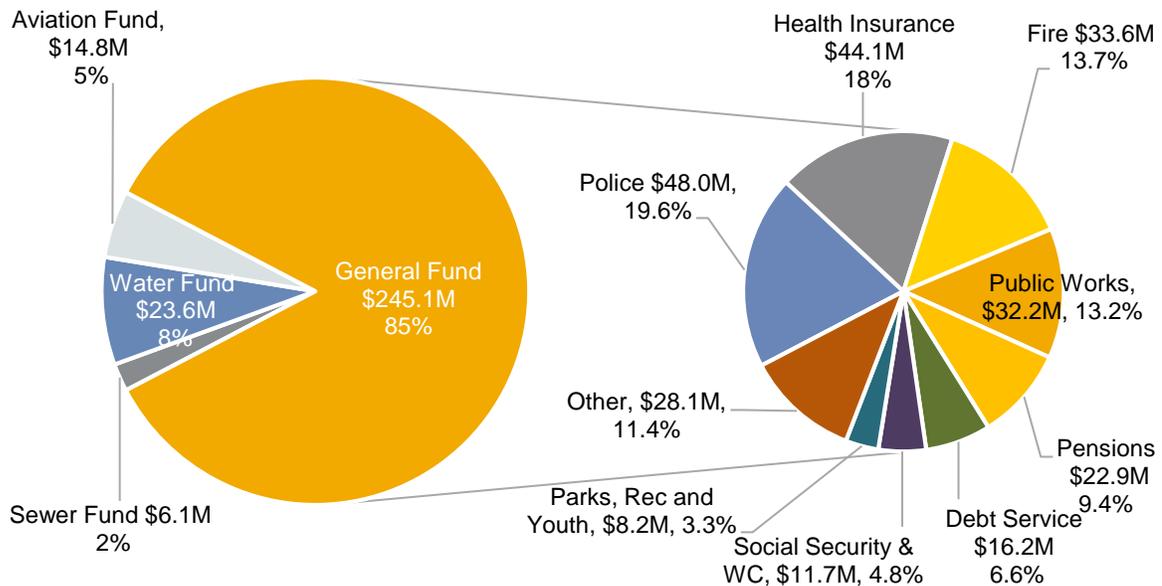
For both units, members are required to notify a supervisor within 24 hours of an injury or illness and file an application for benefits within 72 hours. Members may be referred to light duty while their application for benefits is pending, unless they produce a medical report showing they are unable to work. The relevant department chief must render a decision within 60 days of receiving all necessary information.

In the case of a denial, the member has 30 days to provide additional information or appeal to an arbitrator. In the case of police, the arbitrator will be selected mutually by police and the union; for firefighters, the arbitrator is selected by the City from a preestablished list. Any further review beyond the arbitrator's decision would be subject to a formal arbitration process

Budget Profile

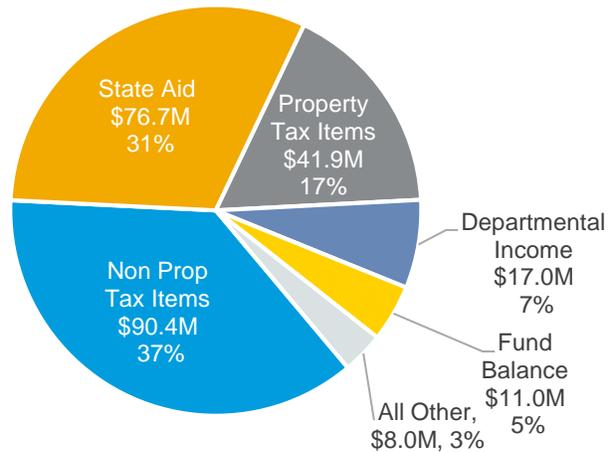
The City's FY 2019 All Funds Adopted Budget totals \$286.2 million. The City's main funds (non-school) include the General Fund, Water Fund, Aviation Fund, and Sewer Fund. The General Fund accounts for 85 percent of the City's expenditures. For the General Fund, the largest expenditure area is for police, at \$48.0 million, followed by health insurance at \$44.1 million, fire at \$33.6 million.

2019 City of Syracuse Expenditures



The FY 2019 General Fund revenue sources include: 37 percent from non-property tax items; 31 percent from state aid; 17 percent from property tax items; and 7 percent from departmental income. The property tax levy for the City-side budget is \$34.7 million (\$100.5 million levy in total), which is up 0.7 percent from 2018 and within the Property Tax Cap. For FY 2019, the City exhausted 70.5 percent of its Constitutional Tax Limit, after exclusions, which is down from 73 percent in FY 2016, and which is lower than Yonkers (92.3 percent) and Rochester (80.7 percent). The City's Constitutional Tax Margin remaining is \$27.7 million.

2019 City of Syracuse General Fund Revenues



The City had \$353.6 million in total outstanding debt in 2017, down 3.8 percent from \$367.6 million from 2016.

Expenditures

The FY 2019 budget includes \$286.2 million in net all funds expenditures, down 1.7 percent from the prior year. As noted, the General Fund was the largest single fund in the budget. At \$245.1 million, it is down 1.2 percent from FY 2018 and has grown by only 1.9 percent since FY 2015.

Within the General Fund, the largest functional cost centers are police (19.6 percent), fire (13.7 percent) and public works (13.2 percent).

Health insurance and pensions are also material costs. Medical insurance is budgeted at \$44.1 million in 2019, representing 18 percent of the General Fund. Overall, insurance costs are down 5.6 percent from FY 2018 but up 6 percent over the two prior years. Since 2009, the cost of health insurance has increased 24 percent.

Pensions, both for the Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS), are budgeted at a combined \$22.9 million in 2019, representing 9.4 percent of the General Fund. This represents a decrease of 5.3 percent from 2018. Since 2009, combined pension costs have increased 62.7 percent, rising from a total of \$14.1 million.

Fiscal Performance and Fund Balances

Despite its continual reliance on fund balance to balance operating budgets, the City has never come close to using the full appropriated amount of fund balance as planned at budget adoption, and in FY 2018, the City used zero of a planned \$16.5 million appropriation.

City of Syracuse Fund Balance (\$ in millions)						
	Actual				Budget	Budget
	2015	2016	2017	2018	2019	2020
Planned Use of Fund Balance	\$20.2	\$9.2	\$12.1	\$16.5	\$11.0	\$8.1
Actual Use of Fund Balance	\$10.6	\$3.5	\$2.4	\$0.0	TBD	TBD
Unassigned Fund Balance	\$47.5	\$40.0	\$35.9	\$42.2	TBD	TBD
Total Fund Balance	\$58.7	\$55.2	\$52.8	\$53.6	TBD	TBD

The regular reliance on reserves in the budget development process is, to some degree, evidence of a structural gap, in that the City is dipping into its “savings account” to offset recurring expenses. The City’s General Fund has finished in a deficit four consecutive years from FY 2014 through FY 2017, with a combined shortfall of over \$20 million over that period.

During the City’s FY 2019, they projected baseline gaps of \$14 million for FY 2020, \$15 million for FY 2021, \$17 million for FY 2022, and \$14 million for FY 2023.

For the FY 2020 budget, the City Council authorized utilization of \$7.8 million from its fund balance to cover the revenue shortfall. Adopted Budget revenues for the FY 2020 budget are 4.5 percent higher compared to FY 2015, and expenditures are 5 percent higher. Each increased at an average annual rate of 0.9 percent and 1 percent, respectively. While the limited revenue growth may not be ideal, the City has kept budgeted expenditure increases in check.

The amended budget decreased the tax levy by \$1.5 million from the initial proposed budget, largely due to increased receipts for various budget lines on the City side of the budget (\$600,000) and an increase in fund balance usage and miscellaneous revenues on the School side (\$900,000). The decreased tax levy keeps Syracuse under the City’s levy limit pursuant to the State’s property tax cap, which will preserve the STAR property tax credits and exemptions.

Credit Ratings

In June 2019, Standard and Poor's upgraded its outlook on the City's A rating for its general obligation debt, from negative to stable. At the same time, Moody's Investor Services maintained its stable outlook on its A1 rating for the City. According to Standard and Poor's, the outlook upgrade reflects "the City's positive FYE 2018 results, coupled with revenue growth, as well as immediate and long-term expense controls. The rating service expects the city will likely maintain positive operating results over the long-term, continue to build reserves, and address deferred capital needs and long-term liabilities." These notes from Standard and Poor's indicate the City has made progress on several of the concerns, including recent and projected operating deficits and limiting operating revenue, that other rating agencies have mentioned in previous rating actions in 2018 and 2017.

For instance, in June 2018, Moody’s Investors Service affirmed the City’s A1 issuer and general obligation limited tax debt ratings and assigned a stable outlook. “The A1 rating reflects the city’s sizeable, stable tax base characterized by strong institutional presence, below average resident wealth and incomes, and modest tax base growth,” Moody’s noted. “The rating further incorporates the city’s satisfactory financial position that will likely narrow given recent and

projected operating deficits and limited operating revenue raising flexibility. The rating also takes into account the city's elevated debt burden and reliance on economically sensitive sales tax revenue.”

And in June 2017, Fitch Ratings assigned an A rating to the City's limited tax general obligation bonds and affirmed an A rating on its outstanding GO debt. In documenting its rating, Fitch noted the City's “satisfactory reserves relative to revenue volatility and budget flexibility, moderate long-term liability burden, and limited prospects for economic and revenue growth.” Fitch further cited that “State support has aided revenue growth and maintenance of sizable general fund reserves, although recent financial results have yielded operating deficits.”

Property Tax Levy Trend

According to data published by the State Comptroller's Office, Syracuse's exhausted tax limit percentage decreased slightly from 73 percent in fiscal 2016 to 70.5 percent in FY 2019. Syracuse's 70.5 percent tax margin utilization compares favorably to both Yonkers (92.3 percent) and Rochester (80.7 percent), though it is slightly higher than Buffalo (64.7 percent).

In addition to the constitutional property tax exhaustion, as detailed in the chart below, Syracuse also compares favorably to its peers in terms of its non-school property tax rate (full value).

Big 4 Cities Tax Rates (2018)			
Entity	City Levy	City Taxable Full Value	Full Value Tax Rate (Levy per \$1,000 Full Value)
City of Buffalo	\$68,795,242	\$9,168,971,499	7.50
City of Rochester	\$55,349,400	\$6,450,303,764	8.58
City of Syracuse	\$34,465,755	\$4,650,183,646	7.41
City of Yonkers	\$110,516,902	\$17,473,298,926	6.32

From FYs 2014 to 2017, the tax levy increased a modest 1.9 percent total. PILOTs and other tax-related payments decreased 19.7 percent from FY 2013 to 2014, from \$8 million to \$6.6 million, and then declined at a slower pace to \$6.4 million as of FY 2017.

Presently, the City has a remaining constitutional taxing margin of approximately \$27.7 million. The annualized growth rate over the past eight years has been 0.4 percent.

City of Syracuse			
Property Tax Levy (by fiscal year)			
Year	City	School	Total
2011	\$ 33,212,083	\$ 64,094,544	\$ 97,306,627
2012	\$ 33,212,083	\$ 64,094,544	\$ 97,306,627
2013	\$ 33,515,813	\$ 64,617,911	\$ 98,133,724
2014	\$ 33,458,318	\$ 64,474,433	\$ 97,932,751
2015	\$ 33,863,632	\$ 64,307,232	\$ 98,170,864
2016	\$ 33,928,036	\$ 64,388,976	\$ 98,317,012
2017	\$ 34,287,711	\$ 65,031,875	\$ 99,319,586
2018	\$ 34,465,755	\$ 65,334,787	\$ 99,800,542
2019	\$ 34,706,575	\$ 65,754,995	\$ 100,461,570
CAGR	0.55%	0.32%	0.40%

Non-Property Tax Items

As a category, non-property tax items represent the largest share of the City's General Fund. However, a single item – sales tax – accounts for the vast majority. Of the \$90.4 million in non-property tax items included in the FY 2019 budget, \$85.7 million (94.8 percent) is attributable to sales tax revenue sharing with Onondaga County. Sales tax distributions have been a consistent source of increasing funds for the City in recent years due to a revenue sharing agreement with Onondaga County. New York State receives half the proceeds of the County's 8 percent sales tax; the County distributes the remainder to the City and other municipalities. Under an agreement extending from FYs 2011 to 2020, the County gradually increased the City's share from 19.5 percent in FY 2011 to 24.5 percent in 2016. City sales tax revenue increased from \$62.9 million in FY 2011 to \$81.3 million in FY 2016, and from 27 percent of general revenues to 34 percent. The annualized growth rate of the City's sales tax revenue has been 3.9 percent, nearly ten times the growth rate of the City's property tax levy.

Onondaga County Sales Tax Revenue Sharing	
Year	Amount
2011 Actual	\$ 62,910,555
2012 Actual	\$ 77,088,340
2013 Actual	\$ 76,140,101
2014 Actual	\$ 78,953,739
2015 Actual	\$ 82,152,727
2016 Actual	\$ 81,329,539
2017 Actual	\$ 81,418,802
2018 Actual	\$ 87,057,793
2019 Budget	\$ 85,696,849
CAGR	3.94%

Clearly, this growth has kept the City's levy significantly lower than it otherwise would be.

In FY 2018 the City's fund balance was \$53.6 million, versus general fund expenditures of \$240.2 million, which represents a fund balance of 22.3 percent of their expenditures. The City's Full Value Tax Rate (levy per \$1,000 full value) of \$7.41 ranks as the 8th lowest amongst cities throughout the state. City's sales tax revenue continues to be a driver, amounting to 35 percent of the City's annual expenditures.

The City should continue to seek opportunities for cost savings, particularly through negotiations with labor and through efficiency programs. The City should look to increase their general fund balance, while lessening their reliance on filling holes in their annual budget on that fund balance.

Fiscal Outlook and Summary

Syracuse has managed to avoid many of the fiscal and operational stresses that other cities in the State experience. Its combined City and School tax rate, although burdensome for residents (especially relative to home values and household income), remains lower than many Upstate cities and is within the range of rates in the other three Big Four cities. Through cooperative sales tax agreements with the County, the City has been able to largely avoid the year-to-year property tax levy increases that many of its peer cities have experienced. Nonetheless, both fiscal and social stresses are evident. While a lower reliance on the property tax to fund operations may be more equitable, non-property tax revenue is also more likely to fluctuate with the national and regional economy, especially the sales and use tax.

The City's reliance on the usage of fund balance to close gaps for its adopted budgets (though actual usage has been significantly less than planned usage) is concerning and likely unsustainable in the long term. Additionally, rising health insurance, pension, and salary costs may crowd-out other City spending and require additional revenues. And, residents of the City suffer from extreme and entrenched poverty at levels few large cities in the country experience with a poverty rate approximately triple that of the County, the State, and the United States. It also suffers from low property values per capita, which can limit the City's ability to increase its property tax levy and signals a difficult economic development climate.

Amidst these stresses, the City appears to be making strategic and long-term investments. The Syracuse Surge, which builds on the Upstate Revitalization Initiative and is discussed more at length later in this Comprehensive Review, is multi-dimensional and includes projects which may benefit both the City's fiscal and operational position but also its social and demographic challenges. For instance, the City's planned LED streetlight conversion and installation of smart nodes to generate usable data will provide both savings on the City's energy bills and new opportunities for understanding and addressing blight. Initiatives such as this, as well as the City's efforts to reduce the planned use of fund balance in recent adopted budgets and restore operational and fiscal balance, are encouraging signs for the City, despite its persistent challenges.

In addition to the City's investments in initiatives like the Syracuse Surge and infrastructure, the City and its residents should aim to better control rising personal service and employee benefit costs. As with any government, the City should strive to achieve balance between service needs and affordability.

The following sections of this Comprehensive Review provide findings and recommendations, in addition to other opportunities, for the City's Administration, Council, workforce, residents, and taxpayers to consider as they move forward.

Findings and Recommendations

After a thorough review of the City's operations, the Board identified findings and recommendations in the following areas: shared services, efficiencies, and workforce.

Shared Services

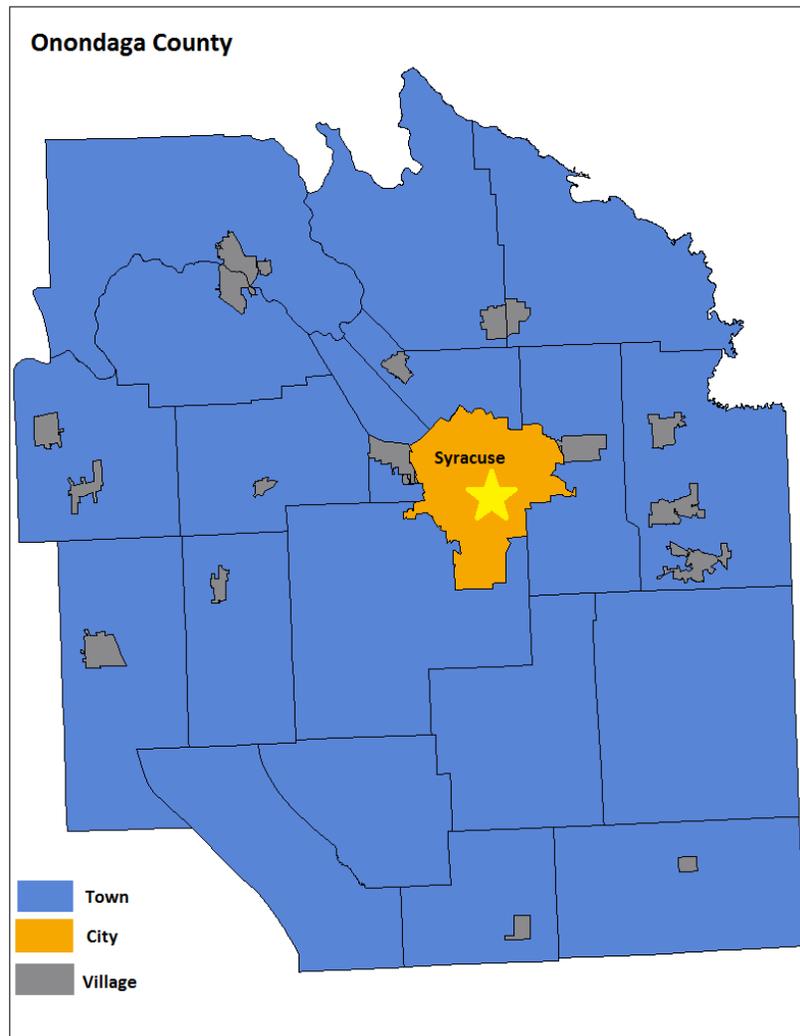
Regional Government Context

As of the 2010 Census, Onondaga County had a population of 467,571 and was the sixth most populous county out of the 57 counties outside of New York City. With a land area of 778.4 square miles, it is the 27th largest county. With a population density of 600 residents per square mile, it is the eighth most densely populated county.

The County is governed by a County Executive and a 17-member Board of Legislators. Other elected County officials include: the Sheriff, the District Attorney, the Clerk, the Treasurer, and the Coroner. As of 2017, the County had total expenditures of \$1.1 billion, which is the sixth highest for counties, and total expenditures per capita of \$2,417, which is the 14th highest for counties.

Within the County, there is one city, 19 towns, 15 villages, 18 school districts, 20 fire districts, and more than 900 town special districts and other entities.

The City of Syracuse is in the center of the County, surrounded by various towns and villages. The City is the largest government in the area other than the County, though it also has a large, dependent school district.



Survey of Shared Services

Board staff, in conjunction with the City, conducted a survey on the general functions of the City and neighboring municipalities to ascertain duplication of services and potential areas for further shared services 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:

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

Shared Services Actions and Opportunities

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

If the City of Syracuse is to address any future budget challenge, it must maximize available savings from pursuing and implementing a shared services plan with its governmental partners.

An effective plan will not only enable the City to reduce its cost structure going forward but should also help partnering governments to reduce their costs as well.

In addition to the current shared service efforts between the City and its governmental neighbors and partners, other opportunities exist which may allow Syracuse to lower its 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.

One of the top priorities of a Board engagement with a municipality is to help identify and fund, when appropriate, shared service endeavors in order for the municipality, as well as other local governments, to save money while maintaining or improving service to their constituents. The recommendations in this section aim to accomplish this goal.

Exploring a County-Wide Health Insurance Consortium

Employee and retiree health insurance benefits are among the largest cost centers in the City budget. The City's fiscal 2019 budget includes medical coverage costs of more than \$44.1 million, an increase of 8.3 percent despite a reduction in workforce size. The City's current family plan has an annual cost of \$23,053. As highlighted earlier in this report, employee contribution levels vary by bargaining unit.

The City is primarily self-insured for medical, dental, Workers' Compensation and general liability claims. With the exception of the School District and business-type funds, the City currently reports all of its risk management activities in the General Fund. Claim expenditures and liabilities are reported when it is probable that a loss occurred, and the amount of that loss can be reasonably estimated. Liabilities accrued include an estimate of claims that have been incurred but not reported. The estimated liability for health and dental claims is based on prior experience with actual payments of claims.

The approach applies both to employees and retirees. The City provides retiree insurance under a single-employer, self-insured benefit plan. Benefit provisions and retiree contributions are established and amended through negotiations between the City and the respective unions. For City employees, upon attainment of age 65, current and future retirees will participate in the Humana Medicare Advantage Plan for medical coverage and a ProAct Employer Group Waiver Plan for prescription drug coverage.

The size of the City's other post-employment benefits (OPEB) obligation shows the significance of its current and promised medical insurance benefit costs. The City's net OPEB obligation at the end of fiscal 2017 was \$420.5 million (up from \$369.8 million the previous year), while the school district's was \$486.3 million (up from \$462.1 million).

There may be an opportunity for the City to partner with other municipal employers to create a health insurance consortium, something for which there is demonstrated precedent in New York State. Local governments within Onondaga County (including the City) have recognized the potential fiscal benefit of a joint approach. The County's recent County-Wide Shared Services Initiative Shared Services Plan included a shared contract by Syracuse, the School District and

the County to jointly bid Medicare Advantage plans for retirees. The panel estimated savings of that action would range from \$2.2 to \$4.4 million.

Beyond that initial step, however, there may be an opportunity to go further. A true county-wide health insurance consortium, or one that at a minimum includes the City, County and School District – the region’s three largest local government sector employers – may offer additional scale benefits. Consider the example of the Greater Tompkins County Municipal Health Insurance Consortium, which began operations in 2011 with 13 Tompkins County local governments as founding members. Today, the group now includes three dozen member governments, as well as municipal partners from Cayuga, Cortland and Chemung Counties.

Notably for Syracuse, which is self-funded, a consortium approach may offer an opportunity to further stabilize premiums through the use of a larger combined risk pool. This would be beyond any bulk savings achievable by jointly bidding a larger number of covered lives. While the City works to control costs and reports having a reasonably “healthy” workforce, its plan has no stop-loss, and it is responsible for all claims.

The potential savings to be generated through a consortium approach are unknown at the present time. It is reasonable to believe, however, that jointly bidding coverage with other entities will produce some economy of scale savings.

One notable implementation consideration is the variability in health insurance plans (and carriers) across governmental employers. The greatest financial benefit is likely to result from the City and peer governments jointly procuring common plans and carriers. An analysis of the current synchronization of plans across local governments in the County would be a reasonable next step for gauging the potential benefit of a consortium approach.

Another factor that requires further review is the relative health of the rest of any self-insured pool the City would combine with. While a larger pool offers the opportunity to further stabilize premiums, the benefit is likely to be greatest if the rest of the pool is, on balance, at least as “healthy” as the City’s own workforce. Combining with a pool of employees that has higher rates of utilization than the City currently does on its own would mitigate some of the savings potential of a shared approach.

Explore Shared Back Office Functions with Schools

Despite the legal status of the Syracuse City School District (SCSD) as a fiscally dependent district, it generally operates independently of the City itself. The model is similar to what exists in two other dependent districts – Buffalo and Rochester. In each, the nexus between the City and District is purely financial, rather than operational. As one of five fiscally dependent districts in New York, SCSD relies on the City to serve as its property tax levying authority, as well as for bond market access. As noted earlier in this report, the City’s 2019 budget levies a total property tax of over \$100 million, of which approximately two-thirds are transferred to the School District. Further, the City’s fiscal support of the District is bounded by 2007 State legislation that imposed a maintenance of effort (MOE) requirement on Syracuse (along with Buffalo, Rochester and Yonkers) that requires the City to maintain its property tax support in any future budget.

Notwithstanding the fundamental fiscal connection between the City and School District, and the reality that both are funded by (and provide services to) a common constituency, there is little

day-to-day operational coordination between the two. Each maintains, staffs and funds its own departments. And while the core missions of the City (as a general-purpose local government) and the School District (as an educational institution) are distinct (if complementary), the two organizations maintain a host of common “back office” functions. Consider:

- Both have budget and finance offices, supported by combined spending of \$6.5 million and more than 40 staff;
- Both have legal functions (although the District’s work is generally contracted out), supported by combined spending of \$2.6 million;
- Both have human resources and personnel functions, with combined spending of nearly \$7.1 million and more than 50 staff; and,
- Both have information technology and central data functions, with nearly \$14.5 million in combined spending and 70 staff.

There is some ad hoc, informal collaboration between common Syracuse City and SCSD offices, and there has been occasional cooperation on specific projects over the years. One example is collaboration the City, District, County and Syracuse University have had on their business system. A user’s group of representatives from each supports ongoing work and troubleshooting.

The integration of back office functions between the City of Yonkers and Yonkers Public Schools (YPS) offers a model for Syracuse to consider. There, a 2014 restructuring transferred all Board of Education operational and financial controls to the City of Yonkers. The Board of Education entered into an inter-municipal agreement which provided for the City’s Department of Finance to deliver interim financial consulting services to the Board of Education. The City’s fiscal 2015 budget provided that the City would “immediately absorb the operations and expense of various School District administrative functions.” The combination spanned the following functions:

- Financial and budgetary controls, including financial management, accounts receivable, accounts payable, accounting, budgeting, payroll, capital programming and financing, capital project oversight, grants accounting, procurement and contracting, consultation on all labor contracts, office of claims auditor, and property acquisition/building/leasing;
- Personnel and human resources functions;
- Legal functions;
- Communications and public information functions;
- Chief Administrative Officer functions, including but not limited to records management, central printing and mailing; and
- Information technology functions.

Pursuant to the consolidation, the City absorbed 52 district employees and \$10 million in expenses, thereby freeing up an equivalent amount in the school district budget. There is now a single chief financial officer for both the City and District. The City indicates that it was able to provide those functions for approximately \$7 million, creating \$3 million in “savings” that was freed up for the District to direct to the classroom, although there was some loss in eligible reimbursement as the functions shifted from the District budget to the City budget.

The potential financial impact of combining common City and School District back office functions would be largely conditioned on how the resulting structures were staffed and administered.

However, the Yonkers experience offers a frame of reference. During the first year of the merger, the City and School District were able to realize savings by eliminating the position of Chief Administrator (\$207,000), reducing overtime in Finance through the use of a larger combined finance and budget staff (\$252,000), eliminating one duplicative payroll administrator position (\$130,000), using in-house City staff to decrease the amount of legal support the District needed to outsource (\$250,000), and eliminating one duplicative human resources director position (\$179,000). Additional savings in Yonkers through the elimination of a duplicative purchasing agent may not be applicable in Syracuse, as the City of Syracuse and the SCSD already handle purchasing functions collaboratively through the County.

Beyond the potential for operating savings for Syracuse, the combination of administrative functions would enable better long-term planning between the City and School District. Presently, there is no formal process whereby senior officials from the City and School District jointly plan their fiscal future. Any formal interaction revolves around the budget process, and even then, the City informs the School District of its property tax support level, the District submits its final BOE-approved budget to the City Council, and the City Council approves it without any power to exercise line-item control over the spending plan. Given the fundamental interdependence between the two organizations – the District’s legal status as a dependent school district and the City’s obligation to fund it – more integrated administrative structures that create natural opportunities to engage in coordinated multi-year financial planning would be beneficial.

Aside from considerations on how offices would be combined and staffed, the City would need to consider the impact such a functional alignment may have on its maintenance of effort requirement. In Yonkers’ case, the City absorbed approximately \$10 million in School District functions, which through efficiencies it was able to offset \$7 million. However, the City remained subject to the requirements of the maintenance of effort law, meaning that it could not reduce (i.e. net out) its MOE support of the School District. So, while the savings that may be generated by a back office sharing may be material and free up resources to direct to classrooms, they may not provide direct MOE relief to the City.

It is likely a reorganization of City and School District back office functions would have associated implementation costs. In addition to potential support from the Financial Restructuring Board, the City may also be able to tap into other State funding opportunities for structural combinations. These include the Municipal Restructuring Fund (MRF) and the Local Government Efficiency (LGE) grant program. In Yonkers’ case, the City was awarded a \$400,000 LGE grant for the express purpose of offsetting costs associated with its functional consolidation and securing of a unified City-School District human resource and personnel system that would further automate payroll and other personnel processes.

Explore Merger of Water Department with OCWA

The City’s Water Department provides retail water service to the entire City of Syracuse. Through wholesale and other service agreements, it also supplies water to portions of the Towns of Dewitt, Onondaga, Geddes, Camillus, Salina and the Villages of Skaneateles, Jordan and Elbridge. Its primary water supply has long been Skaneateles Lake, located approximately 20 miles southwest of the City. Because of the Lake’s exceptionally high water quality, the City is able to utilize its water without additional filtration – one of only a few large system surface water supplies in the country to have such a waiver. In a water plant located within the Village of Skaneateles, the City

handles disinfection, chlorination and fluoridation before water flows by gravity to storage reserves.

The Syracuse water system is made up of over 500 miles of pipelines to deliver water from Skaneateles Lake to the City and to distribute throughout the City. The supply system includes water storage in Woodland and Westcott Reservoirs on the City's west side, as well as two standpipes and three tanks that comprise Morningstar Reservoir.

Customers are charged based on the amount of water they use according to a declining block system. City customers pay \$2.97 per 100 cubic feet for the first 30,000 cubic feet they use per quarter, \$2.39 per 100 cubic feet for the next 30,000 cubic feet and \$2.11 per 100 cubic feet thereafter. Suburban customers (except for those in Dewitt) pay slightly higher rates – \$4.46/100 cubic feet, \$3.56/100 cubic feet and \$3.18/100 cubic feet. According to the Water Department, the City's water rates are among the lowest in the State. By comparison, water rates in the City of Albany are \$2.72 per 100 cubic feet, but tier up to as high as \$5.94 per 100 cubic feet for large users.

The City's budget for water-related activities is segregated into a separate Water Fund, a \$23.6 million fund supporting operating expenditures (including 110 positions) and funded primarily through water sales. Customer billings account for nearly \$21.5 million, or 91.1 percent of total fund revenues in the current fiscal year. The largest cost center within the City's Water Fund is its Water Plant operation (\$7.2 million). The Water Fund also makes a transfer to the General Fund each year. In the current fiscal year, that amounts to \$2.3 million.

The City's Water Department is one of two major retail water providers in Onondaga County. The other is the Onondaga County Water Authority (OCWA). Together, the City and OCWA supply water to 90 percent of Onondaga County residents. A public benefit corporation established by the State, OCWA's customer base spans 340,000 residents in five Central New York counties, including Onondaga, Oswego, Madison, Oneida and Cayuga. OCWA's service area completely surrounds the City of Syracuse.

The Authority's operating budget in FY 2019 is nearly 50 percent larger than that of the City's water department, with expenditures of \$33.5 million. Notwithstanding that the Water Department and OCWA exist as separate entities, there is some operational nexus between them. In the 1970s, the Metropolitan Water Board, an administrative body of the Onondaga County Water District, constructed a water line between Lake Ontario and the City of Syracuse, making it possible for the City to supplement its Skaneateles Lake supply when necessary – generally during times when drought conditions limit the available supply from Skaneateles, during emergencies or during high periods of consumption. Further, OCWA customers receive water that originates from Otisco Lake, Lake Ontario, and Skaneateles Lake.

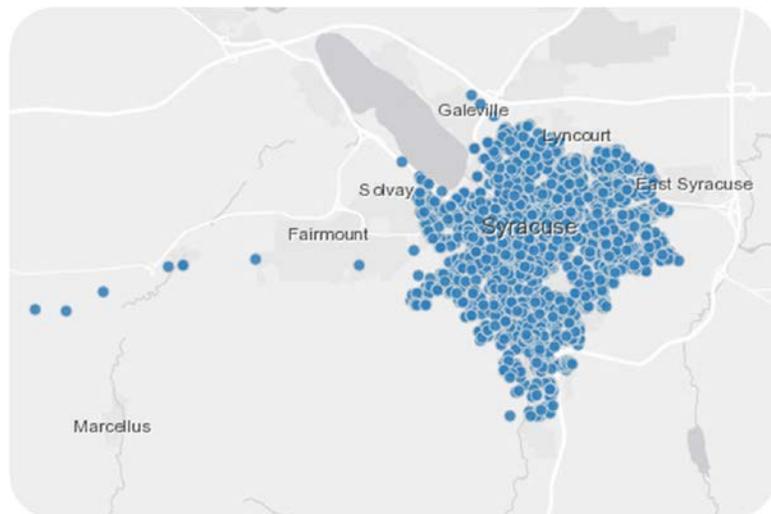
For water originating in Skaneateles Lake, the City has responsibility for treating and delivering water. In 2015, approximately 1.13 million gallons per day (approximately 2.9 percent of OCWA's water supply) came from Skaneateles Lake water purchased from the City's Water Department through various supply connections. OCWA uses this water to supplement areas close to the City boundary when needed; OCWA customers living in Nedrow and Southwood get water from Skaneateles Lake exclusively.

The 2017 report of the Commission on Local Government Modernization recommended that OCWA and the City Water Department be combined into a single entity “to leverage internal efficiencies in administration and operations, and to broaden the ratepayer base.” The recommendation remains an opportunity.

The delivery of water services in the region has already undergone a degree of consolidation in recent years. During 2016-17, the County-run Metropolitan Water Board (which had operated as a water wholesaler to OCWA, the retail provider) was merged into OCWA. As part of the consolidation, 34 County water employees were folded into the Authority, and eleven positions were eliminated through attrition. The reorganization, which was also a recommendation of the Commission on Local Government Modernization, created a combined service area spanning more than 50 cities, towns and villages; an expanded water system with two treatment plants; and more than 2,000 miles of water main, along with pump stations and operational assets, under the control of a single entity. The merger was supported by a \$3.7 million transition grant from the State’s Municipal Restructuring Fund and is projected to save \$30 million over a ten-year period.

The potential impacts of a City Water and OCWA combination include both capital investment opportunities and operational savings. Regarding capital, the City’s aging water infrastructure has posed increasing challenges in recent years. According to the Commission report, during one recent five-year period the City experienced approximately 1,200 water main breaks. Emergency calls continue to be a significant issue for City Water Department personnel, given the 300-plus main breaks that occur in an average year.

The accompanying map, produced by the City’s Open Data portal, illustrates reported water main breaks in the City and across its pipelines just from 2007 to 2016. As the Commission report noted, “The fragmentation of the ratepayer base among suppliers and districts can make major investments – even when necessary – cost prohibitive and exacerbate maintenance problems.”



The total cost to replace the full aging infrastructure is estimated to be at least \$750 million. At the same time, the Water Fund pays nearly \$6 million per year in serial bond principal and interest on outstanding borrowings. Absent a significant influx of financial support, it is difficult to envision a scenario in which the City is able to make material headway on its water infrastructure needs (aside from the current reactive, as-needed repairs) with a ratepayer base that is confined only to the City itself. As the Commission report noted, “Bringing together our major retail providers – and smaller water districts in the region – provides an opportunity to better address infrastructure needs at a larger scale of fiscal capacity. The smaller the district, the lower the financial capacity to generate the funds needed to reinvest in our aging infrastructure. Individual municipalities find it inherently more difficult to meet capital requirements on their own. Continued efforts to bring our districts

together and ‘unify’ the ratepayer base deepens our collective capacity to make essential investments.”

As for operations, there are natural synergies between the City’s Water Department and OCWA. Most notably, both perform responsibilities (and require expertise) in the areas of treatment, watershed inspection, monitoring, community education and billing, as well as other “back office” functions such as budgeting, financial administration, legal and compliance. Citing these synergies, the Commission report estimated recurring savings of at least \$1 to \$2 million from blending the currently separate administrative, billing, treatment, human resources, financial administration and meter reading functions.

Consolidating the City Water Department and OCWA would require action on the part of both the City and the Authority. Key considerations would include:

- **Harmonizing rates:** While initial-block rates are generally comparable (\$2.97 per 100 cubic feet in the City, \$2.63 per 100 cubic feet for OCWA), the systems use a different block structure. In the City, rates decline with each block, such that higher-volume users are discounted for the more they consume; in OCWA, rates increase with each block (\$2.63 for the first 10,000 gallons, \$3.43 for the next 13,000 gallons, and \$4.24 for anything over 23,000 gallons).
- **Transferring assets:** A combination within OCWA would likely involve the transfer of assets currently owned by the City – including infrastructure and property – to the successor agency.
- **Collective bargaining:** A combination within OCWA would likely transfer certain City Water Department employees to the Authority. Presently, OCWA employees are represented by one of two collective bargaining units – CSEA and Teamsters. In the City Water Department, represented employees are part of CSEA, AFSCME or the Central and North New York Building Trades.

Exploring Merger of Sewer System with WEP

The City operates its own Division of Sewers and Streams within the Department of Public Works. The Division is responsible for operating and maintaining the Syracuse Public Sewer System, which collects and transports sanitary and industrial wastes and surface water drainage. In total, the system consists of approximately 467 miles of sewer mains, more than 11,000 catch basins and 7,000 manholes. The Division provides service to 44,000 residential and commercial lateral lines and vents. Its primary activities span digging and repairing mains, laterals and vents; flushing and main sewer cleaning; repairing catch basins and manholes; cleaning catch basins and basin tops; conducting TV inspections; and completing locator services (e.g., Dig Safe New York). The Division has a budgeted staff of 49 in the current fiscal year, the majority of which are sewer maintenance workers.

The City’s sewer appropriations are provided for in a separate enterprise Sewer Fund. A total budget of \$6.1 million is comprised primarily of departmental operating expenditures (\$2.7 million), employee fringe benefits (\$1.2 million), capital (\$1.1 million) and principal/interest on outstanding debt (\$0.6 million). Additionally, the Sewer Fund transfers \$500,000 million to the

General Fund. Sewer user rents account for \$5.4 million, or nearly 89 percent of Sewer Fund revenue. In FY 2019, the Fund budgeted a \$0.6 million draw down of unreserved fund balance.

In much of Onondaga County outside the City, wastewater and stormwater services are handled by Onondaga County's Department of Water Environment Protection (WEP). WEP serves the sewered portions of roughly a dozen towns, including Camillus, Cicero, Clay, Dewitt, Geddes, Lysander, Manlius, Onondaga, Pompey, Salina and Van Buren. It also responds to calls in the Villages of Camillus, East Syracuse, Fayetteville, Liverpool, Manlius and Solway. The only sewered portions of Onondaga County that are not served by WEP are the City of Syracuse, Baldwinsville and North Syracuse, where the service is handled by the municipal public works department.

WEP is a considerably larger operation than the City's Sewer Department, with 380 budgeted positions and \$91.6 million in appropriations in the current fiscal year. In total, the County owns, operates and maintains 400 miles of sewer trunk network and 42 combined sewer overflows; 56 remote pumping stations; and 8 regional treatment and floatable control facilities within the Consolidated Sanitary District. Additionally, it maintains wastewater conveyances under contract agreement for twenty different municipalities throughout the County. Overall, the department is responsible for operation and maintenance of more than 2,083 miles of sanitary sewer pipe, 45,000 manhole structures and more than 150 wastewater pumping stations and combined sewer overflow facilities.

The 2017 report of the Commission on Local Government Modernization (CLGM) put forward a series of recommendations designed to create a more regional wastewater system. Part of this recommendation included bringing together the City and County's wastewater operations by merging the City Sewer Department and WEP. This recommendation remains an opportunity.

It is difficult to project the potential savings of a combined City-County wastewater system. The CLGM estimated savings of \$500,000 could be realized by moving to a single countywide billing basis and shifting engineering, system planning and map maintenance to the County. This estimate is likely conservative.

Expanding the "user base" into a larger system has long-range planning and capital implications as well. As a standalone system, the City has faced capital demands that outstrip its financial capacity to keep up. Those demands are not going away. At the same time, the County has made clear that sewer infrastructure issues are among its highest priorities. Aging infrastructure in both systems allows for more extraneous groundwater infiltration and inflow, increasing the cost of treatment and general operating expenses. As the Commission noted, "Beyond the savings, however, is the issue of sustainability. Planning for investment in our wastewater infrastructure is best done at a countywide level at minimum, rather than in fragmented fashion."

The City and County are in a position to initiate discussions on a combined sewer operation immediately, and potentially work towards operational synergy.

Exploring Shared IT with County

The City's Information Technology function is supported by a combination of centralized staff and department-based personnel in larger units. The City's Bureau of Information Technology runs all major applications on an IBM AS/400 mainframe and Windows servers that are networked to all

City departments. Wide area networking has been implemented using fiber, T1 lines and broadband connections. Financial applications such as general ledger, purchasing, accounts payable and receivable are outsourced, but the Bureau supports their connectivity. A host of AS/400 applications are supported in-house, including RPS (Real Property Services), payroll, timekeeping, assessment, tax billing and collection, housing code enforcement, police / fire scheduling and attendance, water billing, service requests and other smaller systems.

The Bureau serves as the support center for office automation and computer networking. Citywide, there are several servers. Besides file and print servers, there are client-server applications for email, fleet, CAD, GIS, parking tickets, RPS and accounting. In addition, there are web-based applications for citywide web pages, assessment / tax lookup, tax payments, water payments, complaint line, vacant houses, IT project management, business licenses and community development. The Bureau has approximately 10 staff, while 4 additional technology personnel work for (and are based in) larger departments such as Public Works, Water, Parks and Fire. While the Bureau has grown slightly over the past decade, City officials (both within IT and in departments that routinely interact with it) contend that it is smaller than it needs to be to adequately support the organization's needs.

Notwithstanding, City IT has made progress on notable projects in recent years, rebuilding and remodeling the data center; modernizing infrastructure; supporting the buildout of a fiber network in downtown Syracuse; revamping the City's network and server infrastructure; improving IT security; and virtualizing approximately 85 percent of the City's system. As noted elsewhere in this report, the City also made the conversion to a new system for its accounts payable / receivable, general ledger and purchasing functions, a shift made possible through partnership with Onondaga County. By "piggybacking" on the County's investment, the City was able to secure licenses for approximately \$2 million – roughly half of what it would have cost if the City had procured the system on its own. Syracuse now operates in the County system as a separate business unit.

The existing partnership between the City and County, as well as the good working relationship between both staffs, suggests there may be an opportunity for the City and County to explore an aligned approach to IT services. In the current fiscal year, the City's Bureau of Information Technology supports 10 full-time equivalents (a Director, two programmer analysts, two enterprise functional leads, two network administrators, two office automation analysts and one LAN technical support specialist) and a budget of nearly \$1.7 million, roughly two-thirds of which is for supplies and non-staff expenses. The County's IT operation is considerably larger, with 80 staff supporting six separate divisions (Communications, Print Shop, Administration, Information Tech Client Services, Infrastructure Service and Information Tech Application Services) and a budget of \$13.3 million.

A series of benefits could result from a shared approach to City-County information technology services. The most notable involves leveraging common functions, responsibilities and skill sets between the two operations – especially given some of the newly shared systems, and the potential for future shared services like human capital management. A shared approach, alongside common systems, also creates a foundation for additional shared services such as payroll. As well, a larger combined department would create a deeper staff bench that is more capable of responding quickly to user/client needs, especially on the City side where staff capacity is more limited.

The potential financial benefit from an IT link-up with the County would require additional analysis and would depend on the desired scope. As a frame of reference, the Consensus Commission estimated potential savings of \$400,000 to \$1.3 million through a combined approach.

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 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.

Efficiencies

LED Streetlights and Smart Infrastructure

The City launched an ambitious effort in 2018 to convert approximately 17,500 streetlights to energy-efficient LED lighting and to equip light poles with “Smart City” technology. The conversion is projected to yield savings of \$3 million in annual maintenance and energy costs and \$15 million over the life of the associated debt.

The Syracuse Common Council authorized \$38 million in bonds in August 2018 to fund the conversion. This will include the purchase of streetlights from their current owner, National Grid, and an agreement with the New York Power Authority (NYPA) to design, bid out and manage the conversion project. Under the agreement, the City will reimburse NYPA upon the project’s completion. The cost also includes a \$7 million security deposit that will be refunded if the City’s street lights are disconnected from National Grid’s distribution system within 24 months of purchase (which the City considers likely).

Per NYPA, LED streetlights can last up to 100,000 hours (more than 20 years) and can reduce energy use as much as 65 percent compared to conventional streetlights. NYPA’s involvement is part of a broader state initiative, Smart Street Lighting NY, which calls for at least 500,000 streetlights throughout the state to be replaced with LEDs. The initiative is meant to help reach the state’s goal of reducing greenhouse gas emissions 40 percent below 1990 levels by 2030. In addition to the projected financial savings, the City estimates the project will reduce greenhouse gas emissions by 6,100 tons.

Under the agreement with NYPA, the City’s streetlight system also will become a smart city demonstration project in which NYPA plans to install \$500,000 worth of smart technology on light poles. This will include a limited deployment of public Wi-Fi hubs, technology allowing the City to remotely control streetlights, and sensors with a variety of environmental, transportation and public safety applications. These might include improving light quality and visibility at key times and in areas that are heavily traveled at night or experiencing problems with crime; tracking weather conditions, temperature and humidity; using cameras to monitor traffic, street conditions and / or public safety; and real-time data on streetlights’ energy usage and maintenance needs. In the near term, the City plans to use sensors to track ice and snowfall to optimize deployment of its highway fleet in winter weather.

Additional information on this initiative can be found within the Syracuse Surge section of this report.

Recommendation: The Board recommends that the City continue its efforts to buy its lighting infrastructure from the utility and retrofit the lights to higher efficiency-LED, as well as invest in related technologies, including but not limited to a smart-node/Wi-Fi network, to be integrated with the infrastructure. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$2 million to assist the City with implementing this recommendation. 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.

Shift to Semi-Automated Waste Collection

The City handles garbage and recycling services through the Department of Public Works' Division of Waste Collection, Recycling and Disposal. Regarding solid waste, the Division provides weekly collection and disposal from most residences, as well as from commercial properties in the City that choose to have the City provide such service for a fee rather than engage a private hauler. The Division is also responsible for curbside collection of recyclable materials from residences and participating commercial establishments as mandated by Onondaga County.

In total, the Division collects more than 36,000 tons of municipal solid waste and bulk items per year (an average of 140 tons per day), using a network of 15 municipally staffed waste daily collection routes and 9 recycling routes. The City's workforce is comprised of 93 sanitation personnel (budgeted level = 97) operating in the titles of crew leader, motor equipment operator and sanitation worker.

The City is divided into five service "quadrants," one daily Monday through Friday. The sanitation and recycling crews hit the same quadrant on the same day, using primarily 3-person packer trucks (although there are some 2-person trucks). The standard 3-person packer truck includes a driver and two laborers. Because the City does not have semi-automated collection capabilities at the present time, sanitation crews are tasked with lifting solid waste and throwing it into the packer truck.

The City contends that its solid waste collection service is consistently challenged by workforce shortages, stemming in part from a high number of employee injuries. On average, the Division has approximately 20 to 25 staff out per day – a combination of sick leave, Workers Compensation and FMLA leaves. It is not uncommon, officials note, for as many as 40 staff to be unavailable on any given day.

Shifting from the current "lift and throw" model to a semi-automated model offers the City an opportunity to reduce injury incidence in the near term, and potentially reduce the size of the Division's workforce going forward.

Peer cities like Buffalo, Rochester and Niagara Falls have already shifted to a semiautomated model whereby property owners use standard city-issued totes for their solid waste. Those totes are compatible with automatic lifters on each city's garbage packer truck. By alleviating the need to lift and throw garbage, the City of Syracuse would almost certainly improve the utilization of its workforce in the Division of Waste Collection, Recycling and Disposal. It may also provide an opportunity to shift to more 2-person packer trucks in the future (or even 1-person trucks), enabling a reduction of the Division workforce over time.

Reducing the incidence of injury by shifting to a tipper-tote program would allow the City to better utilize its current workforce. While that would enhance efficiency, in the near term it would likely not generate material financial savings for the City on its own. The potential for more significant impact stems from the opportunity to reduce the size of the Division workforce through a conversion to a tipper-tote program. Consider that the City of Rochester, which has nearly 50 percent more housing units and estimates collecting more than twice the annual solid waste tonnage of Syracuse, has approximately the same number of refuse and recycling collection employees.

At minimum, this would likely result in a reduction in overtime costs. The Division has averaged approximately \$140,000 in overtime annually over the past five years. A reduction of \$50,000 is achievable.

Moreover, a tipper-tote program would enable a smaller Division workforce to provide collection services for the current volume of solid waste. On a typical day, the Division is already short-staffed by 20 to 25 personnel, meaning the current volume is being serviced by approximately 75-80 percent of the budgeted workforce. Even if a tipper-tote system permitted staff efficiencies worth half of the current average rate of daily injury leave (i.e., roughly 13 percent of the current Division workforce), that reaches potential savings levels of \$400,000.

A semi-automated program also offers benefits beyond staffing and financial. Among the peer cities that have implemented similar programs, they point to reductions in litter and debris, as well as declines in the rodent population.

Implementing a tipper-tote program would involve up-front costs, including the costs of totes and the City's collection fleet (whether retrofitted or new). Regarding totes, the City of Niagara Falls purchased 45,000 refuse and recycling totes in 2014 at the start of its semi-automated collection program. Wheeled, blue 64-gallon refuse carts cost the City \$42.78 each, while wheeled, green 96-gallon recycling totes cost the City \$50.96 each. The City opted for larger recycling totes for two reasons: To encourage additional recycling and as part of a shift to biweekly recycling collection. In total, Niagara Falls spent \$2.1 million on totes.

While the cost and feasibility of outfitting Syracuse's current collection vehicles to support a semiautomated program would require additional study, for comparison, the City of Long Beach identified costs of roughly \$7,000 per truck to add lifters to existing trucks. But the normal scheduled replacement of garbage trucks would offer the City an opportunity to convert to a semi-automated program incrementally on a neighborhood-by-neighborhood basis without requiring a significant up-front capital outlay.

Create Solid Waste Enterprise Fund

The City's waste collection, recycling and disposal costs are accounted for as part of the General Fund budget. In the current fiscal year, those costs total \$6.9 million and represent the single-largest division in the City's Department of Public Works budget. As the departmental budget does not include fringe costs, it is estimated that the true cost of this function is closer to \$7.8 million.

Because the function is included in the General Fund, it is reliant on the property tax and other General Fund revenues. In fiscal 2019, the City's total property tax levy was approximately \$100 million, with the municipal portion accounting for roughly one-third. Viewed in that context, the cost of the City's waste collection, recycling and disposal operation is the equivalent of nearly 8 percent of the total tax levy, and more than 22 percent of the city-side levy.

The City is not presently at risk of exhausting its Constitutional taxing authority but continued fiscal challenges may place additional pressure on property taxes. Since 2004, Syracuse's percent of margin exhausted has ranged from a high of 75.2 percent (2007) to a low of 63.6 (2010). Since 2010, however, there has been a general trend upward. From 2009 to 2013, the City was below

70 percent-in-use each year; in the past six years, the percentage has exceeded 70 percent in all but one year. In fiscal 2019, it is using 70.5 percent of its margin.

Absent any other change to how the City handles its solid waste function, simply converting it to a fee-based enterprise fund would move the \$7.8 million cost off the property tax levy, effectively increasing the City's capacity by nearly 30 percent. It would do so without changing the cost of providing the service. Rather than funding it through the general property tax, property owners would fund it through a dedicated fee.

The most significant impact of this change would be to free up additional space under the City's Constitutional tax limit, help to eliminate annual General Fund deficits, or a combination of both. While the limit is not currently an issue in Syracuse, additional capacity would provide the City with more flexibility to deal with future fiscal challenges – both those faced by the City itself and those of the Syracuse City School District, with which it shares the property tax levy.

There may be benefits of the model to the City, however, as nonprofits and otherwise tax-exempt properties that do not currently fund the service would be required to contribute going forward. This might be of particular interest to Syracuse, however, given the sheer number of exempt properties in the City; more than half the property value in Syracuse, or 56.6 percent, is tax-exempt. Some may be making voluntary payments to the City that might help to defray the cost of services such as solid waste collection, but many more are not. For non-exempt properties, costs they currently pay through their general property tax would be paid through a user fee. Although the cost of the service is currently borne by taxpayers, it is in a sense "hidden" in the general property tax – shifting to a fee-based enterprise fund would make it more visible.

This funding framework could be established by the City Council and with approval of the Mayor. Prior to adopting this framework, the City should first seek to implement other recommended and achievable efficiencies that could generate savings, which could mitigate the need to raise revenue through a new fee-based system.

Establishing EMS Franchise

Ambulance services within the City are provided primarily by American Medical Response (AMR), a locally operated branch of the nation's largest for-profit ambulance company. The service is not governed by a contract between the City and AMR. Rather, it is subject to a "handshake" agreement that has been in place for decades. Eastern Ambulance Service, Inc. – Rural/Metro and AMR's corporate predecessor – was actually established in 1953 and has been the exclusive ambulance provider for the City of Syracuse since that point. As a private provider, AMR bills patients directly for services rendered. In most cases, those bills are passed on to service recipients' insurance providers.

Additionally, the Syracuse Fire Department operates its own ambulance service through a single unit that is staffed by firefighters on an as-needed basis. Opportunities available to the City regarding its own ambulance service are discussed later in this report. A smaller ambulance company, TLC Medical Transport Services, also has operating authority in Syracuse, but is used infrequently for 911 calls.

The City of Syracuse 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 two-fold benefits.

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 typically 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.

Examples include the Cities of Buffalo and Rochester. Buffalo has had a franchise contract in place with AMR (and Rural/Metro prior to its purchase of AMR) for more than a decade. It renewed its ambulance services contract in August 2015. The five-year pact provided for the following:

- A minimum number of ambulances on duty within the City during peak and nonpeak hours;
- Specific provisions regarding response times to ensure calls for service were adequately 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.

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 started at \$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.

A similar franchise fee arrangement with AMR exists in the City of Rochester. Notably, its contract provides for "fines" in cases where the vendor misses performance standards. In addition to an annual franchise fee of more than \$300,000, AMR has been charged more than \$1.2 million in fines by the City over the past two years.

It is worth noting that Syracuse has considered such a franchise approach in the past. In 2011-12, the City issued a formal Request for Proposal to identify an ambulance vendor. That search resulted in the selection of Rural/Metro (now AMR). The City administration withdrew the proposed contract after City Council opposed it for two reasons: first, although it would have mandated minimum response times, it did not call for an annual franchise payment; second, there was concern that criteria included in the RFP rendered other potential providers ineligible.

Entering into a franchise-based service contract would provide two benefits to the City of Syracuse. First, it would create a revenue stream that the City is not currently receiving. Second, it would establish an explicit set of performance criteria to ensure that the level of service being provided by the vendor (regardless of whether it is AMR or another) is adequately matched to the City's needs.

Ambulance call volume in the City of Syracuse is lower than that of Buffalo or Rochester. For that reason, it is highly likely that any franchise fee generated through a newly negotiated ambulance contract would be somewhat less. But given the base fees paid in Buffalo and Rochester, it is reasonable to believe that Syracuse's base fee could be in the range of \$200,000. Moreover, a contract structured similarly to Rochester's would provide an opportunity to monetize performance standards on top of the base fee.

Any franchise-based contract would be subject to a formal RFP and require approval of both the City and its selected vendor.

Begin Billing for City EMS Transport (or eliminate service)

In addition to standard fire protection, prevention and suppression services, the Syracuse Fire Department also provides emergency medical services including basic life support (BLS) first response, advanced life support (ALS) first response and ALS ambulance services. Like most fire departments, SFD continues to see a transition in its call for service demand away from traditional fire responses and toward medical responses. In 2016, for example, more than 51 percent of the department's 21,686 calls were for medical responses, the largest single category. Actual fire calls constituted slightly more than 5 percent of the department's responses.

SFD operates an ALS ambulance out of the same station as an engine company, using the same personnel. The ambulance is only staffed when AMR is not available to respond to an emergency call and the engine company is otherwise available. The majority of the time, that engine company has paramedic staff assigned to it and the ambulance can provide ALS, but overtime is not used to ensure that it has ALS staffing. In 2017, the unit was used for about 200 transports, generally during the time of the State Fair and other large events that taxed AMR. The unit is also used on occasion to transport on-duty firefighter injuries. The ambulance is currently characterized as a reserve unit and is used only when AMR resources are not available.

AMR bills for ambulance transports and some other EMS services in Syracuse, but SFD does not bill. Under state law, SFD could bill for transport services to offset the cost of supplies and support the personnel costs. Another option is for the City to stop providing this service altogether and leave the transport responsibility to the current private vendor.

A rough estimate for reimbursement for ambulance transport is about \$750 per call. (This amount could vary greatly depending on the insurance providers for the patient and the severity of the call.) If billing for all patients was successful, SFD could realistically receive revenue of \$150,000 a year. There are additional costs associated with billing for service, either for City personnel to charge the patient or in fees for a billing agency, but these would likely be only a small fraction of the revenue.

Currently, the City is incurring the costs of maintaining an ambulance and the necessary equipment to operate it, but not pursuing potential revenue to support the service. If the City chooses not to pursue billing for services, it should consider stopping the ambulance service to reduce its risk from litigation associated with EMS transport and to save money related to maintenance and supplies. The personnel costs are unlikely to change since the same firefighters will continue to be engaged in their primary role on an engine. There could also be one-time revenue if the ambulance and its equipment are sold. Further, if the City decides to pursue billing, it can not allow the SFD to see this opportunity to demand extra monetary stipends when the same work is already being provided for and paid by taxpayers

Billing for SFD ambulance service would require action on the part of the City Council. If the City opted to exit the function altogether, it would be critical to ensure that the private transport provider had sufficient resources to meet response time demands within the City. Those considerations are discussed elsewhere in this report in the context of a potential EMS franchise agreement. Eliminating the service would likely not require collective bargaining.

Implement Centralized ERP-HCM System to Improve Timekeeping and Payroll Processing

The City's timekeeping and payroll processes are generally inefficient, a function of decentralized accountability and antiquated systems. From a fiscal standpoint, this has at least two implications.

First, many "hands" within the organization touch the payroll process at different points. Some individual departments have one or two full-time staff members whose exclusive responsibility involves payroll management; others have at least a portion of full-time personnel working on it. In many departments, clerical staff also touch the process. This at best diverts the City's already limited staff capacity away from more mission-critical functions at the departmental level; at worst, it results in the City needing to fund more staff capacity that it might otherwise need simply to bridge process inefficiencies.

Second, the lack of a streamlined and robust timekeeping and payroll system makes it difficult to precisely track what city personnel are doing during the day. The challenge is magnified in certain departments where service demand is truly "24/7" and overtime costs are a material part of the personnel budget – in particular, Police, Fire, and Public Works.

The Police Department, for example, uses a paper-based timekeeping system that requires substantial effort of three full-time employees to ensure accurate recordkeeping and payroll. With 460 employees working a variety of shifts and reporting to work at several locations, this system is time consuming and can be prone to error.

Fundamentally, the City's current payroll system is based on an antiquated legacy system that dates at least to the 1980s. Most employees are paid biweekly, except for select bargaining units (primarily on Public Works and Parks) who are paid every week pursuant to contract. While payroll is technically "housed" in the Finance Department, it is widely dispersed throughout the organization – each department rolls up and submits its own data. The Bureau of Accounts handles final data entry, and IT is responsible for running paychecks and direct deposits.

Across the roughly 30 locations where City personnel are based, the vast majority appear to have time data that are manually processed. The data are often processed multiple times at various stages of the time recording and payroll cycle. In addition to the sheer inefficiency of the process, it has the potential to result in different rules of interpretation and undermine internal controls that could otherwise ensure accuracy. The inefficiency is magnified in departments where certain tasks are reimbursement eligible and therefore require greater timekeeping diligence. Within engineering, for example, federally funded projects require time tracking by project. Individual staff will record their time, enter it on an Excel timesheet, provide to the supervisor to review and authorization, provide to the engineer for review and authorization, and provide to another departmental staff for manual entry into the legacy system, at which point the information flows to Finance.

Notably, the current legacy timekeeping and payroll systems are separate and do not "talk" with one another. This creates additional data entry and payroll verification challenges – according to one official involved in the payroll process, the lack of integration between the systems could result in an employee not putting in timesheets for an extended period of time but still being paid.

Across the organization, there is wide recognition of the City's inefficient and costly timekeeping and payroll processes. A majority of department heads interviewed acknowledged the financial and operational challenges created by the current system, both in terms of the staff time required to support it and the lack of detailed information it provides on staff assignment and availability. This recognition creates an opportune environment within which to explore options for significantly upgrading the systems' sophistication, reliability and efficiency.

The City would yield significant benefit from adopting and implementing a comprehensive Human Capital Management (HCM) system that captures and integrates data on timekeeping, compensation and benefits, and serves as the basis for payroll.

The most cost-effective solution for the City may be to explore partnering with Onondaga County to leverage progress it has already made in adopting an HCM system. The County went live with a system approximately five years ago for certain non-HCM modules, but is now in the process of going live with the system's HCM capabilities. Once implemented, the system will be more electronic in nature, a significant improvement over the City's paper-based format.

There is strong precedent for partnering with the County. After the County adopted a new Financial/Supply Chain Management ERP system for its own financial reporting, accounting, procurement and supplier business processes years ago, it provided an opportunity for the City (and several other entities) to "piggyback" on its license. The City was therefore able to secure the system for approximately \$2 million, a significant discount off the estimated \$4-5 million it would have cost if the City procured PS independently. The City now operates as a separate business unit on the County's system, obviating the need to purchase costly software and hardware (i.e., it needed only purchase the additional licenses).

While the precise financial benefit of implementing a comprehensive HCM system in the City of Syracuse is indeterminate at the present time, and would require further analysis. At minimum, it is clear that such a system would be dramatically more efficient (from a staff demand standpoint), centralized (from an accountability and accuracy standpoint) and actionable (from a management and staff resource deployment standpoint) than the current obsolete system.

As noted above, some departments have 1 or 2 full-time staff dedicated primarily to payroll management across some 30 locations; conservatively, a shift to a centralized HCM system might free up between .5 and 1 FTE administrative positions in each of the most heavily-staffed departments, such as police, fire and public works. Smaller departments, where staff responsible for timekeeping have additional responsibilities, might also be able to reallocate administrative employees' time to higher-priority tasks. In addition, accurate data on workforce utilization could be used to identify strategies to reduce overtime costs, particularly for sworn personnel in fire (totaling \$4.8 million in fiscal 2017) or police (\$8.7 million in 2017).

Beyond these first-level benefits, shifting to a common HCM system with the County opens up additional sharing opportunities, namely payroll. An HCM system that enables the City to significantly improve its own payroll system would be a major step; one that creates a foundation for formally sharing payroll processes with the County (or even the SCSD or other municipalities) would be even more impactful.

City officials point to the possibility of "piggybacking" on the County's HCM system as a way of reducing up-front costs, subject to the devices used to track employees' time (e.g. the County

uses scanners). All in, it is not unreasonable to expect a comprehensive HCM system to cost several million dollars, even if it chooses the same system that the County utilizes.

There is also the issue of “staging” the implementation of new timekeeping and payroll systems, especially if they are not procured as part of the County’s existing project. Officials point to the need to address the City’s legacy timekeeping system first, prior to a new payroll system, since the current approach to tracking time is not robust enough to easily integrate with a new payroll system.

Recommendation: The Board recommends that the City invest in a new timekeeping system and modernize its payroll processes. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$2 million to assist the City with implementing this recommendation. 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 further recommends that the City continue to implement additional efficiency actions that will lower the annual cost of providing specific services. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City with implementing such efficiency actions. The specific structure and conditions of 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

Workforce Turnover and Time Off/Health Benefits

The current age and retirement eligibility of the City's workforce indicates the potential for material employee turnover over the next decade, particularly in departments with higher-cost bargaining units like police and fire. Based on current data, the attrition rate appears poised to accelerate approximately 5 or 6 years from now in both departments, as between one-third and one-half of current employees become retirement-eligible.

The City reported 1,719 full-time employees as of October 2018. Nearly half of that total (777, or 45.2 percent) are uniformed personnel in police and fire. And the total employee count in the City's three largest departments – police, fire and public works – accounts for 71.1 percent of the overall workforce. The bargaining units representing uniformed and civilian employees in these departments are also among the largest in the City: The Syracuse Police Benevolent Association, Syracuse Firefighters Association (Local 280 IAFF), and AFSCME Local 400.

An analysis of work tenure shows that nearly a third of uniformed police are currently retirement-eligible; the number in fire is almost one in five. Over the next 48 months, that figure will rise to 40 percent for police and 31 percent for fire. By 2026, approximately half of the current workforce in both departments will be retirement eligible (or will have already retired).

In the Police Department, the average number of years of creditable service is 14.2, with a median of 12.5. The City of Syracuse provides retirement coverage through its PBA contract through the State Police and Fire Retirement System (PFRS). Specifically, employees are eligible to participate in Sections 375-i and 384-d retirement plans. The City also provides for a one-year final average salary option as specified in Retirement and Social Security Law, Section 302, subdivision 9(d), and has done so since at least the 1990s. The one-year final average salary option, however, is not typically available to employees in Tier 6 of PFRS (those who joined the retirement system on or after April 1, 2012). This change was meant to reduce instances of abuse and pension padding. As of December 2018, 73.1 percent of sworn police personnel had joined the department before the effective date for Tier 6 and therefore would be eligible for the one-year final average salary calculation.

Under 384-d, employees may retire with full benefits at any age upon completing 20 years of creditable service. Although retirement-eligible personnel may choose to continue their employment with the City beyond the 20-year mark, they remain eligible to retire and begin receiving benefits at any time.

At present, 30 percent of police personnel are retirement eligible. That figure grows annually, reaching 34 percent in one year, 39 percent in three years and nearly 50 percent in seven years. Over the next decade, two-thirds of the Police Department's workforce will be retirement eligible (or already turned over). In fact, the turnover is already in process, as evidenced by the fact that 35 personnel have less than one year of creditable service. In total, 18.5 percent of the department has been hired within the past three years.

In the Fire Department, the average number of years of service is slightly lower than in police – 12.2 years, with a median of 12. As with police, retirement benefits are provided for in the Local 280 IAFF contract, and covered employees are eligible for the same 375-i and 375-d plans, as

well as the one-year final average salary. At present, 18 percent of departmental employees are retirement-eligible. That figure grows annually, to nearly 25 percent in two years, more than 30 percent in four years, and more than 50 percent in nine years. Approximately 19.3 percent of the department has been hired within the past three years.

The pending turnover that the City will likely experience in its police and fire workforces over the next decade offers an opportunity to negotiate on specific contractual cost drivers. 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 continues to turn over.

The most obvious opportunities to leverage workforce turnover involves reducing paid time off levels for uniformed police and fire personnel and increasing employee cost sharing on health insurance generally.

Regarding paid time off, under current contracts both police and fire uniformed personnel are entitled to high levels of non-job related sick leave. The benefit increases gradually based on tenure, with employees receiving the following:

- 120 hours per calendar year in their first year,
- 160 hours per calendar year in years 1-5,
- 200 hours per calendar year in years 6-10,
- 240 hours per calendar year in years 11-15, and
- 280 hours per calendar year beginning in year 16 and each year thereafter.

Applied to the current workforce, that means that the average police officer and firefighter is receiving 240 hours of sick leave per calendar year. For police, who work 8-hour shifts, that is the equivalent of thirty shifts per year. For firefighters, who work alternating 10- and 14-hour shifts, it is the equivalent of twenty 12-hour average shifts per year. Sick leave accruals outpace vacation for the average police officer, who would accrue 20 days of vacation in a year, and the average firefighter, who would accrue 15 shifts of vacation time for the year. Police and firefighters receive 2-3 days of personal leave per year. Regarding health insurance, City employees generally are required to make a contribution toward their premium cost, however the level of contribution varies. In FY 2019, the highest cost share is borne by the small fire chiefs unit, which contributes 22.0 percent of an individual plan and 16.4 percent of a family plan. Both the police and firefighter’s union contribute at levels above the citywide average. Two of the City’s larger unions have contributory rates below the average. Covered employees in AFSCME Local 400 (with over 400 members) contribute 9.3 percent toward the individual plan and 6.6 percent toward the family plan. Those in Local 1773 (with over 200 members) pay 9.2 percent and 6.9 percent, respectively.

The City has increased employee cost sharing of health insurance premiums. There remains additional opportunity – both regarding current employees and future hires to restructure accruals.

Paid Time Off

Reducing the amount of paid time off within police and fire to lower levels would increase the utilization and deployment of the workforce. At minimum, this would enable deeper staff capacity and provide the City an opportunity to reduce its overtime levels.

The high levels of sick leave currently offered to uniformed police and fire create little incentive for employees to “preserve” that time for true sickness or non-job related injury. It is likely that this lucrative allocation of sick leave results in more generous utilization of sick leave, which in turn generates a need to backfill assigned shifts on overtime. Under the current allocation, the median police officer can claim up to 2.5 sick leave shifts per month. Even if officers use only 25 percent of their allotted sick leave, that translates to nearly 24,000 hours department-wide on an annual basis, or the equivalent of approximately 12 full-time equivalent personnel. If they use half of their allotted sick leave, those figures double to 48,000 hours and 24 full-time equivalents.

For the median firefighter, that figure is 1.7 shifts per month (due to combination 10- and 14-hour shifts). If firefighters use only 25 percent of their allotted sick leave, it translates to nearly 20,400 hours department-wide per year – equal to more than 10 full-time equivalents. At a 50 percent sick leave utilization rate, the lost hours double to 40,800 and 20 FTEs.

Lower staff utilization is a contributor to overtime costs in police and fire, and both departments have significant overtime budgets. In the current fiscal year, \$7.2 million is budgeted for police overtime, while nearly \$3.3 million is budgeted for fire. Over the three previous fiscal years, the departments have averaged a combined \$12.2 million in overtime annually.

An analysis of data provided by the City found that for the nearly 11-month period between January 1, 2018 and November 25, 2018, the average Syracuse police officer had recorded 41.2 hours (18,500 hours department-wide) of sick leave usage. Over the same timeframe, the average time lost per officer to injured-on-duty status was 48.8 hours (21,700 hours department-wide). (A similar analysis could not be conducted for Fire Department personnel due to unavailability of data.)

Health Insurance Cost Sharing

If health insurance contributions for all active employees were increased, the City would realize significant financial relief on an immediate and recurring basis:

- Four unions – Local 1773, Local 400, CSEA and the Crossing Guards – currently contribute at rates below the Citywide average. Increasing their contribution rates to the current citywide average on both individual and family plans would generate recurring savings of \$334,000.
- Among the City’s largest unions, the firefighters currently contribute at the highest percentage rate for individual and family plans – 16.1 percent and 12.0 percent, respectively. Six bargaining units, including police, AFSCME and CSEA, contribute at lower rates than the firefighters. Increasing contribution rates just to the level currently paid by firefighters on both individual and family plans would generate recurring savings of \$898,000.
- If City employees contributed at percentage rates commensurate with what New York State employees at Grade 10 and above pay toward their own individual and dependent coverage (via the New York State Health Insurance Plan) – 16 percent and 31 percent, respectively – the City would realize savings of approximately \$5 million.

City of Syracuse				
Health Insurance Cost Sharing, by Unit				
Group (FTE)	Individual Plan		Family Plan	
	Employee	City	Employee	City
Fire Brass (4)	22.0%	78.0%	16.4%	83.6%
Building Trades (39)	18.2%	81.8%	13.5%	86.5%
Firefighters (333)	16.1%	83.9%	12.0%	88.0%
Police (402)	14.0%	86.0%	10.4%	89.6%
Middle Managers (33)	13.6%	86.4%	10.1%	89.9%
Local 1773 (55)	10.2%	89.8%	7.6%	92.4%
Local 400 (433)	9.3%	90.7%	6.6%	93.4%
CSEA (217)	9.2%	90.8%	6.9%	93.1%
Crossing Guards (55)	7.7%	92.3%	5.7%	94.3%
Average	12.2%	87.8%	9.0%	91.0%

The turnover of the City’s workforce – particularly in police and fire – offers an opportunity to generate near-term and recurring savings by adopting even higher contribution tiers for new hires.

Change Police Shift Structure

The collective bargaining agreement between the City of Syracuse and the Police Benevolent Association (PBA) provides for a “4-on, 2-off” work week. That is, each officer is assigned to work 4 days, followed by 2 days off, after which the cycle is repeated throughout the year.

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 128 fewer hours than they would under a standard 40-hour schedule. That amounts to 16 fewer days of schedulable time per year, per officer.

Extrapolated to the City’s entire sworn officer workforce, the PBA’s “4-on, 2-off” schedule results in approximately 53,000 hours per year, or the equivalent of approximately 27 full-time officers. Converting to a standard full-time “5-on, 2-off” schedule for officers, as is common in the State, would save the City approximately \$3.4 million on a recurring basis; alternatively, it would enable the City to enhance its current police staffing levels by 27 FTE officers while still remaining within its current cost structure.

Addressing this cost savings opportunity is subject to collective bargaining between the City and the Police Benevolent Association. The City and PBA are presently operating under an expired contract that dates to December 31, 2017.

Recommendation: The Board recommends that the City seek labor and healthcare efficiencies. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to implement this recommendation. 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.

Syracuse Surge

The Syracuse Surge is an ambitious effort by the Walsh Administration to draw on both the history and strengths of the City and push it forward by capitalizing on an initial investment in an upgrade of street lights. According to the Mayor's Office, Surge will make Syracuse a leader in the nation for testing and deploying smart city technologies that can capture and interpret data in new ways that make life better for residents, while also serving as a model for cities nation-wide.

The initiative includes:

- **The Southside Campus for a New Economy:** Comprises several properties and initiatives in the Southeast part of downtown. This includes Blueprint15, a holistic revitalization of the neighborhood in partnership with local foundations and the Syracuse City School District.
- **Regional STEAM school** that restores and modernizes the former Central High School. In partnership with the County, OCM BOCES, School District and the City, the school will educate students in preparation for jobs of the future
- **Expanded Workforce Development Center** in the SUNY Educational Opportunity Center Complex adjacent to the STEAM School.
- **Center City Innovation Hub:** An expansion of the innovation district already forming in the southern section of downtown. Future plans include expanding the Tech Garden and executing major improvements to the street scape around AXA Plaza and the nearby convention district, as well as major investment in fiber optic build out, for high speed connectivity.
- **New York Center for Smart Cities:** Home to a municipal command center that centralizes data from multiple levels of governments to help with long term planning and short term response, as well as provides space for testing of new technology and partnership with the private sector for additional innovation capacity.

Syracuse Surge will also impact City operations, intergovernmental collaborations, partnerships with both academic institutions and the private sector.

For City operations, by deploying smart nodes on every street light, the City will create a network that can transmit small packets of data back and forth. This means when a street light goes out the City immediately knows - and can begin predicting - where a failure has occurred and can replace the light before anyone needs to complain about the outage. The City can also push information to street lights, so when a fire occurs at a property, all the lights can automatically be brightened in the surrounding area to allow for better visibility.

Beyond just lights, the City can also use the network to transmit data about many other occurrences. In the event of a snow storm, temperature sensors can tell if a road is frozen, and thus needs salt. This would change the way snowplows are routed, saving wear-and-tear on the equipment and money on fuel and labor.

With more than 1,700 vacant properties, the City currently sends both Fire and Code inspectors to check every vacant property on at least a monthly basis. With connected smoke alarms, motion detection sensors, and water leak detection sensors, the City can monitor vacant properties without needing to send staff for checks regularly and get faster notification of problems. The City already requires home owners to register their vacant properties, and in the future, fines could be levied to help procure and maintain the vacant housing sensors.

Currently, the City deploys people to count traffic and the number of people walking on the streets. These are snapshots of data. With cameras meant to count people, bicycles, and other vehicles, the City can better understand potential pedestrian safety issues, but also use the data to show businesses when traffic is highest. This would be a benefit for economic development as well as a possibility to save staff time on manual data collection.

Beyond just municipal operations use, Surge offers opportunity for better intergovernmental, regional cooperation. Towns and villages within Onondaga County face many of the same municipal challenges as Syracuse does. As a first-mover and tester of many of the technologies available, Syracuse can serve as a model for use cases that nearby municipal governments could replicate. At a county level, the Health Department monitors various indicators both inside and outside of the city. With sensors collecting data on air quality, the health department could better understand issues related to asthma. Agriculture monitoring can also benefit. Using the lighting network, sensors can transmit real-time data about soil and air conditions.

Surge extends beyond government, too. The private sector can benefit from the data collected by the City - be it information about where people walk or bike most to understanding hyper-localized weather conditions. Use of the network could also be opened up to private sector use. Surge was conceived as an opportunity to learn from the successes of the first and second industrial revolutions when government investment in infrastructure like the Erie Canal led to vast economic growth locally. Similarly, the build-out of one of the first completely connected cities in the United States through a government investment could lead to a similar economic growth now, in the fourth industrial revolution. Already, the City has had outreach from private sector medical supply companies that see the network as an avenue for transmitting data in a cost-effective manner.

Combining data from local governments and private sector companies into one physical location is also a focus for Surge. The New York Center for Smart Cities would allow for a co-located facility with a municipal command center that brings in all the data mentioned above, maps it, and gives both extremely granular as well as high-level views of what is happening in the city. Trends on data like traffic flows city-wide would be available as well as incident management in the event of a fire, combining historical data about a property, real time feeds of data from sensors near the property, and drone imagery being collected at the scene.

In tandem with the municipal command center, the New York Center for Smart Cities would include a place for the private sector to locate and test new types of technologies. Major corporations that want to deploy their products in Syracuse and use city-data to inform their work

would have space next to start-ups that are building the next generation of technologies. They all would have an indoor and outdoor test space to actually deploy their products in a real-life environment.

In May of this year, it was announced that the City had reached an agreement with a major wireless company to begin installing their 5G network. This will make Syracuse one of the first cities in the nation to have a fully functional 5G network. There will be approximately 600 cell towers installed over the next five years, with one on almost every block to ensure complete coverage.

Enacted State Budget

FY 2020 State Budget Actions Will Assist the City

The FY 2020 State Budget included a number of initiatives that will provide assistance to and grow the economy within the City of Syracuse and the surrounding Central New York region. This includes supporting locally-driven priorities for economic development and bolstering some of the State's most vital forms of infrastructure.

Permanent Property Tax Cap

The FY 2020 Budget makes permanent the 2 percent property tax cap, building upon the approximately \$25 billion in taxpayer savings since the cap was implemented in 2012.

Eliminate the Internet Tax Advantage

The Enacted Budget will provide a consistent framework for the collection of required sales taxes by internet marketplace providers, which is expected to annually generate \$160 million in new revenue for local governments. New York's brick and mortar retailers have been at a disadvantage because many on-line retail competitors are not collecting sales tax. This unequal treatment is unfair to the retailers who do collect sales tax, the customers who pay sales tax, the public at large which is forsaking State and local revenues, and the people who depend on the public services supported by those revenues. This proposal ensures that out-of-state merchants do not have a price advantage over our State's retail community.

Transportation Capital Program

The FY 2020 State Budget continues to fund \$29.3 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 two programs: BRIDGE NY and PAVE NY.

- The FY 2020 Enacted Budget commits an additional \$100 million for the BRIDGE NY program to replace, rehabilitate and maintain State and local bridges.
- The FY 2020 Enacted Budget commits an additional \$100 million for the PAVE NY program to be distributed per the Consolidated Local Street and Highway Improvement Program (CHIPS) formula.

Clean Water Infrastructure

The FY 2020 State Budget continues the effort to improve water infrastructure in the State through the Clean Water Infrastructure Act. The Act provides a second \$2.5 billion commitment for local governments to help address water emergencies, pay for local infrastructure, construction projects, underwrite land acquisition for some water protection and investigate and mitigate emerging contaminants of drinking water. This investment will provide protect public health, safeguard the environment, and preserve the State's water resources. These projects will improve

the quality of and safety of municipal drinking water distribution, filtration systems, and wastewater treatment infrastructure.

Regional Economic Development Councils & Upstate Revitalization Initiative

The FY 2020 Budget provides over \$850 million in Economic Development grant moneys across a number of valuable programs, including a \$750 million Regional Economic Development Council (REDC) Round IX and Consolidated Funding Application (CFA) process, and a fourth round of the \$100 million Downtown Revitalization Initiative and support for a wide array of investments in high technology, infrastructure and manufacturing. These grant programs incentivize local private sector investments that stimulate and strengthen local economies and create jobs across the State.

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, 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 continue its efforts to buy its lighting infrastructure from the utility and retrofit the lights to higher efficiency-LED, as well as invest in related technologies, including but not limited to a smart-node/Wi-Fi network, to be integrated with the infrastructure. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$2 million to assist the City with implementing this recommendation.
- The Board recommends that the City invest in a new timekeeping system and modernize its payroll processes. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$2 million to assist the City with implementing this 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 Board recommends that the City seek labor and healthcare efficiencies. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to help the City implement this recommendation.

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

Appendix A – Resolution from City of Syracuse

City of Syracuse

CITY CLERK'S OFFICE

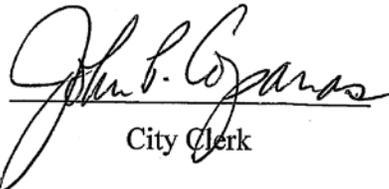
I, JOHN P. COPANAS, City Clerk of the City of Syracuse, New York do hereby certify that the attached is a true copy of an ORDINANCE:

Adopted by the Common Council on

May 7, 2018

Signed by the Mayor on

May 8, 2018


City Clerk

TO:

Mayor
Assessment Commissioner
Aviation Commissioner
Board of Elections
Bureau of Accounts
Citizen Review Board
City Auditor
City School District
Code Enforcement
Neighborhood and Business Development
Finance Commissioner
Corporation Counsel
United States Congressperson
Governor of New York State
New York State Senate
New York State Assembly
New York State Senator
Onondaga County Legislature

Management & Budget Director
Parks & Recreation Commissioner
Personnel & Labor Relations Dir.
Police Chief
Public Works Commissioner
Public Works/Bookkeeper
Purchase Department
Real Estate Division
Research Director
Water Department
Zoning Administration
United States Senator
Department of Engineering
Finance/Treasury
Finance (Water Bureau)
Fire Chief
Grants Management Director
Board of Education

13-14

Ordinance No. 213 2018

**ORDINANCE REQUESTING A
COMPREHENSIVE REVIEW BY THE NEW
YORK STATE FINANCIAL RESTRUCTURING
BOARD FOR LOCAL GOVERNMENTS**

WHEREAS, the City of Syracuse is a Fiscally Eligible Municipality based on the criteria established under the New York State Local Finance Law and qualifies to request a Comprehensive Review by the Financial Restructuring Board for Local Governments; and

WHEREAS, the Common Council of the City of Syracuse understands that the Financial Restructuring Board has the ability to undertake a Comprehensive Review of the City of Syracuse's operations, finances and practices; NOW, THEREFORE,

BE IT ORDAINED, that the Common Council of the City of Syracuse requests a Comprehensive Review by the New York State Financial Restructuring Board for Local Governments; and

BE IT FURTHER ORDAINED, that the Mayor is authorized to execute any and all documents and instruments necessary to fulfill the City of Syracuse's obligations under the Financial Restructuring Board's Comprehensive Review and that the Mayor will provide the Finance, Taxation and Assessment Committee of the Common Council with copies of any written communications that are received from or provided to the Financial Restructuring Board.

Appendix B – Resolution Approving the City of Syracuse

Financial Restructuring Board for Local Governments

RESOLUTION No. 2018-11

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

WHEREAS, pursuant to New York State Local Finance Law section 160.05(2), the Financial Restructuring Board for Local Governments (the "Board") must find that the City of Syracuse (the "City") is a Fiscally Eligible Municipality because it has an average full value property tax rate of \$7.6489 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. 2018-11
Dated: 6-13-18

