



City of Watervliet Comprehensive Review Report

**Financial Restructuring Board
for Local Governments**

June 2019

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Overview

The City of Watervliet is a city in Albany County. With a population of 10,254 at the 2010 Census, it is the 51st most populous city in New York State.* 2017 expenditures of \$17.3 million were the 51st highest of all cities.

The City is governed by a City Council consisting of three members, one of which is the Mayor. The Mayor is elected city-wide for a four-year term. The Council is elected for staggered four-year terms. The City generally operates under the provisions of General City Law, but it also has an adopted City Charter which outlines the City's general powers. The Mayor and City Council appoint the General Manager.

The Common Council adopted, and the Mayor concurred with, a resolution requesting a Comprehensive Review by the Financial Restructuring Board (see Appendix A). On June 13, 2018, the Financial Restructuring Board approved this request for a Comprehensive Review with Resolution No. 2018-09 (see Appendix B).

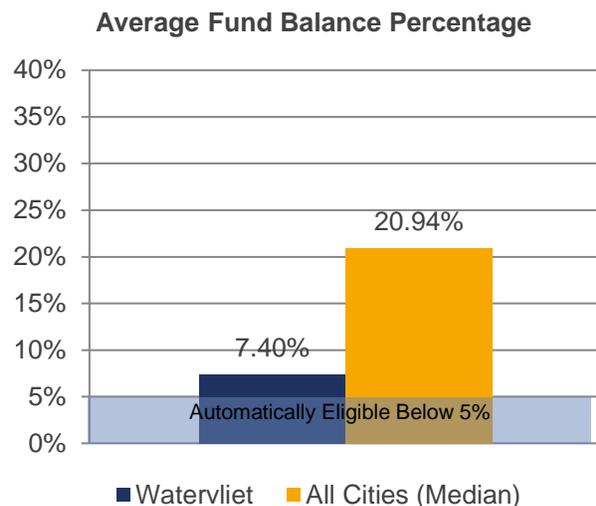
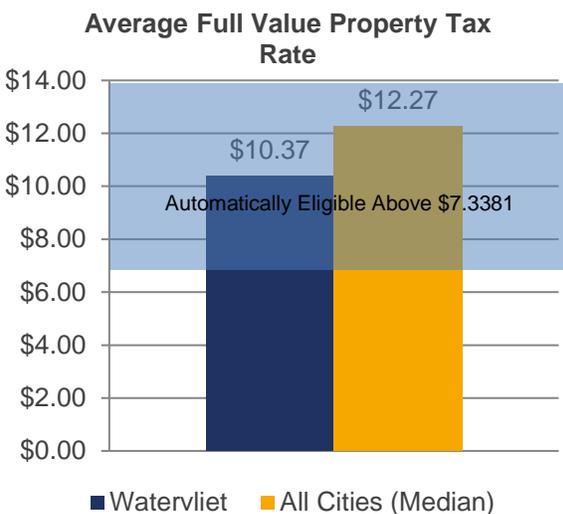
This Comprehensive Review first gives some background on the City's fiscal eligibility and demographic profile. It then provides information on the organization and finances of the City. Finally, it presents the Comprehensive Review's findings and recommendations.

Background

Fiscal Eligibility and Stress

The City of Watervliet is automatically considered a Fiscally Eligible Municipality because its Average Full Value Property Tax Rate (2012-2016) of \$10.3743 per \$1,000 is above \$7.3381 per \$1,000 – the 75th percentile for all municipalities. This is the 39th highest for cities.

The City has an Average Fund Balance Percentage (2012-2016) of 7.40 percent.



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

The Office of the State Comptroller's (OSC) Fiscal Stress Monitoring System gives the City of Watervliet a Fiscal Rating of "Significant Fiscal Stress" with a score of 69.2 percent for 2017. A local government receives a designation of "Susceptible to Fiscal Stress" at 45 percent. The factors contributing to this score include a low combined fund balance compared to gross expenditures, an operating deficit in each of the last three fiscal years, a low ratio to cash and investments, a low percentage of cash in comparison to monthly expenditures, a reliance on short-term debt for cash flow and a moderate level of personal service and benefits costs compared to revenues.

OSC's Fiscal Stress Monitoring System gives the City of Watervliet an Environmental Rating of "No Designation" with a score of 23.3 percent for 2017. The City's environmental score is attributable to a decrease in the City's population over the past five years, a high number of households on public assistance, and a low median value of owner-occupied housing units.

Demographic and Socioeconomic Profile

The City's population increased by 0.5 percent to 10,254 from 2000 to 2010, which is consistent with other cities over that same period.

The City of Watervliet's median household income in 2016 was \$48,994, which is greater than the typical city's median household income of \$41,607.

The City's median home value of \$139,000 is greater than the median home value of the typical city of \$109,600. Its property value per capita in 2016 was \$37,896, and its four-year average change in property value was 0.5 percent. The City's unemployment rate is 4.4 percent, and its child poverty rate is 18.5 percent.

Population Change

2000: 10,207



2010: 10,254

Organization and Finances

Organizational Profile

The City’s elected officials consist of the Mayor and two councilmembers (the Council) and the City’s judge. The City operates with a Mayor-Council-Manager structure, the second most popular in New York State (11 cities) followed by the Mayor-Council structure (42 cities). Under this structure, the Mayor appoints a General Manager as the administrative head of the City government, with the ability to appoint personnel as he or she sees fit. Other appointed officials include the City’s Corporation Counsel, Director of Finance, the Registrar of Vital Statistics, and the Civil Service Commissioner.

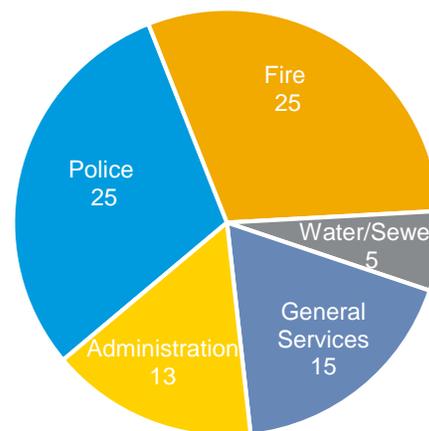
The Mayor is elected city-wide for a four-year term and presides over the Council as the City’s Chief Executive Officer. The Mayor is currently serving his third term and is up for reelection at in November 2019, along with one councilmember.

The City’s major departments are Police, Fire, Water/Sewer, General Services, and Administration.

As of the 2019 adopted budget, the City had 83 FTEs. The Fire Department and the Police Department are the largest employers with 25 FTEs in each followed by the General Services Department with 15, and Administration at 13 FTEs.

Several unions represent the City's workforce (82 percent of the total workforce), with various contract terms and salary increases, as provided below.

2019 City of Watervliet Full-Time Employees



City of Watervliet Labor Contracts											
Union	FTEs Covered	Contract Status	Contract Expiration	% Salary Increases							
				2015	2016	2017	2018	2019	2020	2021	2022
Watervliet Unified Firefighters Association	24	Current	12/31/2022	3.0	3.0	0.0	1.0	1.0	1.5	2.0	2.0
Police Benevolent Association	24	Current	12/31/2022	3.0	3.0	3.0	0.0	1.0	1.5	2.0	2.0
Civil Service Employees Association	20	Current	12/31/2020	3.0	3.0	1.0	1.0	1.5	1.5	-	-

City of Watervliet Labor Contracts						
Union	Department	FTEs Covered	Contract Status	Contract Expiration	Minimum Staffing Clause	Other Provisions
Watervliet Unified Firefighters Association	Fire	24	Current	12/31/2022	Yes	Insurance Contributions, Longevity, Ambulance Stipends, Copayments, Min. Staffing
Police Benevolent Association	Police	24	Current	12/31/2022	Yes	Insurance contributions and Longevity
Civil Service Employees Association	Water/Sewer General Services	20	Current	12/31/2020	No	Insurance contributions, Health Insurance Buyback, Copayments

As described in additional areas of this Comprehensive Review, over the years it had been commonplace that all employees receive annual 3 percent COLA increases. However, due to fiscal overruns and a depleted fund balance, this practice ceased in 2017. In 2017 a new CSEA contract began with the equivalent to a 5 percent increase over 4 years (1.25 percent average). The Fire Union did not receive a raise in 2017 and received a 1 percent increase in 2018. A new contract with the PBA was signed in 2018 and included no increase in rate for 2018 and, in its most recent contract extension, the City and PBA agreed to a 4-year deal with average COLAs of 1.63 percent, as well as the contract modifications discussed later in the Report.

Irrespective of these recent changes and fiscal improvements, a number of contractual provisions still remain across the board, including for retirees, that the City is likely to attempt to modify or eliminate entirely. This report addresses a number of these issues and opportunities within the Findings and Recommendations section.

Watervliet Unified Firefighters Association:

All 24 firefighters (except for the Fire Chief) are covered by the Watervliet Unified Firefighters Association. Under the current contract, firefighters hired prior to July 1, 2004 do not contribute towards health insurance premiums. Firefighters hired between July 1, 2004 and January 1, 2013 contribute 10 percent of their healthcare premiums. Firefighters hired after January 1, 2013 contribute 15 percent of their healthcare premiums, which is then reduced to 10 percent after five years of service. Those hired after March 1, 2018 contribute 15 percent, and those hired after January 1, 2019 will be required to contribute 20 percent towards their healthcare premiums, which was agreed to in the latest contract.

Civil Service Employees Association

(CSEA): 15 employees from the General Services Department and 5 employees from the Water and Sewer Department are covered by the CSEA. Under the current contract, employees hired prior to January 2004 do not contribute towards health insurance premiums. Employees hired between 2004 and 2013 contribute towards 15 percent of their health insurance premiums and employees hired after 2013 contribute 25 percent towards their health insurance premiums.

Police Benevolent Association (PBA):

24 employees in the Police Department are covered by the PBA. Employees hired prior to January 2004 do not contribute towards health insurance premiums. Employees hired between 2004 and 2018 contribute 10 percent toward their health insurance premiums and employees hired after 2018 contribute 20 percent toward premiums.

City of Watervliet Healthcare Premium Contributions (by union)	
Hire Date	Percent Premium Contribution
PBA	
Prior to 2004	0%
2014-2018	10%
After 2018	20%
Buyback	30% of Applicable Plan
WUFFA	
Prior to 2004	0%
2004-2014	10%
2014-2018	15% for 5 Years; 10%
After 2018	15%
After Jan 1, 2019	20%
Buyback	40% of Family Plan
CSEA	
Prior to 2004	0%
2004-2013	15%
After 2013	25%
Buyback	\$4,000
Non- Unionized Workforce	
Prior to 2004	0%
After 2004	15%
Buyback	\$4,000

Workforce History

According to City officials, over the past decade the City of Watervliet has operated under the idea of doing “more with less.” The administrative staff was reduced by 10 percent over this period and over the last three decades administrative staff has been reduced close to 40 percent. Changes in technology have allowed the Water Department to significantly reduce the size of its workforce, as well, by nearly three-quarters. These reductions, overall, have allowed for the City to remain under the State’s property tax cap for the first six years of the cap’s existence.

Within the Administration Department there has been a broadening of duties. Some examples of this efficiency and workload re-engineering over the past decade include:

- City Clerk – The City Clerk is the records access officer, the FOIL officer and handles all licensing and permitting as well as acting as the clerk to the Council. The City Clerk also handles most of the human resources work within the City. The City Clerk conducts new employee orientation, is the benefits administrator as well as the workers’ compensation administrator, and handles all liability insurance claims;
- Deputy City Clerk – The Deputy City Clerk handles all planning activities as well as economic development tasks and all grant administration duties, citywide; and
- Vital Statistics Clerk – The Vital Statistics Clerk not only handles the vital statistics but is also the administrative assistant in the Building and Code department and acts as the clerk to the Assessor as well.

Another example of workforce efficiency is the General Manager’s handling of administrative tasks that previously were delegated to staff in other departments (the Manager is also defined as the Commissioner of Public Works, the Commissioner of Public Safety and the Superintendent of Water). The reduction of staff has placed the administrative burdens of these departments on the General Manager.

Collectively, these examples show that the City of Watervliet handles the day-to-day operations of the City with a limited amount of staff and that there is very little opportunity for staff reduction. That said, as noted later in this report, with the investment of a new enterprise resource planning system, modest additional administrative and/or departmental efficiencies should be available.

Full Time Employees by Department						
Department	1975	1981	1991	1999	2006	2018*
Police	25	26	26	32	28	25
Fire	34	31	26	26	26	25
Water/Sewer	19	16	12	10	8	5
General Services	15	13	12	10	11	15
Administration	19	15	14	13	12	13
TOTALS	112	101	90	91	85	83

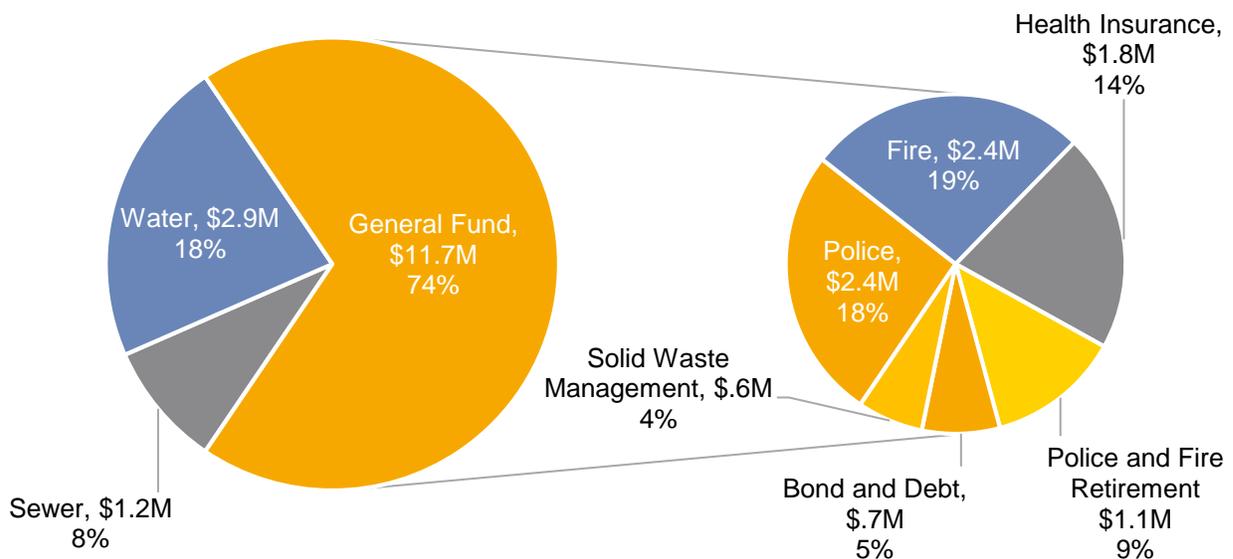
* Added a sanitation department (7 employees) in 2008

Budget Profile

The City's 2019 All Funds adopted budget totals \$15.8 million. This is a 2.4 percent increase from the All Funds 2018 budget and is half of the All funds percentage increase from 2017 to 2018

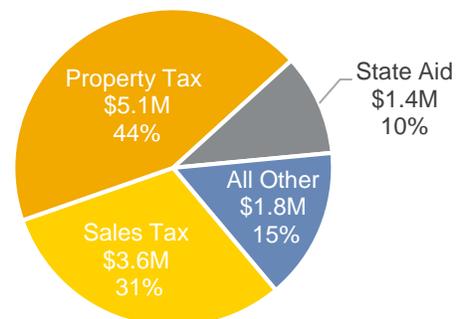
For the General Fund, the largest expenditure category is the Fire Department at \$2.4 million (18.8 percent of General Fund expenditures), followed by Police at \$2.3 million (18.4 percent of General Fund expenditures), and health insurance at \$1.8 million (14.7 Percent of General Fund Expenditures).

2019 City of Watervliet Expenditures



The 2019 General Fund revenue sources (adjusted for interfund revenue and transfers) include: 44 percent from property tax; 31 percent from sales tax; and 10 percent from State aid. The City's 2018 adopted budget increased the property tax levy by approximately 16 percent from 2017 and exceeded the tax cap for the first time since 2012.

2019 City of Watervliet Revenues (General Fund - \$11.7M)



City Background

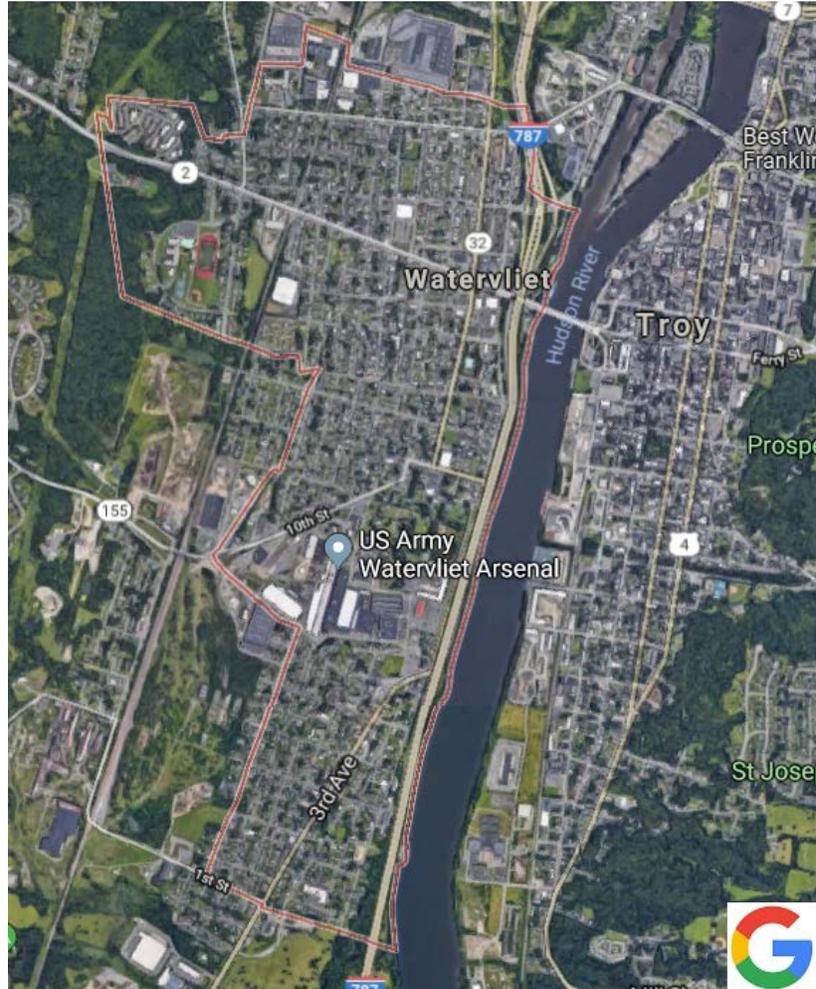
The City of Watervliet is a municipality situated on the west bank of the Hudson River approximately seven miles north of the City of Albany. It has a total land area of approximately 1.3 square miles. The 980 acres of land that comprises Watervliet is 98 percent developed with 2 percent of the land open being green space. As noted later in the Report, with the City being nearly 100 percent built-out, it is being forced to take advantage of every opportunity available to creatively and aggressively raise revenue, lower costs, and partner with nearby governments, where feasible.

Watervliet is an older urban area that was once a thriving, prosperous small city. Watervliet became a victim of the “rust belt syndrome” experienced by many Northeastern communities. The

economy in the community, because of disinvestment and industry moving elsewhere, has been stagnant. In an effort to stop businesses from leaving the City and foster more commercial investment in Watervliet, new business-centric programs have been implemented over the last several years focusing on microenterprise, small business, and main-street programs that utilize Community Development Block Grants from the State.

Watervliet is primarily a blue-collar community with a majority of the property as residential. Fifty-five percent of the assessed property in the City is property tax exempt, mostly due to the federally owned Watervliet Arsenal. This means that only 45 percent of the property in the community pays for the City’s general services and costs. Additionally, the City’s waterfront (typically a desirable area to develop) is occupied by Interstate 787 which likely negatively impacts the City’s taxable full value and its ability to levy additional taxes.

The neighboring cities of Cohoes and Troy are able to avail themselves of direct waterfront and have sought to take advantage of the development opportunities that a waterfront can provide.



Watervliet Arsenal

Watervliet is divided by the Watervliet Arsenal, which is 150 acres and owned and operated by the U.S. Department of Defense. The Arsenal is the City’s largest employer with 550 employees, followed by the Watervliet City School District at 212. Established in 1813, the Watervliet Arsenal is America’s oldest operating arsenal and continues to produce high-tech military ordnance. As it is a Federal facility, the Arsenal is property tax exempt, which is a contributing factor to the large percentage of property tax exempt land in Watervliet.

The Arsenal makes payments to the City for water and sewer services but has never paid the City a Payment in Lieu of Taxes (PILOT), and likely never will. The Arsenal maintains its own fire and police departments, which lessens the area the City’s municipal departments are required to cover. This is an important point of consideration. While it could be argued that the vast amount of land (and value) the Arsenal consumes within the City negatively affects the City’s bottom line, fiscally, an actual determination isn’t so cut-and-dry. Given that the Arsenal is primarily self-sufficient, in large measure due to its staffing for police and fire, City taxpayers do not bear the costs of having to employ and support larger staff and commensurate costs for City police, fire, DPW/streets, and administrative functions.

In other words, if the Arsenal did not exist, an estimated 70 percent of the land would likely be taxable (that is, cities usually have a higher concentration of tax-exempt property, on average, and one could not expect all of the Arsenal lands to be taxable if, hypothetically, it did not exist). And, as noted above, City services would need to take 100 percent responsibility for that area. Therefore, it is unknown whether the presence of the Arsenal, whose relatively-steady employment also provides an economic base, including jobs, for some residents, and indirectly helps to prop-up housing values, is not after all a net neutral partner in the grand scheme of things.

State AIM Aid

Watervliet Aid and Incentives for Municipalities payments have remained at \$1.2 million over the last eight years.

City officials have long suggested that Watervliet receives less AIM per capita than its peers. However, AIM has not been a “per capita”-based program since the 1980’s. Moreover, per capita is only one way to attempt to make comparisons between municipalities.

The chart below shows what the City of Watervliet receives in AIM compared to some Capital District peer cities, using both a per-capita and land-area comparison.

Peer Comparison - AIM Per Capita & Per Square Mile			
City	AIM	AIM Per Capita	AIM Per Sq. Mile
City of Troy	\$ 12,279,463	\$ 244.96	\$ 1,180,718
City of Cohoes	\$ 2,742,886	\$ 169.65	\$ 721,812
City of Albany	\$ 12,607,823	\$ 128.84	\$ 589,151
City of Rensselaer	\$ 1,137,317	\$ 121.09	\$ 355,412
City of Watervliet	\$ 1,210,193	\$ 118.02	\$ 864,424

Fiscal Trends

The City has managed to control expenditure growth since 2013. According to financial documents provided by the City, actual expenditures have remained nearly stagnant between 2013 and 2019, rising sharply in 2014 and 2015, then decreasing each of 2016, 2017, and 2018, only to increase slightly in 2019. In terms of General Fund revenue, the tax levy has increased significantly, particularly over the previous two years due to other revenue being flat.

Actual Sewer Fund expenditures have remained steady since 2013, increasing at an annual rate of about 0.35 percent. Water Fund expenditures have fared the same, although decreasing instead of increasing, at an annual rate of about 0.96 percent. The 2019 flat sewer rate for the City was \$182.85 per year and the metered rate was \$4.16 per 1,000 gallons with a minimum charge of \$416 per year. The 2019 flat water rate was \$358 per year and the metered rate was \$3.95 per 1,000 gallons with a minimum charge of \$305. Flat rates are reserved for residential properties and metered rates are almost exclusively for commercial properties.

The City's full valuation has fluctuated and is now back to levels seen in 2013. In comparison, the Cities of Cohoes and Albany have increased by about 3 percent and 1.5 percent, respectively. The City of Troy's valuation has decreased by an annual rate of about 0.5 percent. As of 2018, Watervliet had exhausted 51.9 percent of its constitutional tax limit.

City of Watervliet Revenue and Expenditure Trends, 2013-2019

General Fund	2019 Adopted	2018 Adopted	2017 Actual	2016 Actual	2015 Actual	2014 Actual	2013 Actual
Expenditures	11,692,343	11,399,578	11,624,506	11,890,016	12,556,573	12,279,935	11,821,145
Revenues	11,692,343	11,399,578	11,780,539	11,264,260	12,630,994	12,325,668	11,825,326
Fund Balance	TBD	825,000	599,788	443,717	1,069,443	995,052	949,319
Property Tax Levy	5,120,250	4,853,385	4,231,153	4,152,020	4,031,658	3,994,266	3,974,941
Full Value Tax Rate (\$ per 1,000)	12.77	12.86	11.1	10.68	10.58	10.48	9.92
Full Valuation	401,008,889	377,163,908	381,020,254	388,587,699	382,440,439	381,204,956	400,610,306
Personal Service	5,692,396	5,593,514	6,653,012	6,397,127	6,793,054	6,582,904	6,155,005
Employee Benefits	3,611,902	3,570,624	3,433,292	3,465,088	3,784,811	3,695,564	3,570,132
Water Fund	2019 Adopted	2018 Adopted	2017 Actual	2016 Actual	2015 Actual	2014 Actual	2013 Actual
Expenditures	2,872,000	2,870,338	2,775,448	2,878,830	3,037,642	3,155,279	2,912,236
Sewer Fund	2019 Adopted	2018 Adopted	2017 Actual	2016 Actual	2015 Actual	2014 Actual	2013 Actual
Expenditures	1,236,999	1,171,212	1,185,163	1,212,379	1,117,848	1,141,801	1,164,535

Recent Fiscal Stress Leads to New Fiscal Focus

For a number of years during this past decade, the City annually provided 3 percent raises to the majority of employees while running “planned deficits” by annually appropriating fund balance to mask imbalances and unaffordable spending.

Prior to the 2018 budget, the City appropriated \$300,000 in fund balance to its General Fund to help stave off property tax levy increases. The City had traditionally appropriated reserves to balance its budget although it never actually needed to spend from its fund balance as it could find excess cash throughout the fiscal year to close its budget gap.

Year	Available Beginning Fund Balance	Appropriated Fund Balance
2012	\$945,138	\$300,000
2013	\$949,319	\$300,000
2014	\$995,052	\$300,000
2015	\$1,069,443	\$300,000
2016	\$443,717	\$300,000
2017	\$599,788	\$300,000
2018	\$825,000	\$0
2019	TBD	\$0

Despite this pattern of raises and appropriation of fund balance, the City was actually able to finish several fiscal years in the black and maintain, if not build, its fund balance into 2015. This can be attributed to the efforts of the Administration, department heads, and the economy to some degree. Between 2012 and 2014, the City’s fund balance increased by about 5.3 percent. These results reinforced the City, for the time being, that their fiscal practices were appropriate and of no long-lasting harm.

However, fund balance ended up being reduced significantly between 2015 and 2016 due to a high number of unplanned payouts for retirements and an adverse court judgement, listed in the table below:

Payouts and Retirements	Amount
Administration Retirements (3)	\$163,329
Civil Service Retirement (1)	\$993
Fire Department Retirement (1)	\$15,844
Police Department Retirements (5)	\$89,929
Police OT Due to Retirement	\$100,000
One-Time Payouts for Legal Matters	\$100,000
Liability Insurance Overages	\$70,000
Workers Compensation Overages	\$144,000
2015 Total	\$684,095

As a result of the City's poor operating results in fiscal year 2015, the City's fund balance dropped a staggering 60 percent, and accordingly, officials requested an audit from the State Comptroller's Office, which was completed in February 2018.

The audit criticized the City's practice of appropriating available reserves to balance its budgets and asked the City to find new recurring revenues or decreases to expenditures to avoid appropriating fund balance. Per a recommendation from the audit, 2018 was the first year the City did not appropriate fund balance in its enacted budget. Other audit recommendations included ensuring the Director of Finance maintain accurate and timely financial records and that management provide the Council with quarterly budget status reports and cash flow projections to monitor each fund. According to the City's General Manager, it has complied with each of the Comptroller's recommendations.

With the City's ending of the use/appropriation of fund balance, it needed to find a way to replenish the loss of this "revenue." Accordingly, the City increased the tax levy. For most municipalities, the tax levy is the only true source of revenue it can control — raising or lowering the levy at its discretion (notwithstanding any Constitutional limit issues). The City increased the tax levy by 14.7 percent in CFY 2018 (exceeding the tax cap), and by nearly 5.5 percent in its most recently 2019 adopted budget (again exceeding the tax cap).

Even with these latest two property tax increases, the City's tax rate and Constitutional property tax exhaustion percentage are modest, but they are increasing. City officials must reduce expenses and increase other revenues to the extent available or practicable over the coming years if it wants to limit the pressure on taxpayers and residents.

Year	Property Tax Levy	Levy % Change	Constitutional Exhaustion
2012	3,889,104	N/A	38.04%
2013	3,974,941	2.21%	39.18%
2014	3,994,266	0.49%	40.96%
2015	4,031,658	0.94%	41.83%
2016	4,152,020	2.99%	43.63%
2017	4,231,154	1.91%	43.23%
2018	4,853,385	14.71%	51.85%
2019	5,120,250	5.49%	TBD

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, and workforce.

Shared Services

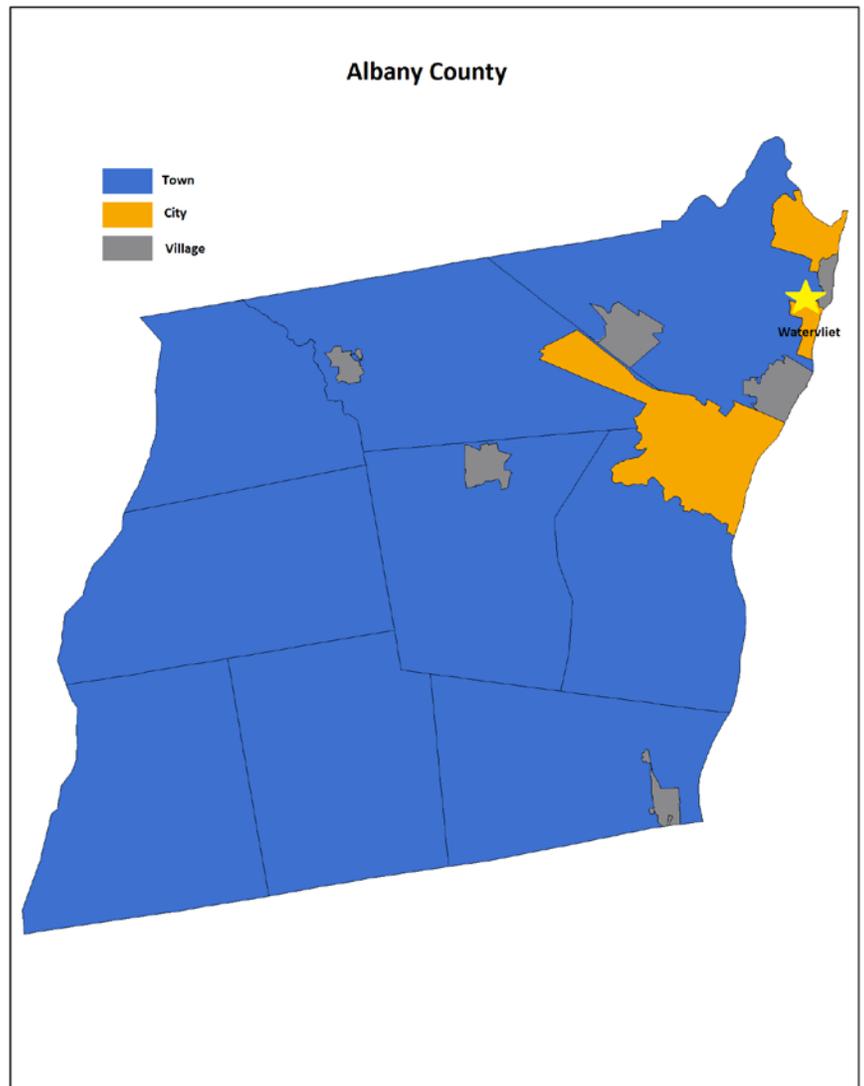
Regional Government Context

As of the 2010 Census, Albany County had a population of 304,204 and was the ninth most populous county out of the 57 counties outside of New York City. With a land area of 522.8 square miles, it is the 40th largest county. With a population density of 582 residents per square mile, it is the ninth most densely populated county.

The County is governed by a County Executive and a 39-member County Legislature. Other elected County officials include the Comptroller, the District Attorney, Sheriff, County Clerk, two County Court Judges, four Family Court Judges, and four Coroners. As of 2017, the County had total expenditures of \$635.4 million, which is the eighth highest for counties, and total expenditures per capita of \$2,089 which is the 26th highest for counties.

Within the County, there are 3 cities, 10 towns, 6 villages, 12 school districts, 20 fire districts, and more than 60 town special districts and other entities.

The City of Watervliet is on the north-east edge of the County, on the west side of the Hudson, and it is surrounded by the Town-Village of Green Island, the Village of Menands, and the Town of Colonie. The City of Troy is across the river, and the City of Albany, the capital of New York and a major source of employment, sits just south of Watervliet.



Survey of Shared Services

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

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

Index of Municipal Services Provided			
Service/Function	City of Watervliet	County of Albany	School District
Police	X	X	
Dispatch/E-911		X	
Fire	X		
Ambulance/EMS	X		
Tax Collection/Treasurer	X		X
Tax Bill Printing	X		X
Tax Foreclosure		X	
Assessing	X		
Personnel/HR/Civil Service	X	X	X
Payroll/Time & Attendance	X	X	X
Purchasing	X	X	X
Budget/Finance	X	X	X
Code Enforcement	X		
Building/Zoning/Planning	X		
Park Maintenance	X	X	
Animal Control	X	X	
Plowing	X	X	X
Paving/Street Maintenance	X	X	X
Lighting/Traffic Controls	X	X	
Sanitation/Garbage	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 preceding chart aptly displays, there is duplication of services among the City of Watervliet and its neighboring municipalities.

The City of Watervliet has utilized shared services for several decades. The continued shared services with neighboring communities have cut down on expenses for equipment and man power. Currently, the City of Watervliet has memorandums of understanding for the use of equipment and manpower with the following municipalities;

- The Town-Village of Green Island;
- The City of Cohoes;
- The City of Troy; and,
- The Town of Guelderland (including maintenance of City property in the Town.)

The City of Watervliet has a mutual aid agreement for fire safety and protection in the Capital Region, which includes but is not limited to; the Town-Village of Green Island, the City of Cohoes, the City of Albany, the City of Troy, and the Watervliet Arsenal. Watervliet is the primary ambulance transport agency for the Town-Village of Green Island and, as mentioned in the Fire Department section, would like to be the primary fire protection provider in the City. In addition, for 2019, the City has entered into a new agreement with the Town of Colonie (Maplewood) for refuse collection, noted later in this report.

Police Dispatch

The City discontinued its police dispatch in 2012, transferring the function to Albany County. The terms of the Memorandum of Understanding (MOU) required the City to pay the County a maintenance fee of \$169,000 for the first five years, after which, the County would provide the function free of charge.

Prior to 2012, The City provided 24-hour dispatch coverage. Dispatch was serviced as part of the City's Police Department, which committed three non-uniformed dispatchers and a variety of uniformed officers at a cost of approximately \$180,000 per year, which includes salaries, fringe, and overtime and does not include the cost of equipment. The non-uniformed dispatchers manned the dispatch office for 40 hours a week each, totaling 120 of 168 hours per week. The remaining 48 hours were covered by uniformed police officers.

Transferring dispatch to the County cut expenditures that were due to overtime and the additional staffing needed to staff the dispatch office. The three dispatchers were transferred to the County and did not lose their jobs, and more uniformed officers were freed up for patrols.

The City saved money at the onset of transferring dispatch because the annual fee of \$160,000 was less than the annual cost of dispatch by \$20,000. After the fifth and final maintenance payment, the savings from this action increased to what the cost of dispatch would have been, \$180,000. Total accumulated savings from this action after ten years will equal \$1,000,000 to the benefit of the taxpayers. In addition to the savings, the transfer also freed up police officers for patrol.

Animal Control

The City's Animal Control Officer retired in 2017, and the position has remained vacant since. The City could fill the position with a full-time officer at a cost of approximately \$30,000 per year, or, as has been contemplated, share an animal control officer with the City of Troy. The City believes that sharing an animal control officer with the City of Troy could save approximately \$15,000 per year, depending on the fee the City of Troy charges in exchange for the services provided by the Officer. Although Watervliet is not required by law to furnish an animal control officer, it believes it would be in the best interest of its residents to have an officer, even a municipally-shared officer, fully committed to animal control.

County-Wide Shared Services Initiative

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

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

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

In total, over the past two years, fifty-three counties — or approximately 93 percent of the counties subject to the requirements of the state County-Wide Shared Services Initiative law — have filed their shared services plans with the state. These fifty-three counties, containing 98.5 percent of the state's population outside of New York City, have identified a total of 560 projects with \$135.8 million in total recurring local property tax savings.

Albany County's 2018 plan includes re-estimates to the original nine shared services proposals from their initial 2017 plan plus three new shared services proposals. The 2018 Plan's certified savings estimates increased from the 2017 plan estimates by \$500,000 from \$9.7 million in annual savings to \$10.2 million in annual savings after the proposals are fully phased in, equivalent to \$70 per property taxpayer.

With the County's 2018 plan, Watervliet continues to be an active Shared Services Panel participant and is involved in the following projects:

- The Community Choice Aggregation (CCA) Energy Program – CCA will allow municipalities to use their collective purchasing power to enter into energy contracts.
- County-Wide Health Consortium - The City and accompanying municipalities have been collaborating to create a health benefits database as a next step toward implementing a county-wide healthcare consortium. The goal of the database will be to help determine the types of plans the consortium could offer that would meet or exceed current plans provided to the employees of each participating municipality.
- The City is Committed to Joining a Health Consortium if it is Created - This included language in all of its negotiated labor contracts reserving “*the right to change or provide alternative insurance plans or carriers or to self-insure if it deems appropriate for any portion of health and prescription drug coverage preferred in [the] agreement so long as the new benefits coverage are substantially equivalent when viewed as a whole to the existing program at the time of such change.*” The City expects this could save over \$100,000 per year.
- County-Wide Centralized Shared Specialty Equipment and Personnel Programs – Similar to Suffolk County’s Suffolk Share, Albany County will act as a clearinghouse for equipment and municipal personnel where participating municipalities can acquire services or equipment that is owned and operated through other participating local governments.
- Joint Purchasing Agreements for Equipment, Materials, Services, and Supplies - The County is creating a centralized purchasing system for all municipalities that maximizes the benefit of joint purchasing.
- Consolidate Vehicle Maintenance and Repair – The County will be offering repair services and body work to municipalities and school districts on a fee for service basis in certain instances.
- Consolidate Interpretation/Translation Services within Albany County – The County is considering offering a centralized translation services to participating local governments. According to the plan, however, federal requirements do not allow the County to offer centralized translation services.
- County-Wide Request for Proposal for a Solar Energy Consortium – The County would issue a solar energy RFP on behalf of all participating local governments better leverage land and available resources.
- County-Wide Record Digitization Program - The County is considering using the recently purchased LaserFiche server to extend record digitization and management to all participating local governments.

Local Government Efficiency Grant Program

The State also offers competitive grants through the Local Government Efficiency Grant program (LGEG) to local governments for planning or implementing a local government efficiency project,

including sharing services, functional consolidation, and regional service delivery. The maximum grant for an implementation project is \$200,000 per municipality/\$1 million per grant. The maximum grant for a planning project is \$12,500 per municipality/ \$100,000 per grant. Planning projects require a 50 percent local match and implementation projects require a 10 percent local match. If a planning project is later implemented, the local match for implementation is offset by the amount of the local match for the planning project.

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

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.

Efficiencies

Water Supply, Infrastructure & Hydroelectric

Watervliet has made a priority of investing in its water infrastructure and supply. The City's water system recently underwent, and is currently undergoing, several projects to continue to provide healthy drinking water to its residents. Such projects range from the replacement of water mains to the replacement of the City's 12-mile transmission main, which transfers water from its reservoir to its water treatment facility.

The City has leveraged local and State resources to fund most of these projects through a combination of bonds and grants. Most recently, the City received approximately \$2.2 million in EFC and DOH grants to help fund roughly \$3.8 million in water infrastructure projects, such as those mentioned above. The City has also sought to improve what it considers to be one of its greatest assets, its reservoir, which is located 15 miles to the west of the City in the Town of Guilderland. Purchased in 1915, the reservoir occupies 688 acres in the Town of Guilderland, of which 500 acres is the actual water body. The remaining 188 acres serving as space for the City's dam, hydroelectric facility, pump house, and reservoir embankment.

The reservoir provides raw water to the City of Watervliet's clean water filtration plant, as well as the Town of Guilderland's. To provide water for the City, water is pumped from the reservoir through a 12-mile long transmission main to a 10 million-gallon service reservoir. The water is then treated at the City's filter plant and distributed to the residents of Watervliet. The City draws about 2.5 million gallons of water from the reservoir per day.

Per a 20-year contract negotiated circa 2008, the Town of Guilderland draws four million gallons of unfinished water from the Watervliet Reservoir per day for an annual fee of approximately \$800,000 per year. According to the City, the reservoir has a higher capacity of almost double the current 6.5 million gallons per day. However, the City cannot maximize the reservoir's output because, according to the City, Guilderland's water treatment plant does not have the capacity to treat additional raw water.

The City built a hydroelectric facility in 1981 which generates subsidiary revenue for the City by selling power back to the grid. Revenues vary based on water levels (dry or wet year) as well as rates, which are very low currently. The facility has generated an average of \$85,000 per year over the past five years. This net revenue number reflects the fact that the hydroelectric facility is currently operating at half of its capacity due to upgrades that were made to the electrical grid by National Grid, which forced the City to throttle-back its output to approximately half (as a safety precaution) until the City can complete its side of the system upgrade.

As a result, the City must make upgrades to its hydroelectric facility for it to operate at an economical capacity. City engineers estimate the cost of upgrades to be about \$300,000 with a short timeline to completion (about seven to ten days). Absent of another funding stream, the City would likely issue a 20-year bond to pay for the upgrades. With the facility operating at maximum capacity, the investment would pay for itself in a matter of years.

The City is also currently undergoing a relicensing of its hydroelectric facility, which is expected to cost \$700,000 although the City has budgeted higher for unexpected costs. The 40-year license is in the renewal phase and must be completed and approved in 2021. Given capital outlay to

keep the facility running is substantial, the City did consider the benefit of discontinuing the hydroelectric facility. However, after distributing the costs over the facility's useful life, the costs are justified as the revenue the facility produces is used to reduce water rates for the taxpayers of the City. If the hydroelectric facility was not operational, the City would likely have to increase water rates by about 41 percent, from \$358 per 1,000 gallons to \$501 per \$1,000 gallons, which accounts for the loss of excess revenue generated by the dam plus the cost to the City to power the pumps that transfer water from the City's reservoir to its filtration facility.

Recommendation: The Board recommends that the City pursue relicensing its hydroelectric dam and upgrading the electric service to accommodate increased capacity. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$350,000 to help the City with relicensing and upgrading. The specific structure and conditions of such grants, which would be developed in consultation with the City, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board.

LED Lighting

The City is in need of, and is interested in, upgrading its City-wide light infrastructure to LED lights. This would include all 571 National Grid owned streetlights and 758 other lights in all municipal buildings. However, this excludes the traffic control lights, which are already LED.

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

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

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

44,770 households, save taxpayers \$87 million annually, reduce greenhouse gas emissions and improve the quality of light and safety of communities across the State.

NYPA has partnered with the City to help purchase the City's 571 streetlights from National Grid and outfit them with modern LED bulbs. According to NYPA's analysis, the estimated purchase price of the fixtures from National Grid is \$700 per fixture. Purchasing and upgrading the City's streetlights is expected to cost close to \$685,000, which the City could finance through a loan from NYPA at an interest rate of three percent over ten years. The estimated debt service paid to NYPA would be close to \$80,000 per year over ten years. NYPA estimates purchasing the lights and outfitting them with LED bulbs will reduce the City's energy and maintenance costs by \$58,000 and \$43,000 respectively.

In total, the cost of maintaining and powering the City's street lights would be reduced by \$101,000 annually, from \$150,000 to about \$49,000. Including debt service, and without any additional funding, this would amount to a positive cash flow of about \$20,000 per year. If half of the cost were to be paid with outside resources, the net annual cash savings would jump to just over \$60,000 per year.

Recommendation: The Board recommends that the City pursue advancements in energy efficiency. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$340,000 to help the City with the conversion of its lighting infrastructure to light emitting diode (LED) technology. The specific structure and conditions of such grants, which would be developed in consultation with the City, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board.

Sewer

In 2017, the City commissioned a study to investigate the potential of upgrading its Combined Sewer Overflow (CSO) system by installing new storm drainage systems parallel to existing storm combined sewer systems in the City. Combined sewer systems collect rainwater runoff, domestic sewage, and industrial wastewater in the same pipe, which is then transported to a treatment plant where the wastewater is treated and discharged into the Hudson River.

According to the engineer report, combined sewer systems generally lead to treatment of a high volume of relatively clean water (rain water). Treating relatively clean water is an issue because it places an unnecessary burden on the City's (County Owned) wastewater treatment facility, which should be restricted to treating water that requires the degree of treatment provided. Additionally, combined sewer systems can create overflows in wastewater treatment facilities that pollute nearby waterways. Overflows can be created by periods of heavy rain or snowmelt, where the volume of water created by these circumstances exceeds the capacity of the wastewater treatment plant.

When the capacity of a treatment plant is exceeded, untreated water, which includes storm water and human waste and industrial waste, can runoff into the discharge waterway, a major water pollution concern for municipalities with this type of system. During major storm events the City's CSO's flow to the Hudson river resulting in sanitary waste being discharged into the river. The project of separating all of the City's CSO's would eliminate any and all sanitary discharge into the river from the City of Watervliet.

The City of Watervliet currently pays the County \$560,000 annually which is based on volume. It is expected that the volume would decrease by at least 10 percent by separating CSO's resulting in an assumed or minimum annual savings of \$56,000. In these overflow instances, neither the City nor the County get "surcharged", but the City must pay for a State Pollutant Discharge Elimination System (SPDES) Permit Program from DEC for the discharges from CSO's.

There is a consent order to mitigate the discharge of sewage into the Hudson in the City's Long-term control plan as part of the DEC Albany Pool Communities. The new storm water sewage system would reduce costs by not processing storm water while also making the City's infrastructure more environmentally forgiving.

There is currently a Long-term Control Plan (LTCP) that governs what needs to be done to mitigate sanitary waste from going into the river. This is a 15-year plan that is currently in year 5. The requirements of this Plan continue to expand, and the City feels that there will be significant future costs associated with CSO's potentially during and, more likely, after the current LTCP. Presently, the City is being required to install sensors in these sewers per a recent DEC order.

An engineer report proposed that the City could mitigate the overflows by installing a new storm water drainage system parallel to the existing combined sewer drainage system and capping the old line. The estimated cost of the project is \$5 million, including about \$4.2 million for construction and \$800,000 for engineering.

The City has applied for multiple State grants to make the proposed project cost effective, including a \$3.1 million Water Quality Improvement Grant to cover a portion of the construction costs and an Environmental Facility Corporation (EFC) grant to pay for the remainder of the construction costs (approximately \$460,000). If the City received both grants, it would bond for the remainder of the project, about \$1.4 million. Based on 30-year financing, the debt service to the City would likely be paid for via expected lower bills from the County due to lower volume. In addition, a new system (non-combined) would reduce the amount and time presently spent by staff to monitor the current system, which may provide a future ability to reduce staff by one-half to one full FTE.

The City has indicated, however, that without significant outside funding, the project isn't fiscally viable, and it would continue on the current path for the remainder of the LTCP.

Refuse Collection

The City collects garbage Monday to Thursday through its General Services Department. Currently, staff for sanitation consists of one supervisor (which the City plans on eliminating after retirement), two drivers, and four throwers. According to the City's 2019 adopted budget, sanitation costs taxpayers approximately \$600,000 per year. Sanitation does not typically add additional overtime costs to the City, except for during its "bulk week" pickups.

The City collects refuse for approximately 2,700 parcels, consisting of the following:

- 1,157 one family homes;
- 1,014 two family homes;
- 125 three family homes;
- 19 multi-residence homes; and,
- 377 other properties (generally commercial and large apartment buildings).

Businesses can either use the City service (on a fee-for-service basis) or a private hauler to collect their garbage. According to the City, most business that are in multi-use buildings pay the City to collect garbage, which generates approximately \$7,000 in revenue each year. The City receives \$10,000 of additional revenue from the Watervliet Housing Authority for the collection of garbage per year. The City could likely realize additional revenues if it picked up for the Watervliet School District.

Recycling, a once revenue positive action for the City, has become revenue negative over the past year. Recent federal tariffs and trade policies forced the City to go from receiving \$8 per ton of recyclables to paying \$55 per ton, a \$63 swing per ton, and has resulted in increased expenses of \$60,000 that the City did not budget for last year. In its most recent adopted budget, the City budgeted for a recycling expense of \$36,000 in CFY 2019, which equates to one percent of the City's levy.

Effective for 2019, the City again expanded its shared service agreement opportunities collect refuse for a part of the Town of Colonie (Maplewood). The City will begin with a pilot program where it will collect garbage for Maplewood on Watervliet's slower garbage pick-up days. In exchange for collecting Maplewood's garbage, the Town of Colonie will pay the City an annual fee of \$39,000, paid to the City on either a quarterly or monthly basis.

The City expects to collect Maplewood's garbage with existing resources. Additionally, the Town will allow the City to use one of its trucks to pick up garbage for the neighborhood. The Town will pay the tipping fee for the recycling collected in Maplewood (about \$3,000 per year) and the City will not need to pay a tipping fee for regular garbage because it will be dumping in Colonie's landfill. The agreement will be renewed from year to year.

Watervliet offers its residents an opportunity to dispose of larger refuse twice a year through its "bulk week" program. During bulk week, residents may leave larger items on the curb for the City's sanitation to pick up with no additional fee. The initiative was originally created to help residents clear out unwanted items from homes in Watervliet and the City originally predicted that total gross refuse collected each bulk week would decrease as time went on. However, according to data provided by the City, the City has consistently collected 100 tons of garbage each bulk week – a typical week of refuse is 50 to 60 tons. Tipping fees from bulk week remain consistent and cost the City between \$15,000 and \$20,000 per year.

The City offers an alternative to bulk week that could be used as the single method to dispose of larger refuse rather than offering bulk week. Instead of collecting the garbage curb side, the City allows residents to bring their garbage to the City and the City disposes of it for a fee of \$10. The City offers a \$20 option where they will pick up the items curbside for those that cannot transport the larger waste physically.

As an alternative to consider, the City could discontinue bulk week and solely adopt the fee for service method for disposing larger or non-standard refuse that is addressed weekly. According to the City, if it were to switch solely to the fee-based system, it could save a net \$15-\$20,000 from removing the bulk week, in favor of the fee for service/pay as you throw for bulk/extra needs.

Anaerobic Digester Pilot Program

The City recently launched an organic waste pilot program that utilizes the City's anaerobic digester to process waste more efficiently. Simply put, an anaerobic digester streamlines the breakdown of organic waste, creating methane and other waste that is environmentally friendly. This reduces the amount of waste that needs to be disposed of in a landfill and is part of the City's effort to be environmentally conscious. 100 households have signed up to participate in the program. If the program is successful with the first 100 households, it will consider expanding the program and utilize the methane created by the digester for energy to lower the City's outside energy draw.

Creating a Refuse Enterprise Fund

The City pays for refuse collection via property tax revenue from the General Fund instead of using a fee-for-service enterprise fund. If the City began to charge a fee to collect garbage for each housing unit per parcel instead of having the General Fund support garbage collection, the City could take up to \$825,000 off the property tax rolls and charge residents based on use.

If done on a one-for-one swap, this approach would merely shift costs from one revenue source (property taxes) to another (new garbage fee). However, it would create a more equitable revenue collection system rather than collecting property taxes to fund refuse collection. While sanitation remains on the General Fund, an owner of a single-family home could be paying more for refuse collection than the owner of a two-family home if the assessed value of the single-family home is greater.

The cost of the service will not change but those who presumably use more would pay accordingly. Rather than paying per parcel, the City could disburse the cost of the service to owners based on units, and/or use, if it created a garbage fee similar to the city of Troy's or the City of Albany's.

In 2017, Troy's Council agreed to implement a trash fee whereby each residential unit is subject to a garbage collection charge. The fee in the first budget year, 2018, was \$160 per unit; for 2010 the fee was increased slightly to \$164 per unit. Troy used the State's Real Property System (NYSPRS) to determine each property's classification and the parcel's trash liability. For example, each unit in a two-family home is assessed a fee for garbage collection. In contrast, currently, a two-family unit in Watervliet pays the same as a single-family.

Beginning with its 2016 budget, the Albany imposed a \$180 annual trash fee on 1-4 family parcels where the first residential unit of a parcel was exempt. Albany's City Council voted to expand the fee to each unit in a parcel beginning in 2019, and now charges every unit \$90 per year, including single family homes.

The City of Watervliet estimates that it has close to 3,700 residential units, not counting large apartment units/complexes. If the City charged the same \$164 per unit that Troy charges, it could bring in a total of \$600,000, assuming 100 percent participation and payment.

Notably, Troy offers exemptions to property owners such as exempting the fee for properties that are vacant or those occupied by a qualified Enhanced STAR resident. While laudable, any exemption will lower potential gross revenue that Watervliet could attain, should it choose to entertain this option.

Invoking a new fee in exchange for, or corresponding to, a commensurate drop in the City tax levy has its risks. First, if someone doesn't pay their tax bill, a property can be foreclosed upon. However, if someone doesn't pay their trash bill, the enforcement and repercussion has less of a threat. Further, non-payment would put the City in a predicament as to whether or not ignore a parcel's trash and let it build or take it and add surcharge costs and added interest/fines/fees to an already ignored bill.

The City of Watervliet should try to gather additional information on how Albany and Troy view the successes (or lack thereof) of instituting the trash fee and ascertain for itself if and how to approach this somewhat growing trend among urban municipalities statewide.

Prior to adopting a new fee-based system, however, the City should first consider and implement any and all efficiencies that could generate savings, which could mitigate the need to raise revenue through new garbage fees.

Financial Systems, Payroll, and Time & Attendance Processing

The City of Watervliet currently uses multiple different software platforms for the departmental day to day activities.

- The Finance Department uses an outdated system for online bill pay. This system recently moved from DOS to cloud based and has had multiple "glitches" over the past two years.
- The Building and Code Department uses another system which does not "speak" to the Finance Department's system, and therefore any changes need to be sent to the Finance Department by hard copy to be input a second time.
- Payroll uses an outsourced payroll company and their proprietary platforms. Currently the payroll and all HR tasks are done in hard copy and on paper. The hours worked and leave time sheets are on ledger sized paper and kept as hard copy. There is currently no electronic database for this information. This process has become very time consuming and inefficient with the technology that is now readily available for these tasks.
- For licensing, work orders and other database needs, the City has a staff that is well versed in their particular database software. Although this system is useful, it once again does not "speak" to any other systems and as the knowledgeable employee moves closer to retirement, this option will become obsolete.

The City has researched an all-inclusive software package that would accommodate a much higher level of efficiency within City Hall and beyond and allow for the internal communications to be streamlined. This will not only save time for the employees who are responsible for accomplishing these tasks but will also make the information more readily available to staff and the public as well as making employee HR needs much more efficient.

The City's current back-office practices and systems do not reflect modern best practices and the lack of a modern Enterprise Resource Planning (ERP) system leads to inefficiencies that could otherwise be avoided. For example, the City still uses hand written records to monitor employee data.

Currently the payroll and time and attendance are all done on hard copy white paper. Other than for overtime in public safety, which uses a basic database, all other time is maintained on paper. This includes leave time usage and accrual. Each week, a department head or employee keeps their time on a paper time and attendance sheet. At the end of the payroll week, the sheets are turned into the department head for review. Each department head then provides the sheet to the City's General Manager for final review. Once the GM signs off on the payroll it is then sent to the payroll clerk who personally inputs the information into the outsourced payroll system. The payroll system then executes the payroll/paychecks.

If an employee needs to make a change to their deductions (e.g. increase amount for deferred compensation, increase dependents on health insurance, block taxes) this is done verbally with the payroll clerk who keeps a notepad of any biweekly changes needed. This also includes the addition of longevity pay, education pay etc. There is no current system for assuring that all payment types are made.

By acquiring a new system, all time and attendance would be kept within the system as well as the leave time usage and accrual. This removes the first three steps from the process. The department head will still need to confirm that the time and attendance and leave time usage is correct, and the GM will still have to review and sign off, but this will all be done electronically. Longevity pay, education pay, leave time accrual will all be managed by the system rather than by an individual. This will free up significant amount of time for department heads and GM for other work. An HR platform within the system will also free up time for the payroll clerk. These actions may result in the reduction of ½ time for an employee which may allow for the reduction of one part-time employee.

The image below is a paper record of an employee's accruals, which makes simple tasks like asking for time off cumbersome. If an employee wants to take off, he or she must check with the payroll clerk to verify if the sick leave time is available. The clerk then enters the request into a notebook and enters time used for an employee on the card below at the end of the year. This could be avoided (and a position potentially eliminated) if employees were able to look up and charge their time within a system instead of using requesting time off via paper and word of mouth.

The City has the opportunity to purchase a complete Enterprise Resource Planning system to replace most, if not all of its financial based software and hardware. A new system will drastically improve interdepartmental data sharing and information, as well as modernize data processing and reporting. The City further has the opportunity to purchase the same system that Albany County Department of Finance operates, which will permit the two governments to more easily share payroll and other "back office" services down the road, if they so choose.

lieutenant and one sergeant that are investigators for the City and not part of the City’s patrol force. Each platoon consists of seven officers total. The senior sergeant on duty is the shift captain and gives each officer their assignment.

Police Department expenditures, not including fringe benefits and health insurance costs, amount to almost 2.4 million, or 20 percent of total City General Fund expenditures in 2019. Department spending increased by 3.2 percent from 2018 to 2019. Labor costs, which include base salary, longevity pay, holiday pay, clothing allowance, and overtime, (excluding fringe), account for roughly 93 percent of departmental spending. If fringe benefits are included, total departmental spending for the Police Department would total approximately \$4.1 million, which includes costs incurred to the City for health insurance, workers compensation, social security, retirement, and Medicare. Including fringe, Departmental spending accounts for approximately 35.2 percent of the City’s General Fund budget, the highest of all the City’s departments.

According to Office of the State Comptroller data, Watervliet police officers received better compensation than most police officers employed by other cities in the Capital Region. The average pay of each municipal department using regular pay, vacation pay, overtime, and pay for unused sick time. Excluding fringe benefits, Watervliet police officers’ average pay (\$85,432) was ranked third among ten capital region cities, the highest being Schenectady (an average of \$94,817).

When an officer is recalled for overtime, the officer is entitled to be paid for at least four hours of overtime irrespective of how many hours under four that they are needed for the recall.

The City’s police contract expires in 2022. In its most recent negotiations, the City awarded police officers the Cost of Living Adjustments (COLAs) shown below:

Police Department COLAs	
2018	0.0 %
2019	1.0 %
2020	1.5 %
2021	2.0 %
2022	2.0 %

Prior to this contract, the Police Department (as with the other collective bargaining units) received three percent COLAs each year. The City recognized this policy was unsustainable and will save approximately \$358,000 from its agreement to reduce COLAs off of the former three percent baseline.

Under Watervliet’s buyout program, police officers can decline health insurance coverage and receive a cash benefit. The City was successful in negotiating a decrease in the value of this benefit. The option for police officers decreased from 40 percent of the family plan to 30 percent of the applicable plan (single, single plus one, or family) that the officer currently has, which will save the City \$27,000 if the same number of employees continue to utilize the buyback. This change makes financial sense, given that an award of 40 percent of the family plan cost was

worth more than the cost of a single plan. However, even still, 30 percent of the family plan amounts to a bonus of nearly \$7,000.

At present, the State offers a buyout of \$1,000/\$3,000 depending on whether the coverage is for single or family. The City should strive to achieve the best balance when it comes to health care employee buyouts. Negotiating the cost too low, even if agreeable to the bargaining units, may attract too few employees and force net City costs higher if those currently receiving a buyout opt back in to the City's health care for their primary coverage. That said, a municipality that chooses to raise an established buyout level may be wasting money if they do not attract new employees into the buyout program, as only the currently enrolled employees would gain extra money for nothing.

A new hybrid concept to "tier" benefits based on the number of employees interested in the buyout could prove beneficial to both the City and employees.

As with its other departments, the City would like to see a reduction in the Department's health buyback award amount, the elimination of its 100 percent copayment reimbursement policy, and a cap on the amount a sick leave an employee may accrue for payouts at the time of retirement.

Other areas the City could seek to renegotiate or lessen the taxpayer costs/impact of for the next round of negotiation is in the area of shift differential and longevity pay. Officers are paid an extra 3.1 percent for the 4pm-Midnight shift and an extra 3.9 percent for the Midnight-8am shift. These could be viewed as unnecessary expenses and obligations. If the later shifts are viewed as burdens, officers should (could) split duties will among the entire staff so no one person is overly burdened, and the shift structure is fair to all. If shifts are based on seniority, then as time moves on and assumed seniority rises per individual, less senior officers would spend earlier years arguably staffing the later shifts but then have an opportunity to migrate to the more preferred shifts. Either way, the practice of adding extra stipends could be revisited.

Similarly, the City could seek to lessen or eliminate longevity pay. Contractually, after an officer's 5th year, they receive an extra \$444 annually. For each additional year, that amount rises by \$150. After 15 years, officers, on top of their normally rising steps, will receive almost \$2,000 annually just in longevity pay.

CSEA

The City recently extended the Civil Service Employees Association contract through a Memorandum of Agreement for an additional four years. The amended version of the contract is for the period of January 1, 2017 to December 31, 2020. The contract was successful in reducing costs to the City as it continues to provide fair benefits to its employees.

The latest contract included one percent wage increases in each of years 2017 and 2018, and one and a half percent increases in each of years 2019 and 2020. This was the first time in over ten years the City was able to negotiate an annual wage COLA that was less than three percent. The City estimates lower wage increases saved a total of \$173,000 for the four years of the contract, as compared to if the COLAs continued at the three percent level common in prior years.

This agreement also reduced the health insurance buyback the City offers its CSEA employees, from \$4,777 to \$4,000. Although reducing the buyback only saved the City about \$2,100, it is a

policy the City could duplicate within its other departments, especially within departments or bargaining units that presently receive a larger percentage of family plans.

Additionally, via the 2017 contract extension, the City restructured its CSEA workforce by combining the Highway, Sanitation, and Recreation Departments into a single General Services Department. Presently, the General Services Department operates with three Supervisors, each separately acting as a Department head for Highway, Sanitation, and Recreation. The goal of the City, however, is to transition from three supervisors to one. This is expected to be achieved within the next two years via the elimination of the supervisor positions through attrition.

The Recreation Supervisor, who is currently eligible to retire, will not be replaced by another CSEA employee. Rather, the City will then replace the Recreation Supervisor with a Recreation Administrator paid at half the rate of the current Recreation Supervisor, an annual salary of about \$35,000. The City will do the same for the Sanitation Supervisor, who is also expected to retire in 2020. Rather than fill the position, the City may hire a laborer (instead of supervisor) to do work for the General Services Department or contract labor out instead of doing it in house.

The City could save approximately \$33,000 if it decides to hire a laborer and about \$70,000 if it decides to leave the position vacant. The Highway Supervisor, who is not expected to retire soon, would serve as the single Supervisor for the Department.

The City's decision to restructure Highway, Sanitation, and Recreation produced close to \$70,000 in savings for the City's 2019 budget.

In negotiations, the City could engage the workforce to work toward making a few changes, including the 100 percent copayment reimbursement, COLAs, as well as the uncapped sick leave payouts at the time of retirement, would be the next topics in line for discussion. Currently, all City employees, in all three bargaining units, can be paid out for up to 240 hours of vacation and 1,200 hours of sick leave if it is accrued.

Fire Department

The Watervliet Fire Department is a paid, full-time department consisting of 25 employees, which includes one chief, four captains, four lieutenants, and 16 regular firefighters. In addition to fire protection and rescue services, the Watervliet Fire Department also furnishes Advanced Life Support (ALS) transport for both the City of Watervliet and the Village of Green Island. As noted earlier, the approximate area of the of the Department's jurisdiction, excluding Green Island, is approximately 830 acres, not including the Watervliet Arsenal, which has its own fire and police department, and occupies about 15 percent of the City's total 980 acres.

Fire Department expenditures, not including fringe benefits and health insurance costs, amount to almost \$2.4 million, or 20 percent of total City General Fund expenditures in 2019. Labor costs, which include base salary, EMT pay, holiday pay, clothing allowance, and overtime, but excluding fringe, account for roughly 92 percent of departmental spending. If fringe benefits are included, total departmental spending for the Fire Department would total approximately \$3.9 million, which includes costs incurred to the City for health insurance, workers compensation, social security, retirement, and Medicare. Including fringe, Departmental spending accounts for approximately one third of the City's General Fund budget, second highest of all the City's departments, behind police.

The average and median base salaries for a Watervliet firefighter are \$65,346 and \$64,316 respectively, which, according to the American Census Bureau, is approximately \$14,000 greater than the median household income for the City, which is about \$50,000. After considering base salary, longevity pay, EMT pay, holiday pay, clothing allowance, and probable overtime, the average total compensation (excluding fringe benefits) for a Watervliet firefighter is much higher than this as noted below.

According to Office of the State Comptroller data, Watervliet firefighters received better compensation than most firefighters employed by other cities in the Capital Region, making on average \$84,781. The average pay of each municipal department using regular pay, vacation pay, overtime, and pay for unused sick time. Excluding fringe benefits, Watervliet firefighters' average pay was ranked second among eight capital region cities, the highest being Schenectady (an average of \$88,236) and the lowest being Rensselaer (an average of \$62,943).

As with most departments in New York, a large majority of the calls the Department receives are classified as emergency medical calls, which can range from basic issues to more serious life-threatening injuries, illnesses or issues, although a large portion tend toward the less extreme. According to 2017 data reported to the NYS Division of Homeland Security and Emergency Services Office of Fire Prevention and Control, the Department received approximately 2,300 calls in 2017 (including mutual aid calls), of which about 65 percent (about 1600 calls) were emergency medical calls. There were 50 actual fire calls, including mutual aid calls, which accounted for about two percent of the overall call volume.

Every firefighter in the City is a certified EMT, a requirement to be hired. Firefighters hired prior to 2009 receive an EMT stipend based on their certification. Certified EMT-Basic, or EMT-B, firefighters receive an annual stipend of \$2,150, a cost of approximately \$8,600 to the Department annually. Firefighters may elect to become certified paramedics, which allows them to staff the City's ambulance service. As mentioned above, the City furnishes ALS transport to City and Green Island residents and receives approximately \$400,000 in revenue per year from insurance billing. Paramedics receive an annual stipend of \$4,800 plus an additional \$50 for every ten years of service to the Department, which costs the City about \$91,000 annually.

Each firefighter is entitled to longevity pay after five years of service and receives an additional \$150 for each year of service commencing upon the member's fifth year anniversary date. The rate increases to \$150 annually after a firefighter's ten-year anniversary. For example, a firefighter will receive \$500 annually after ten years of service. According to the City, Fire Department longevity payments total over \$28,000 annually. Additionally, firefighters receive an annual stipend for successfully completing their annual fitness test, totaling \$6,000 for the Department per year. These extra stipends contribute to Watervliet's ranking among its Capital District peers in terms of average pay before fringe benefits.

Firefighters receive 40 hours of annual personal time and ten hours of sick leave per month (120 hours per year) per local law. Sick leave is capped at 1200 hours per employee. Firefighters also receive annual vacation time based on their years of service. All firefighters receive 96 hours of vacation after a one-year probationary period, after which, they receive 120 hours annually after three years of service; and 168 hours annually after 12 years of service. Vacation accruals are capped at 208 hours for each firefighter, which includes the maximum a firefighter could accrue after 12 years of service (168 hours) plus one carryover week.

The City's health insurance is provided through Blue Cross Blue Shield. Costs per plan vary based on the number of people insured.

Health Insurance Premium Costs	
Plan Type	Plan Cost
Single Plan	\$ 8,137
Single (+1 Dependent)	\$ 14,081
Family	\$ 23,190

According to the City, the total cost of health insurance premiums for active Fire Department employees that opt for the City's health insurance was approximately \$271,000 in 2018, with the City paying approximately \$252,000 and employees paying \$19,000, which averages overall to be a 7 percent employee contribution. As mentioned in the Budget Overview section, firefighters contribute to a percentage of their health care premiums depending on service years. The vast majority of the members pay 10 percent or less (4 pay zero percent). Those hired after 2018 pay 15 percent. With the recent contract, firefighters will be required to pay 20 percent. As detailed earlier in the report, new police officers hired after 2018 are also required to pay 20 percent.

The Fire Department's current contract allowed employees to sell their health insurance back to the City at a rate equal to 40 percent of either the individual or dependent coverage premium. According to the City, nine firefighters (including the Fire Chief) sell back their insurance to the City, which costs approximately \$80,000 per year. In the newly enacted contract, the Fire Department and City have agreed to a 30 percent buyback rate for health insurance, as opposed to the previous 40 percent buyout. This could potentially save the City \$20,000 annually. It should be noted, that the City and police members also recently agreed to reduce the value of the health buyout award from 40 percent of a family plan to 30 percent of the applicable plan.

The Department's minimum staffing clause is written into the ambulance section of the Fire Department contract. Per the contract, five staff are always required on shift, but typically a full 6-person platoon is routinely scheduled, consisting of one captain, one lieutenant, and four firefighters. Scheduling six people allows for one call-in each shift before the City is obligated to call someone in for overtime. Depending on the prevalence of call-ins, this could save money or cost extra money, if the City ends up paying six staff more often than not.

Standard procedure for responding to emergency medical calls is to dispatch one engine and one ambulance, with two firefighters on each vehicle per call.

If there is another EMS call and an ambulance is transporting a patient to the hospital, the City typically recalls a platoon of six firefighters to staff the fire station, enabling the Department to be able to send out another ambulance if called. An entire platoon is notified/called in, but usually only two firefighters will respond, and they are guaranteed at least two hours of pay if they are called in. The justification behind this is that if the City did not recall a platoon and were to receive an ambulance call, the City would have to direct the call to another ambulance company.

The practice of recalling a platoon, in addition to the current five person per shift minimum, has led to high overtime costs. For example, the City of Cohoes Fire Department, which staffs more firefighters (32) and covers a larger land area (4.24 square miles), budgets about \$150,000 in overtime annually. Watervliet, a department with eight fewer firefighters (24) and a protective area only a fraction of the size (when also considering The Arsenal), budgets \$250,000 annually for overtime. If overtime/recall is due to the need to respond to an ambulance/medical emergency (which may be happening simultaneously with a fire emergency), it reduces the net profitability of the City's ambulance function and increases the consideration as to whether the City should be in the business of ambulance service and transport.

Previously, firefighters staffing the ambulance received an additional hourly stipend based on a sliding scale of gross receipts generated by the ambulance service in a year, but this was eliminated in the contract which was ratified in April of this year. However, it remains that firefighters who have accrued the maximum 320 hours of compensatory time will be paid an additional \$1.00 per hour for time assigned to the ambulance, instead of receiving additional compensatory time. According to the City, the ambulance service has on average generated approximately \$345,000 per year in revenue.

The City chose to do a cost benefit analysis of its ambulance service due to its implications towards overtime and the additional costs of sustaining the service. The analysis found that the ambulance service generates an annual profit of about \$80,000 per year. However, although the ambulance generates a profit at current staffing levels, about \$375,000 in savings could be achieved if the City chose to discontinue ambulance and reduce each shift by one firefighter.

Four firefighters could retire within the next two years, which would provide an opportunity to eliminate these positions through attrition. However, the City would need to discontinue its ambulance service before it could be able to reduce minimum staffing from 5 per shift, to 4 per shift. The City would be able to eliminate the four paid positions, or more, if it only had to fulfill a 4-person shift, which could arguably be done if it didn't run an ambulance. Simply letting these 4 positions remain unfilled (or attrition out), while trying to maintain a 5-person shift, however, would essentially force the Department recall a firefighter for overtime each shift, which would be an exorbitant cost.

Ultimately, the City should identify whether it wants to maintain this ambulance service for its residents and taxpayers. In 2014, upon facing significant fiscal stress and accumulated deficits, the City of Lockport in Niagara County, a city with a population of approximately 21,000 residents, discontinued its ambulance service, and let a private carrier provide the service to its residents. This move helped save the City a substantial sum annually and allowed the City to reduce its then 9-person Fire Department shifts, to 6-person shifts.

In crafting Watervliet's CFY 2019 budget, an increase of \$39,000 in spending was equivalent to a one percent increase to the property tax levy. Therefore, if the City decided to discontinue the service and was able to reduce staff and per-person shift size accordingly, it could potentially reduce the property tax levy by as much as eight percent (\$375,000), based on a full year's savings.

Recent Labor Negotiations with the Fire Department

In January 2018, the City settled the expired Fire Department contract for the 2017 and 2018 years. As was the case with the other bargaining units, given the very recent (at that time) fiscal pressures, lower fund balance through necessary settlements and/or higher costs, and an OSC increase in its fiscal stress score, the City could no longer afford to continue the status quo and "standard" practice of blindly awarding 3 percent annual COLAs.

In April 2019, the Fire Department Union and the City were able to agree to a contract through December 31, 2022. The City and the Department agreed on a 4-year deal that provided COLA for all years of the contract, in the amounts of 1 percent, 1.5 percent, 2 percent, and 2 percent, respectively. In addition, the City was able to eliminate the required additional stipend due to Fire Department employees for their ALS support and ambulance service to Green Island. Also, it was

agreed that the City would no longer pay an additional ambulance wage (generally \$2.50/hr) to firefighters staffing an ambulance. The longevity pay was increased from a base of \$100/yr to \$150/yr, at an annual cost to the City of approximately \$5,000.

The contract provides \$38,877 in savings to the City through 2020, as opposed to continuing under an expired contract. As an additional savings, the City and Union negotiated that new hires (after January 1, 2019) will be required to contribute 20 percent towards their health insurance premiums. This will provide an additional savings to the City in the out years. Also, the City and Union were able to negotiate a change in the health insurance buyback program, which will result in an estimated savings of \$2,800/yr currently, and an additional savings of \$2,300 per year for each new hire going forward.

Overall, the City reserves the right to change or provide alternate insurance plans or carriers (or to self-insure) if it deems appropriate for any form or portion of the health and prescription drug coverage referred to in its labor agreement so long as the new coverage benefits are substantially equivalent when viewed as a whole to the programs existing at the time of such change. This clause is a benefit to the City because it provides flexibility in the event the City has an opportunity to join a health insurance consortium or switch to a more affordable plan.

As part of Albany County's Shared Services Plan, the City will be leading the effort towards creating a health insurance consortium between Watervliet and other municipalities in the Capital Region. The City believes a healthcare consortium proposed in Albany's County-Wide Shared Services Plan would lead to substantial healthcare savings.

Additional items to consider in future Fire Department negotiations include the City's 100 percent copayment reimbursement policy (discussed in further detail later in this Report) and reducing the paramedic stipend.

Workers' Compensation

Workers' Compensation premium expenses continue to rise, adversely affecting the City budget. This is one of the main drivers of annual tax rate increase for the City of Watervliet. In 2013, the City made modified its policy from a "first dollar" premium with NYSIF (New York State Insurance Fund) to a high deductible reciprocal coverage through PERMA. This reduced the premium but added risk to the City by having the high deductible.

For the 2018 budget the City increased the deductible to \$50,000 per claim, further reducing the premium but increasing the amount of potential annual out of pocket payments. With this being one of the largest drivers of tax increase, the City is currently reviewing all possibilities for coverage, including self-insuring. Recently, the City has considered trying to self-insure for workers' compensation. To self-insure, the City would see a decrease in the premium but an increase to its work load. The City would also be required to have a substantial reserve to cover significant claims. It is expected that the City would require nearly \$750,000 in reserves for potential claims.

If the City were to self-insure, it is expected that the premium reduction would decrease from \$305,000 (which has a \$50,000 deductible per claim) to potentially \$100,000 for the total up-front costs including out of pocket claims and some costs of administration/workload. If the City could fund the required \$750,000 reserve, it is likely the City could save over \$200,000. The current

high deductible plan is similar to self-insuring with the exception of claims over \$50,000 in which the City would be “protected” by the current approach/policy, however the city averages only 1 such “large” claim per year.

Recommendation: The Board recommends that the City consider self-insuring for workers’ compensation if the City is prepared to assume potential risks associated with self-insuring. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$375,000 to help the City self-insure for workers’ compensation. The specific structure and conditions of such grants, which would be developed in consultation with the City, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board.

Medical/Pharmacy Copayment and Medicare Part B Reimbursement

The City began reimbursing copayments for all employees in 2010. At the time, the City was switching from a high premium/no deductible plan to a low premium/deductible plan, which added copayments for certain services; the previous plan had little to no copayments. As a compromise to having employees pay copayments, the City agreed to pay for 100 percent of the doctor visits and inpatient and outpatient services. At the time, switching from the low premium/deductible plan outweighed the costs from the new copayment liability. However, since 2010, the policy of reimbursing copayments has become a financial burden to the City that has become difficult to manage.

The City reimburses 100 percent of copayment amounts for the vast majority of services and needs, depending on employment status:

- Active employees receive 100 percent of copayment reimbursement for doctor appointments, inpatient, and outpatient procedures, and reimburses only a small portion of current employee pharmacy copayments. In 2016, the City switched from a CDPHP plan to a new Blue Cross Blue Shield plan, which saved the City \$220,000. The new plan included higher prescription copayments than the older plan. The City agreed to reimburse employees for the difference of the copayment under their old CDPHP plan versus their newer Blue Cross Blue Shield plan in exchange for switching to the new plan and in the interest of switching plans quickly.
- The City reimburses 100 percent of retiree copayments, which includes both medical and pharmacy copayments for those over the age of 65 who are covered by Medicare and Medicare Part B. The contract that the current retirees retired under stated that the “City will cover all health insurance expenses in retirement,” which was determined to include copayments.

The City reimburses about \$180,000 for copayments each year. According to the City, \$130,000 is from retiree health copayments and the remaining \$50,000 for current employees. With the current policy, the City expects the annual cost of copayments to increase in the out-years as additional employees retire.

The total cost of \$180,000 for copayments Citywide equates to about 3.5 percent of the 2019 property tax levy. Board staff have yet to encounter another municipality that has to reimburse medical copayment costs to this level/degree. The City of Elmira did set up Health Reimbursement Accounts to offset co-pays as an enticement to employees to switch health plans,

but such benefit was only intended to be a short-term benefit. Eliminating the current policy would bring Watervliet in line with the vast majority of its peers.

Since the late 1970's the City of Watervliet was a member of the NYSHIP Health Insurance Program. The laws within this program stipulated that the City must reimbursement the Medicare Part B portion to all qualified employees. This amount is \$137/month per eligible member. In 2016 this cost the taxpayers over \$70,000.

In 2017 the City of Watervliet discontinued the membership in the NYSHIP plan as of January 1, 2017 and, as a commensurate result, discontinued the reimbursement of the Medicare Part B. Since that time, the City had an adverse arbitration ruling with retired PBA members and currently have two pending claims against the City from CSEA and Fire retirees.

For the 13 PBA retirees currently eligible for Medicare part B reimbursement, the total annual cost is roughly \$21,000. The litigation with CSEA and Fire involves 41 retirees who may be deemed eligible for the reimbursement, if the City loses. If an award is made for these individuals, the retro pay as of June 1, 2019 is estimated to be \$136,000. Further, the annual cost to the City for all three units' current Medicare eligible retirees would be \$88,000 annually, in addition to the retro payment.

Collectively, the City is facing a \$136,000 (and growing) potential retroactive settlement for Medicare eligible retirees, a potential \$88,000 a year (and growing) annual cost for Medicare Part B reimbursements, and \$180,000 average annual cost to reimburse both retiree and active employee medical and pharmacy copayments.

The City has already been heavily active in trying to remove both reimbursement requirements, as both copayment and Medicare reimbursement cost a combined \$270,000 annually. To the extent these provisions must be negotiated out of contracts, the Board supports and encourages the efforts of both the City and its employees and retirees to find an amicable and respectable agreement to settle the matter.

Recommendation: The Board recommends that the City negotiate with its retirees and active employees to eliminate the requirement that the City reimburse all copayment and Medicare Part B costs. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, double the amounts awarded to the City for its workers' compensation self-funding (\$375,000) and relicensing and repowering its hydroelectric facility (\$350,000). The specific structure and conditions of such grants, which would be developed in consultation with the City, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board.

The Board further recommends that the City seek labor and healthcare efficiencies and continue to implement other workforce actions that will lower the City's annual cost structure. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to help the City in the next round of collective bargaining. The specific structure and conditions of such grant, which would be developed in consultation with the City, and any other aspects of such grant would be subject to an affirmative vote of a majority of the total members of the Board.

Conclusion and Next Steps

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

- The Board recommends that the City implement a modern Enterprise Resource Planning (ERP) system. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$300,000 to help the City with the implementation and the maintenance of the system.
- The Board recommends that the City pursue relicensing its hydroelectric dam and upgrading the electric service to accommodate increased capacity. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$350,000 to help the City with relicensing and upgrading.
- The Board recommends that the City pursue advancements in energy efficiency. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$340,000 to help the City with the conversion of its lighting infrastructure to light emitting diode (LED) technology.
- The Board recommends that the City consider self-insuring for workers' compensation, if the City is prepared to assume potential risks associated with self-insuring. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant of up to \$375,000 to help the City self-insure for workers' compensation.
- The Board recommends that the City seek labor and healthcare efficiencies by negotiating with its retirees and active employees to eliminate the requirement that the City reimburse all copayment and Medicare Part B costs. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, double the amounts awarded to the City for its workers' compensation self-funding (\$375,000) and relicensing and repowering its hydroelectric facility (\$350,000).
- The Board recommends that the City, in conjunction with its governmental neighbors, develop and implement a shared services plan that will lower the annual cost of providing specific services and address the inherent duplication of services via multi-governmental jurisdictions. If the City agrees to abide by and implement this recommendation, the Board may, in its sole discretion, award a grant to assist the City and its neighboring governments with implementing such shared services plan.

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

Appendix A – Resolution from City of Watervliet

THE COUNCIL OF THE CITY OF WATERVLIET

RESOLUTION NO. 9421

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

NOW, THEREFORE, BE IT RESOLVED

1. That the City Council of the City of Watervliet requests a Comprehensive Review by the New York State Financial Restructuring Board for Local Governments; and
2. That Mayor Michael P. Manning is hereby authorized to execute any and all documents and instruments necessary to fulfill the City of Watervliet's obligations under the Financial Restructuring Board's Comprehensive Review and that the Mayor and or his designee will provide the City Council of the City of Watervliet with copies of any written communications that are received from or provided to the Financial Restructuring Board; and
3. That this Resolution shall take effect immediately.

Introduced By: COUNCILMAN PATRICELLI
Moved By: COUNCILMAN PATRICELLI
Seconded By: MAYOR MANNING

Adopted by the following vote:

Ayes --- 2
Nays --- 0

October 5, 2017

Appendix B – Resolution Approving the City of Watervliet

Financial Restructuring Board for Local Governments

RESOLUTION No. 2018-09

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

WHEREAS, pursuant to New York State Local Finance Law section 160.05(2), the Financial Restructuring Board for Local Governments (the "Board") must find that the City of Watervliet (the "City") is a Fiscally Eligible Municipality because it has an average full value property tax rate of \$10.3743 per \$1,000, which is greater than the average full value property tax rate of seventy-five percent of counties, cities, towns, and villages with local fiscal years ending in the same calendar year as of the most recently available information; and

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

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

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

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

No. 2018-09
Dated: 6-13-18

