

**NO HANDOUT, NO BAILOUT
A PLAN TO RE-ENGINEER SERVICE
DELIVERY TO BUFFALO RESIDENTS**

Prepared for:

Buffalo Renaissance Foundation

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Center for Governmental Research Inc (CGR)
Mission Statement

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

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Summary

As the world approaches the year 2000, many institutions of longstanding are examining their current status with an eye to the future. Something about the millennium makes “business-as-usual” seem inadequate. Perhaps this is one reason why the City of Buffalo and Erie County have been examining their intertwined destinies for the last few years and are now poised to consider governance options that a few years ago would have seemed unthinkable.

Buffalo is one of the great American cities, with a rich history and a storehouse of human and physical assets. To their credit, community leaders in this region have acknowledged recent strains on the City’s economy and social fabric, and have actively

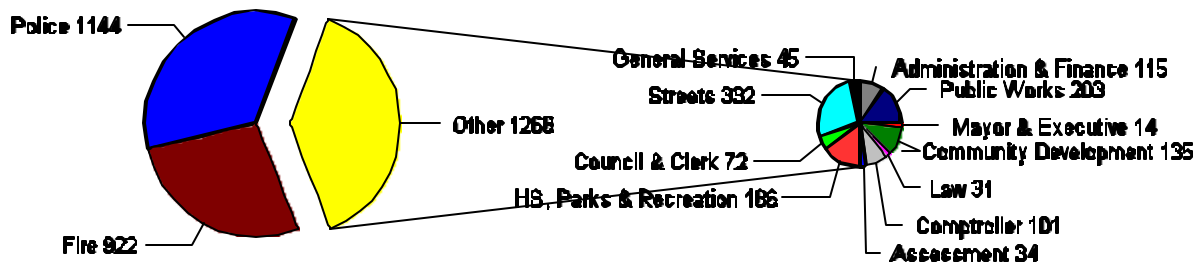
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sought community consensus on how to become more competitive as a place to live and do business in the 21st century. More so than many cities, particularly those in New York State, the Buffalo region is working diligently to remain a great American city.

The Center for Governmental Research Inc. (CGR) is gratified to add to the distinguished research efforts of the Greater Buffalo Partnership, SUNY Buffalo and others. In this report, CGR has designed a “new Buffalo” in which the City will continue to do what it does best: identify the diverse public service needs of the many neighborhoods in the City and provide for the most cost-efficient ways to deliver those services. In the parlance of governmental re-engineering, the City will “steer more than row.” In most

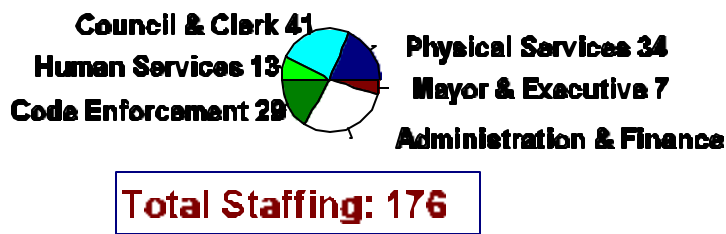
cases, under CGR’s model, services currently provided directly by the City will be provided under contract with Erie County, with future options for the County or City to open those services to competitive contracting, including by public employee bargaining units. In other cases, CGR determined that the City remained the most viable entity to deliver a public service.

Current City of Buffalo (FTE distribution)



The report details the many benefits expected to be realized from County assumption of those services that meet the criteria identified by CGR. Some benefits are

“New City” Staffing Distribution



not immediately quantifiable, such as the establishment of a regionalized delivery structure under which other jurisdictions might “opt in” if they so desire. Still, CGR was able to identify annual recurring cost savings and revenue

enhancements of \$14 to \$20 million from the implementation of the model described in this report, or a reduction of nine to 13 percent in the local property tax.

These estimates are conservative and, based on CGR’s extensive experience assisting other New York State jurisdictions in reorganizations and restructurings, additional cost savings are likely if the community is willing to consider future contract renegotiations and innovative deployment of manpower and materials.

Annual cost savings total \$14-20 million, a reduction in the tax levy of 9-13%.

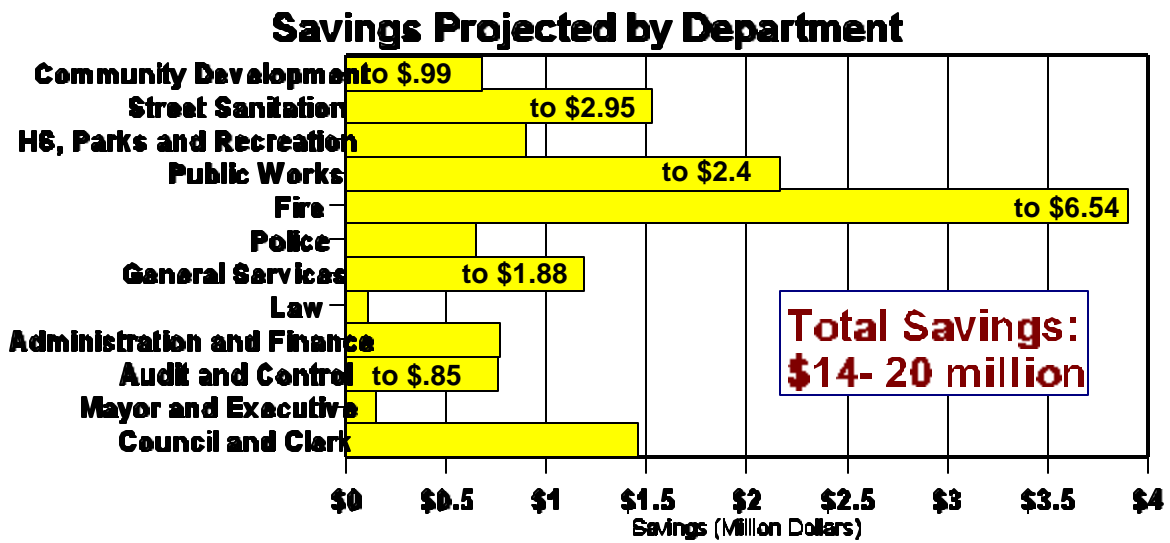


Table of Contents

Summary	i
Table of Contents	iv
Acknowledgments	vii
Introduction	1
The Cost of Dispersion	1
Rationalizing Service Delivery	2
The Essence of Local Government	2
Buffalo Should Focus on “Core Competencies”	3
Buffalo in 1997: A Troubled City	5
Socio-Economic Trends in the City and County	8
Property Tax Base Shrinks	10
A Fiscal Profile of Buffalo	10
Re-Thinking Buffalo	13
Should the City Continue?	13
A New Contractual Relationship Between Buffalo & Erie County	14
Designing the “New Buffalo”	15
The Structure of the New City	15
Not a Management Study	17
Concept Plan for the New Buffalo	18
Non-Exempt Workforce Cuts Below Annual Attrition Rate	19
Mayor	20
City Comptroller	21
Common Council	22
City Clerk	23
Budget Management and Planning.	24

Contract Monitoring and Administration	25
Finance and Management Services	25
Department of Physical Services	26
Public Works.	26
Preserving the Built Environment in Neighborhoods.	26
Neighborhood-scale Planning and Development.	26
Department of Code Enforcement	27
Department of Human Services	27
Public Safety	27
Buffalo Police Department	28
Buffalo Fire Department	30
Conclusion: Tax Levy Savings in the New Buffalo	31
\$14-20 Million in Savings	31
City Savings Summary	33
Charter Revision	34
Next Steps	34
Questions About the New Buffalo	35
<i>Won't public employees oppose this plan?</i>	35
<i>Aren't your "savings" just "pie in the sky?"</i>	35
<i>How did you come up with these savings estimates?</i>	36
<i>I thought that you were going to recommend that Buffalo be dissolved. Why</i> <i>isn't this your recommendation?</i>	36
<i>Isn't this approach too radical?</i>	36
<i>Won't elected officials oppose the plan?</i>	36
<i>Is this the "one right way?"</i>	37
<i>Will Buffalo tax bills go down?</i>	37
<i>Isn't this going to increase County tax rates?</i>	37
<i>Isn't this the first step to eliminating the City (and towns and villages, too)?</i> 38	
<i>There has been a lot of talk about "privatization" of public services. Will</i> <i>this be part of Buffalo's future?</i>	38
<i>What happens to the debt of the City of Buffalo?</i>	39

Will City employees still work in City Hall? 39

Government & Community Leaders Interviewed for This Report 40

Appendix A-1

 Structure of Departmental Summaries A-1

 Table Abbreviations A-1

 Common Council and Clerk A-2

 Mayor and Executive Department A-7

 Office of the City Comptroller A-9

 Cash Management A-10

 Debt Issuance A-10

 Department of Administration and Finance A-14

 Department of Law A-20

 Department of Assessment A-22

 Department of General Services A-24

 Police Department A-28

 Fire Department A-30

 Department of Public Works A-34

 Department of Human Services, Parks and Recreation A-38

 Department of Street Sanitation A-43

 Department of Community Development A-47

Acknowledgments

The vision and insight of City Comptroller Joel Giambra and his staff were key to the inception and execution of this research effort. Many City of Buffalo and Erie County staff, leaders of public employee unions, plus numerous community leaders contributed significantly to the process of sifting and refining that enabled CGR to develop the recommendations that follow.

Our work is the latest in a distinguished series of studies on governance and regionalism in Western New York. We are indebted to the Buffalo Financial Plan Commission, KPMG Peat Marwick, the Greater Buffalo Partnership, the University of Buffalo and Erie County for their contributions.

Staff Team

Charles Zettek and Mike Hanmer were invaluable to the work of this report. Charlie's inside knowledge of the working of New York State counties and cities was particularly important to the development of the "New Buffalo" vision.

Introduction

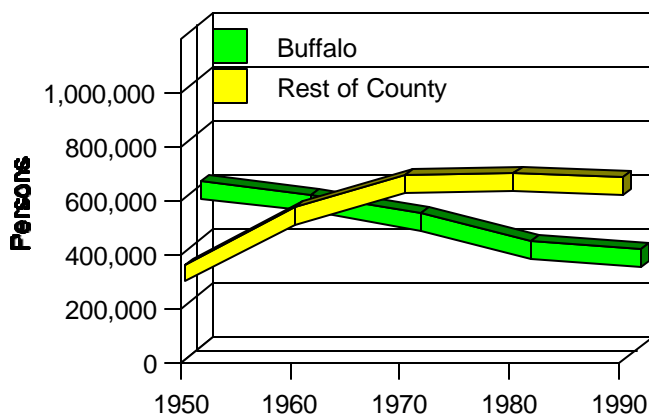
Reform, reinvent, reengineer, restructure, renew, recreate. These “buzzwords” of the 1990s reflect our attempt to cope with the rapid pace of change in global society, the economy and among democratic institutions. Like people, cities need to change, to adapt, to grow. And they do. Buffalo’s government performs different tasks in 1997 than it did in 1977 or 1957 or 1937. Some tasks are no longer needed; new ones are being performed; tasks are accomplished in different ways using new technologies. Yet periodically the community must consider whether more substantial change is needed, whether incremental adjustment to the urban form is good enough, or whether a whole new approach should be explored. We believe that now is such a time for the City of Buffalo.

The fundamental structure of the City of Buffalo has remained largely intact since the founding of the City. For many generations, Erie County included the City—with its commercial and industrial centers, parks, and bustling neighborhoods—and the towns—an expanse of farms, forests, and an occasional hamlet. The responsibilities of the County were limited, as relatively few services required the scope of a countywide approach or benefitted from a regional perspective.

The Cost of Dispersion

Buffalo Shrinks

as Share of Erie County Population



The automobile and the highways on which it travels have changed all this. Between 1950 and 1990, the population density of the City of Buffalo fell from 14,724 to 8,082, and the share of Erie County’s population living in the City fell from 65% to 34%. New residents have brought with them new demand for services.

Town governments have risen to the occasion. Increased population density demanded they expand the services they provide, and an expanded tax base enabled them to do so. Similarly, services provided by Erie County have greatly increased.

This ad hoc dispersion of population has not been costless. Providing services to a less dense population is inherently more expensive. Multiple local governments generally spawn a duplicative institutional infrastructure for services from highway maintenance to purchasing. Local planning powers are inadequate to the task of guiding economic and land use decisions that are regional in scope. While estimating the cost of such fragmented government for the Buffalo metropolitan area is beyond the present study, portions of this “fragmentation tax” will be addressed by our narrower purpose, measuring the value of an expanded service relationship between the City of Buffalo and Erie County.

Rationalizing Service Delivery

As the population of Buffalo has fallen and the towns have become places for people to live, shop, and work, the responsibilities of the County have grown and diversified. The roles of county, city, and town have slowly evolved over the past fifty years to reflect the changing needs of residents. This study recommends an acceleration of this process of rationalization or “sorting out” of government functions.

- ~ Which services are inherently local and which are inherently regional?
- ~ What configuration of service delivery options between the City and County is most efficient?
- ~ What configuration of service delivery options is most likely to lead to a stronger and more competitive economy for the region?

The Essence of Local Government

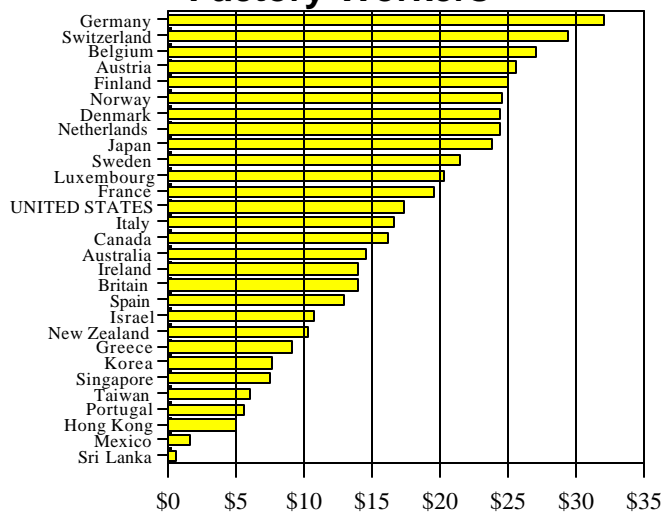
Even in cases where cost savings are unambiguous, the voters of New York consistently resist the loss of local control that is involved in the complete elimination of local units of government. In 1992, on behalf of the NYS Education Department, CGR explored the reluctance of school districts to consolidate despite substantial financial

incentives to do so and concluded that the identification of voters with a small, accessible level of government was quite strong. Even where a substantial tax rate reduction was projected, the reluctance of voters to dilute their influence on local elected officials was not overcome.

Local representation and local control of service levels needn't involve local *provision* of those services, however. Residents of the City of Buffalo can preserve their political representation while public services are provided by someone else, either another level of government or possibly a private business. This concept isn't new, of course. Americans are used to multiple levels of government providing different types of services based on which can do so most cost effectively. We don't expect states and cities to set trade policy for foreign nations. Nor do we expect the federal government to collect our trash. What we explore in this report is a substantial shift of government service provision from the City of Buffalo to Erie County for the betterment of the entire community.

Local representation and local control of service levels needn't involve local provision of those services.

**1995 Hourly Compensation
Factory Workers**



Source: US Department of Labor

***Buffalo Should Focus on
“Core Competencies”***

After losing market share to Japanese and European companies during the 1980s, American business has bounced back and is more competitive than ever. While at the top of worldwide hourly compensation as recently as 1985, the U.S. fell to number 13 by 1995. One of the most productive trends in business management is a new concentration on “core

competencies.” Doing what they do best—and letting other firms do the same—businesses have regained their competitive edge in their individual markets.

Government can learn a lesson from business. Local government’s core competency is its role as constituent representative. Elected officials choose the type and level of public services for the community and decide how to pay for them. Political leaders needn’t know how to fill potholes or draft zoning ordinances. But they *are* responsible for identifying the cheapest and most efficient means of providing for the needs of their constituencies.

Some services are best provided at a significant scale. Water and sewage treatment services, for example, are generally cheaper when developed on behalf of a large number of customers. Refuse transfer and disposal are activities in which size can have an impact on cost. A large customer like the City of Buffalo or Erie County is more likely to be successful at negotiating a favorable price for trash disposal. Scale can be very helpful in lowering the cost of financial transactions. An overnight deposit of \$150 million is likely to earn a higher rate of return than one of \$50 million. Other services require a relatively modest capital investment and can be provided at a smaller scale. Such services might include parks maintenance, refuse collection and street repair.

While it wasn’t the focus of our study, further effort should be made to consider the financial benefits of consolidating the City of Buffalo Sewer and Water authorities. We assume in this report that no changes will be made to these agencies (beyond the Water Authority management reform initiative of the Masiello administration).

This study quantifies the cost advantages of shifting the delivery (but not the cost) of a vast array of public services from Buffalo to Erie County.

Buffalo in 1997: A Troubled City

The City of Buffalo is the second largest city in New York State and Erie County's central city. Like the state as a whole, Buffalo was once known for its economic vitality and for the high standard of living of its residents. Buffalo, like many older industrialized cities, began to suffer due to the structural recomposition of the economy from manufacturing to services and the out-migration of its population to the suburbs. Over the last several decades, relative prosperity has been achieved in the suburbs while the City's economic and social bases have deteriorated. Many believe that a region's health is strongly tied to the well being of its central city and argue that unless the City of Buffalo is able to strengthen its economic and social fabric the rest of Erie County will also begin to decline. The *Metropolitan Alternatives* project of the Greater Buffalo Partnership has recently presented evidence of city-like fiscal stress in Buffalo's suburbs, suggesting that the kind of structural problems observed in the City of Buffalo have already begun to spread to the suburbs. A summary from the *Metropolitan Alternatives Project Forecasted Revenues/Expenditures/ Fund Balance for Erie and Niagara County Cities, Towns, Villages (1996-2001)* follows.

Municipality	% Annual Property Tax Revenue Increase Required to Fund Gap (estimated)	Year Ending Fund Balance is Negative	Metro Alternatives Assessment
Akron	8.24	2001	OK
Alden, Town	6.52	1999	In Trouble
Alden, Village	5.77	2001	OK
Amherst	2.97	2000	OK
Angola	2.04	2001	OK
Aurora	11.10	1999	In Trouble
Blasdell	5.36	2002	OK

Municipality	% Annual Property Tax Revenue Increase Required to Fund Gap (estimated)	Year Ending Fund Balance is Negative	Metro Alternatives Assessment
Boston	13.25	1998	In Trouble
Brant	1.03	NA	OK
Buffalo	NA	1997	In Trouble
Cheektowaga	6.8	1999	In Trouble
Clarence	10.32	2000	OK
Collins	2.05	2004	OK
Concord	10.69	1999	In Trouble
Depew	6.74	2000	OK
East Aurora	1.93	2001	OK
Eden	7.20	1999	In Trouble
Elma	3.94	2002	OK
Evans	8.11	1998	In Trouble
Farnham	15.37	1997	In Trouble
Grand Island	6.00	2000	OK
Hamburg, Town	7.72	1999	In Trouble
Hamburg, Village	4.87	1999	In Trouble
Holland	11.13	1998	In Trouble
Kenmore	7.06	1996	In Trouble
Lackawanna	NA	NA	OK
Lancaster, Town	8.42	1998	In Trouble
Lancaster, Village	5.18	1997	In Trouble
Marilla	21.44	1998	In Trouble
Newstead	12.79	1999	In Trouble

Municipality	% Annual Property Tax Revenue Increase Required to Fund Gap (estimated)	Year Ending Fund Balance is Negative	Metro Alternatives Assessment
North Collins, Town	2.96	2001	OK
North Collins, Village	7.31	1999	In Trouble
Orchard Park, Town	7.85	1999	In Trouble
Orchard Park, Village	7.57	2001	OK
Sardinia	9.42	1999	In Trouble
Sloan	5.02	2000	OK
Springville	17.05	1998	In Trouble
Tonawanda, City	4.22	2000	OK
Tonawanda, Town	4.38	2001	OK
Wales	16.52	1999	In Trouble
West Seneca	8.97	1999	In Trouble
Williamsville	3.26	2001	OK

Gap is defined as the amount need to reach State Comptroller's recommended fund balance (10% of budget).

Socio-Economic Trends in the City and County

In 1950, Buffalo's population reached its peak of 580,132 making it the 15th largest city in the country. Manufacturing was booming; 37.3% of all those employed had manufacturing jobs. Median family income was nearly 11% higher than national median income and was only slightly lower than the New York State median (which is strongly influenced by affluent New York City).

The national trend of migration to the suburbs and increased global competition that led to the decline of manufacturing as a source of jobs affected many of the nation's cities. Buffalo was hit especially hard by these forces and began a downward spiral. The closing of Bethlehem Steel in neighboring Lackawanna accounted for a loss of over 20,000 jobs. By 1990, population had fallen over 40% to 328,123, and median family income was only \$23,887, while the national median was \$35,225. Furthermore, 25.6% lived below the poverty level, which was the 8th highest among cities with 200,000 or more population. Buffalo's last Fortune 500 company left prior to 1986 and in 1992 the unemployment rate reached 12%. Furthermore, households in the City receiving public assistance totaled 18.5%, the sixth highest among the 100 largest U.S. cities. Perhaps most distressing, in 1989, 38.5% of Buffalo's children lived below poverty. Buffalo is a city that is segregated by race and social class. As of 1990, about three quarters of Erie County's white inhabitants live outside Buffalo while about 83% of minorities live inside of Buffalo. Only 5.3% of County residents living outside of Buffalo live below the poverty level.

In 1990, Erie County population outside of Buffalo reached 640,409, which, although down from its peak of 657,602 in 1980, is still more than double the 1950 population. Median family income for the entire County was \$35,061, roughly equal to the national median. Median income for suburban Erie County was \$34,111. The tables below summarize the differences.

Buffalo 1950 To 1990

Year	Population	Rank	Median Family Income	Unemployment Rate (%)	Persons Below Poverty (%)
1950	580,132	15	\$3,401	6.8*	Na
1960	532,759	20	\$5,713	8.5	Na
1970	462,783	28	\$8,794	6.0	14.8%**
1980	357,870	39	\$15,432	13.1	20.7%
1990	328,123	50	\$23,887	9.5	25.6%

* members of the armed forces were included in this calculation

** defined as low income level

Erie County 1950 to 1990

Year	Population	Rank	Median Family Income	Unemployment Rate (%)	Persons Below Poverty (%)
1950	899,238	14	\$3,490	5.7*	Na
1960	1,064,688	14	\$6,395	6.7	Na
1970	1,113,491	20	\$10,462	4.7	9.1%**
1980	1,015,472	24	\$20,711	9.5	10.6%
1990	968,532	32	\$35,061	7.0	12.2%

* members of the armed forces were included in this calculation

** defined as low income level

Year	New York State			United States		
	Median Family Income	Unemployment Rate (%)	Persons Below Poverty (%)	Median Family Income	Unemployment Rate (%)	Persons Below Poverty (%)
1950	\$3,487	6*	Na	\$3,073	4.8*	Na
1960	\$6,371	5.2	Na	\$5,660	5.1	Na
1970	\$10,609	4	10.8%**	\$9,586	4.4	13.3%**
1980	\$20,180	7.1	13.4%	\$19,917	6.5	12.4%
1990	\$39,741	6.9	13%	\$35,225	6.3	13.1%

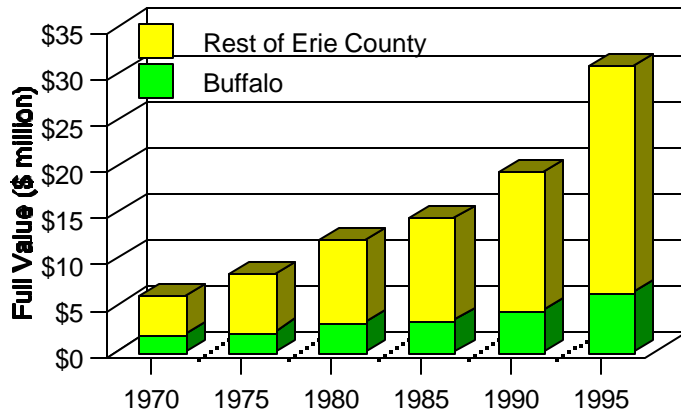
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** defined as low income level

Property Tax Base Shrinks

Buffalo's Share Falls

Erie County Property Value Trends



Not only people left the City. Development, too, moved to the suburbs. Buffalo’s available development sites have been largely occupied for generations. New commercial and industrial development must generally occur on sites with a history of some other use. Unfortunately, when prior uses were industrial, the chances are good that the site is contaminated with some kind of industrial waste, driving the cost of development far higher than in

suburban towns with abundant farmland on which to build. Between the shift of residential development to the suburbs, the flight of commercial development to sites near their customers, and the cost and complications involved in building on existing “brownfield” sites in the City, Buffalo’s share of property wealth has fallen precipitously.

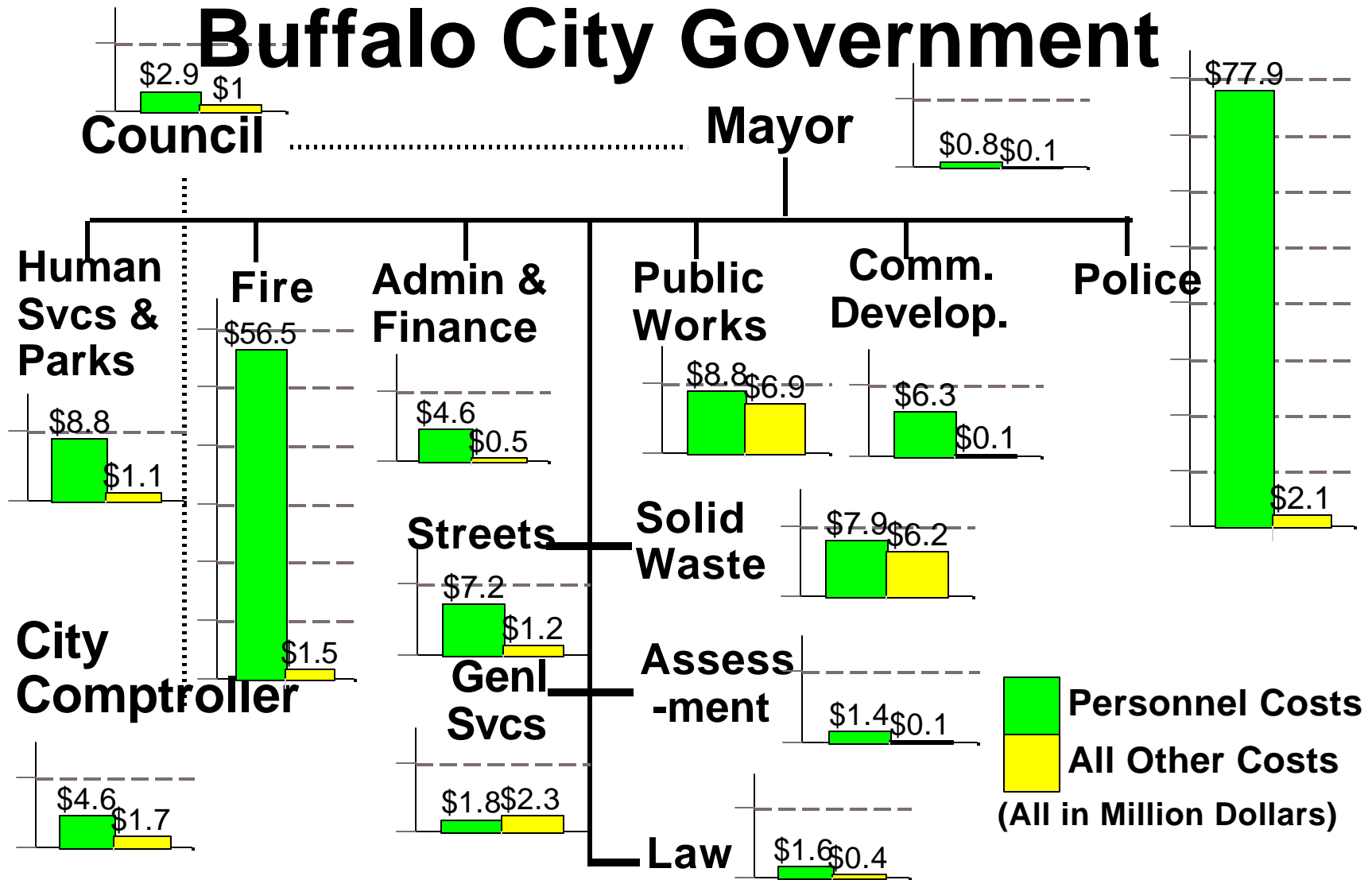
The loss of tax base has had an inevitable impact on property tax rates. In order even to maintain current levels of services amidst a decline in assessed valuation, the City has needed to raise property taxes on a regular basis. From 1991 to 1995, for example, the property tax levy increased from \$104 million to \$148 million, an increase of over 40 percent.

A Fiscal Profile of Buffalo

The 1997-98 Mayor’s Recommended Budget totals \$741,044,763. CGR did not examine Board of Education expenses, Capital Debt Service expenses, or unallocated general charges. CGR’s analysis was focused primarily on the remaining budget General Fund and the Refuse and Recycling Enterprise Fund, which total approximately \$216 million. This figure was obtained using the “Current Appropriations as of 3/4/97” column

in the budget for all cases except the Refuse and Recycling Enterprise Fund, for which the “Recommended by Mayor” column was used as well as estimates for fringe benefits based on information obtained from the Department of Administration and Finance. The graphic that follows, provides a comparison of personal services appropriations and other appropriations.

Buffalo City Government



Re-Thinking Buffalo

Should the City Continue?

When CGR was engaged to develop the conceptual framework for reinventing governance for the area included in the boundary of the current City of Buffalo, a predominant theme had engaged the greater Buffalo community—regional governance. For months, the community had been discussing the notion of dissolving the current City structure and replacing it with a regional government that could provide the means for both stabilizing the central core of the region and reducing the total cost of local government.

Recently, however, ideas about regionalism have shifted, at least in the minds of a number of key community leaders, as a result of the recognition of two important factors:

- ~ Evidence suggests that regionalizing governments does not necessarily lower the overall cost structure of local governments. Regional approaches *can* lower costs, but only when they are part of a strategic plan to attack costs by fostering competitive alternatives to existing government cost structures.
- ~ Significant changes in state (and even federal) law would be required to carry out a wholesale dissolution of the current City government and transfer of those responsibilities to other governmental entities. The most reasonable scenario is for the City to radically restructure itself without dissolving the City, thus leaving the legal entity intact.

This does not mean that regionalism holds no lessons for the residents of the Buffalo metropolitan area. On the contrary, there are many functions of government that are better performed at higher levels of government either because of economies of scale or because of the value of a broader perspective. The challenge is to obtain the

Buffalo’s challenge is to obtain the benefits of regional approaches to problem-solving without the complicating issue of designing and creating a regional government.

benefits of regional approaches to problem-solving without the complicating issue of designing and creating a regional government.

A New Contractual Relationship Between Buffalo & Erie County

If a fully regional government is either undesirable or practically unattainable (most analysts take one of these two positions), what are the options left to a community like Buffalo? In this report we adopt a “middle ground” in which significant portions of the public services now provided directly to Buffalo residents by the City will be provided by someone else under a contractual agreement.

The advantages of this approach are clear. **First**, many sensible and cost-effective approaches to regional service delivery fall prey to the fear of suburban residents that their tax dollars will be used to prop up the City of Buffalo. County taxpayers living outside the City already bear a significant share of the public welfare burden—much of which flows to Buffalo residents—and many believe that they have already done enough to help out the City. By building the new relationship between City and County on a *contractual* basis, the question of subsidy is put aside. Contracts are based on mutual benefit: The City receives services in exchange for compensation to the County. The County, through the contract, is able to increase the scale of service provision, spreading its managerial overhead across more activity and reducing the cost to County taxpayers.

The Buffalo Common Council and Mayor continue to set the tax levy to meet the needs of remaining City services and the County contract. All taxing power remains with the existing City of Buffalo. As the City accesses County services through a contractual relationship, a “fiscal firewall” between City taxpayers and County taxpayers outside the City is established, protecting suburban taxpayers from a hidden subsidy to the City.

The **second** advantage of this approach is the enhanced capacity for service delivery created at the County level. By providing services to the City of Buffalo, Erie County develops the capacity to provide similar services—still on a contractual basis—to County residents living outside the City with increasing opportunities for economies of scale and overall cost advantages.

Third, contracts are limited in term and can be modified by either party. The City of Buffalo retains the option of seeking other contractors for the services it chooses not to provide itself. We strongly urge that the contract entered into between the City and County be developed on a detailed functional basis, enabling the City to seek other “vendors” if the services provided by the County are inadequate or too costly. In some cases, these services might be provided by public employees through their bargaining unit or, perhaps, by a private firm. We recommend, for example, that the legal services now provided directly by City employees be largely transferred to the County. We encourage the County, however, to explore a contractual relationship with private legal firms for portions of this work. For particular types of legal transactions, however, private law firms would be eager to provide service at guaranteed fixed rates that the City would set. In some cases, we can envision that the larger Erie County towns may be in a position to bid for the City contract from the County.

The potential for competitive contracting is substantial. Trash collection, now wholly in the City’s Department of Street Sanitation, would cost an estimated \$1.4 to 2.7 million less if the cost per household of suburban towns (with private collection services) were assumed. We believe that Buffalo’s sanitation workers can achieve these efficiencies, just as sanitation workers in Indianapolis have demonstrated their ability to compete head-to-head with private collection firms. Private management of Buffalo’s more extensive public recreation facilities, particularly its golf courses, has been considered for many years. It is time that these initiatives move forward. Beginning with a transition from City to County management of many functions will provide the impetus to consider and implement some of these changes in management philosophy.

Designing the “New Buffalo”

The Structure of the New City

If the essential legal form of Buffalo is to remain intact, what will be different? CGR’s approach to developing a new governance structure for Buffalo was based on two principles:

~ The City of Buffalo should not be dissolved, but restructured:

- Maintaining some form of City government will permit the City to reinvent itself while still functioning within the general parameters required by state law.
- Maintaining a City government which continues to be based on a council form of governance will retain the benefits of local representation and a decision-making structure which has as its focus the needs of its local constituents.

~ The New City exists to identify and access the most cost effective means of providing services to its citizens, rather than continuing the tradition of being the principal service provider.

- The City’s primary role is to provide strategic decision making services for its citizens, i.e. provide the mechanism for making decisions about long term planning, allocating resources and identifying the most cost effective ways to provide services.
- The secondary role of the New City is to provide services for which no better alternative exists. In providing those services, the New City’s administrators will need to make day-to-day tactical decisions about how to provide those services.

We chose to shift day-to-day responsibility for a particular function from the City to a contract provider (the County, in this report) whenever the alternative provider possessed one of the following:

- ~ The ability to achieve economies of scale,
- ~ A lower inherent cost structure, or
- ~ Capability to achieve more efficient use of resources through different management strategies.

The purchasing and contract management functions of the City become more important under the new service delivery structure. The New City must retain sufficient technical skills to be able to effectively select and manage alternative service providers and understand and drive strategic decision making; in effect, ensuring that the City’s unique issues and concerns are adequately articulated to and addressed by the County.

In addition to retaining the ability to manage alternative service providers, the New City should provide certain types of *tactical* services where such services are most beneficial and visible to the City's primary constituents, *or* where providing the services can be continued with little or no property tax impact because revenues received effectively offset expenses. For instance, CGR recommends keeping some services in the New City which might otherwise be obtained from alternative providers but which permit the New City to retain the knowledge base and competencies of the staff providing these services (for instance, should the City wish to reassume direct service provision responsibility at some point).

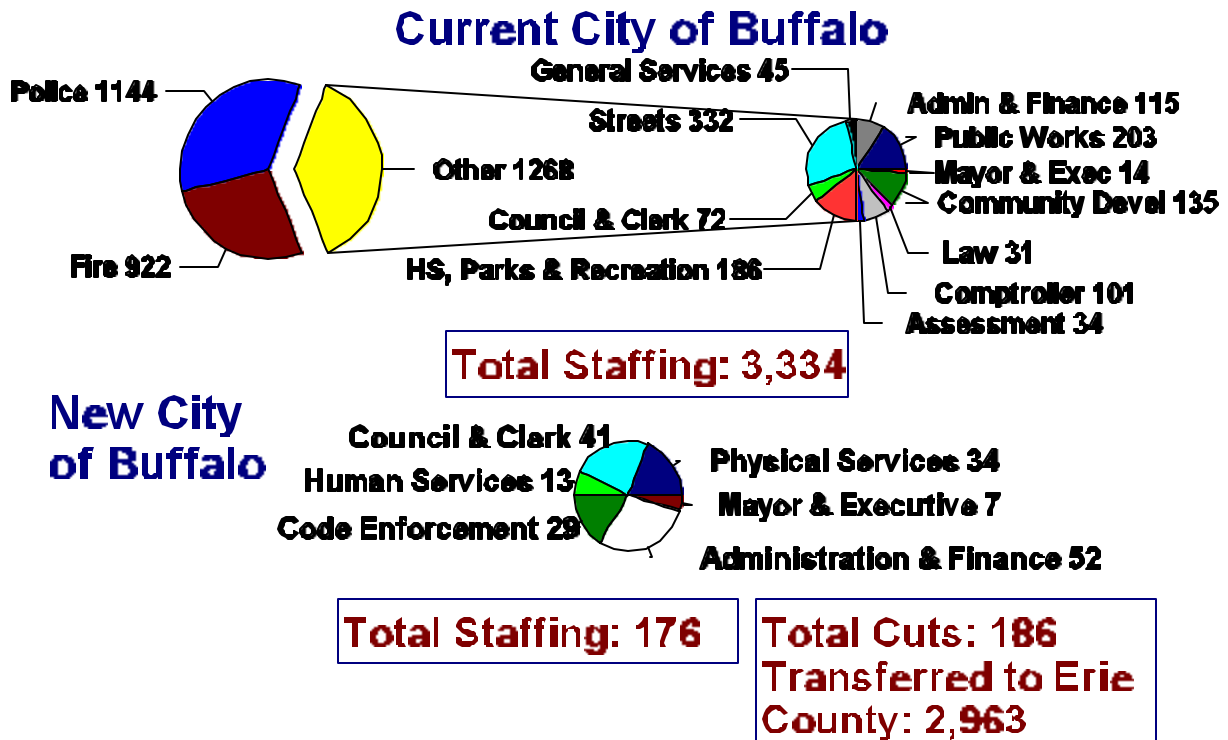
Not a Management Study

CGR's role was to explore the cost implications of a change in governmental structure, not to conduct a position-by-position management analysis of Buffalo and Erie County governments. Fortunately, studies like this have been completed for the City fairly recently. In 1993, the Buffalo Financial Plan Commission (BFPC), under the auspices of the Greater Buffalo Partnership, released a detailed analysis of the City's financial situation and made many recommendations. In 1995, KPMG Peat Marwick released a similar study, recommending many other changes in the management of the City of Buffalo. In April 1996, Erie County released a study (ECCP) which examined opportunities for cost containment, revenue enhancement and service consolidation between Buffalo and Erie County. A significant number of recommendation from these sources have been adopted by Mayor Masiello's administration.

Our task was to build upon the fine work of BFPC, KPMG and ECCP, applying our experience in public sector management to any recommendations that remained unadopted and incorporating them into our work product. The scope of our project did not confront the significant and difficult task of determining which services were underfunded. Many of our contacts recommended, for example, that current funding for City parks maintenance was inadequate. Indeed, we were able to confirm that County spending on parks maintenance was higher than City spending on similar assets. Nonetheless, we were not charged with the task of determining a new spending plan for Buffalo, only to estimate the financial benefits from significant service consolidation with Erie County. In all cases, we assume *maintenance of effort* for City services. As responsibility for parks maintenance is contracted out to Erie

County, for example, we assume that parks maintenance will remain at present levels. If City residents conclude that the parks require additional money, they can choose to tax themselves more heavily and alter the contract with Erie County.

Similarly, we were not asked to consider the legal or political roadblocks likely to be confronted by a service consolidation initiative, although CGR’s commitment to clients to recommend changes that are *capable of being implemented* certainly influenced our ultimate conclusions.



Concept Plan for the New Buffalo

CGR’s model of the New City was built on the basis of the assumptions and principles outline above. We identify below what functions will be carried out by the New City and then estimate what personnel would be required to carry out those functions. CGR recommends transfers to the initial alternative service provider (Erie County) based upon the number of full time employees (FTEs) dedicated to each alternative. Since personnel costs represent over 85% of the budget appropriations examined by CGR, comparative ratios based on personnel

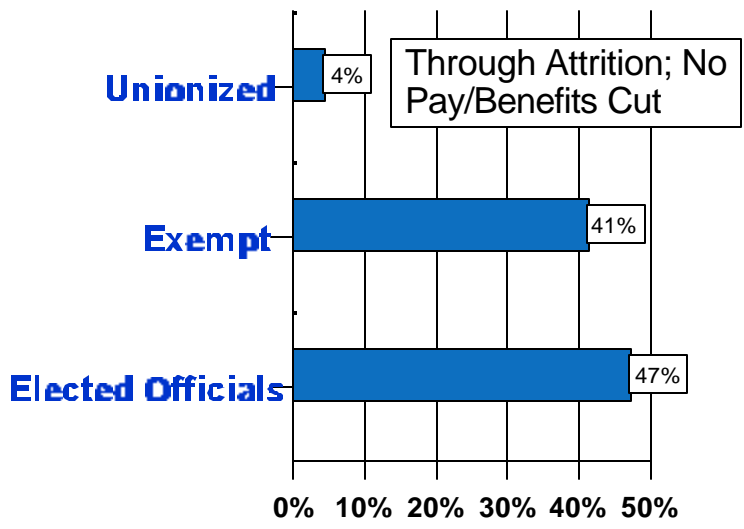
can reasonably be applied to financial budget comparisons to estimate the financial implications of the model.

CGR’s concept is that the New City would include *seven functional departments*, each one built around providing a core of services which reflect the community as it now exists and which should be retained as core competencies by the City to best serve its citizens. Personnel assigned to these functions would come from a variety of existing City departments. A summary table showing where the existing departments’ proposed FTEs would come and go to in the New City is given below. The table summarizes the detail tables provided in the appendix. A summary description of each departmental function follows.

Non-Exempt Workforce Cuts Below Annual Attrition Rate

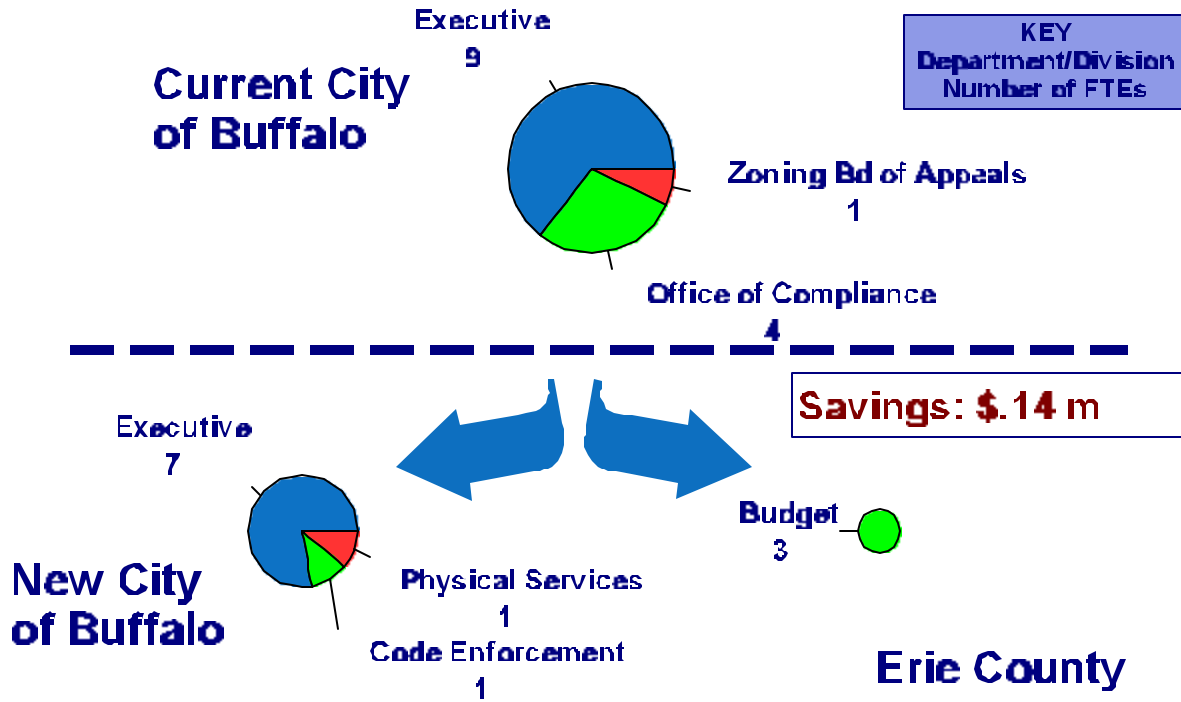
While the reductions in workforce seem large, we recommend that all non-exempt positions be cut through attrition. As the graphic below demonstrates, only 4.25% of the civil service workforce will be cut under this plan. A significant burden falls on appointees, as we recommend eliminating two-fifths of these positions. Normal attrition is approximately 5%.

Only 4.25% of the workforce represented by collective bargaining units will be cut under this plan.



Mayor

CGR recommends retaining the “strong mayor” form of government, with the mayor being elected citywide as is currently the case. However, commensurate with a much smaller core City administration, CGR believes the mayor’s personal office staff can be reduced by two positions. The total number of personnel assigned to the Mayor’s function would be 7

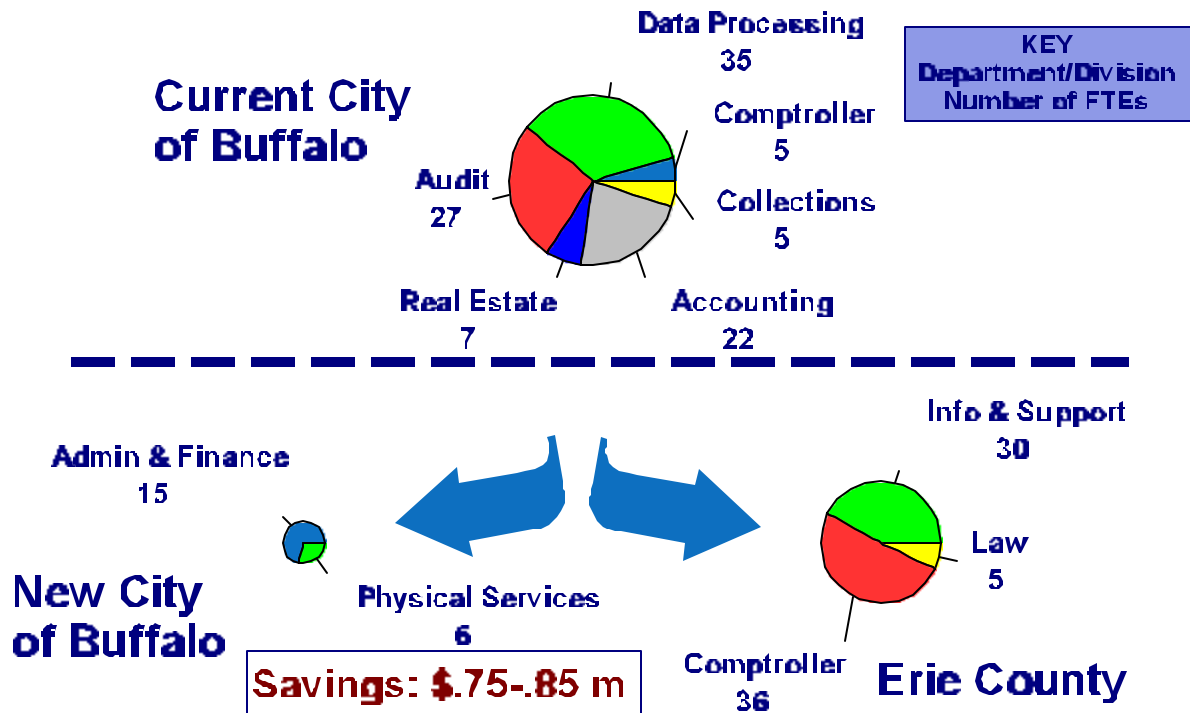


FTEs including the Mayor, who continues to be full time. Details about the cost savings of the CGR scenario are presented in the appendix.

City Comptroller

We have proposed the elimination of the position of City Comptroller. Some of the Comptroller’s functions must remain within the New City, however. We assume that these functions will be transferred to the Department of Administration and Finance and the Department of Physical Services.

In addition, staff from the City and County comptrollers’ offices met and developed an



estimate of the value of combining certain functions. By combining overnight investments, for example, the City and County could receive a higher rate of interest and generate additional revenue of \$1 to \$1.3 million.

The Commissioner of Administration and Finance will function as the Chief Financial Officer of the Buffalo Sewer and Water authorities. Detailed discussion of the Comptroller’s Office appears in the Appendix.

Common Council

The magnitude of resources devoted to the Common Council in Buffalo is unusual for a New York State city. Unlike most New York cities, Council members are full-time employees of the City and are paid accordingly. Rochester, Syracuse, Utica and Albany city councils are all part-time. Current staffing ratios for Common Council are also unusual. Each council member is assigned two full-time staff members. The Council President is assigned four staff members and the council as a whole has an additional 18 employees as a central staff. CGR estimates that the cost of the Common Council is about \$3.4 million annually. The table that follows illustrates the differences in council size and staffing levels for the larger upstate cities.

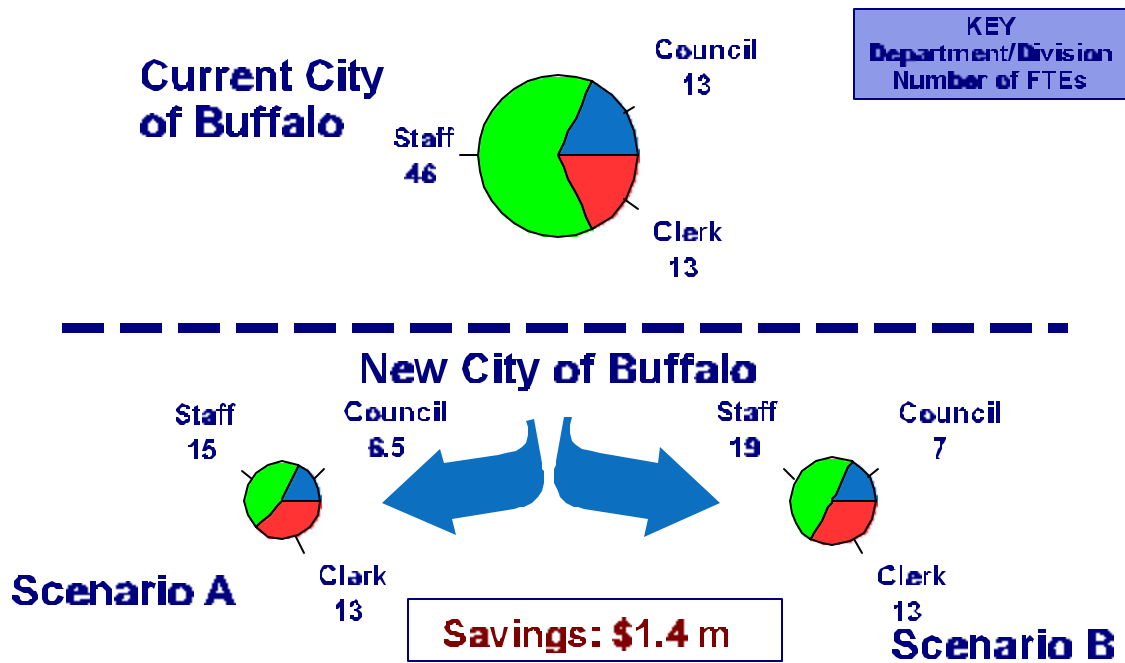
City	Council Members	Council Staff	Staff to Council Ratio
Buffalo	13	46	3.5 to 1
Rochester	9	10	1.1 to 1
Syracuse	10	3	0.3 to 1
Utica	10	1	0.1 to 1
Albany	15	0.5	0.03 to 1

Under the scenario envisioned by CGR, the City of Buffalo would retain direct responsibility for a much more limited number of service functions. The Common Council of the New Buffalo would have significantly-reduced responsibilities as a result. We recommend that resources devoted to Common Council therefore be halved.

The final configuration of the modified council would be determined by a Charter Revision Commission appointed by the Mayor and subject to Citywide referendum. We have developed two alternatives for consideration. Under the first (Scenario A in the accompanying chart), the Buffalo Common Council would continue to consist of 13 members who would serve on a part-time basis (thus 6.5 FTEs) at roughly half the current salary. The Council would elect from its members a Council President, rather than having the President be independently

elected as is currently the case. As Council’s role would be to develop strategic policy for the City and would not involve day-to-day tactical decision making, we propose reducing staff ratios to levels in place in Rochester. CGR believes that a staff of 15 members should provide adequate professional support to the Council in the New City structure. The total number of personnel assigned to the City Council function would be 15 FTEs plus 13 Council members. Details about the cost savings of the CGR scenario are presented in the appendix.

Alternatively, the Common Council could shrink from the current level of 13 full-time members to seven full-time members (our Scenario B, consisting, perhaps, of two city-wide and five district members). Under this scenario, Council members would retain the same level of personal staffing, for a combined staffing total roughly half of the current Council.



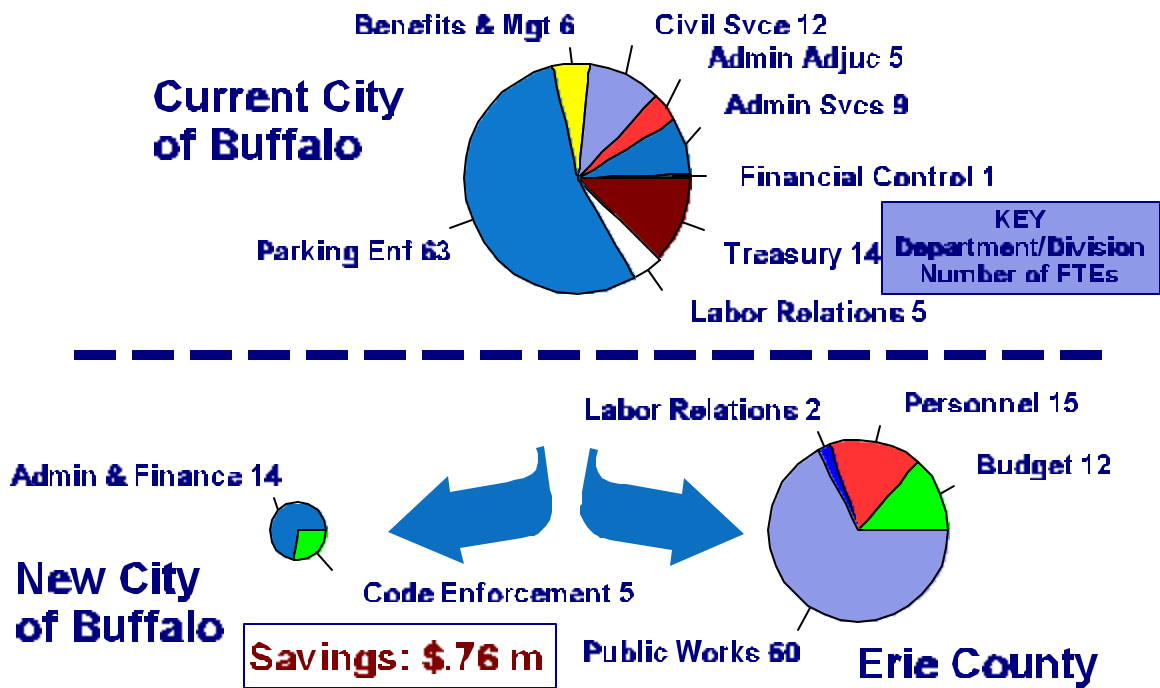
City Clerk

CGR proposes that the City Clerk’s function continue to remain with the New City. In addition to providing the official administrative support to the Council, the Clerk provides official records services which generate enough revenue to make the function nearly self-funded. Therefore, this function should remain within the City. The total number of personnel

assigned to the Clerk’s function would be 13 FTEs, the same as in the present structure. CGR projects no change in costs for this function in the New City.

Department of Administration and Finance

This function will be critical to the success of the New City, due to its responsibility to select and monitor alternative service providers (principally Erie County) under contract to the New City, as well as provide internal administrative support for the New City itself. Thus, this function will provide both strategic and tactical services.



CGR envisions the Administration & Finance Department providing the following services:

Budget Management and Planning. Although the New City structure itself, as proposed, will only have 176 employees, the New City will continue to provide services, through contracts with alternative service providers, which will be almost as large in total as the current City budget. Thus, at least at the strategic level, the New City needs to retain the

ability to analyze costs and develop budgets for the same level of expenditures as it currently handles. However, what will be transferred to alternative service providers are the day-to-day tactical budget and resource allocation questions which, under the current City, are subject to review and approval. To the extent that those functions are changed, the New City budget and finance staff can be smaller.

Contract Monitoring and Administration. One function which will be a significant addition to the New City administration will be the development of contracts and agreements with a wide spectrum of alternative service providers. This will require that the New City devote significant resources to the development of in-house staff who are experts at designing and monitoring service contract and operations specifications and who will become contract administrators.

CGR envisions the need to have staff to manage the entire spectrum of contract management issues, from the concept phase through to auditing and monitoring. CGR also recommends that the New City retain a high level procurement manager to monitor and insure that the purchases of products and services used by the alternative service providers are obtained at the lowest cost possible. In summary, CGR recommends that staff dedicated to this critical function will include experts in contract law, procurement, and performance auditing as well as contract administration.

Finance and Management Services. Certain functions should be retained by the New City in order to maintain control over critical areas such as tax and other revenue collection, internal auditing, legal, accounting, finance, personnel services, information services and ordering and payment functions. While most of the need for these services would be transferred to alternative service providers, the New City should retain a small but viable core staff in these areas, not only to provide immediate resources and service to New City functions, but also to retain staff with the core competencies to insure that the New City can properly understand and manage each of the functions and perhaps to resume responsibility for the functions in the event the alternative service providers fail to perform cost effectively.

The total number of personnel assigned to the Administration & Finance function would be 52 FTEs. Details about the cost savings of the CGR scenario are presented in the appendix.

Department of Physical Services

CGR proposes that the New City should have a Department of Physical Services in order to retain three core competencies:

Public Works. We recommend that the City retain some high level expertise in the area of public works in order to provide strategic direction and to manage/monitor the alternative service providers who will be serving the City. As we do not recommend a change to the Sewer or Water Authorities at this time, oversight responsibility for these authorities would be retained in the Department of Physical Services.

Preserving the Built Environment in Neighborhoods. The New City should assume primary responsibility for providing extra services above basic core service levels to maintain the built environment in the City's neighborhoods. For example, the City's housing stock initiatives can best be served by City personnel who can adjust to local needs and preferences more efficiently than a general service provider.

Neighborhood-scale Planning and Development. Consistent with the belief that the New City needs to be responsible for provision of neighborhood services above a core community standard, the New City should retain planning and development staff devoted to the special needs of neighborhoods. This includes zoning administration, as zoning standards primarily reflect local preferences which are most appropriately the responsibility of the local government. It should be noted that CGR's model presumes that economic development and downtown development planning would not be retained as a core function in the New City, as these are issues which are most efficiently addressed by a regional approach.

The total number of personnel assigned to the Physical Services function would be 34 FTEs. Details about the cost savings of the CGR scenario are presented in the appendix.

Department of Code Enforcement

CGR believes that the New City should retain a core competency in code enforcement activities which are related to City ordinances and standards which are unique to the City. To the extent that City codes reflect local preferences rather than community wide standards, City taxpayers should be expected to absorb the costs of enforcing those standards.

Enforcement of community-wide standards, such as basic health and building codes, would be performed by alternative service providers (presumably Erie County) to obtain efficiencies of scale. The New City code enforcement function would also directly support provision of services to neighborhoods, which CGR proposes as the primary functions of the new Departments of Physical Services and Human Services. The total number of personnel assigned to the Code Enforcement function would be 29 FTEs. Details about the cost savings of the CGR scenario are presented in the appendix.

Department of Human Services

CGR proposes that the New City retain a core competency in a specific set of human service functions for the same reasons that the City must retain core competencies in physical services. Certain training and rehabilitation services are expected to be transferred to the Buffalo Municipal Housing Authority. General human services which provide services found across the community at large would be most efficiently provided by alternative service providers.

The total number of personnel assigned to the Human Services function would be 13 FTEs with 9 being transferred to BMHA. Details about the cost savings of the CGR scenario are presented in the appendix.

Public Safety

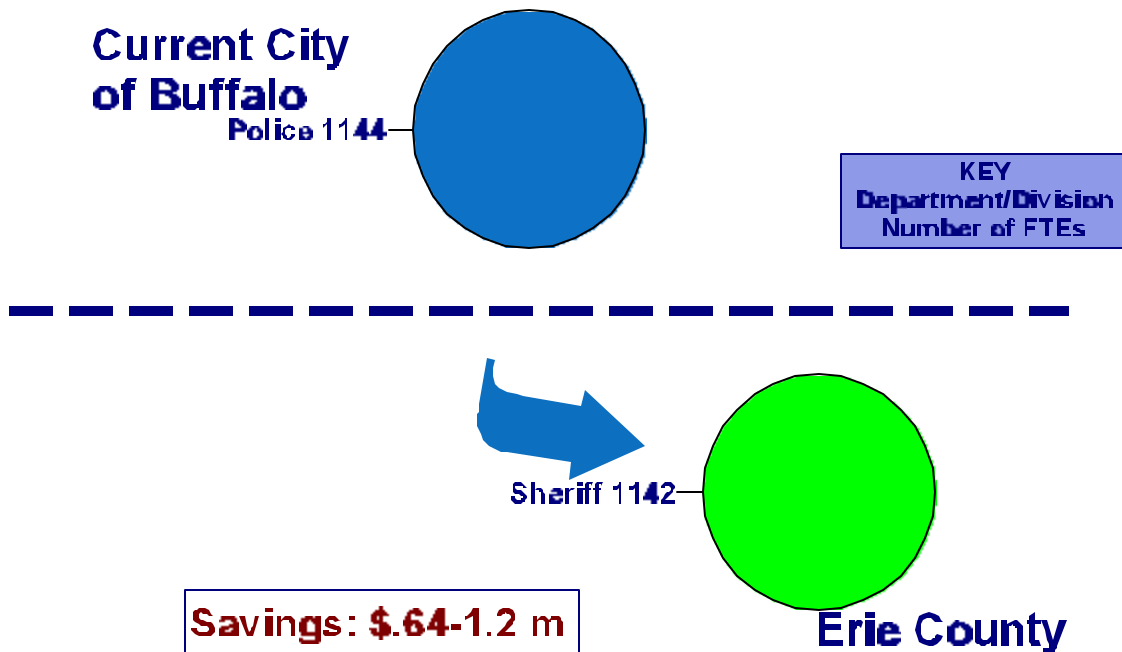
Public safety—police and fire—is by far the largest single piece of Buffalo’s current budget. The cost of the Buffalo Police Department (BPD) is about \$80 million; the Buffalo

Fire Department (BFD) costs City taxpayers about \$60 million. Clearly, the fiscal stability of Buffalo depends on careful control of the cost of delivering public safety services.

Buffalo Police Department

The Masiello Administration is to be commended for implementing many of the recommendations of prior studies, particularly by reducing the costly 14 precinct system by which the BPD has been managed. We recommend that the Buffalo Police Department be combined with the Erie County Sheriff’s Department (ECSD); police services to Buffalo being provided on a contractual basis between the City and the Sheriff’s Department. We are fully aware that this would entail a radical transformation of the Sheriff’s Department, but believe that this is a desirable merger for many reasons.

The two departments already cooperate on a large number of tasks, yet interviews with both the Sheriff and the Police Commissioner brought to light many other functions that are duplicative in the two departments and which could be more effectively performed in a unified police agency.



Salary discrepancies between members of the BPD and the Sheriff's Department are also substantial. *Only in this* department did CGR identify consistent and substantial variation in pay *between* City and County workers performing essentially the same tasks. Our analysis of both agencies indicates that were BPD employees paid salaries comparable to personnel with equivalent titles in the ECSD, savings would total \$3 million dollars. When the significantly higher benefits of BPD employees¹ are factored in, the differential rises to almost \$4 million dollars.

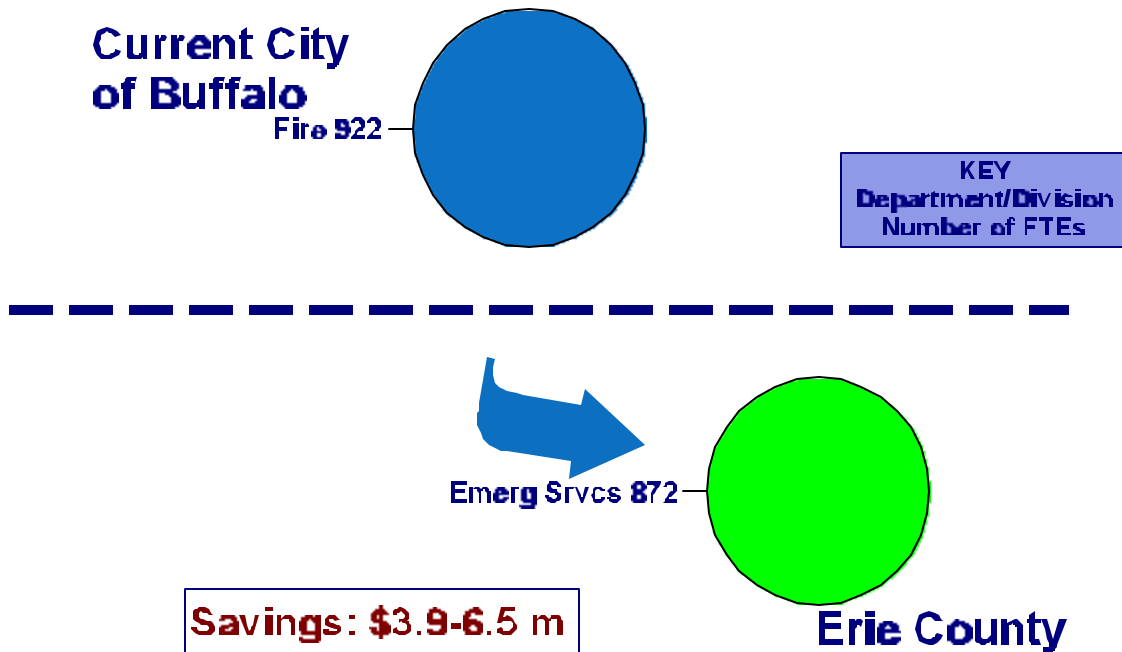
Thus were BPD employees to receive compensation equal to that of equivalent ECSD personnel, the City would save nearly \$4 million dollars annually. Given the particular complexity, both legally and politically, of such a merger, CGR has chosen not to use these savings in the reported total. The only savings incorporated into the final savings table for police are from a reduction in overtime recommended by KPMG and the elimination of the Police Commissioner and his secretary. These savings are discussed in greater detail in the appendix.

It is important for the community to nonetheless consider the additional substantial savings that could accrue in the New City if it were willing to consider the reasonable policy of bringing the City's police-related contracts in alignment with those for equivalent County employees.

¹The difference in retirement has a particularly large impact on benefits costs. BPD officers can retire after twenty years of service, while retirement for Sheriff's Deputies is at age 62.

Buffalo Fire Department

CGR also recommends that the Buffalo Fire Department be ceded to Erie County and housed in its Department of Emergency Services. We believe that the County is in a better position to facilitate a transition to cooperative fire services among all three Erie County cities: Buffalo, Lackawanna and Tonawanda. As long as fire services to Buffalo are under the



exclusive control of the City of Buffalo, cooperation of this kind has competitive overtones that make this transition more difficult. Lackawanna and Buffalo, in particular, would be able to save a considerable amount of money through cooperation. While technically beyond the scope of our study, we still believe that a contractual relationship with Erie County is preferable to the current arrangement.

We also recommend that Erie County municipalize emergency medical services, capturing insurance reimbursement for transport of the sick and injured to area hospitals. As the Buffalo firefighters already provide “first response” services, this would not be a vast expansion of the services already provided by BFD.

As Erie County has no comparable function, we did not forecast any savings from the simple transfer of management responsibility. There are savings that can be achieved during the transition, however. The Buffalo Fire Department has been significantly overstaffed for many years. In 1993, the Buffalo Financial Plan Commission estimated that the BFD could be reduced by 200 positions. Instead, total positions appear to have *increased*. Savings assumed by CGR include a conservative one-time reduction of 50 positions. Other recommendations for the fire service are detailed in the appendix.

Conclusion: Tax Levy Savings in the New Buffalo

From the perspective of the taxpayer, the ultimate advantage of this reorganization of City services is a reduction in tax rates. This applies to both residential taxpayers and commercial/ industrial taxpayers. Buffalo is competing for jobs and investment with many other communities both within and without New York State. While not the only factor, tax rates do influence the location decisions of companies already in the community considering an expansion or relocation, as well as those firms looking for a site in Western New York and considering the City of Buffalo.

High taxes also drive away middle class property owners. Individuals confined to low income housing—predominantly located in Buffalo—are captive to the City. Higher taxes may drive up rents, but housing options for the poor in the suburbs are quite few. Higher-income residents, however, can and do leave the City when their tax liability in the City rises.

\$14-20 Million in Savings

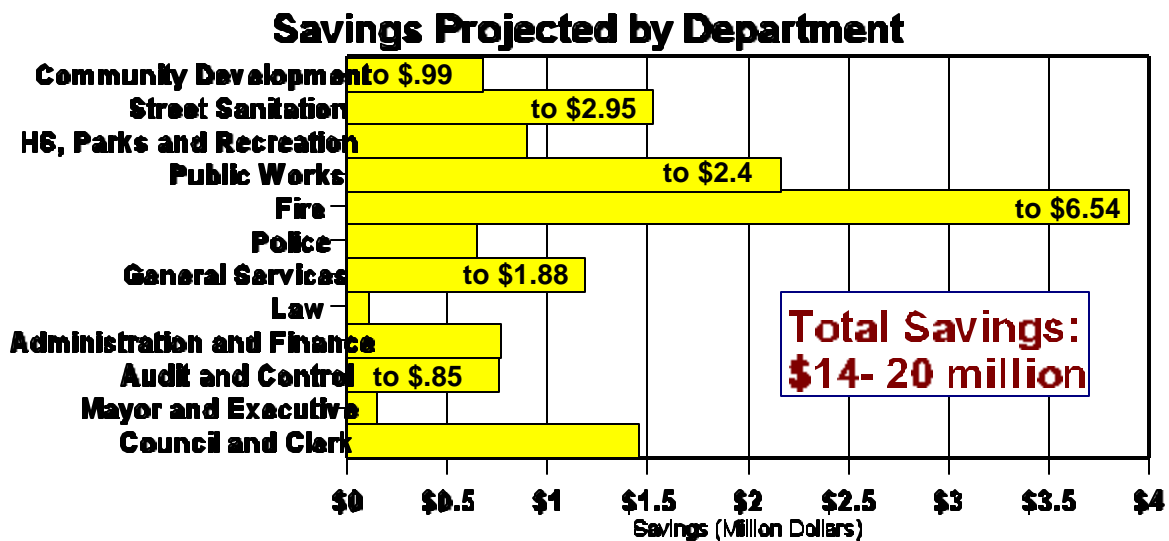
So, does service consolidation save money? As a result of concerted efforts to implement the management efficiencies outlined under this new structure, annual, recurring **savings ranging from \$14-20 million** are obtainable from the plan

These annual, recurring savings are substantial, representing 9-13% of the total tax levy budgeted for 1997-98.

outlined in this report. The most significant savings occur in Fire, Streets & Sanitation and Public Works, although significant savings occur throughout the City structure. These annual,

recurring savings are substantial, representing 9-13% of the total tax levy budgeted for 1997-98.

CGR has followed a conservative methodology in its analysis, and thus the cost saving estimates have been understated in this report. CGR’s extensive experience with implementing reorganizations in New York State municipalities confirms that, after a period of significant functional consolidation, a process of attrition, early retirement and negotiated savings often yield additional annual staff compensation savings of 5-10 % in those consolidated functions



in the long run. Management reforms implemented by the City and County will yield even greater savings in the “out-years.”

Thus, in the case of Buffalo, it should be expected that some portion of the nearly \$4 million in extra compensation for Buffalo Police Department employees as compared with comparable Erie County Sheriff personnel might be renegotiate to the City’s advantage after consolidation.

Likewise, it is reasonable to expect that more innovative and flexible deployment of men and equipment in a consolidated snow plowing or street maintenance operation will ultimately yield additional cost savings not explicitly assumed in CGR’s analysis.

City Savings

Summary

Current Department	Funded (current budget)	Positions		Taxpayer Benefit	
		To New City	To Erie County	Minimum	Maximum
Council and Clerk	72	41	0	\$1,445,137	\$1,445,137 *
Mayor and Executive	14	9	3	\$144,513	\$144,513
Comptroller	101	21	71	\$794,936	\$894,936
Administration and Finance	115	19	89	\$760,521	\$760,521
Law	31	3	26	\$104,636	\$104,636
Assessment	34	13	21	\$0	\$0
General Services	45	7	34	\$1,184,443	\$1,884,443
Police	1144	0	1142	\$641,007	\$1,150,607
Fire	922	0	872	\$3,891,025	\$6,543,908 **
Public Works	203	1	197	\$2,145,843	\$2,419,843
HS, Parks and Recreation	186	7	111	\$890,238	\$890,238 * *
Street Sanitation	332	5	323	\$1,523,268	\$2,948,655
Community Development	135	50	74	\$666,805	\$991,805 **
TOTAL	3334	176	2963	\$14,192,372	\$20,179,242

* assumes Scenario A: 13 part-time Council members 15 staff

** 525K to 850K from Community Development requires Fire Department involvement.

*** Nine FTEs are transferred to BMHA.

BMHA, Water Authority and Board of Education are not included.

Charter Revision

Earlier in the document, we emphasized that the structure proposed herein did not require extensive state and federal legislation. It does, however, require a revision of the Buffalo City Charter. For example, while we have recommended the elimination of the position of City Comptroller (bringing financial oversight responsibilities under the Mayor, as is the case in Rochester and most other upstate cities), this cannot occur without a City charter revision passed by a citywide referendum. Nor can the responsibilities of the Buffalo Common Council be changed without a revision of the charter.

Next Steps

What's next for this plan? Strong public support is essential if this vision is to become reality. The cooperation of many people in City and County government is necessary to ensure that the kind of sweeping reform outlined in this report becomes reality. Patience, but also persistence, will be needed.

Questions About the New Buffalo

Won't public employees oppose this plan?

Some will. Some individuals will oppose change no matter what form it assumes. Change always appears more risky than the alternative. In the present instance, this belief is *FALSE*. For a city like Buffalo, stability is only a way station between growing up and growing old. Cities cannot choose to stay the same. And public employees have *more* of a stake in the City's survival—indeed, in the City's *prosperity*—than anyone else. In most cases, City workers moving over to the County will have an opportunity to be part of a new approach to providing public services that will be more expansive, more competitive, more effective than is now the case.

Public employees have nothing to lose and everything to gain. While the workforce serving the needs of the City may be smaller in five years, *we recommend that all non-managerial reductions occur through attrition*. Workforce reductions among those employees who are part of a bargaining unit total only 4.25%, less than typical annual attrition. *Furthermore, savings figures do not forecast any reductions in pay and benefits*. If the County's role as a regional service agency grows as we expect, there will be plenty of work for current City employees.

Aren't your "savings" just "pie in the sky?"

Savings come from three sources: Efficiencies from consolidation of City and County functions, savings from competitive contracting, and management reforms recommended by the diligent work of the Buffalo Financial Plan Commission, KPMG Peat Marwick and Erie County. We don't assume any reduction in salary and benefits for current City workers, although some functions will be performed by fewer workers over a period of time.

Once similar functions are placed in one department at the County instead of two at the City and County, CGR's extensive experience with other governments' reorganizations

suggests furthermore that managers will find new ways to save money and improve the quality of services to both City and County residents that aren't even included in our savings estimates.

How did you come up with these savings estimates?

The estimates of savings are based primarily on the recommendations of the Buffalo Financial Plan Commission, KPMG Peat Marwick and Erie County. We are indebted to the careful work of these organizations. In addition, CGR recommended other managerial changes and a configuration of departmental consolidations (based on CGR's experience and the recommendations of individuals contacted for the study). Each of these changes was priced according to the current budgets of the City of Buffalo and Erie County.

I thought that you were going to recommend that Buffalo be dissolved. Why isn't this your recommendation?

Most of the benefits of outright consolidation can be achieved through the extensive contractual relationship recommended in this report. Maintaining the City's legal status also preserves the political representation of the City's residents and the City's ability to receive federal and state aid to cities, and reduces the need for state and federal involvement in the renewal plan (which would have been extensive in a merger plan).

Isn't this approach too radical?

This cannot and should not happen immediately. No single elected official or legislative body has the power to reinvent a great American city at the stroke of a pen. Nor can the reforms outlined within this report occur without planning, without commitment, without time, without *leadership*. Our report describes the end of a multi-year process of change, change that must nonetheless begin *today*.

Won't elected officials oppose the plan?

Some will. This plan is not “politics as usual” in Buffalo. It is not a plan that preserves the privilege and power of historic offices. The Mayor of Buffalo will have fewer political appointees and lead a smaller City workforce. The Buffalo Common Council and staff will be down-sized to a size more typical of New York cities and more appropriate for the task they are asked to assume. The City Comptroller position will be eliminated.

At the same time, the responsibility of the County Executive will become more challenging as Erie County expands existing departments and assumes some new roles to encompass the City of Buffalo's service needs.

Is this the “one right way?”

Of course not. This is *a* plan, not *the* plan. With goodwill and hard work, those who take up the mantle of leadership for the new Buffalo may find better ways to accomplish the same goals articulated here. That the City should be smaller, should focus on its “core competencies,” should let services be delivered as efficiently as possible, should enable growth instead of preventing decline—these principles, however, should remain constant.

Will Buffalo tax bills go down?

Yes. The savings forecast in this report are **9-13 %** of the City's tax levy (the portion of the City budget that is shared among taxpayers). Thus the combined benefits of consolidation and improved management will cut 9-13% off the tax bills of every taxpayer in the City of Buffalo, assuming that everything else stays the same.

Isn't this going to increase County tax rates?

No. The expanded relationship between the City of Buffalo and Erie County will be a contractual one. The Mayor and Common Council will annually negotiate a scope of services with the County which will be paid for through the normal tax levy on property owners in the City of Buffalo. By increasing the *scale* of services provided by County staff, we expect that

the cost of some County services will actually *decrease*, leading to County taxes that are lower than without the agreement with the City. For example, the City and County comptrollers' offices have estimated that consolidated cash management will lead to both City and County receiving higher interest rates on overnight investments, yielding an additional \$1.0 to \$1.3 million in interest annually to the County.

Isn't this the first step to eliminating the City (and towns and villages, too)?

Not at all. We propose this model not because eliminating the City is too difficult, but because we believe this to be a *better way* to deliver public services. Local governments are popular because they are accessible to the electorate. Our goal is to preserve the democratic character of local government *without* the inefficiency involved in local provision of services that are better delivered regionally.

Now if town taxpayers want to save money too, so much the better. Does every town need an accounting office? Or an assessment office? Or a building inspector? Or a public works superintendent? Public sector financial management, for example, is very complicated in the 1990s. Financial officers of small communities need to be mini-experts about a lot of things. Why not establish a contract with the County Comptroller's office for internal audit and debt management services? This is the model we suggest for the City and County. The success of this approach will encourage imitation by towns and villages.

There has been a lot of talk about "privatization" of public services. Will this be part of Buffalo's future?

This report recommends a transfer of many public services from the City to the County. We would expect that the County would continue to explore the most cost-effective way to perform services for all County residents and for City residents under the specific functional contract.

Will this involve privatization? Let's think about what people expect to get out of privatization. Do private firms always do things cheaper than public employees? Definitely not. In many areas—particularly where significant capital expenditure is involved—the public sector has a distinct advantage. The key idea is not privatization, but *competitive contracting*.

Competition helps everyone look for ways to do their work better and more efficiently. In some cases, competitive contracting increases the share of work done by the private sector. In other cases, competitive contracting has led to an increase in work for public employees. In Indianapolis, for example, public employees are picking up *more* of the City's trash than before the City adopted competitive contracting.

As time goes on, the City of Buffalo may wish to get bids from private firms for part of the scope of services we have herein assigned to the County. Or the County may wish to subcontract all or part of its City work to private firms. In any event, we strongly urge both the City and County public employee unions, if they wish, to make an independent bid for particular services.

What happens to the debt of the City of Buffalo?

The City of Buffalo isn't going anywhere—its debt will remain the debt of the City. Now if a contractor—Erie County or, possibly, a private firm—incur debt in the course of providing services to the City, then this new debt will be the debt of the contractor, not the City.

Will City employees still work in City Hall?

Erie County doesn't have the capacity to absorb almost 3,000 workers into county-owned buildings. Over time, we would expect that those who currently work for the County and those who currently work for the City will be integrated into the same space. This doesn't mean the City is making the best use of the buildings it owns. Frankly, we've been told by many that the City has a large number of buildings that could be better used. City Hall itself could be more effectively used. We would expect that the City and County would work together to develop an efficient space management strategy, possibly moving some city-owned buildings back onto the tax rolls.

Government & Community Leaders Interviewed for This Report

Erie County Legislature

Albert DeBenedetti
Judy Fisher
Frederick Marshall, Minority Leader
Gregory Olma
Crystal Peoples, Majority Leader
Charles Swanick, Chairman

Erie County

William Fremgen, Coordinator of Substance Abuse Services
Nathan Hare, Commissioner of Youth Services
Thomas Higgins, Erie County Sheriff
James Jankowiak, Commissioner of Parks, Recreation and Forestry
Kenneth Kruly, Budget Director
John Loffredo, Commissioner of Public Works
Robert Mendez, Executive Director Erie County Water Authority
Nancy Naples, Erie County Comptroller
Joseph Passafiume, Deputy Comptroller
Richard Tobe, Commissioner of Environment and Planning
David Swarts, County Clerk

City of Buffalo

Daniel Durawa, Commissioner of HS, Parks and Recreation
Bruce Fisher, Deputy Comptroller
Joseph Giambra, Commissioner of Public Works
Joel Giambra, Comptroller
Eva Hassett, Commissioner of Administration and Finance
Barbara Kavanaugh, Common Council At-Large
R. Gil Kerlikowske, Police Commissioner

Edward Marr, Director of Refuse and Recycling
Anthony Masiello, Mayor
James Pajak, City Accountant
James Pitts, Common Council President
Richard Reinhard, Mayor's Director of Operations
Susan Thomas, Management Analyst

Union Leaders

Paul DeFranks, President Local 650 (White Collar)
David Donnelly, President Local 282 (Professional Firefighters)
John Scardino, President Local 264 (Blue Collar)

University of Buffalo

John Sheffer, Interim Vice President Public Service and Urban Affairs
Kathryn Foster, Assistant Professor Department of Planning

Business

Gail Johnstone, Executive Director Buffalo Foundation
Andrew Rudnick, President Greater Buffalo Partnership
David Rutecki, Vice President M&T Bank

Appendix

Structure of Departmental Summaries

Unless otherwise noted CGR's calculations were made using information in columns labeled "Current Positions as of 4/25/97, Current Funded Positions," "Current Salary" and "1996-97 Appropriated as of 3/4/97" from the Mayor's recommended 1997-98 budget. Benefits percentages were obtained from the Department of Administration and Finance. In most cases, figures presented from other reports were not altered.

Table Abbreviations

Department Abbreviations

A&F	Buffalo Department of Administration and Finance (newly created)
CE	Buffalo Department of Code Enforcement (newly created)
DHS	Buffalo Department of Human Services (newly created)
DPS	Buffalo Department of Physical Services (newly created)
EC Bud	Erie County Department of Budget, Management and Finance
EC Compt	Erie County Department of the Comptroller
EC DPW	Erie County Department of Public Works
EC Emer	Erie County Department of Emergency Services
EC E & P	Erie County Department of Environment and Planning



EC Info & Sprt	Erie County Department of Information and Support Service
EC LR	Erie County Department of Labor Relations
EC MH	Erie County Department of Mental Health
EC Pers	Erie County Department of Personnel

Report Abbreviations (column labeled “Source”)

BFPC	Buffalo Financial Plan Commission. <i>Five Year Financial and Management Plan for the City of Buffalo</i> , February 1993.
KPMG	KPMG Peat Marwick. <i>Creating a City of Buffalo That Works Better & Costs Less</i> , April 1995.
ECCP	Erie County Office of the County Executive. <i>A Comprehensive Plan for City Assistance and Fiscal Reform</i> , April 1996.
CGR	Refers to recommendation of the Center for Governmental Research.

The numbers following the citation refer to the page number of the source document.

Common Council and Clerk

The Buffalo Common Council is made up of 72 positions, of which, 13, including the President of the Common Council, are elected officials. The President has four full-time staff members while each of the other 12 members has two full-time staff. The Legislative subdivision is made up of another 18 funded positions.



Many of the functions performed by the Division of City Clerk are related to the operation of the Common Council. While it is not precisely known what share of the Division of City Clerk appropriations support Council functions, CGR believes that 40% is a reasonable assumption. Assuming 40% of the Clerk's appropriations support Council activities the Department costs \$3,395,980 with the President of the Common Council accounting for \$302,046. This averages to an expenditure of \$261,229 per elected Common Council member.

In light of reducing the overall size of the City of Buffalo and the number of services provided directly by the City, CGR proposes a part-time model based on that used by the City of Rochester as a reasonable substitute for the current Council structure. Under Scenario A, the current 13 members, including the President, would remain but would see a reduction in their salary and staffing levels. CGR suggests a salary of \$25,000 for each of the 12 members with \$35,000 going to the President. This leads to a savings of \$264,845. In addition, the staffing level of 1.1 FTEs per council member used in Rochester was also applied. The estimated savings from this action is \$998,459. As the council members will now be working part-time and have fewer staff, non-personnel expenditures could easily be reduced by 25%. Doing this will save \$181,833. The other functions of the City Clerk and its 13 person staff will remain intact under CGR's model as the division is nearly self-funded. While the freeing up of time and expenditures resulting from the new Council structure will likely lead to savings in this area, an accurate estimate is unquantifiable at this time.

CGR also examined a scenario that calls for a reduction in the number of elected Council members but retains the full-time nature of the job. Scenario B estimates the savings from going to a seven person Council with five district members and two at-large members. The following provisions hold:

- , Each Council member will receive the current base salary of \$41,895.
- , The Minority and Majority Leaders will both receive an additional \$1,000 each as opposed to the current additional \$2,500 for the Minority Leader and additional \$5,000 for the Majority Leader.

, The President will receive an extra \$5,000 in salary as opposed to the current \$11,025 addition.

, Each elected official, including the President, will have two full-time staff.

, Five of the current 18 Legislative staff positions will be retained.

, The 25% reduction in non-personnel expenditures will be achieved.

, The functions of the City Clerk will remain intact.

The potential savings from this scenarios is \$27,114 less than that of Scenario A and could affect the current ratio of racial and ethnic minority to total Council members and/or reduce the number of minority Council members.

The total benefit to the taxpayers that would result from the implementation of these proposals ranges from \$1,418,023 to \$1,445,137. The table that follows summarizes this information.



Common Council and President

Scenario A

Division	New Location	Positions			Taxpayer Benefit		Source	Assumptions
		Funded (current budget)	To New City	To Erie County	Minimum	Maximum		
LEGISLATIVE and PRESIDENT								
Elected	Council	13	13	0	\$264,845	\$264,845	CGR	Full-time to part time. Council@\$25K, Pres@35K.
Staff	Council	46	15	0	\$998,459	\$998,459	CGR	Achieve same staff to Council ratio as Rochester.
Other	Council	na	na	na	\$181,833	\$181,833	CGR	Reduce non-staff expenditures by 25%.
CLERK								
Clerk	Clerk	13	13	0	\$0	\$0	CGR	Function is nearly self-funded.
		72	41	0	\$1,445,137	\$1,445,137		

Scenario B Division	New Location	Positions			Taxpayer Benefit		Source	Assumptions
		Funded (current budget)	To New City	To Erie County	Minimum	Maximum		
Elected	Council	13	7		\$325,223	\$325,223	CGR	Used current base salary of \$41,895 and added \$1000 for Minority & Majority leaders and \$5000 for President.
Staff	Council	46	19		\$910,967	\$910,967	CGR	Two staff per member and 5 central staff.
Other CLERK	Council	na	na	na	\$181,833	\$181,833	CGR	Reduce non-staff expenditures by 25%.
Clerk	Clerk	13	13		\$0	\$0	CGR	Function is nearly self-funded.
		72	39		\$1,418,023	\$1,418,023		



Mayor and Executive Department

The Mayor and Executive Department is divided into the Executive and Zoning Board of Appeals divisions. Based on an examination of the Mayor of Rochester's staffing level CGR believes that the executive function can be reduced by two positions under the re-engineered city model. Doing this, in addition to reducing the amount spent on temporary services and a 10% reduction in non-staff expenditures, will yield annual savings in the amount of at least \$144,513.

The Office of Compliance can also be altered. Of the four funded positions, CGR believes that at least one must remain in the City to handle citizen grievances. This position will be placed in the newly created Department of Code Enforcement while the remaining functions can be transferred to the Erie County Department of Budget, Management and Finance.

The Zoning Board of Appeals deals with local issues and the CGR model leaves this function in the City. In order to achieve greater centralization within the City, CGR combines this division with the planning function of the newly created Department of Physical Services.

The total taxpayer benefit that would result from the implementation of these proposals annually is estimated to be \$144,513 at a minimum. The table that follows summarizes this information.

Mayor and Executive

Department Division	New Location	Funded (current budget)	Positions		Taxpayer Benefit		Source	Assumptions
			To New City	To Erie County	Minimum	Maximum		
Executive	Executive	9	7	0	\$144,513	\$144,513	CGR	Cut two positions, reduce temp, reduce non-staff costs by 10%.
Office of Compliance	EC Bud/ CE	4	1	3	\$0	\$0	CGR	Keep one position for citizen grievances.
ZBA	DPS	1	1	0	\$0	\$0	CGR	Consolidate with planning function.
		14	9	3	\$144,513	\$144,513		



Office of the City Comptroller

As currently constituted, the offices of City and County Comptroller perform many functions that could be combined for the mutual benefit of both governments.

A total merger of the two offices, however, is not what we recommend. Rather, our analysis will show how to best share some functional components that could create significant economies of scale—as well as a potential “service center” from which smaller nearby municipalities might purchase finance-related services in years to come—while still preserving the distinct City and County functions required by state and federal law, and complying with FASB and GASB requirements.

Most of our projected savings and management efficiencies can be achieved through the kind of intermunicipal cooperation agreements that are allowed under current New York State law. For taxpayers to realize further benefits would—because of current rules regarding municipal cash management—require ongoing guidance from the New York State Comptroller, Attorney General and the NYS legislature.

We do, however, recommend a significant City charter revision—namely, to eliminate the office of the elected City Comptroller. In comparable cities such as Rochester, the functions of Buffalo’s separately-elected Comptroller are performed by an appointee of the Mayor. We see no reason why this same structure could not work for Buffalo—because Buffalo would retain an independent audit function, without the expense of a redundant elective office.

Cash Management

Increased interest earnings are possible because of the aggregate investment of City and County funds which gives each entity a potential for a higher investment interest yield of between 25 and 30 basis points per investment transaction. City taxpayers could realize between \$300,000 and \$400,000 and non-city county taxpayers could realize between \$700,000 to \$900,000 of increased interest earnings. Unique to this arrangement is the staggered fiscal years of each entity which results in an investment portfolio whereby the two government entities are able to eliminate a “weak” time vis a vis the capital markets. This arrangement could thus result in additional revenue of between \$1 million and \$1.3 million.

Debt Issuance

Potential savings on transaction fees could be achieved if the City and the County were able to issue debt instruments together. Both entities would benefit from the reduction of bond counsel, financial advisor and underwriter fees and related expenses. However, the joint issuance of debt will depend on a finding by state authorities that the practice would be feasible under New York State law, which is an unsettled point; accordingly, no estimate of potential savings are included in the aggregate estimate for this function.

Several positions, in addition to the elected comptroller’s position, will not be necessary under the CGR model. The exempt positions of Deputy Comptroller, Executive Assistant to the Comptroller, Secretary to the Comptroller (part-time), City Auditor, City Accountant, and Director of Real Estate will no longer be needed. The Erie County report also recommends cutting two positions from data processing. The report reveals that the number of City employees in this function per \$100 million of total



budget exceeds the number performing similar functions in Erie County per \$100 million of total budget and recommends a 5.7% staff reduction in data processing.

The CGR model transfers 21 positions to departments within the new City. Administration and Finance will receive 15 positions while, Physical services will receive six. Another 71 positions can be transferred to Erie County. The CGR model places 30 positions with the Erie County Department of Information and Support Services, 26 with the Erie County Comptroller and five with the Erie County Law Department.

The total annual taxpayer benefit that can be realized from this reorganization ranges from \$794,936 to \$894,936 in the first year of implementation. A table summarizing these changes follows.



**Department of Audit
and Control**

Division	New Location	Funded (current budget)	Positions		Taxpayer Benefit		Source	Assumptions
			To New City	To Erie County	Minimum	Maximum		
COMPROLLER								
Comptroller	A&F	5	1	0	\$217,949	\$217,949	CGR	Cut four exempt positions. One secretary needed for auditing staff.
Data Processing	EC Info & Sprt/A&F	35	3	30	\$90,281	\$90,281	ECCP-41	At least three positions needed in City. EC ratios imply cut of two positions.
AUDIT								
Audit Services	EC Compt/ A&F	27	9	17	\$67,024	\$67,024	CGR	Cut exempt City Auditor position. Nine positions needed in City.
ACCOUNTING								
Abounding	EC Compt/ A&F	22	2	19	\$67,024	\$67,024	CGR	Cut exempt City Accountant position. Two positions needed in City.



**Department of Audit
and Control**

Division	New Location	Funded (current budget)	Positions To New City	To Erie County	Minimum	Taxpayer Benefit Maximum	Source	Assumptions
REAL ESTATE								
Real Estate Management	DPS	2	1	0	\$52,658	\$52,658	CGR	Cut exempt Director of Real Estate, duties can be assumed by new Director of In Rem in DPS.
In Rem	DPS	5	5	0	\$0	\$0	CGR	Functions can be absorbed by transfer to Community Development within DPS.
COLLECTIONS								
Collections	EC Law	5	0	5	\$0	\$0	CGR	Transfer to EC will enhance ability to increase delinquent tax collection.
CASH MANAGEMENT								
					\$300,000	\$400,000		
Total		101	21	71	\$794,936	\$894,936		



Department of Administration and Finance

The reconstruction of the Department of Administration and Finance will involve the newly designed Department of Code Enforcement and the Erie County departments of Budget, Management and Finance, Labor Relations, Personnel, and Public Works.

Due to the centralization of many other City functions into the Department of Administration and Finance, the CGR model retains five positions from administrative services of the current department to head the reconstructed department. CGR believes the remaining four positions will be needed to bring a city perspective and to handle the increased workload due to the transfer of functions to Erie County. These positions can be transferred to the Erie County Department of Budget, Management and Finance.

The Financial Control of Agencies function's goal is "to achieve effective management of Federal and State funded programs, and maintain funding eligibility through maintenance of adequate accounting and budgetary cost control systems." In order to most effectively work toward this goal, CGR believes this function must remain as it is.

The Division of Administrative Adjudication will be utilized as a support function under the re-engineered city and, in order to achieve a greater degree of centralization within the City, will be transferred to the newly created Department of Code Enforcement.

As the City will employ fewer workers and Erie County more, there will be a need to reduce the number of positions in the current Division of Labor and Employee Relations Labor Relations subdivision and increase the number of positions to perform these functions in Erie County. Under CGR's model, two positions from the Labor Relations subdivision will remain intact to provide direct services, two can be transferred to the Erie County Division of Labor Relations and one will be eliminated as

recommended by the Erie County report. This report reveals that the number of employees in Buffalo's Division of Labor and Employee Relations per 1000 of total employees is much larger than the number performing similar functions in Erie County per 1000 of total employees and recommends that one City position be eliminated. The savings associated with this is \$44,413.

The Erie County report provided a detailed analysis concerning the feasibility of merging the City's Civil Service subdivision and the Erie County Department of Personnel. The report concludes that further research on this complex area is needed as many functions are dissimilar and the similar functions often vary in scope. While CGR recognizes the logistical and legal barriers detailed in the Erie County report, the CGR model transfers the entire Civil Service subdivision to the Erie County Department of Personnel due to the large-scale transfer of positions, including Fire and Police, to Erie County and to further centralize service delivery in this area. While the Erie County Department of Personnel does not currently provide many of the functions performed by the City Civil Service subdivision to the municipalities it serves, a merger would allow the other municipalities the opportunity to receive such services.

Following the same logic used for the Labor Relations subdivision, the CGR model retains two positions from the current Benefits and Management subdivision, transfers three positions to the Erie County Department of Personnel and eliminates one position as recommended in the Erie County report. This report reveals that the number of employees in Buffalo's Division of Benefits and Management per 1000 of total employees is larger than the number performing similar functions in Erie County per 1000 of total employees and recommends that one City position be eliminated. The savings associated with this is \$40,657.

The CGR model transfers the Division of Parking Enforcement and the functions of the Parking Enterprise fund to the Erie County Department of Public Works with the expectation that Erie County will immediately institute a policy of competitive contracting. The Buffalo Financial Plan Commission report and KPMG (103) made several recommendations in this area, many

of which have been implemented. However, an examination of the City Budget indicates that productivity increases have not reached their potential and that further productivity increases can generate at least \$500,000 in additional revenue. In addition, if the remaining mechanical meters in the City are replaced with electronic meters three positions can be eliminated for a savings of \$105,344.

Again following the same logic used for the Labor Relations subdivision the CGR model retains four positions from the current Treasury Division, transfers eight positions to the Erie County Department of Budget, Management and Finance and eliminates two positions as recommended in the Erie County report. This report reveals that the number of employees in Buffalo's Division of Treasury per 1000 of total employees is larger than the number performing similar functions in Erie County per 1000 of total employees and recommends that two City positions be eliminated. The savings associated with this is \$70,107. Research also suggests that re-engineering of the Treasury Division such as allowing tax bills to be paid at banks or other locations can reduce costs and increase revenues. Quantifying such benefits is beyond the scope of this report.

The total annual taxpayer benefit that would result from the implementation of these proposals is at least \$760,521. The table that follows summarizes this information.



Department of

Administration and Finance

Division	New Location	Positions Funded (current budget)	Positions		Taxpayer Benefit		Source	Assumptions
			To New City	To Erie County	Minimum	Maximum		
GENERAL OFFICE								
Administrative Services	A&F	2	2	0	\$0	\$0	CGR	Needed to head department.
BUDGET and MANAGEMENT								
Administrative Services	EC Bud/A&F	7	3	4	\$0	\$0	CGR	Accounts for transfer of functions to EC.
Financial Control of Agencies	A&F	1	1	0	\$0	\$0	CGR	Keep for local grant administration.
ADMINISTRATIVE ADJUDICATION								
Administrative Adjudication	CE	5	5	0	\$0	\$0	CGR	Needed for support function.
LABOR and EMPLOYEE RELATIONS								
Labor Relations	EC LR/A&F	5	2	2	\$44,413	\$44,413	ECCP-44	Keep two positions in City for direct services. EC ratios imply cut of one position.



Department of

Administration and Finance

Division	New Location	Positions Funded (current budget)	Positions		Taxpayer Benefit		Source	Assumptions
			To New City	To Erie County	Minimum	Maximum		
Civil Service	EC Pers	12	0	12	\$0	\$0	CGR	
							ECCP-106	
Benefits and Management	EC Pers/A&F	6	2	3	\$40,657	\$40,657	ECCP-42	Keep two positions in City for direct services. EC ratios imply cut of one position.
PARKING ENFORCEMENT					\$500,000	\$500,000	BFPC-67	While progress has been made, revenue patterns suggest that productivity increases haven't reached their potential.
Parking Meters and Enforcement	EC DPW	27	0	24	\$105,344	\$105,344	BFPC-69	Move to EC initially. EC pursues competitive contracting more aggressively. Cut three positions.
Parking Violations Bureau	EC DPW	20	0	20	\$0	\$0	CGR	Move to EC initially. EC pursues competitive contracting more aggressively.
Towing and Storage	EC DPW	14	0	14	\$0	\$0	CGR	Move to EC initially. EC pursues competitive contracting more aggressively.



Department of

Administration and Finance

Division	New Location	Positions Funded (current budget)	Positions		Taxpayer Benefit		Source	Assumptions
			To New City	To Erie County	Minimum	Maximum		
PARKING ENTERPRISE FUND								
Parking Administration	EC DPW	2	0	2	\$0	\$0	CGR	Move to EC initially. EC pursues privatization initiatives more aggressively.
TREASURY								
Treasury	EC Budget/A&F	14	4	8	\$70,107	\$70,107	ECCP-45	Keep four positions in City for direct services. EC ratios imply cut of two positions.
		115	19	89	\$760,521	\$760,521		



Department of Law

The Erie County report reveals that the number of employees in the Law Department per \$100 million in total budget in Erie County is less than that in Buffalo. The report notes that reducing the Buffalo staff so as to obtain the County's ratio would cause serious difficulties in the provision of legal services. However, the report recommends that staff be reduced by seven percent which translates into two positions. This would result in a savings of \$104,636.

After eliminating two positions, CGR's model would keep three positions in the City for direct counsel services and transfer the remaining functions to the Erie County Department of Law. Doing this may also encourage competitive contracting which Erie County pursues more aggressively than the City. The three remaining positions would be transferred to the Department of Administration and Finance in order to achieve greater centralization within the City.

The total annual taxpayer benefit that would result from the implementation of these proposals in the first year is estimated at \$104,636. The table that follows summarizes this information.

Department of Law		Positions			Taxpayer Benefit		Source	Assumptions
Division	New Location	Funded (current budget)	To New City	To Erie County	Minimum	Maximum		
LAW								
Law	EC Law/A&F	31	3	26	\$104,636	\$104,636	ECCP-43	Keep three positions in City for direct counsel services. EC ratios imply cut of two positions.



Department of Assessment

Erie County does not provide assessment services directly similar to those the City of Buffalo Department of Assessment provides. However, transferring the assessment functions of this department to Erie County would provide the opportunity for centralized regional assessment services. While unquantifiable, a policy of competitive contracting may also be cost beneficial.

Under the CGR model the Assessment and Tax divisions that make up the current department would be separated. The Tax Division would be transferred to the Department of Administration and Finance so as to achieve greater centralization within the City and the entire Assessment Division would likely be, for the reasons stated above, transferred to the Erie County Department of Budget, Management and Finance.

There is no initial taxpayer benefit in this area. The table that follows summarizes this information.



Department of		Positions			Taxpayer Benefit				
Assessment	Division	New Location	Funded (current budget)	To New City	To Erie County	Minimum	Maximum	Source	Assumptions
<hr/>									
ASSESSMENT									
Assessment	EC Bud/ A&F		34	13	21	\$0	\$0	CGR	Transfer to EC as first step toward centralized service provision.

Department of General Services

The Department of General Services will undergo a great deal of restructuring under the CGR model.

Due to the increased need for the monitoring of contracts with other service providers, initially Erie County, the functions performed by the Administrative Services subdivision, under the CGR model, will remain in the City. In order to achieve greater centralization within the City this subdivision can be transferred to the Department of Administration and Finance.

The Buffalo Financial Plan Commission (analysis included Board of Education), KPMG (analysis was done for City of Buffalo and Board of Education), and Erie County analyzed Buffalo's purchasing function. Based on the information provided by these sources, CGR very conservatively determined that a 5% to 10% reduction in the Mayor's 1997 estimate for the value of purchase orders written could be obtained through combining buying power with Erie County's Department of Information and Support Services. This amounts to a savings in the range of \$700,000 to \$1.4 million. The Erie County report suggests that one of the five current City positions could be eliminated while the other four would be transferred to Erie County. Under the CGR model one position in the City would be transferred to the Department of Administration and Finance for monitoring purposes and four positions would be transferred to Erie County. This change should, in the long run, allow Erie County to do additional work for other jurisdictions thereby reducing costs to Buffalo taxpayers.

In order to centralize fleet maintenance the CGR model transfers most of the functions of the Inventory and Management subdivision to the Erie County Department of Information and Support Services. According to the Buffalo Financial Plan Commission the consolidation of the City's six garages into three would save \$270,000 in the first year. CGR believes that this

savings would also be achievable under the re-engineered City model. For the purpose of monitoring, the CGR model transfers two General Services positions to the Department of Administration and Finance.

Based on analysis provided by KPMG, CGR believes that a 10% reduction in the cost of automotive parts and repair supplies is possible by improving inventory control and purchasing cost management. This estimate is more conservative than the KPMG estimate as it takes into account progress that the City has already made.

The Buffalo Financial Plan Commission and KPMG provide analysis of the General Services, Board of Education, and Police print shops. Both recommend consolidation of these three print shops into one with savings from reduced FTE requirements. KPMG also attributes savings from reduced contract work. According to review sheets provided by the Commissioner of Administration and Finance, the General Services and Police print shops are being consolidated. As such, the savings from reduced contract work presented by KPMG was not applied when CGR considered consolidation with Erie County's Department of Information and Support Services. However, the logic of a 40% reduction in FTEs required remains valid. CGR estimates that \$148,443 could be saved through the elimination of four positions, a more conservative reduction when considering the General Services and Erie County Department of Information and Support Services print shop FTEs.

The total taxpayer benefit that would result from the implementation of these proposals ranges from \$1,184,443 to \$1,884,443. The table that follows summarizes this information.



Department of General Services

Division	New Location	Funded (current budget)	Positions		Taxpayer Benefit		Source	Assumptions
			To New City	To Erie County	Minimum	Maximum		
GENERAL OFFICE								
Administrative Services	A&F	4	4	0	\$0	\$0	CGR	Part of new purchasing and contracts division to monitor contracts for services.
PURCHASE								
Purchasing	EC Info. & Sprt/A&F	5	1	4	\$700,000	\$1,400,000	KPMG-8 BFPC-66 ECCP-101	Combining buying power with EC will save 5%-10% of Mayor's estimate for purchases of materials and supplies.
INVENTORY and STORES								
Inventory Management	EC Info. & Sprt/A&F	30	2	28	\$270,000	\$270,000	BFPC-152	Consolidation of garages reduces operating costs.
					\$66,000	\$66,000	CGR	Competitive contracting will produce savings of 10% through better inventory management. Assumption was based on KPMG-97.



Department of General Services

Division	New Location	Positions			Taxpayer Benefit		Source	Assumptions
		Funded (current budget)	To New City	To Erie County	Minimum	Maximum		
Print Shop	EC Info. & Sprt	6	0	2	\$148,443	\$148,443	KPMG-12 BFPC-138	Cut four positions. Applies same logic as KPMG used for City & BOE consolidation.
		45	7	34	\$1,184,443	\$1,884,443		

Police Department

The Police Department was covered in detail by the Buffalo Financial Plan Commission and also KPMG. The recommendations made in the Buffalo Financial Plan Commission are not included here because they were either implemented, partially or differently implemented such that future savings can not be accurately determined, did not have any quantifiable cost savings and/or overlap with KPMG recommendations.

The CGR model transfers the Buffalo Police Department to the Erie County Sheriff in order to centralized these two highly professional and skilled forces. Doing this will result in a savings of \$131,407 from the elimination of the positions of Commissioner of Police and Secretary to the Commissioner, which will no longer be needed.

Under its Management Fundamentals section KPMG recommends the restructuring of aspects of the Police Department collective bargaining agreement to improve efficiency and effective use of resources. According to KPMG, a 10%-20% reduction of overtime costs could be achieved through the implementation of the following measures:

- , Replace joint management and staff union membership with separate membership.
- , Improve service delivery by identifying changes to be made to deployment, department organization, and salary structure.
- , Base assignments on competitive criteria.
- , Establish car deployment and staffing policies.

Using the "1996-97 Appropriated as of 3/4/97" overtime appropriation of \$5,096,000 the annual savings potential is between \$509,600 and \$1,019,200.



The total annual benefit to the taxpayers that would result from the implementation of these proposals ranges from \$641,007 to \$1,150,607. The table that follows summarizes this information.*

Police Department		Positions			Taxpayer Benefit		Source	Assumptions
Division	New Location	Funded (current budget)	To New City	To Erie County	Minimum	Maximum		
POLICE ADMINISTRATION								
	Sheriff	1144	0	1142	\$131,407	\$131,407	CGR	Cut Commissioner and Secretary to the Commissioner positions. Reduce OT by 10%-20% of 3/97 appropriation.
					\$509,600	\$1,019,200	KPMG-116	
Total		1144		1142	\$641,007	\$1,150,607		

*As stated elsewhere in this report, a detailed comparison of each position in the Buffalo Police Department with its equivalent position in the Erie County Sheriff’s Department shows that the City positions’ salaries are \$3 million higher than would be the case if these positions fell under County contracts. Although these savings are not included in our analysis due to the uncertainty that City staff moving under the County would ever have their compensation “leveled down,” CGR advocates that Buffalo/Erie County officials consider ways to capture some of these savings through future contractual renegotiations.

Fire Department

In order to move toward the centralization of Fire services the CGR model moves the Fire Department to Erie County's Department of Emergency Services. Doing this would facilitate the implementation of the recommendations presented below.

In addition to recommendations regarding the restructuring of Police collective bargaining agreements, KPMG recommends the restructuring of the Fire Department collective bargaining agreement to improve efficiency and effective use of resources. According to KPMG, a 10%-20% reduction of overtime costs could be achieved through the implementation of the following measures:

- , Replace joint management and staff union membership with separate membership.
- , Develop leave procedures to avoid overtime problems
- , Base assignments on competitive criteria.
- , Establish engine staffing policies to reduce company down-time (pp. 114-116).

Using the 1996-97 Appropriated as of 3/4/97 overtime appropriation of \$2,079,500 the savings potential is between \$207,950 and \$415,900.

KPMG also proposes leveraging firefighters to perform building code inspections. An explanation of this is provided under the Department of Community Development heading.

The Erie County report recommends that City government take over ambulance services in Buffalo that are now provided by the nationally-operated ambulance company, Rural Metro. It seems logical that the Fire Department take over this service since

they already respond to most calls for emergency medical services. While start-up costs would total about \$1.5 million dollars, the report forecasts \$547,475 in profits in the first year and beginning in year four when the program is fully implemented \$2,992,408 in annual profits. This would be facilitated by the transfer of the Fire Department to Erie County.

The Buffalo Financial Plan Commission offered several recommendations that will have a positive impact on City taxpayers. Their first recommendation called for the reduction of 50 sworn personnel per year for four years so as to achieve a staffing level closer to that of peer cities. CGR's estimates are focused on implementation year savings and so only included the savings from a reduction of 50 sworn personnel. This is also in line with the average attrition rate of 40-50 per year reported by the Buffalo Financial Plan Commission. Savings of \$3,038,600 can be achieved through the implementation of this recommendation.

In addition, the BFPC recommends making fire inspections mandatory for businesses and charging a fee of \$15 per inspection. This measure, which requires all line firefighters to become certified Fire Code Enforcement officers could increase revenues by approximately \$97,000.

The total annual benefit to the taxpayers that would result from the implementation of these proposals ranges from \$3,891,025 to \$6,543,908. The table that follows summarizes this information.



Fire Department		Positions		Taxpayer Benefit		Source	Assumptions	
Division	New Location	Funded (current budget)	To New City	To Erie County	Minimum			Maximum
FIRE	EC Emer	922		872	0	0	CGR	Transfer to EC to expedite centralized service provision.
					\$207,950	\$415,900	KPMG-116	Reduce OT by 10%-20% of 3/97 appropriation.
					\$547,475	\$2,992,408	ECCP-50	Municipalization of ambulance services.
					\$3,038,600	\$3,038,600	BFPC-29	Cut 50 sworn positions to bring suppression staff levels closer to levels of peer cities.
					0			
					\$97,000	\$97,000	BFPC-30	Revenue enhancement from mandatory \$15 business fire inspection fee.
		922		872	\$3,891,025	\$6,543,908		

Notes:

Ranges presented for municipalization of ambulance services represent the gain in revenue over expenses for year one and year four (when the program is fully implemented) respectively.



Related Area

**Department of
Community
Development**

Positions

Taxpayer Benefit

Division	New Location	Funded (current budget)	To New City	To Erie County	Minimum	Maximum	Source	Assumptions
HOUSING and INSPECTIONS								
Housing and Enforcement	EC Health/CE	81	7	65	\$525,000	\$850,000	KPMG-83 CGR	Cut six to nine positions. Utilize Fire Department for some building inspections. Keep seven positions to provide local neighborhood support services. Eliminate duplication in health and safety areas through transfer of others to EC Health which has broader powers.

Department of Public Works

The functions provided by the Buffalo and Erie County departments of Public Works overlap to a large degree. In accordance with this, the CGR model transfers 198 positions from the division of Engineering and Buildings to the Erie County Department of Public Works. Of the remaining positions, four will be eliminated and one will remain in the City in the newly created Department of Physical Services to assist with emergency repair services. The functions of Commissioner and Stenographer will no longer be needed as the Erie County Department of Public Works staff can absorb these functions. Three additional supervisory position eliminations are recommended in the Buffalo Financial Plan Commission Report. One of these positions has already been eliminated. Eliminating the other two positions will lead to a savings of \$89,000. Savings of \$71,000 is also forecast by the Buffalo Financial Plan Commission due to a reduction in staff and competitive pricing of supply costs in the Traffic Engineering Services subdivision.

The transfer of functions to Erie County will lead to further savings if Erie County pursues policies of competitive contracting. The Buffalo Financial Plan suggests that \$250,000 could be saved through the competitive pricing in the bridge operations function. KPMG adds an additional \$15,000 to \$179,000 in savings through a competitive contracting policy for the cleaning of City Hall. CGR believes an additional 10% to 20% savings on telephone charges can be achieved through competitive pricing. The largest savings from competitive pricing, \$1,500,000, can be achieved through a renegotiation of electricity rates as recommended in the Erie County report.

The total annual benefit to the taxpayers that would result from the implementation of these proposals ranges from \$2,145,843 to \$2,419,843. The table that follows summarizes this information.



Department of Public Works		Positions			Taxpayer Benefit			
Division	New Location	Funded (current budget)	To New City	To Erie County	Minimum	Maximum	Source	Assumptions
Administrative Services	cut	2	0	0	\$110,843	\$110,843	CGR	Commissioner and Stenographer functions no longer needed.
ENGINEERING								
Lighting of Streets	EC DPW	4	0	4	\$0	\$0	CGR	No obvious initial savings but EC pursues competitive contracting more aggressively.
Operation of Bridges	EC DPW	27	0	27	\$0	\$0	CGR	
					\$250,000	\$250,000	BFPC-47	Obtain competitive pricing for bridge maintenance.
Construction of Streets	EC DPW	12	0	12	\$0	\$0	CGR	
Repair of Public Improvements	EC DPW/ DPS	20	1	17	\$89,000	\$89,000	BFPC-46	One position needed for emergency repair. Cut two supervisors.



Department of Public Works		Positions			Taxpayer Benefit			
Division	New Location	Funded (current budget)	To New City	To Erie County	Minimum	Maximum	Source	Assumptions
Design and Planning of Streets	EC DPW	9	0	9	\$0	\$0	CGR	
Administrative Services	EC DPW	5	0	5	\$0	\$0	CGR	
Traffic Engineering Services	EC DPW	35	0	34	\$71,000	\$71,000	BFPC-47	Cut one position and competitive pricing of supply costs.
BUILDINGS								
Administrative Services	EC DPW	5	0	5	\$0	\$0	CGR	
Plan and Design of Public Buildings	EC DPW	11	0	11	\$0	\$0	CGR	
Operation and Maintenance of Public Buildings	EC DPW	73	0	73	\$15,000	\$179,000	KPMG-91	Transfer to EC, savings result from competitive contracting.



Department of Public Works		Positions			Taxpayer Benefit			
Division	New Location	Funded (current budget)	To New City	To Erie County	Minimum	Maximum	Source	Assumptions
Utilities - Electricity					\$1,500,000	\$1,500,000	ECCP-23	Electric utility savings through competitive pricing.
Utilities-Phone					\$110,000	\$220,000	CGR	Telephone savings of 10%-20% through competitive pricing.
Total		203	1	197	\$2,145,843	\$2,419,843		



Department of Human Services, Parks and Recreation

The vast majority of functions currently provided by the Department of Human Services, Parks and Recreation will be transferred to Erie County. In terms of Parks functions, CGR assumes that the current level of maintenance will continue. This assumption is for simplification purposes as Erie County has stated in their report and in the media that, if they were to take over Buffalo Parks functions, a higher level of maintenance through increased expenditures would be provided.

The Division of Human Services Administration engages in a myriad of activities. The activities related to block grant and other grant administration will need to remain in the City. The CGR model places five positions in the newly created Department of Human Services to continue these functions. Of the remaining nine positions, six will be transferred to the Erie County Department of Health and three will be eliminated as recommended by the Erie County report. This change results from Erie County's assumption of the functions of the City of Buffalo Advocacy Office for People with Handicapping Conditions. Erie County reports it could assume these functions, due to the current duplication of services, without incurring any additional costs. This recommendation, that does not include the provision of handicapped parking permit issuance, would result in savings of \$124,614.

The CGR model transfers 101 positions from the Parks, Recreation and Senior Citizens Divisions to the Erie County Department of Parks, Recreation and Forestry, transfers two positions to the newly created Department of Physical Services for auditing and monitoring purposes and eliminates the positions of Commissioner and Secretary to the Commissioner. These positions are eliminated because Erie County could absorb these functions with their current Commissioner and secretary positions. Savings in the amount of \$103,452 will result. While there do not appear to be any obvious initial savings from the transfer of Recreation and Senior Citizens functions, savings may result if Erie County were to pursue a policy of competitive

contracting. Competitive contracting for the maintenance of small parks and for golf courses is also possible. Quantifying any savings or growth in new businesses will require further study to determine.

The Erie County report strongly recommends the transfer of substance abuse and youth services to Erie County. The transfer of these services to Erie County will save a total of \$662,172 through Erie County's policy of competitive contracting, will eliminate duplication, and will further promote the regional provision of social services. The report outlines a multitude of reasons explaining why the City of Buffalo "should probably not now, and certainly cannot in the future, afford to continue to provide substance abuse services" (p. 77). The Erie County report also addressed the possible assumption of the Buffalo Municipal Housing Authority/Federal Department of Housing and Urban Development (BMHA/HUD) grant program which is 100% funded through HUD. The report did not recommend this transfer because Erie County does not provide comparable programming. The CGR model places these services with BMHA. In the case of youth services, the opportunity for a restructuring of service delivery should be taken advantage of as the services needed in today's society are drastically different than those needed when the two systems were developed.

The total benefit to the taxpayers that would result from the implementation of these proposals annually is at least \$890,238. The table that follows summarizes this information.



**Department of Human
Services, Parks and
Recreation**

Division	New Location	Funded (current budget)	Positions		Taxpayer Benefit		Source	Assumptions
			To New City	To Erie County	Minimum	Maximum		
Human Services Administration	EC Health/DHS	14	5	6	\$124,614	\$124,614	ECCP-66	County assumes advocacy services/ADA at no additional cost allowing 3 City positions to be cut. Keep six positions for Block Grant and other grant administration and neighborhood services transfer others to EC.
PARKS								
Parks Administration	EC Parks	6	0	4	\$103,452	\$103,452	CGR	Cut Commissioner and Secretary to the Commissioner positions.
Parks, Golf, Gardens	EC Parks/DPS	46	2	44	\$0	\$0	CGR	Two City positions to monitor administration.
Care and Replacement of Trees	EC Parks	6	0	6	\$0	\$0	CGR	



**Department of Human
Services, Parks and
Recreation**

Division	Positions			Taxpayer Benefit		Source	Assumptions	
	New Location	Funded (current budget)	To New City	To Erie County	Minimum			Maximum
Servicing Automotive Equipment	EC Parks	7	0	7	\$0	\$0	CGR	Need to move to support equipment transfer.
RECREATION								
Recreational Facilities and Activities	EC Parks	17	0	17	\$0	\$0	CGR	No obvious initial savings but EC pursues competitive contracting more aggressively.
Youth Programs	EC Parks	6	0	6	\$0	\$0	CGR	No obvious initial savings but EC pursues competitive contracting more aggressively.
SENIOR CITIZENS								
Recreation for the Elderly	EC Parks	17	0	17	\$0	\$0	CGR	No obvious initial savings but EC pursues competitive contracting more aggressively.



**Department of Human
Services, Parks and
Recreation**

Division	New Location	Funded (current budget)	Positions		Taxpayer Benefit		Source	Assumptions
			To New City	To Erie County	Minimum	Maximum		
DIVISION OF SUBSTANCE ABUSE								
Narcotic Control Program	EC MH	47	0	0	\$382,564	\$382,564	ECCP-79	Savings is net of City savings minus new EC cost. Savings from EC policy of competitive contracting.
BMHA	BMHA	9	0	0	\$0	\$0	CGR	Nine FTEs transferred to BMHA.
YOUTH								
Youth Commission Program	EC Youth	11	0	4	\$279,608	\$279,608	ECCP-90	Cut seven positions. Savings due to EC policy of competitive contracting.
		186	7	111	\$890,238	\$890,238		

Department of Street Sanitation

The Department of Street Sanitation is responsible for vermin and animal control, the cleaning of streets and snow removal, and building and fleet maintenance. The collection and transportation of refuse and recyclables is also a function of this department but has recently been placed in an enterprise fund. The contract for refuse disposal is administered by the Department of Public Works and is shown in the Refuse and Recycling Enterprise Fund budget as a purchase of services.

In the re-engineered City the administrative services currently provided by this department will not need to be maintained at their current level. The CGR model eliminates two of the current seven positions for a savings of \$71,000. The remaining five positions will be used to head the newly created Department of Physical Services.

The vermin and animal control functions can be transferred to the Erie County Department of Public Works. A policy of competitive contracting may be established as animal control functions are often provided for through an arrangement with the local humane society.

While snow removal is often viewed as an area in which great economies of scale can be achieved through consolidation, this does not seem to be the case in the short run for Buffalo and Erie County. While the functions can certainly be combined in order to promote more equity and to eliminate problems on border routes such as Kenmore Avenue, differences in street engineering require different types of plows for most City streets. Still, CGR believes that in the long run a consolidated operation will provide opportunities for flexible and innovative deployment of manpower and machines that will accrue greater cost savings.

KPMG reports that current City overtime procedures are unnecessarily costly and that a 5% to 30% reduction in overtime could be achieved through better practices. The various recommendations made by KPMG will be facilitated through the CGR model's re-engineering of service delivery. KPMG also recommends the elimination of two mechanic supervisor positions. Savings of about \$80,000 would result from the implementation of this measure.

Competitive contracting is often utilized in the provision of refuse and recyclables collection and disposal. CGR examined the recommendations of the Buffalo Financial Plan Commission and KPMG and the City's current system of service provision. CGR limited its analysis to the 78,111 residential units in the City and assumed that commercial establishments would not be affected by competitive contracting because they already have the option of contracting with another service provider. CGR found that a rate of \$130 per residential unit for collection and disposal could be obtained through an arrangement with a private contractor. This breaks down to roughly \$77 per residential unit for collection and transport and \$42 per ton for disposal. The City currently has a negotiated rate of about \$27 per ton for disposal. CGR believes that a charge of \$113 per residential unit for complete service is possible if the City were to retain their current contract price \$27 per ton for disposal. The savings from achieving these rates ranges from \$1,352,768 to \$2,680,655.

The total annual benefit to the taxpayers that would result from the implementation of these proposals ranges from \$1,523,268 to \$2,948,655. The table that follows summarizes this information.



Department of Street

Sanitation

Division	New Location	Funded (current budget)	Positions		Taxpayer Benefit		Source	Assumptions
			To New City	To Erie County	Minimum	Maximum		
Administrative Services	DPS	7	5	0	\$71,000	\$71,000	CGR	Smaller administrative unit for new Department of Physical Services.
Vermin and Animal Control	EC DPW/ DPS	17	0	17	\$0	\$0	CGR	Transfer to EC. Competitive contracting possible for small animal control.
Cleaning Streets and Snow Removal	EC DPW	105	0	105	\$19,500	\$117,000	KPMG-40	Reduction of overtime 5%-30% reduction of 3/97 appropriation.
Building and Fleet Maintenance	EC DPW	28	0	26	\$80,000	\$80,000	KPMG-49	Cut two supervisor positions.



Department of Street

Sanitation

Positions

Taxpayer Benefit

REFUSE ENTERPRISE FUND

Refuse and
Recycling

EC DPW

175

0

175

\$1,352,768

\$2,680,655

CGR

Transfer to EC. Competitive contracting for collection and disposal. Assume zero savings for commercial.

Total

332

5

323

\$1,523,268

\$2,948,655



Department of Community Development

The CGR model seeks to strike a balance between regional planning and neighborhood and other local services. The Department of Community Development performs many functions that CGR believes will need to remain in the City due to their local nature and/or their revenue generation.

The CGR model divides the current Executive subdivision into three positions in the City, two in Erie County, and eliminates two positions. The three City positions will be transferred to the Department of Physical Services while the two positions transferred to Erie County can be placed in the Department of Environment and Planning. With the creation of the Department of Physical Services, the Commissioner and Deputy Commissioner positions will no longer be needed. The elimination of these positions will result in a savings of \$141,805.

The Community Development Planning subdivision will also be divided between City and County functions. The CGR model retains three positions in neighborhood and preservation planning in the City and transfers the remaining three positions to Erie County. The City positions will be transferred to the Department of Physical Services while the Erie County Department of Environment and Planning could add the other three positions.

The Employment and Training subdivision is self-funded and is transferred by the CGR model to the newly created Department of Human Services. Another option would be to examine efficiencies that could result from a partnership with Erie Community College.

The Office of Neighborhoods subdivision is another area that should remain in the City because it is self-funded and provides *local* functions. The CGR model transfers this function to the Department of Physical Services in order to achieve greater *centralization* within the City. This distinction points out CGR's model as a means to provide both greater access to neighborhood based functions by City residents and the benefits of regional centralization at the same time, where that is appropriate.

As stated under the Fire Department heading, KPMG recommends engaging Fire Department staff to perform building code inspections. Applying the model used by Albany, NY, KPMG lists the following benefits:

- , Significant increase in staff available for code enforcement activities.
- , Greater code compliance and improved property conditions due to increased inspections.
- , Ability to perform inspections on nights and weekends...
- , Increased inspection, permit, license, and owner registration revenue due to greater enforcement capacity.
- , Potential cost savings from a reduction in code enforcement staff made possible by more effective use of existing Fire Department staff...
- , ...[E]ven without such a staff reduction, the City could derive significant benefits in terms of building stock preservation and increased revenue due to greater permit/license enforcement by utilizing Fire Department staff to supplement existing building code enforcement capabilities (pp. 81-82).

The total annual fiscal impact ranges from \$525,000 to \$850,000.

Under CGR's model, these benefits would be enhanced by the transfer of the majority of the code enforcement responsibilities to the Erie County Health Department. This transfer will help eliminate duplication and place the function with a body that has broader powers.



The Licenses and Permits subdivision generates a great deal of revenue and is focused on issues that are local in nature. As such, the CGR model leaves the functions of this subdivision in the City. In order to achieve greater centralization within the City this subdivision is transferred to the Department of Code Enforcement.

The CGR model transfers the functions of the Division of Development to the Erie County Department of Environment and Planning in order to move toward a regional approach to economic development.



Department of Community Development	Positions			Taxpayer Benefit		Source	Assumptions
	Division	New Location	Funded (current budget)	To New City	To Erie County		
COMMUNITY DEVELOPMENT							
Executive	EC E&P/ DPS	7	3	2	\$141,805	\$141,805	CGR Cut Commissioner and Deputy Commissioner positions.
PLANNING							
Community Development Planning	EC E&P/ DPS	6	3	3	\$0	\$0	CGR Keeps neighborhood and preservation planning in the City.
NEIGHBORHOODS							
Employment and Training	DHS	8	8	0	\$0	\$0	CGR Function is self-funded. Consider transfer to ECC due to possible efficiency links.
Office of Neighborhoods	DPS	13	13	0	\$0	\$0	CGR Nothing comparable in EC. Potential for competitive contracting in building rehab.
HOUSING and INSPECTIONS							
Housing and Enforcement	EC Health/ CE	81	7	65	\$525,000	\$850,000	KPMG-83 Cut six to nine positions. Utilize Fire Department for some building inspections.



Department of Community Development		Positions			Taxpayer Benefit		Source	Assumptions
Division	New Location	Funded (current budget)	To New City	To Erie County	Minimum	Maximum		
							CGR	Keep seven positions to provide local neighborhood support services. Eliminate duplication in health and safety areas through transfer of others to EC Health which has broader powers.
Licenses and Permits	CE	16	16	0	\$0	\$0	CGR	Function is self-funded. No compelling reason to transfer out.
DEVELOPMENT								
Development	EC E&P	4	0	4	\$0	\$0	CGR	Logical to fold into EC economic development.
		135	50	74	\$666,805	\$991,805		