

Saratoga Springs Charter Review Commission
Financial Disclosure Summary
September 18, 2017

Introduction

Following over fifteen months of discussions, reviews, interviews, and analyses, the Saratoga Springs Charter Review Commission (CRC) has agreed to recommend a new Charter for the City that would create a 'Council-Manager' form of government. This would take the place of the 'Commission' form of government, which has been the City's governance model since 1916. In the Council-Manager form of government, a professional City Manager is hired to run the daily operations of the city. The City Manager reports to the City Council. The City Council has the power to hire, fire and oversee the work of the City Manager.

The exercise of estimating the requisite savings and costs of the Council-Manager model when contrasted with the Commission model is challenging for a variety of reasons:

- There is no precedent for this City to migrate to the Council-Manager form of government
- There are features of both Saratoga Springs and its government that are unique
- While it is relatively simple to contrast what is in the proposed Charter and the current Charter with respect to affected leadership positions, it is more difficult to say exactly what actions a City Manager would take after his or her installation in this position. It is also challenging to estimate the costs of transitioning from the Commission form of government to the Council-Manager form. While this transition will be a one-time event, actions are assumed in this disclosure document that may not exactly mirror future outcomes.

Notwithstanding these challenges, good faith efforts were made to identify the future economic impact of migrating to the Council-Manager model of governance. These included good faith efforts to obtain information from City Hall as well as from professional sources such as the New York Conference of Mayors and Municipal Officials, and other credible sources as needed. These estimates are not guarantees of future results. The purpose of this Financial Disclosure Summary is to frame, for the voters of Saratoga Springs, the estimated economic impact of changing to the Council-Manager form of government, including positive and negative affects.

Estimated Financial Impact Summary of Proposed Charter versus Current City Charter

It is important to recognize certain facts and assumptions prior to reviewing the following financial estimates.

- Section 8.01 of the proposed Charter repeals the current Charter, “The Charter of the City of Saratoga Springs, enacted in 2001 and as amended from time to time, is hereby repealed.”
- This repeal includes the elimination of senior level positions specifically identified in the current Charter such as the Mayor, the four current Commissioners, and the Deputies. The effect of eliminating these positions is reflected in the following analysis.
- The proposed Charter provides for a Mayor, a City Manager, and six City Council Members.

Before continuing with the financial analysis it is important to understand an observation and conclusion that arose from the CRC’s examination of other Council-Manager forms of government and discussions with City Managers. The current Charter provides for five independent departments, headed by a Mayor or Commissioner. The current Charter provides for the Mayor and each Commissioner to hire a Deputy. Below the Deputy level positions we observed such positions as fire chief, police chief, and director. In the Council-Manager form of government there is one executive City Manager above ‘flat’ organizations. ‘Flat’ organizations eliminate management layers between the senior executive and the director level positions. As examples:

The Watertown, NY, City Manager has nine director level positions reporting to her, plus a police chief and a fire chief, for a total of eleven direct reports. There are no Commissioners or Deputies between her and the director level employees.

In Batavia, NY, the City Manager has four direct reports including a Director of Public Works, a Police Chief, a Fire Chief, and an Assistant City Manager. The Assistant City Manager has five director level positions reporting to her, including City Clerk, Finance Director, Assessment, Youth Bureau and Personnel.

It is not uncommon in organizations similar in size to Saratoga Springs to have a senior executive with eight or more director or senior manager level direct reports. The Watertown example is particularly relevant because its population of 26,000 is very close to that of Saratoga Springs. When examining these two examples and other Council-Manager organizations we found similar organizational configurations. It seems appropriate, based on this research, and

for the benefit of voters, to reflect an organizational structure in the proposed Charter that mirrors existing Council-Manager forms of government.

When the proposed Charter is compared to the current Charter, as noted previously, certain positions are added in the proposed Charter. As the current Charter is repealed, certain positions are eliminated. The following is a summary of the economic impact of these differences

Elimination of 5 Deputies' salaries	\$366,000
Elimination of 5 Deputies' benefits	\$202,000
Elimination of 4 Commissioners' salaries	\$58,000
Elimination of 4 Commissioners' benefits	\$72,000
Increase in Mayor's salary	-\$26,000
Addition of one professional City Manager's salary	-\$125,000
Addition of City Manager's benefits (benefits at standard City rate)	-\$69,000
Addition of 6 City Council Members' salaries (no benefits)	-\$87,000
Estimated future annual savings based on New Charter	\$391,000

The above net savings are driven primarily by the elimination of Deputy salaries and benefits, netted against the salary and benefits of a new City Manager. In the absence of specific actions by a City Manager to alter the landscape, the presumption above is that a City Manager can manage director, fire chief, and police chief level positions as direct reports. Again this is consistent with what was observed in a city like Watertown and elsewhere and confirmed by their City Managers. 'Estimated future annual savings' reflects an approximate annual savings rate once the transition period is completed and the Council-Manager government is fully functioning and engaged. It does not reflect inflation or other unknown factors that may give rise to increases or decreases in these numbers. The impact of transition will be discussed below.

Internal Auditor

Section 5.17 of the Proposed Charter calls for the City Council to maintain an audit function staffed by a professional internal auditor. The internal auditor

reports to the City Council. They may be hired as an employee or outsourced through a professional audit firm. The internal auditor will execute random audits of the City Manager's operations and report back to the City Council. The City Council may also direct the internal auditor to look at operational issues that may be of concern. The auditor will perform audits of efficiency, and controls over cash and assets. They also examine compliance with laws, internal controls, contract compliance, etc.

Internal auditors, unlike outside CPA firms, conduct highly focused audits. They examine areas that are often not included in the audit scope of outside CPA firms who come in once or twice a year to examine the City's books, and opine on the fairness of their financial statements, and issue a Management Letter.

The impact of internal auditors with regard to savings is normally positive, and in some cases, where there are many high potential opportunities, significant. The assumption made here is that the City Council will outsource a professional auditor from a professional auditing firm for \$75,000. The internal auditor will, at a minimum, identify enough savings to cover the cost of their fee. This is an extremely conservative assumption. Therefore, the impact of the internal auditor is cost neutral in this Financial Disclosure Summary.

Actions by City Manager

As stated in the Introduction, it is difficult to know in advance how a City Manager would organize his or her staff and what changes they would make to the existing organization. For guidance we looked at cities with the Council-Manager form of government. As noted, their organizational structures are 'flat' with little hierarchy. They have fire chief, police chief, and director level positions reporting directly to them. An example would be a Finance Director who is personally responsible for accounting, reporting, payroll, and cash management with 2-3 assistants.

In order to provide more conservatism for this Financial Disclosure Summary, the CRC elected to assume that the City Manager would hire an Assistant City Manager. We saw Assistant City Managers in certain Council-Manager organizations but not in others. In addition, the City Manager would participate (as called out in Section 4.03 of the Proposed Charter) in the hiring of a City Attorney. The CRC suggested that a full-time City Attorney could assist the City Manager with operational issues like contract management and provide advice to the City Council as required. One part-time attorney position would be eliminated concurrently.

Efficiency

It is important for the Civil Service workforce to realize it is not the intention of the CRC to 'downsize' the Civil Service workforce. It is its intention that the City Manager be instructed that any downsizing of the workforce will be based on attrition. Attrition means when an individual either retires or voluntarily resigns, the City Manager may or may not elect to replace that person. It does not extend to employees on disability or official leave.

The concept of efficiency is based on the belief and experience, that when five separate departments are combined under one professional manager, fewer employees may be required. The City may not have to replace all the workers who leave through attrition (assuming the current budget and activity level remains). One sees about twelve-percent fewer employees in the Watertown, NY workforce than Saratoga Springs though it is not necessarily an apples-to-apples comparison. For the sake of conservatism, it was assumed that two fewer employees (out of approximately 400) would be required by combining five independent departments under one City Manager. Assuming an average salary is at least \$50,000 per year, at a benefit rate of 55.1percent, two fewer employees, leaving through attrition and not replaced by the City Manager, would save the City about \$155,000 per year.

Discontinued Post-Retirement Health Care Benefits

Currently, City Mayors and Commissioners who serve more than 10 years in office are entitled to lifetime health benefits after age 55. By eliminating this benefit in the proposed Charter the City would avoid this future cost when future Mayors or Commissioners qualify for the lifetime benefit, which would continue to be available under the current Charter. Assuming that at least two individuals would qualify in the future, and they elected single coverage of about \$18,000 per year, by going to the proposed Charter, the City would save about \$36,000 per year. The family coverage operations are a bit higher than the single coverage.

Quantifying City Manager Actions and other Items Discussed Above

Addition of Assistant City Manager's salary & benefits	-\$140,000
Elimination of part-time City Attorney's salary & benefits	\$101,000
Addition of Full-time City Attorney's salary & benefits	-\$140,000
Addition of fee for out-sourced Internal Auditor	-\$75,000
Minimal internal auditor identified savings	\$75,000
Efficiency through attrition (2 employees retire & not replaced)	\$155,000
Discontinued post-retirement health care	\$36,000
Estimated future annual savings based on City Manager actions, efficiency, and health-care savings	<u>\$12,000</u>
Estimated future annual savings based on New Charter	\$391,000
Total Estimated future annual savings based on New Charter & City Manager actions	<u><u>\$403,000</u></u>

Transition to the new Charter

Estimating the costs of transition is most challenging given that no one on the CRC or the people the CRC spoke to have ever gone through a transition from the Commission form of government to the Council-Manager format. The Proposed Charter addresses transition in Article VIII. Some important points for the voters to note in approximating transition costs include:

- Again, 8.01 repeals the current Charter with the exception of local laws, ordinances, and resolutions, etc. that shall continue in full force. This means, all Mayor, Commissioner, and Deputy positions cited in the Current Charter are eliminated through this repeal
- If passed by referendum in 2017, the new Charter will go into effect immediately upon approval, but will not be practically implemented until January 1st, 2020 when the recently elected (Nov, 2019) new Mayor and six Member City Council and Supervisors will take charge and the City Council will hold its first meeting

- The Civil Service status and rights of all City employees and their beneficiaries, including but not limited to those with respect to retirement and Social Security, shall not be affected by this Charter
- The initial expenses of the City Council under this Charter, including such expenses as may be incurred during 2019, such as the expense of recruiting a City manager, shall be paid on vouchers signed by the Mayor
- A Charter Transition Task Force (CTTF) shall be established not later than 60 days after approval of the amended Charter by the voters. There will be nine members – five appointed by the Mayor and one each by each Commissioner
- The CTTF shall prepare a detailed work plan addressing
 - Establishment of recruitment & selection timetable for City Manager
 - Recommendation of a salary range for City Manager
 - Recommendation to the City Council of amounts necessary to adequately fund reasonably foreseeable new positions in the fiscal year beginning January 1st, 2020
 - An estimation of expenses necessary to include in the 2020 fiscal year budget to fund a smooth transition to the new Charter
- The existing Deputy Commissioners or their designees shall continue to serve in their department management functions until the City Manager's appointment is effective, at which time they shall serve at the pleasure of the City Manager
- The CTTF shall recommend adequate funding of these positions in the 2020 fiscal budget
- NOTE: this is only included as a means of providing a smooth transition until the installment of the City Manager. These employees are no longer Deputies by definition, as their positions have been eliminated by the repeal language in 8.01. If there are no Commissioners, there can be no Deputy Commissioners. It is assumed by the CRC that these former Deputies will be eliminated once the City Manager organizes his or her staff. The City Manager may wish to retain a former Deputy but, as they are no longer Deputies after Jan 1st, they would fill a new position under the City Manager. This is strictly up to the new City Manager.

The transition costs will be a function of the time it takes to hire a City Manager. The longer it takes, the more it will cost. The single largest expense will be keeping former Deputies on the payroll to help with the transition. The next highest costs will be the recruitment of a City Manager. A quick hiring, in early 2020, could have a total impact of under \$100,000. An installation by the end of the first quarter could cost up to \$300,000. Saratoga Springs is a very desirable place to be, which could expedite the process. That said, it is not possible to know how long the hiring process will take.