

Building a Balanced Path Forward for a Prosperous New Rochelle

*Final Report & Recommendations of
the Citizens' Panel on Sustainable Budgets*

Submitted on September 12, 2012

FOREWORD

The Citizens' Panel on Sustainable Budgets ("the Panel") is a volunteer, non-partisan committee of New Rochelle residents.

The Panel was created by the City Council in order to conduct a thorough analysis of New Rochelle's ongoing fiscal challenges and to propose independent, creative solutions.

The Panel has fifteen members, six of whom were appointed by the City Council, six by individual Council Members, and three by the Mayor. The Panel's membership reflects the diversity of New Rochelle and possesses a range of relevant public and private sector experience.

Between February and July 2012, the Panel met frequently to pose questions, receive information, evaluate options, and debate recommendations.

The Panel's research was informed, in part, by data and observations provided by City officials, but all subjects of inquiry and all conclusions were determined solely by the Panel itself.

The following report is hereby submitted for the consideration of the City Administration, City Council and community of New Rochelle.

Panel Members	Appointed By
Todd Kern, <i>Chairperson</i>	City Council
Judith Berger	Council Member Shari Rackman
David Bieber	City Council
Emily Bromberg	Mayor Noam Bramson
Michael Boyle, Sr.	Council Member Louis Trangucci
Kyran Cassidy	Council Member Ivar Hyden
Matthew Costa	Mayor Noam Bramson
Michael D'Ambrosio	City Council
Jeffrey Hastie	City Council
Linda Kelly-Fauci	Council Member Albert Tarantino
Bo Kemp	City Council
Martha Lopez-Hanratty	City Council
David Peters	Council Member Jared Rice
Ann Rolett	Mayor Noam Bramson
John Rorer	Council Member Barry Fertel

LETTER FROM THE CHAIR

To Readers of This Report:

Roughly eight years ago, my family and I moved here to New Rochelle from New York City – like so many, in pursuit of its diversity, strong schools and rich sense of community. For each of those years, I said I wanted to “get more involved,” but often found that I was too busy to prioritize doing so. Fortunately, this chance to participate as a member of the Citizens’ Panel wound up providing my first real opportunity and I’ve been changed by the experience, so I wanted to share a few thoughts to provide additional context for readers of our work.

First and most important, I’ve developed tremendous appreciation for my new friends and neighbors whom I’ve met through the process. Some of us were more knowledgeable than others, and I’m embarrassed to admit how little I actually knew at the start, but I think it’s safe to say we were all learning as the process unfolded. Throughout our discussions, I’ve been struck by how genuinely each Panel member approached the process with commitment, fair-mindedness and a desire to find real solutions. Together with the fact that each voice within our group was consistently respected, this reinforces my sense of optimism about New Rochelle’s future.

Second, the package we’ve recommended is far from perfect. We are not experts. Instead, we’re just a group of normal citizens who agreed to spend a few hours/week for the past six months trying to apply our best thinking and judgment to an extremely complicated problem. There are no easy solutions and each of us can likely point to specific elements in this report that we voted against. We did not achieve unanimity – which is probably a good thing and reflects the richness of our discussions – but as a package, our recommendations enjoy very strong consensus for how we think New Rochelle should chart a path forward that balances our community’s diverse interests, needs and priorities.

Third, on behalf of the Panel, I want to offer our sincere thanks to the City administration and Council members – not only for their consistent work on our behalves, but also for responding so graciously to our repeated requests for just “one more question” or detail to inform our thinking and discussions. We don’t regard our recommended package as either fully comprehensive or “right,” but we tried to approach our task as if it was our job to craft an integrated solution that we believe could actually work, if adopted. In other words, we tried to put ourselves in *your* shoes. We are not deluded into thinking that our package of recommendations will simply be accepted in its entirety, but we hope this report can be a helpful input and resource to you as you enter what stands to be a challenging budget cycle.

Finally, a note to our fellow citizens: we hope this report provides a window into how our City government works and, in fact, how well our leaders have managed through a tough environment. At the same time, I caution anyone against pulling out any single item or recommendation in isolation from the broader, integrated context within which it is offered. As we now better understand and can appreciate more fully, the City’s budget is essentially a tug-of-war among competing priorities in an era of constraint. As you read through our recommendations, it is our hope both that you see *your* priorities represented and also take this opportunity to learn more about *your neighbors’* priorities. After all, we’re all in this together. Thanks for reading!

Optimistically,
Todd Kern, Chairperson

EXECUTIVE SUMMARY

Over the next three years, the City of New Rochelle must close an estimated \$29 million gap between anticipated revenues and anticipated expenditures – roughly 10% of total projected operating budgets. In addition, the City must make forward-looking investments to stabilize its physical assets and promote economic growth in both the short and long term. The Citizens’ Panel on Sustainable Budgets (“the Panel”) was established to help our community meet these important tests.

Our report recommends several dozen specific actions, including service reductions, new sources of revenue, targeted investment expenditures, property tax increases and property tax substitutes. Considered in isolation, many of these recommendations may seem objectionable, but when taken together, and especially when considered against possible alternatives, the merit of the Panel’s proposals becomes clearer. As individual members of the Panel, we each wrestled with our own discomfort in proposing several potentially painful and unpopular measures, but overcame our discomfort through a careful and honest consideration of trade-offs.

If we as a community do nothing, then the looming budget gap will require an average annual property tax increase of 9-10% above the State tax cap during each of the next three years and/or a collapse in the services and investments that make New Rochelle livable and sustain our property values. Each day that passes without action only intensifies this challenge.

To address this challenge, all of us, especially the City Council and Administration, must work collaboratively. We must demonstrate the strength and determination to make tough decisions, in the knowledge that every resident will benefit from a healthier city. And we must set aside allegiance to political party or concern for special interests, acting instead on a spirit of shared sacrifice and common purpose.

We believe that the package outlined in the following pages offers a balanced, coherent and effective strategy for taking charge of New Rochelle’s fiscal and economic future, while respecting and strengthening the values and priorities of the people of our community.

Principles for Action

The Panel’s report is organized into eleven broad categories of suggested action:

- Improve Operational Efficiency
- Leverage Grants and Private Contributions
- Link Sacrifice to Public Purpose
- Take Bold Action to Promote Economic Growth
- Use Objective Data to Right-Size Public Safety
- Challenge the Traditional Practices and Culture of Municipal Government
- Enhance Coordination with Schools and Neighboring Municipalities
- Monetize Public Assets
- Partner with Municipal Labor Unions
- Adopt Good Practices
- Set Taxation Levels to Meet Community Priorities and Distribute Burdens Fairly

A Balanced Approach

The Panel recommends a reasonable and sustainable balance of spending cuts, revenue increases, and new investments (*all figures are three-year aggregates, including 2013 through 2015*):

<u>Budget Savings/Cuts:</u>	\$15,800,000
<u>New Sources of Revenue:</u>	\$2,865,000
<u>Targeted Investments:</u>	(\$2,875,000)

Broad, But Bearable, Programmatic Impacts

The Panel recommends programmatic cuts within each of the four major municipal Departments (*all figures are three-year aggregates, including 2013 through 2015*):

<u>Fire – Reduce Overnight Manning:</u>	\$900,000
<u>Police – Consolidate Sectors:</u>	\$810,000
<u>DPW – Require Leaf Mulching/Bagging:</u>	\$600,000
<u>Parks – End Recreational Subsidies:</u>	\$445,000
<u>Assign Crossing Guards Based on True Need:</u>	\$375,000

Investing Today In A Better Future

The Panel recommends immediate, targeted investments aimed at future revenue growth and/or future savings (*all figures are three-year aggregates, including 2013 through 2015*):

<u>Infrastructure & Equipment:</u>	(\$750,000)
<u>Strategic Capital Investment:</u>	(\$750,000)
<u>Development Capacity:</u>	(\$675,000)
<u>Fire & Sanitation Studies:</u>	(\$275,000)
<u>Marketing/Branding:</u>	(\$225,000)

Sustainable Compensation

The Panel recognizes that municipal employees will almost certainly receive an increase in compensation through collective bargaining and/or interest arbitration, but in light of the unprecedented fiscal constraints on city government and the present low inflation rate, the Panel recommends a change in historic patterns of compensation growth (*all figures are three-year aggregates, including 2013 through 2015*):

<u>Overall Annual Rate of Increase:</u>	Up to 1.5%
<u>Savings Relative to Historic Trends:</u>	\$9,850,000

Reduced Reliance on Property Taxes

The Panel recommends pursuing several State-authorized revenue sources as a means of reducing reliance on property taxes and **directly off-setting property tax increases** (*all figures are three-year aggregates, including 2013 through 2015*):

<u>Utility Gross Receipts Tax Increase:</u>	\$8,400,000 (<i>with off-setting property tax reduction</i>)
<u>Real Estate Transfer Tax:</u>	\$4,500,000 (<i>with off-setting property tax reduction</i>)
<u>Hydrant Maintenance to Rate Base:</u>	\$3,900,000 (<i>with off-setting property tax reduction</i>)
<u>Sewers & Drains Fee:</u>	\$2,700,000 (<i>with off-setting property tax reduction</i>)

Benefit Beyond the Numbers

The Panel used conservative methods to estimate the fiscal impacts of its recommendations; likely costs have been included, while speculative savings or revenue sources have either been ignored or discounted. Most important, the financial calculations within this report do not include the intended and expected benefits associated with investment or further study, including potential growth in sales tax, increases in property values, reduction in future maintenance and capital replacement costs, efficiencies from school or regional consolidation, and diminished staffing needs that should result from some programmatic recommendations. A full and accurate reading of this report and its recommendations must recognize the possibility or probability of realizing these benefits, even if they are not quantified and counted within the Panel’s framework for closing the \$29 million budget gap.

Property Tax Impacts

Depending on several variables, the Panel recommends an annual change in the property tax rate during each of the next three years, relative to the State cap level, of between -2.07% and +4.96%, with the most likely scenario being an annual average property tax increase above the cap of +2.36%. The impacts of these property tax rate changes, relative to the existing tax cap, for the average single-family homeowner and for the average apartment renter are estimated as follows:

	“Best”	“Likely”	“Worst”
Change in City Tax Rate <i>(above/below cap)</i>	-2.07%	+2.36%	+4.96%
<i>% of Total Tax Bill (18% of 100%)</i>	-0.37%	+0.42%	+0.89%
Average Homeowner Annual Increase	-(\$57)	+\$65	+\$136
Average Apartment Renter Annual Increase	-(\$10)	+\$12	+\$25

Context, Logic & Detail Matter

A chart summarizing the Panel’s full package of recommendations can be found on pages 47-48. With respect to financial projections, please be reminded that all figures are three-year sums (including 2013, 2014 and 2015) and that ***probable benefits from investments and proposed studies have been excluded from the financial calculus, but should not be ignored when considering the merits of specific proposals***. The Panel’s full report contains background information, history and context, all of which are essential to understanding the nature of the City’s fiscal challenges and the logic of our suggestions. Interested parties are strongly encouraged to read this report in its entirety and not to draw conclusions solely from this Executive Summary.

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1. INTRODUCTION

The City of New Rochelle is at a crossroads. Like virtually every other municipality across the country, we currently face a growing and dangerous fiscal crisis that results from the compounded effects of a troubled economic climate – in our case, an estimated \$29 million shortfall over the next three years.

How we choose to respond to this crisis will likely determine the future trajectory of New Rochelle for many years to come. Bold action is needed.

Anticipating this challenge, the City Council last Fall established the Citizens Panel on Sustainable Budgets (“the Panel”) to help bring fresh perspective and surface new ideas for how we might deal with the City’s budget challenges. Fifteen of us, representing the full diversity of New Rochelle, have spent the past six months working to understand and deliberating the causes of, and potential solutions to, our fiscal crisis. When the above reality was first presented early in the process, many of us expected to find simple and obvious ways to close the budget gap. Like many residents, we suspected that New Rochelle’s City government would have its share of wasteful or irrelevant expenditures, ready for easy elimination at no real cost to our community.

We discovered something quite different. While it’s certainly not perfect and there is always room for improvement, we’ve come to the belief that overall, New Rochelle’s City government is doing a good job in a very difficult environment. The municipal workforce is small by regional and historical standards. Compensation levels are generally below the average for similar communities. And New Rochelle’s financial management practices are sound. If there are significant expenditures that can be clearly branded as “waste,” we have been unable to find them. Moreover, the more we’ve learned, the better we feel about how New Rochelle is faring relative to many other communities, both next door and across the country.

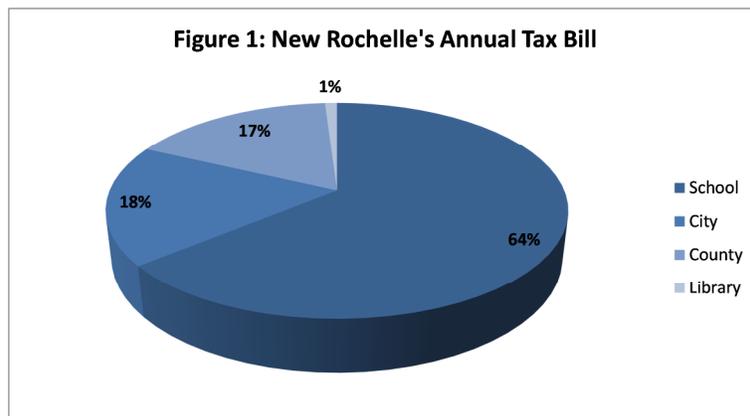
This represents both good news and bad news: good news because, as taxpayers, we feel renewed trust and confidence in our municipal leadership and workforce; but bad news because, if no true waste exists and the easy opportunities to save money have already been exhausted, then only hard choices remain. Offering recommendations to close the 3-year, \$29 million budget gap is our immediate challenge, but we also have recognized this process as an opportunity – perhaps an obligation – to rethink City government, question long-held assumptions, carefully evaluate our common priorities as citizens, and set New Rochelle on what we hope can be a more sustainable and self-reliant fiscal path.

None of us consider ourselves experts, but we have tried to take our responsibilities very seriously. The analysis and recommendations contained in this report represent our best collective thinking to address New Rochelle’s fiscal challenges head-on; with rigor, discipline and clarity; and in ways that strive to honor our community’s values. Notwithstanding the painful measures we are recommending to balance our budget today, ***we believe strongly that bold action now will help ensure a healthy and prosperous future for all of New Rochelle.***

2. CITY GOVERNMENT: WHAT WE PAY & WHAT WE GET IN RETURN

Although we all rely on City services and utilize City assets on a daily basis, many of us are not familiar with the structure and responsibilities of local government. Adding to general confusion is the division of authority between the municipal government, the New Rochelle City School District, and the County of Westchester, all of which function independently, with distinct tax rates, budgets, administrators and elected officials.

For example, even though every member of the Panel is actively involved in the community, some of us were still very surprised to learn that only 18% of our property tax bill goes to the City government (see Figure 1). New Rochelle is not unusual in this regard – school districts account for the lion’s share of taxes in every community of Westchester – but most people just lump all their taxes together and assume it goes to “City Hall.” This single statistic – 18% – is very important to keep in mind when we think about the impact of property tax rate increases and decreases, and also when we consider the value of services all of us receive in exchange for our taxes. Using actual dollar amounts can make things clearer.



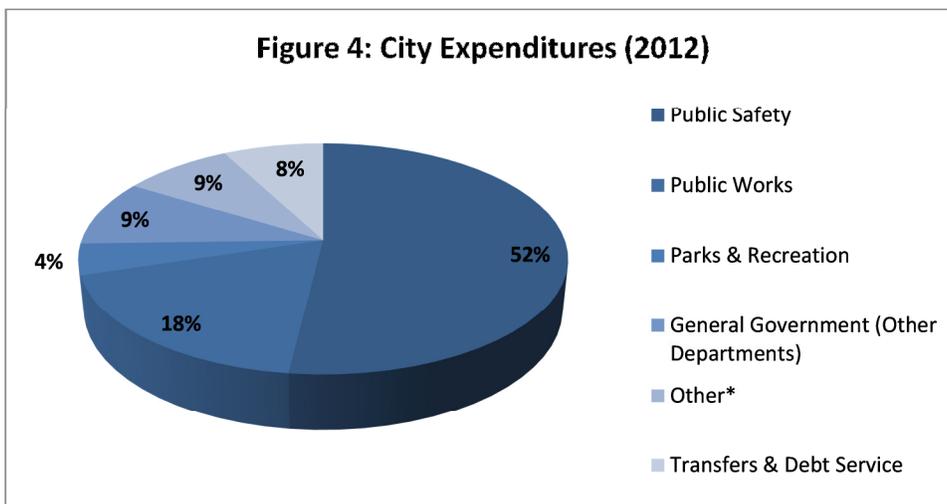
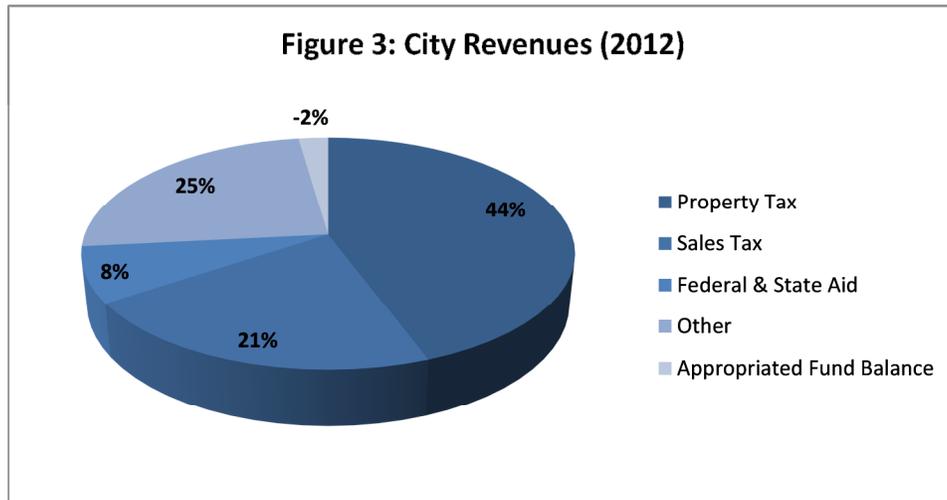
For a typical single-family homeowner with a house valued at \$500,000, that 18% comes to an average annual property tax payment to the City government of just about \$2,750. Renters, mainly apartment dwellers, pay their property taxes indirectly because it’s built into their monthly rent payments. While there is a lot of variability, the average apartment unit pays about \$500 a year in property taxes. With only a few exceptions, every housing unit in New Rochelle also pays a mandatory annual flat fee of \$223 per dwelling unit that funds trash and recycling pickup.

Figure 2: Average Annual Tax/Fee Payments to City Government*

Homeowner	Apartment Renter
\$3,000	\$750

* Including both taxes and fees

All these dollars – along with the property taxes paid by commercial entities, sales taxes, mortgage taxes, fees, fines and a variety of other sources of income – pay for our municipal services. And when it comes to spending those dollars, Police, Fire and Public Works account for the vast majority of the City’s expenditures, with other functions like Parks & Recreation, planning and general government support accounting for much less. Figures 3 and 4 illustrate the sources and uses of our public dollars, in aggregate. Day to day, municipal government is in the business of keeping us safe and collecting our trash. To put in the simplest terms: in exchange for 24-hour police, fire and medical protection, garbage pick-up, access to park and recreational facilities, snow removal, leaf pickup, and a scattering of other smaller services, the average homeowner is paying about \$250 a month, and the average renter is paying about \$60 a month.

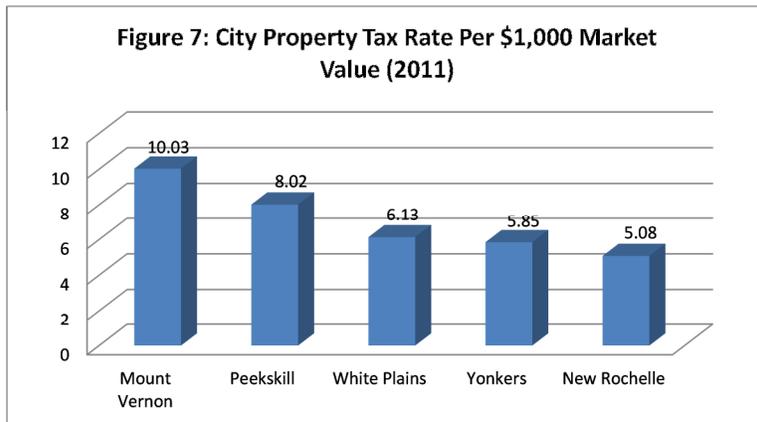
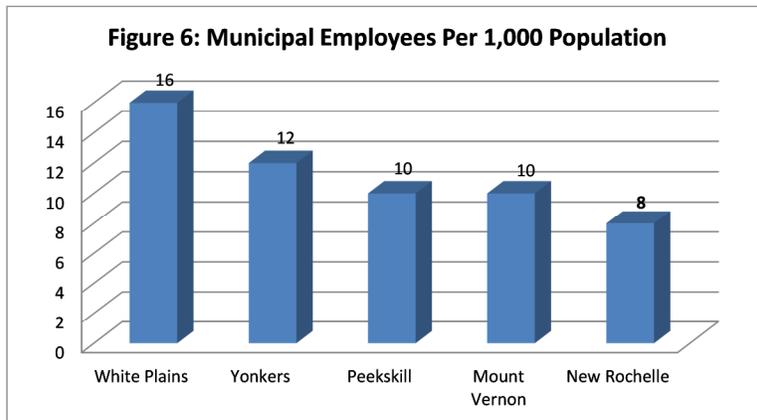
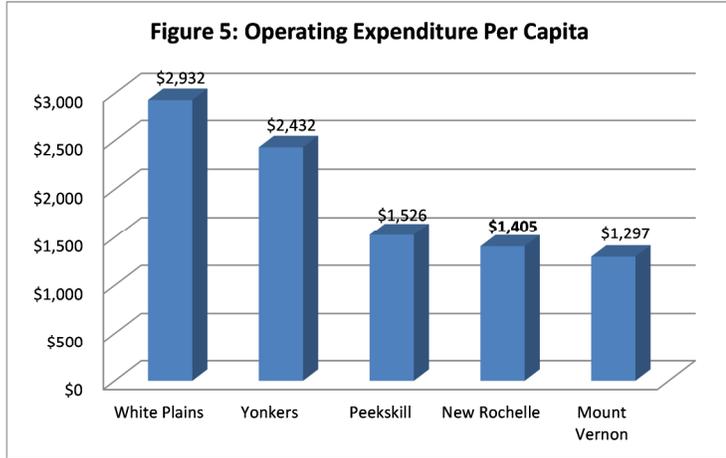


** principally retiree health insurance, but also including payments to other agencies, certiorari, contingent set-asides, and transfer of levy proceeds to BID*

New Rochelle Deserves High Marks

By pretty much any objective measure, our City government is relatively lean and efficient, with public employment levels, operating expenditures and municipal tax rates that are considerably lower on average than those of similar communities in the region. The statistics in Figures 5-7 illustrate these facts pretty clearly. Like the distribution of our tax dollars, New Rochelle’s comparative efficiency also came as a surprise to some Panel Members, as we suspect it

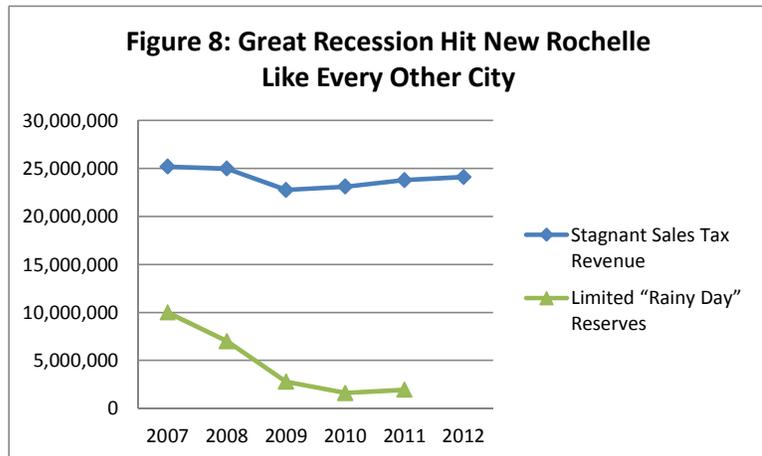
might come as a surprise to many residents. We think it’s important to establish this up front, because just as an incorrect diagnosis of a patient can lead to improper medical care, unfair or inaccurate claims about municipal waste or overspending will likely divert attention and focus away from the constructive debate about real solutions that we think the community of New Rochelle needs to be having.



** All data for Figures 5-7 drawn from most recently adopted budget; tax rate comparisons are from 2011. Cross-community comparisons are inherently imperfect, as each city supports somewhat different services and draws upon somewhat different revenue sources.*

All Cities Are Struggling

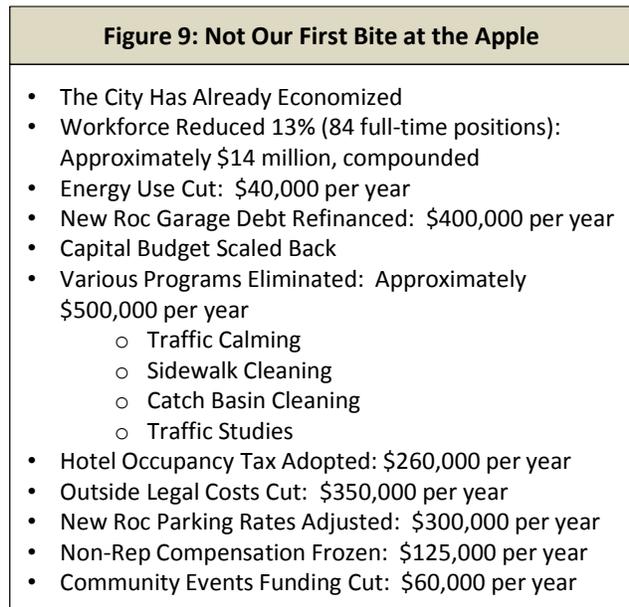
So, if our investigations show that New Rochelle is actually running a lean and efficient government, what's the problem? The "Great Recession," as some have dubbed it, has had a profound and lingering effect on the finances of municipalities all across the country, almost all of which have experienced stagnant or declining revenues and escalating expenses during the past three or four years. And this Great Recession clearly hasn't skipped over New Rochelle.



What's worse, here in New York State, our difficulties are greatly compounded by a set of policies and mandates from Albany, especially related to public employee pensions that impose huge and growing costs on cities. These State policies are not new, but their devastating effect has become even more evident in today's weakened economic climate, as evidenced by the statistics in Figures 8-15 that follow.

The City Has Already Acted, But Additional Action Is Required . . .

To address these challenges, the City of New Rochelle has already repeatedly reduced various services and expenditures, raised tax and fee levels, refinanced certain assets, and gradually drawn down its "rainy day" reserves (to what we regard as dangerously low levels). Overall, the City's actions have been sensible and appropriate under the circumstances, and we appreciate the extent to which they have been made proactively. Figure 16 at right summarizes the City's previous actions. It's important to keep these past actions in mind when considering the Panel's recommendations, because our suggestions do not arrive in a vacuum – instead, they come on the heels of several consecutive years of progressively more stringent austerity measures. Nonetheless, the persistence of the national and state trends noted above means that further municipal action is necessary to balance our local budget. We are simply out of easy options.



. . . And Priorities Need to Be Redirected Toward Future Investment

Furthermore, if New Rochelle has done a good job of cutting expenses, it has been less effective in addressing a serious structural imbalance between capital investment and capital need, and at directing sufficient resources to economic growth. It is not possible to simply cut our way out of the problem, so in addition to finding new means of economizing, the City must also rebalance its priorities to assign greater weight to positive, growth-oriented opportunities for the future.

Figures 10-13: Just the Facts, Ma'am

Figure 10: Stuck in a Box

To a significant degree, New Rochelle's fiscal challenges are shaped by State actions and policies, especially those relating to pensions, health insurance, collective bargaining and interest arbitration. A detailed analysis of these policies is beyond the mandate of this Panel. For examples of State mandates with local fiscal implications, please see the following from the New York State Conference of Mayors: <http://www.stophetaxshift.org/mandates>

Figure 11: State Mandates & Policies Impose an Unsustainable Burden

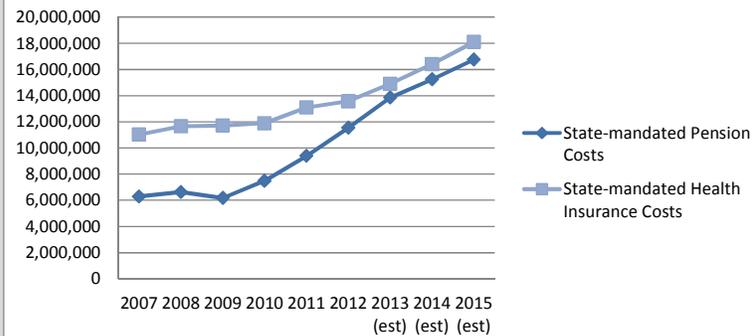


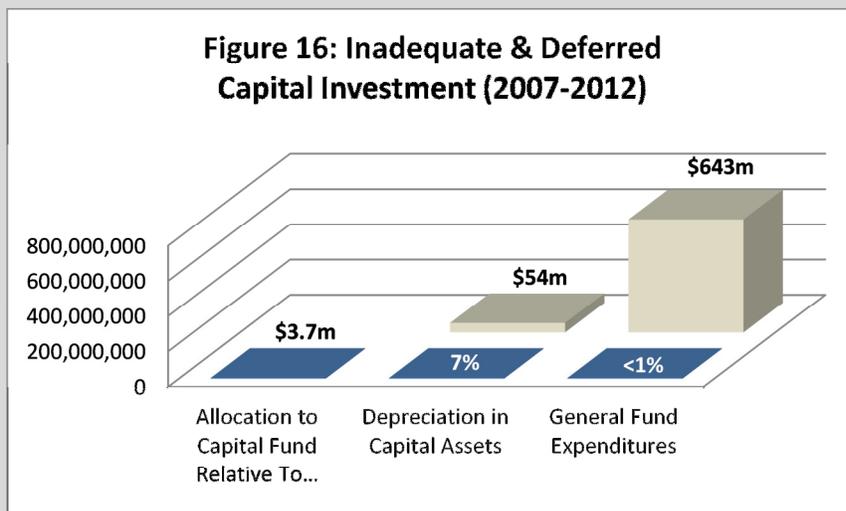
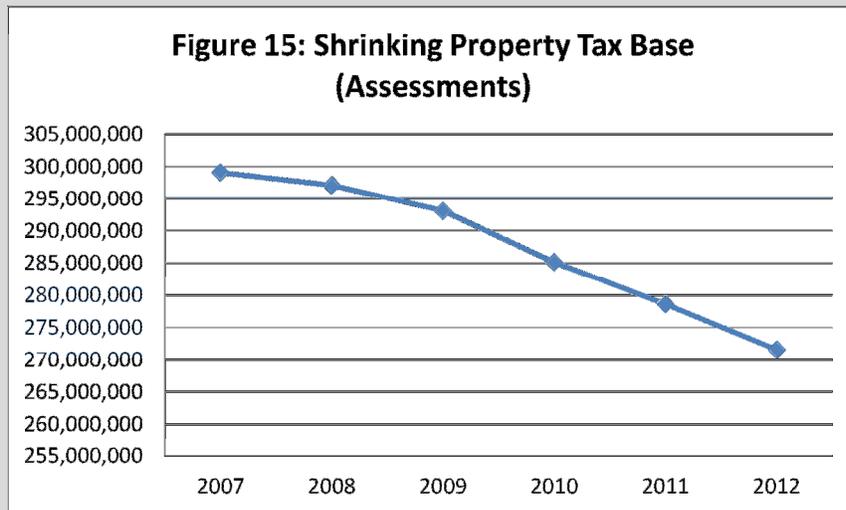
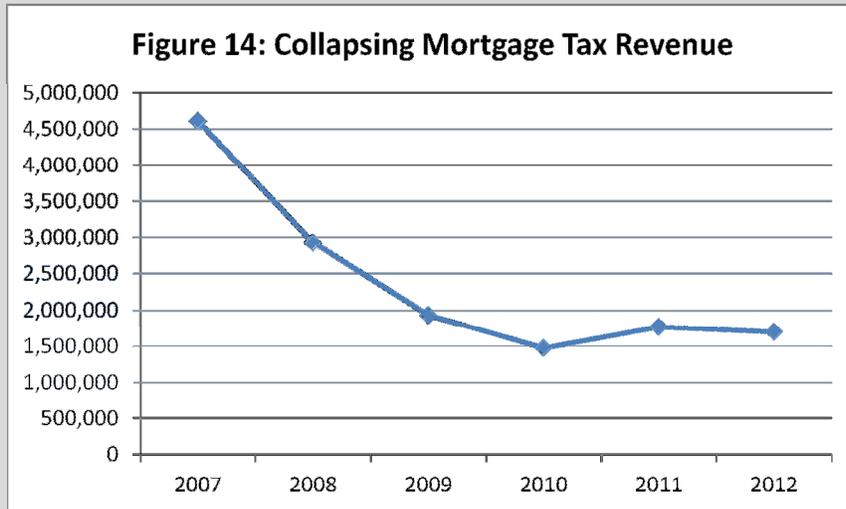
Figure 12: Pensions: The 800-Pound Gorilla

When it comes to State-imposed municipal costs, the New York State pension system is the 800-pound gorilla. In 2007, New Rochelle's annual contribution to the State retirement system was \$6.3 million. By 2015, the City's contribution is expected to balloon to \$16.75 million – a fiscal wallop of more than \$10 million per year. Pension contributions are based on the market performance of the State-invested pension funds and the terms of retirement benefits for classes (or "tiers") of public employees. The City has no control over these factors and is obligated to pay the amount determined by State authorities. The State Legislature recently adopted a new "tier" with reduced benefit levels, but the fiscal effect of this action will not be felt until new employees reach retirement age, so immediate relief will require additional State action. Although annual pension cost increases greater than 2% are exempted from the property tax cap, this exemption does not in any way mitigate the general impact of pension payments on municipal resource allocation and tax levels.

Figure 13: Health Insurance: Good News & Bad News

With very few exceptions, New Rochelle provides each active employee with a health insurance benefit equal to 82% of the cost of New York State's Empire Plan for families. Employees who opt for a different plan may experience higher or lower out-of-pocket expenses based on a comparison to the Empire rate, and employees who receive a single (rather than a family) policy are, in effect, covered at a 100% level. A total of 52 active currently employees opt-out of City-provided health insurance, while health coverage for retirees varies by bargaining unit. New Rochelle's policy of requiring an 18% (of the Empire rate) employee match for health insurance may not sound impressive relative to certain private sector arrangements, but it does compare favorably with the County of Westchester and with many other municipalities. That's the good news. The bad news is that the core driver of health insurance costs – the Empire Plan – is entirely outside of City control, and the Empire rate is expected to increase by approximately 10% during each of the next three years, reaching more than \$18 million by 2015, an increase of \$7 million per year since 2007.

Figures 14-16: Great Recession Hit New Rochelle Like Every City



3. NEW ROCHELLE’S TWO-PART CHALLENGE

An Urgent Short-term Objective

Assuming continued delivery of status quo service levels, extension of historic contractual compensation trends, and property tax rates set at the level permitted by the State-imposed cap (please refer to Appendix B for detailed budget assumptions), the City’s Finance Commissioner has projected a total, aggregated shortfall of \$29 million between anticipated revenues and anticipated expenditures during the course of the next three years.

If we as a community do nothing, then this budget gap will necessitate an average annual property tax increase of 9-10% above the State tax cap during each of the next three years and/or a collapse in the services and investments that make New Rochelle livable and sustain our property values. Each day that passes without action only intensifies this challenge. Therefore, the Panel’s immediate objective has been to identify a blend of savings and new revenues large enough to fill this \$29 million hole. Each of the options we’ve considered has been measured against this standard, and the overall package of recommendations we present is calibrated to balance City budgets through 2015.

An Essential Long-term Objective

At the same time, the Panel’s charge from the City Council was not limited only to a 3-year accounting exercise. As the Panel’s name implies, we were also tasked with recommending a pathway to long-term fiscal sustainability, so that we don’t face harder and harder choices, year after year. Therefore, our work also led to a range of other types of suggestions that include:

- ***investments in organizational capacity, infrastructure and economic development***, as well as independent, professional studies of especially complex public service questions – items that come at a short-term net cost, but which have a reasonable probability of long-term pay-off in savings, efficiency and/or economic growth;
- ***concepts intended to encourage cultural or institutional change*** within the City government and to strengthen potentially beneficial relationships with other public and private partners; and
- ***implementing “good” practices***, the benefits of which can be difficult to quantify precisely, but which we think can strengthen the City organization over time and better prepare our municipal government to seize future opportunities and overcome future challenges.

We feel strongly that these long-term recommendations are just as important as our suggestions for short-term budget balancing. It is essential for City leaders and concerned residents to prioritize the future, even as we address the needs of the present. In other words, even if there might be faster or more direct strategies to solve the near-term problem in isolation, we’re confident that kicking the can down the road will only lead to even more painful choices. ***Our essential challenge has been how to balance our need to address the near-term fiscal crisis in ways that simultaneously ensure that New Rochelle is poised for long-term health.***

Figure 17: Conservative Estimates Conceal Potential Benefits

The Panel has employed conservative methods to estimate the fiscal impacts of its recommendations; likely costs have been included, while speculative savings or revenue sources have either been ignored or significantly discounted. Most important, **the financial calculations within this report do not include the intended and expected benefits associated with investment or further study**, including potential growth in sales tax, increases in property values, reduction in future maintenance and capital replacement costs, efficiencies from school or regional consolidation, and diminished staffing needs. A full and accurate reading of this report and its recommendations must recognize the possibility or probability of realizing these benefits, even if they are not quantified and counted within the Panel’s framework for closing the \$29 million budget gap.

4. THE PANEL'S PROCESS & GUIDING PRINCIPLES

Before we dive into our specific recommendations, we'd like to provide a brief description of the process in which we've been engaged as a group, as well as the broad principles that emerged from our discussions along the way – and which form the foundation for our recommendations.

The Panel's Decision-making Process

For six months, the Panel met on a roughly weekly basis for roughly two hours. Many Panel members conducted smaller group meetings or individual research in between those weekly general sessions. During the last month, we met even more frequently and at greater length in order to develop our final recommendations.

At the beginning of the process, we began by receiving an overview of City government from the City Manager and Finance Commissioner, followed by briefings on specific services from various Department Heads. We also met with the leaders of each of the major municipal labor unions. Along the way, we also benefited from the pro bono consulting assistance of North Avenue Research, whose principal, Mark Grotevant, attended most of our meetings, as well as the input of Mayor Bramson and Council Members Trangucci, Tarantino, Rice and Fertel, who served as non-voting members of the Panel. We were very grateful for the knowledge and perspective offered by City personnel, but we never felt constrained in asking questions, challenging assumptions, or pursuing lines of inquiry that may or may not have been consistent with the opinions of the City's leadership. It has been our job to be independent, and we have taken that responsibility seriously.

As we learned more about the City's operations and fiscal challenges, we began to form specific options for potential action. Many of these options were shaped by the subcommittees that were formed to examine Fire, Police and Public Works services in depth. Other options were shaped by the Panel working as a whole. In each case, the objective effects and practicality of our options (as opposed to their subjective merit) were confirmed with City staff. All potential options were rolled into a single master spreadsheet to facilitate discussion. The relative value and attractiveness of different options was compared, and all options were contrasted with a property tax equivalent. During this process, options were often amended, split, combined or otherwise altered to conform to the Panel's evolving judgments and priorities.

Once all options were largely set, the Panel made preliminary decisions about which to include in a package of recommendations. These choices were made by majority vote. The resulting package was then examined for the totality of its impacts and amended again to achieve a balance deemed acceptable and appropriate to Panel Members. The resulting final package was voted upon by the Panel and approved by a final vote of 14-1 in favor. The Panel also carefully reviewed this narrative document to ensure that the logic, context and principles of our recommendations were clearly and accurately described.

While each of us likely disagreed with certain specific items within the package of recommendations, we always understood that compromise and a balancing of different perspectives was an essential part of our exercise. Notwithstanding the difficult and occasionally emotional nature of the subjects under discussion, the conversation among Panel Members was always civil, respectful and rigorous.

The Panel's Guiding Principles & Standards

Through discussion, we developed a broad set of principles that informed our work. They provide additional context that may aid in the review and interpretation of our Panel's recommendations, and we hope that the City Administration and Council will keep these broad principles in mind as they consider whether and how to act on our recommendations. They include:

- ***Discipline & Seriousness***: overall, we recognized the unique opportunity to serve our community in a meaningful way, and we determined to make the most of it by trying to hold our work to the highest possible standard of intellectual honesty and rigor;
- ***Non-Partisan & Non-Political***: we were all aware that budget questions – especially in such a difficult fiscal environment – can be fodder for political and partisan debate, but we refrained entirely from consideration of such matters. Our group included Democrats, Republicans and Independents, but party affiliation was neither discussed nor relevant to our deliberations;
- ***Respect for City Employees***: while prepared to be constructively critical of City actions and performance when called for, the Panel was not interested in taking cheap shots to convey the illusion of action. The issues we confronted are complex, and they are best approached in a spirit of respect for the individuals who deal with them on a daily basis;
- ***Educate Our Neighbors***: we recognized that part of our function was not just to recommend a specific series of actions to the City leadership, but also to provide education and context for the public, so that our recommendations and the challenges they address could be better grasped by all of us;
- ***More Than Numbers***: we decided early in the process that simply cutting our way to a pre-determined numerical target was a terrible strategy and would side-step our responsibilities. Instead, we recognized that a smart long-term strategy likely would require a blend of cuts, new sources of revenue, targeted investments, and a justified overall tax rate – and that resolving the tensions among these competing objectives would be at the heart of our work together;
- ***Shared Sacrifice & Fair Impacts***: while the Panel is reflective of the City's demographics, no group of 15 individuals could possibly reflect the full diversity a city of 77,000 people. Therefore, we strived always to put ourselves in other people's shoes, to consider the effect of our recommendations on the whole community. In this spirit, we aimed for sacrifices that could be shared broadly and equitably, and tried to avoid measures with clearly regressive impacts;
- ***Simplicity***: the issues we addressed were often quite complicated, but we've worked hard to keep our explanations and solutions as straightforward and simple as possible;
- ***No Sacred Cows***: we determined that no line of inquiry was off limits, and that no assertions were immune from challenge. It has been our job to examine issues with fresh eyes and not to assume that past practice should necessarily guide future action;
- ***Act Today***: our mission was not to kick the can down the road or suggest half-measures. We challenged ourselves to grab the bull by the horns and recommend the difficult steps that can best make New Rochelle a healthy community in the future that we all want and need;
- ***Know Our Limits***: we understand that we are a Panel of volunteers. No matter how hard we worked, we would not become expert in every subject in a matter of months. Therefore, when certain issues exceeded our ability to make conclusive judgments, we tried to acknowledge this explicitly and to suggest further study or analysis as a precursor to any action; and
- ***A Statement of Values***: perhaps most important, we recognize that a budget is more than just a set of numbers – it is a statement of values. We believe that New Rochelle is and should remain a diverse community, where people of different means can find and afford a home and add their unique strand to the fabric of our community. While we dove deeply into the numbers and analysis that support our conclusions, we tried to do so with these values in mind.

5. RECOMMENDED PATH FORWARD

How to Read Our Recommendations

In order to make this report as user-friendly as possible, we have organized our recommendations by theme or category of action. Please note that the order of categories (and options within categories) listed below is not intended to reflect a ranking of priorities. Within each section is an introductory statement describing principles, logic and context, followed by specific recommendations. Each recommendation is numbered for reference purposes and features a narrative description, as well as a summary of estimated three-year impacts, falling into one or more of the following categories:

- **SAVINGS (CUTS)**: Total estimated reduction in expenditures over three years, relative to initial projections, in one of four subcategories:
 - Enhance Efficiency
 - Service Reduction
 - Contractual/Compensation
 - Cost Deferral

- **NEW REVENUES**: Total estimated change in revenue over three years, relative to initial projections, in one of four subcategories:
 - End Public Subsidy
 - Fees/Fines
 - Property Taxes
 - Property Tax Substitute

- **INVESTMENTS (EXPENDITURES)**: Total estimated increase in expenditures over three years, relative to initial projections, usually with assumed future payback, in one of five subcategories:
 - Leverage Outside Resources
 - Promote Future Growth
 - Long-Term Cost Reduction
 - Improve Public Service
 - Study for Future Savings

In some cases, additional details, illustrative examples or relevant statistics are set apart from the text and highlighted. To place figures in context, the City's total operating expenditures during the next three years are expected to be approximately \$330 million. We offer our recommendations as a package because several of the individual items relate to one another, and the justification or benefit of some may be diminished if viewed or implemented in isolation. That said, we obviously respect the right and responsibility of the City Administration and Council to apply their own judgments to this report, potentially accepting some recommendations and rejecting others.

A. Improve Operational Efficiency

Through staff reductions, program consolidations, managerial practices and a wide range of other steps, the City has already achieved significant efficiencies. While these past actions have exhausted most opportunities for simple savings, the Panel has identified a handful of municipal departments and operations on which additional efficiencies may be possible.

Recommendation A.1: Improve Parking Violations Collections

Savings-Efficiency & Revenue-Fees/Fines: \$300,000

The New Rochelle Court currently maintains five positions and one full-time hourly employee to process approximately 80,000 tickets annually. Cross-community comparisons suggest that it may be possible to process this volume of tickets more efficiently and/or to capture additional revenue through the establishment of a parking violations bureau or similar entity under more direct municipal supervision, yielding as much as \$200,000 per year in combined reduced costs and additional revenue. Additional analysis, however, would be required prior to implementation, so, conservatively, this figure is reduced by half for planning purposes.

Recommendation A.2: Manage Fire Department Sick Time More Flexibly

Savings-Efficiency: \$75,000

Current Fire Department practice with regard to sick time does not permit the splitting of a 24-hour shift, meaning that a Fire Fighter out sick for a portion of a shift must remain out for the entirety of the shift, even if they recover mid-shift. This results in higher than necessary overtime costs for substitute personnel. Providing managers with the ability to call back in mid-shift Fire Fighters who have recovered from an illness could reduce overtime costs by approximately \$25,000 per year. If implemented, this policy should be monitored closely to ensure that it does not create a perverse incentive for Fire Fighters to take more sick time.

Recommendation A.3: Advocate for State Retirement Incentive

Savings-Efficiency: \$1.0m (Not Assumed in Overall Package)

The retirement of older municipal employees can produce two benefits: (1) direct savings, because new workers are retained at a lower salary level than retirees or because any planned attrition of personnel is accelerated; and (2) indirect savings associated with a younger and less injury-prone workforce, with higher productivity and lower workers' compensation costs. However, a purely local incentive is unlikely to be effective, because of the more powerful incentive structure created by the State pension system. Therefore, the Panel recommends that the City join other municipalities in lobbying for a State-wide municipal employee retirement incentive.

The savings for replacing a single long-serving employee with a new worker would be roughly \$150,000 for Fire Fighters, \$125,000 for Police officers, and \$40,000 for DPW workers, spread over five years, and offset by any one-time incentive outlays. Assuming a \$30,000 incentive package, then net five-year savings for the average worker would be \$80,000, of which approximately \$40,000 would be realized in years 1 to 3. If 25 workers availed themselves of the incentive, then total three-year savings would be approximately \$1 million, with the same savings in years 4 through 6. These assumptions should be regarded as very rough, because each incentive package varies, and because retirement decisions cannot be predicted with certainty. Because the State's willingness to support such an incentive is unknown, and because it is highly unlikely that such a policy could be approved on a home rule basis, the potential benefits of this recommendation are not included in the Panel's overall package.

B. Leverage Grants & Private Contributions

In recent years, grants and private contributions have helped to fund a variety of transportation, infrastructure and parks improvements – projects that could not have been undertaken utilizing only local resources (see Figure 18). The City should aggressively pursue additional grants and private donations, taking specific steps to maximize the probability of success. While some of the recommendations that follow entail an expenditure or set-aside of City dollars, we think these expenditures should be regarded as leveraging outside funds and, thereby, providing local taxpayers with an good return on investment.

Figure 18: Grants & Contributions Can Make a Big Difference		
Item	Total	City Share
North Avenue Corridor Project	\$3.4m	\$171,000
Lincoln Avenue Improvements	\$4.5m	\$125,000
Wilmot Road Reconstruction	\$7.4m	\$373,000
City Park & Playing Fields	\$10.35m	\$0 (<i>assumed ownership of county roads</i>)
Library Green	\$2.8m	\$0
City Website Design	\$60,000	\$0
2012 Independence Day Fireworks	\$78,000	\$0

Recommendation B.1: Offer Incentives for Private Contributions

Investment- Leverage Outside Resources: (\$100,000)

Private donations can preserve or enhance public facilities and events that would otherwise be neglected in times of austerity. While the City has already enjoyed some success in securing donations, a matching program would help incent additional private contributions. The Panel recommends that the City create a reserve fund of up to \$30,000 to \$35,000 per year that would match private contributions on a one-to-one basis. The City should first establish objective standards for the assignment of funds, based on public benefit and/or investment in public assets. Each dollar expended by the City in this fashion would buy two dollars' worth of positive impact, while also enlisting local residents and business more fully in meeting community goals. This recommendation entails a very modest commitment of resources, but would make a significant statement by signaling the City's support for volunteerism and by recognizing that private action will be increasingly important to sustaining valued public goods.

Recommendation B.2: Improve Intergovernmental Advocacy

Investment-Leverage Outside Resources: (\$50,000)

Federal, State and County action can be essential to New Rochelle's priorities and financial position. This report alone recommends eight steps with a total 3-year dollar value of nearly \$22 million that require State approval. Professional advocacy may enhance New Rochelle's ability to achieve positive outcomes with respect to legislative policy changes and also with respect to non-formula grant awards on which there is executive or administrative discretion. We recommend retaining a professional intergovernmental advocate on a contractual basis, with an estimated cost of \$50,000 per year. This contract should be extended after a year only if it is judged to have been successful based on a payback on investment.

Recommendation B.3: Create Reserve for Grant Application Assistance

Investment- Leverage Outside Resources: (\$50,000)

Grant applications can be improved if prepared by experts with a relevant skill set. Such services are not required for all grant applications, but may be valuable for certain specific grant opportunities based on their competitiveness, size and complexity. The City should set aside a reserve of \$50,000 to be utilized on a case-by-case and as-needed basis to retain consulting assistance related to grant-writing, data collection & presentation, alignment of grants with programmatic standards and any other steps that could maximize New Rochelle's chances of success. This reserve should be renewed upon its exhaustion only if it is judged to have been successful based on a payback on investment.

Recommendation B.4: Set Aside Matching Funds for Federal/State Grants

Investment-Leverage Outside Resources: No Direct Fiscal Impact

Federal and State funding for infrastructure often requires a local match. For example, the City had to contribute 5% of the cost of the Lincoln Avenue corridor improvements. Many grant opportunities are difficult to forecast and then arrive with tight timetables and "shovel ready" requirements that may include a representation on the part of applicants that matching funds are readily available. Setting aside funds for this purpose will enable the City Administration to be more nimble and aggressive in pursuing grants for important local needs. The Panel, therefore, recommends that the City set aside a consistent matching reserve of \$500,000 each year for this purpose. This is not proposed as a net increase in expenditures, but rather as a partitioning of the City's existing fund balance to create a distinct reserve account. Thus, the net financial impact would be zero, until and unless the matching reserve is successfully employed to bring outside resources into New Rochelle, thereby achieving a net positive for the community. If the matching reserve is not used, then funds would simply be rolled into the subsequent year's budget. It is important to note that any specific receipt of a grant and any specific expenditure of resources would still be governed by and require the approval of the City Council.

Recommendation B.5: Create "Friends of" Organization to Support Parks

Investment-Leverage Outside Resources: No Cost, Benefits Cannot Be Quantified

The City should encourage the formation of a private not-for-profit organization dedicated to raising funds and supplementing public resources for park capital improvements and maintenance. Such organizations are common and have proven beneficial in many communities.

Recommendation B.6: Seek Reimbursement for Highway Response Costs

Revenue-End Public Subsidy: \$630,000 (Not Assumed in Overall Package)

New Rochelle's emergency services, principally the Fire Department, respond to accidents and incidents on the regional highways that run through our community, effectively providing a local taxpayer subsidy to regional and state-wide public safety service delivery. Such incidents occur roughly 100 times in a typical year and claim a significant number of person-hours. In many cases, Fire personnel are unable to return swiftly to their local response duties, because of traffic jams resulting from accidents. New York State offers only limited voluntary compensation for these services, which is inadequate to cover the actual cost of service delivery imposed on New Rochelle. The Panel recommends that New Rochelle work with other municipalities that adjoin major highways, such as I-95 and the New York State Thruway, to urge State adoption of a more appropriate reimbursement formula. Roughly estimating 100 calls, each requiring 7 Fire Fighters for 3 hours at a \$100 per person-hour reimbursement rate, annual new revenue would approximate \$210,000. As an alternative, the City could advocate for State-directed reimbursement of costs from commercial vehicle companies in instances when commercial vehicles are responsible for accidents. Because this option is speculative and wholly dependent on State action, receipt of these funds is not assumed in the Panel's overall package of recommendations.

C. Link Sacrifice to Public Purpose

Economic circumstances in New Rochelle and in communities throughout America require all of us to adjust our expectations – and potentially our lifestyles – in order to be less reliant on certain public expenditures. The City government is in the service-delivery business, and many of the cost-cutting options considered by the Panel would have the effect of reducing the range and/or quality of services available to residents, but not all sacrifices are the same. In determining which specific service cuts or fine increases to recommend, we tried to prioritize measures that could also create clearer incentives for positive practices or discourage negative practices that raise costs for all citizens. These “sacrifices-with-a-purpose” achieve monetary savings or generate new revenue, while also advancing other important community goals.

Recommendation C.1: Encourage Leaf Mulching By Requiring Leaf-Bagging for Pickup

Savings-Service Reduction: \$600,000

By mulching leaves in place, rather than collecting leaves for transport and disposal, New Rochelle residents can help reduce community-wide costs for organic waste disposal, while also embracing an environmentally-friendly practice. Leaf-mulching mowers cost approximately the same as standard mowers, and most gardeners will offer leaf mulching as an option, usually requiring more frequent visits during the peak leaf season, with an estimated 15% increase in service during the course of the year. The Panel recommends that the City launch an educational campaign to encourage mulching among both residents and gardeners. For residents who do not choose to mulch their leaves, the Panel recommends that the City discontinue curb-side loose-leaf pickup and instead require that leaves be bagged for pickup. This would save approximately \$200,000 per year in hourly labor costs (plus any additional savings from reduced tipping fees), improve road safety during the fall season, and serve as an incentive for homeowners to transition to mulching.

Recommendation C.2: Discourage False Alarms (Fire)

Revenue- Fees/Fines: \$285,000

False alarms have an enormous impact on New Rochelle’s Fire Department, occupying personnel that would otherwise be available to respond to true emergencies and, thereby, driving up the staff and overtime expenditures necessary to maintain minimum manning levels. In 2011, the Fire Department responded to approximately 1,250 false alarms, more than any other single category of activity, except for emergency medical response. In total, false alarms may claim as much as 30% of the Fire Department’s in-the-field person-hours – a staggering drain on resources. While the City presently charges a fine for false alarms, the fine level is wildly out-of-scale with these false alarm service impacts and insufficient to incent better alarm maintenance among property owners. The current fine structure allows property owners two free false alarms, charges \$80 for false alarms three through seven, and \$157 for each additional false alarm beginning with the eighth, with the fine level re-setting to zero after 12 months. The Panel recommends: (1) allowing only a single free false alarm, charging \$250 for the second false alarm, and increasing this amount by an additional \$250 for each subsequent false alarm; (2) imposing an additional high-rise surcharge of \$500 per incident on each false alarm originating in a building 75 or more feet tall (approximately eight stories), in recognition of the additional Fire Department resources needed to respond to such calls; and (3) doubling the reset period to 24 months. As with current policy, these fines would apply only to mechanical failures that result from poor maintenance or similar causes, not to well-intentioned human calls that prove incorrect. Direct revenue generation is estimated to be approximately \$100,000 per year, off-set by a one-time cost of \$15,000 for tracking systems. The larger community benefit is associated with reducing the number of false alarms, but this cannot be quantified with confidence.

Recommendation C.3: Discourage False Alarms (Police)

Revenue-Fees/Fines: \$225,000

As with Fire false alarms, Police false alarms occupy resources otherwise available for emergency response or other Policing duties. The Panel, therefore, recommends an increase in the fine level to encourage alarm maintenance, but because the proportional impact on the Police Department is somewhat less than on the Fire Department, the size of the Panel's recommended increase is somewhat less than in Recommendation # above. The Panel recommends: (1) allowing only a single free false alarm, charging \$100 for the second false alarm, and increasing this amount by an additional \$25 for each subsequent false alarm; and (2) doubling the reset period to 24 months. As with current policy, these fines would apply only to mechanical failures that result from poor maintenance or similar causes, not to well-intentioned human calls that prove incorrect. Direct revenue generation is estimated to be approximately \$80,000 per year, off-set by a one-time cost of \$15,000 for tracking systems. The larger community benefit is associated with reducing the number of false alarms, but this cannot be quantified with confidence.

Recommendation C.4: Encourage Recycling Through Sanitation Schedule Shift & Automation

Savings-Efficiency: \$35,000 (Not Applied to Budget Gap)

Investment-Study for Future Savings: (\$100,000)

By reducing the frequency of standard trash collection from twice a week to once a week, the City could encourage recycling. This change, however, would also increase the average weight of each trash pickup beyond tolerable limits. Therefore, a sanitation schedule shift must be combined with a transition to automated collection. Several years ago, a small automation pilot in two New Rochelle neighborhoods received a generally positive response from the public.

The Panel recommends introducing automated collection on a phased basis, as existing sanitation trucks reach the end of their useful life. Automating a pair of routes would require an upfront capital investment of approximately \$500,000 for appropriate trash receptacles that would be distributed to the public. At the same time, each automated truck could operate with a single sanitation worker, permitting the elimination of two positions, ideally through attrition, with a staff-cost savings of approximately \$150,000 per year. Funding capital costs through the issuance of notes would entail five-year annual expenses of roughly \$105,000, ensuring positive cash flow throughout, initially \$45,000 per year and eventually reaching a full \$150,000, plus any savings resulting from a reduction in tipping fees achieved through better recycling.

It is estimated that approximately half of current sanitation routes could be automated, but that road width, utility wires and other physical constraints would prevent the automation of other routes. If ten of the present eighteen routes were automated, then total annual savings following repayment of all notes would be \$750,000 per year.

The enormous complexity of this issue requires professional study prior to implementation in order to confirm assumptions, configure routes, consider the potentially disparate impacts of a schedule change on high and low density neighborhoods, and otherwise work through a host of operational challenges. The Panel recommends that the City begin by commissioning such a study, with an estimated cost of \$100,000. Because sanitation services are carried entirely by the residential refuse fee, without any general fund subsidy, savings would result in a direct reduction in the fee level, without any net fiscal impact on the City budget. Therefore, for the purposes of this exercise, only the study costs are included in the Panel's accounting of three-year savings and investments.

Recommendation C.5: Improve Fire Safety Through Inspections at Time of Sale

Savings-Efficiency: No Direct Fiscal Impact

The Panel recommends that the City require fire inspections in conjunction with property sales, similar to the termite inspections and other professional examinations that are presently submitted at property closings. While adding to the cost of transactions associated with home sales, the expense would be marginal, and this requirement would gradually improve the safety and fire resistance of New Rochelle's building stock, thereby reducing the frequency and/or severity of fires. For this purpose, the City would have to establish safety standards, but inspections would likely be conducted by third parties, who would subsequently file a proof of inspection with the City.

Recommendation C.6: Offer Low-Cost Fire Inspections to Public

Revenue-Fees/Fines: \$30,000

The best form of fire suppression is fire prevention. The Panel recommends that the City offer fire inspections to homeowners for a modest \$100 fee, in order to reduce the incidence of fires and the consequent demand for emergency services. Fire personnel could conduct inspections during times when they are not otherwise occupied, with the understanding that any emergency response needs would take precedence over a scheduled inspection. If 100 homeowners availed themselves of this opportunity annually, it would generate \$10,000 per year. This is offered in conjunction with Recommendation C.5 above regarding fire inspections at the time of home sales.

Recommendation C.7: Improve Safety Through Automatic Camera Enforcement of Traffic Signal Regulations

Revenue-Fees/Fines: \$375,000 (Not Assumed in Package)

The Panel recommends that the City seek State approval for the installation of cameras to detect and enforce red light restrictions. New Rochelle issues approximately 600 red light tickets per year. Assuming that camera installation increased this figure to 5,000 violations, and assuming that none of these violations were challenged, then at \$50 per violation (the maximum for the City under New York State law) this would produce gross revenue of approximately \$250,000 per year, of which half would be offset by vendor sharing/maintenance costs, producing net annual revenue of \$125,000. The Panel notes that any request before the State legislature would have to be based upon safety, not fiscal considerations, and we consider approval of this request unlikely. Therefore, while we recommend pursuit of this authority and present a rough estimate of benefits, we do not rely upon these new revenues in our overall package of recommendations.

D. Take Bold Action to Promote Economic Growth

When faced with an urgent challenge like a \$29 million shortfall, one's natural reaction is to focus exclusively on today's immediate needs and to set aside initiatives with a long-term payoff. But as described earlier in this report, the Panel concludes that a today-only strategy is doomed to failure, and that a growing economy – supported and nurtured by adequate infrastructure, marketing, and development capacity – is the only sustainable solution for New Rochelle's fiscal challenges. It is absolutely essential for the City to expand its investments in future growth, even if doing so intensifies budgetary pressures in the short-term. Equally important, as residents and taxpayers, we believe that financial sacrifice is both more justifiable and more bearable when linked to a strategy for eventual prosperity and tax relief.

The Panel is sensitive to the **inaccurate** perception that by advising an increase in resources for development & marketing, while withdrawing resources from essential public safety services, we are valuing the former over the latter. To be very clear, the Panel considers public safety to be the City's number one responsibility, and context is critical to understanding our recommendations. If the City acts fully on the Panel's suggestions, then municipal expenditures for public safety during the next three years will still total approximately \$160,000,000, outstripping our recommended investments in development & marketing by a roughly 100 to 1 ratio. Put another way, these recommended investments would constitute only about 0.5% of the City's projected operating expenditures between now and 2015. The issue is not whether New Rochelle will invest more in future growth than in present-day needs – that is not an option and our recommendations come nowhere close to that standard. The issue is whether New Rochelle will commit just the bare minimum necessary to escape from an unsustainable cycle of perpetually deeper cuts.

Recommendation D.1: Enhance Marketing & Communications Capacity

Investment-Future Revenue Growth, Leverage Outside Resources: (\$225,000)

Successful communication and marketing efforts can play a pivotal role in attracting investment, supporting home values, promoting economic growth, and providing residents with a tangible return on tax dollars in the form of greater awareness of community events and assets. The City's present investment in Communications & Marketing is limited to a single staff member with meager supplementary resources. A more robust commitment to this priority is likely to yield future dividends for taxpayers.

The Panel recommends a package of additional marketing and communications investments, beginning with a one-time branding exercise to develop themes, logos and messages able to shape and guide subsequent marketing activities, and then continuing with ongoing improvements in capacity, including newsletters and advertising, supplementary staff support for web and print-based communication, travel as necessary, development of web presence, and graphic design services. The branding exercise is estimated to have a one-time cost of \$90,000, while general capacity improvements are estimated to have an annual cost of \$120,000, summing to a full three-year package of \$450,000.

Figure 19: Proposed Investment Level Still Lower Than Needed

The investments in development & marketing recommended by the Panel amount to about 0.5% of anticipated operating expenditures during the next three years.

The Panel notes that some marketing activities should be conducted in close coordination with the Department of Development and could be partially supported by the expanded Development capacity recommended below. This potential pooling of resources is accounted for in our overall cost projections. Additional communications and marketing capacity may also facilitate analysis of creative concepts, such as an affinity credit card, to improve the capture of local and regional consumer spending.

Recognizing that other major public and private institutions within New Rochelle have a direct stake in successful marketing efforts and that such efforts will be most effective if conducted in partnership with these entities, the Panel recommends that the City commit to funding half of the cost of this package, or \$225,000, while seeking ongoing financial support from the School District and other major institutions to cover the remaining half.

(Recommendations D.2-D.4: Compete Aggressively for Commercial Investment & Positive Community Development)

Ambitious and targeted economic development is really the only means of providing for long-term fiscal stability without excessive tax increases and/or debilitating service cuts. Only well-planned economic development can stabilize the City’s property tax assessments, generate new sales tax revenue, stimulate job creation, refresh New Rochelle’s overall business climate, and offset our residential tax burden with a more vital commercial sector. To quantify these benefits, each 1% increase in taxable sales translates into approximately \$250,000 in revenue for the City, while each 1% increase in property value translates into approximately \$90 million in additional private assets, plus a stabilized property tax base. New Rochelle is very much in competition with other municipalities for scarce investment dollars, and we must put our strongest team on the field in order to win. The Panel, therefore, assigns a very high priority to investment in the City’s economic development capacity as an essential route to sustainable budgets.

Figure 20: Economic Development Benefits Taxpayers	
Most of the major projects completed during the past 15 years have generated a net positive return for taxpayers, but every development must still be judged by its own unique costs and benefits.	
Completed Projects	Net Annual Revenue (City + School)
Weyman Avenue Retail Complex	\$1,757,000
New Roc City	\$1,302,500
Trump Plaza	\$1,479,000
Other (543 Main, Davenport Lofts, Palmer Square/Center)	\$2,230,750

Recommendation D.2: Establish Capital Fund for Economic Growth Priorities

Investment-Future Revenue Growth: (\$750,000)

Except in the case of grant-funded infrastructure and transportation improvements, the City’s annual capital budget is directed almost exclusively to the replacement of depreciated assets. Given that need far outstrips available resources, this is an understandable allocation, but it also leaves the City entirely unable to make the targeted strategic investments that could pay the largest economic dividends.

The Panel recommends the establishment of an annual, ongoing capital fund dedicated exclusively to strategic investments that promote growth, with an annual allocation of \$250,000. The use of such funds should be determined by objective standards that include estimated increase in real estate value,

linkage to private investment, and projected fiscal benefits in both the short and long term – criteria fundamentally different from those employed in the City’s traditional capital budgeting. Funds would most likely be employed in at least three important ways: (1) to increase the City’s capacity to secure grants by completing preliminary design documents, so that projects will be “shovel ready” and eligible for assistance; (2) to facilitate specific private developments that might require or be enhanced by public infrastructure improvements such as roadways, parking facilities, and sanitary & storm water systems; and (3) to establish general conditions conducive to development. Examples of the last would include improvement of vehicular, cycling and pedestrian infrastructure to increase travel capacity, aesthetic improvements that upgrade the general business climate, land acquisition leading to the aggregation and remarketing of property for development purposes, and urban planning features such as parks or plazas that may enhance surrounding property values.

Recommendation D.3: Enhance Development & Planning Capacity

Investment-Future Revenue Growth: (\$675,000)

To be effective, a Development Department must have the tools, resources and know-how to identify growth opportunities, plan them sensibly, market them to potential investors and builders, negotiate in the City’s interests, navigate a labor-intensive regulatory framework, secure available public funding streams, and otherwise put the community’s best foot forward. If New Rochelle wants economic success, then it must be prepared to invest in a Development Department that can “fire on all cylinders” and compete successfully with other cities in the region.

Accordingly, the Panel recommends a direct investment in New Rochelle’s development and planning capacity of \$225,000 per year, including \$150,000 for augmented professional staff and \$75,000 for outreach activities and materials (the latter partially relating to the Marketing recommendation above.) The Panel also recommends maintenance of the professional consulting reserve established by the City Council in late 2011 at an annual cost of \$100,000. Because development is dependent upon private decision-making and general economic conditions that the City does not control, no economic development strategy can guarantee success. Nonetheless, the community does have a right to expect a tangible work product in exchange for the assignment of new resources in this climate of scarcity. The Panel, therefore, recommends that the City Manager and Council: (1) establish targets and expectations for promising development sites, such as the New Rochelle train station, the lower North Avenue corridor, the central business district and the waterfront; (2) identify community assets, both tangible and intangible, that can serve as the foundation for a broad development strategy; and (3) pursue burgeoning opportunities in distinct market sectors, such as medical office.

Recommendation D.4: Consider the Creation of a Local Investment Fund

Investment- Future Revenue Growth: No Direct Fiscal Impact

There are many New Rochelle residents with discretionary investment capital who may have an interest in and desire to promote local economic development. The Panel recommends that the City explore the concept of creating an investment pool that could be employed to stimulate local business ventures and development projects meeting certain pre-determined objective tests, with investors receiving an equity stake in exchange. These investments could be targeted toward early stage activities that could leverage access to larger and more traditional sources of capital. An investment fund could potentially also be linked to the formation of a local business incubator/accelerator. This concept would require further analysis.

Recommendation D.5: Improve Commercial Maintenance & Sign Code Enforcement

Investment-Future Revenue Growth: No Direct Fiscal Impact

The appearance of a business district can often affect its commercial vitality and appeal to shoppers and investors. While the City has utilized grants to upgrade the streetscape of the North Avenue corridor and central business district, enforcement of the commercial maintenance code and sign ordinance has suffered from reduced staffing in the Bureau of Buildings. As a result, compliance with code is spotty at best, and the appearance of some commercial areas has deteriorated. The Panel recommends that the City work with community partners such as the Business Improvement District, Chamber of Commerce and/or Bellas Artes Business Council to jointly fund a single inspector assigned to commercial maintenance and sign code enforcement and deployed on a pro-active basis, rather than in response to complaints. The cost of a new inspector would be approximately \$75,000, although new fee and fine revenue would likely reduce net costs to approximately \$45,000. As an alternative, the City could retain a private contractor for this service, with a commission or performance-based compensation package. The terms of any contract and/or joint funding arrangements should be structured so that the City's projected net costs are zero.

E. Use Objective Data to Right-Size Public Safety

The issues surrounding public safety were the hardest that the Panel faced. Providing for public order and responding to public emergencies are the City's most important duties. When lives are at stake, there is no such thing as too much security. Furthermore, we feel a profound responsibility to consider the safety of the Fire Fighters and Police officers who place themselves in harm's way on our behalf. For these reasons, strong and emotional arguments can always be made for greater investment in risk reduction.

But eliminating risk entirely is not a realistic option, especially in the context of limited resources. We are forced to ask: (1) what level of risk is acceptable to and appropriate for our community; and (2) how do we weigh risk reduction against competing and often grossly underfunded priorities. To use an analogy familiar to homeowners: a gold-plated insurance policy may provide the best coverage, but if high premiums make it impossible to afford basic household needs, then a more modest policy may be more appropriate. Further, because public safety accounts for more than half of the municipal operating budget, no serious budget exercise can ignore this category of spending and service.

Figure 21: Public Safety Remains By Far the City's Top Priority

Expenditures for public safety would outstrip recommended investments in development & marketing by a roughly 100 to 1 ratio.

To make the best of these hard decisions, the Panel urges the City to draw upon the objective data that best indicates patterns of need. With respect to Policing, it is the Panel's general conclusion that services have already been cut close to the minimum necessary to address and prevent criminal activity, sustain home values, and support a positive business climate. We recommend only modest additional reductions, coupled with a shift toward community Policing activities. With respect to Fire services, the Panel's general conclusion is that there are acceptable routes to further savings, some of which require additional study outside the scope of the Panel's research capacity. Our specific recommendations for these and other public safety services are:

Recommendation E.1: Enhance Community Policing Through a Realignment of Police Sectors

Savings-Efficiency: \$810,000

In recent years, the Police Department has lost 30 sworn officer positions and 42 positions overall, necessitating an unfortunate retreat from community Policing. Local crime rates have, fortunately, remained low and stable, but without community policing activities, the Police Department's ability to obtain intelligence from residents, anticipate problems, engender trust, and prevent crime – especially with respect to young people – is likely to degrade. In addition, visible Police presence – the cop on the beat – can deter crime and contribute to successful economic development. Lastly, a commitment to community policing may enhance New Rochelle's ability to apply successfully for certain public safety and social service grants. By modestly redeploying existing Police resources, the City can begin to rebuild its community Policing functions.

New Rochelle is currently divided into nine police sectors, each of which is patrolled by a sector car twenty-four hours per day. Yearly incidents per sector vary widely from a low of 1,888 to a high of 9,844, meaning that the sectors with the lowest incident rates could be combined into a single sector that still features below average service demands.

The Panel, therefore, recommends that the present nine Police sectors be consolidated into eight. This action would free up five Police positions (the number necessary to provide continuous staffing to a sector.) Of these five Police positions, the Panel recommends that three be redeployed to community policing activities and visible Police presence. The remaining two positions should be eliminated, with projected three-year savings of \$810,000.

It is essential to note that staffing levels are based not only on sector-by-sector needs, but also on general City-wide public safety demands. All sector cars have the capacity to respond – and often do respond – to calls outside their sectors when these calls require greater Police presence.

Therefore, the three positions shifted from sector to community Policing duty should remain available for general patrol functions during critical busy periods, at the discretion of Police supervisors. In its totality, this

recommendation achieves a sensible data-driven balance of Policing activities, but we acknowledge that it may result in longer Police response times in certain limited instances.

Figure 22: Police Sectors Feature Enormous Variability

Sectors 7-8 combined for 4,503 incidents in 2011, considerably less than the average of the other seven sectors (7,279)	
Sector	Incidents (2011)
1	5,668
2	9,844
3	7,656
4	7,192
5	9,345
6	6,466
7	1,888
8	2,615
9	4,780

Recommendation E.2: Undertake a Comprehensive Fire Service, Manning and Risk-Level Optimization Study

Investment-Study for Future Savings: (\$175,000)

New Rochelle’s Fire Department is among the best-regarded in New York State, and it provides an absolutely critical function for our community. Any significant change in the Fire Department’s service portfolio, personnel levels and/or response capability must be preceded by careful analysis so that risks can be clearly understood, considered against overall municipal priorities, and then matched to available resources. Such an analysis is highly complex and cannot be accomplished with in-house resources.

The Panel recommends that the City commission an independent, professional study of service, risk, and staffing scenarios, to achieve a clear understanding of the implications of any changes. The cost of this study is estimated at \$175,000, a seemingly large amount, but one thoroughly justified by the overall public resource commitment to Fire and emergency services. This analysis should, at a minimum, evaluate:

- Probability of event scenarios that require a response exceeding certain minimum manning levels, considering frequency of events, duration of events, personnel and apparatus required to respond, distribution of responses by fire house, and distribution of responses by hour;
- Capacity to call up additional personnel during rare major incidents;
- Mutual aid as both a supplement to and claim on City resources, noting that New Rochelle is presently a net exporter of mutual aid assistance;
- Potential reduction in false alarms, which are a major drain on resources;
- Possible rebalancing of staffing and overtime to optimize the cost of achieving manning thresholds;
- Safety of Fire personnel;

- Response time;
- Risk reduction associated with discontinuing Fire EMT on a partial or total basis, noting increased costs to expand ambulance contracts;
- Impacts resulting from any potential closure or brownout of firehouse, or from any discontinuance of staffing for particular Fire apparatus;
- Potential for shared services with neighboring communities; and
- Probability of impact, if any, on ISO rating and associated private insurance costs.

This study would serve as a basis for objective and well-sourced future judgments about the size and function of New Rochelle’s Fire Department and emergency service operations, either justifying changes that yield savings or supporting claims for additional resource allocation.

Figure 23: What Is Minimum Manning & Why Does It Matter?

Minimum manning refers to the minimum number of Fire personnel on-duty and able to reply immediately to calls during any given shift. In general, a Fire Fighter works one 24-hour shift every four days, meaning that four Fire Fighter positions must be maintained in order to provide a single on-duty Fire Fighter, but sick time, comp time, vacation time and other factors create variability in the number of Fire Fighters available. When manning levels fall below a prescribed minimum, the Fire Department utilizes operational manning overtime to bring in additional personnel. Minimum manning is, therefore, the key metric that determines both the Fire Department’s overall size and its overtime needs. Minimum manning policy is governed by safety considerations, response capability, and risk assessment. There must be an adequate number of Fire Fighters available to staff engines and ladders, to respond to calls swiftly, and to divide up responsibilities at the scene of an emergency in a fashion that does not compromise the safety of First Responders. New Rochelle’s manning standards are shaped not only by response requirements for single large emergencies, but also by the frequent need to respond to multiple simultaneous events. For this reason, medical calls and false alarms, although they do not typically require a full Departmental response, have the indirect effect of driving up minimum manning requirements. New Rochelle’s geography also requires a dispersion of Fire Fighting capacity to ensure adequate response times at all locations, including areas with a relatively low incident rate. Finally, to the extent that the Fire Department relies on mutual aid from other communities, it must also have the capacity to provide such mutual aid on a reciprocal basis. Comparing Departmental capacity with the rate of particular incidents or clusters of incidents across alternate manning and service-delivery scenarios is the best means of judging risk, and only through such risk assessments can a rational calculation about resource allocation be made.

Recommendation E.3: Adjust Fire Department Manning to Correspond with Day/Night Service Needs
Savings-Service Reduction: \$900,000

While any large changes in the configuration or service portfolio of the Fire Department should be preceded by the study referenced in the recommendation above, the Panel believes that modest changes can be undertaken immediately to reduce costs and align manning levels with clear patterns of service demand. Specifically, the Panel recommends reducing minimum manning levels during overnight hours (9:00pm to 9:00am) from the current 27 to a revised 24. This recommendation may require an operational change in the assignment of shifts.

There is a dramatic difference between day and night Fire and emergency service demands, with overnight calls occurring at only about half the rate of daytime calls. As a result, during overnight hours, there is a reduced probability of any single major incident and also, critically, a reduced probability of simultaneous calls that divide Fire Department resources. In addition, lower traffic volume during overnight hours can improve response time.

Figure 24: Fire Calls Drop By Half Overnight (2011)		
	Day (9am-9pm)	Night (9pm-9am)
Engines	6,207	3,146 (down 49%)
Ladders	2,277	1,045 (down 54%)
Chiefs	987	492 (down 50%)

By implementing this recommendation, the City can eliminate six Fire Fighter positions, with eventual annual savings of \$850,000 per year. The Panel recommends, however, that these positions be eliminated through attrition, with initial savings achieved through reduced overtime costs, and savings gradually increasing to the full level as retirements occur. Over three years, this results in estimated total savings of \$900,000. While lay-offs achieve deeper immediate savings and may be necessary under certain circumstances, lay-offs should be avoided if possible because: (1) they entail human costs for the workers affected; (2) they reduce general organizational morale; and (3) they target newer and generally younger employees, raising the average age of the workforce and resulting in a greater threat of injury.

Recommendation E.4: Assign Crossing Guards Based on True Need
Savings-Service Reduction: \$375,000

The safety of children is of paramount importance to our community. Furthermore, walking to school is a positive public health and environmental practice. For these reasons, the Panel believes that the crossing guard program should be preserved. However, the selection of intersections to be covered should be based on objective need. A preliminary analysis conducted by the Police Department in late 2011 illustrated enormous variability in the number of unescorted children crossing at covered intersections, from a low of just 9 to a high of 203. Fully six of the covered intersections featured less than 30 unescorted children (these figures include both AM and PM crossings.) The Panel judges that roughly half of the intersections presently staffed by crossing guards probably do not merit such coverage. Accordingly, the Panel recommends that the crossing guard program be reduced by 50%, with annual savings of approximately \$125,000. The choice of specific intersections should be preceded by a more rigorous analysis of pedestrian and vehicular traffic volume. Schools that wish to maintain adult supervision at low volume intersections that lose professional coverage could enlist parents, PTA members, and other potential volunteers in lieu of paid crossing guards.

F. Challenge the Traditional Practices & Culture of Municipal Government

Standard municipal governing structures and practices can sometimes impede creative thinking about new models for service delivery and savings. New Rochelle may be able to find better opportunities for savings and efficiency by challenging several long-held assumptions and traditional divisions of departmental responsibility.

Recommendation F.1: Consolidate the Police & Fire Departments into a Department of Public Safety *Savings-Efficiency: (\$100,000)*

The Panel recommends that the Police and Fire Departments be consolidated into a single Department of Public Safety. Sharing administrative and clerical staff currently assigned to different departments would yield immediate savings, estimated at \$50,000 per year, beginning in year 2. In addition, a unified leadership structure would permit uniform management controls with respect to overtime, off-duty activities and other personnel oversight matters. Finally, a consolidated Public Safety Department would help break down cultural barriers that often divide Police and Fire professionals, thereby facilitating a potential transition to cross-trained public safety personnel.

Recommendation F.2: Explore Greater Integration of Public Safety Operations & Services

Investment-Study for Future Savings: No anticipated cost

The integration of Police & Fire operations could include cross-training new Police and Fire personnel, sharing services, and consolidating fleet use and oversight. Such measures could increase the City's capacity to respond flexibly to different forms of emergency, while also reducing the variability in staffing levels per shift by utilizing a pool of cross-trained public safety officers who could be deployed to fill service gaps. If cross-training is feasible and facilitates overall personnel reductions with no reduction in service delivery capacity, then savings could be significant. Each public safety position has an annual cost of approximately \$130,000, with savings partially offset by increased training expenses. The elimination of five positions would result in order of magnitude annual net savings of roughly \$500,000. The Panel, nonetheless, recognizes that operational and training challenges must be explored fully and addressed before any significant level of service integration could be implemented. We, therefore, recommend that such an analysis be among the first duties assigned to a new Public Safety Commissioner, and that independent experts also be engaged, to avoid any bias toward the status quo.

Recommendation F.3: Restructure Park & Recreational Access Policies

Revenue-End Public Subsidy & Fees/Fines: \$445,000

New Rochelle's parks are a universal good, in which all taxpayers have an ownership stake. Barriers that impede general access to parkland should be reduced, in order to encourage park patronage and enjoyment and to maximize the community's return on park investments. By contrast, specialized recreational programs and services that are not universal, but cater instead to select audiences, should be supported entirely by user fees and not taxpayer subsidies. Yet New Rochelle has traditionally done the reverse by imposing a general cost to park users, while subsidizing specialized programs. The Panel recommends a re-thinking of these assumptions through two actions:

First, the Omni Card should be eliminated. In 2011, only 875 Omni Cards were sold in a City of more than 77,000 residents, suggesting either that the Omni Card requirement is ignored by a significant number of park users or that the Omni Card requirement constitutes a barrier for a significant number of potential park users. Anecdotally, a large portion of the public finds the process by which Omni cards are obtained to be inconvenient and cumbersome. The minimal annual revenue generated by Omni Card sales (approximately \$35,000) does not justify an impediment to general, universal park access. The

Panel recommends that the City discontinue the Omni Card and establish a general policy of universal park access to New Rochelle residents. Point of entry daily payments may be required for certain specialized recreation facilities. In addition, the City should establish a proof of residency requirement, with a differential charge for non-New Rochelle residents. The Panel conservatively projects a net loss in revenue of \$50,000 over three years, which represents a roughly 50% recapture of present Omni Card fees through such daily and non-resident charges, but actual recapture could be larger or cost-neutral.

Second, specialized recreational programs should be self-supporting. Many specialized recreation programs presently operate at a deficit, requiring a taxpayer subsidy. The Panel recommends ending these subsidies by increasing user fees to a level necessary to support the entirety of program costs. Current taxpayer subsidies are estimated as follows: softball (\$26,000), basketball (\$9,000), tennis (\$31,000), and general sporting events (\$97,000) for a rounded total of \$165,000. In making this recommendation, the Panel notes the risk that requisite fee levels may exceed demand, which could result in the elimination of certain recreational programs over time. Net three years savings combining all of the recommendations above is projected to be \$445,000.

Recommendation F.4: Set Marina Fees at Market-Based Level

Revenue-End Public Subsidy: \$450,000

The Municipal Marina is operated as an enterprise fund – in essence a business under the City umbrella. In recent years, the Marina has been “profitable” and has been able to generate surplus resources that are transferred to the City’s general fund through a PILOT (payment in lieu of taxes). This year’s PILOT is \$150,000. While this is good news, the transfer also disguises an ongoing public subsidy. Fees at the Municipal Marina are set at a below-market rate, which cuts overall revenue generation and effectively reduces the amount of income available for transfer to the general fund. Making boating more affordable is a laudable goal, but in the context of the difficult choices and trade-offs required to balance the City budget, a continuing public subsidy for boating, which benefits only a small subset of the community, cannot be justified. The Panel recommends that fees at the Municipal Marina be adjusted to reflect true market conditions, with estimated new revenue generation and enhanced PILOT transfers of approximately \$150,000 per year, for an annual total of \$300,000 per year.

G. Enhance Coordination with Schools & Neighboring Municipalities

The major public institutions that serve New Rochelle and the various municipalities that serve our region should strive to achieve economies of scale, minimize duplication, enhance bargaining power with contractors and bidders, share managerial oversight, and otherwise pursue opportunities to deliver services at lower overall cost.

Recommendation G.1: Renew & Intensify City/School Cooperation & Shared Service Delivery

Savings-Efficiency: Requires Further Study to Quantify

Although the City and School District are independent entities with largely distinct categories of responsibility, both serve the same population, draw from the same tax base, and operate within the same borders. The City and School District already coordinate in several ways. The Panel recommends expanding upon this history of cooperation by launching a rigorous and comprehensive study of all City and School services with the potential for merger or consolidation, focusing especially on public works, parks & recreation, and buildings & grounds functions. Such a study could be undertaken at no cost, utilizing in-house staff and knowledge. It is essential, however, for the study team to include independent citizen participants with no institutional interests to defend. The distribution of any savings that are identified and achieved through this process could be determined by payments from the School to the City or vice versa, but dividing benefits is a secondary question that should not impede any action that reduces overall expenditures and delivers savings to New Rochelle's taxpayers.

Figure 25: Shared Sanitation Services

The School District presently employs two sanitation workers at an annual cost of approximately \$150,000. If the District's sanitation functions were assumed by the City within existing staff levels, then savings could be shared by the City and School District, benefiting all taxpayers. The operational feasibility of this and other possibilities must be explored further.

Recommendation G.2: Seek Regional Partnerships for Savings

Savings-Efficiency & Revenue-Fees/Fines: Requires Further Study to Quantify

The municipalities of Westchester are diverse in their demographics, service priorities, and governmental structures, but almost all municipalities share certain common functions, many of which could be discharged less expensively on a regional basis. New Rochelle has been an advocate for regional service delivery, as evidenced by its leadership within the Long Island Sound Watershed Inter-municipal Council (LISWIC), its participation in regional Fire District research, and its joint bidding on a resurfacing contract with Pelham Manor. The Panel recommends that the City systemically and comprehensively consider additional opportunities for shared regional service delivery, beginning with contracted services that require minimal operational coordination, and progressing to include the full spectrum of municipal duties. The City should also consider assuming responsibility for (or "selling") services in neighboring municipalities on a contracted basis, if such arrangements can reduce net costs for all participating communities.

Recommendation G.3: Evaluate the Potential for Regional Composting

Investment- Study for Future Savings: No Direct Fiscal Impact

New Rochelle presently participates in the County's organic waste disposal program, transferring approximately 16,000 tons of leaves and yard waste each year to County-operated tractor-trailers for eventual disposal in upstate New York. The cost of organic waste disposal (called a "tipping fee") is \$40 per ton, of which \$25 is borne by the County and \$15 is borne by the City, for an annual City expense of roughly \$240,000. The Panel recommends that the City evaluate the potential for establishing a regional composting site that could accept organic waste from New Rochelle and other municipalities, thereby reducing the overall cost of organic waste transfer and disposal, with a consequent reduction in tipping fees, as well as potentially generating new revenue through the sale of compost. The Panel notes several complicating factors: (1) a regional composting site would require an estimated six to ten acres, would have to be relatively flat and well-drained, not susceptible to coastal or inland flooding, and offer ready access to roads capable of supporting seasonally heavy truck traffic; (2) financial benefits would be offset by initial capital costs for establishing a site and for ongoing composting operations; and (3) such an operation might be more sensibly spearheaded by the County than by the City. For these reasons, the Panel recommends that preliminary analysis of this option be pursued only a pro bono or in-house basis, with any judgments about implementation and/or resource expenditure held pending an initial conclusion of probable positive fiscal returns.

H. Monetize Public Assets

In order to raise revenue without further burdening taxpayers, the City should explore opportunities to monetize the use of various public assets and properties, including parks, roads, and vehicles.

Recommendation H.1: Sell Advertising Space on Public Property & Vehicles

Revenue-Fees/Fines: \$50,000

Public property and vehicles present a host of potential private advertising opportunities. While some locations may not be appropriate for commercial messages, others may be unobjectionable. Recognizing that precise predictions of revenue generation are difficult to make, the Panel conservatively estimates \$20,000 in annual revenue, commencing in mid-2013 to allow sufficient time for study and initial planning.

Recommendation H.2: Offer Franchising Opportunities in Public Parks

Revenue-Fees/Fines: Requires Further Study to Quantify

There are various active recreational parks and fields at which licenses could be sold to appropriate food and merchandise vendors. The Panel recommends that the City comprehensively examine the opportunities for such license agreements. Because the revenue generating potential of this recommendation is unknown, and because challenges, such as unintended competition with private athletic leagues, must be explored, no financial benefit is assumed in the Panel's package.

Recommendation H.3: Create An Optional On-Street Overnight Parking Permit

Revenue-Fees/Fines: \$225,000 (Not Assumed in Package)

The use of public roads for overnight parking is presently free in New Rochelle (except in areas, such as the central business district, where overnight parking is prohibited entirely.) The Panel has concluded that imposing a general, mandatory cost for overnight, on-street parking would be onerous, divisive and regressive. But in certain neighborhoods, a reasonably priced permit would likely be regarded as a positive means of reducing pressure on a limited on-street parking supply. Therefore, the Panel recommends that the City create an overnight parking permit option that could be introduced on a neighborhood-specific basis, following a demonstration of support from affected residents. In order to conform to the New York State Constitution, overnight on-street parking permits would be available to all people, residents and non-residents, on an even-handed basis. This measure would still require State legislative approval.

The City should begin by developing precise permit standards and hours, guest pass provisions, and neighborhood application methods and support thresholds, with the goal of implementing this program in mid-2013. The level of demand for this option is difficult to estimate in advance, so financial projections should be regarded as very rough. Assuming an annual permit fee of \$150, with 250 permit-holders for the second half of year one, 500 permit holders in year two, and 1,000 permit holders in year three, then topping off at 1,500 permit-holders in years four and beyond, and also discounting for initial administrative and set-up costs, with fine revenue and ongoing enforcement costs roughly off-setting, then total three-year net revenue is estimated to total approximately \$225,000, with annual revenue also of \$225,000 thereafter.

I. Partner with Municipal Labor Unions

The Panel was consistently impressed by the dedication and professionalism of New Rochelle’s municipal employees, who perform essential (and often dangerous) duties with limited resources. Judged by their work product and by cross-community standards, New Rochelle’s municipal employees are paid modestly and are a good deal for taxpayers. Nonetheless, it is impossible to ignore the central role of employee compensation in shaping New Rochelle’s budget challenges. Salaries and benefits account for more than ¾ of the City’s operating expenditures. Furthermore, if contractually negotiated salaries and benefits were to increase at a level roughly consistent with past trends, then, between retroactive and prospective salary adjustments, the City would have to expend an additional \$22 million in the next three years.

Figure 26: CSEA Contract As A Model

The City recently concluded a four-year contract with the Civil Service Employees Association (CSEA), featuring salary increases of 0%, 0%, 2% and 2%, as well as adjustments in various secondary benefits. This contract fits within the targets recommended by the Panel and serves as a useful model for other bargaining units.

The present economic climate, which includes both unprecedented constraints on municipal government and a very low inflation rate, should prompt a serious reexamination of the historic compensation adjustments that may have been reasonable under prior circumstances. Past practice is simply not sustainable or justifiable today. Contracts are negotiated by the City Administration and municipal labor union leaders and then presented to the City Council and union members for approval. In the event of a failure to reach a consensual agreement, contract terms for the largest public safety unions are determined by a State arbitrator. As volunteer citizen Panel members, it is not our role or intent to insert ourselves into the collective bargaining process. Instead, we urge a spirit of joint responsibility among management and labor, and we suggest a general and flexible standard that could help shape sensible contractual terms. It is important for all parties to recognize that reasonable settlements would be far preferable to the alternative means of balancing the budget.

Figure 27: In Contract Negotiations, Value Productivity, Not Just Dollars

In evaluating potential contracts, the City should consider productivity as well as compensation. Changes in work rules can provide important productivity increases. For example, reducing Fire Department comp time from six 24-hour shifts to four 24-hour shifts would be the equivalent of putting three additional fire fighters on the job.

Recommendation I.1: Seek Reasonable Contract Settlements

Savings-Contractual/Compensation: \$9.85 million

The Panel recommends that the City allocate approximately \$9.85 million for salary and negotiated benefit adjustments to cover the period between the expiration of the most recently-concluded contracts through 2015. This figure translates into an overall average annual compensation increase of approximately 1.5% compounded. There are many ways to achieve this target and the contracts for each specific bargaining unit would likely differ in their overall dimensions and specific terms. Management and union leadership can best judge how adjustments should be sequenced over time and distributed between salary and other forms of compensation. It is important to note that changes in work rules may increase productivity and could, in certain instances, reduce monetary concessions (see Figure 26 on the next page). Relative to historic patterns in compensation growth, such settlements would save approximately \$9.85 million, relieving financial strains that would otherwise place great pressure on personnel and service levels.

Recommendation I.2: Treat All Municipal Employees Fairly

Savings-Contractual/Compensation: \$390,000

537 of New Rochelle's workers are unionized, while 38 are not. The latter category, called non-represented employees (or non-reps), includes both managers and administrative support staff. For the last three years, the City has chosen to freeze the salaries of non-reps (an option it could not generally exercise for unionized workers.) Considered in isolation and viewed as a temporary action, this was a reasonable response to fiscal pressures, but it is not a sustainable practice. Because unionized employees continued to receive salary or step increases, while their non-rep colleagues do not, this policy has the effect of unfairly concentrating sacrifice on only one small segment of the municipal workforce. This undermines morale and contributes to serious managerial challenges, such as salary compression. For these reasons, the Panel recommends that non-reps receive salary adjustments roughly consistent with those we recommend for the typical unionized employee: approximately 1.5% per year. Unlike the contractual settlements noted above, these adjusted are recommended only to be prospective, not retroactive. As above, compared to the historical pattern of roughly 3% salary increases, this recommendation results in savings and reduces the budget gap by approximately \$390,000. This action should be coupled with a continued clear setting of high expectations for performance.

Recommendations I.3: Plan for Contingencies

Savings-Service Reduction: \$2.55m (Savings Relative to Preferred: \$1.65m)

In the event that the contractual arrangements described above cannot be achieved, the Panel recognizes that contingencies may be necessary. In the case, for example, of the Fire Department, the Panel would reluctantly recommend accelerating the reduction in Fire Department Overnight Manning (Recommendation E.3 above). Instead of deferring savings through attrition, new manning standards should be achieved by the immediate elimination of six Fire Fighter positions. It may be possible to devise similar contingencies for other bargaining units that have the right to seek interest arbitration. The alternative contingency would be a larger tax increase.

J. Adopt Good Practices

In addition to the specific recommendations outlined elsewhere, the Panel urges the City to pursue certain general practices likely to achieve long-term savings, partially avert short-term sacrifice, or maintain the quality of public assets.

Recommendation J.1: Take Advantage of Low Interest Rates for Major Capital Needs

Savings-Efficiency: Cannot Be Quantified

Major municipal infrastructure improvements are rarely paid for with cash and are instead typically financed through the issuance of debt. The cost of servicing debt is based on the repayment of principal, the length of the repayment period, and the applicable interest rate. In rough numbers, each incremental increase of 1% in the interest rate, applied to each \$1 million of debt, translates into an additional \$200,000 in costs for taxpayers over a typical 20-year repayment term. Therefore, the Panel recommends that the City take advantage of historically low interest rates in order to finance essential infrastructure or capital improvements that require bonding. This is not a recommendation for reckless borrowing or for the debt-financing of municipal operations, but rather against the deferral of necessary and inevitable infrastructure and capital expenditures, with the understanding that deferral is likely to mean higher costs. To ensure that investment can be justified, any significant debt issuance should be coupled with a realistic analysis of quantitative and qualitative costs and benefits, current and projected market conditions, and the probable terms and impacts for the repayment of principal and interest.

Figure 28: Public Works Yard As Illustrative Example

The City's existing public works yard has exceeded its useful life, and a new public works yard must be constructed at an estimated cost of \$13 million. A 2% increase in interest rates would add \$5.2 million to the overall cost of this project.

Recommendation J.2: Resume Consistent Investment in Capital & Infrastructure Needs

Investment- Long-Term Cost Reduction, Improve Public Service: (\$750,000)

While the City has historically allocated a portion of its general fund to the capital budget, these transfers have been suspended during the present fiscal crisis, meaning that capital needs are funded exclusively by grants and notes, with no or minimal general fund transfer, or that even the issuance of notes is restrained by anticipated debt service that must be covered by the general fund. This practice is unsustainable and results in gross underinvestment in physical assets, including vehicles, buildings, transportation systems, etc. These under-investments, in turn, diminish service quality, drive up maintenance and repair costs, and degrade the community's appearance and livability.

To put the scale of New Rochelle's capital needs in perspective, annual depreciation of the City's capital assets is estimated to be \$9 million, and annual Department capital requests routinely exceed available funds by an order of magnitude. From 2007 to 2012, general fund contributions to the capital fund accounted for less than 7% of depreciated assets, and accounted for even less of total general fund expenditures – below 1%.

The budget projections presented to the Panel assumed a positive, although inadequate, restoration of a \$1 million annual general fund transfer to the capital budget, and the Panel strongly affirms the wisdom of this assumption. The Panel further recommends an additional annual general fund transfer of \$250,000 per year, for an annual total of \$1.25 million. This represents a total three-year addition relative to budget projections of \$750,000, with expected future payback in lower emergency repair and

maintenance costs, high property values, enhanced ability to attract investment and development, and greater efficiency in operations. While this represents the most the Panel can endorse given today's financial picture, this recommended amount is still insufficient, and the City should give ongoing consideration to further expansion of its capital investments, as circumstances permit.

Recommendation J.3: Utilize Low Interest Rates for Immediate Certiorari Relief

Savings-Cost Deferral: \$450,000

In recent years, the City Council has chosen to debt-finance its certiorari payments. This practice has the effect of spreading certiorari costs across five years, rather than concentrating such costs in a single year. The Panel recognizes that this is not a sustainable long-term practice, and strongly advises the City to return to cash-financing of certiorari payments as soon as practical. As a short-term measure, however, one additional year of debt-financed certiorari payments can be justified by low interest rates and by the fiscal breathing room it creates for the essential investments recommended elsewhere in this report. The Panel, therefore, recommends that the City debt-finance its 2013 certioraris, but recommends against debt-financing certioraris in subsequent years.

Recommendation J.4: Consider Bundling Recommended Professional Studies

Savings-Efficiency: Cannot Be Quantified

At least two of the Panel's recommendations require independent, professional study as a first step. Where possible, we recommend that the City explore the possibility of bundling these studies into a single contract with a qualified consulting team, potentially reducing City expenses through "bulk acquisition." We note, however, that the recommended studies require distinct categories of expertise, and that finding qualified consultants able to address both of these subjects may prove impossible.

Recommendation J.5: Optimize Fleet Composition & Use

Savings-Efficiency: Requires Further Study to Quantify

Like all municipalities, New Rochelle maintains a fleet of vehicles, many of which have specialized functions, and some of which are available for more general use. The Panel recommends that the City Administration undertake a comprehensive review of the fleet's size and composition to identify: (1) opportunities for reducing the number of vehicles in the fleet through the use of pool cars or other sharing arrangements; (2) the potential for energy cost savings through an accelerated transition to smaller and more fuel-efficient models and/or alternative fuel models; (3) means of better tracking the wear and tear associated with particular drivers in order to encourage appropriate driving habits and reduce future maintenance costs.

K. Set Taxation Levels to Meet Community Priorities & Distribute Burdens Fairly

While the Panel hopes that a reduction in the property tax burden will be possible, based on the alternative revenue sources recommended below, it is far more likely that property taxes will have to be part of New Rochelle's budget-balancing equation. A range of possibilities is presented below based on different scenarios and models. The Panel's best estimate is that an annual average increase in the property tax rate of about 2.36% (0.42% relative to the total tax bill) **above the cap** will be required during each of the next three years. This amounts to a property tax payment that escalates by about \$65 per year for the average homeowner and about \$12 per year for the average apartment renter, above and beyond the cap level.

We offer this conclusion without pleasure. After all, each of the Panel members is a taxpayer whose personal finances are squeezed by ever-increasing property tax bills. Taxes have become an overwhelming burden for many residents of our entire region, and the City's desire to limit further tax increases was surely among the City Council's primary motivations for assembling the Panel.

But if our property tax recommendation is presented reluctantly, it is also presented with the confidence that comes from many months of careful, independent study. The Panel has weighed the alternatives and judged each to be worse in their impacts on New Rochelle – in some cases much worse – than a property tax increase of equivalent value. Service or spending cuts deeper than those recommended would slice into vital safety and quality of life standards, while continued deferral of essential investments would only compound future costs, while depriving New Rochelle of any positive path forward. We are better off as citizens paying a little bit more each year.

Figure 29: The Tax Cap: Simple Concept, Complicated Formula

Many people believe that the State property tax cap simply restricts annual property tax rate increases to 2% per year. The reality is more complicated. Annual increases in pension contributions that exceed 2% are exempted from the cap calculation, as are court judgments in excess of 5% of the total tax levy. Furthermore, municipalities may raise their rate in order to compensate for decreases in overall property assessments. The precise cap level, therefore, varies year-to-year and community-by-community. In 2012, the cap on New Rochelle's property tax levy (which is basically the total amount collected) was 3.68%. The corresponding increase in the tax rate, which accounts for reduced assessments, was 6.36%.

Recommendation K.1: Absent Alternative Revenues Below, Set the Property Tax Rate at 4.96% Above the Cap Level (or 0.89% Relative to the Total Tax Bill)

Revenue-Property Taxes: \$15.4 million

If the City Administration, Council, and municipal labor unions accept the Panel's recommendations in their entirety, then the remaining budget gap will be an estimated \$15,440,000. This is much reduced from the original \$29 million, but still translates into an annual rate increase during each of the next three years of approximately 4.96%. **It is important to note that these would be increases above, and not inclusive of, the State-imposed property tax cap.** (Including the estimated cap limit would produce a net rate increase of 10% to 11%.) For the average single-family homeowner, this would mean an escalation of \$136 per year above the cap for each of the next three years, and for the average apartment renter, this would mean an extra \$25 per year. For the sake of simplicity, we present this recommendation in the form of a uniform rate adjustment in each of the next three years, but an equivalent amount could be collected through variable rate changes, such as a larger increase in year 1, coupled with smaller increases in years 2 and 3. Note that this recommendation also assumes rejection of the various speculative items that require State approval.

Recommendations K.2-K.7 (Reduce Property Taxes with Alternative Revenues)

Municipal governments throughout New York State are heavily reliant on property taxes. Property taxes accounted for nearly half of the City of New Rochelle's revenues in 2011, by far the largest single source of municipal income. This excessive reliance on a single revenue source places a consequentially heavy burden on only one segment of a diverse community. While property taxes will almost certainly remain the City's primary revenue source for the foreseeable future, a more diversified portfolio of revenue options would help provide for fiscal stability and would also help distribute the responsibilities and burdens of supporting municipal services in a broader and more equitable fashion. For these reasons, the Panel recommends that the City seek State authorization for the following new or augmented revenue sources, and that any new funds thus secured be utilized to reduce the property tax rate by an equivalent amount.

Recommendation K.2: Increase the Utility Gross Receipts Tax to 3%

Revenue-Property Tax Substitute: \$8.4m

As a means of reducing property taxes, the Panel recommends seeking State legislative approval to increase the local Utility Gross Receipts Tax (GRT) from 1% to 3%. The GRT, which is paid by utility providers and passed through to customers, adds a small charge to energy, water, telephone and other utility service bills. Like all taxes, the GRT is objectionable, but it is broader-based than the property tax, permits some degree of cost control on the part of payers, and creates modest incentives for conservation. While several cities in New York State already have the authority to set their GRT up to 3%, most, including New Rochelle, are capped at a 1% level. Increasing New Rochelle's rate to a total of 3% would generate additional annual net revenue of \$2.8 million, reducing the average annual property tax increase by approximately 2.75% during each of the next three years.

Recommendation K.3: Adopt a Local Real Estate Transfer Tax

Revenue-Property Tax Substitute: \$4.5m

As a means of reducing property taxes, the Panel recommends seeking State legislative approval for the adoption of a local real estate transfer tax of 1%. This tax would be payable by the seller at the time of the sale of any real property, and would not impose any annualized burden on residents. Two of Westchester's other cities already have a local real estate transfer tax. While this measure would have a small negative impact on the housing market, the Panel judges its effects to be less objectionable than that of the equivalent property tax rate increase. Revenue would be variable year to year, depending upon sales volume. The total value of sales in 2011 was approximately \$150 million, which, if extended, would generate \$1.5 million annually, reducing the average annual property tax increase by 0.5% in each of the next three years.

Recommendation K.4: Relieve Property Taxpayers of Hydrant Maintenance Costs

Savings-End Public Subsidy: \$3.9 million

As a means of relieving a burden presently imposed only on property taxpayers, the Panel recommends seeking State legislative approval to distribute the cost of hydrant maintenance and access across all water ratepayers. New Rochelle and several nearby municipalities are served by a private water company, United Water. The cost of water infrastructure necessary to support fire suppression, principally access to and maintenance of fire hydrants, is presently borne exclusively by property taxpayers through a line item within the City budget. Including this cost in water bills instead would be a more equitable funding mechanism and would reduce municipal expenses. Most communities in New York State include fire suppression infrastructure in their general water rate. Nonetheless, achieving this objective would require State legislative action, as well as a municipal request before the State Public

Service Commission. This action would reduce the average annual property tax increase by approximately 1.3% during each of the next three years.

Recommendation K.5: Create a New Fee to Cover Sewers & Drain Costs

Revenue-Property Tax Substitute: \$2.7m

As a means of reducing property taxes, the Panel recommends establishing a new mandatory fee that would entirely fund the Sewers & Drains functions within the Department of Public Works, generating a total of \$1.35 million per year. The fee would vary according to water use and would likely appear as a charge on water bills. Because this method of revenue collection would encompass a broader range of payers, including tax exempt and tax-abated properties, the average property taxpayer would experience a reduction in annual out-of-pocket expenses. This measure would require the approval of the New York State Public Service Commission and would likely also require coordination with United Water, a private company. Because of the potential administrative challenges associated with this recommendation, some delay in implementation is forecast, and total benefits are calculated as commencing in year two, with a projected three-year revenue generation of \$2.7 million, reducing the average annual property tax increase by 0.9% in each of the next three years.

Recommendation K.6: Maintain the Residential Refuse Fee

Revenue-Property Tax Substitute: No Fiscal Impact

While recognizing the unpopularity of and objections to this mandatory fee, the Panel concludes that a property tax increase of equivalent value would have a more negative effect on the community, and that the fee does offer the benefit of broadening New Rochelle's revenue base. Accordingly, the Panel recommends that the residential refuse continue to fund the total cost of sanitation services. Because this course of action was assumed in the budget projections presented to the Panel, this recommendation has no impact on the budget gap. Eliminating the residential refuse fee, on the other hand, would increase the budget gap by \$18m and would raise the average annual property tax increase during each of the next three years by 6.0%.

Recommendation K.7: With All Alternatives, Set the Property Tax Rate At 2.07% Below the Cap Level (or 0.37% Below, Relative to the Total Tax Bill)

Revenue-Property Taxes: (\$6.29m)

State approval of the options recommended above would generate an additional \$19.5 million during the next three years, directly offsetting the amount needed in property taxes. This would reduce the annual average rate increase in Recommendation K.1 above by 6.31% and, also coupled with approval of other speculative items within this report, which have a total additional value of \$2.23m, would actually result in a tax rate below the cap level of about 2.07% for each of the next three years. For the average single-family homeowner, this would mean a reduction of \$57 per year during each of the next three years, and for the average apartment renter, this would mean a reduction of \$10 per year. **It is important to note that these would be decreases relative to, and not inclusive of, the State-imposed property tax cap.** (Including the estimated cap limit would produce a net rate increase of 3% to 4%.) As previously, for the sake of simplicity, we present this recommendation in the form of a uniform rate adjustment in each of the next three years, but an equivalent amount could be collected through variable rate changes, such as a larger decrease in year 1, coupled with smaller decreases in years 2 and 3.

Recommendation K.8: Accounting for Probabilities, Set the Property Tax Rate at 2.36% Above the Cap Level (or 0.42% Above, Relative to the Total Tax Bill)

Revenue-Property Taxes: \$7,194,000

In order to provide a “best guess” of probable outcomes for planning purposes, the Panel assumes a 40% chance of receiving the various property tax substitutes referenced above, and a smaller 20% chance of receiving the various “speculative” State-authorized items elsewhere in our report. Together, these assumptions yield a total benefit of \$8,246,000, resulting in a remaining budget gap of \$7,194,000. This translates into an annual rate increase during each of the next three years of approximately 2.36%.

It is important to note that these would be increases above, and not inclusive of, the State-imposed property tax cap. (Including the estimated cap limit would produce a net rate increase of 7% to 8%.) For the average single-family homeowner, this would mean an escalation of \$65 per year above the cap for each of the next three years, and for the average apartment renter, this would mean an extra \$12 per year.

As previously, for the sake of simplicity, we present this recommendation in the form of a uniform rate adjustment in each of the next three years, but an equivalent amount could be collected through variable rate changes, such as a larger increase in year 1, coupled with smaller increases in years 2 and 3. While acknowledging the high degree of uncertainty that surrounds action beyond local control, this figure represents the Panel’s estimate of the property tax increase most likely to be required in order to fully implement our report’s recommendations.

6. THE BOTTOM-LINE: NET IMPACT OF OUR RECOMMENDATIONS

The table below provides a brief financial summary of each of our specific recommendations, as well as the net impact of considering them together:

BUDGET CATEGORY		IMPACT (\$)
TOTAL PROJECTED 3-YEAR BUDGET GAP		\$ 29,000,000
RECOMMENDED SAVINGS (CUTS)		
<u>Enhance Efficiency</u>		
A.1	Improve Parking Violations Collections (1/2)	\$ 150,000
A.2	Manage Fire Department Sick Time More Flexibly	\$ 75,000
A.3	Advocate for State Retirement Incentive (SPECULATIVE)	\$ 1,000,000
C.4	Encourage Recycling Through Sanitation Schedule Shift & Automation	\$ 35,000
C.5	Improve Fire Safety Through Inspections at Time of Sale	\$ -
F.1	Consolidate the Police & Fire Departments into a Department of Public Safety	\$ 100,000
G.1	Renew & Intensify City/School Cooperation & Shared Service Delivery	\$ -
G.2	Seek Regional Partnerships for Savings (in-house study)	\$ -
J.1	Take Advantage of Low Interest Rates for Major Capital Needs	\$ -
J.4	Consider Bundling Recommended Professional Studies	\$ -
J.5	Optimize Fleet Composition & Use (internal study)	\$ -
<u>Service Reduction</u>		
C.1	Encourage Leaf Mulching By Requiring Leaf-Bagging for Pickup	\$ 600,000
E.1	Enhance Community Policing Through a Realignment of Police Sectors	\$ 810,000
E.3	Adjust Fire Department Manning to Correspond with Day/Night Service Needs	\$ 900,000
E.4	Assign Crossing Guards Based on True Need	\$ 375,000
<u>Contractual/Comp</u>		
n/a	CSEA (already achieved)	\$ 1,100,000
I.1	Seek Reasonable Contract Settlements	\$ 9,850,000
I.2	Treat All Municipal Employees Fairly	\$ 390,000
I.3	Plan for Contract Contingencies (net \$1.65m, if needed)	\$ -
<u>Cost Deferral</u>		
J.3	Utilize Low Interest Rates for Immediate Certiorari Relief	\$ 450,000
		Subtotal, SAVINGS (CUTS) \$ 15,800,000
RECOMMENDED NEW REVENUE		
<u>End Public Subsidy</u>		
B.6	Seek Reimbursement for Highway Response Costs (speculative)	\$ 630,000
F.3	Restructure Park & Recreational Access Policies	\$ 445,000
F.4	Set Marina Fees at Market-Based Level	\$ 450,000
<u>Fees/Fines</u>		
A.1	Improve Parking Violations Collections (1/2)	\$ 150,000
C.2	Discourage False Alarms (Fire)	\$ 285,000
C.3	Discourage False Alarms (Police)	\$ 225,000
C.6	Offer Low-Cost Fire Inspections to Public	\$ 30,000
C.7	Improve Safety Through Automatic Camera Enforcement of Traffic Signal Regulations (SPECULATIVE)	\$ 375,000
H.1	Sell Advertising Space on Public Property & Vehicles	\$ 50,000
H.2	Offer Franchising Opportunities in Public Parks (in-house study)	\$ -
H.3	Create An Optional On-Street Overnight Parking Permit (SPECULATIVE)	\$ 225,000
		Subtotal, NEW REVENUE \$ 2,865,000
		(SAVINGS + NEW REVENUE) \$ 18,665,000

(Summary of Recommendations-Impacts Continued)

RECOMMENDED INVESTMENTS (EXPENDITURES)		
<u>Study for Savings</u>		
C.4	Encourage Recycling Through Sanitation Schedule Shift & Automation	\$ (100,000)
E.2	Comprehensive Fire Service, Manning and Risk-Level Optimization Study	\$ (175,000)
F.2	Explore Greater Integration of Public Safety Operations & Services (contingent/internal)	\$ -
G.3	Evaluate the Potential for Regional Composting (pro bono)	\$ -
J.5	Size & Maintenance of City Fleet (internal)	\$ -
<u>Leverage Outside</u>		
B.1	Offer Incentives for Private Contributions	\$ (100,000)
B.2	Improve Intergovernmental Advocacy	\$ (50,000)
B.3	Create Reserve for Grant Application Assistance	\$ (50,000)
B.4	Set Aside Matching Funds for Federal/State Grants	\$ -
B.5	Create "Friends of" Organization to Support Parks	\$ -
<u>Future Revenue</u>		
D.1	Enhance Marketing & Communications Capacity	\$ (225,000)
D.2	Establish Capital Fund for Economic Growth Priorities	\$ (750,000)
D.3	Enhance Development & Planning Capacity	\$ (675,000)
D.4	Consider the Creation of a Local Investment Fund	\$ -
D.5	Improve Commercial Maintenance & Sign Code Enforcement	\$ -
<u>Future Cost Reduction</u>		
J.2	Resume Consistent Investment in Capital & Infrastructure Needs	\$ (750,000)
	Subtotal, INVESTMENTS	\$ (2,875,000)
	<i>(as % of SAVINGS + REVENUES)</i>	15%
RECOMMENDED PROPERTY TAX SUBSTITUTES		
K.2	Increase the Utility Gross Receipts Tax to 3%	\$ 8,400,000
K.3	Adopt a Local Real Estate Transfer Tax	\$ 4,500,000
K.4	Relieve Property Taxpayers of Hydrant Maintenance Costs	\$ 3,900,000
K.5	Create a New Fee to Cover Sewers & Drain Costs	\$ 2,700,000
K.6	Maintain the Residential Refuse Fee	\$ -
	Subtotal, PROPERTY TAX SUBSTITUTES	\$ 19,500,000
SUMMARY OF SCENARIOS		
"BEST CASE" Total		\$ 35,290,000
(assumes 100% of all speculative items and property tax substitutes)		
Remaining Budget Gap <i>(above/below cap)</i>		\$ (6,290,000)
Recommended Tax Increase <i>(above/below cap)</i>		-2.07%
"WORST CASE" Total		\$ 13,560,000
(assumes 0% of all speculative items and property tax substitutes)		
Remaining Budget Gap		\$ 15,440,000
Recommended Tax Increase <i>(above cap)</i>		4.96%
"MOST LIKELY" Total		\$ 21,806,000
(assumes 20% of speculative items and 40% of property tax substitutes)		
Remaining Budget Gap		\$ 7,194,000
Recommended Tax Increase <i>(above cap)</i>		2.36%

7. CONCLUSION

In light of the complex challenges facing New Rochelle – and with deep respect for the diversity of opinions, needs and priorities reflected across our community – we believe we have offered a detailed and credible path forward. While far from perfect, we are confident that our package represents a delicate and deliberate mix of painful cuts in services, critical investments in future growth, and a commitment to shared sacrifice. While a majority of our recommendations likely would not be pursued under better fiscal circumstances, we nonetheless believe that New Rochelle must take difficult action now in order to get out the box we all feel trapped within. In short: ***it's much better to take our medicine now, while it can still help us grow toward a healthier future for New Rochelle.*** If we do not, we fear that the same choices, while difficult today, may not be available to us in the future. To our City's elected and appointed officials, we sincerely appreciate all that you have done to help navigate our community through these choppy waters – and we hope that you will find the courage and resolve to take the bold and admittedly unpopular actions we've recommended to steer us to a better future. We stand ready to support you in your efforts.

8. APPENDICES

Please refer to the following appendices for additional detail in support of our full report:

- Appendix A: Non-recommended Options
- Appendix B: Fiscal Assumptions
- Appendix C: Useful Web Links
- Appendix D: Brief Biographies of Panel Members
- Appendix E: Thanks & Acknowledgements

Appendix A: Non-recommended Options

Through the course of our work, the Panel considered and debated many other options that are not recommended at this time. In order to provide a complete and transparent accounting of the Panel's decision-making and to illustrate potential alternative strategies, these additional options are listed below, together with very brief descriptions of the Panel's reasoning. In some cases, the Panel may have reached a negative determination about an option's merits, while in others, the Panel may have judged the option to have value, but concluded that it could not be supported in the current fiscal climate and/or its benefits were outweighed by competing priorities and trade-offs. Still others were deemed not to be germane to the Panel's charge. If the City's fiscal condition changes significantly for the better or worse, then the City Council may wish to revisit some of these potential actions.

Cuts/New Revenues (Not Recommended at this Time)

- **Reduce Fire Department Minimum Manning to 24, Both Day & Night**
Potential impacts on community safety and risk level require further professional analysis.
- **Eliminate Crossing Guard Coverage**
Crossing guards satisfy a genuine need at several intersections. Reduction, instead of elimination, is more appropriate.
- **Create Mandatory Overnight On-Street Parking Permit Requirement**
Would be onerous, regressive and divisive if imposed as a mandatory charge. Neighborhood opt-in policy recommended instead.
- **End Taxpayer Subsidies for All Human/Social Services**
Would have harsh negative impact on vulnerable portions of our community, including seniors, youngsters and the disabled.
- **Discontinue Leaf and/or Yard Waste Collection**
Would constitute too radical a change in current service delivery. Leaf-bagging is more appropriate first step.
- **Introduce Pay-As-You-Throw Sanitation Program**
Administrative and enforcement challenges outweigh benefits. May be sensible as a medium to long-range option, depending upon experience with leaf bagging and general sanitation study.
- **Privatize Marina**
Loss of waterfront asset is not justified by one-shot revenue.
- **Raise Age Limit for Senior Omni Card & Convert to Annual Fee**
Obviated by recommendation to eliminate Omni Card.
- **Improve Collection of Open Permit and Legalization Fees**
Would produce short-term benefit, but at a long-term net cost, as fees and fines are ordinarily recovered in the course of property transactions.
- **Debt-Finance Certiorari Payments for Three Years (2013-2015)**
May prove appropriate depending upon evolving circumstances, but working assumption should be a return to cash-financed certiorari payments at earliest practical opportunity.

Investments (Not Recommended at this Time)

- **Retain Grant Officer**
Grant consulting services on a case-by-case basis are more cost effective.
- **Improve General and/or Housing Code Enforcement by Hiring Additional Inspectors**
Would be a valuable investment, but non-essential and unrelated to future economic growth.

- **Retain Consultants to Assist with Comprehensive Place Update**
The Comprehensive Plan is moving forward well on an in-house basis. Consulting assistance is not essential.
- **Enhance Parks Maintenance by Retaining Additional Parks Laborers**
Would be a valuable investment, but non-essential and unrelated to future economic growth.
- **Make Comprehensive Improvements at the New Rochelle Train Station**
Would be a valuable investment, but payback in increased rental income is not sufficient to offset initial capital costs.
- **Set Aside Capital Funds for Improved Technology**
Technology priorities should be funded within the general capital budget, with no logic for a separate set-aside.
- **Restore Five Community Policing Positions**
Essential medium to long term goal, but cannot be supported under current fiscal circumstances. Deployment to community Policing in conjunction with sector realignment is intended to partially accomplish this objective.
- **Establish North End DPW Satellite**
High initial cost results in unacceptably long payback period from operational and resource efficiencies. May be justified as future investment in better service.
- **Purchase New Trucks to Improve Snow Removal Operations**
New vehicles would have a positive effect on service quality, but cannot be justified in present fiscal climate.
- **Study Public Acquisition of Water Infrastructure & Service**
Capital and condemnation costs likely to outweigh any benefits.
- **Conduct Local Revaluation/Reassessment**
Policy implications are outside the scope of the Panel's mission. Short-term fiscal impacts are negative.

Appendix B: Fiscal Assumptions

The projected \$29 million dollar budget gap presented to the Panel by the City Manager and Finance Commissioner was based on the following assumptions and projections:

Expenditures:

- Staffing held at 2012 position count through 2015.
- Extension of historic growth trends in negotiated employee compensation (excluding statutory benefits), generally featuring increases of approximately 3% per year, for both unionized and non-unionized employees.
- Retirement costs set by the State Comptroller increasing by 20% in 2013 and by 10% in 2014 and 2015.
- Health insurance costs increasing by 10% annually with no increase in employee health insurance contributions.
- Workers compensation, line of duty injury, and 207A costs increasing by 10% annually, consistent with recent trends.
- Non-personnel costs increasing minimally to encourage departmental productivity and efficiency. Outside legal, energy and material costs increasing at between 3% and 5% annually.
- Tax certiorari settlements held at \$800,000 annually without offsetting borrowing.
- Debt service costs reflecting commitments made to date, plus future bonding for the construction of a new City Yard, commencing in 2014 at \$800,000 to \$1,000,000 per year.
- General Fund transfer of \$1 million annually to Capital Project Fund, beginning in 2013.

Revenues:

- Property tax levy increasing at maximum amount allowable under the NYS tax cap legislation (estimated at 3.8% annually). Tax rate increases will be higher as assessments are assumed to decrease between 2% and 3% annually.
- General State Aid (AIM) maintained at FY 2012 level.
- Sales taxes increasing at 2% to 3% annually.
- Residential refuse fee maintained at 2012 rate.
- Avalon annual pre-payment of \$1.5 million ending in 2014.
- All other major revenues stagnant.
- Fund balance held constant at \$2.5 million annually.

Appendix C: Useful Web Links

We include for your reference the following links to additional resources:

- **General City Information**
<http://www.newrochelleny.com/>
- **City of New Rochelle Adopted Budget - 2012**
<http://www.newrochelleny.com/DocumentCenter/Home/View/1148>
- **City of New Rochelle Comprehensive Annual Financial Report – 2011**
<http://www.newrochelleny.com/DocumentCenter/Home/View/561>
- **New York State Conference of Mayors – State Mandates**
<http://www.stopthetaxshift.org/mandates>

Appendix D: Brief Biographies of Panel Members

Following are brief bios of the individuals who served on the Citizen's Panel on Sustainable Budgets:

Judith (Judy) Berger is the Deputy Budget Director at New York City's Administration for Children's Services. In this capacity she is responsible for the child welfare portion of the Children's Services budget, which includes foster care, adoption, preventive services and protective services. Judy has worked at Children's Services for over fifteen years where she has been involved in Children's Services redesign of the New York City child welfare system. Prior to joining Children's Services, Judy worked at the New York City Human Resources Administration for the Social Security Income (SSI) program. Judy holds a Masters of Public Administration Degree from Columbia University and a Bachelor of Arts Degree from the State University of New York at Albany. Judy moved to New Rochelle in December 2009 with her husband Marc, and will be celebrating her daughter's first birthday in September.

David Bieber is recently retired after 28 years at Accenture, where he was the Senior Partner responsible for managing the company's North American Utility Practice. At Accenture, David focused on helping Fortune 500 Companies implement new business processes and technologies to improve their business performance. After spending the first half of his career helping companies transform, David has decided to dedicate the second half of his career to helping underserved inner city children and their mentors enhance the quality of their lives by enabling them to attend sporting and cultural events that financially are unavailable to them. To that end he has established a non-profit, Seats of Dreams, that provides theater and sporting event tickets to underserved children and their families. David graduated from the City University of New York, with a BS and MPS in Computer Science and Economics. David has lived in New Rochelle, with his wife and three children, since 1994.

Michael (Mickey) Boyle, Sr., a long-time resident of New Rochelle, is a retired school administrator and educator. He held a number of roles in neighboring Mount Vernon School District, including District Administrator of Pupil Support Services, Assistant Principal of High School Curriculum, Guidance & Scheduling, and High School Social Studies Teacher. He holds a BA from Iona College, a MA in Teacher Education from Hunter College, and an MS in Education Administration from Manhattan College.

Emily Bromberg grew up in New Rochelle, attended public school there, and met her husband at New Rochelle High School. Emily holds a BA in history from Cornell University and a MPA from Columbia University. Emily has held various positions in government, including Deputy Assistant to President Clinton for Intergovernmental Affairs and Special Assistant in the Department of Health and Human Services under Secretary Donna Shalala. Emily currently works for Jane Williams, host and producer of Bloomberg EDU, the only national radio show dedicated solely to discussing education policy. Emily lives in New Rochelle with her husband and two wonderful children.

Kyran Cassidy is Vice President Associate General Counsel of HarperCollins Publishers. He is the principal attorney responsible for the distribution of digital products, digital piracy, information technology, internet marketing and regulatory compliance, bankruptcy matters, and trademark registration and enforcement. He also consults on pre-publication libel and intellectual property issues. He is a graduate of Columbia College and NYU School of Law and has lived in New Rochelle with his wife and two children since 2003.

Matthew J. Costa is a practicing attorney with offices in New Rochelle. He is also owner of ASL Managing & Consulting Inc., a real estate management company. Matthew and his wife, Lori, are life-long He and

Lori are the parents of three beautiful daughters. Matthew holds a B.B.A. in finance from Iona College and a J.D. from St. John's University School of Law. In addition to serving on the Citizen's Panel on Sustainable Budgets, Matthew also serves as a board member for The New Rochelle Bar Association, The New Rochelle Youth Court, and The New Rochelle Fund for Educational Excellence

Michael D'Ambrosio is an experienced financial manager with expert knowledge of taxation, planning and compliance, of mutual funds for a broad range of investments and investment strategies. He has held senior roles across the financial industry, including as Tax Director with PriceWaterhouseCoopers, Fixed Income Asset Analyst with General Electric, and as Tax Manager with Ernst & Young LLP. He holds a Bachelor of Business Administration from Iona College and is a Certified Public Accountant in New York State.

Martha Lopez-Hanratty is a seasoned leader in the not-for-profit and government sector with experience assisting immigrants, women and underrepresented communities in planning and implementing programs to further their social, political, and economic development. She has worked as Development Associate for Hope Community Services, Adjunct Professor for the College of New Rochelle, and as Director of Hispanic Affairs for the County of Westchester.

Jeffrey Hastie is Founder of JAH Strategem, an IT strategy consulting firm, and Owner of Montclair Soccer Stop, a retail soccer store. Jeffrey has had a wide and varied career that includes real estate development, business planning, and technology management. He's worked across several industries, including: music, news media, and financial services. Jeffrey holds a BS in Systems Engineering from Case Western Reserve University and earned his MBA at Columbia University. Jeffrey and his wife have resided in New Rochelle since 1998 and are raising two kids.

Linda E. Kelly, a graduate of Wellesley College, earned her Master's degree from Columbia University Teachers College and her professional certificate in Supervision and Administration from Hunter College. She enjoyed a long and successful career in the City School District of New Rochelle that spanned 42 years until her retirement in 2006. She began her career as a teacher in New Rochelle High School's Social Studies Department before moving on to administration in 1973 as Assistant to the Principal and then Associate Principal of New Rochelle High School. In 1985 she became Assistant Superintendent, then Associate Superintendent in 1989. In 1991, she was appointed interim Superintendent; and in 1992, Ms. Kelly was selected as Superintendent of Schools. During her tenure, many exemplary programs were developed including Barnard Early Childhood Center, the Campus School-alternative high school program, and significant magnet grants were awarded by the U.S. Department of Education to establish programs at Columbus and Trinity Elementary Schools. Ms. Kelly remains involved in a broad range of community activities. She resides in New Rochelle with her husband, Dr. Peter A. Fauci, Jr., a surgeon at Sound Shore Medical Center.

Bo Kemp is the Managing Partner of J. Gari & Associates LLC, a consulting group that works with municipalities to analyze and help execute growth and change initiatives. He is the former Business Administrator for the City of Newark, New Jersey under the Cory A. Booker Administration. Before joining Mayor Booker, Mr. Kemp owned, founded and managed several entrepreneurial endeavors in the publishing and Internet space including Vanguard Media, a leading media company specializing in content aimed at the urban audience. Mr. Kemp earned an economics degree from Yale University and an MBA from Harvard Business School. He serves as a director on several boards including ArtsWestchester, a philanthropic organization supporting arts in Westchester County NY and as a trustee for the New Rochelle Public Library.

Todd Kern is Founder and Principal of 2Revolutions LLC, an education design lab that specializes in designing and launching Future of Learning models and catalyzing the conditions within which they can thrive. Todd is a systems-oriented generalist with two decades of experience in varied leadership roles across the U.S. education industry – including at the federal, state and local levels; in government, academia, for-profit and not-for-profit settings; and in strategic, analytical, advocacy and operational roles. Todd holds BAs in political science and psychology from Miami University, as well as an MPP from the University of Chicago. Todd has lived in New Rochelle with his wife, Caroline, and their two great kids since 2004. Todd served as chair of the Citizen’s Panel on Sustainable Budgets.

David Peters, LMSW, is a social worker in private practice who is committed to improving the lives of children and families. He serves as the Project co-Coordinator for Communities for All Ages, a United Way of Westchester-Putnam and Helen Benedict Andrus Foundation-funded initiative that works to make New Rochelle a better place for growing up and growing older. Returning to his roots as a community advocate around 2010, he has begun to engage in more direct practice. As such he has founded and serves as the Chairman of the Community Enrichment Zone, a collaboration of community-based and faith-based organizations within the Lincoln Avenue Corridor of New Rochelle that have committed to strategic planning and action to enrich the lives of its stakeholders.

Ann Rolett and her husband have lived in New Rochelle for almost 26 years. Their son Aaron, a software engineer with VMware in Palo Alto, CA, and their daughter Victoria, an artist, grew up in New Rochelle and were educated in the New Rochelle public schools. Victoria continues to live in New Rochelle. Ann is a Project Manager with Tribridge, an IT Services and Business Consulting Firm. She has an MBA from the Yale School of Management and a BA in Economics from Pomona College.

John Rorer, retired, has lived in New Rochelle for 28 years. Prior to retirement, John served as Chief Financial Officer for the American Museum of Natural History for seven years. His earlier work experience was at the New York Botanical Garden where he served as Chief Operating Officer, and at Polytechnic University where his final position was Vice President for Finance and Administration. While at Polytechnic, John was part of the team that planned and developed Metro Tech, a one billion dollar redevelopment of downtown Brooklyn. John began his career in New York City government where he served for five years. John received a BA degree from Harvard College and a Master of Public Administration degree from New York University.

Appendix E: Thanks & Acknowledgements

The Panel offers special thanks to the following individuals for their support of the Panel's process, including:

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