

CITY OF POUGHKEEPSIE BUS CONSOLIDATION, COST/BENEFIT REVIEW

February 21, 2017

1. Background: The City's Current Financial Condition

The City of Poughkeepsie has experienced annual general fund deficits in four of the last six years, leaving its citizens with a **\$13 million** general fund deficit by the fall of 2016.

In 2015, Dutchess County awarded \$40,000 to the City through a Shared Serviced Grant Program to fund a consultant to develop a strategic fiscal improvement plan. In addition, the County provided another grant for \$129,680 to be used to hire a consultant to help implement the plan.

In January 2016, the City engaged Capital Market Advisors, LLC. (CMA) an independent registered municipal advisor firm, to complete a **Strategic Fiscal Improvement Plan** to reverse this trend and to set a course for recovery. In the executive summary, it states: *"For several years the City of Poughkeepsie...has and continues to suffer serious and dire financial conditions...Despite showing signs of stabilization in 2013 and 2014, failure to adequately address the deficit position in the coming years will endanger the City's ability to provide for the health safety, and wellbeing of its residents, businesses and visitors alike."* (CMA, 2016, pg1)

*"The Office of the State Comptroller ("OCS") has a constitutional and statutory function to oversee, analyze, and provide details on the **fiscal health of New York governmental entities**. As such, in 2013 they developed a Fiscal Stress Monitoring System ("FSMS") to assist in providing an early identification of municipalities that are susceptible to certain forms of financial stress. Early detection affords elected officials the ability to strategically plan so that current behaviors can be altered in such a way that future results are improved. Corrective actions have the potential to reduce costs, increase efficiency, and to ensure that essential governmental services are effectively provided to residents."* (CMA, 2016, pg. 7)

The City of Poughkeepsie was identified under **Moderate Fiscal Stress** (MFS) in 2014 with a score of 62.5%. Of the 1,043 municipalities, 11 were identified as MFS. To put this into perspective, All New York rating was 26.9% and the Mid-Hudson Region averaged fiscal scores of 25.1%.

Capital Market Advisors, LLC issued their report in 2016. After a comprehensive review of all City operations and budgets the report listed 42 action items; each with the ability to improve the City's fiscal position. Recommendation #41 states:

“Re-Assess a Consolidation of the Bus System with the County. If the City is to address the current deficit position of the General Fund, it should review all current services to ensure they are being offered to residents in the most cost effective manner. Maximizing available savings from pursuing and implementing shared services with neighboring governmental partners is an excellent way to reduce costs and to ensure that residents maintain access to certain services. As such, the City should re-examine the 2013 bus consolidation study that was completed by the County.” (CMA, 2016, pg80)

The State of New York accepted the City as a “client” of the **Financial Restructuring Board** in early 2016 recognizing the fiscal distress of Poughkeepsie and its desire to improve. This program provides up to \$5M in financial assistance to help the City overcome looming financial burdens, to help stabilize revenue sources, and also to provide funds necessary to **eliminate duplicate services and double taxation**. The FRB stated the City's strongest proposal is bus consolidation. The City is poised to receive \$800,000 in special assistance for this specific purpose. Other components of the FRB assistance, which the City is seeking, are intertwined with this aid package, including funds to settle long-outstanding collective bargaining matters with the City's police union.

The New York State **Department of State** provided an additional Grant to fund the upfront cost to explore bus consolidation for \$315,000 to be used as follows:

- \$75,000 Develop Timetables and Schedules/Public Outreach
- 45,000 Test Service to insure timing, routes work for all those concerned
- 155,000 Equipment Preparation
- 25,000 Update Technical Documents (PDCTC)
- 15,000 Legal Costs

The City Common Council is tasked with supporting a **fiscal recovery plan** as evidenced through budgetary process and legislative actions necessary to achieve results. Options are suggested by the Mayor and his administrative team and discussed with the Common Council members.

The City's mission is to provide quality services at a reasonable cost.

Core services include:

- Police, Fire and EMS protection
- Roadways: installing, maintaining, traffic signals
- Economic Development (ED): planning, parking, building permitting
- Sanitation: refuse removal, transfer station
- Water and Sewer services
- Social Equity: Section 8 Housing, CDBG, Busing

Funding for core services comes from:

- | | |
|--|--------------------------|
| • General Fund: Taxes, Fees, State Aid ED | Police, Fire, Roadways, |
| • Enterprise (Fee for Service) | Sanitation, Water, Sewer |
| • Federal Funding (covers the cost) | Section 8 and CDBG |
| • Federal/State Subsidies, <i>and</i> ; ○ Property Taxes | Busing |

When faced with a deficit, the Mayor and the Legislative Branch (Common Council) have the unenviable task of deciding which services to reduce or eliminate in order to keep taxes as low as possible AND to recover from the \$13M deficit condition.

It is important to realize, first and foremost, that any decision to maximize efficiencies in transit services for our citizens is made against these important financial realities. In other words, in better times and with fund balances which existed prior to 2009, there might not be the urgency that we have today. We must act, not only because seeking efficiencies is the duty of government, but because we cannot expect aid from our partners unless we ourselves are willing to make the difficult restructuring decisions that are so obvious and easily achievable.

This is not the first time the city has pursued transit integration with the County

In 2012, Mayor Tkazyik and the Dutchess County Executive discussed a merged bus system within the City as a way to address the City's fiscal challenges and expand service delivery for the County. The Poughkeepsie - Dutchess County Transportation Council (PDCTC) conducted a feasibility study in 2012-2013 for expanding service. The results were favorable to both the City and the County, therefore they agreed to move forward. However, the *Common Council never acted on the issue.*

Faced with an even higher general fund deficit today, Mayor Rolison is recommending that the County run the bus service within the City as a common sense approach to stabilizing the budget and increasing service to the community.

2. Project Scope

The project intends to eliminate busing run by the City of Poughkeepsie, and Dutchess County will expand their busing system to serve the City. Residents and users of the Dutchess County expanded service will have City routes that closely mirror existing routes, and EXPANDED service. The City then will liquidate its buses by transferring them to support the new County system.

The County will **expand** their current system to include:

- Four (4) **fixed routes** connecting north and south, east and west travel (**City J, K, L, M**)
- Establishing a daily Main Street Route combined with a morning/afternoon student run (City L)
- Twice a week (Monday and Friday) **Shoppers** bus for underserved senior housing areas
- Dial-a-ride **expansion** from three to five days per week

3. Requirements

Common Council action is necessary for the transfer to occur:

- Adoption of the MOU between the City and County agreeing to work towards consolidation
- Adoption of the Disposition of Assets
- Active participation in FINAL route development
- Acceptance and Dissemination of State Grant for the County to expand services
- Other actions as recommended by the City's Corporation Counsel.

4. Deliverables

- Adoption of the MOU, (simply states the City intends to discontinue service and the County agrees to expand service)
- Approval from Dutchess County and Funding for expanded service (Included in 2017 Budget)
- Creation of new routes (Drafts Completed)
- Public meeting to disseminate information on the new routes

- Federal Transportation Authority (FTA), approval of new route plans and transfer of assets
- State Department of Transportation approvals
- Final Adoption of Asset transfer
- Close out documentation with Federal and State

5. Stakeholders

- SENIORS: the consolidation plan seeks to address their concerns which have been voiced and heard. There are a number of opportunities to address the vast majority of these concerns including; expanded fixed routes, twice weekly dedicated shopping bus, expanded dial-a-ride service and expanded ADA Complementary Paratransit Services.
- Individual RESIDENTS and FAMILIES: The schedule expands the current times and dates which provides additional opportunities for utilizing alternate forms of transportation.
- Poughkeepsie School STUDENTS: Dutchess County will continue bus transportation including a schedule that provides early arrival for breakfast and leave later to allow students time for dinner before going home. Parents will be able to buy two-week reduced rate passes for students using the bus. This is clearly a big improvement for the parents of our student population who rely on this transportation option.
- EMPLOYER/EMPLOYEES: Dutchess County discussed the schedule with the major employers within the City to insure the new routes will pick up employees and get them to work on time. This is also another example of the improved service our citizens will experience with a County-integrated system.
- TAXPAYERS are impacted financially. They pay taxes to the City of Poughkeepsie to support the \$400,000 used to supplement buses. They also pay taxes to Dutchess County to support a countywide bus service. This is the only instance in the County where taxpayers are funding dual transit systems, and obviously this double taxation affects all taxpayers, whether or not they use the transit system.
- VISITORS: Attracting visitors to the area is important for our local economy. The Dutchess County system provides better service to areas of interest.

6. Financial Impact

The **Budget** for transportation services in 2016 was \$1,569,139.

- \$943,053 Salaries and Benefits (61%)
- 80,000 Capital Equipment (5%)
- 321,386 Maintenance, office supplies, etc. (20%)
- 224,700 Insurance, Claims (14%)

Budgeted Revenues to cover these costs come from the following areas:

- \$370,000 Rider Fees (25%) FYI: Actual: 317,055
(86% of budget)
 - Main St. 94,355
 - Northside 79,843
 - Southside 51,576
 - Special 3,289
 - Shoppers 19,349
 - Galleria 68,643
- 27,000 Miscellaneous (1%)
- 411,125 State Aid (28%) (amount depends on ridership)
- 339,000 Federal Aid (23%)
- 342,014 General Fund. (23%)
(GF Subsidy Ranges between \$300,000 and \$400,000 annually.
This includes required matching funds for operations and
maintenance and is used to cover revenue shortages.)
- 80,000 Carry over Encumbrance from 2015 for capital equipment

Ridership Trends

- Ridership continues to decrease. In the five (5) year period below ridership dropped 31%.

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|------|---------|--------------|
| 2012 | 402,287 | |
| 2013 | 350,008 | 13% decrease |
| 2014 | 350,377 | Level |
| 2015 | 319,964 | 9% decrease |
| 2016 | 281,163 | 12% decrease |

- January 2017 shows the trend is continuing with a 24% decrease over 3 years.

| | | |
|------|--------|--------------|
| 2015 | 27,781 | |
| 2016 | 25,388 | 9% decrease |
| 2017 | 21,126 | 17% decrease |

- Decreased ridership affects rider fee revenues. Reduced fees increase the need for additional general fund subsidy required to cover the cost of the service. Given the cost of service is mostly payroll, reducing this cost impacts service delivery including; eliminating routes, cutting back on service days or service times.

7. Risks

There are several risks to the City that are worthy of consideration.

- **State & Federal Assistance:**
 - a. The City risks **losing** the State \$5M FRB aid package for failing to help itself out of the current fiscal troubles by ignoring opportunities to lower cost through consolidation – a major initiative by both the Federal and State Governments. Included in this package is \$800,000 for bus consolidation
 - b. The State **awarded** the City a \$315,000 grant to complete all the necessary work to enter into an agreement for consolidation. (See page 2)
 - c. **State AIM Assistance.** State is putting significant pressure on municipalities to consolidate services to reduce the burden to taxpayers. The City of Poughkeepsie receives approximately \$4.2M in AIM assistance each year. The Governor has made it a priority that Counties and Municipalities which elect to avoid opportunities for shared services will henceforth subject themselves to the risk of lower levels of state funding. For the City of Poughkeepsie, that is even more concerning, because we are a client city of the FRB.

- **Bond Rating:** The Bond rating companies are waiting to see how the City's leadership responds to the current fiscal situation. Partly as a result of the recent real estate tax increase, the City received a "credit positive" from Moody's Investors Service, one of the leading rating agencies. This action shows the City is serious about strengthening its financial position. Improvements in our bond rating are a priority of Mayor Rolison and are an integral part of our fiscal recovery plan. As bond ratings increase, the cost of borrowing declines. Also, the higher the rating the more favorable the City's borrowing rates which lowers cost to taxpayers.
- **Potential Increases in tax rates:** Lower Ridership mean less revenue through fees and therefore higher cost to taxpayers. Lower ridership also means less subsidies from the State, as their rate is based on ridership. It is worth noting that for each \$200,000 change to the General Fund expenditure budget represents approximately a 1% change in the property tax bill. (Refer to #6 above)

Is keeping the system an option?

- If the City were to keep the Service, there are a number of expensive **operational changes** needed that will continue to negatively impact the budget.
 - To run a system correctly, a full-time **supervisor** needs to be hired to oversee the operation, including oversight of important federal and state reporting requirements. The City currently is not meeting its reporting requirements, providing the necessary public outreach or submitting timely grant applications and drawdowns. This is an additional \$100,000 in costs each year
 - An additional 6 **drivers** need to be hired to cover the routes without overtime and an additional 2 part-time drivers need to be on-call for rotation. Additional payroll and benefits could increase the transit budget by an estimated \$200,000 to \$300,000 annually.
 - City will need to purchase new buses, shelter replacements, signage, software & hardware for timely reporting and recordkeeping will also be required.

All these cost come **without a corresponding increase in revenues.**

Capital Investment

- The City needs to purchase two (2) buses next year with an additional four (4) over the next five (5) years. Each bus costs \$620,000 (2015 Pricing). The Federal Government reimburses the purchase price at 80%, The State reimburses 10%, and the City funds 10% or \$62,000 each. Orders for new busses must be placed 1.5 to 2 years before they are needed.
- Bus shelters cost around \$38,000 each.

8. Benefits

The County runs a professional and effective bus service for County residents and visitors. Their system is extensive and incorporates all areas of the County. For the users within the City of Poughkeepsie the benefits include:

- Dedicated biweekly shopping service would operate specifically for seniors, providing a bus two (2) days/week.
- Longer hours of operation – from 6:30 am to 10:30 PM.
- More days per week – exploring a Sunday bus.
- Four (4) fixed routes within the City – Marked “City J, City K, City L, City M”
- Dedicated Main Street bus that will also serve the Students during school days.
- Connections to other County buses for a small transfer fee.
- Continued access to shopping areas, hospitals, doctors, train station, currently enjoyed by users.

For the City of Poughkeepsie

- **City has a viable option for providing continued busing through regional partnership.** All current customers can continue to use the service. This is the number 1 concern.
- Implements Capital Market Advisor, LLC recommendation #41.
- Eliminates the General Fund subsidies.
- New routes can link and support economic development by connecting visitors from the train to the waterfront and with local businesses downtown; strengthen the business connections.
- Eliminate the reporting burden of the operation which frees up finance to focus on monthly financial reporting and closer budget oversight.
- Reduced time at DPW Garage and provided the ability to work on other equipment and reduce cost.

- Eliminates risk associated with handling cash on buses and in the transit office.
- Eliminates risk associated with accident and injury claims
- Current Dutchess County buses will continue to run through the City as well.

9. Additional Information:

Title VI Program:

Reference: *Federal Transit Administration, City of Poughkeepsie, Title VI Compliance Review Report, February 2017*

The objectives of FTA's Title VI Program, as set forth in FTA Circular 4702.1B dated October 1, 2012 "Title VI Requirements and Guidelines for Federal Transit Administration Recipients" are to:

- Ensure that the level and quality of public transportation service is provided in a nondiscriminatory manner
- Promote full and fair participation in public transportation decision-making without regard to race, color, or national origin;
- Ensure meaningful access to transit-related programs and activities by persons with Limited English Proficiency (LEP)
- The Federal Transit Administration (FTA) Office of Civil Rights oversees compliance with the regulations outlined in 49 U.S.C. 5332 by recipients of federal funding for transit systems

The FTA review of City operations resulted in the following items of concern from the 2015 Title VI Plan:

- Did not implement the public participation plan
- Did not complete or implement the Limited English Proficiency plan
- Annual Certifications and assurance document had not been posted in the TrAMS system
- Prepare an updated Title VI Plan to include the first two items above.

This Title VI Plan update for 2017 is scheduled and will include the deficiencies from the 2015 plan.

There are NO claims or complaints filed with the City regarding discrimination (Title VI)

10. In Closing (*Editorial, City Administrator, Past Elected Official*)

The City of Poughkeepsie is in financial trouble. Like homeowners and businesses, when income does not meet or exceed expenses there are two choices. One is to earn more money or two, cut back on what you spend.

For a City to earn more money they charge more or higher fees for service. This includes **higher property taxes**. As unpopular as this is, the alternative is to reduce expenditures.

When a City cuts back on cost, they generally reduce the work force. However local government is a “service” business which means it needs people to serve. Therefore, when the workforce is reduced, services also are reduced.

As a result, our elected officials must contend with the frustration that comes from unmet expectations by their constituents. It is difficult to change the way public service is provided when those elected to serve understandably do not want to hurt their constituents. However, any way you look at it, everyone is impacted when a local government is in financial trouble. So how does a City reduce its cost without reducing services? They partner with an agency who can help.

Dr. Martin Luther King, Jr. said: *“Cowardice asks the question -- is it safe?
Expediency asks the questions – is it politic?
Vanity asks the questions – is it popular?
But conscience asks the questions – is it right?
And there comes a time when one must take a
position that is neither safe, nor politic, nor popular;
but one must take it because it is right. “*

Busing is a partnership between a City and a County to serve the same constituents. When an opportunity comes to reduce costs and expand service, it is prudent for both governments to respond. It is right.