

CITY OF TROY STRATEGIC ACTION PLAN

Prepared for:

Troy Strategy Group

Project Administered by:

Capital District Regional Planning Commission

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CGR Mission Statement

CGR is an independent, nonprofit research and management consulting organization that serves the public interest. By developing comprehensive perspectives on issues facing communities, CGR distinguishes itself as a unique professional resource empowering government, business and nonprofit leaders to make informed decisions. CGR takes the initiative to integrate facts and professional judgment into practical recommendations that lead to significant public policy action and organizational change.

TROY STRATEGIC ACTION PLAN SPONSORS

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Key Bank of NY	Troy Enlarged City School District
Lepera & Ward Architects	TrustCo Bank
MapInfo Corporation	Unity House
	Value Behavioral Health

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CITY OF TROY STRATEGIC ACTION PLAN

July, 1995

SUMMARY

The City of Troy faces unprecedented financial stress. A structural deficit that began in 1990 grew to \$12 million by 1994, almost 30% of total expenditure. A loss in state aid and several other major sources of revenue, coupled with continuing increases in total expenditure, are responsible for the tremendous problems of the City. The Center for Governmental Research, under the sponsorship of the Troy Strategy Group, was charged with three tasks: confirming the magnitude of the current structural deficit in the City's finances, identifying an approach to bridging the gap between expected revenues and expenses, and recommending a long-term strategy for economic renewal.

The first section of the report summarizes the chain of events leading to the current financial crisis in Troy, concluding with an assessment of the likely current year deficit and a forecast for 1996. In brief, CGR expects that the current fiscal year will conclude with a deficit approaching \$5 million. While this figure is substantially less than the deficit experienced in 1994, the City must continue to seek ways to bridge the gap between revenue and expenditure.

CGR's expenditure and revenue recommendations are summarized below in three categories. First, we present action items that can be implemented almost immediately. While many require City Council approval, others can be implemented by the administration. The second set of recommended actions cannot be implemented without negotiation, legal review, extended planning or state legislative approval. These recommendations will make an impact over a six to eighteen month period. The third set of actions are alternatives that should only be implemented if the City is thwarted in its attempt to implement the preferred solutions. While these are undesirable steps for the City to take, they are preferable to continued excessive borrowing.

Immediate Action Steps

Fire Department

- U Enforce the Disability Policy
- U Offer Severance and Retirement Incentive Plans

Police Department

- U Reduce Overtime Expenditures
- U Offer Severance and Retirement Incentive Plans
- U Prepare Cost Reduction Proposals for 1996 PBA and COAT Contracts

Public Works

- U Permit City Staff to Bid on Currently Contracted Functions
- U Reduce Staffing for Trash Collection

Other Departments or Citywide Issues

- U Continue All Possible Reductions in Personnel Costs
- U Continue Energy Conservation Initiatives
- U Eliminate the Growth in the City's Debt Service Costs
- U Increase Use of "Pay-As-You-Go" Financing
- U Ensure That All Contract Provisions Are Being Interpreted in the City's Best Financial Interest
- U Issue Requests for Proposals for All Services on a Routine Basis
- U Expand 1994/95 Reductions/Eliminations of Current City Services
- U Strategically *Increase* Expenditures to Raise Revenues or Avoid Costs

Tax and Fee Changes

- U Implement Aggressive In Rem Procedures
- U Raise Interest Rate on Delinquent Taxes
- U Review Fee and Fine Structure; Compare to Other Cities
- U Increase Parking Fines
- U Reinstall Downtown Parking Meters
- U Establish Parking Violations Bureau
- U Eliminate Bulk Refuse Fees
- U Increase Water Rates
- U Aggressively Seek New Markets for Troy Water
- U Discontinue Free Non-Residential Collection

UCharge for Trash; Eliminate Recycling Fee

UDo Not Impose City Sales Tax

UDo Not Impose City Payroll Tax

Miscellaneous Recurring Revenues

UEstablish Revenue Targets for Ambulance Program Pilot

UImmediately Seek to Lease Third Floor of City Hall

Non-Recurring Revenues

UAggressively Seek Buyer for South Troy Recreation Center

URetain Ownership of Troy Water System

URetain Ownership of Frear Park Golf Course and Ice Arenas

UReject Community Development Corporation

USeek City Hall Appraisal From Respected Appraisal Firm

Economic Development Prospects

UAggressively Seek NYS Office Locations

UAggressively Market South Troy Industrial Park

UDevelop Cooperative Program to Place “Good News” About Troy in Regional Press

UEncourage New Mayor: I Will Not Consider Bankruptcy

UImplement Waterfront Study

UPublicize Architecture; Publicize Achievements of Community Service Agencies

URe-establish Downtown Council

USeek Expenditure Reductions To Permit Property Tax Rate Reduction

USupport Restoration of RPI Approach

USupport Troy Image Campaign

USupport Broadway Landing Project

UUse Troy’s Restaurants to Publicize Other Troy Opportunities

UTake Full Advantage of Enterprise Community & EDZ Status

USupport Neighborhood-Based Businesses

UDevelop Parking Plan

UManage On-Street Parking More Effectively

UExplore Development of New Parking Facilities

UImprove Parking Signage

UAdopt “Community Policing Model,” Particularly in Downtown

Intermediate & Long Range Action Steps

Fire Department

- UConsider Closing One or Two Fire Stations
- UReduce Department's Supervisory Personnel
- UInitiate an Employee Contribution for Health and Dental Plan for Those Currently Not Contributing
- ULimit Scope of Emergency Medical Services

Police Department

- UReduce the Number of Police Supervisory Personnel
- UReduce the Number of Days Granted for Personal, Vacation and Sick Leave

Other Departments or Citywide Issues

- URequire 15% Health Insurance Co-Payment of All Retirees
- URequire 15% Health Insurance Co-Payment of All Current Employees
- UInitiate Programs Which Use Volunteers to Replace or Supplement City Efforts

Intergovernmental Agreements: Options Contingent on Greater County Role

- UBegin Negotiations With County for Assumption of Services
- USeek New Opportunities for Collaborative Management

Sharing the Burden of City Services With Tax Exempt Property Owners

- UFund Services to Property on Fee Basis
- UEstablish a Separate Fee for Trash Collection
- UEstablish Local Public Works Fund
- UEstablish Risk-Based Fire Protection Fee

Tax and Fee Changes

- UUndertake A Full Property Revaluation
- UAdopt Volume-Based Pricing for Trash Collection
- UIncrease Fees and Fines Automatically
- USeek Greater Share of County Sales Tax When Existing Contract is Renegotiated
- UExplore Special Assessment Districts

Non-Recurring Revenues

- USell City Hall if Independent Evaluation Shows Annual Financial Benefit
- USell Marina

Economic Development Prospects

- UConduct Extensive Business Retention and Expansion Survey
- UFocus Market Block Incentives on Selected Business Types
- UIdentify and Remove Barriers to Downtown Residence
- UDevelop Retail Strategy Targeting College Students
- UDevelop Parking Plan That Incorporates Improved Management of On-Street Parking and Possible Pocket Parking Development
- UDevelop Comprehensive Strategic Economic Development Plan

“Second Best”/Emergency Action Steps**Fire Department**

- UIf Fire Protection Costs Are Not Reduced, Consider Transition to Part-Paid/ Part-Volunteer Fire Force
- UIf Fire Protection Costs Are Not Reduced, Consider Privatizing All Fire Functions

Police Department

- UConsider Several Forms of Collaboration with the County to Provide Policing Services

Public Works

- UIf Fee for Service Collection Not Established, Eliminate Central Business District Route

Tax and Fee Changes

- UConsider Imposing Temporary Increase in Utilities Gross Receipts Tax
- UPermit Scheduling of Bulk Refuse Pick-up by Telephone & Mail (IF fees remain)

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INTRODUCTION

The Center for Governmental Research Inc. (CGR) was engaged by the Capital District Regional Planning Commission on behalf of the Troy Strategy Group in May 1995 to achieve the following project objectives:

- c To analyze and assess the City of Troy's current financial circumstances, as well as to identify and quantify immediate and long-range expenditures and revenues;
- c To define and recommend a realistic course of specific immediate options for the recovery of the City's fiscal solvency; and
- c To present a longer term action plan through specific public and private improvements and public policies for improving the City's economic base.

As described in the contract, CGR staff members have spent much of the last two months interviewing City staff, City Council members, relevant New York State officials, Troy Strategy Group members, key community leaders and residents of Troy, and others to familiarize ourselves with the evolution of Troy's financial situation and economic development issues and to assist in the development of the recommendations contained in this report. We have also reviewed much written material related to City finances and have undertaken comparisons of City revenue and expenditure trends with those of like-sized cities in the state. (See Appendix for list of those interviewed and reports reviewed.)

City staff have been particularly helpful in sharing data that CGR project team members have requested, with the key exception that we were unsuccessful in obtaining City administration estimates of how they believe the City will end 1995 for each budget line item. In response to CGR's original estimate of a 1995 year-end deficit of nearly \$5 million, the City provided an overall analysis that indicated they expect to end the year with a surplus of \$1.46 million. The City's analysis is based on several major assumptions, including:

Landfill Revenues: Within the last two weeks, the City administration insists that it has finalized a deal whereby Energy Answers Corporation will pay the City \$2.1 million in cash

during 1995 and \$2.2 million in 1996 to dump construction and demolition debris at the landfill. CGR has not as yet received verifying documentation on this arrangement from the City.

Transfer Station: Within the last two weeks, the City administration contends that it has finalized a deal whereby American Ref-fuel will pay \$1 million in 1995 and \$500,000 in 1996 to purchase the transfer station. Again, CGR has not as yet received verifying documentation on this deal from the City.

Community Development Corporation: In a change of stance since June, the administration no longer contends that it will arrange a \$3.5 million sale of recreation properties to the Community Development Corporation. As of last week, City officials now state that they will reach an agreement by year-end for a long-term lease of the golf course for a one-shot payment of \$1.25 million in 1995 and no revenue thereafter.

Ambulance Revenue: In light of the recent passage of state legislation establishing a two-year pilot City ambulance program, the administration believes that \$125,000 in third-party billings will be realized during 1995.

The City administration should be commended for continuing its pursuit of revenue from such diverse sources. However, CGR does not feel sufficiently confident based on known facts to date that the projected cash revenue will be realized, especially during 1995. And unless and until supporting documentation confirms that the deals are consummated and/or that the revenue-capturing processes are in place, we stand by our original deficit projections of nearly \$5 million for 1995 and approximately \$7 million for 1996.

The reader should note that CGR's projections for 1995 and 1996 are in part based on the City's 1994 Annual Financial Report to the State Comptroller. As of July 12, the independent audit of this report by the City's accounting firm had not been issued.

CGR had also expected in this report to provide a more in-depth analysis than proved possible of all contracts the City has with vendors to provide services to City residents (e.g., for recycling, operation of transfer station, fleet services). The City does not maintain a

central repository of contracts and, consequently, CGR needed to request copies of existing contracts through individual departments, with mixed success. We have provided recommendations related to as many of these contracts as we could under the circumstances.

This report is divided into the following sections:

- c A review of the evolving fiscal crisis in Troy from 1990-94;
- c Estimates and analysis of the 1995 and 1996 impending deficits;
- c Recommendations for short term/long term expenditure and revenue actions to close these gaps;
- c Recommendations related to economic development initiatives to assist in restoring long term economic stability;
- c Key considerations for the City Council as the City transitions to the Mayor-Council form of government.

In the coming weeks, CGR will remain involved as City leaders and residents consider these recommendations and begin implementation of a resulting action plan.

PUTTING TROY'S FINANCIAL CONDITION IN PERSPECTIVE

The City of Troy faces many problems common to older cities in the Northeast including a shrinking base of industrial real property, increasing poverty, aging infrastructure and growing competition from suburban and exurban communities. Its ability to address these problems is severely limited by the deteriorated financial condition of the government of the City itself.

Our present task is to place Troy's financial condition in its historic perspective, not to place blame, but to emphasize the importance of responding to changes in long-term revenue and long-term expenditure. Troy's current crisis was caused by the Troy government's failure to respond to long-term reduction in specific sources of revenue with either increases in revenue from other sources or a reduction in expenditure. Through the use of borrowing, the government was allowed to pursue the politically popular course of leaving tax rates constant and increasing expenditures.

The practice of borrowing to bridge a widening gap between long-term revenue and long-term expenditure began in 1990 and persisted until 1994. By 1994, short-sighted financial management had turned what could be termed a "problem" in 1990 and 1991 into a full-blown crisis. The ability of Troy government to ignore the fundamental imbalance in its finances was in no small part facilitated by its ability under NYS law to delay principal payments on new debt for a period of two years. The massive \$35.1 million IDA leaseback, for example, was structured to delay any payment on principal until March 1995, effectively shifting the burden of debt service well into the future.

Much of the information that follows is based on the unaudited 1994 financial statements of the City of Troy. The audit has not been completed in time for the release of this report and it is possible that some figures may change.

Recent Financial History

The “decline and fall” of the City's fiscal capacity is easily seen in a review of its general fund activity for the last several years. From the following table, it is clear that as recently as 1989, the City was on very solid financial ground with a \$4,644,826 General Fund balance which represented 15.4% of that year’s General Fund expenditures. Only five years later, the General Fund has a deficit before applying borrowed funds that is 69.6% of the General Fund budget. Such a significant swing is a cause for great concern for City of Troy residents and taxpayers.

City of Troy, NY Fund Balance Summary

Year	Net Revenue	Fund Balance Adjustments	Fund Balance Without Borrowing	Borrowing	Fund Balance With Borrowing
1988			\$3,407,435	-0-	\$3,407,435
1989	\$995,559	\$241,832 ³	\$4,644,826	-0-	\$4,644,826
1990	(\$1,795,315)	\$20,145 ⁴	\$2,869,656	-0-	\$2,869,656
1991	(\$6,678,122)	\$15,566 ⁴	(\$3,792,900)	-0-	(\$3,792,900)
1992	(\$3,110,758)	-0-	(\$6,903,658)	\$10,500,000	\$3,596,342
1993	(\$8,905,895)	\$6,909 ⁴	(\$15,802,644)	-0-	(\$5,302,644)
1994	(\$11,833,028)	\$1,603,044 ⁵	\$(26,032,628)	\$12,800,000	(\$2,732,628)
1990-94	\$(32,323,118)			\$23,300,000	
% of 1995 GF Budget	86.4%		69.6%		

Notes:

- The data prior to 1994 is from the audited Statement of Revenues, Expenditures and Changes in Fund Balances as printed in the Official Statement dated December 5, 1994.

2. The 1994 data is unaudited and is from the City of Troy, New York Annual Report for 1994 filed with the State Comptroller.
3. The adjustments in 1989 consist of a \$228,261 positive impact from a change in accounting method and a \$13,571 residual equity transfer which has the balance left in a capital fund account when the account was closed upon the completion of a project.
4. Residual equity transfers.
5. The significant adjustment made in 1994 consists of two items:
 - The transfer of a \$400,000 liability that was recorded in the General Fund in 1993 for the settlement of a legal action to the General Long Term Debt Account Group on the grounds that it is going to be paid out over a period of years. The effect of transferring the liability from the General Fund to the General Long Term Debt Account Group is to “create” \$400,000 of fund balance in the General Fund even though the liability still exists. This transaction has not yet been reviewed by the City's auditors.
 - A residual equity transfer from the Capital Projects Fund to the General Fund of \$1,203,044. However, unlike usual residual equity transfers, this is not resulting from the completion of a capital project. As explained to CGR, the \$35,145,000 of IDA Lease Revenue Bonds issued by the City in 1992 provided \$14,544,000 for capital improvements including some funding for landfill closure costs. The landfill closure is not completed and in fact the City has \$6,600,000 (as of December 31, 1994) of liabilities recorded (\$6,000,000 in the Capital Projects Fund and \$600,000 in the General Long Term Debt Account Group). The 1993 audited financial statements report that there was \$1,600,000 of restricted investments in the Capital Projects Fund, presumably remaining from the 1992 financing, that was partially funding the liability for landfill closure costs. The City in 1994 took \$1,203,044 of this money and transferred it to the General Fund to pay debt service on Installment Sale Debt.

Thus the City has taken \$1,203,044 intended to pay landfill closure costs and has used it to subsidize the General Fund. CGR was further told that the City now intends to borrow from the State's Environmental Facilities Corporation to pay for landfill closure costs--in effect borrowing a second time for the same project.

What Happened?

The short version of this story is that Troy encountered some unfortunate events in the early 1990s and did little to counter the financial problems they caused. The annual operating deficits that resulted were not addressed and were rolled forward from one year to the next, creating compounded deficits in the General Fund. The deficits were worsened by actions taken (including labor contracts) which significantly increased costs, but for which no revenues were provided.

Borrowing that occurred during the period to meet current year cash needs (particularly the highly unusual issuance of \$35,145,000 of IDA Lease Revenue bonds in 1992), has significantly worsened the situation by burdening the City with very high debt service costs. It papered over the deficit problem in 1992 by pumping \$10,500,000 into the General Fund for deficit financing, but the deficits have worsened in succeeding years.

It is useful to note where the “flash points” were in this unfortunate worsening of the City’s fiscal condition. The table that appears below is a detailed history of the General Fund for the last six years, primarily from the City’s Official Statement dated December 5, 1994. CGR has added 1994 from additional information taken from the City’s 1994 unaudited Report to the State Comptroller.

1990

Expenses increased by \$3,637,740 or 12.0% while revenues only increased \$846,866 or 2.7%. Expenses were led by a \$1,520,167 or 10.7% increase in Public Safety (police and fire) expenses. Employee Benefits costs increased by 20.6%, a significant portion of which also relate to the Police and Fire Departments. Contract settlements with the uniformed services appear to have been generous while corresponding revenues were not generated.

1991

In 1991, the State of New York changed its revenue sharing and other state aid programs and Troy saw its state aid drop by \$2,282,532, or 31.5%. Nothing was done to cover the increased expenditure base incurred in 1990, and thus 1990's \$1,795,315 loss was simply rolled forward to be duplicated in 1991. Public Safety and Employee Benefit costs rose another \$1,197,523. In addition, departmental income dropped as revenues earned at the City landfill fell \$1,454,335 below budget. These four factors alone created all of the \$6,678,122 loss in 1991. Some of these circumstances impacted many governments at this time; in fact, every local government in New York State lost significant state aid in 1991. What is unusual is that Troy took insufficient action to adjust either its revenues or expenses to accommodate these realities. Property tax revenue in 1991 increased an insignificant \$182,983 or 1.8%. Clearly, more should have been done to address the changing fiscal circumstances.

City of Troy, New York
Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Fiscal Year Ending December 31

	1989	1990	1991	1992	1993	1994 ² (unaudited)	% Change 1989-94
<i>Revenues</i>							
Real Property Taxes	\$9,105,954	\$9,982,857	\$10,165,840	\$9,908,067	\$10,923,235 ¹	\$10,354,771	13.7%
Real Property Tax Items	\$697,985	\$758,708	\$916,215	\$820,603	\$863,404 ¹	\$701,530	0.5%
Non-Property Tax Items	\$6,009,490	\$6,480,459	\$6,849,569	\$7,284,252	\$7,931,174	\$8,878,277	47.7%
Departmental Income	\$4,802,694	\$4,118,462	\$2,898,240	\$7,225,814	\$3,693,331	\$1,679,368	-65.0%
Intergovernmental Charges	\$194,056	\$160,348	\$207,446	\$168,662	\$174,113	\$189,985	-2.1%
Use of Money and Property	\$541,141	\$434,851	\$198,356	\$105,791	\$316,747	\$185,233	-65.8%
Licenses and Permits	\$230,723	\$254,744	\$257,252	\$198,013	\$238,088	\$235,992	2.3%
Fines and Forfeitures	\$639,833	\$639,841	\$505,908	\$514,962	\$445,499	\$478,807	-25.2%
Sale of Property & Comp. for Loss	\$315,968	\$414,728	\$364,631	\$262,701	\$329,987	\$340,082	7.6%
Miscellaneous Local Sources	\$60,137	\$62,314	\$71,294	\$113,623	\$128,908	\$291,760	385.2%
Interfund	\$1,338,661	\$852,903	\$1,265,133	\$1,634,545	\$1,397,312	\$1,185,889	-11.4%
Federal Aid					\$10,965		
State Aid	\$7,220,998	\$7,254,875	\$4,972,343	\$4,482,846	\$4,600,882	\$4,772,729	-33.9%
Total Revenues:	\$31,157,640	\$31,415,090	\$28,672,227	\$32,719,879	\$31,053,645	\$29,294,423	-6.0%
<i>Other Financing Sources</i>							
Operating Transfers	\$79,300	\$83,500	\$67,136	\$1,498,242	\$47,509	\$48,461	-38.9%
Proceeds of Obligations				\$10,500,000		\$12,800,000	
Retirement System Credits		\$585,216	\$72,181	\$103,663	\$49,998	\$110,801	
Total Revenues & Other Financing Sources	\$31,236,940	\$32,083,806	\$28,811,544	\$44,821,784	\$31,151,152	\$42,253,685	35.3%

City of Troy, New York
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ending December 31

General Fund

	1989	1990	1991	1992	1993	1994 ² (unaudited)	% Change 1989-94
<i>Expenditures</i>							
General Government Support	\$4,474,610	\$5,114,833	\$4,882,547	\$4,909,839	\$5,908,688	\$5,882,471	31.5%
Public Safety	\$14,233,339	\$15,753,506	\$16,568,411	\$17,252,495	\$18,617,763	\$20,449,213	43.7%
Health	\$61,446	\$57,467	\$54,591	\$58,519	\$61,112	\$66,637	8.4%
Transportation	\$1,996,812	\$2,248,599	\$2,270,726	\$2,628,430	\$3,148,842	\$2,783,576	39.4%
Culture and Recreation	\$1,782,543	\$2,194,361	\$2,460,729	\$2,305,566	\$2,348,615	\$2,281,958	28.0%
Home & Community Services	\$1,852,629	\$1,804,574	\$1,679,376	\$1,987,741	\$1,904,020	\$3,074,869	66.0%
Employee Benefits	\$2,228,215	\$2,686,815	\$3,069,433	\$3,258,337	\$3,775,743	\$1,287,661 ³	-42.2%
Debt Service (Principal & Interest)	\$3,611,787	\$3,719,857	\$4,351,735	\$5,006,615	\$4,267,264	\$5,433,328	50.4%
Total Expenditures	\$30,241,381	\$33,580,012	\$35,337,548	\$37,407,542	\$40,032,047	\$41,259,713	36.4%
<i>Other Financing Uses</i>							
Operating Transfers		\$57,324	\$152,118	\$25,000	\$25,000	\$25,000	
Contribution to New York State		\$241,785					
Total Expenditure & Other Financing Uses	\$30,241,381	\$33,879,121	\$35,489,666	\$37,432,542	\$40,057,047	\$41,284,713	36.5%
Excess (Deficit) of Revenues & Other Financing Sources Over Expenditures & Other Financing Uses	\$995,559	(\$1,795,315)	(\$6,678,122)	\$7,389,242	(\$8,905,895)	\$968,972	
Fund Balance (Deficit) Beginning of Year	\$3,407,435	\$4,644,826	\$2,869,656	(\$3,792,900)	\$3,596,342	(\$5,302,644)	

City of Troy, New York
Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund	Fiscal Year Ending December 31						1994 ²	%
	1989	1990	1991	1992	1993	(unaudited)	Change 1989-94	
<i>Adjustment to Fund Balances, Beginning of Year</i>								
Residual Equity Transfer-- Unexpended Balance of Capital Projects	\$13,571	\$20,145	\$15,566		\$6,909	\$1,203,044	4	
To Account for Change in Accounting Method	\$228,261					\$400,000	5	
Fund Balance (Deficit), Beginning of Year, as Restated	\$3,649,267	\$4,664,971	\$2,885,222	(\$3,792,900)	\$3,603,251	(\$3,699,600)		
Fund Balance (Deficit), End of Year	\$4,644,826	\$2,869,656	(\$3,792,900)	\$3,596,342	(\$5,302,644)	(\$2,730,628)		

- NOTES:1. In 1993, real property taxes and tax items were combined. To maintain comparability, they have been broken out above.
2. Unaudited data for 1994 is from the City's Annual Report to the NYS Comptroller.
 3. Employee benefits of active employees were charged to operating departments in 1994.
 4. Transfer of legal settlement liability booked in 1993 to long term debt.
 5. Partial liquidation of fund for landfill closure costs.

1992

In 1992, property tax revenue actually declined \$257,773--a denial of the fiscal reality of the prior two years. Departmental revenues increased \$4,327,574 when a “fire sale” was held at the City’s landfill which had been ordered to close by the State in 1993. Significantly, none of this revenue was set aside for landfill closure costs that were predictable at that time. The built-in deficit from 1991 of \$6,678,122 was rolled forward to 1992 and increased by another \$872,988 in Public Safety and Employee Benefits costs. These four factors created most of 1992’s \$3,110,758 deficit before borrowing.

Thus in the third year of a fiscal crisis, little had been done to alter the City’s revenue or expense patterns. The annual deficit dropped only because of the one time windfall at the landfill that could not repeat itself once the landfill closed in 1993.

Amidst this worsening financial condition, the City indirectly issued \$35,145,000 of Lease Revenue Bonds through its IDA in a complex Installment Sale and Lease transaction. The City actually derived \$25,043,248 from the transaction of which \$14,543,248 was to be used for capital improvements and \$10,500,000 was used to fund the accumulated General Fund deficit. This transaction, which was later described by the State Comptroller “as not in the best interests of the taxpayers of the City and was an elaborate and purposeful circumvention of State law and policy” (as quoted in the December 5, 1994 Official Statement), has saddled the City with annual debt service costs, beginning in 1994, of about \$2,920,000 per year. This transaction compounded the City’s financial problems. The City never adjusted its revenue and expense structure to accommodate the earlier events of the prior three years, and it then added an annual burden of almost \$3 million.

1993

The 1992 operating General Fund loss of \$3,110,758 rolled into 1993 virtually unchecked. Departmental revenues dropped \$3,532,483 as the landfill closed. Expenses rose \$2,624,505 led by a \$998,849 increase in General Government Support, a \$1,365,268 increase in Public Safety (7.9%) and a \$517,406 increase in Employee Benefits costs. These

factors created 1993's loss of \$8,905,895. Property tax revenues finally increased in 1993 by \$1,015,168, the first apparent recognition of a need to increase revenue.

1994

The structural imbalance that reached \$8,905,895 in 1993 rolled forward into 1994. In this first full year after closing the landfill, tipping fee income of \$2,100,451 disappeared while refuse disposal costs increased \$1,155,913. These factors primarily created the \$11,833,028 General Fund operating loss in 1994. Another increase in Public Safety and Debt Service costs was partially offset by reductions in General Government Support, Transportation and Culture and Recreation costs as a new City administration began to address the serious structural imbalance in General Fund operations.

Summary

The story of the last five years in Troy's General Fund is one not of unusual change but of failure (until mid 1994) to deal with change. If corrective actions had been taken each time an adverse event occurred, the problems could have been resolved without excessive pain. But allowing the problems to accumulate virtually unchecked has created a crisis that now requires painful changes in expenditure and revenue policies.

As the table above shows, in the five years ended December 31, 1994, **expenses increased 36.4%** (7.3% per year) **while revenues decreased 6.0%** (1.2% per year) a steady, progressive, obvious but substantially ignored phenomenon until 1994.

Contributing Factors to the Crisis

In addition to failure to institute fundamental changes in the City's revenue and expense patterns to meet the challenges that arose, other factors have contributed to the crisis, that warrant discussion because they point to actions that need to be taken by the City.

Budgeting

The analysis of the City's financial evolution from 1989 to 1994 is a comparison of actual numbers on a year to year basis. We have not done the more typical budget variance analysis because the annual City budgets in Troy have often contained unrealistic assumptions such as:

- budgeting \$2,000,000 of revenue in 1994 for landfill closure costs from a State grant program that had no money (in addition, if it had been received, it would have been revenue of the Capital Projects Fund, not the General Fund);
- failure to budget anything in 1994 for the debt service on the Certificates of Participation (\$608,417) OR the 1992 IDA lease bonds (\$1,294,445). This “oversight” created a \$1,902,862 hole in the 1994 City budget;
- repeated budgeting of revenue from property sales that never occur:

1993	\$3,900,000	
1994	3,900,000	(sale of Water Department property)
1994	325,000	(sale of Proctors Theatre)
1995	3,500,000	(sale of recreation assets)

- budgeting \$1,800,000 in revenue in 1994 from the highly improbable sale of Urban Development Action Grant loans for Quayside which are non-performing and in default;
- repeated and major under budgeting of expense categories of virtually all kinds, many of which were very obvious, including:
 - \$ 750,000 for street lighting (which is highly predictable) in 1994
 - Annual under budgeting of police and fire overtime
 - Under budgeting of refuse disposal costs when the landfill closed

Budgeting in Troy must change from wishful thinking driven by desired levels of expenditures and revenues to an orderly process driven by the planning and rationing of conservatively estimated resources.

Property Tax Collections

For reasons which remain unexplained, Troy stopped enforcing property tax collections in 1990 when the last *in rem* tax foreclosure and sale occurred. When a municipality stops enforcing tax collections, tax collections inevitably fall. Indeed, why pay taxes if nothing happens to non-payers?

In 1988, 94.11% of property taxes were collected in the year levied. In 1994, only 90.69% of the annual tax warrant was collected. This drop of 3.42 percentage points was worth \$654,601 on the 1994 tax warrant. On December 31, 1992, the City reported having \$1,985,014 of outstanding Tax Sale Certificates for unpaid City taxes. Two years later, it reports having \$3,230,745 of outstanding Tax Sale Certificates for unpaid City taxes--a \$1,245,731 or 62.8% increase. Clearly some parts of the community have heard the message, "Don't bother paying your taxes."

In 1989, the property tax rate was \$35.01 per \$1,000 of assessed valuation. In 1994 it was \$41.25, an increase of \$6.24 or 17.8%--an average of 3.6% per year. As Exhibit A shows, actual tax collections rose 13.7% in the same period--an average of only 2.7% per year. **In 1994, property tax collections actually dropped \$568,464--which Troy could ill afford.**

In 1995, the tax rate has been raised \$6.60 or 16% by the new City administration as part of its efforts to correct the structural deficit. In reality, given Troy's serious financial problems, property taxes should have been increasing by approximately 5% per year. If taxes (and tax collections) had increased by 5% per year since 1989, they would have been \$11,354,771 in 1994, \$1,266,988 more than they actually were.

The reality is that the full value tax rate has declined in Troy for several years. In 1987 the full value tax rate was \$17.95. It steadily dropped until reaching \$9.93 per \$1,000 of full value in 1994. Allowing the full value tax rate to drop 44.7% while the City was sliding into

financial decline is curious. In 1995 the full value tax rate has gone up to \$11.19, which is still \$6.76, or 37.7%, below the 1987 level.

As unfortunate though it may be, material annual property tax increases will likely need to be a part of the solution to Troy's financial problems. Of course, tax increases will not produce revenue unless the tax collection process is given priority. We support the City's plans to proceed with *in rem* tax foreclosure and property auction. Simple pursuit of this process will generate significant delinquent tax collections. At December 31, 1994 the City was holding \$4,504,356 of outstanding tax sale certificates of which \$3,230,745 represented City taxes. A strong enforcement program should generate at least \$800,000 in delinquent City tax collections.

1995 Budget Status: CGR Projections

Although the 1995 City budget was a big improvement over prior years and a real effort has been made to cut costs, we believe that the City will end 1995 with another General Fund deficit. We see the following problems:

Income

Real Property Tax Collections

With a 16% increase in the tax rate, an increase of 19.1% in property tax collections has been budgeted. This will not occur without a vigorous collection program which has only barely been initiated. Collections may fall short

\$ 600,000

Delinquent City School Taxes

In the calculation of the tax levy, a provision of \$500,000 was made for Returned School Taxes. The average of the last three years has been \$653,334. It may be understated

\$ 150,000

Tax Collection Activities

Revenues from sales of foreclosed properties and interest and penalties on delinquent taxes are budgeted to increase \$232,000 over 1994. This will also not occur without a vigorous collection program. They may fall short

\$ 175,000

Departmental Income:

1. Refuse & Garbage Charges

Revenue from refuse and garbage charges is budgeted for \$279,000 after being a negative \$53,670 in 1994. Some charges have been imposed for bulk pick up and disposal but this is very aggressive and is expected to fall short by

\$ 200,000

2. Parking Revenue

Parking revenues are budgeted to increase \$169,328 or 28.4% which seems overly aggressive. This is expected to fall short by

\$ 100,000

3. Other Departmental Income

Departmental income in total is budgeted to increase \$912,182 or 54.3% in 1995. That is commendable but very aggressive and is probably overstated in areas like Vital Statistics, Towing Administration, Recreation, etc. by an additional

\$ 65,000

Fines and Forfeitures

An increase of \$376,193 or 78.6% has been budgeted here. There undoubtedly is considerable money to be made in this area with an aggressive parking ticket enforcement operation but present staffing of parking enforcement makes this level of enforcement highly unlikely. This line is overstated by

\$ 300,000

Stop DWI Income

Reduced overtime by the County Sheriff makes an increase in DWI income unlikely. Expected 1995 revenue will fall short by

\$ 33,000

Sales of Property

The budget anticipated the sale of various recreation facilities to a local organization. There are many potential obstacles to this sale, ranging from the technical to the legal. Conservative budgeting suggests that this may not be accomplished by year end, causing a budget shortfall of \$ 3,500,000

Expenses

We are sure that there are understatements of expenses in some of the budget codes. We also believe that the current City administration is committed to living within its budgetary constraints and will adjust spending to accommodate these problems. We must however cite:

Tax Certiorari Losses

The City has made no provision for adverse results from tax Certiorari proceedings. The City has not reassessed property in over twenty years. As a function of time, property tax assessments, especially on commercial property, get out of alignment. The problem with a disalignment of property tax assessments is that the under assessed properties remain under assessed while the over assessed properties challenge their assessments. The volume of adverse certiorari outcomes has been increasing in recent years and will probably escalate further until a reassessment can be done. The City has been bonding for these settlements. While this is legal, it is not good financial practice.

Based on the actual expenditures for 1993 and 1994 on certiorari cases, we assume the budgeted expenditures are underestimated by \$ 500,000

Sanitation: Contractual Expenses

Contractual expenses in Sanitation (hauling and disposal costs now that the City's landfill is closed) are budgeted at \$403,224 less than actual in 1994. Tonnage is reportedly down, but this would be a 29.8% reduction which is probably not sustainable. We are told that the City is in the process of negotiating a revised contract that could keep these expenses at

budgeted levels. Failing this renegotiation, we expect an unrecoverable budget overrun of about \$ 270,000

Sanitation: Materials and Supplies

DPW Parking Garage

Police Vehicle Expenses

Costs in these three expenditure categories were eliminated and moved to other expenditure lines. We expect that the budget is underestimated by at least \$ 97,575

Health Care: Retirees

Based on prior years' expenses, we assume the allocation in the 1995 budget is underestimated by approximately \$ 45,000

Fire Dept Employees: NYS Retirement

The City's enhancement of the Fire Retirement to a 384E plan is estimated to cost in excess of \$400,000 and we find the 1995 budget allocation to be underestimated by approximately \$ 250,000

Contingencies

The City's allocation of \$93,000 is low based on expected liabilities for legal actions plus a number of risky expenditure and revenue estimates and is recommended to increase by \$ 407,000

Total Potential Budget Shortfall

The total potential budget shortfall, according to these assumptions, is \$6,792,575. This is offset by unbudgeted revenues including

Residual Equity Transfer

A residual equity transfer recorded in March 1995 transfers additional money from the landfill closure project account in the Capital Project Fund to the General Fund to pay debt service on the IDA Lease Revenue Bonds (the auditors have not yet reviewed this transaction). Total revenue will therefore increase by \$ 1,393,281

Troy Redevelopment Foundation Contribution

A payment in lieu of tax was negotiated with a consortium of nonprofit entities after budget was adopted, leading to enhanced revenue of \$ 400,000

Sign Revenue

Unexpected revenue from lease of the City's electronic sign is \$ 6,000

As a result of the foregoing analysis, we believe that a net general fund budget shortfall of \$4,893,294 is likely.

City of Troy 1995 Budget Gap Projections

Income	Last Reported Actual Amount	1995 Budget	% Change	CGR Estimate	CGR Adjustment
Real Property Taxes	\$10,354,771	\$12,333,118	19.1%	\$11,733,118	(\$600,000)
Uncollectible School Taxes	(\$653,334)	(\$500,000)	-23.5%	(\$650,000)	(\$150,000)
Est Collections: Prior Yr Taxes	\$498,136	\$730,136	46.6%	\$555,136	(\$175,000)
Departmental Income	\$1,679,893	\$2,592,075	54.3%		
Refuse and Garbage Charges	(\$53,670)	\$279,000	NA	\$79,000	(\$200,000)
Parking Revenue	\$595,672	\$765,000	28.4%	\$665,000	(\$100,000)
Other Dept Income	\$1,137,891	\$1,448,075	27.3%	\$1,383,075	(\$65,000)
Fines and Forfeitures	\$478,807	\$855,000	78.6%	\$555,000	(\$300,000)
Stop DWI Income	\$55,000	\$75,000	36.4%	\$42,000	(\$33,000)
Sale of Recreation Properties	\$0	\$3,500,000	NA	\$0	(\$3,500,000)
Total Adjustments to Income					(\$5,123,000)
Expenses					
Tax Certiorari Losses	\$474,254	\$0	- 100.0%	\$500,000	\$500,000
Sanitation: Contractual	\$209,849	\$951,500	353.4%	\$1,221,500	\$270,000
Sanitation: Mat'ls & Supplies DPW Parking Garage	\$321,701	\$2,425	-99.2%	\$100,000	\$97,575
Police: Vehicle Expense					
Health Care: Retirees	NA	\$894,426	NA	\$939,426	\$45,000
Fire: NYS Retirement	\$771,469	\$1,196,304	55.1%	\$1,446,304	\$250,000
Contingencies	\$0	\$93,000	NA	\$500,000	\$407,000
Total Adjustments to Expenses					\$1,569,575
Total Potential Budget Shortfall					(\$6,692,575)

Less unbudgeted revenues:

Sign Board Revenue	\$6,000
Residual Equity Fund Transfer	\$1,393,281
Troy Redevelopment Foundation	\$400,000
Net Potential 1995 Budget Shortfall	(\$4,893,294)

Meanwhile, as stated in the Introduction, the City estimates a surplus for 1995 of \$1.46 million. In addition to the major revenue assumptions described in the Introduction, the City's assumptions also differ with CGR's on the following revenue and expenditure items:

CGR and City of Troy 1995 Budget Adjustments

Item	CGR Adjustment to 1995 Budget	City Adjustment to 1995 Budget
Income		
Real Property Taxes	(\$600,000)	\$0
Uncollectible School Taxes	(\$150,000)	\$0
Est Collections: Prior Yr Taxes	(\$175,000)	\$0
Other Dept Income	(\$65,000)	(\$40,000)
Expenses		
Tax Certiorari Losses	\$500,000	\$0
Sanitation: Mat'ls & Supplies DPW Parking Garage	\$97,575	\$0
Police: Vehicle Expense		
Health Care: Retirees	\$45,000	\$20,000
Contingencies	\$407,000	\$0

1996 Budget Gap Projection

With 1995 already half over, it is time to look at 1996 to see what the scope of the budget problem may be. In addition to the \$5 million budget deficit forecast for 1995, the City will lose non-recurring 1995 revenues, including loss of the residual equity transfer of \$1,393,281 and a portion of \$1,150,000 of enhanced transfers from Water Fund in 1995 that was dependent on fund balances unavailable in 1996 in the amount of \$600,000. At this point in time, it is reasonable to expect a 1996 budget gap of about \$7 million.

As part of the City's Four Year Plan, the administration has proposed a series of changes that are intended to fill the anticipated gap. Some of these assumptions are questionable, including a surcharge on entertainment tickets (\$100,000), income from the recreational properties to be sold to the CDC (\$735,000) and an additional \$1,000,000 from tax exempt properties.

Areas in which we expect revenue to fall short of 1996 projections includes the aggressive increase in departmental income and projected savings from renegotiation of the firefighters contract. The City also proposes a 10% increase in the property tax, a corrective action that will be politically unpopular.

CITY OF TROY EXPENDITURE OPTIONS

In light of the estimated 1995 and 1996 deficits, CGR has analyzed potential expenditure actions that the City of Troy might take in response to eliminate these budget gaps in the short run, as well as those that should be considered in the longer term. Where such long run solutions to the City's fiscal crisis require actions on the part of other entities (e.g., bargaining units, the County), CGR has wherever possible indicated initial steps the City should take in the meantime in support of those options.

Fire Department

In the area of fire protection, Troy spent more per capita in 1993 than any other city in the state except White Plains. Trojans contributed \$220 per person for the running of their fire department, close to double the median value for all cities except New York. As the graphic shows, Troy spent \$70 more per capita than Schenectady for its fire protection. Troy spends more per capita on wages and employee benefits than every other city but White Plains. In addition, Troy spent over \$2 million in equipment and capital purchases and \$359,000 in contractual services. The graph, *1993 Fire Department Spending Equipment, Capital and Contractual*, shows that no other city spent nearly the same amount on equipment and services in 1993, and this does not appear to be because of reduced spending in previous years. Troy Fire Department spending on equipment and contractual services was equal or greater than that of comparable cities throughout the previous decade.

As compared to other NYS cities, Troy is in the unusual situation of spending more on Fire Department (\$10 million) than Police (\$9 million) and having significantly more firefighter positions (113) than police officers (88). Although the Fire Department voluntarily gave back its previously negotiated 4% increases for 1995 and agreed to a 0% salary rate increase in 1996 and a 2.25% increase in 1997, CGR analyzed areas where Fire Department expenditures could reasonably be reduced further to bring them even more in line with other cities.

UCGR RECOMMENDS: ENFORCE THE DISABILITY POLICY

In 1993, the medical expenses and worker’s compensation for the Fire Department cost Trojans \$283,000. The Troy 1995 budget indicates that 14 fire personnel are currently classified with some disability. As a cost management strategy, Troy officials should stringently enforce the disability policy, such as requiring the Fire Surgeon to verify all personal physicians’ claims of fire personnel disabilities.

UCGR RECOMMENDS: OFFER SEVERANCE AND RETIREMENT INCENTIVE PLANS

Substantial savings could result from Troy officials offering firefighters an early retirement or severance package to Tier 1 employees. Approximately 8 command officers, 15 captains, 4 lieutenants and 26 firefighters would qualify for an early retirement based on 19 years of service. If 4 command officers (\$195,000), 7 captains (\$284,900), 2 lieutenants (\$75,600) and 12 firefighters (\$422,400) opted to take the severance or early retirement incentive plan, Troy would have an annual savings of \$970,000, exclusive of benefits. This savings comes before the cost of the plans are paid and replacements, if necessary, are hired. Replacement salaries for firefighters would be substantially lower than for incumbents—the average salary for a firefighter hired before 1990 is \$35,200 and for one hired after 1990 is \$26,400.

UCGR RECOMMENDS: REDUCE DEPARTMENT’S SUPERVISORY PERSONNEL

As an alternative to layoffs, Troy should use vacancies that result through attrition as a mechanism for reducing the number of Fire Department supervisory positions to levels in comparable cities. The graphic, with comparison data for 1994, shows that Troy has more supervisory fire personnel than any of the comparable cities. Most interesting is the 1 to 2 ratio of supervisors (52) to firefighters (113). In Utica and Binghamton the ratio is 1 to 4 and 1 to 3, respectively. The data suggest that the management structure could be flattened within the Troy Fire Department and some supervisory positions eliminated.

CGR recommends that the City consider phased elimination of a combined total of 14 Battalion Chief, Captain and Lieutenant positions for a savings of at least \$606,200 to bring the supervisory ranks more in line with the level in comparable cities. The resulting supervisor to firefighter ratio would be 1 to 3. It should be noted that the savings, and other personnel savings numbers quoted in this section, do not include savings from benefits, as these numbers were not provided by the City.

UCGR RECOMMENDS: INITIATE AN EMPLOYEE CONTRIBUTION FOR HEALTH AND DENTAL PLAN FOR THOSE CURRENTLY NOT CONTRIBUTING

Currently, the City of Troy budgets over \$654,300 for health benefits and \$210,800 for dental benefits for fire employees. Assuming that 75% of all these employees do not contribute (a conservatively low estimate), requiring a 15% co-payment would result in savings to the City of \$130,000.

UCGR RECOMMENDS: LIMIT SCOPE OF EMERGENCY MEDICAL SERVICES

CGR is struck by the fact that the City’s Fire Department in 1994 responded to many more EMS/Rescue calls (5,234) than to all other types of calls (3,239). We believe that Troy could reduce the size of its Fire Department were it not also providing EMS services. At this point, however, Troy has already invested heavily in the development of its EMS service in the form of training and equipment and has the necessary legislation to begin a municipal ambulance service. (See revenue section for discussion of Fire medical services). Of the 12 largest cities in NYS, only Binghamton currently provides ambulance transport, with Syracuse

providing fire-related emergency transport only. In the longer term, CGR recommends that Troy review the Fire Department's role as a first responder for EMS and its involvement in hospital transport. If the Fire Department is retaining staff that could be cut or increasing staff to provide EMS services, it is in the fiscal interest of Troy to return these services to commercial or volunteer ambulance companies.

UCGR RECOMMENDS: CONSIDER CLOSING ONE OR TWO FIRE STATIONS

Troy is an older city with a dense central business district and many neighborhoods marked by tightly packed row houses. Troy also has many narrow streets and steep hills. These urban and geographical features combine to make Troy a uniquely challenging city for firefighting. As evidenced by Troy's ISO rating improving from 4 to 3 in 1993 and the improvements in information management, training and infrastructure, it is clear that the Troy Fire Department is meeting this challenge.

In 1994, the City closed Fire Station No. 4, thereby reducing the number of fire stations from six to five. Troy can go further, and it can do so without necessarily affecting its ISO rating. The main issue involved with closing a fire station is the effect on coverage of hydranted areas. To obtain a perfect score on the relevant section of ISO Commercial Risk Services' grading criteria, a city must have an engine company within 1½ miles of every hydranted area. The attached map, *City of Troy Fire Station Locations, All Stations Coverage Area*, shows Troy's five fire stations and the covered area within 1½ miles. There is a great deal of overlapping coverage in the downtown and South Troy areas. Station No. 6, in fact, is wholly overlapped by Stations 3 and 5. The next map, *City of Troy Fire Station Locations, Coverage Area If Station #6 Closed* shows the 1½ mile coverage area if Station No. 6 were closed. The last map, *City of Troy Fire Station Locations, Coverage Area If Stations #6 and #2 Closed* shows the effect on coverage area of closing Station No. 6 and Station No. 2.

Because of the complexity of ISO grading, it is beyond the scope of this report to recommend a specific closing or to quantify what the cost savings might be. It appears, however, that Troy can close an additional fire station without necessarily affecting its ISO rating. Even if the ISO rating is affected, Troy should consider the cost of an increased rating. A change from an ISO rating of 3 back to 4 would have no effect on the fire insurance portion of residential property insurance. If Troy were to go back to an ISO of 4, the main cost would

be an increase in the fire insurance portion of commercial property insurance. Presumably, this would return to its 1993 level. When balanced against the personnel and material costs of maintaining the fire department at its present size, this may be an acceptable outcome.

Many factors must be considered before closing one or two of Troy's fire stations. CGR therefore recommends the Public Safety Commissioner prepare a report to the City Council by the end of 1995 considering all factors related to closing fire stations.

**UCGR RECOMMENDS: IF FIRE PROTECTION COSTS ARE NOT REDUCED, CONSIDER
TRANSITION TO PART-PAID/ PART-VOLUNTEER FIRE FORCE**

If the cost of fire protection in the City of Troy cannot be reduced under the present institutional structure, Troy should explore a transition to a part-paid/part-volunteer fire force, in which the full-time personnel serve as drivers and provide heavier staffing during daytime hours. Such a fire protection system is employed in the City of Rensselaer and many suburban and rural communities across the State of New York. While CGR's research indicates that New York State cities of Troy's size do not use volunteer fire forces, many suburban communities the size of Troy provide fire protection services very successfully under this organizational structure.

The age of Troy's buildings, the variety of construction types, the density of structures and the current volume of fire calls recommend the continuation of paid fire department staffing. Nonetheless, several Troy officials expressed the view that the City could replace some full-time positions with volunteers over time, especially in non-driver positions on the night shifts. CGR recommends that the City not foreclose the option of using volunteers if recommended productivity improvements and contract concessions fail to materialize.

**UCGR RECOMMENDS: IF FIRE PROTECTION COSTS ARE NOT REDUCED, CONSIDER
PRIVATIZING ALL FIRE FUNCTIONS**

In the event that fire protection costs in Troy continue to vastly exceed the costs of most comparable communities, the City of Troy could consider a transition to private fire protection, a form of service delivery not uncommon in the southern and western states. The New York State Conference of Mayors reported to CGR that no privatized fire departments exist in New York State. Our contact noted state legal restrictions, including strong rights of

employee unions, that have deterred other NYS cities that have considered this option. Nonetheless, CGR feels that Troy is in a uniquely precarious budgetary position and, as with the volunteer fire force option, should not dismiss this idea in the long run if it is unsuccessful in bringing its fire expenditures more in line with those of its comparable cities.

Police Department

The City of Troy can do much to continue to reduce personnel expenditures in the Police Department. The following graph indicates that when ranked against other cities (except New York City) by spending per capita on police services, Troy spent more than the median of \$151 per capita in 1993. At \$177 per capita, Troy spent more in 1993 than cities of comparable size such as Utica and Binghamton, and was in line with Schenectady. At the end of 1993, moreover, the Troy police unions were granted contractual increases of 4% for 1994 and 1995, and did not agree to give-backs during 1995. No other city in our comparison group offered PBA increases as high as Troy's in 1994 and 1995.

UCGR RECOMMENDS: REDUCE OVERTIME EXPENDITURES

Overtime expenditures for the Troy Police Department as of 1993 were the highest among comparison cities. In 1993, Troy spent \$1.2 million on police overtime, 8% more than Albany, which has double the population of Troy. The graphic shows Police Department overtime expenditures on a per capita basis. In this comparison, Troy spent more than any other comparable city. In 1994, however, overtime expenditures were \$676,000, 56% less than 1993.

Under the new Public Safety Commissioner, the City hopes to spend only \$400,000 in 1995 and, to do so, should continue to reduce overtime through vigilant oversight, such as defining minimum manning to include all high priority posts and further reducing the use of call-backs of uniformed officers.

UCGR RECOMMENDS: REDUCE THE NUMBER OF POLICE SUPERVISORY PERSONNEL

As an alternative to layoffs, Troy should use vacancies that result through attrition as a mechanism for reducing the number of supervisory positions. For example, using the Sergeant rank only for positions whose duties demand that level of authority could reduce the number of Sergeants over time from 27 to 16 and Captains from 9 to 6, for a combined annual savings of at least \$600,000, which does not include benefits.

UCGR RECOMMENDS: OFFER SEVERANCE AND RETIREMENT INCENTIVE PLANS

As in the Fire Department, substantial savings could result from Troy offering officers an early retirement incentive or severance package, to be formally adopted only if City-specified cost savings targets are met, to reduce the number of Tier 1 employees in the New York State Retirement System. There are 8 captains, 14 sergeants, and 30 police officers on the City’s payroll who appear to have at least 19 years of service and are in the Tier 1 Retirement System. If 4 captains (\$200,000), 7 sergeants (\$280,000), and 15 police officers (\$540,000) who qualified opted to take the severance or early retirement incentive plan, Troy would have an annual savings of \$1,020,000, exclusive of benefits savings. This savings comes before costs of the plans are paid and replacements, if necessary, are hired. Replacement salaries for police officers would be substantially lower than for incumbents—the average salary for a police officer hired before 1990 is \$36,049 and for those hired after 1990 is \$26,454.

UCGR RECOMMENDS: PREPARE COST REDUCTION PROPOSALS FOR 1996 PBA AND COAT CONTRACTS

The City of Troy is in the process of preparing a lengthy list of proposals to be presented during fall 1995 collective bargaining with the PBA and COAT. CGR strongly supports administration efforts to seek roll-backs in employee salaries and benefits in order to regain management prerogatives and reduce costs in a number of areas, specifically to include:

- c Roll-back police salaries by 10% in 1996 for a savings of \$518,000 and by 5% in 1997 for an estimated savings of \$230,000.

- c Eliminate contract language prohibiting layoffs or diminution of hours, pay or benefits, and assignment of work to non-members during the life of the contract; remove all references in the contracts to minimum manning levels for any job titles. In so doing, the City would restore its management prerogatives to assign posts on an as-needed basis rather than as is fixed in contract. The City may or may not save a significant amount of personnel costs, notably overtime, but will at least regain more flexibility to staff appropriately on a daily basis.

- c Restore management’s prerogative to assign light duty to those injured on or off the job.

In the following sections, CGR discusses various expenditure options that would result from significant changes to employee benefits granted by the 1995 PBA contract. CGR’s recommendations were drawn partially from the results of our survey of benefits granted by police union contracts in comparable cities. Because of the breadth of contractual terms and conditions, not all benefits of the police contracts are discussed; however, for informational purposes CGR has included the results of the survey in the appendix.

UCGR RECOMMENDS: REDUCE THE NUMBER OF DAYS GRANTED FOR PERSONAL, VACATION AND SICK LEAVE

After reviewing the 1995 PBA contract, CGR recommends that high priority should be given during contract renegotiations to reducing the number of days granted for personal, vacation, and sick leave. The graphic shows that the cost to Trojans in 1994 for police use of personal, vacation and sick leave was \$900,000, a cost equivalent to 24 full-time employee salaries.

Sick Leave: Currently there are no limitations on uniformed police personnel use of sick leave. The lack of restrictions leaves the City without any authority to manage the cost. According to the 1994 Sick Pay Summary Report, sick leave for uniformed police personnel costs the City \$380,000, a loss of 21,000 hours or the equivalent of 10 full-time employees. While the following table shows that Troy offers comparable sick leave benefits with

neighboring jurisdictions, Albany and Schenectady, CGR believes that the potential for a substantial uncontrollable cost warrants Troy officials negotiating this benefit.

City Annual Sick Leave Benefits--Police	
Troy	Unlimited number sick days
Utica	18 days
Newburgh	13 days
Binghamton	12 days after 15 years of service; ½ of accumulated days can be cashed-in.
Albany	Unlimited number of sick days
Schenectady	Unlimited number of sick days

The average number of sick days used by uniformed police personnel in 1994 was 20.6 days. Troy should eliminate unlimited sick leave for all employees (or, at a minimum, all new hires) in favor of 12 days per year as with CSEA, resulting in a fixed instead of an uncontrollable variable cost.

Moreover, during CGR’s analysis of sick leave terms stipulated in the 1995 PBA contract, we became aware that Troy does not have a written contract with the Police Surgeon. CGR recommends that Troy take immediate action to enter into a formal, written agreement that details the conditions and terms of services to be provided by the Police Surgeon. This will clarify expectations for both parties, especially the Surgeon’s role in minimizing unnecessary sick leave, and will protect the City from unexpected and non-budgeted increases for services.

Troy should stringently enforce the sick leave and disability policy, such as requiring the Police Surgeon to verify all personal physicians’ claims of uniformed officers’ disabilities.

Personal Leave: The ability of the City to manage its workforce was significantly decreased with the expiration of the 1987 PBA contract. It was during these negotiations that, for instance, the personal leave level increased from 3 to 6 days at an annual cost of \$35,000.

In addition to this there was a new section added that provided for annual payment for up to 36 hours of unused personal leave time.

The City should eliminate payment for unused personal leave for a potential annual savings of at least \$50,000, assuming all officers cashed-in unused time, and should roll back the number of personal leave days to 4 at a savings of \$24,000.

Vacation Leave: After 1987, 5 additional days were granted to all PBA members with more than 60 months of service. This resulted in the maximum vacation leave, and the maximum number of accumulated days, increasing from 35 days (7 weeks) to 40 days (8 weeks). For the comparison cities surveyed, the next highest number of maximum vacation days is 30. For the 77 officers with more than 60 months of service, the City should at least roll back the number of accumulated vacation days to 35, eliminating the annual \$53,000 expense.

Health and Dental Plans. Currently, the City of Troy budgets over \$568,000 for health benefits for police employees, and \$137,000 for dental benefits for these employees. Assuming that 75% of all these employees do not contribute (a conservative estimate), requiring a 15% co-payment would result in savings to the City of \$106,000.

The City should initiate an employee contribution for health and dental plan for those currently not contributing.

UCGR RECOMMENDS: CONSIDER SEVERAL FORMS OF COLLABORATION WITH THE COUNTY TO PROVIDE POLICING SERVICES

See Intergovernmental Agreements Section.

Public Works

The following are a list of expenditure reductions that Troy should immediately move to implement. For further discussion of other structural recommendations and options for revenue enhancements related to Public Works, see the Revenue Section¹.

UCGR RECOMMENDS: PERMIT CITY STAFF TO BID ON CURRENTLY CONTRACTED FUNCTIONS

CGR supports Troy’s reassuming responsibility for services, provided that use of City staff is more cost-effective. Troy should eliminate contractual arrangements for any service if Troy employees can provide the service at a lower expense (e.g., recycling and operation of transfer station). See revenue section for discussion of trash collection revenue enhancements.

UCGR RECOMMENDS: REDUCE STAFFING FOR TRASH COLLECTION

CGR’s research suggests that Troy could take some bold steps that will yield significant cost savings while maintaining the level of service and customer satisfaction. Troy could perform refuse collection by using one salary level for drivers and sanitation men and immediately eliminating five Sanitation Man positions by reducing from 3 to 2-person crews, as was done in the City of Rochester. Cost/Savings estimate for changing 5 routes to 2-person crews is \$165,000 with the use of the same equipment. Trucks used for 3-person crews can also be used for the resulting 2-person crews. Additional savings could result if Troy foregoes the replacement of trucks for at least two years.

¹In brief, CGR recommends that the City establish volume-based fees for trash and refuse collection and eliminate use of the property tax levy for support of these services. This would have two positive effects: First, it would enable the community to share the cost of trash and refuse collection more equitably. All tax exempt properties, for example, would pay their fair share of trash collection costs. Currently, some pay nothing and others hire private contractors. Second, appropriately-designed volume-based pricing would encourage recycling and reduce total trash volumes.

As Troy plans for the future, serious consideration should be given to transitioning all routes over time to 1-person routes (the City currently has two 1-person routes and five 3-person routes). Purchasing five 1-person trucks (at \$110,000 each) would cost the City \$550,000, but the City would be able to eliminate 10 positions for an annual savings of \$330,000. In the year of the purchase Troy would incur an expense of \$220,000 but would begin to save money in the very next year.

**UCGR RECOMMENDS: IF FEE FOR SERVICE COLLECTION IS NOT ESTABLISHED,
ELIMINATE CENTRAL BUSINESS DISTRICT ROUTE**

In the revenue section following, CGR recommends that all trash collection be placed on a “fee for service” basis. If fee for service collection is not established, Troy should consider the simple elimination of commercial collection within the central business district. CGR research indicates that many of the businesses in the CBD have their solid waste collected by private contractors. Given the enormity of Troy’s fiscal deficit, the City could eliminate the five times per week CBD trash collection. At a minimum, Troy would save \$64,600 annually due to the elimination of the salaries, exclusive of benefits for the CBD 3-person crew and associated vehicle operating expenses.

If the City is unwilling or unable to either move to total fee for service collection or the elimination of CBD pickup, significant savings would still accrue from reducing CBD pickup from five to two days per week.

Other Departments or Citywide Issues

UCGR RECOMMENDS: CONTINUE ALL POSSIBLE REDUCTIONS IN PERSONNEL COSTS

The City administration is seeking continued reductions in personnel costs through contract concessions and/or layoffs. While CGR assigns the highest priority to staffing reductions and contract concessions among the fire, police and public works functions, we strongly support the City's goal of continued Citywide cost reductions. Despite the considerable pain already inflicted on City employees, the financial crisis in which Troy finds itself is so severe that it demands extraordinary measures. Fiscal stability and a reputation for responsible government is critically important to the future of Troy.

Based on experience under the City of Yonkers Financial Control Board, CGR understands that the State Financial Supervisory Board will review all contracts prior to their adoption in the context of the City's ability to pay. As such, the City should be in a position to make a sufficient case for further reductions.

UCGR RECOMMENDS: REQUIRE 15% HEALTH INSURANCE CO-PAYMENT OF ALL RETIREES

Based on research CGR recently completed for the City of Rochester on this issue, CGR believes that the City of Troy would conform to the practice of many NYS municipalities and most private employers by requiring a 15% co-payment on health insurance premium costs for retirees, resulting in an estimated expenditure reduction of \$75,000 annually.

UCGR RECOMMENDS: REQUIRE 15% HEALTH INSURANCE CO-PAYMENT OF ALL CURRENT EMPLOYEES

The CSEA contract expires December 1995. During negotiations for the 1996 contract, Troy officials should seek a concession that requires employee contributions to health and dental plans as described under Police.

Currently, the City of Troy budgets over \$880,000 for health benefits for all employees other than those in Police and Fire, and \$200,000 for dental benefits for these employees. Assuming that 75% of all these employees do not contribute (a conservatively low estimate), requiring a 15% co-payment would result in savings to the City of \$125,000.

UCGR RECOMMENDS: CONTINUE ENERGY CONSERVATION INITIATIVES

Troy could reduce departmental utility expenses through an aggressive energy conservation program (e.g., investigate converting City Hall from electricity to gas heat, seek further reductions to Niagara Mohawk rates, etc.).

The City has studied the cost savings resulting from exchanging the current 1000 watt street light bulbs for 400 watt bulbs and is being charged the 400 watt rate in anticipation of a significant rate reduction from Niagara Mohawk. CGR supports this initiative. Through longer-run utility conservation methods, the City should permanently reduce its utility costs of \$2 million in 1995 (including over \$100,000 per year for telephone; \$970,000 for street lighting) by an additional 10%, or \$200,000.

UCGR RECOMMENDS: ELIMINATE THE GROWTH IN THE CITY’S DEBT SERVICE COSTS

For a variety of reasons (many of them detailed in the first section of this report), City debt service costs have doubled from \$4 million annually to \$8 million annually since 1990. CGR supports the City’s intentions to refinance a portion of its outstanding debt as stipulated under the recently approved state legislation authorizing a Municipal Assistance Corporation. The City should also immediately adopt the policy that new debt service costs in any particular year cannot exceed the amount of debt service retired in that year. As a general rule, the City should adopt a conservative 5-year Capital Improvement Plan until it emerges from its current financial crisis. CGR has developed two options reflecting different levels of reductions in Troy’s 1995 capital budget of \$3,933,418. Option 1 calls for foregoing some services and reducing others for a budget reduction of \$1,137,700, or 29%. Option 2 calls for foregoing several services for a budget reduction of \$2,025,400, or 51%. Both options are defined in the following table and assume elimination of the projects does not threaten public safety or the delivery of vital city services.

1995 Capital Budget Options for Expenditure Reductions

Option 1		Option 2	
Reduce Annual Street Paving by 50%	\$650,000	Forego Annual Street Paving	\$1,300,000
Reduce Public Works motor equipment purchases by 50%	\$142,000	Forego Public Works motor equipment purchases	\$284,000
Forego Fire Dept's purchase of ambulances	\$200,000	Forego Fire Dept's purchase of ambulances	\$200,000
Reduce Police Dept's motor equipment purchases by 50%	\$57,000	Forego Police Dept's motor equipment purchases	\$114,000
Reduce citywide office automation by 50%	\$38,700	Forego citywide office automation expense	\$77,400
Forego Vital Records Automated Storage	\$50,000	Forego Vital Records Automated Storage	\$50,000
Total	\$1,137,700		\$2,025,400
Percentage Reduction in Capital Improvement Plan	28.92%		51.49%

UCGR RECOMMENDS: INCREASE USE OF "PAY-AS-YOU-GO" FINANCING

Despite the fact that the City can legally borrow for any item with a life of two years or more, ongoing capital expenditures (such as sanitation trucks) should be anticipated and paid for out of the annual budget. The city's 1995 interest payments on debt total over \$2 million. The City should therefore in the future rely more often on pay-as-you-go financing, especially for equipment and vehicles, such that interest expense is reduced over time by 20%, or at least \$400,000 from its current level.

UCGR RECOMMENDS: ENSURE THAT ALL CONTRACT PROVISIONS ARE BEING INTERPRETED IN THE CITY'S BEST FINANCIAL INTEREST

Currently the City has no formal compensation auditing process in place. A high priority should be given to assigning a staff member in Finance the responsibility of auditing payrolls on a random basis to ensure that compensation-related decisions (e.g., how to interpret time-off criteria) are consistently being made according to the employee contracts and in the city's best interests. In the longer run, as much as possible, decision rules for interpreting contract provisions should be automated to minimize instances of personal discretion being used by departments, that might be to the disadvantage of the City. No estimate for cost savings could be determined, but implementation of this recommendation would, in the opinion of City staff, avoid some currently unnecessary benefits payments.

UCGR RECOMMENDS: ISSUE REQUESTS FOR PROPOSALS FOR ALL SERVICES ON A ROUTINE BASIS

The City should routinely check on the cost-competitiveness of its services by issuing requests for proposals on all services (e.g., refuse collection, vehicle maintenance, energy conservation, building maintenance) and should increase the use of contracting-out if pre-determined cost-savings and service quality criteria are met.

Example: Contract out refuse collection if cost savings and contractor quality specifications meet pre-determined criteria. Current relevant costs include personnel expense (\$798,215), rental of equipment (\$895,000) and recycling charges (\$20,000).

Example: Negotiate a cost savings agreement with local bank(s) to receive cash receipts including water and sewer payments, parking ticket fees and taxes, either in person or through a lock-box. The advantages to the City would include a guaranteed possible reduction in personnel expenses and increased cash flow as cash receipts are deposited in the bank on the day received.

Example: Contract-out payroll services to a payroll company that would calculate payroll components and prepare and distribute checks; however, authorization and approvals required as part of the review functions would remain with the City.

Example: Contract-out all or parts of legal services currently performed in-house at a total current cost of approximately \$300,000.

UCGR RECOMMENDS: CONTINUE THE 1994/95 REDUCTIONS/ELIMINATIONS OF CURRENT CITY SERVICES

During 1995 the City administration chose to reduce some discretionary spending by curtailing selected City services, such as closing of one of the city's three swimming pools at least on a temporary basis. CGR recommends that the City continue to curtail services that do not recoup costs through sufficiently high user fees. Our experience in other NYS cities point to parks/recreation as the major opportunity for discretionary cuts: e.g., the city's two ice arenas, the golf course, community centers, recreation programs, etc.

UCGR RECOMMENDS: INITIATE PROGRAMS WHICH USE VOLUNTEERS TO REPLACE OR SUPPLEMENT CITY EFFORTS

Troy should set a cost reduction goal of \$100,000 off current personnel expense to be realized henceforth through replacing lost staff positions where possible with individual and neighborhood association-based volunteers. CGR's research on other U.S. cities indicates that such opportunities are particularly fruitful in recreation programs and police-community involvement projects.

UCGR RECOMMENDS: STRATEGICALLY INCREASE EXPENDITURES TO RAISE REVENUE OR AVOID COSTS

At this time of extremely tight revenues, the City needs to avoid the tendency to be penny-wise and pound-foolish. CGR is particularly concerned with the minimal staffing levels in place in the Corporation Counsel's Office and Finance. For purposes of minimizing personnel costs generally and maximizing revenues, the City should consider securing supplemental labor law counsel in anticipation of collective bargaining requirements in later 1995, and Finance/Law staff to expedite the planned *in rem* processing.

Intergovernmental Agreements: Options Contingent on Greater County Role

UCGR RECOMMENDS: BEGIN NEGOTIATIONS WITH COUNTY FOR COUNTY ASSUMPTION OF SERVICES

CGR believes that many opportunities exist for the City to negotiate with Rensselaer County for County take-over of some City services. Based on CGR's extensive experience with such counties as Monroe and Broome in this regard, we believe that these recommendations can only be implemented in the long run, with cost savings impossible to project at this time. Still, CGR notes that the political climate is ripe for *immediate initiation* of discussions with the County, extending beyond current agreements, and for "selling" resulting collaborations to the state as prototypes deserving of partial state funding.

Transfer of Functions from City to County

- c Implement all plans for County assumption of 911/Dispatch/CAD/Information Management by year-end 1995. This agreement with the County when fully implemented in 1996 will, among other cost savings, reduce overtime expenditures by at least \$50,000 annually and will reduce expenses for leasing City CAD equipment by another \$50,000 annually.
- c County purchases equipment that will reduce policing costs for the City, such as in-car computers to allow for immediate checking of identification.
- c County/city coordinate certain policing functions to allow for phased-in reductions in staff, such as for special investigation services.
- c City contracts-out specific policing functions to the County, with stipulations as to guaranteed levels of service, at reduced cost to the City due to a 28% lower average salary rate for deputy sheriffs. (The average salary for a Troy police officer is \$36,000, whereas the average salary for a County deputy sheriff is \$26,000). Contracting-out policing functions could also be based on cost-saving models similar to those used for

911 dispatchers. The City has estimated that it could save at least \$2 million in the City budget by contracting with the County to provide essential services.

- c County assumes responsibility and cost for policing functions currently offered by the City but which are provided by some counties in other parts of the state. For example, other counties frequently provide mounted patrol, prisoner central intake and pre-arraignment “holding tank”, and some road patrol services.

- c If substantive reductions in Police costs such as those described elsewhere in this report cannot be negotiated within a reasonable period (despite the enhanced authority of the State Financial Supervisory Board to ensure contract affordability), the City should disband the Troy police force in favor of using the County patrol services, resulting in annual savings in the City budget of \$8.7 million plus anticipated yearly increases. By state law, as long as the County provides patrol services to any jurisdiction, it would be required to do the same within the boundaries of Troy.

- c Negotiate with the County for phased take-over of other functions typically performed by counties such as elections, County property tax and sewer district tax collections, arterial street maintenance and street lighting, reassessment, and support for contract agencies such as the library. In the long run, the County might assume responsibility for public works-related functions that are often the domain of other counties in NYS such as through a County Water/Sewer Authority (see revenue section) and Solid Waste Management Authority.

Example: Transfer Civil Service Function to the County Civil Service Commission. The Rensselaer County Civil Service Commission would become responsible for the recruitment, development and retention of Troy’s work force. Troy would reclassify the Personnel Director to Labor Relations Manager. The Labor Relations Manager would formulate personnel policies, monitor labor-management relations, negotiate with employee bargaining units and implement the employee benefits program. Elimination of expenses for the Commission Chair and two Civil Service Commissioners would result in an annual savings of \$50,000 less directly applicable revenue of \$3000 (civil service exam fees).

Example: Transfer Elections from the City Clerk Bureau to the County Board of Elections. The major objective of the Board of Elections is to provide the opportunity for every resident of Rensselaer County who meets all legal requirements to register, enroll and vote in all elections in Rensselaer County. In accordance with Section 4 - 136 (3) of the State Election Law, the City of Troy would continue to pay for its share of the cost for the Board of Elections. County Law, SS361-1, states that the apportioned expense is made on the basis of assessed valuations. This expense is not clearly identified in the 1995 budget. (Some jurisdictions include this expense in Undistributed Expense.) Estimated savings for the transfer of elections is \$41,810 less apportioned expense and applicable revenue of \$8,500.

CITY OF TROY REVENUE OPTIONS

As repeated throughout this report, the City of Troy's financial problems are severe. The previous section presented numerous recommendations on short-term and long-term expenditure reduction. Unfortunately, the city's problems are probably too severe to enable it to bridge the gap without also adding new revenue.

Revenue enhancement can come in many forms. The City can develop new taxes or fees, increase the tax rate or fee level or broaden the base on which the tax or fee is levied. Given the large amount of tax exempt property in the City of Troy, many of CGR's recommendations focus on broadening the revenue base to include the community's many nonprofit institutions. In times of greater prosperity, the City of Troy could afford to subsidize the community's large number of nonprofits. While poorer monetarily, these institutions enrich the City culturally and enable its residents to enjoy amenities and services that are unusual in a City the size of Troy. Yet the City is faced with a series of unpleasant choices. Continued increases in property taxes and a radical elimination of services will drive away existing business and repel new business, reducing the tax base of the community still further and continuing a vicious circle of decline. The long-run ability of Troy to care for its citizens depends on its willingness to make hard decisions that keep the fiscal fabric whole while maintaining Troy as a desirable place to live and work. CGR believes that broadening the tax base is part of this solution.

After a discussion of the role of nonprofits in the City of Troy, CGR presents an array of possible revenue options. Within each category, they are arranged in a rough order of priority according to relative ease of implementation. Initiatives at the top of the list are only small departures from present practice and can be implemented easily. Initiatives appearing further down may require more study as they are more radical departures from the *status quo*.

Some of these recommendations can be implemented right away. Others will require study and planning and can only be implemented over a period of years. The division between "immediate action" items and "long-term" items is clearly delineated in the Action Plan located in the beginning of the report.

Sharing the Burden of City Services With Tax Exempt Property Owners

Role of Tax Exempt Properties

As discussed above, one of the challenges faced by the City of Troy is its large proportion of tax exempt property. Based on information reported by the State of New York, 52% of total assessed valuation in the City of Troy is exempt from taxation. The following figure shows the relationship between Troy's tax exempt property and the tax exempt property share of other cities in NYS. While both Albany and Watervliet have higher tax exempt shares, Troy is still a leader.

Tax Exempt Properties Still Receive City Services

Virtually all of Troy's nonprofit institutions—whether church, cemetery, social service agency or educational institution—impose costs on the community, particularly through services required by the properties they own.

Many services of local government *are* services to property. Police protect property from vandalism. The Fire Department protects property from destruction by fire. The Public Works Department maintains access to property by filling potholes, maintaining traffic equipment and keeping the streets clean. As these services to property are continued by the City regardless of the tax status of the parcel, it is clear that taxable real estate is subsidizing the activities of tax exempt properties.

Service to Troy Varies Among Nonprofits

Of course, each property-owning nonprofit plays a different role in the economy of the City. Some of these organizations are virtual departments of City or County government and serve a constituency almost exclusively made up of Trojans. Assessing these organizations by some means would reduce the property tax burden for some Trojans and either increase cost or reduce service to other Trojans. If every Troy resident were asked to choose which

organizations should be exempt from City of Troy taxes, some institutions would appear on virtually everyone's list.

Another set of tax exempt organizations in Troy serve a much broader constituency than just Troy. Troy, as the County seat, houses many tax exempt organizations which serve a county-wide constituency. In this case, the taxpayers of Troy are asked to subsidize non-Trojans and an assessment imposed on these properties would redress the balance.

Rensselaer Polytechnic Institute, the Sage Colleges, Hudson Valley Community College and the Emma Willard School are special cases. Few would dispute the importance of education to the future of the community, the region and the state; nor would most object to the tax exempt status of these important institutions. Yet the constituency that benefits from the tax exemption granted these institutions is much broader than Troy, unlike public elementary and secondary schools. It would be somewhat silly to impose a quasi-property tax on Lansingburgh High School, for example, as the effect would be an increase in the property tax levied by the school district. An assessment on Emma Willard and Troy's post-secondary institutions would be borne largely by non-Trojans, however.

Of course, the contribution of these institutions to Troy is greater than the simple benefit accruing to Trojans who attend. First, Emma Willard and the post-secondary schools provide employment to many Troy residents. Second, the students and faculty who are brought to Troy to attend these institutions also patronize business establishments in the community (although tax-paying business firms can make the same claim about their employees). Third, some of these institutions have voluntarily contributed money directly to the City. Under the leadership of its new president, Dr. Byron Pipes, RPI has taken the lead in coordinating the creation of the Troy Redevelopment Foundation and has borne a large share of the burden of the Foundation's voluntary \$400,000 annual contribution to the City of Troy. To our knowledge, this level of voluntary commitment to the financial problems of its host community is unprecedented in the State of New York. The contributions made by these institutions should be subtracted from any general assessment on tax exempt properties recommended in this report.

Services to Property v. Services to People

Despite the contribution of some of the larger tax exempt property owners, the number of tax exempt properties and their share of the total of Troy's assessed property value suggests that the City develop a vehicle for sharing a portion of the burden of City services—particularly services to property—with nonprofit institutions. Under state law, nonprofits are exempt from general taxation but not from fees for services provided to them by the municipality. Thus while it would be illegal to assess nonprofits for the support of general government, it is legal and defensible to assess tax exempt property owners for specific services provided to the property owners.

UCGR RECOMMENDS: FUND SERVICES TO PROPERTY ON FEE BASIS

At the present time, assessments on property in Troy are mostly derived from an all-inclusive property tax, assessed on the value of taxable real estate. CGR recommends that the City of Troy institute a set of specific fees for property-related services to support general City services and reduce the property tax by an amount corresponding to the cost of these services. Effectively we are recommending an expansion of the approach adopted with water and sewer rates. Tax exempt property owners do not dispute the appropriateness of paying for the water they use. State law permits assessments on tax exempt properties that are based directly on the benefits received by those properties. In various sections below, CGR recommends ways to establish fees for property services, enabling the City of Troy to justifiably broaden its revenue base to include tax exempt properties.

Fee Based Trash Collection

Several cities have established fees for trash collection services with considerable success. The principal advantages to such a system are two: cities can remove the cost of trash collection from the property tax and distribute the cost across a larger property base. A bill for services is included in the section on volume based pricing as an example of how this system works in other cities.

UCGR RECOMMENDS: ESTABLISH A SEPARATE FEE FOR TRASH COLLECTION

Because trash collection is paid through the property tax, residents pay vastly different sums for the service they receive. Households that aggressively recycle pay the same as households who throw everything into the trash barrel. Tax exempt properties which receive trash pickup pay nothing whatsoever even though the charter states explicitly that trash collection services should be limited to taxable properties. Tax exempt properties can be assessed these fees as commercial properties and this is the practice in cities with a separate fee for trash collection. CGR strongly recommends that the City establish a fee for trash collection and remove these costs from the general tax levy. All other things being equal, the City could reduce the property tax levy accordingly.

Funding Services to Property Through a Local Public Works Fund

A Local Public Works Fund is an enterprise fund designed to cover operational expenses separate from the General Fund. These funds are intended to be self sufficient and the associated fees are calculated from the annual operational costs of the included services. In the City of Rochester, for example, the Local Works Fund covers the annual operational costs of roadway snow plowing, street cleaning, sidewalk snow plowing and sidewalk maintenance.

Rochester's Local Works Fee is billed as a part of the property tax bill and is determined for each property on the basis of front footage. The front footage is taken from the city's tax roll and there are special provisions for corner lots and properties without sidewalks. The current fee is \$2.33 per front foot which adds about \$110 to the average property owner's tax bill.

The Local Works Fee is charged to the entire assessment base in Rochester, including tax exempt properties. Certain entities are exempt from the local works fee, including:

- c federal government entities which can not be taxed or charged special assessments;
- c New York State properties, which the City of Rochester has opted not to charge;

- c public authorities and certain County properties; and
- c certain properties whose exemption status includes special assessments.

UCGR RECOMMENDS: ESTABLISH LOCAL PUBLIC WORKS FUND

The revenue implications of a Local Public Works Fund for the City of Troy would be significant. By sharing the cost of specific property services across all properties regardless of the tax status of their owners, the revenue base for funding these services would be much broader. Currently, parcels owned by nonprofit organizations occupy 110,431 front feet out of a total residential, commercial and nonprofit front footage of 874,292, or 13% of all front footage.

The annual cost of roadway snow plowing and street maintenance has not been broken out of the Department of Public Works budget for facilities and maintenance. Thus, it is not possible to estimate the appropriate charge per front foot for such a fee. However, as an indication of the possible impact, Troy operates crews to cover six dump trucks and 12 pick ups for street salting and plowing, towards which tax exempt property owners contribute no support.

Were the City of Troy to calculate the cost of property services at the same level as the City of Rochester, the increase in total revenue for the City of Troy resulting from a local public works charge would be almost \$260,000. The assessment would have to be adjusted for entities (such as RPI, for example) that perform some of the listed services on their own.

Funding Fire Protection Services in the City of Troy

Budgeted expenditures for the Fire Department approached \$10 million in 1995. As the largest single expenditure in the City of Troy budget, control of fire expenditures is critical to the successful management of Troy's fiscal problem. As the city's most tangible service to property, it is also the most significant service provided to tax exempt property owners by the taxpayers of the City of Troy.

Fire Protection Provided by Fire Department Similar to Fire Insurance

Property owners in the City of Troy protect themselves from the losses caused by fire in several ways. First, property owners take steps within their power to make it less likely that fires will start or that fires will cause significant damage or any loss of life. These steps range from simple education of children about the dangers of fire and the installation of smoke detectors to structural modifications that reduce the risk of fire. Second, citizens vote to establish fire departments that are equipped to respond to fires that do occur. Third, property owners purchase insurance against loss in the case of fire.

In many respects, the service provided by the fire department is very similar to the service provided by insurers. The benefits of either fire protection or insurance are specific to a building. The risk of loss to fire in a particular building can be calculated and depends on a variety of factors including the structure of the building, its size, its market value, the use to which the building is put (a manufacturer working with flammable chemicals pays higher insurance premiums than an office of similar market value) and whether the building has sprinklers and smoke detectors. The risk of loss also depends on the quality of fire protection available from the municipality. As is discussed in the Expenditure section of this report, insurance rates are determined partly by the ISO rating received by a city. A lower ISO rating translates into lower rates for fire insurance. Troy's ISO rating of 3 indicates a high quality of fire protection.

At the present time, a building owner who invests a significant sum on structural modifications to reduce the risk of fire can expect to pay a lower insurance premium than the owner of a similar building with a higher risk of fire. Yet both pay the same amount for fire protection. As fire protection costs are included in the general property tax, the fee paid for fire protection is related only to the value of the structure, not to the actual risk of fire damage. When buildings are similarly constructed and have similar occupancy, the risk of fire is strongly correlated with market value. Yet widely varying construction techniques and occupancy in the City of Troy lead to fire risk that varies substantially among structures of similar market value, leading to an implicit subsidy from owners of safer structures to owners of riskier structures.

Tax Exempt Properties Receive Valuable Fire Protection Services from Troy

The volume of fire calls to Troy's tax exempt properties is substantial. The Fire Department frequently responds to a variety of needs at institutions like the hospitals and educational institutions.

Fire Department service to the Rensselaer Polytechnic Institute serves as a case in point. In 1993 the Fire Department responded to 627 fire and EMS calls at RPI's main campus, out of 8,042 total calls. This represents eight percent of total fire department activity. Were RPI charged for its share of the fire department budget based on its share of calls, then RPI would have been assessed \$735,495 in 1993. This calculation does not include tax exempt property owned by RPI that is located throughout the City away from the main campus.

UCGR RECOMMENDS: ESTABLISH RISK-BASED FIRE PROTECTION FEE

CGR recommends that the City of Troy develop an enterprise fund to provide fire protection services. Conversations with state officials and others familiar with NYS law indicate that property assessments based on the benefits received by the property owner are legal. The key to successful implementation of such a provision is that the criteria used to determine the assessment must be related to the benefit received by the property owner. Yonkers attempted to assess properties for sewer maintenance based on property front footage and lost a court challenge. The judge found that front footage was not sufficiently related to the cost of sewer maintenance to pass the test. Section 19 of the Public Lands Law expressly permits benefit assessments on state property. In a 1947 opinion of the State Comptroller, the state is subject to assessment for town fire district purposes. We believe that if such a provision can legally be applied to state property, then the application to private tax exempt property may also be appropriate.

If created, this fund would be financed through a risk-based fee for fire protection services that is separate from the property tax. Information required to measure fire risk should be gathered as part of the recommended property reassessment. A local commercial insurer can be engaged on a contractual basis to help develop a fee allocation based on the value of fire protection provided. As with fire insurance, this fee will vary with size, construction material, age and market value. While a substantial departure from prior practice,

this change will spread the considerable burden of fire protection service costs across the entire community, including owners of tax exempt properties.

Fire protection fees will also be affected by compliance with City building codes. The link between code compliance and fire protection fees will be further emphasized if the City considers employing Fire Department personnel in code enforcement activities.

Tax and Fee Increases

CGR finds general agreement that Trojan politics have too often stood in the way of good government. Nowhere is this more apparent than in the area of tax and fee increases. Good government requires that the balance between revenue and expenditure be vigilantly maintained. Yet political considerations often recommend allowing popular expenditures to grow while “holding the line” on tax and fee increases, effectively shifting the political burden of rectifying an unbalanced budget beyond the election. As was described in detail above, Troy’s leaders successfully shifted a substantial share of the burden of the structural imbalance several years into the future. Shrewd short-term political considerations precluded the responsible actions of good government.

Match Revenue to Expenditure

Tax increases are perceived as undesirable in any community. A higher property tax rate not only burdens the residents of the City, but discourages business from remaining, expanding and locating in Troy. Yet if the cost of services cannot be reduced in the short term, increasing taxes is more responsible than borrowing now and forcing even higher tax increases in the future. In his letter submitting the 1994 Budget to the City Council, former City Manager Steven Dworsky states

*I am pleased to report that the proposed 1994 budget calls for **no** increase in property taxes, which means that in five of the eight budgets I have presented there has been **no** increase in property taxes. Therefore, since the beginning of this administration in 1986, the average property tax increase has been only 2.6%. The budget does not call for any layoffs, maintains the same level of services and holds the line on spending.*

Unfortunately, stable taxation was only possible because of substantial borrowing that shifted the revenue burden into the future. As demonstrated in the figure, the rate of taxation on full value of taxable real property actually *fell* continuously between 1987 and 1994. As inflation increased the value of Troy property while assessed values on most parcels remained

constant, the rate of taxation on full value fell. The 16% tax increase imposed on City property owners by the present administration still left tax rates on full value well below 1987 levels.

Departmental Fees and Fines

Fee and fine increases are in a very different category. By definition, fees are charged for services rendered by the City to consumers of these services, whether or not they are residents or taxpayers of the City. In general, the level of these fees should be set at least to cover the cost of providing these services. Alternatively, the fees might be set at some “competitive” level that matches the cost of similar services offered by other municipalities or the private sector. If fees are set below the cost of service provision, then the general taxpayer must make up the difference. Rarely is it appropriate for the City to avoid passing on increased costs to consumers of these services. We strongly recommend that fees be raised each year based on either general price inflation or specific service delivery costs.

A similar argument can be made for fines. Fine levels are set to deter undesirable behavior. If fine levels decline in inflation-adjusted terms over time, then the deterrent effect of the fine (and City fine revenue) declines, too. Once again, fine levels should be reviewed—and probably increased—annually.

CGR commends the present administration for increasing fees and fines to levels comparable to other communities in the region. Further increases may be warranted, as discussed below.

CGR is not in a position to comment on specific fee and fine levels, although we have gathered some comparative data that is included below. In general, we strongly support the increases instituted by the present administration and recommend some specific increases in areas of significant size.

The following table shows three categories of revenue: Departmental Fees, which include service fees charged by the City and recreation fees; Licenses and Permits, which include all charges for City issued licenses and permits; and Fines and Forfeitures, which

include all fines charged by the City for violations and the forfeiture of property and assets.

1994 Revenue from Fees, Permits and Fines

	Troy		Albany		Schenectady	
	Total	Per Capita	Total	Per Capita	Total	Per Capita
Departmental Fees	\$1,679,368	\$29.65	\$7,860,467	\$77.27	\$1,132,998	\$16.67
Licenses and Permits	\$235,992	\$4.17	\$626,690	\$6.16	\$537,289	\$7.90
Fines and Forfeitures	\$478,807	\$8.45	\$2,281,690	\$22.42	\$226,150	\$3.33
Total Fees, Permits and Fines	\$2,394,167	\$42.27	\$10,768,847	\$105.86	\$1,896,437	\$27.90

Source: Office of the State Comptroller

There are unique features to each city that make the fee and fine structure distinct. These tables present these revenue sources at such a great level of aggregation that they are only of limited value. Nevertheless, it appears that Troy collects significantly less revenue from fees, permits and fines than Albany overall and on a per capita basis. If Troy were to index total revenue from fees, permits and fines to inflation, a 3% increase in inflation would lead to additional revenue of \$71,825 in the first year.

UCGR RECOMMENDS: REVIEW FEE AND FINE STRUCTURE; COMPARE TO OTHER CITIES

Troy is collecting significantly less revenue from departmental fees, license and permit charges and fines and forfeitures than Albany. Troy should review the present structure to ensure some comparability with other cities in the region. There is no reason, for example, for Albany to collect over two dollars more per capita in charges for licenses and permits and vastly more in fines and forfeitures. This indicates Troy might benefit substantially from a more aggressive system of collecting and enforcing fines.

UCGR RECOMMENDS: INCREASE FEES AND FINES AUTOMATICALLY

In many cities, the various departmental charges and fees remain unchanged for years only to be subject to dramatic increases when a window of political opportunity opens. CGR recommends that Troy avoid this by scheduling automatic increases in fees, fines and recreational charges. This would ensure a gradual and rational increase in all fees and fines and would avoid sudden increases in some fines.

While a community can benefit from municipally owned pools and skating rinks, a city in Troy's fiscal condition needs to carefully consider the level of recreation services it provides. Troy should therefore specially review the rates it charges for its pool and skating facilities and their costs of operation. If a recreation facility can not at least break even, Troy should consider selling or closing it. As opposed to its skating rinks and swimming pools, its golf course is known as a money maker. Other communities with municipally owned golf courses have raised weekend rates substantially and not seen any drop in course use. Their experience has shown that senior citizens, with more flexible schedules, will gravitate toward cheaper weekday golfing and there are more than enough professionals to fill the course at weekend rates that are as much as twice the weekday rate.

UCGR RECOMMENDS: IMPLEMENT AGGRESSIVE IN REM PROCEDURES

As explained earlier, Troy stopped enforcing property tax collections in 1990 when the last *in rem* tax foreclosure and sale occurred. In 1994, only 90.69% of the annual tax warrant was collected. Most cities collect above 97% of the tax warrant. Troy’s 1994 collection performance is almost as bad as New York City’s in their 1975 financial crisis, when the City collected only 89.11% of the tax warrant. CGR supports the city’s plans to proceed with *in rem* tax foreclosure and property auction on its \$3.2 million in unpaid City taxes. Simple pursuit of this process will generate significant delinquent tax collections. A strong enforcement program should generate at least \$800,000 in delinquent City tax collections.

UCGR RECOMMENDS: RAISE INTEREST RATE ON DELINQUENT TAXES

As stated earlier, Troy should pursue more aggressive collection of delinquent tax payments and raise the interest rate on late payments. Troy should raise the interest rate on unpaid taxes from 1% to 1.5% per month to place it on a par with other cities and credit cards. An enforcement action that generated \$800,000 in delinquent tax collections from the \$3.2 million in unpaid City taxes would likely also generate \$200,000 in interest and penalty collections.

Parking and Traffic-Related Revenue

Recent increases in parking fines have placed Troy on a par with neighboring cities. The following table provides a schedule of current fines for specific parking infractions in the three cities.

Fines for Parking Violations			
	Troy	Albany	Schenectady
Fines double after:	14 days	30 days	20 days
Meter Overtime	N/A	\$10.00	\$5.00
Two Hour Limit	\$10.00	none	\$10.00

Fines for Parking Violations

	Troy	Albany	Schenectady
Fire Hydrant	\$100.00	\$50.00	\$25.00
Bus stop	\$25.00	\$25.00	\$25.00
No parking zone	\$25.00	\$25.00	\$15.00
No standing zone	\$25.00	\$15.00	\$10.00
No stopping zone	\$25.00	\$25.00	\$15.00
Double parking	\$25.00	\$15.00	\$10.00
Parking in driveway	\$5.00	\$25.00	\$10.00
Parking on sidewalk	\$5.00	\$25.00	\$10.00
Parking in intersection	\$5.00	\$25.00	\$10.00
Other improper parking	\$5.00	\$25.00	\$15.00
Without City permit	\$25.00	N/A	\$10.00

Source: Parking Violations Bureaus

UCGR RECOMMENDS: INCREASE PARKING FINES

Despite the recent increases, some fines are still too low. The days of a five dollar parking ticket are long past. The minimum fine should be \$25.00 for any infraction, with higher charges for potential dangers to life and property, such as parking in front of a fire hydrant. As recommended previously, increases in fines should be indexed to an inflation measure or scheduled years in advance.

UCGR RECOMMENDS: REINSTALL DOWNTOWN PARKING METERS

CGR supports the process begun by Troy to reinstall parking meters in the downtown business district. The cities of Albany and Schenectady raised \$1,686,268 and \$210,829 respectively from parking meters. Troy can ill afford the luxury of free parking on its narrow

downtown streets. Not only does a meter system raise needed income, it also reduces the cost of enforcement and facilitates management of parking for the benefit of downtown business.

UCGR RECOMMENDS: ESTABLISH PARKING VIOLATIONS BUREAU

The most rational and just system of parking fines will have no impact without adequate enforcement. At the present time, Troy depends on the Police Department to provide parking enforcement when they are not otherwise engaged. Establishing a parking violations bureau would enable the City to hire dedicated parking enforcement and adjudication staff to ensure that fines were routinely collected. Additionally, other cities such as Rochester and Yonkers have increased revenues by moving adjudication under a civilian arbitrator. This is often because City court judges, burdened with more serious crimes, tend to give parking violations less import.

The City administration is aware of these issues and appears to be moving in the right direction. We urge them to take the step of setting up a parking violations bureau.

Solid Waste Management Revenue

CGR has considered a spectrum of options for increasing the operational efficiency and revenue potential of solid waste management.² The Department of Public Works (DPW) discusses “trash” and “refuse” separately, defining trash as traditional domestic garbage and refuse as bulk items such as refrigerators and mattresses that do not fit in the standard trash container and require special handling.

Trash is collected from residents on a weekly basis. While controversial in many neighborhoods, the policy of the present administration stopped collecting trash twice weekly, a move CGR strongly endorses. Twice-weekly collection is an expensive service that exceeds service levels in virtually all neighboring communities.

²Specific recommendations for reducing the cost of operating refuse collection services are discussed in the expenditure section of the report.

Bulk Refuse Collection

As a means of reducing the net cost of trash and refuse collection, the City implemented a set of fees for bulk refuse and a procedure to pay for collection. Based on collections for the first quarter of 1995, the DPW Commissioner expects that annual revenue will be approximately \$32,000.

There are several problems with the system as designed. First, DPW requires that the resident come to City Hall to request collection and pay the required fee. As City Hall is only open during business hours, this is a requirement that many City residents find difficult to meet. Second, regardless of the means of payment, the fee creates an incentive for residents to illicitly dump bulk refuse in vacant lots or on City streets in different neighborhoods. The difficulty of paying effectively increases the personal cost of having the City pick up bulk items, strengthening the incentive to dump these items illegally. As a result, the City employs four part-time code enforcement officers who spend most of their time picking up illegally-dumped refuse and policing residents. The four part time employees are paid a total of \$28,600 per year.

Many residents have commented on the new policy and its affect on the appearance of the City of Troy. Some residents perceive an increase in the dumping of bulk items on City streets. While not solely due to this policy, the appearance of the City is certainly degraded by these items.

UCGR RECOMMENDS: ELIMINATE BULK REFUSE FEES

CGR recommends that the City eliminate the bulk refuse fees. The present system is unenforceable and damages both resident morale and the appearance of the City. Revenue of \$32,000 barely offsets the enforcement cost. A restoration of bulk refuse pickup will help to offset changes in the fee structure recommended below.

Trash Collection

Trash collection is presently funded through the property tax bill. As administered, payments for collection are quite inequitable and CGR has recommended funding this service on a fee basis in an earlier section. In addition to changes recommended on the expenditure side, CGR has several suggestions that will enhance revenue from trash collection. The changes CGR recommends would lead to a shift in revenue burden away from current property tax payers. The total amount charged for the service of trash collection may stay the same if these recommendations are taken (depending on how aggressive Troy is in reducing expenditures), but it would be distributed across a broader base of properties. Therefore, current property tax payers should get some relief as their taxes would no longer pay for trash collection services to other classes of property.

UCGR RECOMMENDS: DISCONTINUE NON-RESIDENTIAL COLLECTION

Troy provides collection services to *some* of the commercial properties in the City. Commercial properties located in the central business district receive pickup services five days per week while other parts of the City have been reduced to single day trash pickup. Rules determining who receives City services are arbitrary. One of the most confusing aspects of Troy's trash collection system is the distinction it draws between commercial properties established before and after 1988. About 2000 (roughly 60%) of Troy's commercial properties have not changed ownership since 1988 and receive free trash pickup. Businesses sold or established after 1988 do not receive municipal collection, nor do they receive a discount on their property taxes corresponding to the trash collection component pre-1988 businesses "pay for" with their taxes. CGR has not found any justifiable rationale for this practice. CGR strongly recommends that Troy either discontinue municipal trash pickup for commercial properties completely or begin charging for the service immediately.

Another inequity in the present trash collection system is the practice of charging the same amount for residents and businesses that contribute significantly different volumes to the waste stream. This policy is a hold-over from an era when virtually-unregulated landfills were cheap to establish and maintain. The only significant cost of solid waste management was collection; disposal was virtually free. With the City landfill recently closed to trash, Troy has

rapidly moved from free disposal (for the City) to costly disposal. The collection and pricing system must catch up with the new reality.

UCGR RECOMMENDS: ADOPT VOLUME-BASED PRICING FOR TRASH COLLECTION

While this is not a policy that can be instituted immediately, we believe that the City should plan a move to a system that charges residents and businesses according to the quantity they throw out. Many communities have adopted volume-based pricing and have watched total recycling levels rise dramatically and total trash volume decline. Approaches to volume-based pricing vary from city to city. As trucks are replaced, Troy could move to vehicles that actually weigh each container and record the weight by address.

A simpler approach that could be implemented very quickly is to charge based on the numbers of containers the City will empty from a particular address in a given week. The City could allocate a single container to each address as the “base” level of service. A single 90 gallon container is quite adequate for a single person or a small family. Those requiring additional containers or a larger container would pay a higher rate. This type of system is on the ground and functioning successfully in a number of cities. Attached is a copy of a City of Rochester Refuse Services Bill to the Center for Governmental Research (a 501(c)(3) nonprofit) as an example. CGR is billed in advance on a quarterly basis for the containers we rent at \$13.00 a quarter and for trash pickups. Rochester does not charge for the rental or service to the containers listed as “HIGRADE” as these are for recycling.

As another option, Troy could adopt the practice of some other communities and sell distinctively-marked trash bags. Most volume-based pricing systems allow recyclables to be thrown away without charge, but a sufficient fee per bag encourages households to maximize recycling. This is provided the resident does not have to pay for the privilege of recycling, of course.

Recycling Revenue Options

Under the current contract with Waste Management which expires in August 1995, Troy residents pay a flat rate of \$30.00 per year to have recyclables collected. There is no mechanism in the contract to reflect the changing market values of recyclables. In recent years, the prices for office paper and other recyclables have soared. Municipalities with aggressive recycling programs are paid by companies for the right to collect residential recyclables. Indeed, Troy is unique in that its residents receive free trash pickup and actually *pay* to recycle. Not surprisingly, Troy has one of the lowest recycling rates in New York State.

Exhibit: City of Rochester Refuse Services Bill for CGR

UCGR RECOMMENDS: CHARGE FOR TRASH; ELIMINATE RECYCLING FEE

A volume or weight based pricing system would encourage residents to reduce the amount of garbage they throw away and increase recycling. If Trojans know that they can save money by placing items in a blue box instead of a green bin then they will take the time to sort their household waste streams accordingly. A new system which integrates volume or weight based pricing and recycling will likely result in lower property taxes and increased recycling.

Property Taxes*Assessed Values Inaccurate*

Assessed values in any community become less and less accurate over time. As prices shift among neighborhoods and classes of property (e.g. residential and commercial), relative assessments become less and less accurate. The NYS Office of Real Property Services reports that Troy has the least equitable assessments in Rensselaer County. They calculate that average assessed values differ from actual property values by about 32%³. Naturally, if the average is 32%, many properties are over assessed or underassessed by an even greater percentage. The average inaccuracy for residential property is lower (21%), suggesting that the average assessment error in non-residential property is substantially greater than 32%.

The problem with inaccurate assessments for the City is that the errors are generally only fixed when the property owner complains. It is easy to assume that property owners with assessments well below the average are not asking for an assessment review! Thus as owners of over assessed property complain and get their assessments reduced, the tax rate on *all* property must be increased to offset the loss in property tax base. Another problem with the current system is that only people who understand the property tax—or who have enough money to hire someone who does—get their assessments reduced. Many property owners are not sophisticated enough to know that they are being unfairly treated (although they know that their tax bills are awfully high). Were all rates revised, then those with “bargain” assessments

³This is the most recent coefficient of dispersion reported by the NYS Office of Real Property Services.

would be forced to pay their fair share while all property owners who are over assessed would receive the reduction in taxes they deserve.

UCGR RECOMMENDS: UNDERTAKE A FULL PROPERTY REVALUATION

CGR strongly recommends that the City spend what it must for a complete reassessment of all City properties. The last full revaluation was accomplished in 1971-72. While a property revaluation is not necessarily a revenue enhancing option, there are some clear benefits to the citizens of Troy. As a direct consequence of an outdated assessment roll, the City of Troy is refunding hundreds of thousands of dollars each year to commercial and residential property owners who have been over assessed. These refunds, or certiorari, totaled \$396,067 in 1994 and are already \$403,457 for the first five months of 1995. The certiorari can cover multiple years of over assessment and the City is also liable for interest payments, although it has negotiated zero interest payments in the largest 1994 settlements.

A revaluation, though costly, would reduce future claims against the City. Cole, Layer and Trumble, the firm which did Troy's last full revaluation, recently completed a full revaluation in Schenectady. The final cost worked out to about \$50 per parcel. Using this figure, Troy's 14,401 parcels would likely cost about \$720,000. The state Office of Real Property Services, formerly the Division of Equalization and Assessment, provides up to \$10 per parcel against the cost of revaluation. Some of this was used for tax mapping in 1977-78 and some must be retained for data maintenance functions, leaving Troy with \$6 per parcel, or \$86,406, to apply to a revaluation. Troy can also bring the cost down by providing office space, computer facilities, postage and other hard costs that would otherwise be a part of the firm's overhead and subject to markup. If Troy is aggressive and cost conscious in setting up the bid specifications for a full revaluation, it is possible to get the task completed for around \$600,000. Considering the cost of certiorari repayments in recent years, a full revaluation should be a high priority.

Residents concerned about a shift in tax burden from business property to residential property could urge the City to adopt homestead tax provisions. After completing a reassessment, a municipality in NYS has the option of freezing the share of tax burden between owners of homestead (residential properties with up to three units per building) and nonhomestead properties. While maintaining this differential can create serious problems

over time, it is an acceptable approach to softening any increase in residential tax burden created by adjusted assessments.

A revaluation is always unpopular politically. Despite the fact that half of the property owners will see their assessments fall, the half who will see them rise feel ill-treated and have long memories. What makes the situation even more difficult is few property owners understand the property tax. Any time assessments change, deep suspicion of government ensures that property owners will be unhappy. Therefore, well-designed and earnest public information effort must surround the revaluation. Concerned citizens who understand the importance of this step need to speak out on this subject, urging cautious political leaders to take this important step toward a more responsible and responsive government.

Must Property Taxes Increase?

When compared to similar cities in other parts of the state, Troy’s taxes are not remarkably high. Combined City, County and school district full value tax rates are higher in Utica and Binghamton; Newburgh’s rate is just slightly below Troy’s. In the capital region, however, Troy’s property taxes are higher than any surrounding community. This is a serious issue in terms of the economic development potential of the City and the central business district. A business is not likely to leave Troy if it loses free trash pickup, as this service is highly unusual. Increase property taxes, however, and business will certainly consider relocation.

UCGR RECOMMENDS: TEMPORARY PROPERTY TAX INCREASES

Troy is in a very difficult position. While full value tax rates have not increased since 1987 (see “Tax and Fee Increases” section), the Capital District Regional Planning Council reports that they are the highest of any municipality in the Capital District. Unfortunately, Troy’s immediate concern is closing its budget deficit. This problem must be fixed before Troy can take appropriate actions to encourage long run economic development. A return to *fiscal* stability is the first step to renewed *economic* stability.

Reluctantly, CGR supports the administration’s plan for a tax increase in 1996, although the size of this tax increase can be reduced through adoption of the initiatives proposed in this

report. Even without any additional expenditure reductions, CGR has recommended funding a significant portion of the public works budget through fees, thus reducing the demand on the property tax levy and permitting a reduction in any necessary rate increase. As Troy implements the whole range of expenditure reductions outlined in this report, the City should *reduce* its full value tax rate, bringing its taxes in line with the region. We strongly encourage the City to replace planned tax increases with expenditure reductions in subsequent years. In the short run, Troy must react to the present crisis in a way that avoids additional borrowing.

Water Departmental Revenues

Who Bears the Burden of Water Rate Increases?

Troy's Water Fund generates more revenue per capita than most cities in New York State, as the graphic shows. In 1994, the fund had metered water sales of \$5,659,612. The following table shows the estimated sales outside Troy for 1994.

UCGR RECOMMENDS: INCREASE WATER RATES

As the table below shows, over \$1.7 million of Troy's 1994 metered water sales, or 31%, were to users outside Troy. Assuming static usage and a 20% rate hike, the water fund would generate \$354,000 in additional revenue from its non-Trojan customers. Another large share of Troy's water users are tax exempt institutions. Between them, Samaritan Hospital, the Sage Colleges and RPI used 223 million gallons in 1994. This amounts to metered water sales of \$433,203 or 7.6% of total water sales. With limited data available, it appears that more than 40% of Troy water is sold to users outside Troy and to tax exempt users. Add to this water use by commercial users and more than half the cost of a water rate hike would be borne by non-Trojans, tax exempts and commercial properties.

Water District Billing Rate per 1000 gal

1994 estimate

Water District	Rate/1000 gal	Total
Brunswick	\$1.95	\$219,175
North Greenbush 1	\$2.15	\$5,259
North Greenbush 3	\$2.15	\$5,706
Schagticoke 1	\$1.95	\$28,576
Schagticoke 3	\$1.95	\$54,386
Schagticoke 4	\$1.60	\$3,152
Rensselaer and East Greenbush	\$1.02	\$1,098,397
VanRensselaer Manor	\$1.95	\$32,716
Menands	\$1.01	\$321,291
Total 1994 Sales Outside Troy		\$1,768,657

Note: Billing rates are taken from invoices issued by the Department of Public Utilities of the City of Troy. The 1994 estimate is based on average monthly billings for 1994.

Expand Market for Troy Water

There is significant potential for an expansion of the market for Troy water. According to the Department of Public Utilities (DPU), the City can safely pump 32 million gallons a day from the Tomhannock Reservoir. The water treatment plant's capacity is 30 million gallons a day and its present output is 16 million gallons a day.

The potential market (like much of the Capital District) is divided by the Hudson River. Communities on the west side of the river in Albany and Saratoga counties face current and prospective problems with their water supplies. The Town of Cohoes is struggling with glycol contamination from the airport. The Town of Colonie is said to be seeking new supplies.

Communities on the east side of the river in Rensselaer County are presently operating on wells and septic systems. While the County Planning and Economic Development Department appears eager to provide water and sewer services to the outlying towns (as a

means of stimulating growth), it is not clear who will pay for the development of water lines to these communities. Furthermore, CGR has found that the support for growth (thus the infrastructure development that would facilitate growth) is mixed in these largely rural towns. Without the support of the town, expansion is unlikely.

UCGR RECOMMENDS: AGGRESSIVELY SEEK NEW MARKETS FOR TROY WATER

Troy has the ability to improve its revenue picture significantly through expanded sale of water. For each million gallons a day of water Troy can sell it will bring in \$711,750 in additional annual revenue, assuming the current rate of \$1.95 per 1,000 gallons. *If the plant were operating at full capacity and all water was sold at the Troy rate, the City would realize additional annual revenue of \$9,964,500.* As the marginal cost of producing additional water is very low, Troy could offer attractive contracts to communities across the river such as Cohoes and Colonie. It is in Troy's interest to become part of the long-term solution to these town's water needs. Given Troy's financial condition, it is important that the new customers provide capital to build new infrastructure (both water lines and pumping stations).

Rensselaer County's interest in expanding water and sewer services to rural towns would best be served by the County becoming an active player in the provision of water. It may be prudent economic development policy for the County to provide capital to expand access to Troy water. The County already has a water authority in place. While CGR does not recommend that Troy sell the water department to the County water authority, we do strongly urge the City to enter into a partnership with the water authority to expand water services in the County. To our knowledge, there is no obstacle to the water authority becoming, in effect, a "wholesaler" of Troy water within the County.

Utilities Gross Receipts Tax

Municipalities in New York State are allowed to impose a gross utilities receipts tax of up to 1%. Yonkers, Rochester and Buffalo have raised their gross utilities receipts tax rates to 3% due to fiscal difficulties. If Troy were to follow suit, it would generate \$1.3 million by the increase.

**UCGR RECOMMENDS: CONSIDER IMPOSING TEMPORARY INCREASE IN UTILITIES
GROSS RECEIPTS TAX IF OTHER ALTERNATIVES FAIL**

CGR does not recommend this step as a first resort; Troy should only consider increasing the tax on utilities' gross receipts if other measures do not close its near term budget gap. Increasing this tax is problematic because it has the effect of increasing costs for utility-intensive businesses. While Yonkers, Buffalo and Rochester went to 3% during similar fiscal crises, Troy's neighboring communities remain at 1%. A significant "back office" employer (such as the Metropolitan Life facility recently recruited to North Greenbush) with substantial utility needs (such as heavy telephone usage) may choose to locate outside of Troy as a way of escaping the 2% differential. However, the potential negative effects of a tax increase must be balanced against Troy's dramatic budget imbalance. If other measures prove insufficient to close the budget gap, CGR recommends Troy consider increasing this tax. If such a tax is imposed, CGR recommends Troy consider an increase of 1% and that the City Council build in a "sunset" provision that guarantees review within a two year period.

Sales Tax Revenue

Troy received \$34 less in sales tax revenue per capita in 1993 than the average of all cities in New York State. In 1995, however, Rensselaer County raised its sales tax from 3% to 4%, thus increasing Troy's share at the same time.

The sharing mechanism with Rensselaer County was restructured as of January 1, 1995 for a five year period. The restructuring eliminates the 6% automatic increases on previous year payments to the City of Troy and is a straight proration of sales tax collections. Troy receives 18.07% of the first 3 cents of sales tax and 24.37% of the fourth cent. The Rensselaer County Budget Office estimated that, through preemption, the City of Troy would collect between 16% and 17% of the County share of a 4% tax.

As a short-term revenue source, an increase in Troy's share of County sales tax revenue appears unlikely. The county's financial condition, while better than Troy's, is weak enough to make an increase for Troy extremely difficult to pass.

UCGR RECOMMENDS: SEEK GREATER SHARE OF COUNTY SALES TAX WHEN EXISTING CONTRACT IS RENEGOTIATED

In the long-run, Troy and Rensselaer County must explore the unusual problems of the City of Troy and the role that Troy plays in the County. The challenge of an aged and costly infrastructure and Troy’s significant share of the county’s poor may justify an increase in County support through the sales tax.

Special Assessment Districts

UCGR RECOMMENDS: EXPLORE SPECIAL ASSESSMENT DISTRICTS

Several cities have created special assessment districts, many in downtown regions, dedicated to central business improvement. Such assessments can be used to cover the costs of increased services and amenities in the downtown area. Other special assessments are used as alternatives to the property tax and are designed to cover the cost of specific services, such as fire protection. The needs of the downtown business district may recommend establishment of such a district. CGR will discuss this issue further in the section on economic development options.

City Sales Tax

As part of the discussion over the establishment of a municipal assistance corporation (or MAC) for Troy, the City administration raised the possibility of a city-only sales tax that would be imposed on top of the 4% County sales tax and the 4% state sales tax. This was one element in the package developed to “bail out” the City of New York in 1975. A city-only sales tax could generate significant revenue, of course. Based on the 1992 Census of Retail Trade, CGR estimates total taxable retail sales in the City of Troy to be about \$248 million. A one percent tax would raise about \$2.48 million in revenue for the City, assuming that the tax did not reduce the total volume of retail sales in the community.

UCGR RECOMMENDS: DO NOT IMPOSE CITY-ONLY SALES TAX

Still, CGR has tremendous reservations about the imposition of a sales tax surcharge in the City of Troy. Putting aside the question of whether this was a prudent move for the City of New York, Troy has almost no insulation from the retail districts of other communities. In fact, the current difficulties of the City partly stem from the loss of retail in the downtown. Imposing an additional sales tax within the City limits would create a powerful incentive for prospective new retail business firms to establish themselves in another community. Furthermore, the already low volume of total retail sales in the City of Troy would likely decline even further as price-conscious shoppers select a suburban store over a store in Troy. We therefore recommend against a city-only sales tax imposed on top of the 4% County sales tax and the 4% state sales tax.

City Payroll Tax

Another revenue tool employed by some cities is the payroll tax. Cities whose employment base is largely suburban often feel that they spend considerable sums on infrastructure and services to enable large numbers of suburban workers to make a living. These workers only support the City through revenue sharing from County or state governments. The City of Chicago, for example, long maintained a “head tax” that was imposed on employers. Each employer paid a fee for every worker in their business.

According to a Capital District Regional Planning Commission estimate based on the 1990 Census, about 26,000 people work in Troy, including commuters. Assuming average income of \$20,000, total payroll would be approximately \$520 million in annual income. A payroll tax of one-quarter of one percent would generate revenue of \$1.3 million for the City of Troy, assuming that business activity within the City remained constant after the imposition of the tax.

UCGR RECOMMENDS: DO NOT IMPOSE CITY PAYROLL TAX

Economists generally disapprove of community-specific payroll taxes, arguing that the tax creates one additional reason for business firms to locate outside the levying city. During an era in which a city has a dominant position in the business marketplace, the impact of a payroll tax on the economy may be small. During the 1950s, for example, Chicago had relatively few suburban competitors that could offer a transportation network that enabled access to broad labor and product markets. The development of the numerous expressways that now criss-cross the metropolitan area, the decline in the use of water and rail transport for the movement of materials and finished products and the development of industrial sites in suburban communities have made it easy for major firms to leave the City, making the “head tax” a major impediment to business retention, expansion and attraction. Because of the crippling effect a payroll tax would likely have on Troy’s struggling economic development efforts, we strongly recommend against it.

Miscellaneous Recurring Revenues

Seek Increase in State Aid

Conversations with Troy's representatives in the NYS legislature indicate that Troy's chances of obtaining an increase in state aid are slim indeed. The desire of the Pataki administration to reduce tax rates and the less-than-robust nature of the state economy make it extremely difficult to increase general state assistance to a community like Troy. While Troy's problems are arguably more severe than those of any other city in the state, there are many other communities that are financially troubled. Providing special assistance to Troy would raise the possibility of special allocations for many others. For this reason, the legislature is reluctant to establish a precedent.

One of the most effective ways for the state to help Troy without establishing a dangerous precedent for other cities would be to relocate a number of state employees to Troy. The Troy downtown boasts easy access to Albany and a large number of attractive and affordable office buildings. A sizeable state employment presence in Troy could be the catalyst for a revival of the downtown.

City-run Ambulance Service

The City of Troy Fire Department acts as a first responder to medical emergency calls within the City limits. The Bureau has five fire stations dispersed throughout the City, enabling it to respond to calls in less time than the city's two commercial ambulance companies, Troy Ambulance and Mohawk Ambulance, both located on River Street. Both Troy Ambulance and Mohawk agreed to promote Fire's telephone number and not their own for emergencies in the City of Troy.

As a first responder, the Bureau does not provide hospital transport. The City alternates transport calls between Troy Ambulance and Mohawk Ambulance. The two companies handle roughly 6,000 calls per year. In 1993 the City of Troy applied to the Regional Emergency Medical Services System Council of the Hudson Mohawk Region for authorization to provide

ambulance service. The application was rejected on the basis of no public need. A Hearing Officer overturned the Council's decision and the application was referred to the New York State Emergency Medical Services Council. The State Council upheld the Regional Council's decision. Troy's City Council then sent a home rule message to the state legislature for special authorization to provide city-run ambulance service. The legislation was approved in July and Troy will operate a municipal ambulance on a two year trial beginning in September. Plans are to run two or three ambulances from Fire Station No. 5 at 2175 6th Street.

Municipalities across the country are turning to city-run ambulance services in hopes of increasing revenues without raising taxes. In theory, a municipality can reap substantial revenue from third party reimbursements, which more than cover the cost of equipment with costs not passed on to taxpayers. The only parties harmed are competing commercial companies. The merits of this proposal have been the subject of intense debate in Troy, and where parties stand on the question depends on the assumptions they hold. For example, the revenue Troy might realize would depend on the arrangements between the City and the two commercial carriers, the number of transports actually billed for and the level of successful collections. In 1993, the two commercial companies handled approximately 4,200 billable patient emergency transports in the City. Fire has estimated a revenue of \$928,500 based on 5,000 annual calls, while Troy Ambulance estimated the annual revenue on these calls at \$576,000. The cost of the initial purchase of three ambulances and equipment is about \$250,000, the payment of which the Fire Department contends could be delayed for a year until a revenue stream is established.

**UCGR RECOMMENDS: ESTABLISH A CLEAR REVENUE TARGET FOR THE TWO YEAR
AMBULANCE PROGRAM PILOT**

As the debate about the ambulance service has been settled by the State's recent legislation, CGR recommends that the Fire Department be held to a revenue target for each of the two years of the trial program. CGR is concerned that the pilot program will not result in substantial increased net revenue and may have the effect of increasing expenditures on services Trojans pay dearly for already. CGR is very concerned that the Fire Department will not be inclined or able to collect for the ALS and BLS services it presently provides for free. CGR is also concerned that this pilot program will prevent responsible staff reductions and

will in fact lead to increased staffing despite the Department's repeated assertion that a City run ambulance requires no such increase.

Therefore, CGR recommends the citizens of Troy hold their Fire Department accountable by insisting on strict adherence to a revenue target. As part of this process, the Fire Department must also hold down the costs for training, equipment, disability insurance and all other obvious and hidden costs associated with ambulance service. Extension or discontinuation of the program should be linked to successfully meeting the revenue target.

Non-Recurring Revenues

Fundamentally, financially-distressed institutions (public and private, for-profit and not-for-profit) need money. While an increase in long-term net revenue is the most important goal, immediate actions that provide a quick injection of cash may also be prudent and necessary. In fact, the crisis often provokes an important reassessment of fundamental questions of institutional purpose. CGR will explore the role many City assets play in the city's fundamental mission.

Lease/Sell Recreational Assets

The City of Troy has developed an array of recreational assets that exceed the norm for a city of this size. Two ice arenas, three swimming pools, a golf course, a marina and several community centers (including the rather grand South Troy Recreation Center which has never opened due to lack of funds) constitute a substantial burden for the City to carry. The City administration estimates that the impact of all the recreational assets is combined net revenue of \$150,000 annually. Both the ice arenas and the golf course are said to be money makers. The pools and the other facilities generally lose money. As fees for most of the facilities were recently increased, we believe that these numbers are somewhat speculative. In response to the city's budget crisis, the administration chose to leave one swimming pool closed for the summer of 1995. Further reductions in expenditure would be achieved by closing additional facilities.

CGR explored three issues: First, do these facilities contribute to the annual operating deficit of Troy? If so, what should the City do to remedy the problem? This question is discussed in the Expenditure section of this report. Second, should any of these assets be sold? Would selling these assets to a community development corporation do anything but plug a hole in the city's 1995 budget? Finally, should the City consider leasing any of these facilities, if selling them outright is difficult or impossible?

Should These Assets Be Sold?

As a general principal, a city in financial crisis should consider either closing or selling facilities that lose money. Money-losing facilities include the swimming pools, the marina and the South Troy Recreation Center. Some of these facilities are easier to sell than others. The swimming pools, for example, are better candidates for temporary or permanent closure than for sale.

The golf course and the ice arenas reportedly make money. The question of whether these should be sold revolves around several questions: First, does it make sense for a city the size of Troy to own these facilities? Second, can a buyer be found who can pay enough to the City to improve the city's annual financial picture? Detailed analysis of these questions is beyond the scope of the present study.

UCGR RECOMMENDS: AGGRESSIVELY SEEK BUYER/LESSOR FOR SOUTH TROY RECREATION CENTER

Many residents of Troy agree that the South Troy Recreation Center should never have been built. Given the current financial condition of the City, the operating expenses for such a facility are unaffordable. Difficult though it may be, the City should aggressively seek a buyer for the facility. As the facility is built on state property, outright sale may be difficult. A long-term lease of the recreation center may be more feasible.

UCGR RECOMMENDS: SELL MARINA

A marina is an unusual asset for a City the size of Troy to own and operate. Despite the fact that the marina presently loses money, CGR believes that the recreation market for Hudson River property is strong enough to justify the sale. As public access to the riverfront is an important issue for the community, CGR recommends that the sale occur with conditions that would ensure continued public use.

UCGR RECOMMENDS: RETAIN OWNERSHIP OF FREAR PARK GOLF COURSE AND ICE ARENAS

Although CGR is not steadfastly opposed to a sale, the golf course presents some difficult problems and CGR recommends, on balance, that the golf course remain in City ownership. Integrated into Frear Park, separating the golf course from the rest of the park would be difficult. Furthermore, the golf course presently makes money for the City. The sale would increase revenue in the year of sale and reduce revenue in subsequent years. Finally, the city's ability to sell the golf course is uncertain legally.

The ice arenas would be difficult to sell. While the City should seek ways to reduce expenditure and increase revenue, we do not know enough about these facilities to recommend a sale.

Leasing Golf Course or Other Facilities

The City Manager has reported some interest in leasing the Frear Park Golf Course. Without more information about the specific offer it is difficult to make a firm recommendation. It is difficult to imagine the benefit of such a contract to the City, however. If the lease price exceeds the net revenue the City presently receives, then the contract likely includes an "upfront" payment that is offset by lower annual lease payments in the future, or the elimination of these payments. This would be just another "one-shot" revenue source that would reduce the 1995 budget gap at the expense of subsequent budget years. While some one-time revenues may be necessary to keep the 1995 deficit in check, actions that reduce future revenue should be avoided.

Community Development Corporation

The City has proposed that most of the city's major recreational facilities be sold to a community development corporation (CDC) and that the management of the corporation rest with members of the community. The sale price of \$3.5 million would be raised through bonds issued by the CDC, the debt service of which would be paid by a combination of net revenue from the facilities and additional money contributed by the City, a portion of which is expected to come from Troy Redevelopment Foundation funds. It is clear that this action is almost solely aimed at plugging a hole in the 1995 budget. While there is a hole to be filled, borrowing through the CDC vehicle has the effect of hiding the size of the deficit and creating a new kind of debt obligation for the City. The fact that the CDC assets do not even generate sufficient revenue to meet the debt service further emphasizes the weakness of this proposal.

UCGR RECOMMENDS: REJECT COMMUNITY DEVELOPMENT CORPORATION

The City believes that the CDC will be able to reduce maintenance costs on these recreational facilities through the use of non-union labor. The same goal could be achieved by contracting management and maintenance to a private firm. For this reason and those discussed above, CGR does not believe the sale of assets to a CDC is in the best fiscal interests of the citizens of Troy.

Lease/Sell City Hall

The present City Manager recently hung a "FOR SALE BY OWNER" sign on City Hall, graphically illustrating the city's financial crisis. In addition, the administration has a legal offer to purchase "on the table" and is taking it seriously. CGR believes that the administration has raised important points about City Hall and that these issues should be given careful consideration.

Should City Hall be Sold?

The sale of Troy City Hall is a complex legal, financial and political issue. Legally, there is some question of the city's ability to sell a municipal asset of this nature. Mr. Harry O. Lee, an attorney with the firm Lee & LeForestier, believes that the City Hall property is property held "in public trust" and therefore inalienable.⁴ This is a legal question on which CGR is not qualified to comment, although it appears that an action of the NYS Legislature could cure the difficulty, if one exists. There are other possible legal complexities that will have to be carefully explored by the City if it chooses to move forward.

Financially, the sale is also multifaceted. The administration states that the property is an ongoing drain on the city's finances due to extremely low utilization and extremely high utility costs. Neither point is in dispute. Occupying 45,000 square feet with only 75 employees is extremely wasteful. Building heat is provided by electric resistance reheat coils in the ductwork with supplemental heat provided by electric sill-line radiation. Unfortunately, the system has proved to be very inefficient. The City reports heat and light expenses at \$225,000 annually. The heating cost avoided is appropriately considered in assessing the benefit to the City of selling the building. The City of Troy Planning Department developed a comparison of the costs associated with alternative sites and assumes that total heat and light expenses would be \$45,000 annually at either the Hendrick Hudson Building or in a renovated Proctor's Theater, thus saving the City \$180,000 annually. Discounted at 7% over a 20 year period, this is equivalent to a present payment of about \$1.9 million. Were the savings only \$120,000 per year, the present value of the stream of savings over 20 years would still be \$1.3 million. Of course, another alternative is a renovation of the present heating system. A study has been completed that identifies alternatives to the present heating system. The difference between the cost of heating the present building before and after the modifications should be used to estimate the sum the City can afford to spend for the conversion.

The offer received by the City states a purchase price of \$2,250,000, \$50 per square foot. Some believe that this price is below market value and would constitute a "giveaway" on the part of the City. Mr. Lee states that "there are no comparable sales." On this point we must

⁴Lee, Harry O. Letter to Troy Strategy Group, City Manager and City Council regarding proposal to sell City Hall. March 28, 1995.

disagree. He is correct in noting that there is no market for City halls in Troy. On the other hand, if the City were to sell the property it would do so as an office building. Many office buildings have been sold in Troy's downtown within the past five years or so and these sales are appropriately considered when determining the market value of City Hall as an office building. Furthermore, while the property is not presently "income property", it could be treated as such for purposes of an appraisal. Using reasonable assumptions concerning the leasable square footage of the building and plausible lease rates, an estimate of income potential can be developed.

Mr. Lee concludes that the purchase price is too low through use of the historical cost method. Particularly in a depressed real estate market, the historical cost method will overestimate (sometimes by a large amount) the *market* value of an asset. The unique characteristics Mr. Lee notes in his letter (the rotunda and auditorium, for example) likely added construction cost while very possibly diminishing the utility of the building as a general purpose office building. Regardless of whether the City or a private firm owns the building, the heating system will have to be renovated, probably at significant cost, further depressing the market value of the building. Some sources in the community believe the offer price to be very competitive.

One factor that must be considered if City Hall is sold is its vital location on the waterfront. Because the site, structure and use of City Hall is so integral to the development of the waterfront, any sale or redevelopment must be consistent with other waterfront development efforts.

The sale of City Hall is also complicated politically and, for some Trojans, emotionally. Many citizens remember the period during which City government had no permanent home. For them, the construction of Troy City Hall was an landmark event and the building holds significant symbolic value. City Hall cannot be sold; it must be replaced. It is important for the citizens of Troy that the sense of place and sense of ownership they ascribe to the present building be transferred to another site. Troy must have a "City Hall" in name as well as in fact.

UCGR RECOMMENDS: SEEK APPRAISAL FROM RESPECTED APPRAISAL FIRM

If the City is seriously considering a sale of City Hall, it should immediately take the step of soliciting an appraisal from a respected appraisal firm. An appraisal from a respected firm will provide important information to the City in its negotiations and also provide a level of confidence to Troy taxpayers if the sale moves forward.

UCGR RECOMMENDS: SELL CITY HALL IF INDEPENDENT EVALUATION SHOWS ANNUAL FINANCIAL BENEFIT

CGR agrees that the existing building is vastly under used and costly to maintain. As there are many buildings in the downtown that could serve as new site for Troy’s City Hall, the City should be willing to consider selling the existing building, *provided that independent estimates of the net cost of moving demonstrate significant annual savings*. One-time revenue from the sale is not sufficient reason to justify a move.

Despite our support for the concept of selling the building, we do not believe that the sale can happen quickly. The legal obstacles to a sale should be carefully researched. A suitable alternative site that will convey the character of the City of Troy should be identified.

Lease of City Hall

The present purchase offer includes a clause permitting the prospective purchaser to lease the third floor of City Hall for a price of \$8.50 per square foot for a period of five years. Further terms of the lease are left unspecified. While CGR is not in a position to determine whether or not this is a fair lease price, it does raise the question of leasing some of the under used space in the building. The City is prepared to vacate the third floor and could easily accommodate a tenant.

UCGR RECOMMENDS: IMMEDIATELY SEEK TO LEASE THIRD FLOOR OF CITY HALL

Regardless of the disposition of the City Hall purchase offer, the City should seek to culminate a lease with any interested party for the third floor of City Hall. For this purpose, the City should consider engaging a leasing agent who can represent the interests of the City in lease negotiations. It is, of course, a very competitive market. Owners of newly renovated buildings are actively seeking tenants at very competitive lease rates. The owners of the Hendrick Hudson Building have offered the City of Troy 20,000 square feet at a lease rate of \$4.50 per square foot, net. While this is ostensibly below the Hendrick Holding Company’s asking price for private market tenants, it is one indicator of the competitive nature of the marketplace in the downtown. Hedley Park Place is asking \$11.50 per square foot with fit-up expenses included.

City Water System

The proposal to sell the City water system to a newly-created City water authority was originally developed by former City Manager Steven Dworsky. Dworsky believed that the sale would confer a major financial benefit on the City of Troy. CGR has been exploring the ramifications of a sale of the water system and believes that a sale would constitute no more than a “one-shot” increase in City revenue and would be a poor financial decision for the community. As part of this analysis, CGR examined a proposal to sell the NYC water system to the NYC Water Board.

What Are the Implications of Selling the Water System?

Before exploring the major alternatives, we would like to lay out the possible benefits of a sale and clearly identify the present “ownership” of the water system. At the present time, the water system is run from an enterprise fund under the complete control of the City of Troy. The Water Fund has the power to issue revenue bonds to pay for system repair and expansion. Debt service on these bonds comes from water payments made by system users. In theory, the Water Fund is self-contained. Money paid into the Water Fund by users can only be used to pay for the costs of running the system. Money is transferred into the General Fund to pay for services provided by City personnel to the water system.

The most obvious benefit of selling the water system would be a significant increase in current City revenue. A sale would enable the City to obtain a lump sum, immediate payout of the stream of future Water Fund to General Fund transfers. CGR strongly discourages the City from seeking this type of “one-shot” revenue.

Another possible benefit of the sale could be more effective marketing of Troy water to other potential customers. With substantial excess capacity, Troy can sell more water at a very low marginal cost of production. This would lower the average cost of production for existing users and enable the residents and taxpayers of Troy to benefit. If a change in management or ownership would improve the ability of Troy to market its water, then the change should be considered.

The “ownership” of the system is also worthy of discussion. At the present time, the users of Troy water pay for system upgrades and modifications. Debt service for previous borrowing is paid for by the water users as well. The City has a limited ability to transfer Water Fund surpluses into the General Fund, making Troy taxpayers the residual beneficiaries of water system “profits.” Under the present organization, Troy residents control the water system through the elected City Council. Thus water users, Troy taxpayers and Troy residents all have a significant stake in the management of the system. The issue of control is an important one. The City of New York’s Comptroller’s Office opposes the sale of NYC’s water system to the NYC Water Board largely because the Water Board is a state-created body. While the board is presently composed entirely of NYC City employees, the Comptroller’s Office is concerned that Albany may choose to alter the board’s composition and that the Water Board may then act against the interests of the residents of NYC. The issue of control is no less important for the City of Troy.

As a final issue, pricing the water system is problematic. In the case of a sale to a city-controlled water authority, the transaction would be, in effect, familial in nature. The price would only matter inasmuch as it would shift the relative benefit between water users and Troy taxpayers (which are overlapping, but not synonymous, groups). A sale to either a private firm or a County authority becomes more difficult. An income capitalization method seems most appropriate initially. This would be relatively straightforward if the system were at capacity. The abundant excess capacity becomes extremely difficult to value, however. While it has tremendous value in theory, the actual benefit accruing to the new owner would depend on a

variety of assumptions regarding the volume of increased sales, the cost of attracting and servicing new users and competitive conditions over pricing.

Major Alternatives for Water System

There are four major alternatives for the water system. The **first** is the *status quo* in which the City owns and operates the water system and receives a regular payment for costs incurred indirectly in the management of the system. Based on analysis by the city's accounting firm, the City could transfer more money from the water fund than it has historically (although without an increase in rates, the water fund will not have sufficient cash reserves to transfer the maximum allowable beginning in 1996). The City therefore receives an annual payment from its ownership of the water fund. The City also has responsibility for system management and development. Troy's general fund would benefit proportionately from any increase in sales volume either within Troy or to other municipalities.

A **second** alternative is the sale of the system to a newly-created City water authority. This would not be an unusual step for a city. Many authorities have been created for a variety of purposes over the years in cities across the state. The principal reason for the creation of these authorities, however, is that state law proscribed general obligation borrowing with level debt service until 1994, while authorities were not so bound. In fact, the general obligation bonds of municipalities were required by law to make equal payments on principal throughout the life of the bond. As the interest component of total debt service is very high initially, equal principal payments had the effect of creating very high total payments in the early years of indebtedness. Home mortgage debt, familiar to most, is usually designed with level debt service: Principal payments are a small part of the total payment in the early years of the mortgage and increase as a share of the total payment over the life of the mortgage. As of 1994, municipalities were finally allowed to issue debt with level debt service, in many cases eliminating the need for the creation of an authority.

What would be the benefit of a water authority to Troy? As far as we can tell, the only advantage would be that the water authority could issue revenue bonds to pay the City a lump sum for the assets of the water system, compensating the City for lost future revenue. Effectively, the creation of a water authority would enable the City to capitalize the stream of future receipts from allowable transfers between the water fund and the general fund. The

water authority could, in theory, pay this level of debt service with only a negligible change in water rates. The water authority could also pay the City *more* than the discounted present value of anticipated future transfers and pay the debt service on the bonds through an increase in water rates. In any event, Troy's water customers end up paying for any transfer from the water fund to the general fund, whether the transfer occurs in a lump sum through a sale to a water authority or on an annual basis as in *status quo*.

A **third**, more radical, solution would be to sell the water system to a private firm. While the sale to a private firm might serve the purpose of capitalizing the stream of future returns, thus providing the City with immediate revenue, it is difficult to conclude that the sale would serve the interests of Troy's water consumers. The principal test of privatization is simple: Would a private firm be able to deliver the service more cheaply? And if it could, would it do so? While economists generally believe that a private firm operating under the pressure of competition will operate more efficiently than a public sector entity, there are cases in which the public sector holds a clear cost advantage. As the public sector can issue debt at a significantly lower interest rate than the private sector, this confers a cost advantage on the public sector when the business activity is very capital intensive. As selling water is a very capital intensive enterprise, the public sector probably holds a natural cost advantage. A further problem with selling the water system to a private firm is that water can only be efficiently provided by a single entity. The successful bidder would, of necessity, function as a monopolist thus creating the need for a city regulatory structure to ensure fair pricing. While a private firm may be more successful at marketing Troy water to other prospective customers, the benefits of doing so would probably not be received by Troy taxpayers or residents.

The **fourth** alternative involves selling the water system to the Rensselaer County Water Authority. While existing only on paper, the authority would have the power to issue bonds to reimburse the City of Troy for lost future revenue. Were the purpose of the sale to raise immediate revenue for the City, this vehicle would be satisfactory. The County may be in a better position to market water to rural towns presently without water. The principal obstacle to such expansion is the cost of running new water lines. The County authority could issue bonds to raise capital for expansion, but if the new business generated was not sufficient to pay the new debt service, water rates on existing customer (predominantly the residents of Troy) would have to increase. Troy residents then risk being forced to subsidize an expansion

of the water system to rural communities in Rensselaer County. CGR sees no obstacle to the City of Troy forming a business partnership with the County water authority in which the authority would act as a wholesaler of Troy water to rural communities in Rensselaer County now serviced by wells.

UCGR RECOMMENDS: RETAIN OWNERSHIP OF TROY WATER SYSTEM

CGR does not recommend a sale of the Troy water system. The only advantage of such a sale is its ability to bring future revenue into the present, a “one-shot” revenue source we strongly discourage. Nonetheless, CGR urges the City to aggressively market Troy water to Capital District communities. Particularly for new sales that do not exceed the capacity of the water treatment plant, the cost to the City of pumping additional water is very low. We encourage an immediate dialogue with Cohoes, Colonie and the Rensselaer Water Authority.

ECONOMIC DEVELOPMENT PROSPECTS

While better management of the City of Troy will be able to eliminate the structural deficit faced by the City and place the community on a sound financial footing, Trojans should not be satisfied with simple financial stability. The City of Troy is a community of tremendous potential. One of the architectural jewels of the United States, Troy is a city in transition from a prosperous past based on industrial might to a prosperous future based on new business and built on an extension of its remaining industries. Part of the Capital District of the State of New York, it is located at the crossroads of the Northeast. Endowed with excellent transportation infrastructure, established, respected institutions, an enviable location and high quality “human capital,” Troy’s future is bright.

CGR found no lack of sound thinking on local economic development. Those charged with plans to improve the economy of the City are talented, experienced professionals who understand the mechanics of urban development. Yet Troy’s economic development strategy has, in the past, been characterized by a distinct lack of patience.

UCGR RECOMMENDS: MOUNT SUSTAINED, REALISTIC ECONOMIC DEVELOPMENT EFFORT

The road to Troy’s bright future will be a long one. It is critically important that Troy City government, Rensselaer County, the Troy Strategy Group, the Rensselaer County Regional Chamber of Commerce and the business community at large support a sustained and realistic economic development effort. While Troy boasts many assets, it lacks two key elements of success, both of which cannot be acquired without sustained effort and the simple passage of time: First, Troy has a long-standing, undeserved reputation as an undesirable community. Those who visit Troy easily see its charm. Yet many will not visit due to its reputation. Businesses who would otherwise like to locate in Troy fear the impact of Troy’s reputation on the willingness of customers to patronize their establishments. Second, Troy has a deserved reputation as a community in severe financial trouble. Risk of tax increases poses a real threat to business and residential property owners. Prudent risk managers look twice at Troy. While critical to eventual success, changing the image of Troy in the minds of Capital

District and NYS residents and business people will be very difficult and will require considerable patience.

Assets of the City of Troy

Waterfront

Communities across the country have been rediscovering their waterfronts in the 1980s and 1990s. Water once played a critical role in the placement of communities. Most urban concentrations in America were established either because waterpower enabled the growth of industry or because the community's location was convenient for the transshipment of materials from inexpensive water transport to some form of overland transport. Waterways also provided firms with a convenient place to dispose of waste products generated in the production process.

While some of these functions of water persist into the present day, the development of cheap and accessible electrical power, the expansion of truck transport and strict environmental controls have reduced the value of water to industry. Yet the waterfront was often left desolate by decades of industrial use and the water itself left polluted and unappealing. The value of water as an aesthetic feature has only been rediscovered within the past twenty years, partly due to the effect of the 1970 Clean Water Act on the quality of America's streams, rivers and lakes.

UCGR RECOMMENDS: IMPLEMENT WATERFRONT STUDY

Troy holds a particularly rich endowment of waterfront property. Built along seven miles of the Hudson River, Troy's waterfront is more accessible and better preserved than that of many other communities, Albany being a conspicuous example as its waterfront is virtually inaccessible. The City of Troy recognized the value of the waterfront by commissioning a study by Christopher Chadbourne & Associates. CGR endorses the general thrust of the waterfront study and urges the City, County and business community to continue to implement its recommendations.

UCGR RECOMMENDS: SUPPORT BROADWAY LANDING PROJECT

The Broadway Landing Project is an ISTEAs-funded initiative aimed at streetscape improvements and waterfront enhancements from Broadway to the riverfront. Improvements will be made on Broadway in the way of benches, brick pavers, landscaping and lighting. The project will then follow to the parking deck next to the Standard Furniture building. The Broadway Landing will begin at the entry bridge to the parking area which will be widened and landscaped, and sidewalks will be installed on both sides leading to the deck.

Community Character

The character of Troy, particularly its central business district, is appealing on a variety of levels. The city's downtown, while long, is still manageable on foot. This gives the downtown a human scale that is appealing to prospective residents. In fact, many people do live in or near Troy's downtown. According to the 1990 Census, almost 4,100 people live in census tract 407, which encompasses most of downtown. Many other cities are establishing expensive and elaborate incentive programs to attract residents to their central cores. Troy begins with a foundation that many communities would be pleased to achieve after decades of effort.

Unlike many other cities in NYS, the downtown has not become isolated from residential neighborhoods. The integration of the Sage campus with the downtown adds an additional flavor to the community that many other communities would be keen to acquire.

UCGR RECOMMENDS: IDENTIFY AND REMOVE BARRIERS TO DOWNTOWN RESIDENCE

The concentration of residents in the downtown provides a business base that can be built upon as the City evolves. The City should work with downtown property owners and residents to identify issues that make downtown residence less desirable. Downtown Troy should be available as one of the first choices of young faculty coming to RPI or Sage.

Architectural Richness

To the unaccustomed eye, Troy is a visual feast. Unlike most of America's older cities, Troy was largely spared the wholesale destruction that resulted from misguided "urban renewal" of the 1970s. Albany, Amsterdam and Jamestown are three examples of cities whose historic heart was razed to make way for new development. In a young nation like the United States, the tie to the past embodied in Troy's buildings is deeply valued.

UCGR RECOMMENDS: PUBLICIZE ARCHITECTURE; PUBLICIZE ACHIEVEMENTS OF COMMUNITY SERVICE AGENCIES

The expansion of Troy's restaurant business is undoubtedly tied to the character of the community and the beauty of its architecture. The joint efforts of community service agencies like TRIP and TAP, for example, have established a standard even in Troy's poorest neighborhoods that is enviable. CGR agrees with many who believe that this is a foundation on which the revival of Troy's commercial center can be built. This is a success story that could be publicized within the Capital District and across the state.

Location

Just as the value of a home is determined by "location, location and location," so the value of a community to business is strongly influenced by the city's proximity to markets and the quality of the transportation infrastructure that enables the firm to reach these markets. The Capital District of New York State has been the most prosperous region in the state for two reasons: First, its location could be called the "crossroads of the Northeast." Surveys of business executives conducted annually by *Area Development* magazine routinely place the proximity to major highways as the most important factor in site location decisions. With ready access to the New York, Washington, Boston and Montreal metropolitan areas and to Syracuse, Rochester, Buffalo and the Midwest over the NYS Thruway, the Capital District is an excellent business location. Second, the state government and the post-secondary educational institutions provide a stable floor to economic activity in the region.

UCGR RECOMMENDS: AGGRESSIVELY SEEK NYS OFFICE LOCATIONS

Troy’s access to the Capital District’s network of highways is superb and guarantees prospective business firms high quality access to a significant market. Its proximity to Albany makes it a popular place for dinner and an obvious location for state government offices. The City should work closely with Senator Bruno’s office and the assembly delegation to keep Troy visible in the competition for NYS office space.

Restaurant Retail Base

Troy’s thriving restaurant business demonstrates many important facts about Troy. First, while crime is certainly a problem for the community (as it is in many cities), it is not perceived by outsiders to be a sufficiently serious problem in the downtown to keep patrons away from quality establishments. Certainly a great deal of progress can be made to improve the community’s image as a safe place to visit. Improved policing in the central business district will strengthen the existing business clientele. Nonetheless, neither safety nor inadequate parking have strangled this successful niche. Second, the success of Troy’s restaurants demonstrates that Troy has intrinsic appeal to both entrepreneurs and potential customers. The charm of the community clearly appeals to both.

UCGR RECOMMENDS: USE TROY’S RESTAURANTS TO PUBLICIZE OTHER TROY OPPORTUNITIES

The restaurants provide a base of business that can and should be exploited for the benefit of Troy. We believe that the assets that have made Troy successful in this market niche can help Troy succeed in other space markets. CGR suggests that the community work with restaurants that are successful at attracting business and government leaders from the region, possibly developing a “Why not Troy”-style brochure emphasizing the potential for Troy as a business location. By making these available in the waiting areas of the restaurants, Troy could place its message in front of many visiting decision makers.

Post-Secondary Institutions

Rensselaer Polytechnic Institute, Russell Sage College and Hudson Valley Community College are institutions that are central to the economic life of Troy. They provide income and stability to the community that are invaluable.

UCGR RECOMMENDS: DEVELOP RETAIL STRATEGY TARGETING COLLEGE STUDENTS

Troy's sickly retail sector has little to offer college-age consumers but beer (and only a small subset of the market can drink it legally!). Although some basic services are offered to students on campus, the perception that the campuses (RPI, in particular) are self-sufficient is incorrect. There is tremendous consumer demand on these campuses that is presently being met by other communities. The City and County should conduct a market analysis that identifies business ventures that are likely to be successful with college students and provide heightened incentives to entrepreneurs willing to start these ventures in the Troy downtown.

UCGR RECOMMENDS: FOCUS MARKET BLOCK INCENTIVES ON SELECTED BUSINESS TYPES

The Rensselaer County Planning Office has won a \$1.14 million grant over three years from the HUD Community Development Block Grant Program to develop a business incubator in downtown Troy in the Market Block building. CGR recommends that the program be adapted or augmented, if possible, to encourage the formation of college-oriented business firms. The Market Block building is in an excellent location to attract college business.

Once again, success in college-based retail will depend on sustained effort and a willingness to fail. Consumers change their habits very slowly. While the undergraduate population turns over completely every four years, generations of college students pass on their habits and preferences to those who follow them.

UCGR RECOMMENDS: SUPPORT RESTORATION OF RPI APPROACH

The City and RPI are working jointly to improve both the RPI approach and the streetscape of Broadway. The RPI approach, while not a panacea, will improve the ability of students and community members to travel between the downtown and the campus. A restoration of the approach will probably not increase foot traffic to levels experienced before the approach was completed, as a larger number of students own cars now than in the past. Nonetheless, this is a worthy project and CGR supports the initiative.

Liabilities of the City of Troy

Leadership Vacuum

The historical lack of leadership in the City of Troy is a serious problem that cannot be overlooked. Many of our informants have lauded the role played by the Troy Strategy Group in bringing the business community together on the problems of Troy. This effort is augmented by many other new initiatives including the Covenant for a Better Troy, the Civic Federation, the Troy Redevelopment Foundation, a new downtown merchants council and many others. These efforts must continue in concert with established institutions of leadership. The community must develop a vision for the future that can focus the efforts of the City, County, business and the community on the tangible problems Troy faces.

UCGR RECOMMENDS: STRENGTHEN PARTNERSHIP FOR DOWNTOWN

In comparison with other communities, CGR finds surprisingly little coordination among downtown business firms and property owners. City policies affect three distinct interested parties in the central business district, including retail business owners, office space owners and users, and downtown residents. While well-established organizations usually speak for these interests in other cities, the leadership is deeply fragmented in Troy. A “partnership for downtown” is key to the revitalization of Troy. The Troy Strategy Group, the Rensselaer County Regional Chamber of Commerce and the City of Troy can jointly provide the leadership and funding necessary to focus attention on downtown issues and bring merchants and property owners together for mutual gain. Regardless of who contributes to downtown initiatives organizationally, it is critically important that Troy’s new mayor assume the role of downtown advocate, meeting with present and prospective downtown merchants, property owners and residents.

Reputation

UCGR RECOMMENDS: SUPPORT TROY IMAGE CAMPAIGN

We cannot overemphasize, however, the fact that Troy's bright future may not arrive for an extended period of time. The road to prosperity for Troy will be a long one. Of the "fundamentals" required for a thriving Troy economy, two are lacking: First, Troy's reputation in the region and the state is in sore need of rehabilitation. Regardless of the true state of Troy's finances in 1996 and the quality of life of its citizens, Troy will still be thought of as a troubled community and as one of the less desirable parts of the Capital District. While those who actually visit Troy find a far different community than they expected, many will never consider Troy as a place to live or found a business, simply because of the reputation. The external reputation of the City may have only a limited impact on the South Troy Industrial Park's position as a competitor for the Super Steel/General Motors joint venture. Yet the city's ability to attract an office use or a new retail establishment is more seriously affected by the reputation. Businesses seeking a regional clientele will be concerned about the "Can anything good come out of Troy?" impact on their business. In an extraordinarily competitive market for business sites, reputation is immensely important and, unfortunately, very difficult to change.

UCGR RECOMMENDS: CONTINUE EFFORTS TO PLACE "GOOD NEWS" ABOUT TROY IN REGIONAL PRESS

The Troy Image Campaign being run by the Rensselaer County Department of Planning and Economic Development is one step the community can take to restore Troy's reputation. However, image restoration must go further than simple advertising. Advertising will only have a very slight impact on the regional and state perception of Troy. CGR recommends that the City, County and Rensselaer County Regional Chamber of Commerce (RCRCC) work together to place news stories about Troy's assets. These could include a focus on Troy's restaurants, the success of Hedley Park Place, or progress on implementing the Waterfront Plan. While all are aware of the importance of positive stories for political purposes, such activity will also help the community assume its rightful place as a desirable community in which to live and work.

Impact of Fiscal Uncertainty

In a conversation with a downtown merchant, CGR staff found that the business's owner had planned to expand the business in a different downtown location but changed his mind because of the uncertainty surrounding Troy's future. It is critically important that Troy get its fiscal house in order and communicate to the entire state that Troy is "back in business."

The lack of stability in Troy's finances has a tremendously negative impact on its ability to attract and retain business. Successful business owners are masters of risk management. For this reason, businesses seek to minimize risk when possible, particularly risks they have little ability to calculate or control. The City of Troy presents a business with many uncontrollable and largely unmeasurable risks. While the current administration's consideration of bankruptcy, for example, is understandable in light of the city's financial dilemma, this discussion introduces an element of risk that businesses have no ability to assess. As an extremely rare occurrence among municipalities, businesses are incapable of measuring the level of extra risk they face by locating in a community that may declare bankruptcy.

UCGR RECOMMENDS: ENCOURAGE NEW MAYOR TO FORECLOSE BANKRUPTCY AS SOLUTION TO CITY'S PROBLEMS

The prospect of bankruptcy has a dampening effect on business retention, expansion and recruitment. We urge the new mayor of Troy, whomever that may be, to announce upon election that he or she will not entertain bankruptcy as a solution to Troy's problems. While this declaration would remove one tool from the city's arsenal in union negotiations, we believe that the price is worth paying.

Property Tax Rates

While Troy's property tax rates are not unusual in the context of the State of New York's cities, they are the highest of all municipalities in the Capital District. The realities of business location are that cities must compete on price with their more rural neighbors. This

often means that the city—as it offers “brownfield” sites that must be redeveloped—are often forced to make competitive concessions on taxation that level the playing field with their suburban or exurban rivals offering lower-cost “greenfield” sites.

Given the fiscal crisis of Troy, this is problematic. It may be solved partially by an aggressive policy of tax abatement for new business. Ultimately, the economic base of Troy must be rebuilt to such an extent that it can support a reduction in the rate of property taxation.

UCGR RECOMMENDS: SEEK EXPENDITURE REDUCTIONS TO PERMIT PROPERTY TAX RATE REDUCTION

As discussed above, a temporary increase in property tax rates may be necessary in the short run if Troy is unable to achieve recommended expenditure reductions. Long-run prospects for the City would be significantly improved by a reduction in tax rates.

Contract with Rensselaer County

UCGR RECOMMENDS: CONTINUE ECONOMIC DEVELOPMENT CONTRACT WITH RENNELAER COUNTY

The City of Troy chose to enter into a contract with Rensselaer County’s Office of Planning and Economic Development for economic development services. The City gains the assistance of a sophisticated and experienced economic development staff who can more effectively specialize on specific areas of economic development. While the City must monitor the work of the County carefully to ensure that the interests of Troy are given appropriate consideration, CGR believes that this type of consolidation and cooperation is particularly appropriate in the economic development field.

Elements of Economic Development Strategy

A successful economic development strategy depends on *retaining* existing business, *stimulating* new business start-ups, and *recruiting* new business sites from outside the

community. We believe that elements of all three strategies are in place in the City of Troy, although more resources could always be placed behind these efforts.

UCGR RECOMMENDS: DEVELOP COMPREHENSIVE STRATEGIC ECONOMIC DEVELOPMENT PLAN

One missing element, however, is a comprehensive strategic plan for the city's economic development. In cooperation with TRIP and EastWest Planning, City Planning is just completing a three to five year strategic plan for submission to the U.S. Department of Housing and Urban Development. Based on the draft CGR reviewed, this document provides a foundation for a comprehensive economic development plan. Focusing on housing and demographics, this is an important first step to a comprehensive plan that can serve as a blueprint for future economic development activity.

UCGR RECOMMENDS: TAKE FULL ADVANTAGE OF ENTERPRISE COMMUNITY & EDZ STATUS

Both Troy's recent designation as a federal Enterprise Community and its longstanding status as a NYS Economic Development Zone have provided an impetus for planning and as a funding vehicle for new programs. While the number of zones and enterprise communities within the state has diluted the competitive value of designation, Troy can still obtain access to significant resources through these programs.

Business Retention

UCGR RECOMMENDS: CONDUCT EXTENSIVE BUSINESS RETENTION AND EXPANSION SURVEY

The foundation of any economic development strategy is a focus on existing business. Key to an effective business retention strategy is a focused series of conversations with existing firms. Based on work pioneered in the State of Ohio, Cornell University's Local Government Program has developed an extensive interview protocol that can be used by community volunteers to assess the needs of business. This is a substantial effort requiring considerable coordination by the lead agency. The County planning department is already

engaged in a business visitation program, but it is unaffordable for paid staff to conduct in-depth interviews across a broad cross-section of the business community.

Entrepreneurship

Successful communities “grow their own” businesses. A corporate recruitment campaign relies on outside firms locating or re-locating branch facilities in the community. Economic development professionals generally regard the corporate recruitment campaign as a strategy with a lower return per dollar spent. Furthermore, recruited firms often require substantial incentives that guarantee that community benefits will be delayed. On the other hand, entrepreneurs who already have a tie to Troy are likely to remain in the community, depend more heavily on local resources and contribute more to local institutions.

UCGR RECOMMENDS: SUPPORT NEIGHBORHOOD-BASED BUSINESSES

Several initiatives are in place to support entrepreneurs, including the Market Block Incubator and the Rensselaer County Entrepreneur Assistance Program (REAP). The REAP program was funded by a \$400,000 grant from the HUD Community Development Block Grant Program. The goal of this program is to help establish or expand neighborhood based businesses in the City of Troy. The strategic plan developed by City planning also endorses the establishment of neighborhood-based businesses.

Business Recruitment

UCGR RECOMMENDS: AGGRESSIVELY MARKET SOUTH TROY INDUSTRIAL PARK

Business recruitment, while the third in priority order for economic development planning, is still an important element of a comprehensive economic development strategy. For the City of Troy, the South Troy Industrial Park is a significant asset with considerable potential for the community. While light industrial space is easily found in the Capital District, space for heavy industry is much more difficult to identify. The Super Steel/General Motors joint venture is a particularly appropriate target for the South Troy Industrial Park. The 35 acre park is an excellent location for a variety of business needs. Through a grant from the

federal Department of Commerce’s Economic Development Administration, the Rensselaer County IDA is conducting a marketing and engineering study of the park and is focusing particular attention on funding for an access road. County Planning estimates tax revenue of \$1.8 million annually at full build-out.

UCGR RECOMMENDS: DEVELOP DIVERSE “PORTFOLIO” OF INDUSTRIAL SPACE

The key to a successful business recruitment strategy is providing prospective businesses with a diverse portfolio of existing and potential industrial space. Some potential office users may be interested in downtown space in an historic building. Others may have a strong preference for a new building on a more “suburban” looking site. Some manufacturers are looking for a “office park” setting for R&D and light assembly while others require a location that can accept the noise and traffic of a major manufacturing plant. The Oakwood Business Park concept, for example, would provide Troy with a “greenfield” site that would complement the “brownfield” heavy-industry oriented South Troy Industrial Park. As much as possible, Troy should work with the County to develop this diverse portfolio.

Downtown Parking

Inadequate parking is a problem that plagues all older cities. Troy is no exception. Downtown merchants and property owners, always in competition with suburban shopping malls and office parks, are appropriately concerned about the absence of abundant, free parking in sight of one’s building. While few cities can provide a parking environment that matches that of the suburbs, careful management of what parking is available can keep parking from being a major deterrent to downtown expansion.

UCGR RECOMMENDS: DEVELOP COMPREHENSIVE, LONG-TERM PARKING PLAN

While parking has been extensively studied in the City of Troy, the City has not formally adopted a long term parking plan. CGR recommends that the City reconvene/reconstitute the City of Troy-Downtown Council Parking Advisory Subcommittee to review actions taken since its June, 1994 proposal draft was completed. This body should

be charged with developing short-term and long-term proposals to meet the needs of downtown merchants, office workers and downtown residents.

UCGR RECOMMENDS: MANAGE ON-STREET PARKING MORE EFFECTIVELY

On-street parking is almost entirely unmanaged in the City of Troy. Reduced staffing in the Police Department combined with specific contract provisions discussed above have made enforcement of existing two-hour zones quixotic, at best. The City administration is aware of the problem and is in the process of remedying some of the causes. As mentioned above, CGR strongly supports the replacement of parking meters in the downtown and recommends that a Parking Violations Bureau take over enforcement from the Police Department.

UCGR RECOMMENDS: EXPLORE DEVELOPMENT OF NEW PARKING FACILITIES

Given the high vacancy rate among offices and shops in downtown Troy, the City does not presently appear to have a severe shortage of parking spaces. Given the severity of the city’s financial crisis, the short-term solution to Troy’s parking problem is better management of existing parking facilities.

The downtown’s growth and development will be limited without an eventual expansion of parking facilities in the downtown quadrant. While adding an additional deck to the Uncle Sam garage is one possibility and the construction of a completely new parking ramp another, the City should also consider developing “pocket” parking lots on the sites of now vacant buildings. For a City with Troy’s wealth of historic architecture, this raises the challenge of deciding which buildings should be preserved and which would be better taken down. While some would prefer that all buildings be preserved, the City must then rely on scattered site parking ramps to make up the difference. Not only are these more expensive to build, but the scale of a large parking ramp violates the appearance of the community. As a “human scale” City, Troy should maximize the opportunity to rely on small scale parking.

UCGR RECOMMENDS: IMPROVE PARKING SIGNAGE

Signage for parking is also limited and in need of improvement. The parking that is available is difficult to find. First time visitors to Troy find driving the one-way streets of downtown confusing. Inadequate directions to available parking lots compound their discomfort.

Safety

In addition to parking, safety concerns and police-community relations are also significant issues for downtown Troy.

UCGR RECOMMENDS: ADOPT “COMMUNITY POLICING” MODEL, PARTICULARLY IN DOWNTOWN

Many other cities have adopted a “community policing” model to improve relations between police and residents and workers, particularly in the densely populated urban core. The Troy Public Safety Commissioner and Police Chief have endorsed community policing and are in the process of implementing these principles in Troy. The horse patrols are a step in this direction and are very popular in the community. We endorse the new direction of the Police Department and urge an expansion of community policing in the downtown.

RECOMMENDED IMPLEMENTATION PLAN FOR MAYOR-COUNCIL FORM

Introduction

As of January 1, 1996, the City of Troy will transition from the “Council-Manager” form of government to the “Mayor-Council” form. As part of its responsibilities under this project, CGR was asked to provide input on the issues the City needs to confront as it plans this transition. This chapter outlines the major steps that the City should consider during the remainder of 1995.

Most importantly, CGR recommends that the City Council immediately appoint a Transition Planning Commission to consider the recommendations contained in this chapter, as well as suggestions that members may recommend. CGR staffed just such a committee in 1985 that prepared a detailed implementation plan for the City of Rochester’s transition to the Mayor-Council form.

CGR recommends that such a Commission consider at least the following four issues:

1. Level of permanent or advisory staff support that may be necessary to perform Council’s legislative function intelligently, with information based on detailed research.
2. Options City Council might consider to better inform and facilitate their policy-making role.
3. Appropriate complaint procedures on governmental operations that should be monitored and directed by the City Council and available to the citizens of Troy.
4. Priority issues that the Mayor will need to address.

The Mayor-Council Relationship

In 1996, Troy will transition to an elected mayor form of government. The amended City Charter provides for a mayor with strong executive powers and the institutional ability to provide community leadership.

At the same time, the amended Charter also provides the City Council with significant legislative powers--following the logic of balance-of-power between the executive and legislative branch. In theory, the City Council has been given powers that would permit a careful check on the Mayor without impairing the Mayor's ability to provide needed leadership.

The amended City Charter provides the City Council with the following powers:

1. To determine all matters of City policy, subject to the powers of the mayor to determine such policy as provided in Charter section 3.04;
2. To amend this Charter by local law in accordance with the provisions of the municipal home rule law except that any local law which abolishes, transfers, or curtails any power of the mayor shall be subject to mandatory referendum;
3. To act by local law under the provisions of any optional state law authorizing the City to assume additional powers or duties;
4. To adopt and direct the enforcement of penal ordinances;
5. To direct by ordinance the construction of any public or local improvement and, in the case of local improvements, to fix the percentage of the total cost to be assessed against benefitted property and the district within which such percentage shall be assessed;
6. To appoint and to remove the City clerk, and the administrative assistant to the City council (although this position is now held vacant) and to set the salaries of the

councilmen, the president, the City judges, the police justice, the mayor, the City clerk, and the administrative assistant to the City council;

7. To authorize the issuance of bonds or notes of the City in accordance with the provisions of the local finance law and in accordance with applicable provisions of the general municipal law;
8. To adopt or to amend and adopt, subject to the veto powers of the mayor, the annual budget of the City;
9. To make all appropriations and, except as otherwise provided herein, all reappropriations of City funds, subject to the powers of the mayor as enumerated in sections 3.04 and 3.08.
10. To adopt and to amend a capital budget, subject to the line item and general veto power of the mayor as set forth in section 3.08.
11. To fill any vacancy in any elective office of the City except as limited by section 2.00.

This enumeration of powers shall not operate in any way to restrict the general powers granted by sections 1.03, 2.21 and 2.22 of the Charter.

Thus, the amended City Charter has created a balanced form of local government which should perform well if both the Council and Mayor act in good faith and in a cooperative spirit.

However, experience with elected mayor forms of local government throughout the United States indicates that the executive branch is at an advantage in terms of its use of assigned powers. This advantage results from the focus of power in an individual (the Mayor) instead of a group as well as from the natural momentum gained by the day-to-day routine of executive functions. A mayor with strong executive powers, as represented in the amended Troy Charter, has great access to information and loyalty from those with the information.

In comparison, a City council, especially one in transition from a council-manager form of government, lacks immediate access to information and the staff necessary to analyze and

use it. The major problem now facing the Troy City Council relates to *how should it shape and use its powers*. More to the point, how should it shape and use its powers so as to achieve its legislative review function concerning executive actions without creating unnecessary disruption and adversity?

The remaining sections of this report therefore focus on several key issues concerning Council powers, as outlined above. The last section addresses some issues pertinent to Mayoral authority.

Council Staffing/Support Services

Options for Council Staffing/Support

Section 4.03 of Local Law No. 4 of 1994 calls for the City Auditor to be appointed by and be directly responsible to the City Council, to perform such accounting and auditing functions as may be directed by City Council. This independent position will be critically important to establishing the Council's balance of authority to ensure the City's fiscal integrity, and should be staffed by a Certified Public Accountant with governmental experience. In addition, Section 2.08 references the City Council's authority to appoint the City Clerk and Administrative Assistant to the Council.

In addition to these positions, the Transition Planning Commission should consider the needs of Council under the Mayor-Council form to have additional professional staff.

The basic options for council staffing/support may be summarized, as follows:

- c Budget/Research Staff
 - Depend on administration only
 - Independent staff unit reporting to council
 - Contract services
 - Any of above options with majority/minority split

- c Legal Services
 - Depend on city's corporation counsel
 - Supplement corporation counsel with special independent counsel as needed
 - Independent legal staff reporting to council
 - Any of above options with majority/minority split

- c Staff Aides (for individual council members)
 - Provide only pooled assistance
 - Provide a flat amount to each Council member

Recommendations/Phased Development of Staff Based on Experience

During its research of other cities in preparation for the move to a Mayor-Council form in Rochester, CGR found that structural changes to the form of local government which strengthened the powers of the elected executive (or created a strong elected executive) resulted in the addition of staff and support services to the legislative branch. Under an elected executive, City councils tend to become more active and require staff support to adequately perform their independent and counterbalancing legislative function. However, in general, City councils (or legislatures) in transition have added staff/support services gradually over time. As experience with an elected executive form is gained, staffing needs are evaluated and revised--both up and down.

The following recommendations reflect this finding to proceed with strengthening council staffing but to proceed slowly. We in the process have assumed that the Mayor-Council relationship will be a cooperative one and that the Mayor will assist the Council in performing its legislative function through an open exchange of information.

Budget/Research Staff

Initially, as a supplement to its auditing responsibilities, City Council should stress the need for budget and financial analysis. However, it is also important to have a flexible capacity for analyzing a variety of mayoral proposals. Therefore policy staff should be oriented to both

budgetary and programmatic analysis. Such staff should also be available to help council members with their more complex constituent problems. These positions require persons with training and experience in public finance and public administration. This staff should be considered as professional. The major staff selection criterion should be demonstrated expertise in working with municipal budgets and policy analysis.

The Transition Planning Commission should recommend the appropriate level and appropriation for Council budget/research staff for 1996. (CGR's survey of other cities in this regard, prepared for the Rochester transition, will be made available.)

Depending on the amount allocated in the 1996 budget, budget/research staff may be split proportionately on a majority/minority basis. The majority-side should not receive less than one full-time equivalent position.

It should be possible to retain staff assistance as City employee(s) or by contract. If staff is retained as city employee(s), such staff should be classified exempt under Civil Service. While staff may be divided and report separately to the majority and minority members, it is expected that the staff will collaborate on a variety of projects including annual budget analysis, joint review of other mayoral proposals, and development of key Council-initiated proposals.

Legal Services

Resources should be budgeted for City Council members to retain independent legal counsel on an as-needed basis. However, City Council members should for the most part be provided with legal opinions not requiring extensive research and legislative drafting services by the City's Law Department. Requests by City Council members for legal services from the Law Department should be made through the Council President.

The use of the City's Corporation Counsel to provide routine legal services to the City Council represents an efficient method for obtaining needed legal advice as was found in most cities sampled for past studies. The City Council participates in the selection of the Corporation Counsel in that Council approval is required of the Mayor's candidate.

Constituent Services (for individual council members)

General secretarial/clerical and administrative assistance services should be available to each council member to support the duties of the office. These services should include typing, copying, mailing, and other constituent-related tasks. These services should be available equally to each council member. In order to ensure equitable access to service, each member should be allowed a specific share of available services including an amount for postage.

Such staff exists already in the Administrative Assistant to the Council. This level of service should be evaluated by the Transition Planning Commission to determine if additional such support services are warranted. Again, CGR's surveys of staffing in other cities with this governmental form will be made available.

Legislative Initiatives

This issue concerns the extent to which City Council should undertake policy planning and programming initiatives independent of the mayor.

City Council has a variety of options for pursuing independent policy initiatives:

- c Holding of legislative hearings by standing committees on community problems and proposed legislation, etc.
- c Use of an "agenda" committee to ensure delegation of issues and proper distribution of legislative workload.
- c Use of temporary citizen study groups appointed by City Council.
- c Staffing of the President of the Council's office to strengthen the President's role in developing policy initiatives.

- c Adoption of an annual program of proposed new legislation on specified topics.
- c Use of temporary, special council committees (of council members) on selected topics.

As mentioned above, our assumption is that the Mayor-Council relationship will be a cooperative one and the Mayor will assist the Council in performing its legislative function through an open exchange of information. Nevertheless, CGR recommends that the City Council undertake independent policy initiatives utilizing any or all of the options listed above and the Transition Planning Commission should make specific recommendations to the City Council in this regard.

Complaint Procedures

Another issue dealt with by other cities that have transitioned from Council-Manager to Mayor-Council that a Transition Commission should address concerns the extent to which City Council should be involved in complaint procedures regarding governmental operations--beyond the normal role of a council member in assisting constituents on a case-by-case basis.

Basic options for complaint procedures include the following:

- c Creation of a Legislative Ombudsman position
- c Routine analysis by Council staff of citizen complaints reported by the Mayor's administration
- c Monitoring of existing complaint procedures in all departments (e.g., Police Department)

The Mayor has power under the Charter to direct the executive departments, to establish orderly procedures for responding to council members, and even to limit access to specific administrative spokespersons. Meanwhile, City Council through its committee system has a mechanism for legislative oversight.

CGR recommends that the City Council should require a regular reporting mechanism based on all presently existing complaint procedures. This reporting should be the responsibility of the Mayor. City Council should periodically review reported complaints and consider possible legislative review of problem areas. The Transition Planning Commission should recommend specific action items in this regard.

Priority Issues for Mayoral Consideration

In addition to the aspects of legislative authority mentioned to this point, the Transition Planning Commission should also consider and make recommendations in two areas of Mayoral responsibility which have been given early priority by other cities going through this transition: appointment of a professional Deputy Mayor and preparation of an Administrative Code.

As stipulated in the recent Charter revision, CGR strongly supports the recommendation that a Deputy Mayor be appointed by the Mayor, *on the basis of his/her executive and administrative qualifications* and that he/she be the full-time managerial aide to the Mayor. CGR's research on other cities that have adopted the Mayor-Council form indicates that strong professional qualifications and experience of a Deputy Mayor are *absolutely essential* to a successful transition from the Council-Manager form.

The Charter revision also calls for the Mayor by July 1, 1996 to submit to Council a proposed ordinance establishing a code of rules and regulations for the departments and bureaus in the form of an Administrative Code. The Transition Planning Commission may wish to make recommendations in this regard and CGR has attached some related material under separate cover that we have found particularly helpful on a recent Mayoral transition project we staffed.

PERSONS INTERVIEWED TO DATE

Agency	Position	Name
Baer Real Estate		Kenneth Baer
Bauer Appraisal Group		Bruce Bauer
Capital Region Association of Realtors	Executive Director	James Ader
City of Troy	Member of Council	James Ogden
City of Troy	Member of Council	Carmella Mantello
City of Troy	Member of Council	Marion Hemberg
City of Troy	Member of Council	Catherine Conroy
City of Troy	Assessor	John Grogan
City of Troy	Planning Department	Peter Swota
City of Troy	Planning Department	Sandra Brown
City of Troy	City Clerk	Darlene Reischuk
City of Troy	Commissioner of Planning	Leonard DeVito
City of Troy	Corporation Counsel	Peter Kehoe
City of Troy	Commissioner of Public Utilities	Richard Casey
City of Troy	Commissioner of Public Works	Eugene Bechard
City of Troy	Department of Public Works	Bill Chamberlain
City of Troy	Police Chief	William Miller

Agency	Position	Name
City of Troy	City Auditor	Michael DiNova
City of Troy	Assistant Fire Chief	Nicholas Pascucci
City of Troy	City Manager	David Grandeau
City of Troy	Commissioner of Public Safety	Charles Mills
City of Troy	Member of Council	William Pascarell
City of Troy	Member of Council	Nina Pattison
City of Troy	Member of Council	Theodore Szalasny
City of Troy	Budget Director	Kathy Jimino
City of Troy	Deputy Mayor	Arlene Cahill
City of Troy	Mayor	Eugene Eaton
City of Troy	Comptroller	Joseph Mazzariello
City of Troy	Comptroller's Office	Bernie Carabis
City of Troy	Fire Department Chief	Ed Schultz
City of Rochester	Fire Chief	David Griffith
City of Rochester	Assistant to Mayor	Robert Meyer
City of Rochester	Battalion Chief	Anthony Infanolino
City of Rochester	Commissioner, Environmental Services	Edward J. Doherty
David Heer Realtors		David Heer
Dormitory Authority of NYS	Executive Director	John Buono
EastWest Planning & Development	Principal	John Holehan
Emma Willard	Head	Dr. Robin Robertson
First United Presbyterian Church	Co-Minister	Mark Smutny

Agency	Position	Name
First Albany Corporation		John J. Puig
Former City Manager		John Buckley
Former City Manager		Steven Dworsky
Former City Manager		James Caplinger
Harter, Secrest & Emery	Attorney	Ross Lanzafame
Junior Museum		Ralph Pascale
Los Angeles County Fire Department	Medical Director	Franklin Pratt
Mayoral Candidate		Michael Petruska
Mayoral Candidate		Mark Pattison
Mercer Companies, Inc.		Barbara Higbee
NYS Senate	Office of Majority Leader	Steven Boggess
NYS Assembly	Ways & Means Committee	Roman Hedges
NYS Office of the State Comptroller	Deputy Comptroller Div. of Municipal Affairs	Patricia L. McCarthy
NYS Office of Real Property Services	Director of Policy Analysis	James Dunne
NYS Assembly	Assemblyman	Ronald Canestreri
NYS Office of the State Comptroller	Div. of Municipal Affairs	Frank McColl
NYS Office of the State Comptroller	Asst. Deputy Comptroller for Municipal Affairs	Jeffrey Swain

Agency	Position	Name
NYS Office of the State Comptroller	Asst. Dir. of Municipal Accounting Systems	Brian J. O'Neill
NYS Office of the State Comptroller	Assistant Counsel	Mitchell S. Morris
NYS Office of the State Comptroller	Director of Municipal Accounting Systems	Henry F. Hoffman
NYS Office of the State Comptroller	Div. of Municipal Affairs	Pam Corrento
Pfeil & Co.		Jeff and Deane Pfeil
Police Benevolent Association	President	Jack Rogers
Rensselaer County	Budget Director	Michael Corrigan
Rensselaer County	Environmental Management Council	Ken Dufty
Rensselaer County Council for the Arts	Executive Director	Raona Roy
Rensselaer Polytechnic Institute		Dr. Ken Gertz
Rensselaer Polytechnic Institute	President	Dr. Bryon Pipes
Rensselaer County Historical Society	Executive Director	Ann Ackerman
Rensselaer County		Ken Flood
Rensselaer County	Director of Planning & Economic Development	Glen King
Seton Health System		Dr. Edward Murphy
The Eddy/Samaritan Hospital		Robert Whitaker
The Sage Colleges		Joseph Curtin
Troy Ambulance Service, Inc.		Steve Retzlaff

Agency	Position	Name
Troy Rehab & Improvement Program (TRIP)	Executive Director	William Patrick Madden
Troy Public Library	Executive Director	Paul Hicok
Troy Urban League		Melissa Richburg
Troy City School District	Treasurer	Steve Zautner
Troy City School District	Superintendent	Don Hep
Troy Teachers Association		Maryalice O'Brien
Troy Architectural Program (TAP)		Joseph Fama
Uniform Firefighters Association	President	Gary Favro
Unity House		Chris Burke

Sources

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Agreement, City of Troy Department of Public Safety Bureau of Police and Troy Police Benevolent and Protective Association, January 1, 1994 to December 31, 1995.

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Annual Financial Report, Update Document for the City of Albany for the Fiscal Year Ended 1994. State of New York, Office of the State Comptroller, Division of Municipal Affairs.

Annual Financial Report Update Document for the City of Utica, County of Oneida, for the Fiscal Year ended 1994. NYS Office of the State Comptroller, Division of Municipal Affairs.

City of Albany, New York, General Purpose Financial Statements including the Report of Independent Accountants, year ended December 31, 1991.

City of Binghamton Comprehensive Annual Financial Report, Fiscal Year ended December 31, 1993.

City of Newburgh, New York, The Fiscal Budget for the Year 1994, Harold Poor, City Manager.

City of Troy 1994 Charter Revisions

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City of Troy - Various Financial Data, paper, December 5, 1994.

City of Utica, New York, 1994 Financial Statements. D'Arcangelo & Co.

Code of Ordinances, City of Troy New York, City of Troy.

Comprehensive Annual Financial Report, Fiscal year ended December 31, 1992, City of Newburgh, New York, prepared by the Department of Finance, City Comptroller, Director of Finance.

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Comprehensive Annual Financial Report, Fiscal Year ended December 31, 1993, prepared by the Department of Finance, Troy, New York.

Contract, Command Officers Association Troy, Inc., 1994-1995.

Economic Zone/Enterprise Community, Troy Enterprise Community, unknown date.

General Purpose Financial Statements including the Report of Independent Accountants, Coopers & Lybrand, year ended December 31, 1991

Official Statement relating to City of Troy, Rensselaer County, New York, \$1,400,000 Bond Anticipation Notes, Series 1994E and \$12,800,000 Bond Anticipation Notes, Series 1994F, City Comptroller December 5, 1994.

Officials of the City of Troy, New York at the time of this Codification, May 1973.

Phase One - Review of Existing Conditions, City of Troy Housing and Community Economic Development Study, unknown date.

Proposal to Sell City Hall, presented by Harry O. Lee, Lee & LeForestier Attorneys and Counsellors at Law, March 28, 1995.

Rating News, Topics: Troy, New York General Obligations Bonds Downgraded to B from Ba; City Faces Fiscal Crisis; 1995 Budget Contains Risks and is Balanced with Substantial One-Time Actions. Moody's Investors Service

Report to the City of Troy on Financial Management. Advisory Commission on the Finances of the City of Troy, New York, April 6, 1994.

Thoughts and ideas regarding the possibility of outsourcing various financial and accounting functions currently being done by employees of the City. Letter to City Manager David Grandeau from Willard G. Reynolds, CPA, dated April 3, 1995, Bollam, Sheedy, Torani & Co. LLP.

Troy - 1993 Annual Budget, presented by Steven G. Dworsky, City Manager, October, 1992.

Troy - 1994 Annual Budget, presented by Steven G. Dworsky, City Manager, October, 1993.

Troy - 1995 Annual Budget, presented by David M. Grandeau, City Manager, October, 1995.

Troy Waterfront Plan - Summary Report, prepared by Christopher Chadbourne and Associates,
prepared for the City of Troy, New York, unknown date.

APPENDIX

Literature on the Transition to Mayor-Council Form of Government

A Citizen Study of the Transition to a Mayor-Council Form of Government (Toledo, OH)

A Guide to Mayoral Transition (Kennedy School of Government, Harvard University)

Survey of Police Benefits

To assess police officers benefits offered by those cities CGR identified as comparable to Troy, CGR conducted a survey of PBA contracts for Albany, Schenectady, Utica, Binghamton and Newburgh. Personnel or employee relations offices in these cities were contacted to obtain the following information.

(NOTE: Survey is for benefits offered to police officers and includes all personnel ranks and title appointed from Civil Service lists, vested with police powers, exclusive of the rank of captain and above.)

Troy

1. Table of Insurance, Health, Dental and Disability Benefits

Insurance	yes	no	Type of insurance offered, i.e., family or individual	What % of cost does the city pay? If City pays total, is there a minimum employment period?		What % does the employee pay?
Health (active)	X		both	City pays 100% for employees hired prior to 1984. City pays 75% for employees hired after 1984 and have one year's employment.		0%, prior to 1984 and 25%, after 1984
Health (retirees)	X		same	100%	No	0%
Dental	X		City pays 100% of Blue Shield			
Disability		X	According to General Municipal Law			

2. What are the sick leave benefits? Number of days per year?

Unlimited

3. What are the personal leave benefits? Number of days per year? Can personal days be converted to sick, vacation or cashed-out at the end of the year?

Maximum of 6 days per year; PBA members can cash-out up to 36 hours of unused personal leave.

4. How many days are granted for vacation annually? Is there a maximum for vacation banks/accumulated days?

1-12 months earn 1 day per month; 1-5 years (10 days); 5-10 years (20 days); 10-15 years (20 days); 15-20 years (30 days); 20-25 years (35 days) and over 30 years (40 days).

5. Are there any restrictions on union president's time off to attend to PBA (union) business?

Language, "allowed all necessary released time with pay"

Leave with pay to participate in conferences and conventions

6. Do officers bid on work assignments? With what frequency are bids done--- every year, every three, etc.?

All positions are open for annual reassignment.

7. How are light duty assignments determined?

Administrative decision between chief and officer's physician

8. What is the 1995 salary increase for police officers? 4%

Binghamton

1. Table of Insurance, Health, Dental and Disability Benefits

Insurance			Type of insurance offered, i.e., family or individual	What % of cost does the city pay? If City pays total, is there a minimum employment period?		What % does the employee pay?
	yes	no				
Health (active)	X		both	92½%	Month following employment	7½%
Health (retirees)	X		same	75%	No	25%
Dental	X		same coverage under Blue Cross/Blue Shield			
Disability		X	According to General Municipal Law			

2. What are the sick leave benefits? Number of days per year?

One day per month with 15+ years service, one-half of accumulated care can be cashed. "Compensatory time" 40 hours per/year.

3. What are the personal leave benefits? Number of days per year? Can personal days be converted to sick, vacation or cashed-out at the end of the year?

No carryover--cashed at end of year.

4. How many days are granted for vacation annually? Is there a maximum for vacation banks/accumulated days?

After 6 months (5), 1 year (10), 3 years (15), 4 years (20), 17 years (22)

5. Are there any restrictions on union president's time off to attend to PBA (union) business?

At discretion of chief--annual meeting and other occasions as they arise.

6. Do officers bid on work assignments? With what frequency are bids done--- every year, every three, etc.?

Bid on annual shift assignments, not work assignments.

7. How are light duty assignments determined?

Administrative decision between chief and officer's physician

8. What is the 1995 salary increase for police officers? 3%

Albany

1. Table of Insurance, Health, Dental and Disability Benefits

Insurance	ye s	no	Type of insurance offered, i.e., family or individual	What % of cost does the city pay? If City pays total, is there a minimum employment period?		What % does the employee pay?
Health (active)	X		either	before 1990 100%	No	after 1990: single 10% family 25%
Health (retirees)	X		same as active			
Dental		X				
Disability			Whatever is under 207c of General Municipal Law			

2. What are the sick leave benefits? Number of days per year?

Unlimited but there is an incentive for not taking, can earn bonus days up to 5 extra vacation days, up to 6 days-no excuse.

3. What are the personal leave benefits? Number of days per year? Can personal days be converted to sick, vacation or cashed-out at the end of the year?

3 days after first year. Then, unlimited can be cash payout at end of employment.

4. How many days are granted for vacation annually? Is there a maximum for vacation banks/accumulated days?

Lieutenants (24), Officers (10) after 1st, (15) after 2nd, (21) after 3rd, Sergeants (23); can accumulate up to 45 days

5. Are there any restrictions on union president's time off to attend to PBA (union) business?

No

6. Do officers bid on work assignments? With what frequency are bids done--- every year, every three, etc.?

When opening occurs--based on seniority--special jobs by bid with review.

7. How are light duty assignments determined?

Coordinate between police and private physician.

8. What is the 1995 salary increase for police officers? 3%

Schenectady

1. Table of Insurance, Health, Dental and Disability Benefits

Insurance	yes	no	Type of insurance offered, i.e., family or individual	What % of cost does the city pay? If City pays total, is there a minimum employment period?		What % does the employee pay?
Health (active)	X		either		No	Between 50 & 10% for years 1-4; after that city pays 100%. After 1/1/95 100% for 1st 5 years
Health (retirees)	X					Over 10 years of service = city paid health and dental
Dental	X		either	same as health		
Disability			Whatever is under 207c of General Municipal Law			

2. What are the sick leave benefits? Number of days per year?

Unlimited days/year

3. What are the personal leave benefits? Number of days per year? Can personal days be converted to sick, vacation or cashed-out at the end of the year?

3 days a year--use or lose. No.

4. How many days are granted for vacation annually? Is there a maximum for vacation banks/accumulated days?

Year 1 = 10; 2 = 15; 3 = 15; 4+ = 20, no carryover.

5. Are there any restrictions on union president's time off to attend to PBA (union) business?

No

6. Do officers bid on work assignments? With what frequency are bids done--- every year, every three, etc.?

Yes, as job is open, no set frequency.

7. How are light duty assignments determined?

Determined by police doctor.

8. What is the 1995 salary increase for police officers?

3% effected Jan 1995, and effective July 1, 1995 an additional 2%,

Utica

1. Table of Insurance, Health, Dental and Disability Benefits

Insurance	yes	no	Type of insurance offered, i.e., family or individual	What % of cost does the city pay? If City pays total, is there a minimum employment period?		What % does the employee pay?
Health (active)	X		both		After 1 month	10% of traditional; if HMO options are less than 90% get free
Health (retirees)	X		Paid by city until age 65 after April 1 will pay 10%			
Dental	X		Pay 10% city pays 90%			
Disability		X				GML

2. What are the sick leave benefits? Number of days per year?

18 days/year

3. What are the personal leave benefits? Number of days per year? Can personal days be converted to sick, vacation or cashed-out at the end of the year?

4 days a year--no conversion. Cashed at end of employment.

4. How many days are granted for vacation annually? Is there a maximum for vacation banks/accumulated days?

Year 1 = 15; 2 = 17; 3-10 = 19; 10+ = 21, every rank up gets additional..

5. Are there any restrictions on union president's time off to attend to PBA (union) business?

Not really, at discretion of chief.

6. Do officers bid on work assignments? With what frequency are bids done--- every year, every three, etc.?

Yes, no set frequency; determined by chief.

7. How are light duty assignments determined?

Administrative decision.

8. What is the 1995 salary increase for police officers?

Effective April 1, 3% and effective January 1, 1995, an additional 3.5% d

Newburgh

1. Table of Insurance, Health, Dental and Disability Benefits

Insurance	yes	no	Type of insurance offered, i.e., family or individual	What % of cost does the city pay? If City pays total, is there a minimum employment period?		What % does the employee pay?
Health (active)	X		either	After 3 - 100%; 10% first 3	yes	1st 3 years - 10%; after 3 - 0%
Health (retirees)	X		same			
Dental	X		One union (PBA) uses special city fund for dental vision etc.			
Disability		X	No city - 207c of GML			

2. What are the sick leave benefits? Number of days per year?

PBA - 13/year; PSOA - 14/year

3. What are the personal leave benefits? Number of days per year? Can personal days be converted to sick, vacation or cashed-out at the end of the year?

2 per year plus 1 additional for non-use of sick; also 1 for marching in parade

4. How many days are granted for vacation annually? Is there a maximum for vacation banks/accumulated days?

Year 1 = 0; 1-3 = 10; 4-6 = 15; 7-9 = 20; 10-14 = 25; 15+ = 30

5. Are there any restrictions on union president's time off to attend to PBA (union) business?

No

6. Do officers bid on work assignments? With what frequency are bids done--- every year, every three, etc.?

No bid system; promotions through CSEA.

7. How are light duty assignments determined?

Police surgeon evaluates and makes recommendations.

8. What is the 1995 salary increase for police officers?

Contract is being negotiated.