



City of Troy

Comprehensive Review Report

**Financial Restructuring Board
for Local Governments**

June 19, 2017

Table of Contents

Table of Contents	2
Overview	3
Background	3
Fiscal Eligibility and Stress.....	3
Demographic and Socioeconomic Profile.....	4
Organization and Finances	5
Organizational Profile.....	5
Budget Profile.....	7
Findings and Recommendations	11
Shared Services.....	11
Efficiencies.....	19
Infrastructure - Sewer Repairs and Investments.....	23
Workforce.....	26
Economic Development.....	28
Fiscal Performance and Accountability.....	30
Conclusion and Next Steps	35
Appendix A – Letter and Resolution from the City of Troy	37
Appendix B – Resolution Approving the City of Troy	41

Overview

The City of Troy is a medium Upstate city in Rensselaer County*. With a population of 50,129 as of the 2010 Census, it is the 12th most populous city in New York State.* 2015 expenditures of \$86.5 million were the 14th highest of all cities.

The City Council adopted and the Mayor concurred with a resolution requesting a Comprehensive Review by the Financial Restructuring Board (see Appendix A). On June 20, 2016, the Financial Restructuring Board approved this request for a Comprehensive Review with Resolution No. 2016-10 (see Appendix B).

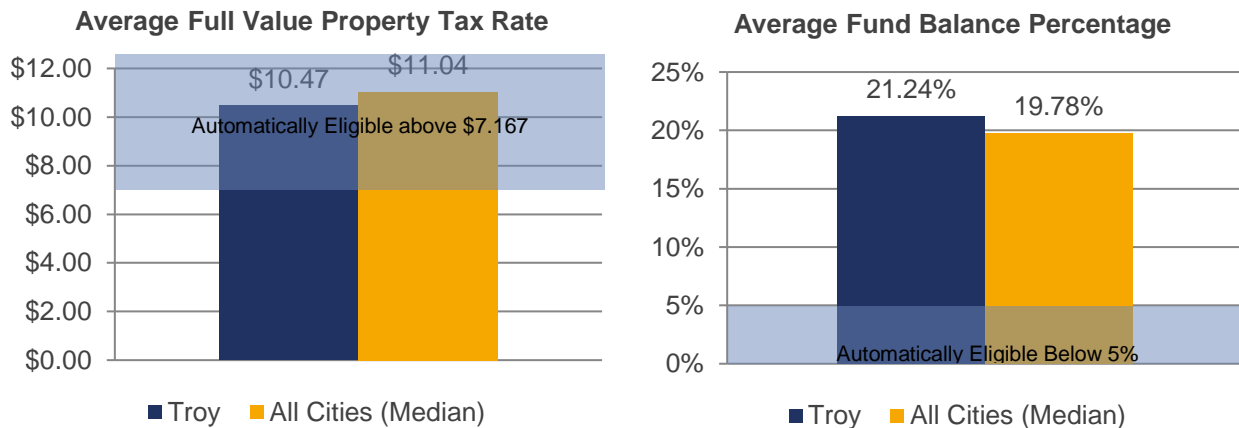
This Comprehensive Review first gives some background on the City's fiscal eligibility and demographic profile. It then provides information on the organization and finances of the City. Finally, it presents the Comprehensive Review's findings and recommendations.

Background

Fiscal Eligibility and Stress

The City of Troy is automatically considered a Fiscally Eligible Municipality because its Average Full Value Property Tax Rate (2010-2014) of \$10.470 per \$1,000 is above \$7.167 per \$1,000 – the 75th percentile for all municipalities. This is the 35th highest for cities.

The City's Average Fund Balance Percentage (2010-2014) of 21.24 percent is the 32nd lowest for cities but is still above the five percent threshold.



The Office of the State Comptroller's (OSC) Fiscal Stress Monitoring System gives the City of Troy a Fiscal Rating of "No Designation" with a score of 40.0 percent for 2015 (a local government would be determined to be "Susceptible to Fiscal Stress" with a score of 45.0 percent or higher). The negative factors contributing to this score include a low fund balance, an operating deficit in two of the last three fiscal years, low cash levels as a percentage of monthly expenditures, and a high level of personal service and employee benefits spending compared to revenues. OSC projects that the City's score will increase in 2016 to 41.1 percent, staying at No Designation.

OSC's Fiscal Stress Monitoring System gives the City of Troy an Environmental Rating of "Susceptible to Environmental Stress" with a score of 30.8 percent for 2015 (a local government would receive a designation with a score of 30.0 percent or higher). Negative environmental factors contributing to this score include: a high child poverty rate in 2010 (40.2 percent); an increase in the child poverty rate from 2000 to 2010 (14.7 percent); a decrease in property values over the last four years (-2.2 percent); a high unemployment rate in 2014 (6.7 percent), and a decrease in State and Federal aid between 2014 and 2015 (-9.0 percent).

Demographic and Socioeconomic Profile

The City's population increased by 2.0 percent to 50,129 from 2000 to 2010. In contrast, the typical city's population grew 0.5 percent over that same period.

The City of Troy's median household income in 2014 was \$39,526, which is slightly less than the typical city's median household income of \$40,111.

The City's median home value of \$142,900 is more than the median home value of the typical city of \$108,300. Its property value per capita in 2014 was \$35,135, and as noted above, its four-year average change in property value was -2.2 percent. The City's unemployment rate is 6.7 percent (2014), and its child poverty rate is 40.2 percent (2010).

Population Change

2010: 50,129



2000: 49,170

Organization and Finances

Organizational Profile

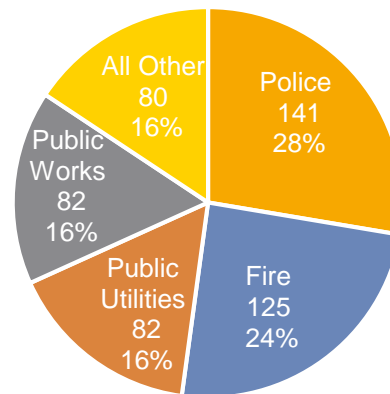
The City of Troy is governed by a Mayor and a nine-member Common Council. The Mayor is elected City-wide for a four-year term, expiring December 31, 2019. The Council is elected for two-year terms, with six elected as representatives of specific council districts and three elected at-large for the entire City.

The City has several primary departments: the Mayor's Office, the Comptroller's Office, Public Utilities, Public Works, Information Services, Planning, Engineering, Police, and Fire.

As of the 2017 adopted budget, the City has 510 FTEs. This is down from 532 FTEs in the prior year. The City Police Department has the most full-time employees at 141, followed by the Fire Department at 125.

Several unions represent the City's unionized workforce. All bargaining unit contracts have, outside of Fire, been expired for over four years. This represents significant fiscal uncertainty, and a potentially significant liability for the City in its near future. The Fire Department's willingness to recognize the City's present fiscal straits should hopefully set an anticipated pattern for most of the remaining bargaining units.

2017 City of Troy Full-Time Employment



City of Troy Labor Contracts										
Union	Contract Status	Contract Expiration	% Salary Increases							
			2010	2011	2012	2013	2014	2015	2016	2017
Troy Police Benevolent and Protect Association, Inc.	Expired	12/31/2012	3.5	2.0	0.0	-	-	-	-	-
Command Officers Association of Troy, Inc. (COAT)	Expired	12/31/2010	3.5	2.0	0.0	-	-	-	-	-
Civil Service Employees Association, Local 1000 AFSCME, AFL-CIO	Expired	12/31/2011	3.5	3.5	-	-	-	-	-	-
Troy Uniformed Firefighters Association (UFA)	Expired	12/31/2016	3.5	2.0	0.0	0.0	0.0	0.0	0.0	-
City of Troy Command Officers Association	Expired	12/31/2012	3.5	2.0	0.0	-	-	-	-	-
United Public Service Employees Union	Expired	12/31/2014	3.5	2.0	0.0	-	-	-	-	-

Under the most recent labor agreements for each union, new hires contribute either 15 percent or 20 percent of the cost of their health insurance. Prior to new labor agreements, most employees covered by these unions did not contribute towards health care.

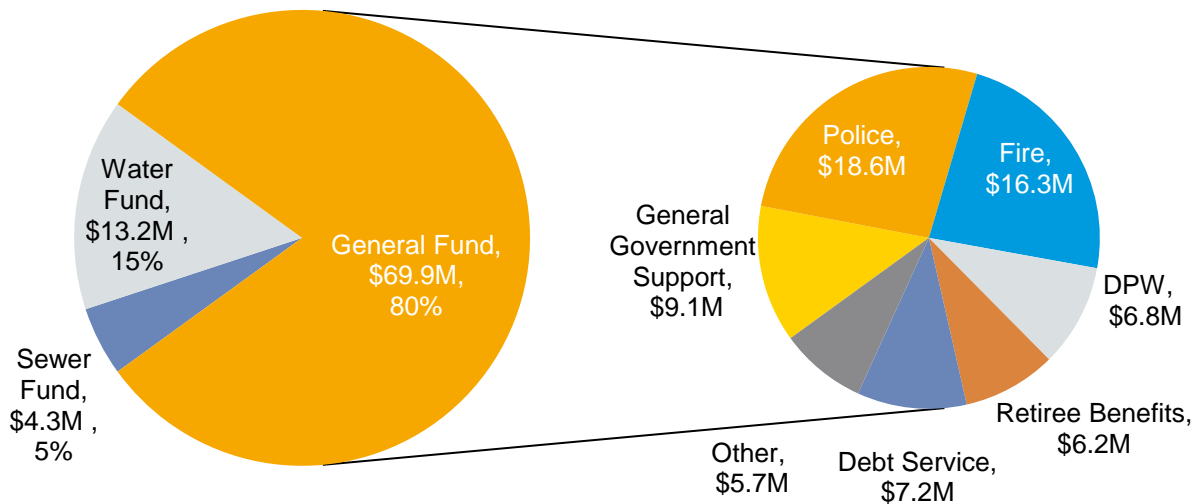
For the Troy Uniformed Firefighters Association (UFA), employees hired after 1996 pay 15 percent of their health insurance costs; persons hired in the years prior do not contribute. For police represented by the Police Benevolent Association (PBA), persons hired on or after 1999 pay 15 percent of their health insurance costs; persons hired in the years prior do not contribute. For the Command Officers Association of Troy, Inc. (COAT), persons who joined this unit after 2007 pay 15 percent of their health insurance costs.

For Civil Services Employees Association, Inc. (CSEA), those hired after 1996 pay 15 percent of their health insurance costs; persons hired in the years prior do not contribute. Non-Represented Employees are comprised of three different groups. One group has salaries recommended by the Mayor and approved by the City Council, another group is entitled to the same increases as CSEA unit members, and the other group of salaries is determined pursuant to the Troy City Charter. For Non-Represented Employees, persons who were hired after 2013 pay 20 percent of their health insurance costs; and persons hired before 1996 do not contribute.

Budget Profile

The City's 2017 all funds adopted budget totals \$87.4 million. This is a 2.6 percent increase from the revised 2016 budget. For the General Fund, which totals \$69.9 million for 2017, the largest expenditure category is for police, at \$18.6 million (26.6 percent of General Fund expenditures), followed by fire at \$16.3 million (23.3 percent of General Fund expenditures) and general government support at \$9.1 million (13.0 percent of General Fund expenditures).

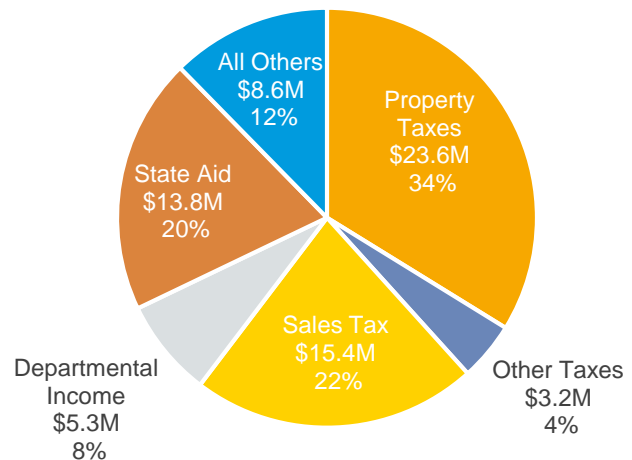
2017 City of Troy Expenditures



The 2017 General Fund revenue sources include: 33.8 percent from property tax; 22.0 percent from sales tax; and 19.8 percent from State aid. The property tax levy is \$24.4 million, although \$23.6 is budgeted in the General Fund. The levy increased by 14.6 percent from the prior year.

The Water Fund is supported by \$7.7 million in revenue from other governments and customers. This helps support an annual transfer of \$2.2 million to the General Fund.

2017 City of Troy Revenues



Renewed Budget Stress

In the mid-1990s, Troy was on the verge of bankruptcy. The City's fiscal position required the State to intervene via the enactment of two special acts that included the creation of the Troy Supervisory Board, a fiscal oversight body chaired by the State Comptroller, and the formation of the Troy Municipal Assistance Corporation (MAC), which was instrumental in providing market access for the City and reducing debt service costs for the City. The events of this time period are further examined and summarized later within this Comprehensive Review.

From the early 2000s to 2016, while the City's fiscal position generally retreated from a period of surpluses and strong undesignated fund balances to a dependence on budgetary one-shots and insufficient available balances in the General Fund, the City has consistently been able to avoid incurring a budget deficit of one percent or greater in the results of operations covering all expenditures as reported in accordance with GAAP. Such a deficit would trigger re-imposition of the Supervisory Board's "emergency period".

In recent years, however, the City's fiscal picture has become more precarious. OSC issued a report for the period of City Fiscal Years 2012 through early 2015 that highlighted a number of issues and concerns. Specifically, using actual results through 2014 at that time, OSC noted that:

- The adopted budgets for the General Fund that were not structurally balanced, but instead routinely relied on appropriating significant amounts of reserves to finance operations.
- As a result, the General Fund realized planned operating deficits, a declining fund balance and a declining cash balance from 2012 through 2014, which led to General Fund reserves falling over \$7 million since 2006.
- The financial condition of the City's General and Water Funds have declined over the last three fiscal years.
- The adopted budgets for the Water Fund were not realistic because revenue estimates for metered water sales could not be realized based on the water rates in effect.

For each of the fiscal years ending 2013 through 2015, the City's General Fund available and assigned fund balances totaled just over \$1 million for each year, which is less than a two percent balance.

Given the low fund balance in the General Fund and the significant decline in available Water Fund balance, in developing the 2015 budget, the previous administration modified its accounting of retirement system expenses so it only had to budget 75 percent of the expense for that fiscal year, thus creating a one-time, one-shot savings of \$1.9 million. Actions such as these are poor budgetary practices and indicate fiscal stress.

City 2017 Budget Process

Based on the issues raised by OSC and to come to terms with the City's fiscal position, the new Mayor and his administration established certain top-line goals for the 2017 budget, including using only verifiable and realistic revenues and paying recurring expenses with recurring revenues. With the City's adoption of several prior budgets assuming unrealistic or inaccurate revenues and expenses, the City was left with a very low unassigned fund balance and a significantly reduced Water Fund balance, of which the City has consistently relied on for an average of \$2 million annually to support the General Fund.

Heading into the 2017 budget season, the administration and the City Council were aware of the need for a steep property tax increase, given that this revenue is the largest and most controllable source. This increase was going to be needed to offset and replace the speculative, one-shot, or overly optimistic revenues and, to a lesser extent, to support any under-budgeted expenses.

Accordingly, for the administration's first budget, the Mayor proposed a tax levy increase of 28.2 percent above the 2016 level. The City Council believed this level of tax increase was both unrealistic and unaffordable for taxpayers.

After months of meetings, the stalemate between the administration and the Council was broken, albeit weeks later than the adopted budget typically is passed. The parties agreed to a 14.55 percent tax levy increase, rather than the initially proposed 28.2 percent. However, given the loss of the near \$2 million due to the lower levy, the Mayor needed to effectuate a number of cuts (and some fee increases), the most significant of all being the layoff of seven full-time employees and many part-time seasonal support staff.

The following chart shows the progression of the City's tax levy and full value tax rate over the last eight years. The results over the past few years are evidence of the City's fiscal stress and the need for the City as a whole to seek new methods and opportunities to increase revenue and reduce operating costs.

City of Troy Tax Levy and Tax Rate Progression Signifies Recent Fiscal Stress			
2009	Levy	\$18.8M	-
	Rate	\$9.87	-
2013	Levy	\$19.67M	4.6% increase above 2009 levy
	Rate	\$10.86	10% increase above 2009 tax rate
2017	Levy	\$24.4M	24% increase above 2013 levy
	Rate	\$13.83	27% increase above 2013 tax rate

Preliminary Fiscal 2016 Results

In early April 2017, the Mayor released preliminary, unaudited results for the City of Troy's 2016 General Fund budget running through December 31. These preliminary figures suggest the City may have run a positive surplus of over \$2 million for the fiscal year.

According to the Mayor, factors that led to this positive projection include: a nearly five percent increase in collected revenue, compared to the prior year; over \$500,000 in savings from deferring or not filling various positions; higher than budgeted ambulance and building permit revenues as well as a higher percentage of collection for property tax payments; and, among others, a settlement of over \$360,000 for prior year expenditures relating to the former City Hall.

In late April 2017, Moody's, with the City's news of a likely surplus for the 2016 fiscal year, removed the "negative" outlook in favor of a "stable" outlook, while affirming the overall A2 credit rating.

These unaudited results are a testament to the commitment of the City's residents and its workforce, as well as the new focus and determination brought in by the new administration. While this positive news is welcome and much needed for the City's future fiscal stability, as noted elsewhere in this Comprehensive Review, the City still has numerous challenges ahead, especially in the areas of debt service, unsettled labor contracts, and infrastructure needs.

Findings and Recommendations

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

Shared Services

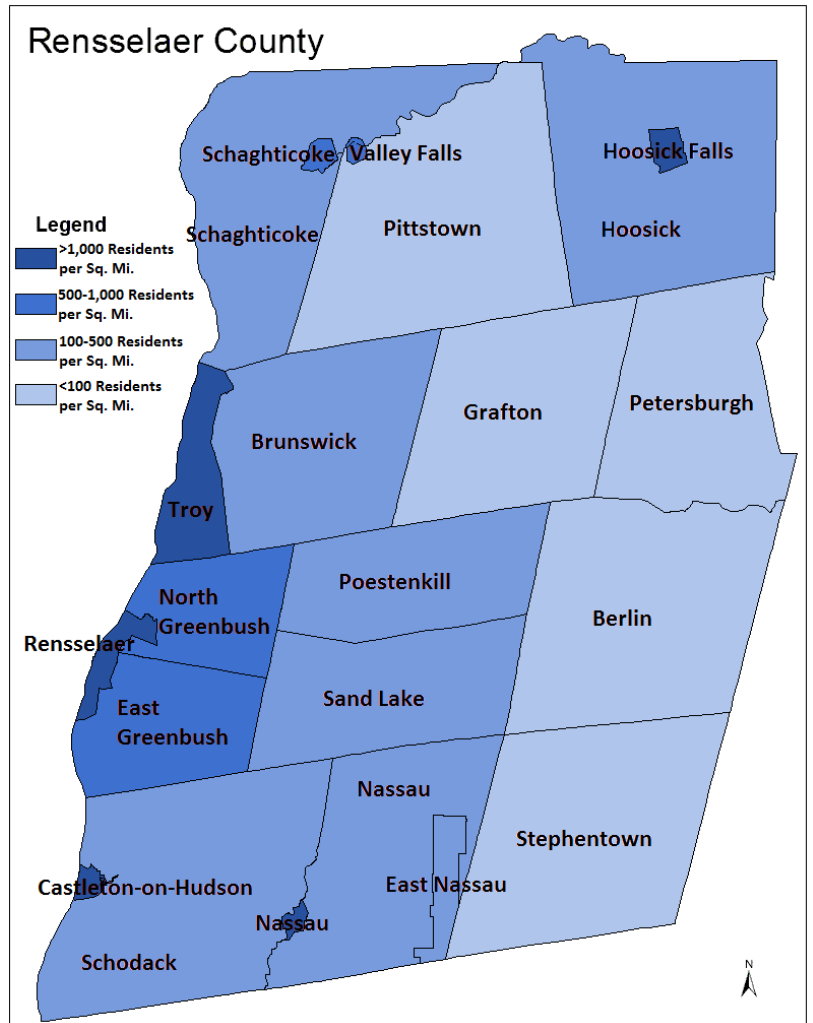
Regional Government Context

As of the 2010 Census, Rensselaer County had a population of 159,429 and was the 16th most populous county out of the 57 counties outside of New York City. With a land area of 652.4 square miles, it is the 32nd largest county. With a population density of 244 residents per square mile, it is the 16th most densely populated county.

The County is governed by a County Executive and a 19-member County Legislature. Other elected officials include a County Clerk, District Attorney, and Sheriff. As of 2015, the County had total expenditures of \$334.7 million, which is the 14th highest for counties, and total expenditures per capita of \$2,100, which is the 23rd highest for counties.

Within the County, there are 2 cities, 14 towns, 6 villages, 12 school districts, 27 fire districts and more than 100 town special districts and other entities.

The City of Troy is on the western edge of the County, and is directly surrounded by the Towns of Schaghticoke, Brunswick, and North Greenbush.



Survey of Shared Services

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

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

Index of Municipal Services Provided				
Service/Function	City of Troy	Rensselaer County	Troy City School District	Lansinburgh School District
Police	X	X		
Dispatch/E-911		X		
Fire	X	X		
Ambulance/EMS	X	X		
Tax Collection/Treasurer	X	X	X	X
Tax Bill Printing	X	X	X	X
Tax Foreclosure	X	X		
Assessing	X	X		
Personnel/HR/Civil Service	X	X	X	X
Payroll/Time & Attendance	X	X	X	X
Purchasing	X	X	X	X
Budget/Finance	X	X	X	X
Code Enforcement	X	X		
Building/Zoning/Planning	X	X		
Park Maintenance	X	X		
Animal Control	X			
Plowing	X	X	X	X
Paving/Street Maintenance	X	X		
Lighting/Traffic Controls	X	X		
Sanitation/Garbage	X		X	X
Water	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 and its neighboring municipalities.

If the City is to address its future budget challenges, it must maximize available savings from pursuing and implementing a new shared services plan with its governmental partners. An

effective plan will not only enable the City to reduce its cost structure going forward, but should also help partnering governments to reduce their costs as well. Some of the most promising opportunities for shared services include the following.

Technology - Time and Attendance

The City is looking to enter into a shared services arrangement with the County to participate as a user on their time and attendance system. This would entail the installation and maintenance of a new time keeping and payroll system for the full staff of the City.

The Payroll Department is operated by two employees. These employees process accruals and paychecks for 532 full-time employees and 21 part-time employees. Under the current payroll process at the City, the Department manually collects and enters data, sends it to the account clerks for compilation, sends the information to all of the various department heads for approval, and then sends the information to the payroll department for processing.

By transitioning to the County's system, the manual entering of each employee's time onto the payroll sheets would be eliminated, thereby giving the clerks time that can be allocated to other areas, especially in larger departments such as Police, Fire, and Public Works, which would affect workload for approximately 13 employees. The process itself would be more efficient. Department heads could approve time with the click of a button rather than reviewing handwritten sheets and signing them manually. This would also reduce errors in processing.

In terms of payroll processing and production, the current payroll is processed manually through the City's more than 20 year old financial system. The system can compute monthly accruals, but anything beyond the monthly accrual has to be done manually. Quarterly taxes are computed manually, and union dues are entered manually when an employee is hired.

Current fees for the system are \$49,000 per year (including both the payroll and the financial systems).

Through communication with the vendor and the County, the City has learned that its cost to add onto the County's time and attendance and payroll system is approximately \$140,000. However, by joining with the County's system, the City will not have to incur the upfront cost of server hardware acquisition and installation, server hardware maintenance and support, database software acquisition and installation, database software maintenance and support, software and hardware configuration, and staff to manage and administer the server and database environments.

Conjoining with the County's system would:

- promote the shared services platform for the City and the County and provide an example of governments working together to provide similar services;
- provide efficiency in the Payroll Department through the use of technology rather than manual entry on paper and transcription into the current system;
- provide efficiency in specific departments by eliminating the need for account clerks or staff to compile the information, verify, and approve on paper;
- provide savings across the City resulting from accuracy of reporting, record keeping and accountability in accruals; and

- save the City paper for weekly payroll submission.

The City estimates that the advancements offered by the new time and attendance and payroll system would save the City close to \$200,000 annually after a couple of years. Moreover, by joining the County's systems, this maneuver will give the City and County to take the next logical step and combine payroll staff and all aspects of payroll needs and processing between the two governments.

Technology - Utilizing the County's Financial Management Enterprise Resource Planning (ERP) System

In addition to payroll/time and attendance applications, the City is also looking to enter into a shared services arrangement with the County to become a licensed user within their ERP system. This system would replace the City's current outdated, underperforming accounting program. This agreement would entail the installation, training and maintenance of a new financial management/ERP system that would benefit all of the departments in the City with emphasis being on the City Comptroller's required and necessary functions.

The City's current financial and accounting system has significant issues. The system has not had a major update in three or more years and the support for it is minimal. As noted in the previous section, the current system costs the City \$49,000 in fees, including both the payroll and accounting/financial systems. The functionality of these systems is imperative to the operations of the City and the collection of its revenues. An ERP or a new financial systems environment would not only provide greater efficiency and cost savings, but also consistency in the City's ledger with respect to the recording and collection of amounts owed and due to the City on a monthly basis.

This addition would:

- create significant efficiency in staff time – eliminating manual process;
- reduce the amount of staff that perform specific financial functions;
- expedite accounts payable approvals and reduction of paper;
- reduce errors and duplications resulting from manual entry; and,
- improve internal controls.

With the City joining the County's ERP system, the County can provide the computing environment for the City's system implementation. Similar to the approach and benefit with the County's time and attendance system, the City will not have to incur the upfront cost of acquiring and installing six computing servers, server hardware maintenance and support, operating systems with user licenses and database software acquisition and installation, operating system and database software maintenance and support, and staff to manage and administer the server and database environments.

Engineering

The City currently staffs and funds its own Engineering Department. The Department operates with three full-time employees and a total budget approaching \$340,000. Due to budget limitations for 2017, the City proposed a shared services agreement with the County for the position of City

Engineer, which was eliminated in the City's 2017 budget. The position is integral to the overall operations and infrastructure of the City and a shared arrangement with the County would fulfill this requirement.

The County has recently made some modifications in its department structure that increased the capacity of the Highway/Engineering Department to consider this request. As the agreement stands now, the City would reimburse the County for services for oversight and review of engineering needs. The City anticipates that this will be a part-time arrangement for the latter half of 2017 and then it will look to negotiate a plan to absorb the Engineering Department into the County program that could ultimately end up saving the City upwards of \$340,000 per year once the phase-in plan is completed. Utilizing the model that other counties and municipalities in the State have agreed to, it would be anticipated that the phased plan would account for the absorption of the duties and responsibilities of the Department into the County with a likely five-year phased-down compensation plan similar to how Chemung County and the City of Elmira executed departmental merger agreements for the Streets Department and the Buildings and Grounds staff/division.

It is anticipated that there would need to be an agreement not only with the County but also with the City's bargaining unit as the County CSEA is separate from the City CSEA. To account for the changes in the plans, it is anticipated that additional funds may be required to effectuate the merger.

Civil Service - Utilizing the County's Software/System

Opportunities exist for the City to begin a multi-phased approach to sharing its Civil Service function with the County. To start, the City is interested in sharing and utilizing the same software/system that the County uses. At present, the City provides shared services to the Troy Housing Authority, Troy Library, and the Troy City School District for this service, and receives compensation from some of the entities. Given this arrangement, there is not yet a significant savings opportunity if the City were to consolidate with the County. If the City takes the first step and joins/uses the County's civil service software, it would promote the concept of shared services and even set the stage for future functional consolidation with the County.

The efficiency created by this technology upgrade would provide much needed support, as the City only has three Civil Service employees that serve 771 full-time employees and 157 part-time employees.

Through the purchase of this program, the City of Troy would be able to:

- continue to promote the shared service platform already in existence with the housing authority, library, and the school district;
- offer efficiency not only to the personnel department, but also to the other entities relying on the City for the service;
- provide streamlined operations in the Civil Service Department to allow the Department to focus on policy, employee standards, and contractual issues that arise;
- provide efficiency in the notification and testing process for provider and user; and, as noted earlier;
- set the stage for future consolidation consideration by utilizing one program among users.

Recommendation: The Board recommends that the City pursue shared service opportunities with Rensselaer County, including but not limited to the areas of civil service, engineering, payroll/time and attendance, and financial management systems. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$995,000 to assist with implementing such shared service projects, including up to \$835,000 for payroll/time and attendance and financial management systems, up to \$40,000 for a new civil service system, and up to \$120,000 to assist with the consolidation of engineering departments. 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.

Modernizing the Fiscal Relationship with the City's Major Non-profit Organizations

The Troy Redevelopment Foundation (TRF) is a voluntary consortium of the larger and predominantly tax-exempt entities in the City, including Emma Willard, St. Peter's Health Partners, Sage Colleges, and Rensselaer Polytechnic Institute (RPI). The members of the TRF contribute a total amount of \$450,000 to the City of Troy on an annual basis. This amount is divided into two halves, of which \$250,000 is dedicated to the City's General Fund and the remainder is provided to the City on a request basis. The City is asked to provide a list of items for consideration. Over the years, this portion of the contribution has paid for a ladder truck, grants to outside organizations, and a new Comprehensive Plan. The amount provided to the General Fund has not been increased since the inception of the group about 20 years ago.

With the ongoing redevelopment of Troy, the City is providing better public safety, quality of life, programming for visitors and students, and a better infrastructure for the schools and hospitals to continue their missions and visions. The City acknowledges the individual investments each of these organizations has made in their facilities and their programming, as well as those institutions' dedication to the residents and businesses of this City.

However, just as the cost to do business increases for these members, it does so for the City as well. The City is starting serious conversations with the members of the TRF that will hopefully result in a modest increase and perhaps the implementation of a modest impact fee to its on campus populations. This fee could provide additional revenue to the City for its ongoing operations and redevelopment.

Both of these concepts would need to be negotiated with the institutions for inclusion of their tuition information. The City is hopeful that such agreements could be implemented prior to the 2019 budget year.

By way of reference, RPI owns approximately \$424 million of tax exempt real estate in the City, and pays taxes on \$10 million worth of real estate property. Sage Colleges own \$66 million of tax exempt property, all of which is exempt.

For a number of years, Syracuse University had been contributing \$500,000 per year to the City of Syracuse in recognition of the needs of the City and the provisions of service provided to the University as well as the untaxed property the University owns. In 2016, the City and University extended and expanded the agreement, which would now be worth \$1.4 million per year.

According to the City, they would remain committed to the existing split of funds to the General Fund and would request that the remaining funds be committed to Economic Development initiatives and/or match money for municipal projects as they continue to redevelop the City and provide projects that will continue to benefit not only the residents, but also the organizations involved in the Foundation.

The Board finds that the City should meet with all of the members of the TRF and seek to come to an agreement that will recognize the cost, benefits, and efforts of all parties and the fact that the agreement has not been modernized in over 20 years.

Tax Assessment

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

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

With a local CAP, the City could also build upon its assessment function via its assessor and potential departmental capacity to provide assessment services to any of the surrounding towns on a contractual basis. The City could approach neighboring towns within Rensselaer County or approach some of their neighbors in Albany County, across the Hudson River, to ascertain any interest in forming a CAP.

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

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

Local Government Efficiency Grant Program

The State also offers competitive grants through the Local Government Efficiency Grant program (LGEG) to local governments for planning or implementing a local government efficiency project, including sharing services, functional consolidation, and regional service delivery. The maximum grant for an implementation project is \$200,000 per municipality/ \$1 million per grant. The maximum grant for a planning project is \$12,500 per municipality/ \$100,000 per grant. Planning projects require a 50 percent local match and implementation projects require a 10 percent local match. If a planning project is later implemented, the local match for implementation is offset by the amount of the local match for the planning project.

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

Transformational Municipal Restructuring Grants

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

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

County-wide Shared Services Property Tax Savings Plans

The FY 2018 State Budget empowers citizens and local leaders to control the cost of local government through the creation of County-wide Shared Services Property Tax Savings Plans. Each county will gather the mayors and supervisors in the county and develop a plan that generates real, recurring taxpayer savings. The plan should include actions such as the elimination of duplicative services; shared services, such as joint purchasing, shared highway equipment, shared storage facilities, shared plowing services, and energy and insurance purchasing cooperatives; reduction in back office administrative overhead, and/or better coordination of services. The State will match the first year of savings from new shared services actions in approved plans.

The City should actively participate in the development of the Rensselaer County plan, taking advantage of this opportunity to find and implement shared services actions with other local governments in the County. Additional information on this initiative is available at https://www.dos.ny.gov/lg/countywide_services.html.

Efficiencies

Fleet Management

The City of Troy's fleet is comprised of police and fire vehicles; Department of Public Works and Department of Public Utilities heavy equipment, including garbage trucks, dump trucks, street sweepers, plows, backhoes, bulldozers, mowers, utility vehicles; and cars and vehicles for the City's administration.

The management of this program is extremely decentralized and the fleet is overaged, which increases maintenance costs and decreases reliability (some vehicles and equipment are over 10 years old). City-wide there are 250 cars and light trucks, 60 heavy-duty trucks, and 30 special purpose vehicles. The City operates at least four decentralized repair shops, including:

Public Utilities Garage:

- 2 full-time employees
- Budget - \$474,158
- Located at the water plant

Fire Department Garage:

- 1 full-time employee
- Budget - \$255,000
- Located at Campbell Avenue fire house

Department of General Services Garage:

- 8 full-time employees
- Budget - \$1,472,519
- Located in North Central at 7th and Dow Streets

Police Department Garage:

- 1 full-time and 2 part-time employee
- Budget - \$230,000
- Located at police department at State and 5th Avenue

Each Department has their own purchasing, vendors, operations, and hiring practices. The consolidation of the purchasing, of not only the fleet but also the parts and supplies inventory, could produce significant savings in a single year. The consolidation of garages would need to be analyzed to look at overall capacity of each department and its staff for the work to be performed as well as the physical capacity of each site. The analysis would need to include the physical infrastructure of the departments as well as its fleet and operations.

The challenge associated with a decentralized garage system is there is no one employee dedicated to the overall management of the fleet and the garages. With nearly 350 vehicles in the fleet and an annual operating budget of over \$2.5 million (excluding payments for vehicles), this is one area where the City could benefit from an operational analysis.

With green technology, emission improvements, and better efficiencies in the vehicle and equipment industry, the current fleet operations would be able to produce significant savings, greater energy efficiency and reduced environmental impact with newer equipment and improved

operations. With a plan in place and a centralized management program, these operational changes could produce significant savings and produce a positive return on investment now and for the future budgets of the City.

The City is seeking assistance to engage a fleet management firm to:

- evaluate the City's vehicle inventory, deployment, and maintenance capability;
- recommend rightsizing of the fleet;
- recommend a consolidated deployment and maintenance structure;
- design a plan to upgrade the fleet to reset its costly maintenance and replacement cycle; and,
- design a potential consolidation of the fleet's maintenance capability.

With the investment into a comprehensive fleet management, repair, and deployment study, the City could improve City-wide fleet deployment and reliability, resulting in improved City services, achieve long-term savings from reduction in City-wide fleet size, achieve long-term savings from consolidated City wide fleet management and maintenance, and develop a plan to replace aged vehicles in the most economical manner.

To assist the City with its procurement of a qualified fleet consultant, the State's Office of General Services will work with City officials and provide guidance toward ascertaining the scope of the services needed as well as provide technical assistance to the City in the creation of the City's Request for Proposals' document (RFP).

Recommendation: The Board recommends the City pursue efficiencies with respect to the maintenance, procurement, and management of its fleet operation. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$100,000 for a fleet management consultant for the City. The specific structure and conditions of such grant, which would be developed in consultation with the City, and any other aspects of such grant would be subject to an affirmative vote of a majority of the total members of the Board.

LED Street Lighting

The City has approximately 3,200 streetlights within its border, which are owned by National Grid and leased to the City.

For the City, converting from existing metal halide or high-pressure sodium lighting technology to LED would reduce energy draw and help the City save money. In addition, LED lights, on average, last longer, require less maintenance and attention compared to their older counterparts, and offer improved lighting quality. Therefore, conversion to LED lights would benefit the City through reduced wattage draw as well as lowered average annual maintenance costs.

The City leases all of its lights, poles, and fixtures from its utility company, National Grid. Through an all-encompassing tariff (master rate) approved by the New York State Public Service Commission (PSC), the City pays National Grid for the cost of the energy (kilowatts) used, maintenance and leasing of the infrastructure. In total, the City paid National Grid nearly \$1.5 million in its 2016 fiscal year for costs associated with the lights.

In 2002, the City of Binghamton negotiated the purchase of the 6,900 streetlights within its borders from its utility company, NYSEG. With this purchase, the City owned the lights, arms and poles.

Binghamton, however, continued to pay NYSEG to maintain the entire set of lights from 2002 to 2016. In late 2015, the City embarked on a nearly \$4 million project to convert its pool of streetlights to modern LED technology. The City currently estimates that, over the next 15 years, it will save over \$5 million on electric usage/bills, and approximately \$1 million in maintenance bills.

Due to the fact that it does not own the infrastructure, the City of Troy has two options if it desires to lower its operating costs through converting the older lights to LED. First, it could approach National Grid in an attempt to buy the infrastructure. Based on early indications, this option could be cost-prohibitive, as the City would have to pay National Grid for the present amortized value of each applicable light/pole, and potentially the associated wiring, as well as the cost of the business model (i.e., the future value of operations to National Grid). In addition, the City would then have to purchase the necessary materials to upgrade and/or replace the light fixtures, and staff the necessary personnel to maintain the new infrastructure the City would then own. The costs to address over 3,200 units could be very costly for the City. Nonetheless, State Public Service Law § 70-a allows for the sale of street lighting assets – a negotiated agreement between the municipality and utility would be filed with the PSC for approval.

In the recent past, local governments were experiencing frustration with the lack of cooperation or motivation on behalf of their utility company in connection with effectuating a sale of the streetlights to the locality. Recognizing this issue, the State Legislature passed, and the Governor signed Chapter 495 of the Laws of 2015, which added a new § 70-a establishing procedures for the transfer of ownership of the complete system of street lights and supporting infrastructure from a utility to a municipality.

This statutory change helped by establishing a process by which the two parties could begin to effectuate such a buyout, with PSC facilitating the procedures and requirements. According to the PSC, a proceeding and case number has already been established for National Grid (and its affected municipalities, case # 15-E-0747), with the filing being approved in October 2016. In addition to PSC's guidance and oversight, the Department of Public Service will work in conjunction with NYSERDA to identify funding available for municipalities to aid in the transfer of the facilities.

The second option is to encourage National Grid to upgrade their lights, under the assumption or proof that the City would see reduced charges due to lower energy usage and expected lower maintenance, if applicable, due to the durability and longevity of LED versus older technology. The PSC has indicated that via case #15-E-0645, National Grid filed its proposed tariff on October 31, 2015 to establish four LED street lighting options. The PSC's May 2016 order approved the utility-owned streetlight replacement options.

Through discussions with Board staff, the City seems poised to work with National Grid on the second option noted above, in which the utility company would upgrade its lights to LED, after the City compensated National Grid for the current un-depreciated value of each light that the company is still carrying on the books.

According to National Grid, the Average Net Book Value per unit for the conversion of Troy's streetlights was \$199.24 each, which translates to a one-time, upfront cost to Troy of \$660,481.

Based upon the City's current annual cost, if the City was to pay National Grid the \$660,000 and National Grid were to upgrade all 3,200 lights to the latest LED technology, the City could save upwards of \$75,000 per year in utility costs for these lights.

At present, the City is working with Siemens Corporation to create a City-wide energy master plan, which will help suggest and/or execute a number of energy-related projects for the City, including LED conversion.

Recommendation: The Board recommends that the City work with National Grid to upgrade its streetlights to the latest LED technology. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$440,000 to help the City pay National Grid for the un-depreciated value of a portion of lights the company is still carrying on the books, or for the City to invest such amount in a different energy saving project that produces an equivalent or better savings projection. 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.

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

Infrastructure - Sewer Repairs and Investments

Water and Sewer Infrastructure Needs of the City

There are approximately 140 miles of water mains in the City of Troy, along with 13,000 services at an average of 20 feet of service pipe, which adds an additional 50 miles of pipe for the water distribution system.

Of these lines within the City, about 35 miles of pipe are required for outside communities who are provided water. In addition, there is a four million gallon elevated tank and the Eddy Lane Pump Station. To secure the future of the tank and its continued good condition, it would require approximately \$1.5 million to repaint the tank. Additional work is needed in the future to maintain contractual agreements, including:

- replacing transmission lines that feed the water plant from the reservoir;
- replacing 14 miles of 36 inch pipe between the plant and the Tomhannock, which requires a new intake structure or a rehabilitation of the current intake. The project estimate is around \$35 million; and, among others;
- the installation of a number of 24 inch valves that allow for shut downs and keep water flowing in an emergency. This cost is estimated to be \$125,000.

As part of the City's proactive approach to the water system, in 2017, the City's Water Department implemented a crew dedicated to proactive replacement of lines in the City. At their peak, it is anticipated that the crew of four will be able to replace two miles of pipe annually. By the City's estimate, pipe is approximately \$30 per foot, gravel is \$25 per yard, and blacktop is \$10 per square foot. Together this equals \$105 per foot or \$554,400 per mile on average. The City's direct costs for the new team are \$222,495 for 2017. Factoring in the cost of the crew and the materials for a goal of two miles annually, it would cost just over \$1.3 million to proactively approach infrastructure needs to position the City for future growth and expansion.

Recent awards for the water system include a grant and loan through the State's Environmental Facilities Corporation (EFC). This award was for the large water main break that occurred in January 2016. This break caused water disruption not only to City of Troy residents, but to the residents of Waterford and Halfmoon, as well. Working with EFC, the City will be able to complete an installation of approximately one mile of a water line in Lansingburgh with a \$1.29 million loan and a \$1.94 million grant. Per the City, this work has been approved for bonding, put out for bid, and the work began in 2017.

The City currently has nine contracts with municipalities in the region to provide water. Importantly, as noted earlier in the report, the City's General Fund relies on an annual \$2.2 million from the Water Fund to support General Fund operations. Maintaining these municipal customers and keeping all of their residents and businesses satisfied is vital to the fiscal health of the City. The City is committed to making the necessary improvements to its facilities in order to ensure that delivery remains consistent for all of the residents and individuals relying on the City's water service.

According to the City, in addition to projects noted above, projects that would have the most impact on the infrastructure and the most long term gains would include:

- reline Campbell Avenue sewer (cost of \$250,000 - \$300,000);
- reline Sage Avenue sewer (cost of \$400,000 - \$600,000);
- replace two miles of pipe located throughout the City. Replacement would be based on water main break history and the City's overall Asset Management Plan (cost of \$1.3 million); and
- paint and repair the four million gallon elevated tank to maintain the infrastructure to accommodate storage of water that is provided to outside municipalities (cost of \$1.5 million).

While not a highly visible project list, the water replacement piping allows the City to continue to provide its high quality water not only to its residents but to the outside municipalities it serves. Any investment in existing water infrastructure provides long term opportunity for future investments, reductions in future maintenance costs, and future ability to expand the City's outside contracts.

The relining of the sewers eliminates a future emergency situation such as was experienced in the spring of 2016, but also allows the City to control the repair of the system to minimize any hazardous road conditions and environmental contamination that could occur with an emergency break. In addition, it would minimize inconvenience to residents and reduce the costs for road repairs and maintenance.

Given the FY 2018 State Budget's investments for water service projects, which would bolster already enacted State support noted below, the Board finds that the City should continue to seek grants and interest-free loans via applicable State agencies and their resources, including EFC.

State Water Infrastructure Improvement Act

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

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

The Water Infrastructure Improvement Act of 2015 provides grants to municipalities for critical drinking water and wastewater system improvements. The FY 2016 State Budget included authorization for EFC to provide \$200 million in grants for State Fiscal Years 2016-2018. Loans may be repaid for a term of up to 30 years, and projects can be pre-financed through EFC's Short Term Financing program, at rates as low as interest-free. The FY 2017 State Budget increased the Act's funding from the \$200 million approved in 2015, to a total of \$400 million.

This new source of funding for clean water and drinking water projects will be available to municipalities in amounts of up to \$5 million and \$2 million, respectively, with priority given to hardship applicants and projects in development.

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

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

Workforce

Police Department Contract

Presently, there are 130 officers in the Troy Police Department whose bargaining unit agreement expired at the end of 2012. While the Police Benevolent Association (PBA) is currently in arbitration for 2013 and 2014, the City believes there is a prime opportunity to craft a four-year agreement with the police union that will not only secure four important, expired fiscal years, but also make significant changes in terms of the cost of health care related benefits for the Department.

The terms being reviewed by both sides (union and City administration) include a proposed pay increase with retroactive pay, increasing a number of copays, and the elimination of a lifetime healthcare Memorandum of Agreement (MOA) that was improperly implemented in 2015. Any mutually agreed to offer would need to address all of these items.

In recent conversations, the PBA seems amenable to an increase in three healthcare copays – office visits, emergency room visits, and prescription drugs – that would reduce the City’s premium for the Department by \$53,000 in the first year and a projected \$650,000 in the next ten years.

If the increase in copays was extrapolated to the entire City workforce, such a change would provide \$180,000 in annual savings (based on 2015 City-wide utilization), as detailed below:

Potential Copay Changes and Savings			
Description	Current	Proposed	Savings
Office Visit	\$20	\$25	\$45,800
Emergency Room	\$35	\$100	\$33,670
Prescriptions:			
Generic	\$5	\$10	
Brand	\$15	\$20	
Non-Preferred	\$35	\$40	\$100,000
Annual Savings			\$179,470

As noted above, of prime focus on long term financial exposure to the City is a MOA that was initially agreed to in 2015. This MOA enables an officer that leaves City employment after only ten years of service, an opportunity to receive lifetime healthcare. This MOA, while signed by the previous Mayor, did not receive Council ratification and has become an unresolved, potential litigation issue for the City.

In order to eliminate this liability, the City's administration is looking to void this agreement as a part of the contract stipulations to avoid long term financial liability for the City and to further avoid a potentially lengthy and costly litigation process between the two entities.

As an example of the cost of this alleged improper agreement, a 36 year-old officer can go to another jurisdiction, retain healthcare from Troy, and potentially receive a stipend in lieu of healthcare from the new jurisdiction. Per the City, Troy’s police pay scale is low for the region, thus increasing the incentive for an officer to leave. There are 40 officers with 10 to 20 years of service, and another 36 with 5 to 10 years of service. The City’s average exposure is \$150,000

per officer, which amounts to \$2.5 million over the next ten years if twenty percent of the officers in these brackets were to leave.

The City is seeking concessions and the bargaining unit/officers are seeking certain raises and potentially retroactive payment for prior years. According to the City, an agreement with the organizations may be within reach, with one of the major issues being the City's ability to entertain immediate retroactive payments given its financial footing. Depending on the results of a negotiation, the cost to the City could be substantial and unaffordable to get all the Police Department's agreements through December 31, 2016 current.

There is a need for the City to resolve uncertainty with respect to the police contract, and a further need for the City to make social/City-wide improvements regarding health care issues. The Board finds that the City should continue to work with the Police Department's bargaining units, as well as other units/unions within the City, to reach an agreement based on the parameters noted above and annual cost-of-living adjustments reflective of the City's ability to pay.

Binding Arbitration Reforms

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

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

Recommendation: The Board recommends that the City seek labor and healthcare savings. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$1.25 million to help the City meet certain operational expenses in the City's budget. 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.

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

Economic Development

Anti-Poverty Initiative in Troy

Building on the success of the Rochester Anti-Poverty Task Force, the 2017 State Budget included \$25 million for the Empire State Poverty Reduction Initiative. This will bring together State and local government, non-profit and community groups to design and implement coordinated solutions to address poverty. Under the program, New York will provide planning and implementation grants, along with additional funding to address the most pressing issues identified during the planning process. The City will receive \$1.5 million from this initiative.

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

The FY 2018 State Budget includes a number of initiatives that will grow the economy within the City of Troy and the surrounding Capital Region. This includes supporting locally-driven priorities for economic development and bolstering some of the State's most vital forms of infrastructure.

Transportation Capital Program

The FY 2018 State Budget continues to fund \$21.1 billion for capital improvement of highways, bridges, rail, aviation infrastructure, non-metropolitan Transportation Authority transit, and Department of Transportation facilities throughout the State. This includes the continuation of three initiatives: BRIDGE NY, PAVE NY, and the Extreme Weather Infrastructure Hardening Program.

- The BRIDGE NY program provides \$1 billion to replace, rehabilitate and maintain State and local bridges over a five year period.
- The PAVE NY program provides \$1 billion to State and local paving projects over a five year period and is distributed according to the Consolidated Local Street and Highway Improvement Program (CHIPs) formula. The City of Troy will receive \$218,000 in FY 2018 as part of this program.
- The Extreme Weather Infrastructure Hardening Program provides \$500 million to further improve conditions on State and local roads and bridges, as well as provide resiliency to roadways that are particularly susceptible to weather events.

Regional Economic Development Councils

To build on the success of the Regional Economic Development Council (REDC) and Upstate Revitalization Initiatives (URI), the FY 2018 State Budget continues this locally-driven economic development approach for a seventh round of REDC awards. Round VII of the Regional Council Initiative will include \$750 million to be split competitively among each of the State's ten regions. During the 2016 awards process, the following project within the City of Troy was awarded:

- \$454,000 – The City of Troy seeks to acquire land within its borders in which the City intends to ultimately construct a park with environmental and historic interpretive amenities to support the funded boat launch construction.

Downtown Revitalization Initiative Round II

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

Clean Water Infrastructure

The FY 2018 State Budget continues the effort to improve water infrastructure in the State through the Clean Water Infrastructure Act. The Act provides \$2.5 billion for local governments to help address water emergencies, pay for local infrastructure, construction projects, underwrite land acquisition for some water protection and investigate and mitigate emerging contaminants of drinking water. This investment will protect public health, safeguard the environment, and preserve the State's water resources. These projects will improve the quality and safety of municipal drinking water distribution, filtration systems, and wastewater treatment infrastructure.

Land Banks and Community Revitalization

In recent years, municipalities have sought to address problems associated with blight from vacant and abandoned buildings through the creation of municipal land banks. New York State authorized the creation of land banks in 2011, and the number of authorized land banks was increased to 25 as part of the FY 2018 State Budget. In New York State, municipalities must first submit an application to create a land bank to Empire State Development (ESD).

Land banks are not-for-profit corporations that may be able to more efficiently return vacant, abandoned, or tax delinquent properties back to productive use. They have several powers such as the ability to dispose of property under negotiated terms, to sell properties for non-monetary compensation, to retain equity in properties, to purchase tax liens, and special bidding privileges when purchasing properties at a tax foreclosure auction. Land banks allow municipalities to have a more efficient and streamlined process for property redevelopment and community revitalization. This in turn reduces the social and economic consequences of blight within a municipality. Currently, there are 20 approved land banks in New York State.

As of November 2016, the Troy Community Land Bank has received approximately \$1.3 million in funding from the Attorney General's Office to conduct various demolition, renovation, and resale projects. The most notable project occurred in October and November of 2016, when the Troy Community Land Bank, Capital Region Land Reutilization Corporation, and Albany County Land Bank Corporation created a "breathing lights" installation which allowed artists to illuminate vacant land bank properties to raise awareness within the Capital Region.

Fiscal Performance and Accountability

Troy Financial Control Acts of the Mid - 1990s

In June 1994, the State enacted Chapter 721 of the Laws of 1994 (the "Original Financial Control Act"), which authorized the City to issue bonds for the purpose of liquidating cumulative deficits and deficits projected for fiscal year 1994 in the City's general fund. The Original Financial Control Act also established a board consisting of five members chaired by the State Comptroller (the "Supervisory Board") to oversee and advise City officials on the City's finances. The City's financial condition further deteriorated, even after the protections and oversight of the Original Financial Control Act were established.

As a result, in July 1995, using a model similar to that which was created in the mid-1970s for New York City, the State created the Municipal Assistance Corporation for the City of Troy (MAC), noted in more depth below. Through Chapter 187 of the Laws of 1995, the State also amended the Original Financial Control Act in order to provide the Supervisory Board with additional control and oversight powers with respect to the City's finances. Among other things, the amendments granted the Supervisory Board the power to approve City financial plans and, if necessary, formulate and adopt financial plans for the City, certify revenue estimates, direct all City revenues into the Supervisory Board Fund, and authorize disbursements from the Supervisory Board Fund.

In July 1996, the State enacted Chapters 444 and 445 of the Laws of 1996, which further amended the Original Financial Control Act. The principal purposes of Chapters 444 and 445 were to allow the City to restructure its outstanding debt, to add safeguards with respect to the City's repayment agreements with the MAC, and to strengthen provisions relating to the intercept of State aid and sales tax as sources of payment for obligations of MAC. The Original Financial Control Act, as amended by Chapter 187 of the Laws of 1995 and Chapters 444 and 445 of the Laws of 1996, are hereinafter referred to as the "Supervisory Board Act."

The Supervisory Board was empowered to review, direct, and supervise certain aspects of the financial management of the City during the Emergency Period imposed by the 1995 amendment. The Emergency Period was terminated by action of the Supervisory Board on June 22, 1999. Present law still provides that Emergency Period must be re-imposed if, among other things, the City: fails to pay the principal of or interest on any of its bonds or notes; or incurs a budget deficit of one percent or greater in the results of operations covering all expenditures as reported in accordance with generally accepted accounting principles.

In the non-Emergency Period, the Supervisory Board has certain advisory functions, including consulting with the City in the preparation of the City's budget, reviewing the terms and commenting on the affordability of each proposed issuance of bonds or notes by the City, recommending measures relating to City operations, and performing such audits and reviews of the City as the Supervisory Board deems necessary.

The MAC is administered by a seven person Board of Directors (the "Board"), five of whom are appointed by the Governor, one by the Majority Leader of the Senate and one by the Speaker of the Assembly. There are currently four directors of the Corporation. The remaining three seats are presently vacant. Under the Act, the Corporation was authorized to issue, no later than

December 31, 1999, bonds and/or notes in an amount not to exceed \$71 million to, among other things:

- liquidate all or a portion of the City's deficits for the years 1993 through 1995 or to pay, at maturity, or on the redemption date, the principal of and interest on obligations of the City issued for such purposes;
- acquire, or cause to be acquired, all or a portion of the real or personal property leased by the City pursuant to one or more lease agreements between the City and the Troy Local Development Corporation, including the financing of the payment of any judgments or compromised or settled claims against the City relating to such real or personal property;
- pay at maturity, or on the redemption date, the principal of and interest of obligations of the City previously issued to finance any item in the current or any prior fiscal year; and
- pay for the costs of the closure of the City's landfill.

To address Troy's financial issues, the State created this two-pronged approach whereby, in general, the Supervisory Board provided more of the direct fiscal oversight through ongoing reviews of finances and debt issuances, and the MAC provided access to more favorable financing in order to help assist and support the City's overall financial footing.

The MAC was able to offer increased investor confidence and in turn lower interest rates through a far superior credit rating than the City's General Obligation rating at the time, due to the intercept of two major City revenue streams. As long as bonds are outstanding, the City's State aid (Aid and Incentives for Municipalities funding) as well as sales tax revenues are trapped and diverted to provide a reliable source of revenues to MAC with ample debt service ratio coverage. As of 2017, Aid and Incentives for Municipalities funding to the City is expected to total \$12.3 million and sales tax revenues payable from the County to the City are expected to be approximately \$15 million, while MAC debt service in 2017 is expected to total \$6.4 million.

Nearing the End of MAC Debt

Taxpayers and residents in the City of Troy have been shouldering the burden of MAC debt service since 1996. In the City's 2017 fiscal year, MAC will require approximately \$6.4 million in debt service from the City and its taxpayers. The good news for the City and its taxpayers is that debt service payments will be completed in 2022. However, for the time being, this large payment represents over nine percent of the City's General Fund budget. This longstanding burden is coming to an end for the City in the near future. MAC debt will be fully retired after the January 2022 debt service payments are made.

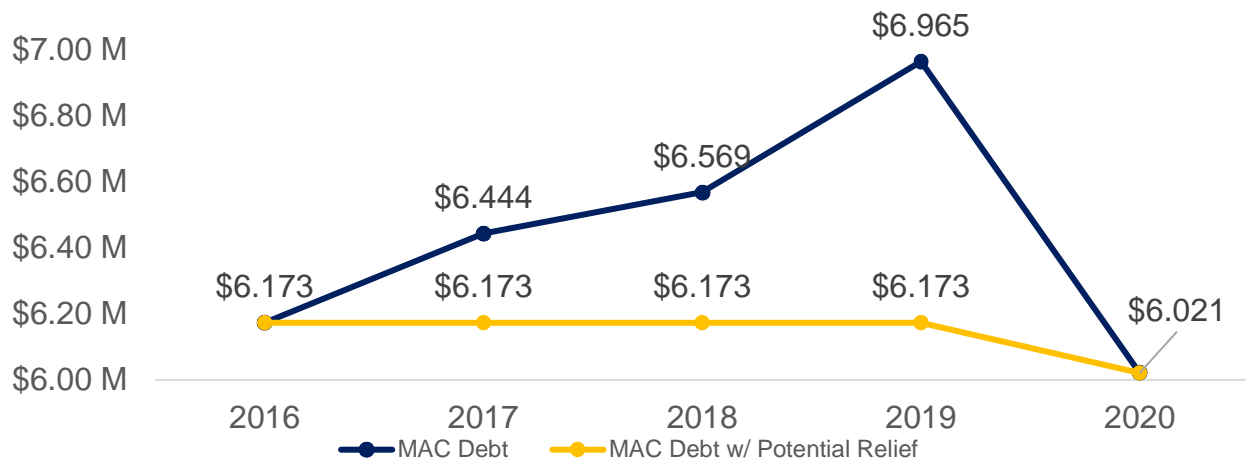
Throughout the past, and especially at present, MAC funding requirements are an added point of fiscal stress for the budget. As shown below, debt service for 2017, 2018, and 2019 are higher than that which was required and ultimately funded by the City in 2016:

Year	MAC Debt Service (millions)	Increase from 2016 (millions)
2016	\$6.173	-
2017	\$6.444	\$0.271
2018	\$6.569	\$0.396
2019	\$6.965	\$0.792
2020	\$6.021	-
Total	-	\$1.459

While the Local Finance Law generally requires compliance with the so-called “50 Percent Rule,” or substantially level or declining debt service for serial bond issuances, the MAC debt portfolio consisted of more than one issuance over a span of years, each with slightly different debt service patterns and termination dates. In late 2010, MAC, on behalf of a request from the City, refinanced (refunded) a portion of the bonds, resulting in savings for the City. It is important to note that while the City requested that all of the savings from this refunding be in fiscal years 2011, 2012, and 2013 (with a debt service savings of roughly \$700,000 over those three years) the 2010 refunding did not achieve these savings by extending the repayment period of the bond beyond their original terms (debt stretch), nor did the refunding offload debt service from earlier years to latter years. The rise and fall debt service pattern toward the end of the MAC lifecycle would have happened regardless, albeit to a slightly lesser amount.

Front-loading savings caused a greater increase in the funding requirement in the later years, adding to the City's tax burden in 2017, with this burden continuing in both 2018 and 2019 (see the following chart for illustration). If assistance could be provided to the City to smooth out the effect of this MAC debt funding requirement "hump", the revenue diversion (cost to the City) could be kept essentially flat from 2016 to 2020. The City and its taxpayers could then focus on all other General Fund revenues and expenditures, which could help eliminate the added short term stress imposed by the higher 2017 through 2019 funding requirements. While the Board does not readily favor helping fiscally stressed local governments pay for their individual debt or meet their debt service requirements, the situation in Troy is both unique and compelling. Taxpayers are nearing the end of this longstanding burden - a burden just under ten percent of its General Fund.

In 2020, MAC debt service will fall to \$6.0 million, with the final two years again dropping to an estimated \$5.4 million and \$2.5 million in 2021 and 2022, respectively. As the pressure of MAC debt begins to dissipate, beginning in 2022 the City should be in a much more fiscally sound position. As the 2022 fiscal year approaches, the City must consider using freed up resources to build available and unassigned fund balance and attend to many of its vital and necessary, long-term capital improvements, and resist temptations to exhaust the new resources through added non-vital expenditures.



Recommendation: The Board recommends that the current year and near term added pressures from MAC debt source be addressed, contingent upon the implementation of new shared service agreements with Rensselaer County and submission and adoption of fiscally prudent budgets for Fiscal Years 2018 and 2019. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to partially relieve the City of MAC debt service requirements for 2017 through 2019. 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.

Multi-Year Financial Plans

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

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

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

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

The City of Troy currently does not have a multi-year financial plan. For the reasons outlined above, the Board finds that the City should develop a multi-year financial plan.

Conclusion and Next Steps

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

- The Board recommends that the City pursue shared service opportunities with Rensselaer County, including but not limited to the areas of civil service, engineering, payroll/time and attendance, and financial management systems. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$995,000 to assist with implementing such shared service projects, including up to \$835,000 for payroll/time and attendance and financial management systems, up to \$40,000 for a new civil service system, and up to \$120,000 to assist with the consolidation of engineering departments.
- 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 the City pursue efficiencies with respect to the maintenance, procurement, and management of its fleet operation. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$100,000 for a fleet management consultant for the City.
- The Board recommends that the City work with National Grid to upgrade its streetlights to the latest LED technology. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$440,000 to help the City pay National Grid for the un-depreciated value of a portion of lights the company is still carrying on the books, or for the City to invest such amount in a different energy saving project that produces an equivalent or better savings projection.
- The Board recommends that the City continue to implement additional efficiency actions that will lower the annual cost of providing specific services. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City with implementing such efficiency actions.
- The Board recommends that the City seek labor and healthcare savings. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$1.25 million to help the City meet certain operational expenses in the City's budget.
- The Board recommends that the City continue to implement workforce actions, including but not limited to actions targeted toward fringe benefits and retiree costs, that will lower the City's annual cost structure. If the City agrees to abide by and implement this

recommendation, the Board may, in its sole discretion, award a grant to assist the City with implementing such workforce actions.

- The Board recommends that the current year and near term added pressures from MAC debt source be addressed, contingent upon the implementation of new shared service agreements with Rensselaer County and submission and adoption of fiscally prudent budgets for Fiscal Years 2018 and 2019. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to partially relieve the City of MAC debt service requirements for 2017 through 2019.

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

* All city rankings in this report exclude New York City

Appendix A – Letter and Resolution from the City of Troy



Hon. Louis A. Rosamilia

Office of the Mayor
433 River Street, Suite 5001
Troy, NY 12180

(518) 279-7130
mayorsoffice@troyny.gov

July 16, 2015

Dear Distinguished Members of the Financial Restructuring Board,

I am writing to request a comprehensive review of the City of Troy by the New York State Financial Restructuring Board (FRB) pursuant to Local Finance law §160.05. As indicated in the FRB's Fiscally Eligible Municipalities report, the City of Troy qualifies as a "fiscally eligible municipality" because its average full value property tax rate is greater than the average full value property tax rate of 75% of the other municipalities.

As the City's Chief Executive, I requested authorization from the City Council to seek a comprehensive review by the FRB at its April 2, 2015 meeting. The City Council authorized this request by a unanimous vote of 9 in the affirmative.

The fiscal challenges the City of Troy faces are significant. Historically, the City has been using its capital reserves and water fund surpluses to bridge the operating revenue budget gaps on a yearly basis. The 2015 general fund budget, proposed and adopted in 2014, authorizes spending of approximately \$66.1 million with budgeted operating revenues representing \$63.4 million, leaving the City with a deficit of \$2.6 million. An inter-fund transfer of \$1.9M in addition to \$725,000 in reserve funds was used to balance the budget. The use of inter-fund transfers continues to put a strain on the water fund reserves.

The City's deficit is further complicated by the five individual bargaining units who are all currently working on expired contracts. This is further exacerbated by ballooning current and future obligations related to health, retirement and pension costs of City employees, including an \$8.9 million amortized retirement bill. This total adds more debt burden to the City's general fund.

Additionally, the City has significant repayment obligations to the Municipal Assistance Corporation (MAC). This loan represents a significant burden that the City will continue to pay back through 2021 at a rate of approximately \$6 million per year.

City departments are under-staffed, with employees continuing to do more with less. Fiscal flexibility would also allow the city to expand our financial staff to improve fiscal operations of the City and improve services to our residents. The City is also exploring the possibility of shared services with Rensselaer County, including a payroll system, human resources department and a Combined Regional 911 Dispatch Center.

The City is also in need of critical technology updates. Currently, the City utilizes an outdated computer system to provide general services to the residents of the city. The cost of the upgrade can be leveraged for a more efficient computerized payroll system, software upgrades, and handheld equipment for enforcement officials across multiple departments such as Codes and Parking Enforcement.

The City's ability to deal with its fiscal responsibilities is also limited by the number of tax-exempt properties. Currently, 45 percent of properties within the borders of the City of Troy are tax exempt. The lack of income and reduced tax rolls hinders the city's ability to fulfill our financial obligations as well as limits investment in critical infrastructure projects.

Please find attached a comprehensive overview of the City of Troy. This document outlines our municipal structure, financial organization and budgetary procedures for the city.

With assistance from the FRB, the City of Troy would like to leverage expenditures in order to reduce costs to both the city and its residents. I reiterate my previous request for a comprehensive review from the FRB and I look forward to working with you as you undertake this important effort.

Sincerely,



Mayor Lou Rosamilia
City of Troy

Cheryl Christiansen
City Clerk
Lucille Taylor
Deputy City Clerk

THE CITY OF
TROY
Office of the City Clerk


Phone (518) 279-7102
Fax (518) 270-4639

CERTIFICATION

I, Cheryl Christiansen, City Clerk to the City Council of the City of Troy, located in the County of Rensselaer, State of New York, do hereby certify that the following Resolution # 26 was adopted at the Regular Meeting of the City Council held on April 2, 2015 and is on file and of record.

I have compared the foregoing Resolution # 26 thereof, now on file in this office and the same is a true and correct copy of said Resolution. The whole of said original Resolution#26 was duly adopted by a vote of 9 Affirmative votes and 0 Negative votes, (being at least a majority of the voting strength of the City Council) on the 2nd day of April, 2015.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of the City of Troy this 1st day of July, 2015.


Cheryl Christiansen
City Clerk
City of Troy, New York

(SEAL)

City Hall, 433 River Street, Suite 5001, Troy, New York 12180

RES. #26

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

WHEREAS, the City of Troy 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 City Council of the City of Troy understands that the Financial Restructuring Board has the ability to undertake a Comprehensive Review of the City of Troy's operations, finances and practices.

NOW THEREFORE BE IT RESOLVED, that the City Council of the City of Troy requests a Comprehensive Review by the New York State Financial Restructuring Board for Local Governments.

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

Approved as to form, March 12, 2015

Ian H. Silverman, Esq., Corporation Counsel

AYES: 9
NOES: 0
ABSTAIN:

Troy City Clerk

Sent to the Mayor 4 / 3 / 15

Received from the Mayor 4/3/15

City Clerk *Cheryl Clark*

Executive Action

Approved Date 4/3/15

Veto Not Endorsed

Mayor *John Samitio*

Appendix B – Resolution Approving the City of Troy

Financial Restructuring Board for Local Governments

RESOLUTION No. 2016-10

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

WHEREAS, pursuant to New York State Local Finance Law section 160.05(2)(a), the Board of the Financial Restructuring Board (the "Board") must find that the City of Troy (the "City") is a Fiscally Eligible Municipality because it has an average full value property tax rate of \$10.470 per \$1,000, which is greater than the average full value property tax rate of seventy-five percent of counties, cities, towns, and villages with local fiscal years ending in the same calendar year as of the most recently available information; and

WHEREAS, pursuant to New York State Local Finance Law section 160.05(3), upon the request of a fiscally eligible municipality, by resolution of the governing body of such municipality with the concurrence of the chief executive of such municipality, the Board may undertake a comprehensive review of the operations, finances, management practices, economic base and any other factors that in its sole discretion it deems relevant to be able to make findings and recommendations on reforming and restructuring the operations of the fiscally eligible municipality (the "Comprehensive Review"); and

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

NOW THEREFORE BE IT RESOLVED that the Board agrees to undertake a Comprehensive Review of the City in accordance with New York State Local Finance Law section 160.05(3).

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

No. 2016-10

Dated: 6-20-16

