

**FINANCIAL CONDITION ANALYSIS
KIRKLAND, NEW YORK
CLINTON, NEW YORK
CLINTON CENTRAL SCHOOLS**

Jessica Tevebaugh
Kevin Jensen
Emily Coronado
Hannah Good
Stephen Hallock
Zanda Ozola
Nathan Thiel

Table of Contents

EXECUTIVE SUMMARY 3

INTRODUCTION TO FINANCIAL ANALYSIS:..... 4

Data:..... 5

Methods:..... 5

TOWN OF KIRKLAND: 9

Revenues:..... 9

Expenditures:..... 13

General Fund Balance: 14

Long-Term Direct Debt:..... 15

Summary:..... 16

SPECIAL DISTRICTS IN THE TOWN OF KIRKLAND:..... 18

Revenues:..... 18

Fire Districts:..... 20

Sewer Districts: 23

Summary:..... 24

VILLAGE OF CLINTON: 25

Revenues:..... 25

Expenditures:..... 27

Long-Term Debt:..... 28

General Fund Balance: 29

Summary:..... 31

CLINTON CENTRAL SCHOOL DISTRICT: 32

Expenditures:..... 32

General Fund Balance: 34

Long Term Debt:..... 35

Revenues:..... 36

Summary:..... 40

INTRODUCTION TO NON-FINANCIAL SECTION: 42

Data:..... 42

Methods:..... 42

Compilation: 43

SIZE & SCOPE OF LOCAL GOVERNMENT: 44

Community-Based Policies for Attracting & Retaining Development: 44

Community Growth & Preservation Funds:..... 45

Design & Development Policy:..... 46

Comprehensive Planning: Types and Scopes of Plans and Strategies:..... 47

Focus & Scope: What are other towns doing?..... 47

Management Capacity: 49

Conventional Solutions:..... 50

Contracts & Volunteers:..... 50

Collaboration:..... 51

Conclusion: 52

TOWN/GOWN RELATIONS:..... 53

Financial Compensation: 53

Institutionalizing Town/Gown Relations: 59

COMMUNITY BRANDING & LARGE-SCALE FORMAL COLLABORATION: 61

Large-Scale Formal Collaboration:..... 61

Community Branding: 63

Conclusion: 64

Qualitative Analysis Conclusion:..... 65

CONCLUSIONS AND RECOMMENDATIONS:..... 65

REFERENCES:..... 67

APPENDIX 70

Executive Summary

The Town of Kirkland, the Village of Clinton, the Clinton Central School District, and Hamilton College are separate but interdependent entities. Though they differ in the size, scope, and type of services that each delivers, the financial situation, management capacity, and development prospects of these jurisdictions are quite intertwined. Therefore, in cooperation with the Kirkland Ventures group, a team from the Maxwell School at Syracuse University in the Public Administration program has carried out a financial condition analysis accompanied with a qualitative overview of comparable college towns.

Research into these entities' financial conditions reveals that there are no reasons for immediate concern. The Town of Kirkland and Village of Clinton are experiencing sound and steady revenue flow. Both jurisdictions have successfully paid off most of their long-term debt. The only concern that might negatively affect the future financial health of the area is the changing demographic patterns and stagnancy of population growth.

Partly due to changing population demography, as well as depreciation and insufficient capacity of the existing infrastructure, the process of delivering public services has lost the advantages of economies of scale.

Within the non-financial section of this report, our group has found that Hamilton College and the Town of Kirkland do share a strong relationship. However, from examples observed in comparable town/gown relations throughout the northeast, our group has concluded that there is room for some improvement in further strengthening this relationship. For a small, rural college town, possessing strong ties with all community members is essential and necessary.

Additionally, the research performed by our group shows that Kirkland is experiencing a management capacity issue. This issue has strained the town's ability to pursue external funding from governmental bodies at the state and federal level. Expansion of capacity can be achieved in a variety of manners, as shown by our research. Through the creation of non-profits with the inclusion of all community members or using the Town's own resources to take on necessary responsibilities, there exists a variety of options that can be undertaken by Kirkland in order to secure its future.

Ultimately, it is very important that the Town, Village, Public School District, Hamilton College, and all citizens groups continue to study town-wide concerns and gather evidence to accompany their findings. This report will serve as a good starting point for future planning of the community's future. However, it must be stressed that this report will only serve as a guideline, not a cure-all. The future success of the Kirkland community depends on increased involvement and communication at all levels of this vibrant and diverse community.

Introduction to Financial Analysis:

Nestled in the hills and valleys of Oneida County, NY, the Town of Kirkland and the Village of Clinton are beautiful places to live. The Town and Village have a lot to offer through its diverse and vibrant community. One of the unique characteristics of the area is the high esteem in which education has been held throughout the history of the community. This can be seen through local institutions such as Hamilton College, a top tier liberal arts college, and the Clinton Central School District, which is one of the best in the state. Many believe that these institutions offer Kirkland a competitive advantage over surrounding towns. Concerns remain about the Town and Village's ability to remain economically competitive; this report will provide innovative policy ideas that can be further researched and possibly implemented.

Kirkland Ventures, an ad hoc citizens group, asked for assistance from the Maxwell School at Syracuse University in creating a plan of action. The Maxwell School is a graduate public administration program and committed to doing a financial analysis of the Town of Kirkland, the Village of Clinton, and the Clinton Central School District. The various analyses will be used to identify areas where policy recommendations can be made. Kirkland Ventures asked that the Maxwell team look specifically at town management issues, town/gown relationships, and economic development.

This report is separated into two distinct sections; a financial and a non-financial. In order to make speculations about where the Town and Village are headed, a financial analysis of their current condition is needed. In addition to these financial analyses, future projections about expenditures, revenues and other categories were also made. The non-financial section of this report will utilize some of these findings in order to provide possible policy options. In order to determine the health of the Town, Village, and School District, a comparison to similar college towns in the northeastern United States was undertaken. In addition, the relationship between the town or village and the college were studied in these comparable governmental entities. By bringing these issues together, this reports explores the multiple ways similar governments are managed.

This report is not to be considered the sole authority surrounding the issues that were studied. It should be used as a starting point that begins further discussion in the community.

The financial section of the report examines the financial conditions of the Town of Kirkland, Village of Clinton and the Clinton Central School District.

Understanding and identifying financial concerns related to a municipality is vital to maintaining or improving that particular government's health. In order to complete a comprehensive financial condition analysis of Kirkland, New York, Clinton, New York and the Clinton Central Schools, a Financial Trend

Monitoring System (FTMS) was employed to organize financial data in order to observe trends and ultimately evaluate financial condition. Workbooks entitled “Indikit” which utilized FTMS were adapted to suit the needs of the governments being studied. The “Indikit” program was developed by the International City/County Management Association (ICMA) and highlighted in *Evaluating Financial Condition: a Handbook for Local Government*. This handbook illustrates internal and external financial condition indicators, such as: revenues, expenditures, operating position, debt structure and fund balances. The indicators are observed and analyzed from the information compiled on the various workbooks of the “Indikit” spreadsheet.

Data:

The data which were utilized in order to complete the spreadsheet and analyze trends were drawn from the different governments’ financial documents, Census data, data from the Bureau of Economic Analysis, and property assessment data from Oneida County. The financial documents include: budgetary documents and annual financial reports. The annual financial reports served to be the most useful; however, budgetary documents, if used, contained more details about certain expenditures: supplies and utilities. The particular documents from the annual financial report that served the most use were: the Balance Sheets indicating fund balances and changes in fund balance, Results of Operation detailing revenues, Results of Operations detailing expenditures, Results of Operation for each particular fund, and the Statements of Indebtedness. Population and income figures were gathered from the 2000 Census as well as the Bureau of Labor Statistics.

Methods:

The “Indikit” spreadsheet which employed the FTMS system was the primary method for producing trends. The “Indikit” program encompassed a series of specific workbooks containing different financial indicators: General Accounting Data, Revenues, Expenditures, Economic and Demographic Data, and Other Local Data. These workbooks and their particular indicators are represented as follows:

General Accounting Data allowed us to examine the following items: net direct bonded debt, self supporting debt, total indebtedness, and fund balance information. Direct debt is defined as “bonded debt for which the local government has pledged its full faith and credit. It does not include the debt of overlapping jurisdictions, such as separate school or sewer districts, even if the local government has pledged its full faith and credit for such debts.”¹ Self supporting debt, however, “is bonded debt that the local government has pledged to repay from a source separate from its general tax revenues. Examples would include a water bond that is repaid from the income of the water utility, and special charges levied on specific properties within a special assessment district.”² The total indebtedness is simply a sum of net direct

¹ ICMA, *Evaluating Financial Condition: a Handbook for Local Government*, 79.

² Ibid.

debt and self supporting debt. Fund balances can be considered a government's reserves—the difference between the assets and liabilities of a municipality. However, the Town of Kirkland and Village of Clinton do not properly account for their assets; their fund balances are comprised of the entities' cash assets plus interfund transfers. As ICMA explains, “the size of a local government's fund balances can affect its ability to withstand financial emergencies.”³ The general fund operating surplus or deficit demonstrates the difference in the fund balance from year to year: whether the municipality is taking away from, or adding to, its equity, or fund balance.

Revenues demonstrate the government's ability to offer services.⁴ It allows one to identify problems, such as:

- “Deterioration of the revenue base;
- Practices or policies that may adversely affect revenue yields;
- Poor revenue-estimating practices;
- Inefficiency in the collection and administration of revenues;
- Overdependence on obsolete or intergovernmental revenue sources;
- User fees that are not covering the cost of services; and
- Changes in the tax burden on various segments of the population.”⁵

The revenues are broken down into local operating revenues and non-local operating revenues, which combine to form gross operating revenues. Both types of operating revenues used are simply those for the General Fund. An in-depth analysis of other public service delivery funds (water, sewer, lighting, drainage, capital projects, etc) was not undertaken. One of the reasons for this is that governmental funds are accounted for using Modified Accrual accounting.

Local operating revenues are defined as:

- Property, sales and income tax revenues, which are classified as: real property taxes and non-property taxes distributed by county;
- Revenues from fees and user charges intended to support service costs, which are classified as: departmental income;
- Other fees and user charges, which are classified as: licenses and permits;
- Other Revenues that account for 5% or more of total revenues; and
- Aggregate sources that are less than 5% of total revenues, which include: penalties and interest on real property taxes, fines and forfeitures, sale of property, interest and earnings, and miscellaneous revenues.

Local operating revenues are separated into these categories so that one may examine the revenue sources and sustainability when analyzing financial condition.

The non-local operating revenues are monies that are labeled intergovernmental revenues and state aid. It is important to keep these sources separate from local revenues because the local government may play

³ Ibid., 68.

⁴ Ibid., 15.

⁵ Ibid.

a minimal role in the receipt of such revenues; these revenues may not necessarily be available in the future. The gross revenues include local and non-local operating revenues.

Expenditures are broken down similarly to the revenues. This indicator is particularly significant when attempting to analyze the government's ability to provide its residents services. This indicator is not able to explain how effectively or efficiently the services are delivered. Analyzing this indicator will allow one to recognize:

- “Excessive growth of overall expenditures as compared to revenue growth in community wealth (personal and business income);
- An undesirable increase in fixed costs;
- Ineffective budgetary controls;
- A decline in personnel productivity; and
- Excessive growth in programs that create future expenditure liabilities.”⁶

Expenditures are divided between net operating expenditures, net direct debt service, total net operating expenditures, and expenditures by function. All expenditures listed are simply those of the General Fund and do not include the expenditures of the separate public service delivery funds. The net operating expenditures are: salaries and wages, fringe benefits, contracted services, and capital outlay. These categories were also dependent on the data received from the various entities. If there was no information for these categories, the expenditures were not broken down as such. Net direct debt service includes principal and interest payments made during each year. The expenditures by function are designed to portray how the expenditures are allocated among various purposes.

Economic and Demographic Data contains population figures, personal income figures, assessed valuation and the number of pupils in Clinton Central School. The population data was obtained from the census which estimated the population for the governments based on the 2000 Census data. The only year with accurate population data for all governments is Fiscal Year 2000/2001. All other population figures are estimates provided by the Census Bureau. This economic and demographic information can be used with other data in order to create ratios. These ratios can demonstrate changes in revenues related to population changes, and to show that declines in population may not relieve certain service expenditures. Similarly, assessed valuations allow the governments to identify whether or not their property tax revenues will be increasing or decreasing.

Other Local Data makes use of important tax data. The monetary values of total assessed valuation and tax exempt properties were acquired from the Oneida County office, but these values are not adjusted to shifts in the equalization rate. This information is extremely significant as a large percentage of local revenues are drawn from property taxes; it is essential to analyze the changes in the total tax levy across years.

Consumer Price Index (CPI) represents changes in prices of all goods and services purchased for consumption by urban households. The CPI is an economic indicator most widely used to measure inflation. Therefore, when an

⁶ Ibid., 44.

analysis of time series financial data is carried out, CPI is used as a deflator. The CPI is used to adjust the economic series for price change and to translate these series into inflation-free dollars.⁷ The CPI values were based on the following financial data: FY 1995/1996 - 2005/2006 for the Village of Clinton and Town of Kirkland; and FY 1996/1997 - 2005/2006 for the CCS. These deflators are further used in outputs of financial trends in order to acquire projections that are based on *constant dollar* values.

CPI adjustments are only used for analysis of growth or decline of some financial category over time. Analysis that is based on ratios of some indicators, such as: a measure of administrative expenditures as a percentage of total or long-term debt per assessed valuation, does not require accounting for inflation.

⁷ Bureau of Labor Statistics homepage: <http://www.bls.gov/cpi/cpiovrw.htm#item1>, last modified 10/16/2001

Town of Kirkland:

The Town of Kirkland is experiencing relatively sound financial health. There are certain indicators, however, that demonstrate that Kirkland must readjust its practices in order to continue to experience respectable financial condition.

Such things to be aware of include:

- Increasing outside source revenue;
- Increasing total operating expenditures;
- Rapidly increasing operating surplus; and
- Rapidly increasing unreserved fund balance.

Revenues:

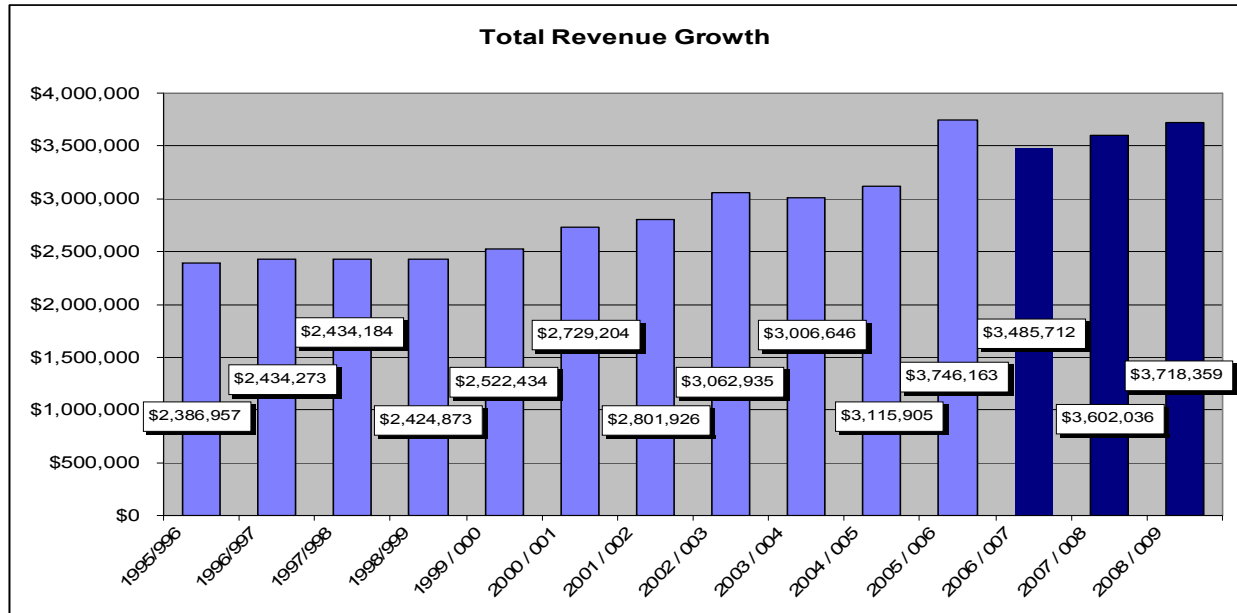
To begin the analysis, it was important to notice the trend in Kirkland's total revenues per capita. Graph 1 illustrates both the trend of this data and projections until Fiscal Year 2008/2009.⁸ As population increases, one would assume that revenues would increase; likewise, as population decreases and the need for services also decrease, thus revenues should fall. It is important to note that the population numbers used in this particular graph are not entirely accurate. The population used in Fiscal Year 2000/2001 reflects the data generated from the 2000 Census. The remaining population figures were also collected from the Census, but these numbers are also estimates.

The general trend for this indicator is increasing. Inflation was factored out of this increase because the revenues are adjusted to CPI. This increase may signify that Kirkland is able to maintain existing service levels; as population increases, revenues should also increase to reflect the additional need for services. The projected revenues also demonstrate this increasing trend. Kirkland should not be concerned about its increasing revenues per capita.

It is also quite significant to observe the total revenue growth throughout the eleven year period as well as to present projections through Fiscal Year 2008/2009. The following graph, Graph 2, illustrates this data:

⁸ Please see Appendix A, Graph 1: "Total Revenues per capita"

Graph 2, "Total Revenue Growth"



These numbers are not adjusted to CPI and therefore present the revenues in real dollar terms. This is helpful as it illustrates the amounts that Kirkland may expect to receive in the future, all else equal. The increase in total revenues may be attributed to the growth in such sources as property taxes, sales tax and outside source revenue.

Property taxes⁹ are a major funding source for Kirkland; they represented 30.24% of total revenues in the Fiscal Year 2005/2006.¹⁰ Property taxes have grown slightly, as a percentage of total revenues, which may demonstrate numerous things, for example: the demand for services has slightly increased, the reliance on other revenue sources has somewhat decreased, or the assessed value of properties has fluctuated, to name a few.

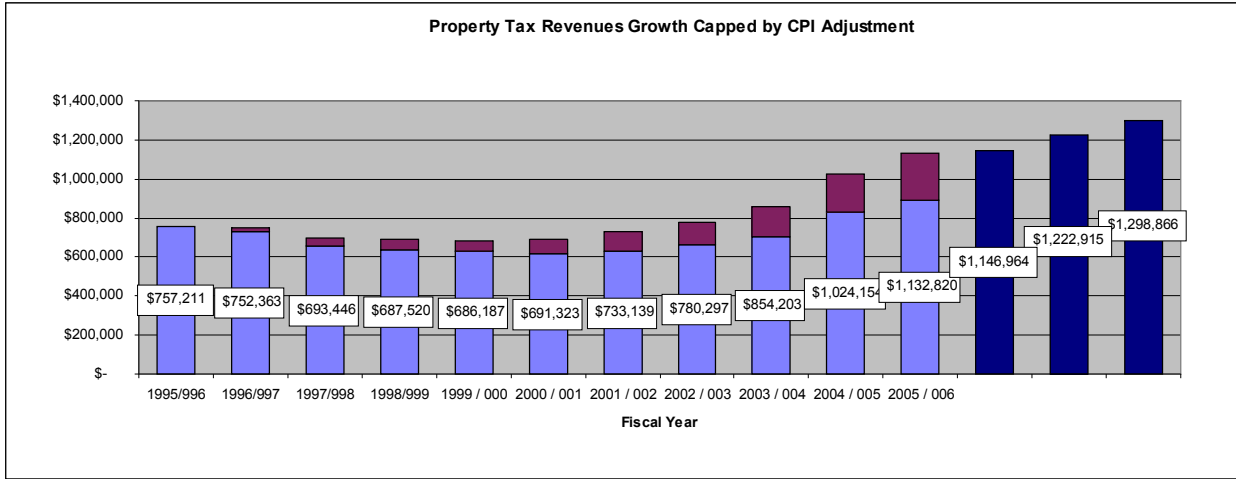
The overall trend, however, has remained steady with fluctuations throughout the eleven year period. The projections reflect this more-or-less constant trend, with percentages slowly increasing, but remaining near 30%. This indicator should not produce any apprehension; Kirkland's property tax revenue as a percentage of total operating revenues has remained somewhat constant, indicating that Kirkland may depend on property taxes to remain roughly 30% of total revenues.

⁹ The property tax values utilized in this analysis are those levied just for the general fund; these values do not include Highway Town-Wide property taxes.

¹⁰ Please see Appendix A, Graph 3: "Property Tax as a Percentage of Total Revenue." Additionally, the projected percentages are based on Fiscal Years 1999/2000-2005/2006 data because of the change in trend previous to FY 1999/2000.

The following graph, Graph 4, illustrates property tax growth over the eleven year period in both real and constant dollars, as well as three year projections¹¹ in real dollars:

Graph 4, “Property Tax Revenue Growth Capped by CPI Adjustment”



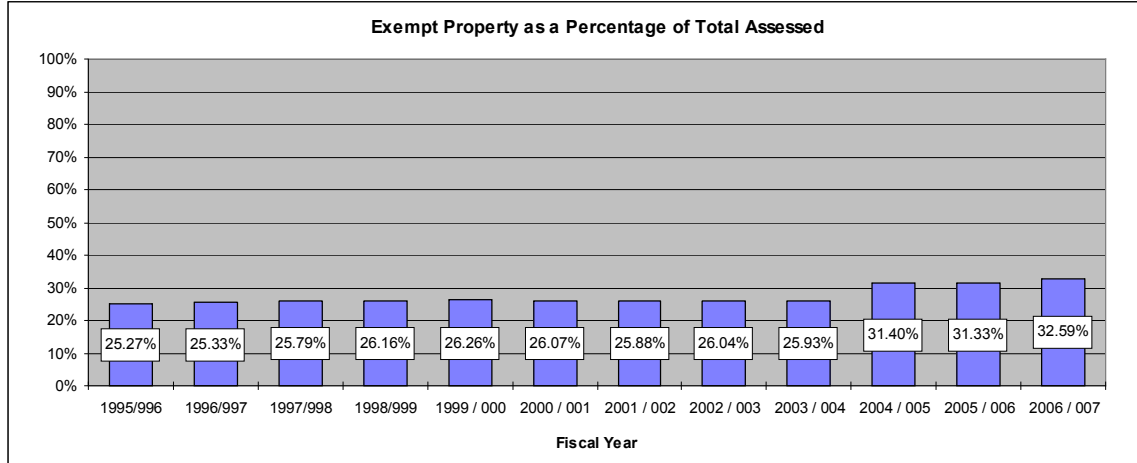
In this particular graph, each bar represents revenues in real dollars, while the darker, top portion of each bar illustrates the amount by which each bar would have to be deflated in order to account for inflation. In real dollar terms, property tax revenue is projected to increase from \$757,211 in Fiscal Year 1995/1996 to \$1,298,866 in Fiscal Year 2008/2009, making property taxes 32.93% of total operating revenues.

Property tax, adjusted to inflation, demonstrates that throughout the eleven year period, property taxes have grown approximately 18% from \$757,211 to \$892,831. It is important that this source is not decreasing because it is a major supply of Kirkland’s total revenues. If it were decreasing it may signify a major problem with the economic condition of the area or, for example, an inefficient assessment system.

Another important aspect to understand when examining property tax revenues is the portion of Kirkland that is exempt from paying such taxes. The following graph details the percentage of properties exempt from paying property taxes of the assessed value of all properties.

¹¹ These projections were based on Fiscal Years 1999/2000-2005/2006 because of the change in trend previous to FY 1999/2000.

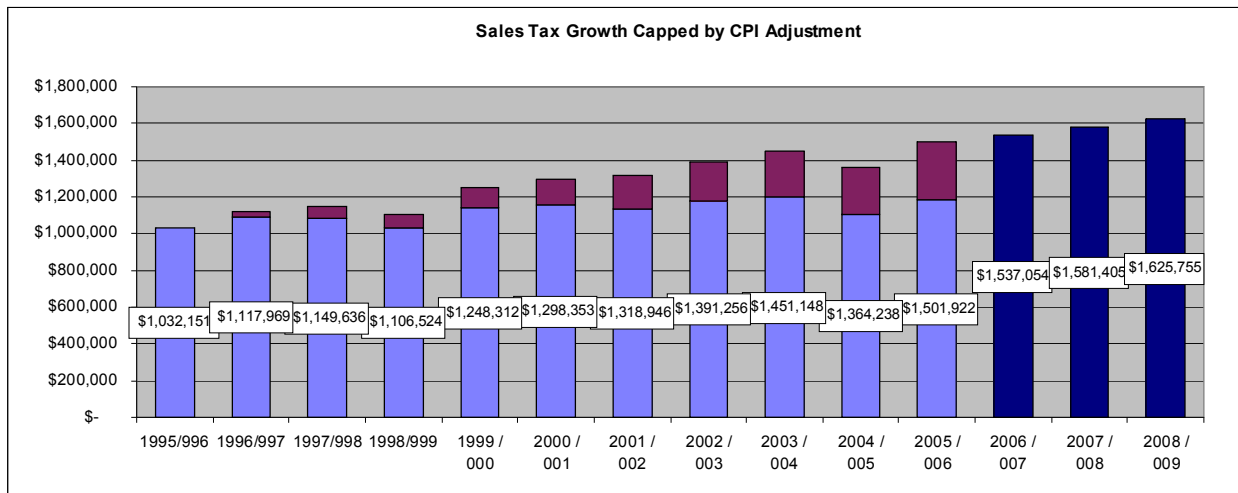
Graph 5, “Exempt Property as a Percentage of Total Assessed”



The increase in exempt properties could strain the tax-paying property owners, and for that reason it is helpful to understand what percent of properties do not have taxes paid on them, but are utilizing town services. However, the values of these properties are not vital to obtain because taxes are not being levied on them. Incidentally, the values may not be accurate. Likewise, Kirkland may not be seeing growth in the amount of exempt properties; there is only one structural shift in the trend for this indicator across the years: from FY 2003/2004 to 2004/2005.

Similar to property tax revenue, sales tax revenue is a major source of funding for the Town of Kirkland. This revenue source has been adjusted to CPI in Graph 6 so that the trend is not unnecessarily inflated.

Graph 6, “Sales Tax Growth Capped by CPI Adjustment”



This graph is designed similarly to the previous graph entitled: “Property Tax Growth Capped by CPI Adjustment.” Graph 6 demonstrates that sales tax revenues have increased by approximately 13% over the eleven year time period, and that Kirkland should expect sales tax revenues of \$1,625,755 by Fiscal Year 2008/2009. Like property tax, sales tax should not be decreasing

as it would indicate poor economic condition within the municipality. Since sales tax is increasing it demonstrates that Kirkland has experienced increased economic activity.

As Graph 7¹² demonstrates, sales tax amounts to about 40% of total operating revenues. The percentages have fluctuated throughout the eleven year period, and have seen a decrease in Fiscal Year 2005/2006. This might produce cause for alarm if sales taxes in constant dollars were decreasing. However, from Graph 6, one may notice that sales tax has been increasing throughout this period. Property tax as a percentage of total revenue has been decreasing which illustrates that other revenue sources are increasing. As long as these other sources are sustainable sources, it should not be cause for alarm; however, if Kirkland is now relying more on non-local revenue sources, such as intergovernmental charges or state aid, it is cause for concern.

Such sources are not necessarily sustainable, as they are not sources that the Town can control. Legislation, or other budgetary setbacks, may cause New York to reduce the amount of aid it affords Kirkland. Of the revenue sources that Kirkland must continue to monitor are its non-local revenue sources: intergovernmental charges and state aid. Such revenues may not necessarily be consistent across years because changes in legislation or other matters may cause these sources to either grant more funds or reduce the amount they are funding. On one hand, increasing the contribution from non-local revenue sources means that Kirkland is reducing local property tax burden on its residents. In contrast, it is important that Kirkland does not depend too heavily on such sources that could be reduced. Although outside source revenues may vary from year to year, in Kirkland's case it seems like the fluctuation across years is not extremely significant. Along with the reductions in property taxes and sales taxes as a percentage of total revenues, however, it seems that Kirkland may be relying more on state aid.¹³ This reliance should be monitored.

Expenditures:

Similar to the total revenues per capita indicator, total expenditures per capita illustrates whether or not the cost of providing services is exceeding the residents' ability to pay. If expenditures are increasing and services are not, then increased expenditures may indicate a decrease in efficiency. Unfortunately, no reliable indicator is available to measure service level and quality. The population numbers are not entirely accurate, as mentioned previously; the 2000/2001 figure is the only number which is not estimated.

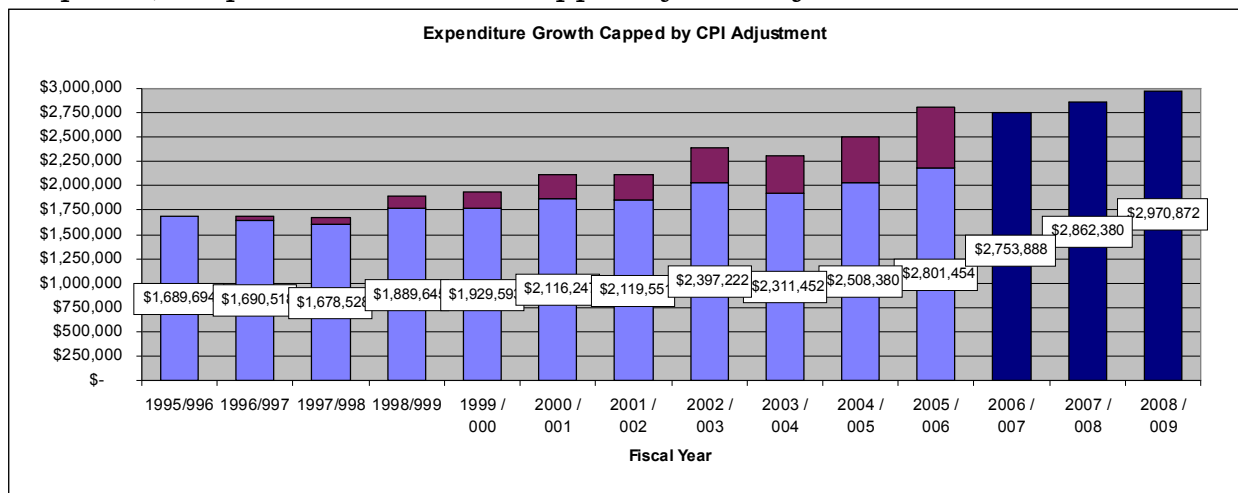
¹² Please see Appendix A, Graph 7: "Sales Tax as a Percentage of Total Revenue"

¹³ Please see Appendix A, Graph 8: "Outside Source Revenue as a Percentage of Total Revenue" and Graph 9: "Revenue Sources as a Percentage of Total Revenue"

Graph 10 demonstrates that across the years studied, there has been a \$40 increase in expenditures per capita, which when compared to revenues, illustrates that expenditures are not growing too quickly.¹⁴

The following graph, Graph 11 illustrates total expenditure growth throughout the eleven year period as well as projections until Fiscal Year 2008/2009, in real dollar terms, as well as constant dollars adjusted to CPI.

Graph 11, “Expenditure Growth Capped by CPI Adjustment”



Expenditures are projected to increase, in real dollars, to \$2,970,871 in Fiscal Year 2008/2009, an almost \$2,000,000 increase in three years. However once adjusted to CPI, the percentage increase of expenditures may not be a cause for concern.

Expenditures can be used as an indicator for community’s service level; an increase in expenditures in constant dollars should reflect growing service levels. Over the eleven year period, expenditures have grown by approximately 29%. Although this seems shocking, total revenues in constant dollars have not grown by as large a percentage, and continue to be larger than expenditures. Expenditures are not growing faster than revenues, which is important, but as expenditures are increasing, so should the service level be increasing. If the level of service Kirkland is providing is not increasing, it may indicate that Kirkland is not working at the efficiency level that their expenditures reflect. Additionally, expenditures should be monitored so they do not continue to grow at this rate, or they may soon grow faster than revenues, in essence, creating an operating deficit.

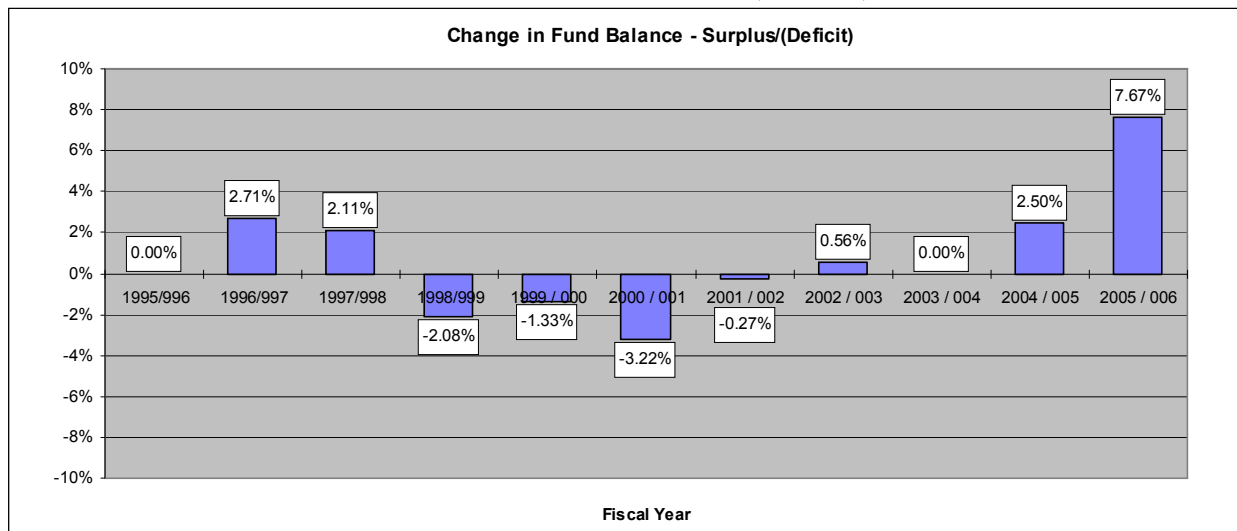
General Fund Balance:

The difference between expenditures and revenues each year - the operating surplus or deficit as a percent of total revenues - is portrayed in the following graph, Graph 12. It is important to note that a deficit does not signify a budget

¹⁴ Please see Appendix A, Graph 10: “Expenditures per capita”

deficit because the government may take money from the fund balance to cover operating deficits.

Graph 12, “Change in Fund Balance – Surplus/(Deficit)”



The surpluses and deficits for Kirkland have remained within 3% of total revenues, with the exception of 2005/2006, which saw a surplus of 7.67% of total revenues. This large increase could be a cause for concern as it demonstrates that revenues are exceeding expenditures by 7.67%. As long as this trend does not continue, Kirkland should not be extremely concerned with this surplus. Such a large surplus could indicate that service levels do not coincide with revenues. This surplus could have been generated in anticipation of future expenditures, but such a surplus should not become the new trend.

Unreserved fund balances are illustrated in Graph 13 and they demonstrate the amount of reserves available for appropriation. The unreserved fund balances as a percentage of total revenues for the Town of Kirkland remained around 10% for the first three years studied. Then the amount of reservations declined to 0% for 1999/2000 and has steadily been increasing since that year to almost 17% in 2005/2006.¹⁵ It is a positive trend that the unreserved fund balances have been increasing. However, similar to the operating deficit or surplus, a fund balance that is too large may be cause for concern. Fund balances should not be declining, or Kirkland will be unable to withstand financial emergencies or it will find difficulty in purchasing expensive items without having to borrow. This trend should not continue to increase as it has from FY 2004/2005 until FY 2005/2006.

Long-Term Direct Debt:

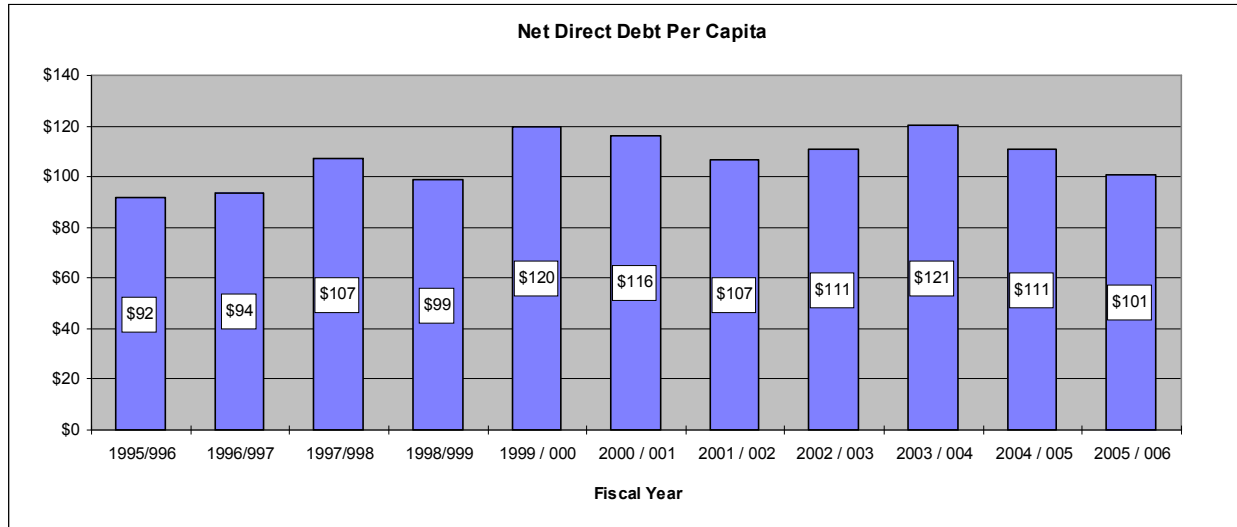
Direct debt is bonded debt that the town will repay from tax revenues; this is not exempt from the constitutional debt limit. Graph 14 illustrates the direct debt as a percentage of assessed value. This percentage has remained around

¹⁵ Please see Appendix A, Graph 13: “Unreserved Funds as a Percentage of Total Revenue”

.3% with some fluctuation.¹⁶ This graph demonstrates a constant, but slightly decreasing trend. This is an encouraging trend because it signifies that Kirkland's ability to repay this debt is slightly increasing.

Net direct debt is divided by population, and shown in Graph 15, in order to demonstrate the amount of debt issued per person in the town of Kirkland.

Graph 15, "Net Direct Debt per Capita"



It is important to remember that the population figures are estimates, excluding Fiscal Year 2000/2001. The trend has been increasing, then decreasing, then increasing, and finally decreasing again. This fluctuating graph may demonstrate the changes in population as well as increased indebtedness. The population and debt figures tend to increase and decrease together: as population increases, indebtedness increases, with the exception of Fiscal Year 2005/2006. This may indicate an initiative to decrease the amount of debt by paying off debt faster than new debt is issued. It is important, however, to ensure that Kirkland is not under-investing, which could be a deterrent to new development if the infrastructure is not up to par. Overall, however, it does not seem to be a cause for concern for the Town of Kirkland.

Summary:

Kirkland's general fund is experiencing sound financial health although there are a few items that must be monitored before causing problems for the financial status of this entity. Property taxes and sales taxes will remain major sources of revenue for Kirkland. As the property tax percentage of total operating revenues decreases, or remains constant, Kirkland must monitor other revenue sources, namely outside revenue sources. Such revenue streams may be unpredictable and are outside of the Town's control. Growing state aid revenues should be continually monitored so Kirkland does not begin to overly rely on that revenue source.

¹⁶ Please see Appendix A, Graph 14: "Debt as a Percentage of Assessed Valuation"

Kirkland is realizing growing operating expenditures. Although these expenditures have grown faster than total operating revenues, they are still below total revenues. However, since expenditures are steadily increasing, Kirkland must make certain that they do not surpass revenues. Similarly, growing expenditures should be growing alongside increased or improved services. If Kirkland has not been improving its services, it may suffer from structural inefficiencies, which would need to be reformed in order to ensure a productive government.

The growing operating surplus is much better for Kirkland's health than two consecutive years of operating deficits; if Kirkland continues to realize such surpluses, service levels may not coincide with taxing procedures, illustrating inefficiencies. This surplus may be in anticipation of a major capital outlay in the next year; however, that information was unknown to this particular team. From interviews and meetings with the Town representatives it is expected that the Town is anticipating major investment in the expansion of the sewer plant. Kirkland's unreserved fund balances serve as reserves, and as long as they are not diminishing, the town will experience a healthy trend. The growth in the fund balance in Fiscal Year 2005/2006 demonstrates that perhaps the town may be anticipating infrastructural improvement, and like the operating surplus, a fund balance that continues to increase may indicate that the town is not efficiently utilizing resources.

Lastly, Kirkland's decreasing long-term direct debt signifies that Kirkland is working to pay off such indebtedness. The current Town Supervisor is also politically committed to pay off the Town's debt. This is a positive trend; however, Kirkland must make certain that it is not under investing in vital infrastructure. Such under investment may discourage future economic growth.

Special Districts in the Town of Kirkland:

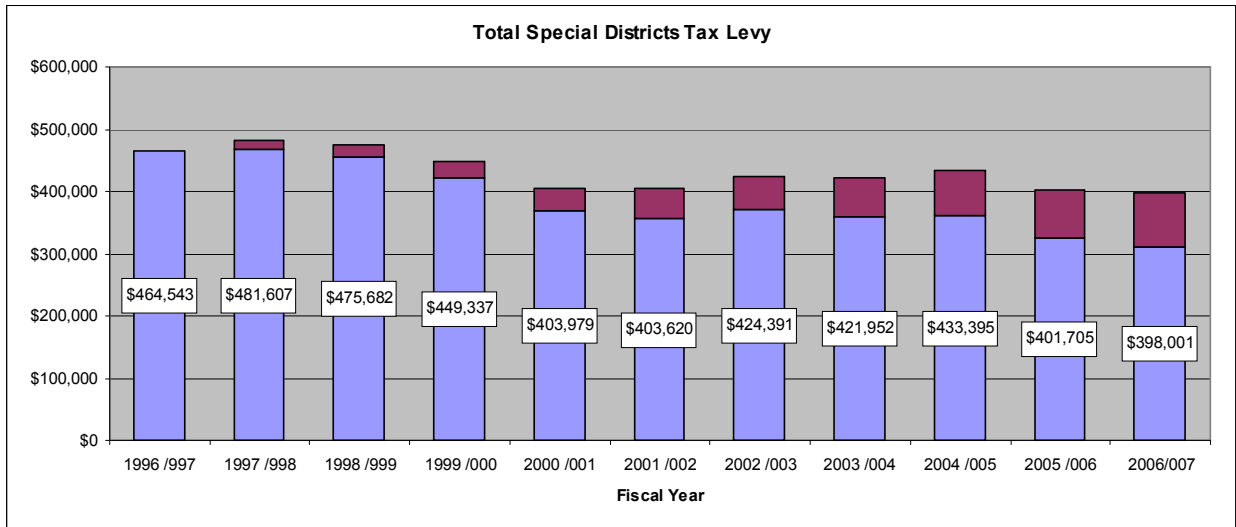
Kirkland’s special districts are important to analyze because district revenues are restricted or reserved for specific services and are often applied directly to asset management. Though special district revenues are minimal compared to the general fund, these revenues offer a more detailed look into budget efficiencies and inefficiencies because they are restricted to specific services. As a result, this section offers significant insights into the budgeting practices of area municipalities.

Currently Kirkland has 18 special districts that can easily be divided into four main categories: Fire, Sewer, Water and Lighting. Between 1996 and 2006 the town’s special districts decreased from 24 to 18. Generally this downward trend would indicate the consolidation of districts, which often results in a reduction of costs due to economies of scale while maintaining the same revenue base. The other possible scenario to this trend would be to dissolve the district entirely and pay for infrastructure management within the general fund. In which case, revenues would be decreasing.

Revenues:

From 1996 to 2006, special district revenues generated through property taxes decreased by almost \$70,000. They fell from \$464,543 to \$396,001, representing a 15% decline. If the prior year, 1995, was included, the subsequent decrease would have been even more dramatic, decreasing by \$120,000, from \$517,993 to \$396,001. When this trend is adjusted to inflation, the 2006 special district tax revenues equal \$309,891, a more than \$150,000 (32%) decrease. The following Graph presents this data:

Graph 1, “Total Special Districts Tax Levy”

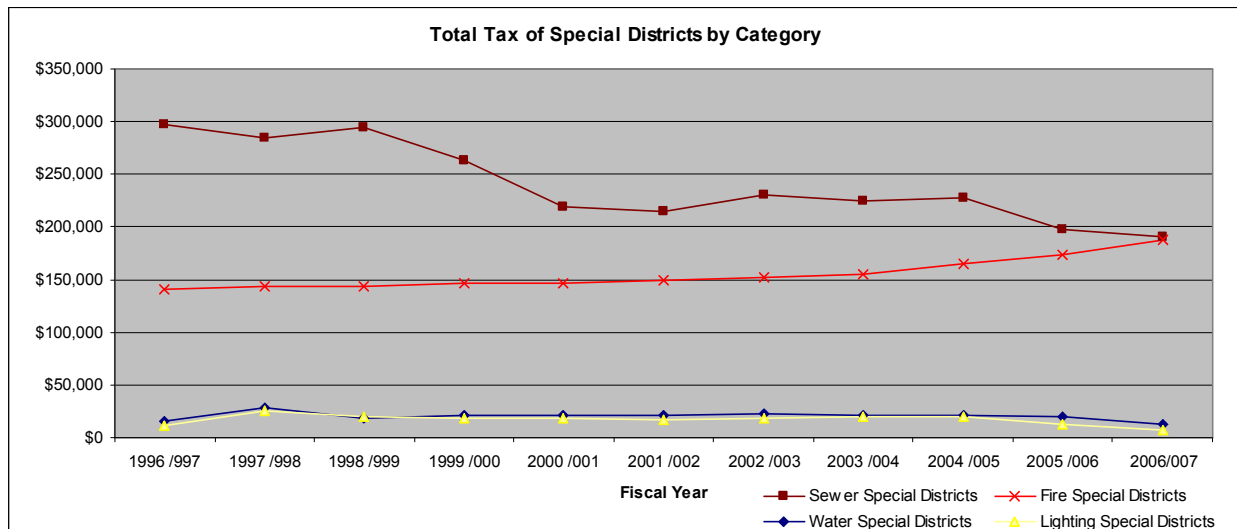


Similar to Kirkland's graphs, each total bar demonstrates the property taxes in real dollars. The darker, top portions illustrate the amount that total bar would deflate if adjusted to inflation.

This trend appears to support the scenario that districts were dissolved over time. But even when the final year revenues of all districts disappeared from record (Hamilton College Light, Elm Street Water, Meadow Street Water, Sherman Brook and Clinton Realty) were aggregated, the total accounted for less than half the total trend at \$32,043. Alternative explanations to make up this difference would be decreased tax rates. As town officials expressed in initial meetings, Kirkland's sewer facilities were at capacity and fire districts were becoming an increasing burden. In order to meet the demand and manage assets, decreased rates did not seem a viable option. Needless to say, this was an unexpected trend.

The following graph, Graph 2, demonstrates what the tax revenue trends look like when the taxing districts are separated into the four main categories:

Graph 2, "Total Tax of Special Districts by Category"



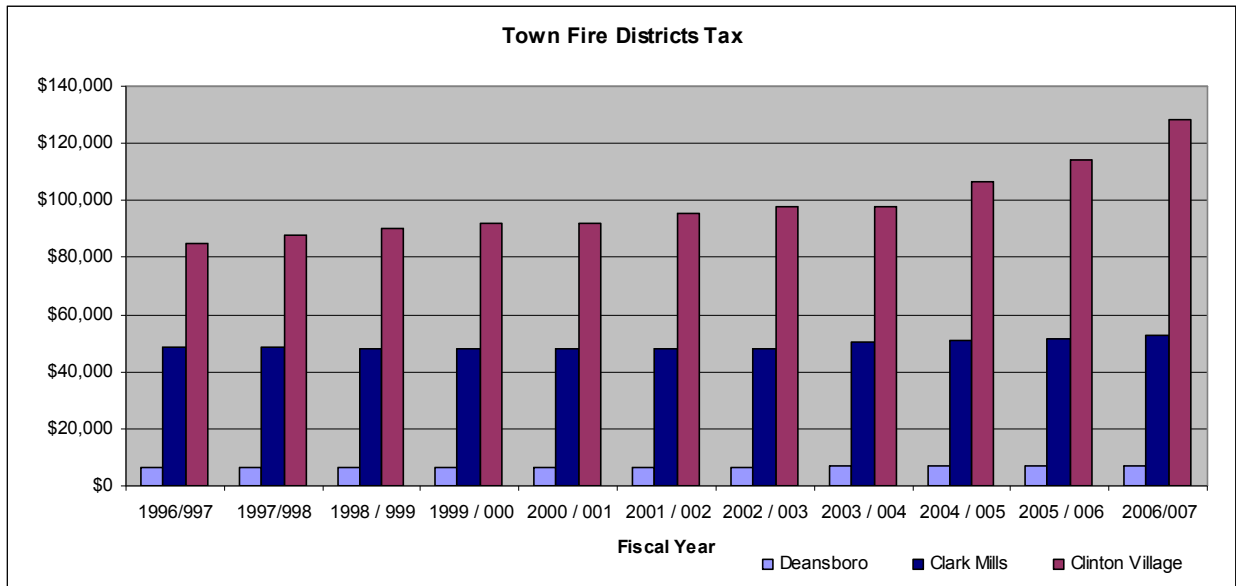
This graph illustrates that the fire district is the only special district that has seen an increase in tax revenues. More notably, a large portion of this increase was experienced over the last four years, climbing roughly between \$40,000 and \$50,000.

Over this period of time the sewer district tax revenues decreased by more than \$100,000. The steepest part of the line representing the sewer district occurred between Fiscal Years 1998/1999 and 2000/2001, indicating a dramatic decrease in tax revenues. Similarly, between Fiscal Years 2001/2002 and 2006/2007, the sewer district lost approximately \$27,000, and adjusting to CPI figures, the trend would further decline. Likewise, it would be relatively safe to presume that the portions of the sewer's slope that appear level in this graph would be negative if adjusted for inflation.

Fire Districts:

Upon closer inspection of the actual numbers, a couple of the districts became more noteworthy, when compared to others districts. First, of all three fire districts that the Town of Kirkland supports, only its contract with the Village has had a significant upward trend. Both Clark Mills’ and Deansboro’s trends remain flat, while the contract with the Village of Clinton from Fiscal Years 1996/1997 through 2006/2007 went from \$85,010 to \$128,216 and in just the four years rose by more than \$30,000. Graph 3 portrays this information:

Graph 3, “Town Fire Districts Tax”

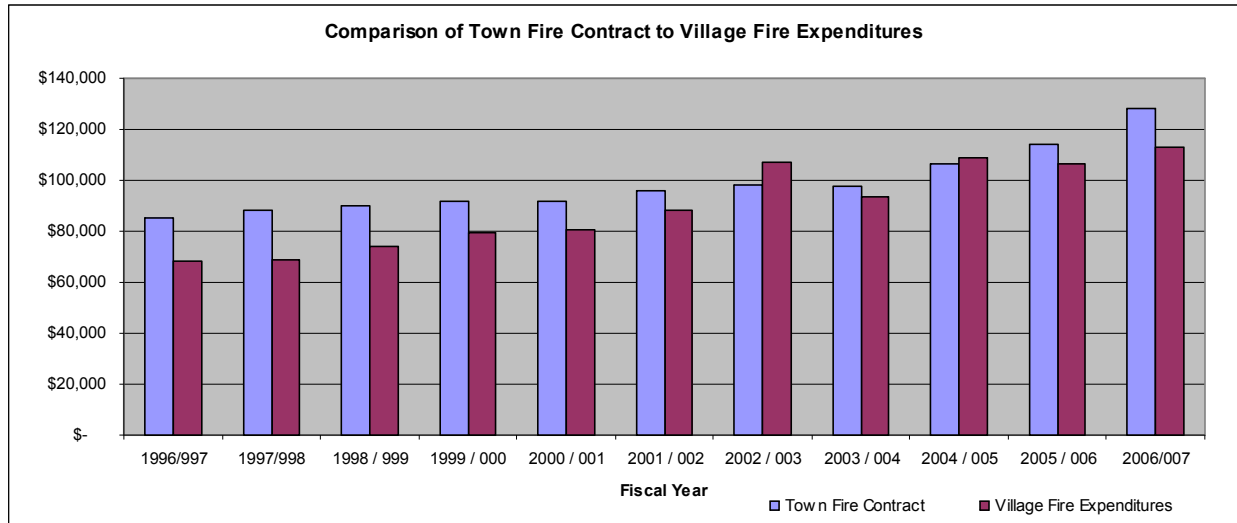


If this information were adjusted to CPI, the trend would be much less dramatic; but even when adjusted, the village fire experienced a \$16,673 increase while the trend of the prior years remained more-or-less constant. Meanwhile, adjusting to CPI, both Deansboro’s and Clark Mills’ trends slope downward.¹⁷

Since the Town’s “Clinton Fire District” tax revenue is contracted to the Village of Clinton to subsidize the cost of its fire department, the best explanation for the increasing trend in revenue would be increased Village Fire Department expenditures. When comparing the Town’s “Clinton Fire District” tax revenue, which was equivalent to its contract with the village, to the Village Fire Department expenditures, the increase could easily be explained by the expenditure’s trend. The comparison is illustrated by the following graph:

¹⁷ Please see Appendix B, Graph 4: “Town Fire Districts Adjusted by CPI”

Graph 5, “Comparison of Town Fire Contract to Village Fire Expenditures”



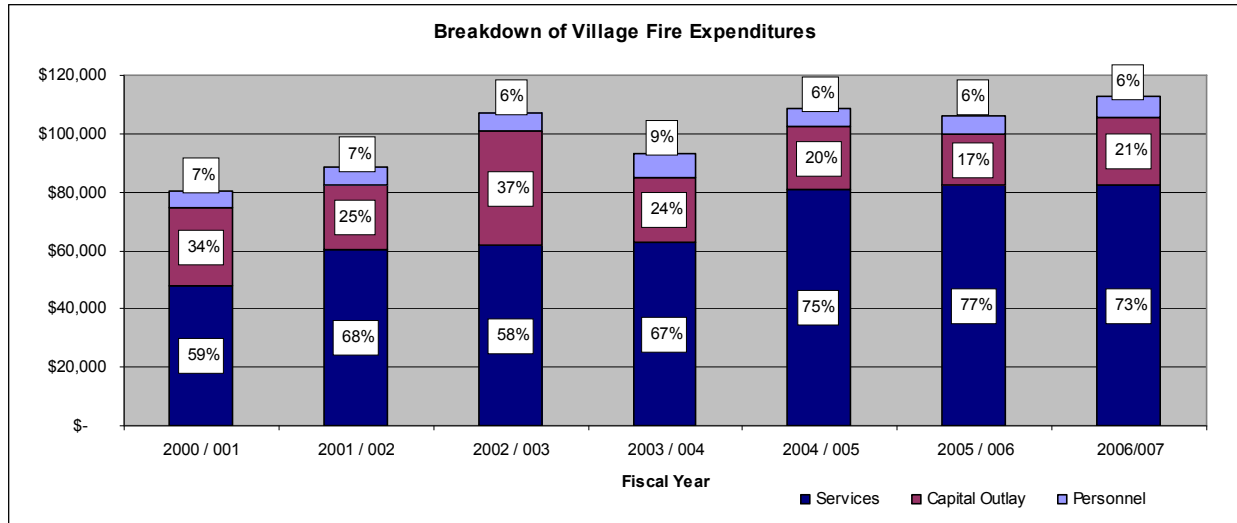
The Town’s contract covers more than 100% of village fire expenditures until Fiscal Year 2002/2003; the contract barely surpassed expenditures in Fiscal Year 2003/2004 and again dropped below expenditures in Fiscal Year 2004/2005. This shift triggered an increase in the Town’s contract with the Village.

This graph elicits a few more questions. According to Town and Village officials, the Town’s “Clinton Fire District” only taxes those properties outside of the boundaries of the Village that are serviced by the Clinton Fire Department. The Village has taxing authority over the properties within the Village and a portion of their general tax goes to support their Fire Department. However, within the Village’s financial statements there is no record of any reservations on their tax revenue that is dedicated to their fire department. Furthermore, when the Town’s contract covers more than 100% of the village fire expenditures in the majority of the period, the Town appears to be subsidizing the Village Fire Department.

Also, the above graph presents a structural shift in the Village Fire Department expenditures. The trend steadily climbs up until 2001/2002, and then shifts in 2002/2003 forming a new flat trend line. This prompted further analysis of the fire department’s actual expenditures. The Village of Clinton’s expenditures for fire can be further broken down into three categories: capital outlay, salaries and wages, and services. Services are further broken into the following line items in the Village’s budget: Compensation, Electricity, Gas/Oil, Heating, Insurance, Maintenance, Medical, Rent, Telephone, Tires/Batteries and Training.

The following graph illustrates these three main expenditure categories as a percentage of total fire expenditures. Because the Village provided financial information in different formats for various years, percentage breakdowns could only be provided for years 2000/2001 through 2006/2007.

Graph 6, “Breakdown of Village Fire Expenditures”



Interestingly, during fiscal year 2002/2003, the same year with the structural shift previously identified, a larger portion of the Fire Department’s expenditures went toward capital outlay than in any other year. This change represented 37% of expenditures for that year, which amounted to a dollar amount of \$39,203, which was almost twice the average of the other six years, \$22,308. This graph also illustrates that shortly after the 2002/2003 equipment purchase, services jumped from \$62,619 in 2003/2004 to \$80,919 in 2004/2005. Meanwhile, when services jumped in 2004/2005, the expenditures reserved for capital outlay and personnel decreased both in percentage and dollar terms for both that year and the subsequent year.

A couple of conclusions can be derived from this closer analysis of the Town Fire District. First, until the Village records and reserves a portion of their taxes to the Village Fire Department, the Town will have no way of knowing how evenly the burden is distributed. From the data analyzed it appears that the Town bears an unfair burden.

Second, the Village Fire Department is wise in portioning a piece of their expenditures to capital outlay, but could improve their capital asset management by accounting for future costs and depreciation of equipment. By implementing this practice they could plan ahead and eliminate shocks to the system as was seen in 2002/2003 in capital outlay and 2004/2005 in services.

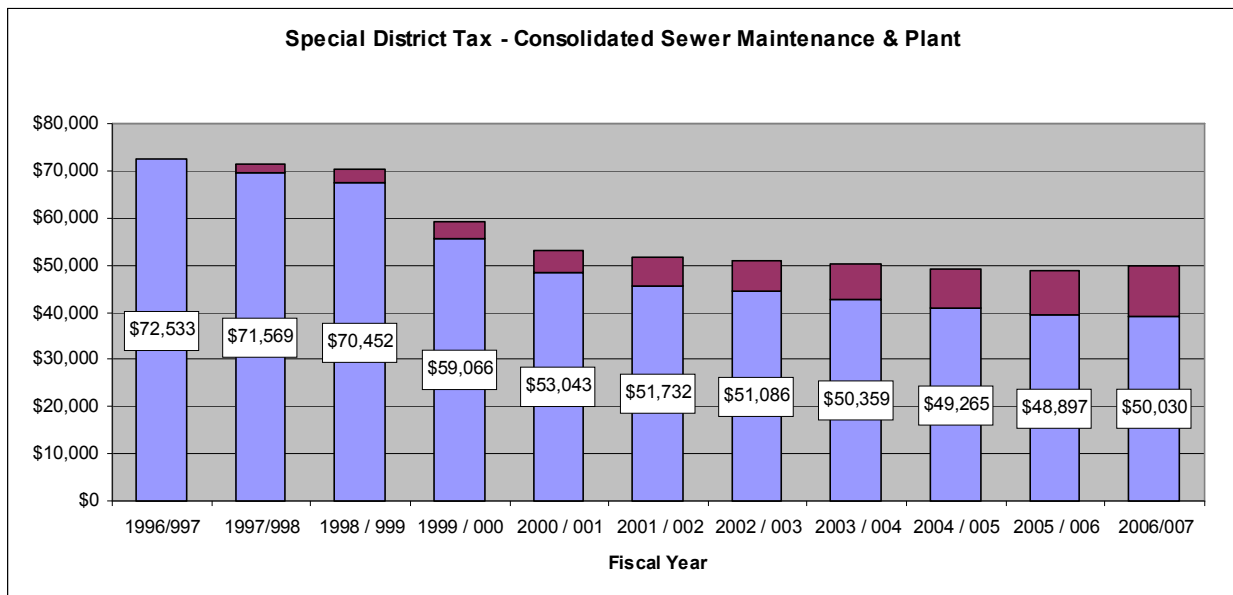
Third, the Town would benefit from the Village’s asset management accounting practices so that it could more accurately estimate the needed tax revenues. The Town could also implement these same asset management practices for its

other fires districts, in order to better estimate the need and prevent the deflating value of its own equipment.

Sewer Districts:

After examining Kirkland’s sewer district’s data more closely, a few items stood out. First, a large decrease in tax revenue was noticed in the Consolidated Sewer Maintenance District and the Consolidated Sewer Plant District. This decline went from \$72,533 to \$50,030 over the ten year period. When accounting for inflation the drop is even more dramatic decreasing by almost half: \$33,579, from \$72,533 to \$38,954. This is displayed, as follows:

Graph 7, “Special District Tax – Consolidated Sewer Maintenance & Plant”



The second item that stood out was that the Hamilton College Sewer District dropped from \$31,150 to \$2,250 just last year. This drop, however, could be explained by the recent municipal contribution agreement made between Hamilton College and the Town of Kirkland. Revenues earned by the Hamilton College Sewer and the Hamilton College Lighting districts were rolled over into the agreement.

The Town offered the following explanation for the consolidated Sewer Maintenance and Plant district’s declining trend: over the past years the Town’s debt on the plant has decreased, and in addition to that, the tax base has increased resulting in a reduced tax rate. Incidentally, the property tax base has increased, and the plant is reaching capacity. Debt will need to be taken on to make necessary improvements.

If the Town were to account for its capital assets, measuring both deflation and performance, they could improve their estimates for future needed revenue. The

Town would be able to project the demand and capacity of the plant and prevent revenue shortfalls.

Summary:

Though special districts revenues and expenditures are minimal in comparison to the larger general fund, they offer a more detailed look into management of fund reservations and restrictions. Special districts are created to maintain municipal infrastructure and they also offer a glimpse into capital management.

Generally, the property tax revenue trends for special districts within the Town of Kirkland have been decreasing from 1996/1997 to 2006/2007. The decline can be partially explained by the Town of Kirkland dissolving a few of the districts. Other explanations town officials gave were decreasing debt and an increasing base resulted in a lowering of the rate. However, this declining trend in revenues still gives rise to concern when the town has also expressed its infrastructure is reaching capacity.

Upon closer inspection the sewer districts decline the most. Two of the largest declines occurred in the Consolidated Sewer Maintenance District and the Consolidated Sewer Plant District. Considering the town specifically expressed a need to improve their waste water treatment plant, this drop in revenues is an indicator of the town's need to improve capital asset management. By accounting for its capital, the Town could produce better long-term plans, maintain an efficient revenue stream, and avoid shocks and pitfalls.

Of all the special districts, the Town's Clinton Fire District Kirkland's has the sharpest climb in revenues. Specifically the trend suggests a structural shift in the year 2002/2003. Because these revenues are contracted to the Village for its operation of their Village fire department, it was necessary to compare them to the Village Fire Department's expenditures. Upon closer inspection of the expenditure side, capital outlay could easily be identified as the cause for the shift in the trend. This shift also indicates that the village could improve in its capital asset management. There was also concern over the share of the burden the town gives to support the Village Fire Department.

Though this is an inspection of minor revenue changes, they are details that could reflect general budgetary management.

Village of Clinton:

The Village of Clinton, New York is experiencing relatively decent financial health, but must understand and monitor a few financial status indicators:

- It must identify main revenue sources and how changes in these may affect expenditures; and
- It should recognize investments that may be made to improve infrastructure.

The economic health of this governmental jurisdiction may be evaluated by analyzing these sources, or more clearly: revenues, expenditures, long-term debt, and general fund balances.

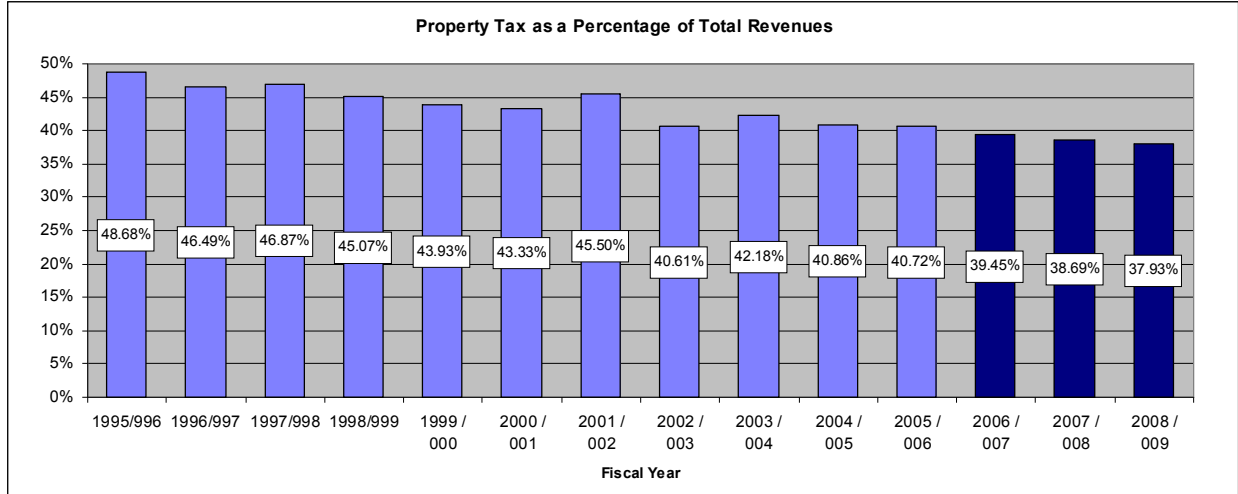
Revenues:

When adjusting revenues to CPI, the Village of Clinton has an overall revenue per capita trend that is increasing. These estimates must be interpreted with caution due to the approximation of population figures. There does seem to be a structural shift from Fiscal Year 2000/2001 onward. It appears that Clinton has gained more operating revenues per person beginning in this particular year.¹⁸

A substantial portion of the Village of Clinton's total operating revenues comes from property taxes. However, this revenue source has consistently decreased as a percentage of total revenues from Fiscal Year 1995/1996 at 48.68% of total operating revenues to 40.72% of total operating revenues during Fiscal Year 2005/2006. The projections suggest that this downward trend will continue. This illustrates that an assessment detailing where the additional revenue will be generated is necessary. If the Village has concerns about the property tax level, it may want to try and diversify its revenue sources. The following graph, Graph 2, portrays Clinton's property taxes as a percentage of total operating revenues:

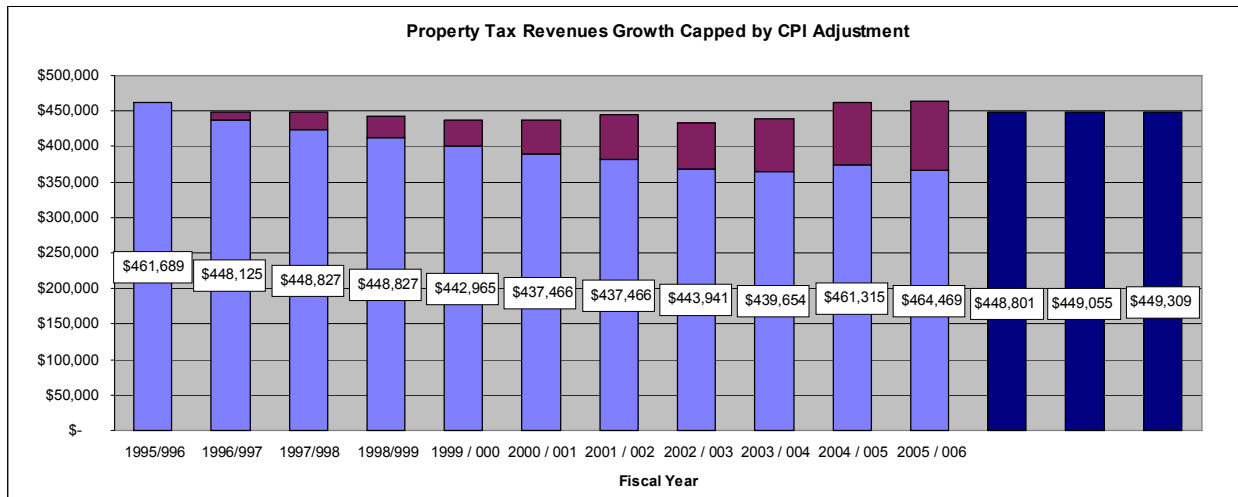
¹⁸ Please see Appendix C, Graph 1: "Revenues per capita"

Graph 2, “Property Tax as a Percentage of Total Revenues”



In addition to the previous graph, one should also identify Clinton’s total property tax revenue growth, both in constant terms and in real dollars. The real dollars will allow Clinton to notice the amount that they should expect to generate in subsequent years. The figures adjusted to CPI will allow Clinton to understand percent changes in constant figures. This information is presented graphically:

Graph 3, “Property Tax Revenues Growth Capped by CPI Adjustment”:



This demonstrates that not only is Clinton’s property tax revenue expected to decrease as a percentage of total operating revenues, but it will also decrease in both real and constant dollars. The tax-exempt properties within the Village as a percentage of total assessed properties have not fluctuated over the last eleven years. Consequently, the trend has ranged from 19.06-20.86%. The data does not elicit any indication that tax-exempt properties are taking away from revenues. Additional and up-to-date assessments may help to better identify whether an upward or downward trend is present.

The next largest revenue source that may make up for the loss of property tax revenues is revenue from sales tax. Although this may take some of the pressure off property owners in the Village, it must be careful of over dependence on this source. For example, between Fiscal Year 1999/2000 to 2000/2001 the collected sales tax fell from \$318,778 to \$299,169, representing a 6.15% decline. This may be difficult to make up in the budget if it occurred again.¹⁹ Some of the changes may be attributed to the sales tax distribution formula, which is tied to the total assessments of the Village property compared to other jurisdictions across the county.

In addition, smaller portions of revenues are coming from outside sources such as state aid and intergovernmental charges. The proportion of revenue from these different sources does not fluctuate a great deal which may indicate that these sources are not extremely volatile. Outside revenue includes: Fire contract, Sewer Indebtedness, State revenue sharing, Mortgage tax, Juvenile aid, D.O.T. Chips Funds, and EPA (SWOCO). There is not a clear upward or downward trend of outside revenues. This is a respectable sign since the Village does not have much control over this category. On average, non-local revenue makes up about 17.9% of the total operating revenue.²⁰ External policy changes could drastically effect what the Village receives in this category.

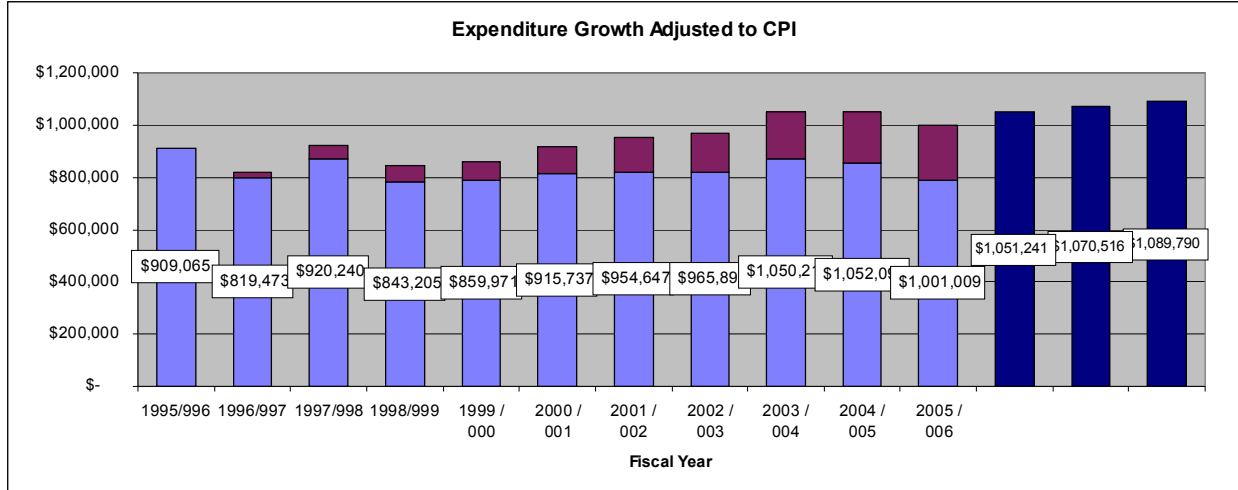
Expenditures:

The Village of Clinton's total expenditures in real dollars are trending upward and through projection analysis, this should be expected to continue. However, when adjusted to CPI, the Village's expenditures have gone down by 14.26%. Conversely, in real dollar terms, however, the expenditures have increased by 10.11%. During the Fiscal Year 2005/2006 the actual expenditures were \$1,001,009 and the projected expenditures for Fiscal Year 2008/2009 are \$1,089,789.90. Based on this trend, it appears that in real terms expenditures will grow by 5.02%, 1.83%, and 1.8% over the next three years, respectively. The following graph, Graph 7, illustrates this data:

¹⁹ Please see Appendix C, Graph 4: "Sales Tax Growth Capped by CPI Adjustment"

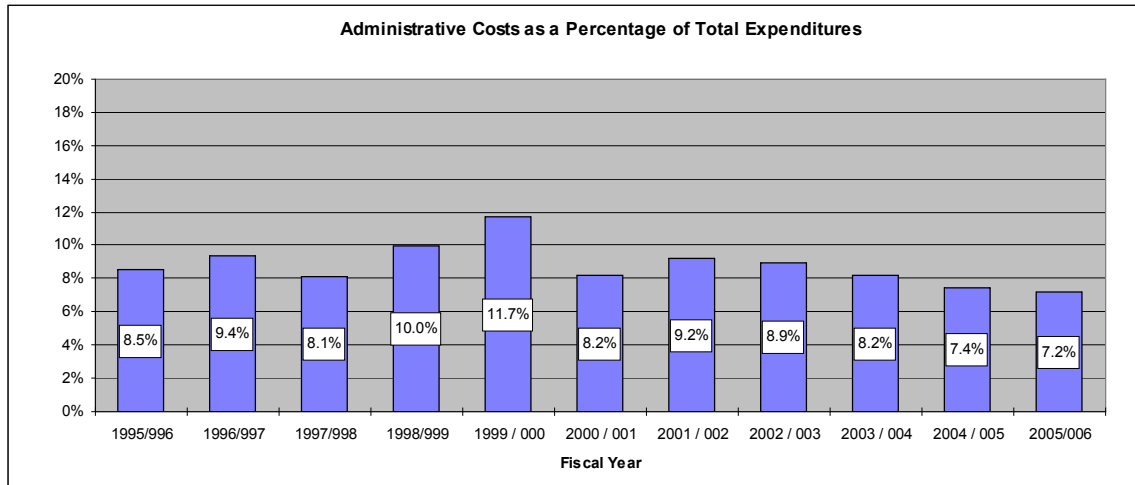
²⁰ Please see Appendix C, Graph 5: "Outside Source Revenue as a Percentage of Total Revenue" and Graph 6: "Revenue Sources as a Percentage of Total Revenue"

Graph 7, "Expenditure Growth Adjusted to CPI"



In order to fully understand the expenditures, one must examine which categories or items are actually driving the expenditures. One of the categories that is normally evaluated is the administrative cost as a percentage of total net operating expenditures. On average, for the period in between Fiscal Years 1995/1996 through 2005/2007, administrative costs accounted for 8.8% of the total expenditures. This trend is shown below in Graph 8. The overall trend is downward with a few years above the average. This is usually considered a positive trend since the cost of administering the Village does not seem to be spiraling upward.

Graph 8, "Administrative Costs as a Percentage of Total Expenditures"

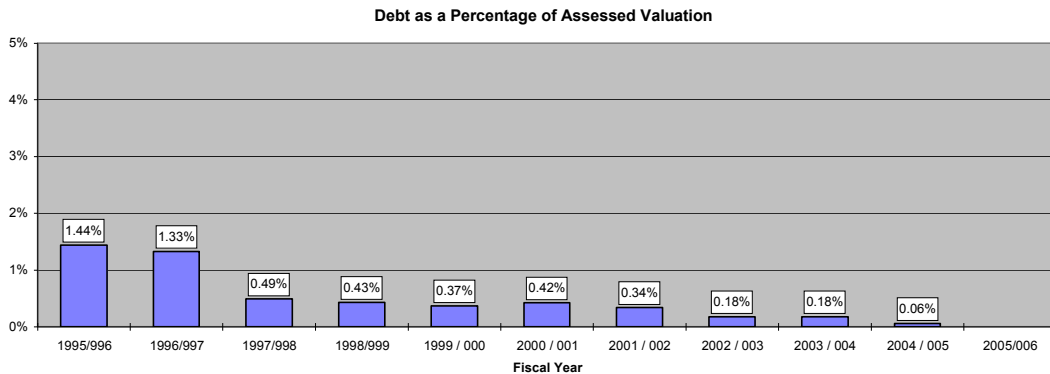


Long-Term Debt:

Similar to the Town of Kirkland, the Village of Clinton as a governmental entity can issue bonds. These bonds constitute direct bonded debt, a portion of the total debt, which must be repaid with taxes. Graph 9 shows the Village's direct bonded debt as a percentage of the Village's assessed value. There is a constant trend downward until the fiscal year ending in 2004/2005 when the Village has

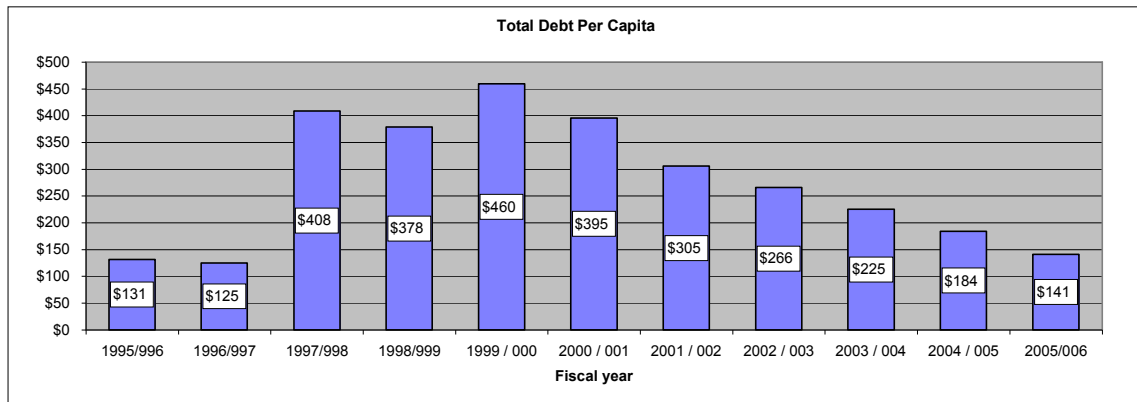
zero direct bonded debt. The lack of direct bonded debt may indicate that the Village paid down their debt in order to take on new debt for a project.

Graph 9, “Debt as a Percentage of Assessed Valuation”



Although the Village has paid down their direct bonded debt, they still have other long-term debt. Graph 10 exhibits the trend surrounding the Village’s total indebtedness. During the fiscal year 2005/2006 \$141 is associated with each person as compared to \$460 during the fiscal year 1999/2000. The total debt per capita indicates that the Village has a downward trending pattern of debt. It is expected that the total debt will continue to be reduced. This trend demonstrates a positive aspect of the Village’s finances as long as it is a part of a comprehensive long-term plan.

Graph 10, “Total Debt per Capita”

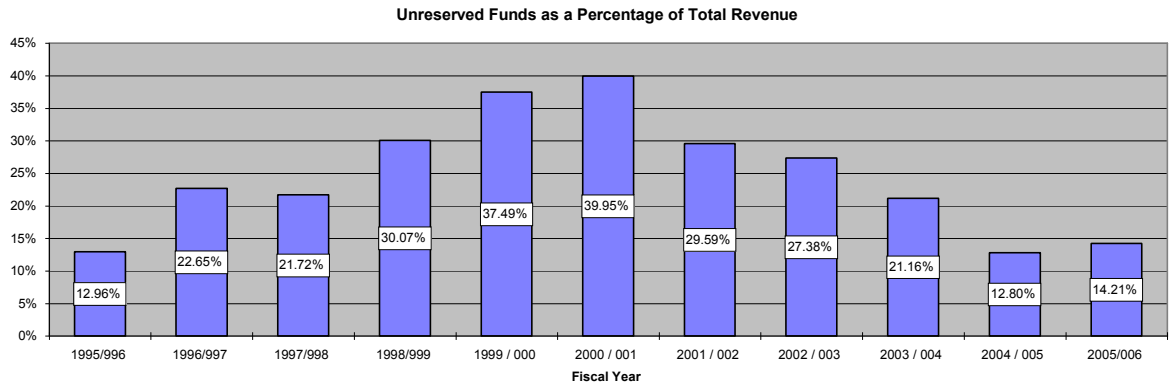


General Fund Balance:

The fund balance, in accordance with the operating surplus and deficit figures, helps to indicate how well the jurisdiction can respond to emergency financial situations. Although there is not a specific proper unreserved fund balance amount, it should be positive. The large amount kept in unreserved funds could indicate a lack of planning or underinvestment, but a negative amount could lead the jurisdiction into a major financial emergency. When fund balances have a declining trend, most analysts believe this may be a warning sign. The Village of Clinton was running a positive trend from Fiscal Year 1995/1996 through 2000/2001, but this trend has started to decline. Graph 11 shows this

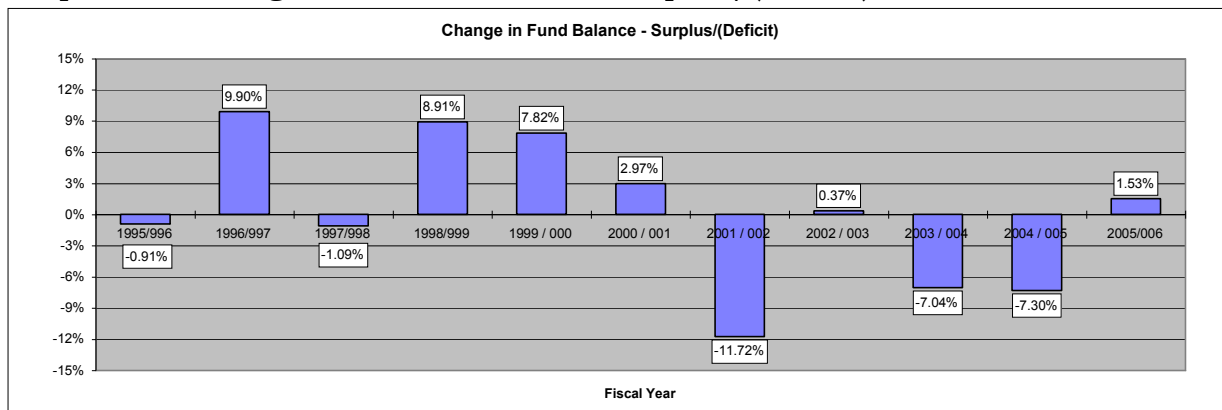
trend. During the peak year of 2000/2001, the unreserved fund balance accounted for 39.95% of the total revenue whereas in 2005/2006 the fund balance was 14.21%. In addition, the reserved fund balance is zero in most years except during the fiscal years 2000/2001 through 2003/2004. The small percentage of total revenue that is accounted for by reserved fund balances may indicate a necessity for an inclusive plan for reserved funds. In order to be able to properly react to a financial emergency, the Village of Clinton needs to determine the appropriate amount to maintain in the unreserved funds.

Graph 11, “Unreserved Fund as a Percentage of Total Revenue”



The change in fund balance demonstrates whether a jurisdiction realized a deficit or surplus for the year. A warning trend for this category is an increasing operating deficit, which could illicit poor financial management. The Village of Clinton’s trend fluctuates. In order to fully understand why half of the years are operating on a deficit it would be important to evaluate what particular events occurred in these years. Of particular interest is the \$114,341 deficit that the Village operated on during Fiscal Year 2001/2002. At the same time, one must recognize that the Village of Clinton operates on a rather small budget; therefore any external shocks or unexpected changes in circumstances can result in greater variance in financial trends. The following graph, Graph 12, demonstrates the operating deficits and surpluses throughout the eleven year time period:

Graph 12, “Change in Fund Balance – Surplus/(Deficit)”



Summary:

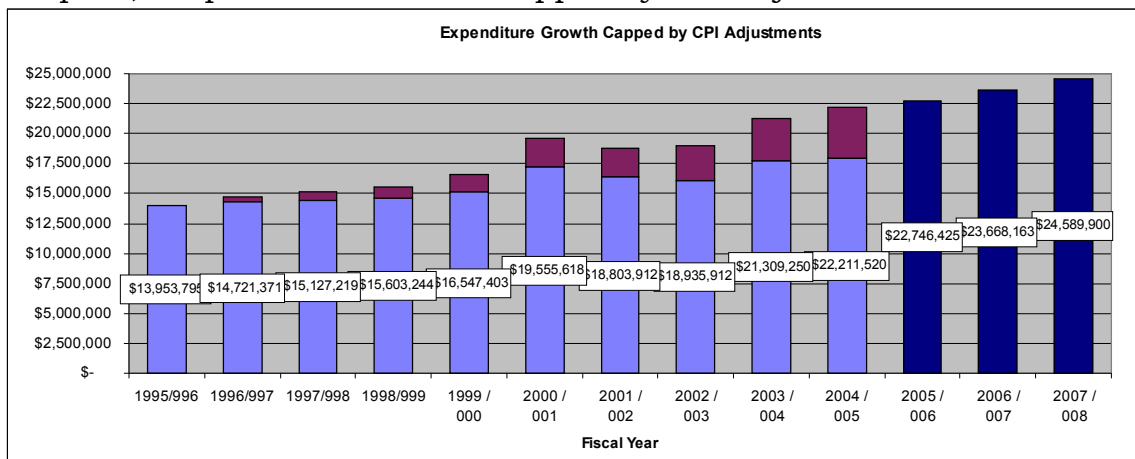
The Village of Clinton is experiencing relative financial health; further financial and capital improvement planning may ensure this positive trend. There is no indication that revenues and expenditures will be extremely out of balance over the next three years. The decreasing trend of property tax as a percentage of total revenues should be properly analyzed and can be prepared for by diversifying revenue sources. This diversification should be wide enough that the Village does not become overly dependent on another source. In addition, the lack of long-term debt is not necessarily a positive sign if infrastructure and other projects are forgone. The fluctuating fund balance should be considered when evaluating the long-term health of the Village. Certain questions should be addressed: What infrastructure needs to be updated or replaced; can any services be consolidated; and how are neighboring jurisdictions conducting long-term planning. The Village of Clinton needs to develop a long-term financial plan and determine ways to increase their revenue sources.

Clinton Central School District:

Expenditures:

This analysis begins by reviewing the trend of the total expenditures of CCS over the period of 1996 – 2006. Starting from 1996, CCS’ expenditures have increased by 59%. The increase looks less dramatic when adjusted for inflation over the 10 year period, when it becomes 28.8%. Based on this trend, it is estimated that CCS’ annual expenditures will grow in real terms by 1.95%, 2.52%, and 2.45% respectively over the next 3 years.²¹ As illustrated in Graph 1, if all trends remain the same, total expenditures in Fiscal Years 2006/2007, 2007/2008 and 2008/2009 will reach \$22,746,425, \$23,668,162 and \$24,589,900, respectively.

Graph 2, “Expenditure Growth Capped by CPI Adjustments”



The size of the local population and changes in the number of consumers of services are important components of local government expenditure analysis. As the territory and population of the Town of Kirkland and CCS are almost perfectly overlapping, the population data of both the Town and CCS were used interchangeably. As mentioned earlier, population numbers are merely estimates of the US Census Bureau. According to the data, population in the CCS peaked around the late nineties and has remained more or less constant over the past 6 years.²² On one hand, the expenditures have been growing by an average of 4.7% per year since 1996. This is illustrated by the increasing CCS spending per capita. If the population stays constant, it is projected that expenditures per capita will increase by 1.06%, 2.2% and 2.16% respectively during the next 3 years, similar to the pattern of total expenditure growth.²³ It is likely that the per capita expenditures of CCS will grow to \$2,413 dollars in 2009, assuming that the total population does not change.²⁴

²¹ Please see Appendix D, Graph 1: “Expenditure Growth Adjusted to CPI”

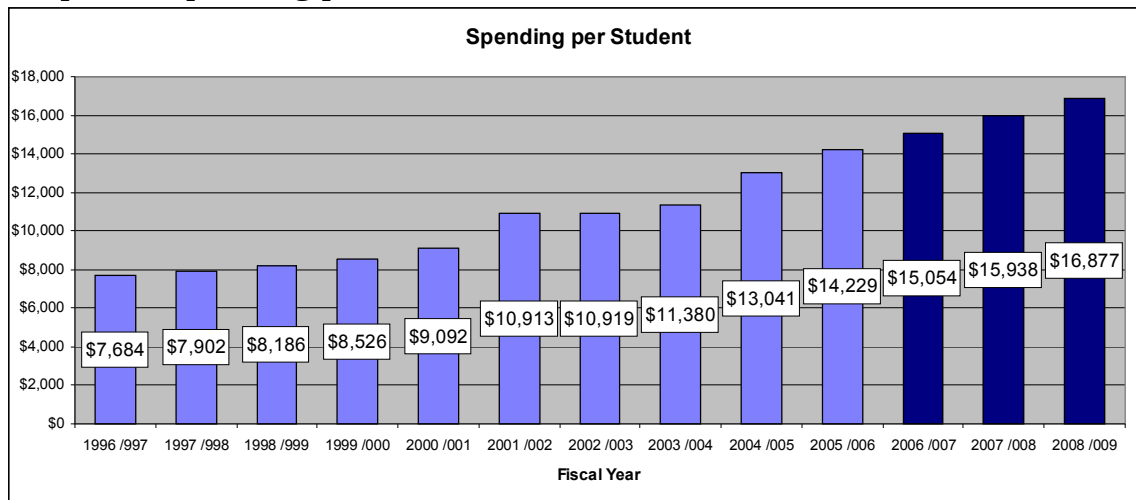
²² Please see Appendix D, Table 1

²³ Please see Appendix D, Graph 3: “Expenditures per capita Adjusted to CPI”

²⁴ Please see Appendix D, Graph 4: “Expenditures per capita”

Another important aspect of the school district is the size of population it serves. Measured in dollar amounts, there has been a huge increase in per pupil spending, since the total expenditures have increased by 59% over the time period studied. The student population has gone down by 14%, from 1814 students in 1996 to 1561 in 2005. Due to this trend, per pupil spending in inflation-adjusted dollar terms has increased by 49.9%, which is a huge climb over a period of 10 years.²⁵ The projection for the future budgets shows that the school district will most likely sustain the per pupil expenditure growth at the same rate, since the CCS has fairly accurate future projections of the continuous decline in the number of pupils for the next 3 years.

Graph 5, “Spending per Student”



The next step of the analysis is to explore what drives the expenditure increase. According to the financial statements of CCS, expenditure categories labeled as administrative costs have been growing at an average rate of 4.3% per year.²⁶ Administrative expenditures as a percentage of total CCS expenditures have remained fairly constant around 10.9%, shifting within amplitude of 2 percentage points.²⁷

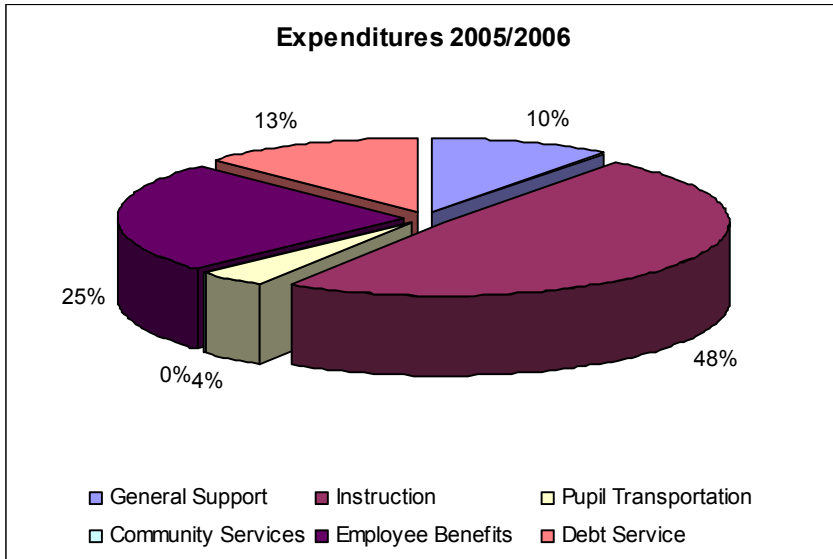
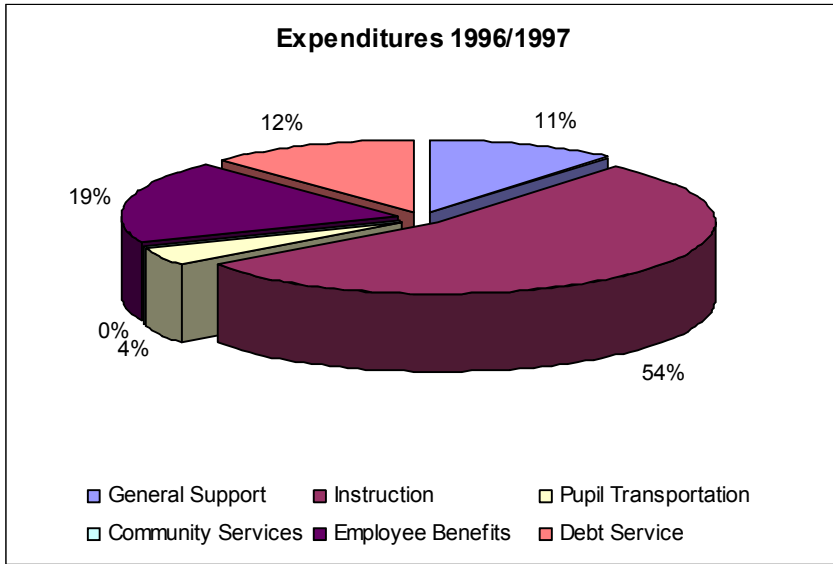
As the average total expenditure growth does not exceed 4.3% (not adjusted to inflation, see table 2), it is helpful to identify the expenditure categories that grow at a higher rate. Employee benefits are a good example. While the total costs of instruction have decreased by 6 percentage points from the total, employee benefits, however, have increased by 6 percentage points.

²⁵ Please see Appendix D, Graph 6: “Spending per pupil in Constant Dollars”

²⁶ Please see Appendix D, Table 2: “Percentage increase of revenue/expenditure categories from year to year”

²⁷ Please see Appendix D, Graph 7: “Administrative Costs as a Percentage of total expenditures”

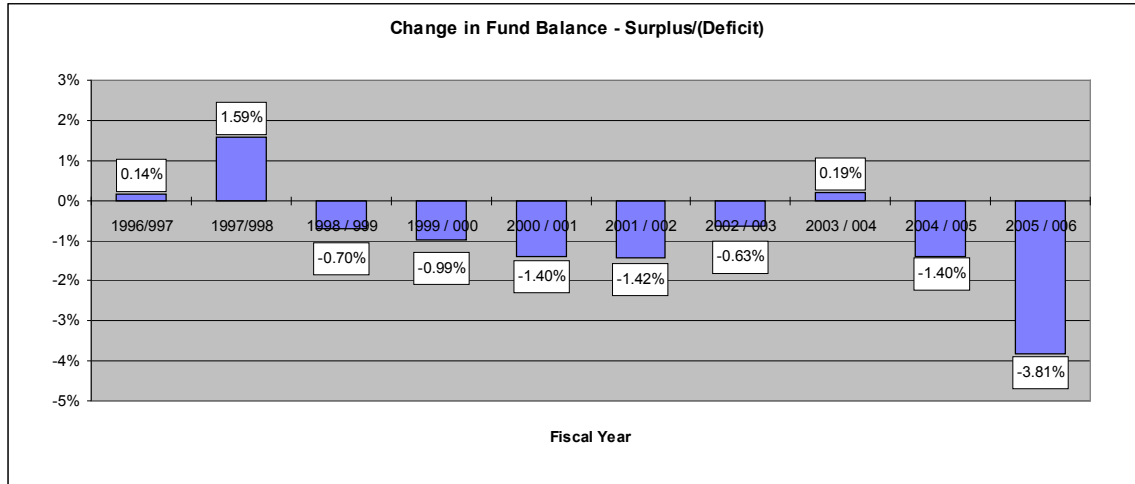
Graphs 8 and 9, "Expenditure categories as a percentage of total," 1996 and 2006



General Fund Balance:

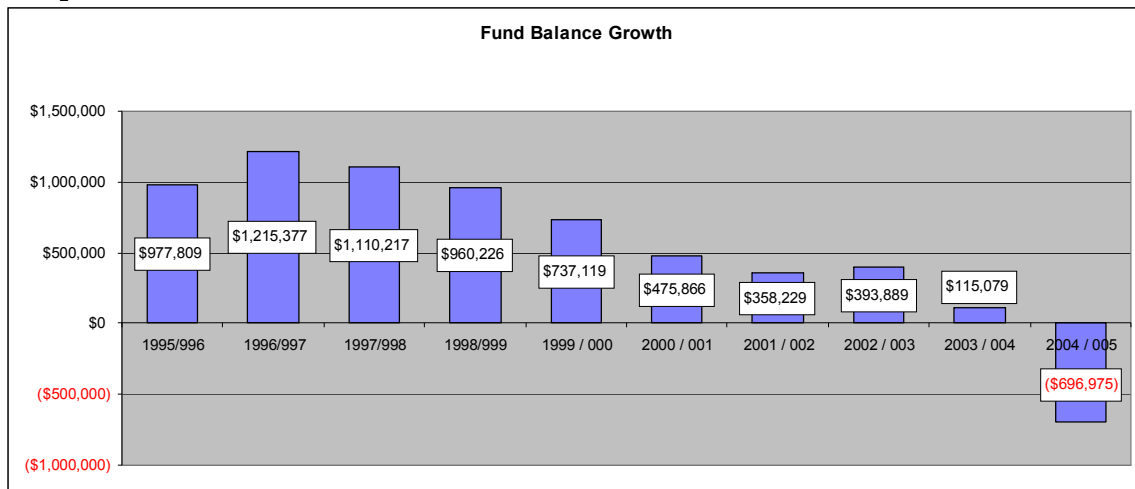
Since 1997, the fund balance of the General Fund has decreased more than 1.5 times. The following graph illustrates the negative growth of net assets. Each of the bars in Graph 5 shows the difference in the fund balance between the end and the beginning of the respective fiscal years as a percentage of total revenues. The differences are mainly negative indicating that the fund balance is constantly reducing each year.

Graph 10, “Change in Fund Balance – Surplus/(Deficit)”



The constant reduction of General Fund equity has led to serious problems for the school district’s financial sustainability. By the end of the Fiscal Year 2006, CCS did not have any unreserved funds in the General Fund, but rather a deficit of \$696,975 of the total revenues of 2005/2006.²⁸ This indicator, as shown in Graph 6, means that the liabilities exceed the assets of an entity; CCS owes more than it owns.

Graph 12, “Fund Balance Growth”



Long Term Debt:

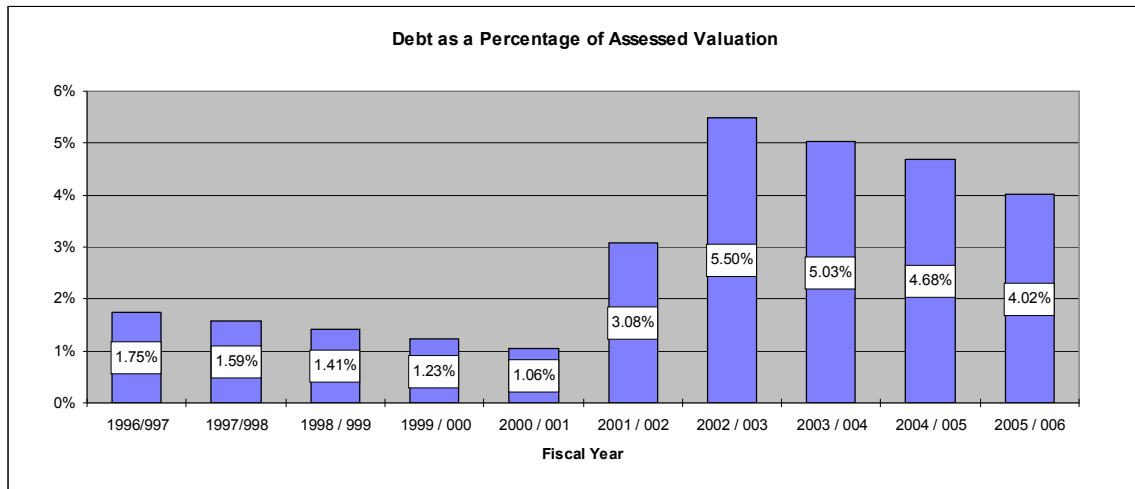
In addition to revenues, expenditures, and fund balances, one might also want to evaluate the debt burden incurred by the school district. Over the time period studied, debt service has never been composed of less than 10% of the total expenditures.²⁹

²⁸ Please see Appendix D, Graph 11: “Unreserved Funds as a percentage of Total Revenues”

²⁹ Please see Appendix D, Table 3

Indeed, Graph 13 shows the growth of Direct Bonded debt as a percentage of total assessed valuation. This confirms the concern of growing indebtedness of the school district. Even though there is a 1.5 percentage point decline of debt compared to the total assessment since it peaked in 2003, it has not caused the fund balance to increase. Obviously, the growth in total assessed valuation in the jurisdiction is not captured in the growth of the school district's assets. Also, one must remember that there are multiple overlapping jurisdictions in the territory (the town, the village and several special purpose districts) that essentially share the same property tax base.

Graph 13, "Debt as a Percentage of Assessed Valuation"

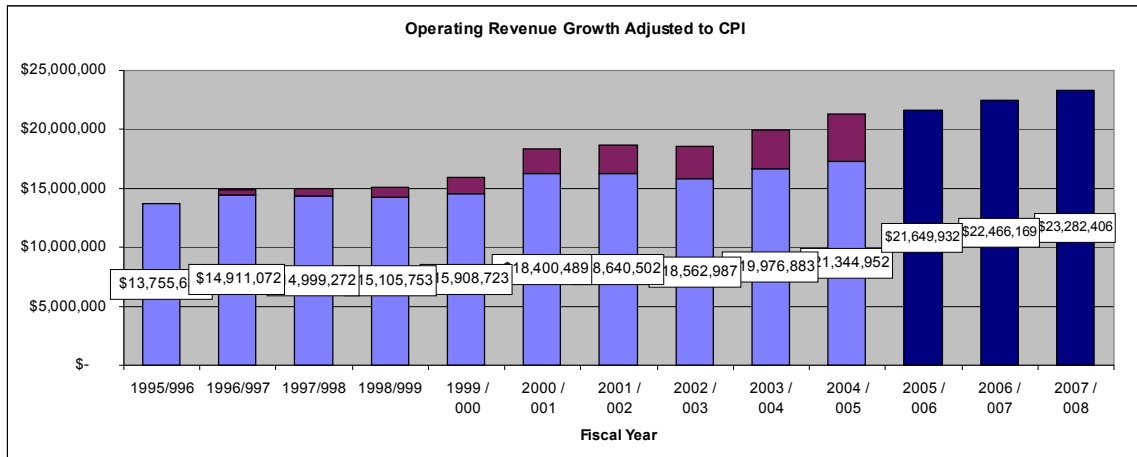


Revenues:

After examining the growth patterns in CCS' expenditures, one should examine the revenue trends. The revenue of the Clinton Central School District (CCS) has been growing over the period of ten years. Even though the total budget of CCS has increased to \$22 million (increase of 55% in dollar terms), the actual increase has been 25.6% in constant dollar terms. All else equal, our projection says that the total revenues in real terms will grow at rates of 0.79%, 2.11% and 2.07% respectively over the next three years.³⁰ Based on these trends, the projection of CCS' future revenues for the Fiscal Year ending in 2009 is \$23,282,406.

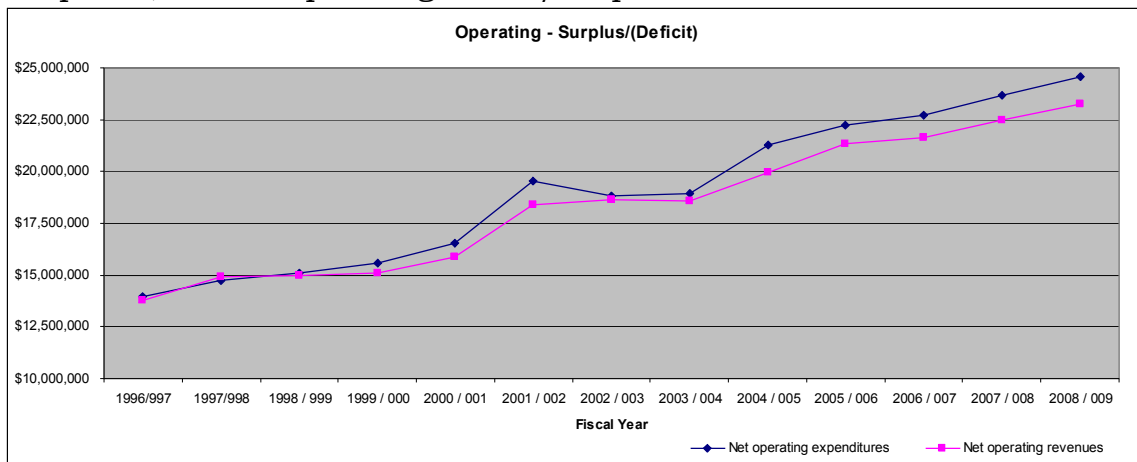
³⁰ Please see Appendix D, Graph 14: "Operating Revenue Growth Adjusted to CPI"

Graph 15, "Operating Revenue Growth Adjusted to CPI"



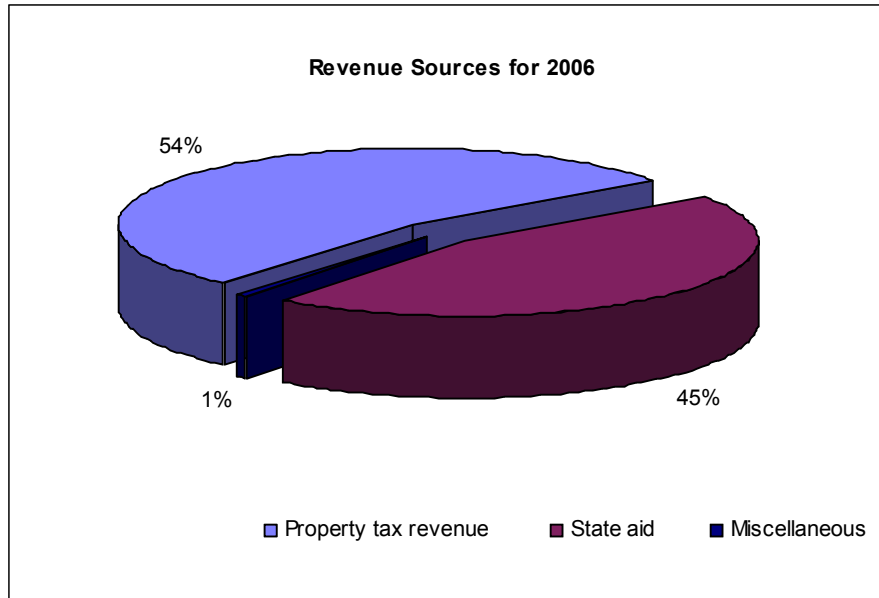
The current trend and the future projections illustrate that revenues tend to grow slower compared to the expenditure needs. Holding all the influencing factors constant, Clinton Central School District is bound to experience a growing operating deficit. According to the estimates, if nothing changes, the deficit can easily reach \$1 million in 3 years, which is the same trend that manifests itself in analysis of the General Fund balance.

Graph 16, Future operating deficit/surplus in dollar amounts



The next step in this analysis is to evaluate the options to generate enough revenue to satisfy the expenditure needs. The main revenue sources of the school district that account for 98% of the total revenue are comprised of real property taxes and state aid.

Graph 17, "Revenue Sources for 2006"



This analysis demonstrates that the property tax levy has increased by 58% as a dollar amount; and by 28% in constant dollar terms over the 10 year time period.³¹

In terms of revenue sources as a percent of total revenues, it is observed that the state source revenue peaked at 55.4% of the total revenue in 2001. Since then, such revenues from the state have been approximately 48% of the total, with a slight tendency to decrease by 0.17 percentage points per year. This change is also reflected in the projections.³² Consequently, the property tax revenues will have to be substituted for the decrease in state aid. Our projection shows that, all else equal, the property tax levy will increase approximately by 0.3 percentage points of total revenues over the next three years.³³ However, these projections rest on assumptions that the state education aid policy will not change. On the contrary, trends in the state foundation aid and the STAR exemption programs seem to be unfavorable to school districts with comparatively high property values, which might change the composition of revenue structure.

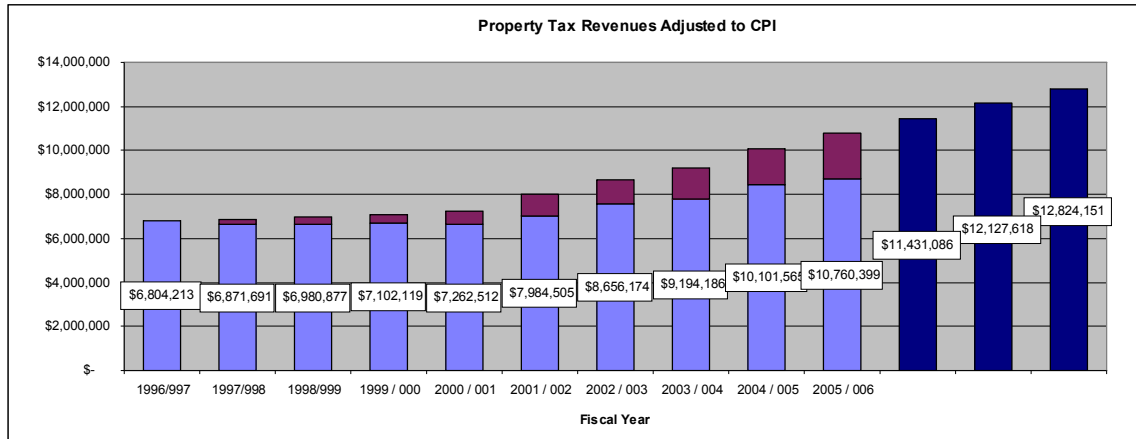
According to the trend of growth in the property tax levy from 2001 to 2005, it is estimated that the school property tax levy will reach the amount of \$11,431,086, \$12,127,618 and \$12,824,151 in 2007, 2008 and 2009, respectively.

³¹ Please see Appendix D, Graph 18: "Property Tax Revenues Adjusted to CPI"

³² Please see Appendix D, Graph 19: "State Aid Revenues Capped by CPI Adjustment"

³³ Please see Appendix D, Graph 20: "Property Tax as a Percentage of Total Revenue"

Graph 21, "Property Tax Revenues Adjusted to CPI"

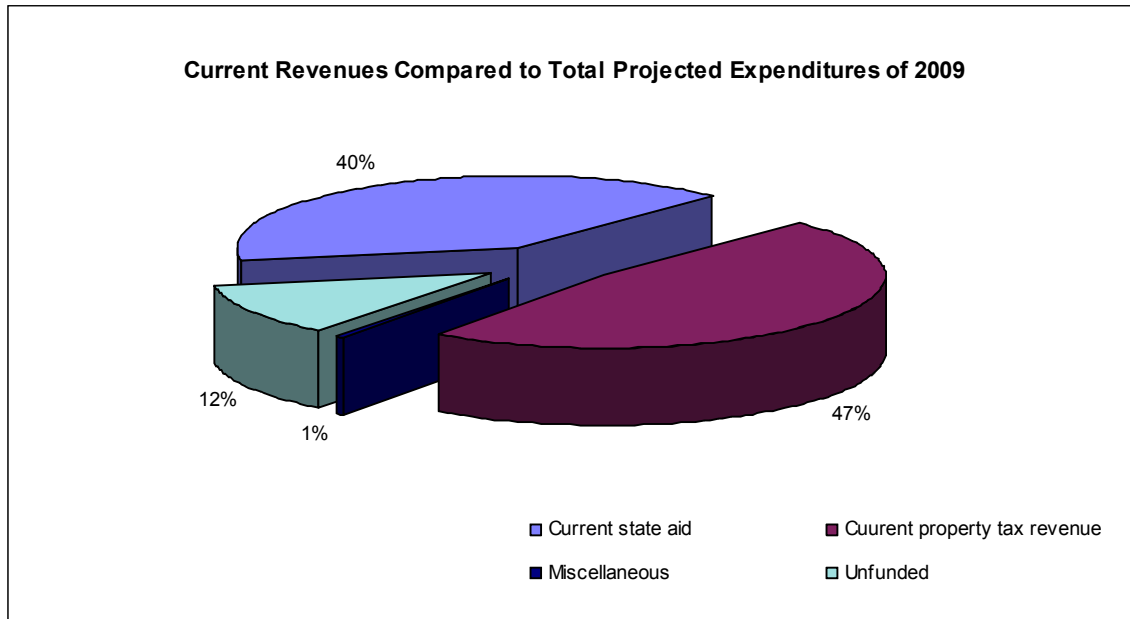


Holding all other factors constant, the historical trend shows that the state aid payments for the next three years should amount to \$10,475,459, \$10,837,955, and \$11,200,451, respectively.³⁴

Graphing those numbers in a pie chart and using the estimated total expenditure numbers for FY 2009 as a total, a sense of the growth of expenditure needs and current revenue capacity is demonstrated. Current revenues and expenditures of the school district are not balanced, and compared to the expenditure needs of 2009 there is a 12% gap that is going to have to be filled by revenues. According to the estimates of managers of CCS, state aid is not expected to increase at the rate of current expenditure growth. Even though Graph 12 portrays only a hypothetical situation, it displays the degree to which expenditure growth surpasses the increase in revenues.

³⁴ Please see Appendix D, Graph 19: "State Aid Revenue Capped to CPI Adjustment"

Graph 22, "Current Revenues Compared to Total Projected Expenditures of 2009"



Summary:

CCS' expenditures have grown by 28.8% in real terms since 1996. It is estimated that CCS' budget will continue to increase by approximately 2% per year in constant dollars. Therefore, including inflation, the amount of future CCS budgets will most likely reach \$22,746,425, \$23,668,163 and \$24,589,900 from 2007 – 2009, respectively.

According to the US Census Bureau, CCS' population has remained constant and there is no evidence that the area will experience rapid population increase in the near future. Consequently, expenditures per capita will grow at a similar rate.

One of the most important expenditure categories driving the costs are employee benefits, accounting for a quarter of the total budget as of Fiscal Year 2006. However, it is complicated to estimate the growth rate of fringe benefits for the future since many cost determinants (such as legal requirements and employer contribution rates) are outside of the jurisdiction of CCS.

Comparing the current trends and estimates of future revenues and expenditures associated with local schools reveals the trend of a growing operating deficit. This trend describes the inflow and outflow of resources, and as the inflow continuously falls behind the spending, the school district expends more and more of its equity. In other words, due to a failure to raise more revenue, the school district is depleting its net assets to a deficit. According to the notes accompanying CCS' financial statements, the severe decrease in the general fund balance can be attributed to the changes in accounting practices. As required by GASB 34 and 2, school districts must report the additional actuarial accrued pension liability, which changes the

basis of reporting the liabilities. However, this analysis shows that the tendency of decreasing the fund balance and running operating deficits was in place during the previous years as well.

As the current financial trend is not sustainable, there are two scenarios for possible solutions to this problem. The first option is to cut expenditures. The concern, though, is that most of the rapidly increasing expenditure categories are associated with legal mandates and commitments – such as the debt service payments. Moreover, some of the fastest growing expenditure items are outside the direct control of the school district, and are determined by collective bargaining or state legislation. Another obstacle to cutting costs is that there are several fixed cost categories associated with the provision of public education - imposing a growing burden on school districts of shrinking student population, such as administrative overhead, construction and maintenance of infrastructure, etc. Where possible these efficiency problems can be addressed by service consolidation.

The second alternative lies in strategies of increasing revenue. The major revenue source of state education aid that accounts for approximately 48% of total revenues is outside the control of local school districts, and the political climate in the state seems disadvantageous to school districts like Clinton, due to comparatively high property values. Therefore, according to this analysis, a higher proportion of total expenditure needs will have to be accounted for by real property taxes.

It should be noted that though this analysis does not adjust the school district's expenditures to performance, according to school report cards, Clinton Central Schools have constantly maintained high performance. Therefore, one may conclude that the growth of education costs in CCS should not be attributed to decrease in operating efficiency, in which case it would also have negatively affected school performance. Increasing the tax burden on local property owners has occurred due to high dependency on non-local revenue sources, as well as the growth of numerous expenditure categories outside the control of the district. In addition, changes in the demographic composition of the population of the Town of Kirkland and the shrinking student body have negatively affected the economies of scale of the provision of public education in CCS.

Introduction to Non-Financial Section:

Data:

This section will discuss size and scope of issues within various local governments within the Northeastern United States. In order to ensure comparability with Kirkland, this section only analyzed small, rural college towns within this region. The list includes several college towns in New York, including Cazenovia, Red Hook, Potsdam, Canton, Hamilton, and Geneva, as well as three out-of-state college towns, Hanover, NH, Middlebury, VT, and Williamstown, MA. The purpose of this analysis is to gauge what sort of managerial and developmental issues are facing small college towns, as well as how these issues are being dealt with.

Comparative data were drawn from a variety of sources. US News and World Report's College Search Database provided quantitative figures on colleges. The census bureau's on-line database also served as a primary data source from which we derived (2000) population, income, and poverty figures for the towns. Beyond these main databases we drew data from interviews with town and college administrators from our sample. College and town websites supplemented some information. Finally, many interviewees facilitated various documents from which we drew important conclusions. Such documents include: strategic plans, comprehensive economic development plans, and property assessment documents.

Methods:

Establishing the sample of comparison towns depended largely on the areas in which we focused. We identified two general foci: 1) the size and scope of municipal governance, which includes planning, capacity and general resources and 2) college impact on community economic development.

First, we limited our scope to concentrate on only those towns which were home to colleges. By establishing this as our primary population, we committed our approach to understanding the variations within this particular subgroup of towns. We argue that by acknowledging the town/gown dynamic from the offset, we deliberate our study on understanding the very specific challenges and opportunities that Kirkland faces as a college town. Utilizing the US News and World Report College Search, we identified a pool of college towns from which to choose. We queried data with particular parameters: a rural college, a college population less than 5,000, located within Northeastern states, and possessing nonprofit status.

After the initial query we turned to characteristics of Kirkland to look at towns with a similar population size. We set the range at 5,500 – 12,000. Through census data, we narrowed the initial set to 33 towns. To this small sample we applied two additional filters: a) the minimum number of students at the college

so that the college's impact on the town was actually felt and b) the selectivity of the college itself.

One additional issue finalized our selection process. Through the process we had included municipalities which could not be characterized as a town. We eliminated census designated places from the sample because of the differing management structure. We allowed for boroughs in Pennsylvania states, assuming the municipality can be most accurately translated as a town across state lines. And we eliminated those areas where villages had fit into our population but towns had not, opting again for towns (or in the case of Pennsylvania boroughs) as our primary unit of analysis.

Compilation:

Including the town of Kirkland, our small group comprised of ten towns. We formed surveys which addressed the main questions of planning and economic development as well as town/gown relationships. These surveys comprised primarily of close-ended questions. Each served as the base for the data in this section of the report. Clearly with such a small sample, we do not intend to demonstrate statistically significant evaluations of town/gown relationships. We do, however, believe that the descriptive statistics and stories of these ten towns provide important insight into the performance and opportunity of Kirkland. By placing Kirkland in this context we sort out what specifically is unique to Kirkland and what challenges and opportunities are shared throughout. Specifically, we find what practices can bring about positive change and what appears less controllable in this context. In this way the surveys and their resulting vignettes and stories provide best practices for the future.

Size & Scope of Local Government:

This section will discuss size and scope issues within various local governments around the northeast. In order to ensure comparability with Kirkland, this section only analyzed small, rural college towns within this region of the United States. The list includes several college towns in New York, including Cazenovia, Red Hook, Potsdam, Canton, Hamilton, and Geneva, as well as three out-of-state college towns, Hanover, NH, Middlebury, VT, and Williamstown, MA. The purpose of this analysis is to determine what sort of managerial and development issues are facing small college towns like Kirkland, as well as how these issues are being dealt with. The overall goal is to point out particular ways that Kirkland can gauge its own issues as compared to other analogous college towns.

The section will begin with a discussion on how these comparable college towns are attempting to attract and retain development in their communities. The issue of development is a major concern for many small, local communities that are attempting to remain vibrant. From here, the section will turn to a discussion of planning and strategizing within these college towns. In order to be successful, any entity – business or governmental – must have a plan or a vision for the future; this section will take an in-depth look at what is happening elsewhere. The section will then wrap up with a discussion of management capacity issues in these comparable college towns and what is being done to mitigate those problems. Our group has observed management capacity and development issues in Kirkland; perhaps evidence from similar towns will spark new ideas in the town's leadership.

Community-Based Policies for Attracting & Retaining Development:

Conversations with local town and village officials in Kirkland, as well as those involved in local development initiatives, revealed a need for attracting and retaining development. At the same time, there are strong concerns that development may threaten the area's small town character.

Taking these concerns into account, this section of the report will present policies and initiatives that allow small towns to pursue economic development on their own terms. Examples of how other small towns are generating revenue through special funds, which are set aside for specific development projects, will also be presented. In addition, other small towns have found ways to level the playing field when dealing with large-scale development projects. These policies help to alleviate the burden placed on the local government and officials while allowing for new development that is in line with community standards.

Community Growth & Preservation Funds:

Community Growth and Preservation funds are new tools being implemented by other New York towns with the objectives of supporting smart economic growth and preserving historic and natural landmarks. The funds create a tool for the local community to direct development initiatives according to need and long-term strategy.

Community Growth Funds (CGFs) receive donations from individuals, families, businesses, suppliers, and organizations to build permanent and available assets in the community. This fund is designed to help support both immediate and future needs by creating an endowment and making additional funds immediately available. Community Growth Funds are used to provide grants and loans for public and charitable purposes or to encourage specific economic development projects as determined by an Advisory Committee.

The town of Canton, NY is currently developing a CGF as outlined in their Comprehensive Economic Development Plan. The goal for Canton is to build on existing partnerships with nonprofits and integrate more actors in order to build both a housing and business investment fund. Potential funding sources include: local corporations, federal grant monies, and the Governor's Office for Small Cities. Canton looks to use this fund to underwrite loans, provide technical assistance, and implement mechanisms to prevent loan default. As stated in their plan, the goal is "not to be another banking option, but rather to invest to the levels required to get the banking community to be comfortable with its investment in community business development."³⁵

Community Preservation Funds (CPF) are land-use tools to be used in addition to zoning and cluster development planning. A CPF is used to purchase land and historic buildings in a community in order to protect them from future development or enact guidelines for future use. While CPFs can be used to restrict development, towns frequently use the funds to establish guidelines for development of specific sites and areas of the community. CPFs can be funded through voluntary contributions or by enacting laws that automatically contribute revenue to the fund.

The town of Red Hook, NY recently passed a law which enacts a Community Preservation Fund. The Fund generates revenue from a fee charged to home buyers for any amount above the county's median house sales price (less expensive homes are not charged the fee). The fees are added to an escrow fund that is used to finance community projects that preserve the local character of the town and historic buildings.

³⁵ *Canton Strategic Plan*, Furnished by David Button, Canton, NY on June 1, 2007, page 9.

Finally, town retailers are engaged in the creation of Business Improvement Districts (BIDs). BIDs are formed by a group of property owners who agree to collectively serve as a supplement to governmental services (e.g. cleaning and maintenance), non-governmental services (e.g. landscaping, marketing and promotion), and capital investments (e.g. sidewalk widening). According to Mildred Warner who has studied the impact of BIDs at Cornell University: “the municipality in which a BID is located collects the BID's supplemental property tax assessments through its general taxation powers and distributes them to the BID. A board of directors composed of property owners, merchants, residents and public sector representatives is then given authority by the government to undertake projects and programs within the district”³⁶

These various types of funds and special business district agreements serve as examples of ways a town can be pro-active toward long-term investment by taking steps to invest in a long-term strategy without overburdening community residents. The programs can operate through voluntary participation or can be enacted to automatically collect revenue through an incremental tax. The result is the creation of capital outlay for a local government to use in order to make improvements in the community which may not ordinarily receive the necessary level of attention.

Design & Development Policy:

A major concern expressed by local officials and residents of Kirkland is how commercial and residential development can affect the small town appeal currently enjoyed by Kirkland residents. While the size of development can vary widely, the fundamental question remains: how can a town enjoy the benefits from new development while preserving its own character? Furthermore, how can a town afford the legal and engineering expertise required by certain amounts of new commercial and residential development?

The town of Potsdam, NY, recently addressed the issue of large-scale development when Wal-Mart proposed building a new store in the town. As in other towns, the prospect of Wal-Mart becoming a part of the local economy and culture created opposition from some residents concerned about the fate of existing small retail stores, traffic congestion, and town character. These types of major issues associated with a proposed large-scale development project require legal, engineering, and planning expertise which can prove to be too expensive for a local government to finance at the level necessary for a thorough process of review and negotiation.

To offset high costs associated with large-scale development, Potsdam passed a law requiring large retail developers who propose new development of a certain size to provide an escrow account to the town. This account would pay for the

³⁶ Warner, et al, “Business Improvement Districts: Issues in Alternative Local Public Service Provision,” Cornell University, last modified 2006, <http://government.cce.cornell.edu/doc/reports/econdev/bids.asp>.

hiring of lawyers and engineers specifically for the development process. Over a 17-month period, Wal-Mart paid \$108,000 in legal and engineering fees to review and approve contract and building specifications. The law enabled Potsdam to level the playing field throughout the development process to ensure that the concerns of the town were sufficiently addressed.

In addition, Potsdam was concerned with the effect a Wal-Mart would have on the aesthetic character of the town. Residents did not want the store to alter the appearance of the town or change its special small town appeal. As a result, the town required Wal-Mart to submit design proposals that were in line with current storefront facades in the town. The building was also subjected to reduced height specifications in compliance with current storefront design. Additionally, the external lighting design was also subject to approval by town officials.

It is important to *not* regard the Potsdam example involving Wal-Mart as a proposal for luring corporate retailers of this size to Kirkland. *Rather*, it serves as an example of a small town attracting larger development on their own terms to ensure that the needs and expectations of the community are met throughout the process. Should Kirkland decide to pursue large commercial business development, it must take these steps to protect itself from the potential financial burden and aesthetic risks involved in order to enjoy possible future economic benefits.

As can be seen from the above example, towns very similar to Kirkland are employing innovative means to keep economic development in their town, while maintaining that town's character. The next section will discuss planning and strategizing issues in comparable college towns in the Northeast.

Comprehensive Planning: Types and Scopes of Plans and Strategies:

The various dimensions of planning and strategizing in similar college towns around the Northeastern United States will be explored. These towns include: Geneva, NY, Canton, NY, Williamstown, MA, and Middlebury, VT. These four towns all possess small colleges – a very comparable dynamic to Kirkland, NY. Also, within these towns are plans and strategies for the future success of the particular town. The purpose of this section will be to provide Kirkland with options for contemplating new and innovative ideas for their own Master Plan, as well as an idea of how other towns are dealing with their own issues.

Focus & Scope: What are other towns doing?

New York State law requires all towns to prepare a Master Comprehensive Plan to address the issues of land use and zoning. The town of Kirkland drafted and approved a Comprehensive Land Use Plan in 1995. The Town is currently in the beginning stages of updating the plan with a committee comprised of local Town officials and residents with planning experience and expertise.

Towns in the Northeastern region are beginning to use the planning process to address areas of need in a variety of ways. Such plans are developed as comprehensive strategies for all aspects of town planning. They are designed to develop a general vision of how the community seeks to address future concerns, or plans to address specific areas of focus within the community. The focus of the planning process will vary from town to town depending on the needs of the citizens. While some plans will primarily focus on economic development, other plans will include development as a smaller part of the overall plan.

Plans and strategies are necessary components for any successful organizational entity. Villages, towns, and cities also necessitate proper planning in order to be successful. Since the definition of success varies from town to town, the issue of planning for the short-term and long-term within such an entity is something that is particularly unique to a town. The mechanisms for creating plans and strategies also vary from town to town. In all cases, these plans are not set in stone as it is an iterative process; throughout the life of the plan, be it a two, five, or a ten year plan, it is constantly analyzed and subject to change.

In Geneva, NY, the Town's Master Plan is made up of various strategies that tackle particular issues. Since the Master Plan includes individual tactics for various areas of need, amending a particular piece of the Plan does not necessitate updating the entire Plan, which is a very arduous task. Currently, Geneva has focused on revising their Waterfront Revitalization Plan after changes in local government required a review of development strategy. By focusing on a site-specific area of need, the City of Geneva has been able to revise an important section of their Master Plan without making changes to other sections.

Issues within towns can vary widely. Consequently, the focus of a town's plan or strategy will depend on what the community identifies as an issue requiring a strategic outlook and plan. In Williamstown, MA, maintaining a diverse and vibrant community has become a real issue. As middle-class jobs have begun to shuffle out of the town, real disparities between the higher income and lower income individuals and families have become increasingly visible. Working on this problem has been a major focus of the town's Master Plan since its inception in 2005. In order to alleviate such problems, the town is looking toward expansion of lower cost residential units into the village center.

For Middlebury, VT, transportation infrastructure is a major problem. Being forty miles from the nearest interstate does not allow the Town to attract businesses that need larger types of transportation, i.e. tractor trailers. As a result the Town's plan focuses strongly on compensating this competitive disadvantage by focusing on other areas of future development, including small-retail development and tourism.

Communities are developing strategic plans on a smaller scale with a limited scope to address specific areas of need in the community. Towns realize they

are able to use these smaller, more focused plans as a valuable tool as part of the grant application process. By limiting the scope of a plan or strategy, a community can focus its limited resources on the areas of fundamental need within a smaller timeframe; the plans can be used to pursue external sources of funding.

One good example that emphasizes the various scope and size of strategic planning is in the Town and Village of Potsdam, NY. The Village of Potsdam represents approximately two-thirds of the entire town of Potsdam's population. The Village and the Town have pursued economic development strategies, but on different levels. The Village must address larger issues than the Town, so their approach to economic development depends on the scope of the plan. The Village created a 54-page comprehensive economic development plan, which included recommendations for long-term planning. The process lasted eight to ten months and included town management, citizen participation, and the county planning office. Conversely, the town created a 14-page economic development strategy designed to provide an emphasis of the issues the town planned to address. The process lasted three months, involving a smaller group of volunteer community members, town council members, and the Town's planning and zoning chairs. The strategy paper provided enough detail to be used to apply for state and federal grants, ultimately resulting in a substantial grant used to upgrade the Town sewage treatment facility.

These examples point out the multiple uses a town has at its disposal when addressing the planning process. While a Comprehensive Master Plan may be required by law and command a large number of resources; small, activity or area-focused plans can be less labor intensive and can serve as valuable tools for seeking external funding. The next section will move on to a discussion of management capacity issues within several of the same college towns.

Management Capacity:

Managing a town is certainly no easy task. For the town itself, it takes money to compensate officials for their work. For the leadership, it takes resources and time to ensure that the town and all entities within its authority are performing effectively and efficiently. These two variables – resources and time – touch on the broader subject of management capacity. Management capacity refers to the size and scope of the governmental leadership: what that leadership can and cannot do with the resources that are presently available. For many small, rural college towns, management capacity poses a real problem.

This section will focus on management capacity in other comparable college towns similar to Kirkland. These towns include Potsdam, NY, Cazenovia, NY, Red Hook, NY, Hanover, NH, Williamstown, MA, and Middlebury, VT. Each town has faced particular capacity issues, and each has dealt with those problems differently. However, the purpose of this section will be to explore those issues and present the implications each may hold for Kirkland.

Conventional Solutions:

Capacity can be increased in a number of ways: by expanding the number of workers within particular departments, hiring a professional to act as the Chief Executive Officer of the town, or hiring a group of professionals to create financial statements and prepare budgets. The towns that have been explored in this analysis have each mitigated their management capacity issues in various ways. Hanover, NH, Middlebury, VT, and Williamstown, MA all have town managers. Although these three towns are all out of state, and lie within different regulatory environments requiring a manager, lessons can still be learned from these three towns. For instance, in Hanover, NH, the Town Manager has distinct job responsibilities, one of which includes grant writing. By hiring a full-time professional with expertise in this field, Hanover, NH has been able to secure over \$300,000 in grants over the last 4 years. Since this official has been able to receive these grants and use them wisely, the Town of Hanover has created a name for itself in the appropriations offices of many governmental lending agencies.

Potsdam, NY has been able to expand its capacity by hiring an official that works side-by-side with the village mayor and the town supervisor. The official title of this position is Village Administrator. The sole responsibilities of this position include handling the day-to-day operations of all governmental departments, overseeing the annual budget process, and submitting grant applications; Potsdam has been able to expand its management capacity tremendously.

Contracts & Volunteers:

Hiring a professional town manager is certainly not the only means for achieving effective management capacity. Management can be contracted for short stints. The Town of Canton presents an excellent example of how short-term technical assistance provided the key component for long-term strategic planning. The Town Supervisor applied to the Governor's Office of Small Cities Technical Assistance Grant in 2002 and received funding for the development of a strategic initiatives plan in 2003. It was created under the belief that Canton as a community "has been studied to death" without seeing substantial outcomes from these efforts.³⁷ This plan includes concrete suggestions along with explicit partnership opportunities and funding prospects rather than mere ideas. The plan was finalized in January of 2004. Wary of outside consultants the town board opted to use the consulting services of the County after reviewing their competitive proposal. The strategic initiatives plan is a culmination of eight prior land use and economic development plans. Since then, the town has received funding totaling approximately \$600,000.

In Cazenovia, NY, as well, the town has recently begun to undertake the task of securing grants. These grants are issued for various reasons, but the overall

³⁷ *Canton Strategic Plan*, Furnished by David Button, Canton, NY on June 1, 2007, page 9.

effect is their ability to expand the town's resources, and thus its capacity. However, Cazenovia faces the same problem as Kirkland: there exists no professional grant writer whose sole responsibility is obtaining grants for the Town. Interestingly, Cazenovia has expanded its management capacity by using its own community's resources. Namely, the Town's leadership uses individuals, or groups of individuals within the town who are skilled at grant writing, whether from the business community or from those at the college with such experience. For a small town that might be wary of out-of-town consultants who might not particularly care for the area they are working in, using their own community's resources ensures professionals who are working for the good of their own community.

Collaboration:

Collaboration is one solution for addressing capacity and resource needs. In an era where buzz words like 'networked government,' 'partnerships,' and 'cooperation' are drawing increased attention politically, collaboration is fast becoming a tool not only for the pooling of internal resources, but also for the attraction of external support.

In order to expand its own management capacity, the leadership of Red Hook, NY has increased its ties with inter-municipal entities. These entities include aid from the county level and village level governments. Red Hook formed an alliance which combined county, town, and village resources in order to hire a consultant to assess water and sewer infrastructure needs. Such collaboration eliminated repeated work and wasted resources without usurping the political power of any municipality.

In Hamilton, NY, the Partnership for Community Development (PCD) operates as an autonomous entity including representation from various community stakeholders. The PCD came as a result of "forward thinking of a progressive community."³⁸ From a 1998 comprehensive plan, residents of both the Town and Village of Hamilton recognized the need for greater community development. They concluded that the partnership model, which would integrate the interests of the Village, the Town and the College, could be a way of garnering shared resources toward one consistent mission. The Partnership for Community Development is a nonprofit organization run by a board of directors of interested stakeholders in the community development of the Hamilton area. The partnership maintains clear and consistent communications between these three main actors and runs a variety of programs aimed at preserving the rural character and economic development of the Town. This partnership model enables the group to draw on internal as well as external resources for community development and make the most of local talents, resources, and initiatives.

³⁸ Bays, Jim (Executive Director, Partnership for Community Development), interview by Emily Coronado, Syracuse, NY, June 1, 2007.

Conclusion:

By exploring various college towns and how they attract development, plan for the future, and deal with the issue of management capacity, this section has attempted to show that Kirkland is not alone in dealing with these major issues. However, in order to move forward successfully, it may need to adopt or modify some of things that have been employed by other towns. By properly planning for the future and expanding its management capacity, Kirkland can begin the journey toward economic, cultural, and historical development.

Town/Gown Relations:

The purpose of this next section is to explore the various components of town/gown relations within the same set of comparable college towns used in the section above. From formal financial agreements to informal aspects of the same relationship, this dynamic within college towns presents many implications. This section will explore those components and attempt to shed some light on what is happening in other college towns and how Kirkland compares. The purpose of the comparison is to give officials within the *community* of Kirkland some ideas on how to strengthen their own town/gown relations.

An in-depth look at the financial aspects of these comparable college towns will begin this part of the analysis. From PILOT agreements to informal donations to the town by the college, this section will attempt to see how Kirkland and Hamilton College compare with the sample of college towns this report has employed. From here, the section will end with a discussion on the formalization of town/gown relations.

From provision of services to the community to simply having a community outreach apparatus at the college, there are many ways that college towns have attempted to strengthen the bonds of their communities; this section will explore those ties. In order for Kirkland to strengthen its *community* – from the leadership to the citizens to the college – strengthening its town/gown relations is a very important step; this entire section will explore many possibilities.

Financial Compensation:

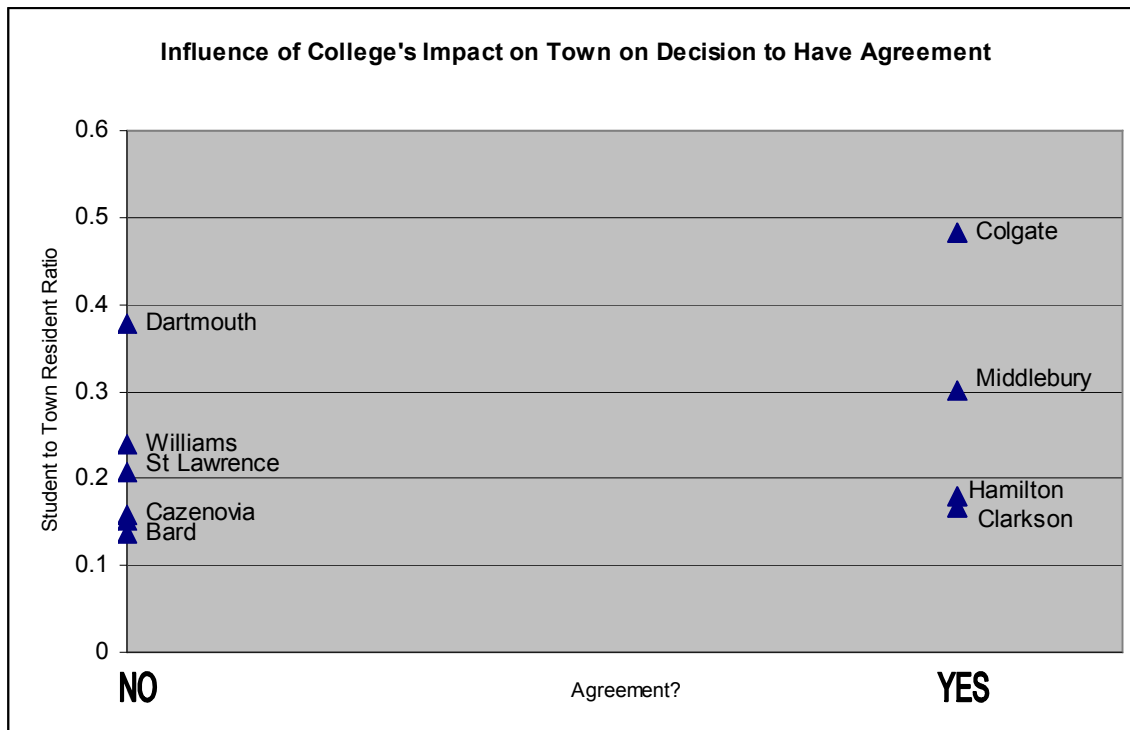
Questions relating to town-gown relationships can be framed from two very distinct perspectives: (1) How is the town benefiting from the presence of the college, and (2) What burdens does the town bear as a result of hosting the college? The Town of Kirkland faces these contradictory questions as it looks toward long-term economic development planning. The presence of Hamilton College stands as the Town's primary competitive advantage over neighboring towns in Central New York. Conversely, Kirkland is faced with the underlying issue of foregone tax revenue due to a nonprofit institution's legal right of exemption. In order to take advantage of the positive impact that the College poses while at the same time ameliorating the issue of foregone tax revenues, Town and College officials have come together to create formal financial partnerships. We compare the town-college financial agreement to those of similar-sized college towns in the Northeast. These comparisons are meant to provide context to the agreements and offer a variety of options according to the mutual interests of the Town and College.

Payments in lieu of tax, or PILOT, agreements serve as the most well-known option for formal financial connections between colleges and towns. PILOTs take on the form of either a nominal gift to the town as a gesture of goodwill or a

substantial contribution of revenue for the town. Often, college administrators prefer that these formal financial agreements be termed “agreements” or “gifts.” The logic behind using these terms stems from the ambiguity of the responsibilities of a college itself. “In lieu of” suggests that the college itself would have otherwise had a financial responsibility to the town for property taxes. A broader view of these agreements assumes that the college payment to the town is in recognition of the college’s vested interest in the functioning of the government services or the overall economic vitality of the town. The college’s gift may also be seen as a form of reciprocity for the services the college enjoys instead of simply a financial apology for the nonprofit exemption.

We found from our sample that the decision to enact a formal financial agreement was not correlated with the college’s impact on the town itself. The following graph plots whether or not the college has an agreement in place (x-axis) against the actual gown to town population ratio. We would expect that those colleges with a larger ratio of student population to town residents would be more apt to engage in such an agreement. This is because each resident of a town, whether student or local, requires certain municipal services such as sewer, police, fire, water, roads, and governance. The degree of college autonomy from these services was not controlled for in this estimation.

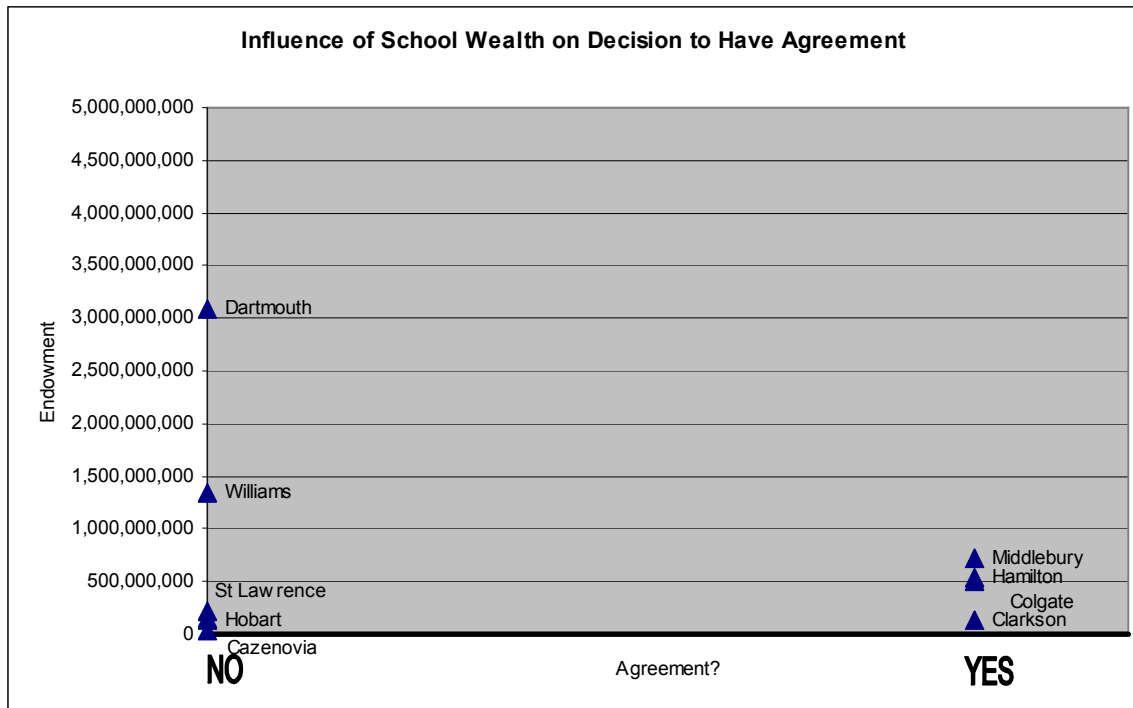
Graph 1, “Influence of College’s Impact on Town Decision to Have Agreement”



From the graph, we deduce that within this sample there is no indication that the actual student to town resident ratio impacts the college’s administration to engage in a formal agreement. This suggests that either (a) the motivation for engaging in the agreement stems from factors beyond the college’s population impact, or (b) the formal financial agreement is not a good overall measure for financial contributions to the town.

We then hypothesized that the decision to engage in a formal financial agreement might be influenced by the college’s means and resources rather than their outward impact on the town. Here on the X-axis we ask whether or not the school has a formal financial agreement. On the Y-axis we utilize the college’s endowment as a measure of wealth and resources. From this small sample, the data suggest that a school’s resources are not directly positively correlated with the decision to engage in or not engage in financial agreements with the town. We see that schools within our sample that have a small endowment and schools with large endowments opt out of formal agreements. Interestingly, we see the three schools with mid-range endowments utilizing the agreement. This suggests that these colleges with mid-range endowments from our sample may prefer formalized agreements to other mechanisms of financially tying the school to the town. It is important to note, however, that this graph does not capture a trade-off of formal financial agreements to other in-kind or direct means of support. Engaging in an agreement does not necessarily exclude a college from supporting the town in other ways.

Graph 2, “Influence of School Wealth on Decision to Have Agreement”



This graph illustrates the decision to engage in agreements, but it does not depict the actual content of those agreements. The dollar amount of the agreements varies greatly from even a small, fairly homogenous sample. Clarkson University for example makes two separate contributions annually to both the town and the village governments. The town receives a smaller portion: \$4,500 annually; the village receives \$30,000 annually. By contrast, Williams College with an endowment 51 times that of Clarkson University has no formal PILOT agreement between the Town of Williamstown and Williams

College. The College does make an annual payment to the authorities within the fire district that the College is located. Compensation to the Town is instead considered to be the array of community involvement and investment by the College. Such contrasting examples show that these agreements are not necessarily correlated with the wealth of the school.

Middlebury College does engage in a PILOT agreement but does so by combining revenue sources. The current agreement between the Town of Middlebury and Middlebury College stipulates that the College will give a “gift” to the town that sums up to nearly \$250,000 each year. The College gives an initial gift to the town of roughly \$150,000. The remaining gift is determined by a formula where the college reserves \$1,000,000 from its endowment for the town. Over the course of a year that money gains interest with 5% of the year-end earnings going to the town. This amount is negotiated between the two highest college officials at Middlebury, the Town Manager and the President of the Select Board quarterly in what has been coined the “Town Lunch.” The purpose of these meetings is to ensure that the Town is content with what is being given by the College.

The Middlebury case presents several issues for consideration. First, it demonstrates the important issue of control in the formal financial agreements. The Middlebury Town Lunch suggests democratic negotiations between the Town and College officials. The Town Lunch is a sign of the iterative dialogue of a relationship that is reinventing itself constantly. Opening these lines of communication suggests that the process, while formal, is dynamic and open to change and discussion.

The Town Supervisor of Canton, NY, David Button demonstrates perpetual transformation and reinvention of the town-gown relationship. He recalls four years ago when St. Lawrence University was seen by real estate developers and property owners to be stifling competition in the real estate market. The college bought much property and was using the tax-exempt status to continue acquisitions. As compensation to the Town, the College paid a payment in lieu of taxes. Button, Mayor of the Village at that time, worked with the college administration by ‘gently prodding’ them into agreeing to transform the real estate development trends of the college.³⁹ With change in college administration, Button achieved heightened divestiture of tax exempt property by moving faculty housing onto the tax rolls. Today, Button continues to reassess this relationship; however, he cites the bookstore and golf course as two main entities that are causing slight tension. He notes that each cater to a great number of town residents and should be, at least in part, on the tax rolls. Despite these areas of tension, when asked how the town/gown relations were in his Town, Supervisor David Button replied “excellent.” He stated the town and the college share the same focus. The move away from formal PILOTs to a focus on taxable property represents a change in attitude toward the financial

³⁹ Button, David (Supervisor, Town of Canton), interview by Emily Coronado, Syracuse, NY, May 29, 2007.

agreement itself. The formal financial agreement in this case was only one option for strengthening the College's contribution to the Town.

The move towards divestiture in tax-exempt property and the College's efforts to place these properties on the tax rolls is not unique to St. Lawrence University. Dartmouth is the overwhelming primary revenue source for Hanover, NH. Dartmouth owns properties that are not considered to be tied to the school's mission of providing education. Dorms, dining halls, and housing used by faculty, staff, and graduate students are considered taxable. Taxes paid in 2006 from these properties equaled \$3.27 million. The school uses this approach along with direct payments to the town's departments and districts as their way of establishing formal financial connections to the town. The school makes payments to transportation (\$12,500) and the Central Business District (\$15,000). It also has a contract for a free transit service for students (\$80,000). It is important to recognize the uniqueness of Dartmouth as compared to other college towns in this sample. With a student body over twice that of Hamilton and an endowment roughly six times as large, the economic impact of the college on the town should be considered individually. The case of Dartmouth does, however, demonstrate the significant contributions to tax revenue a college can make when determining that non-mission related income can be designated on the tax rolls.

In Geneva, NY, 57% of the property in the city is tax-exempt because of the presence of Hobart William & Smith College and other nonprofits located in the city. HWS College is the biggest benefactor of tax-exempt status in Geneva. To address this issue and raise revenue generated from property taxes, the City of Geneva is seeking an agreement with HWS to place any new development under a taxable standing. Such an agreement would set a precedent for future developments rather than address the present tax arrangements. It is unclear whether this measure is meant to prevent increased land acquisition on the part of the college or if it is simply a general agreement to ensure increased tax revenue.

Perhaps the most controversial factor contributing to the town/gown relationship stems from the presence of off-campus versus on-campus property. Clarkson University moved to the outskirts of the village of Potsdam after standing downtown for several years. Since the move, the college has maintained certain key downtown properties. The school maintains a contract with Barnes & Noble to operate a bookstore downtown where all school books are sold. Additionally, the school owns a 41-unit hotel for which it pays property taxes. These properties serve as a staple to the vitality of the downtown area by drawing increased sales to the region instead of posing as a competitive force. Such a distinction between competition and revitalization is important to delineate when assessing the role of the college in real estate matters.

Similar to the Clarkson case, the ownership and improvement of downtown buildings in the Village of Hamilton aligned with the priorities of Colgate University. Operating under LLC the Hamilton Initiative exists as a for-profit

company in order to “remain on the tax rolls, but the quality of life in Hamilton is more important to us than the bottom line”.⁴⁰ The Hamilton Initiative was originally sprung forth as an initiative from Colgate alumni who wished to improve the appearance of the downtown of the Village of Hamilton. The group focuses on the renovation of eight key downtown buildings and manages four business operations. For those businesses that the Initiative does not manage, the purpose is to attract quality tenants to the area. Although the Initiative operates under LLC status, the college maintains the initiative under its financials. It is funded by alumni and parents from Colgate and serves as a conduit for directed philanthropy from these groups.

Clearly, college and town formal financial agreements can range from a new categorization of taxable properties, to formal agreed-upon payments to the village or town, to formal initiatives serving as a conduit for town philanthropy. Due to the ambiguity of federal and state laws with regard to shaping these relationships, the nature of each depends largely on the communications and negotiations of the two primary actors: local government administration and college administration.

In addition to the overarching financial agreements, the town/gown financial relationships can also take on a piecemeal fashion. Often special projects require special funding. It is under these circumstances that town officials have enlisted the financial support of the college. Fifteen years ago the town of Red Hook was forced to replace their water storage facility. The town solicited half the financing from Bard College, a large client of the water facilities.

The initial negotiation, however, may have begun from college administration. St. Lawrence University investment into one local street was undertaken with expectations that the town would reinvest tax revenues into improved parking services, specifically the eastern parking lot behind Main Street. In addition, the University’s ‘Canton Initiative’ takes on the form of a town/gown fund in the sense that the community development efforts are centralized under the power of the college administration, rather than following a formal partnership model with the town. Two donations of \$1 million (one in 1997, another in 2001) have been used to serve the goals of investment into properties to enhance the attractiveness of neighboring zones, move university owned property onto the tax rolls, and establish a ‘partnership spirit’ between the University and the community.

Williams College has looked beyond the services which directly impact the college to a broad view of community support. In 1999, the College committed nearly \$1.5 million for the construction of a new elementary school. The entire amount was not depleted; the remaining funds were used to create a fund that would be used to maintain the renewal of the building.

⁴⁰ *Hamilton Greater Initiative*, Retrieved on May 27, 2007 from <http://www.partnersatwork.org/initiatives/initiatives.htm>

In addition to this directed financial contribution, the college has used foundation money and in-kind support for directed gifts to the town. A series of grants from the Howard Hughes Medical Institute have enabled the college to spend \$729,000 on science outreach to local elementary and secondary schools. The College provides a free internet link to the Williamstown Elementary School, saving the school tens of thousands of dollars annually. Computers that are no longer in use at the school are donated to local schools and nonprofit organizations in the region. The college has also been creative with this in-kind community support: a comprehensive composting project converts many tons of refuse from student dining halls into a valuable agricultural resource for local farmers.

It is not surprising that town/gown relationships take on a complex, and often ambiguous form. Even cut and dry numbers of town revenues from formal financial agreements, tax revenues, special projects, and in-kind support for town activities do not describe the town/gown financials. Each aspect of support must be weighed in tandem with the other information. Often, too, this relies on the perception of town residents toward the college itself as well as the elements of political control as to whether or not the town or college has a say in determining the relationship.

Institutionalizing Town/Gown Relations:

In addition to formal financial agreements between local governments and colleges, these two entities are taking steps to formalize their relationship in the community by organizing around central issues concerning government, institution and residents. The issues have economic, social, and educational implications to the community which are recognized as requiring the collaboration of various stakeholders in order to fully address them.

In response, residents and local officials have created the foundation for formal community collaboration by creating organizations which include representation from all interested stakeholders. The scope of these organizations depends on the issues being addressed; the central element for all of these examples is the recognition by community leaders of a need to institutionalize the process of community development in order to make fundamental changes. The process of institutionalizing community action is labor intensive, but it ensures a long-term commitment to community-wide development.

There are strong advantages to institutionalizing the process. Organizing generates a forum to assist in breaking down many of the barriers to creating change as this medium allows the various players traveling in different circles to communicate with one another. By formally organizing, these actors can come together to form new collaborations on issues that concern all of their different perspectives; a better understanding of the various interests can emerge and a more inclusive response can be formulated. The forum brings

together the many resources possessed by town residents which can be used by the organization to enhance the efforts of community development. Individual expertise and experience can be used in a collective effort toward making improvements in the community.

In Canton, NY, the town recognized the need for a formal partnership to bridge the gap between students and the community. In response to a growing disconnect between student life and community life, as well as increasing prejudices between students and town residents, St. Lawrence University has made formal attempts to encourage off-campus volunteerism. These initiatives often took on charitable tones, and while responding to community needs, they did not always connect students with academic interests. The Center for Civic Engagement and Leadership provides seamless integration of academic affairs and volunteerism. Students can earn credit on volunteer internships and work with a mentor throughout their coursework. The social justice model means that the engagement largely stems from the community partnerships with the campus. The center has engaged in partnerships with family court to train students as volunteer family supervisors in order to provide increased visitation; the University provides campus space for these visitations. Another example of these partnerships is the Akwasasne Semester which allows students to take coursework and serve at the Akwasasne Reservation with additional mentorship requirements with the Boys and Girls Club. The Project Democracy Partnership is meant to form deliberative dialogue to build bridges between community and student life by developing a line of communication between students and town residents. The process unravels stereotypes from both ends. Students also deliver meals to the elderly and shut-ins as well as taking coursework on hunger and homelessness.

These partnerships are only two years old. While St. Lawrence made a commitment to the improved community learning program by forming the Center, grant funding from the AACU and Charles Engelhart Foundation brought the ideas to practice. Dr. Ron Flores of the Center explains that he has easily garnered support from both students and community residents, but finds faculty engagement to be the biggest barrier to the further advancement of the curriculum. This is because he finds that those faculty members often prefer an isolationist approach to learning or a 'hands-off intellectualism.' Secondly, Flores identified an incentives problem because faculty members are not rewarded in the tenure process, year review process, or promotion process. The challenge for him is to get the University administration to recognize the importance of faculty in the service learning process. Despite these challenges, Flores finds the Center to be successful in promoting student-life to community-life integration. The Center is active in orientation, as well it sponsors a volunteer fair on campus. Finally, the Center is making new partnerships for increased academic-community involvement activities

Other town/gown communities have taken steps to formalize relations between student life and the community to address both social issues and encourage economic development within the community. In Potsdam, NY, the local Chamber of Commerce (COC) sponsors "First Night" every fall during the first

week of classes at Clarkson University and SUNY-Potsdam. Participating local retailers extend their store hours for an “open house” event where the COC provides students with a coupon booklet and map. The event is successful in bringing students to local retailers in addition to town residents for the community-wide event. It also raises awareness for local retailers to understand what are products and services students want in order to capitalize on their influence on the local economy.

Williams College makes a concerted effort to be intertwined in the fabric of the entire community of Williamstown, MA. The town has taken steps to create community-focused programs in which its students and administration can participate to make valuable contributions to the town and be recognized by the town for its efforts. Performing a service that provides an immediate impact to the local community, the Williams College dining hall sets aside a specific number of meals that are then donated to the local Meals on Wheels program which delivers them to needy families in the town and outlying rural areas. Students are encouraged to become regular participants in this service and social service organizations are pro-active in recruiting volunteer student help to augment their service level. From the classroom, the College offers “experiential” courses that allow students to get off campus to conduct field work in a local setting to gain a ‘real-world’ perspective of the issues while benefiting the town’s improvement programs.

The City of Geneva, NY works with Hobart William & Smith College for the annual “Day of Service” event. Each year, the event brings college staff, faculty, and students together with people of Geneva to perform service projects in the community. The event is planned by all areas of the community with support from local businesses, service providers, and the College. The group addresses local needs expressed by organizations, agencies, and individuals.

Finally, Bard College offers a program for local residents graduating in the top 10% of their high school class the opportunity to attend the college at reduced price. Local residents who attend pay the rate comparable to a community college.

Community Branding & Large-Scale Formal Collaboration:

Large-Scale Formal Collaboration:

Communities are beginning to integrate town/gown relationships into the master economic planning process, as well as formalize marketing strategies to incorporate the college presence into their community branding efforts. The institution plays a major role in the local affairs of the community. In addition, the “college town” environment appeals to many future residents, relocating businesses, and tourists.

The City of Gainesville, Florida actively promotes its “college town” persona as an integral part of the community and with good reason. The University of

Florida is the fourth largest university in the nation and represents 32% of the Gainesville population. It is important to focus on the policies and practices being used by Gainesville in collaboration with the University rather than the scale at which they are applied. The formal relationships forged and collaborative efforts enacted by Gainesville and the University can be used by local officials, Kirkland residents, and Hamilton College as examples of the various areas where formal collaboration can be achieved.

In June 2004, the Economic Development University Community Committee (EDUCC) was established as a standing City Committee by the Gainesville City Commission. The mission of the Committee is, “to provide a forum for the coordination of university, college, public and private sector partners in economic development efforts designed to improve living standards for the community at large.”

The City of Gainesville Economic Development Director Erik Bredfeldt says, “the EDUCC represents an effort by the City of Gainesville to take initiative and leadership in the establishment of a local institution that promotes the economic development capacity of the City of Gainesville and the community at large.”⁴¹ In three years, the EDUCC has succeeded in bringing together parties who do not regularly work together in their day-to-day operations, but who have mutual interests in local issues. Barriers to working with various stakeholders have been removed. Instead, the EDUCC “acts as a publicly oriented institution that hosts the exchange of ideas and the formulation of joint action strategies designed to achieve mutually shared community economic development initiatives.”⁴²

Current members of the EDUCC include city officials, the University of Florida, Chamber of Commerce, county officials, and school board officials. The members established a framework for the issues they would address in the future:

- Routinely participate in the EDUCC forum
- Institutionalize and internalize agreed upon community economic development initiatives flowing from the EDUCC
- Promote EDUCC partner staff exchanges to the greatest extent possible in order to build effective working relationships important for building future success
- Focus on timely implementation of those activities/projects considered by the Committee
- Emphasize openness to various viewpoints and keeping the eyes of the Committee’s “prize” or mission

Under this framework, subcommittees were created in the areas of Master Planning; Marketing and Communication; Economic Development; City

⁴¹ Bredfeldt, Erik. Director Economic Development, City of Gainesville; Request for information by Kevin Jensen on May 29, 2007.

⁴² Ibid.

Government; and Arts & Culture. Each of these subcommittees agreed upon two or three substantive recommendations and is actively pursuing them with the support of the City government.

Gainesville ED Director Erik Bredfeldt offered his candid assessment of the process:

- Partnership/coordination are foundational and must be pursued in order to achieve success.
- Institutionalizing this effort is important but labor intensive.
- Partners sometimes disagree and/or do their own thing.
- Partners need to see a value in the forum
- You have to be in this for the long haul⁴³

Community Branding:

The City of Gainesville, FL, is also taking steps to market the city by integrating the reputation and spirit associated with the University of Florida. As part of its branding campaign, Gainesville highlights not only its own unique character, but also takes pride in being the home to a well-regarded educational institution. Gainesville utilizes its competitive advantage as a dynamic “college town” to encourage visitors, future residents, and businesses to experience and become a part of their culture.

The concept, rather than the scope by which Gainesville undertook this branding campaign, should be stressed. The Town of Kirkland can benefit from conducting a vision and branding exercise within the proper scope for meeting the needs of the community’s interests. The process brings together a cross-sectional group to serve the town in determining the image it wants to convey to potential visitors, residents and businesses. A brand can market the attributes it possesses as a friendly, charming community and home to a nationally respected institution for higher education to encourage tourism and attract young families and businesses.

The Gainesville branding process began with the formation of a committee comprised of a cross-section of local marketing professionals. The committed formalized short- and long-term goals for the branding effort were then established. Short-term goals included the hiring of a marketing/communications director to provide the expertise and coordinating leadership necessary “to develop and communicate a common vision for all.”⁴⁴ The director’s first task was to conduct an assessment of the current resources in the community dedicated to marketing/communications efforts and creating a marketing plan. Central to these initial steps, “the city must adopt a ‘vision’ to define ourselves so as not to be defined by others.”⁴⁵ The short-term goals enabled Gainesville to develop a brand image that competes with peer cities for

⁴³ Bredfeldt, Erik. “Best Practices in Building University/City Relations,” June 8, 2007

⁴⁴ Parmlee, 2007.

⁴⁵ Ibid.

entrepreneurs, relocating companies, future residents, tourists and faculty and students. In addition, the branding effort successfully leveraged the city's investment in marketing efforts by bringing together the resources and existing marketing initiatives.

The long-term goals for the Gainesville branding effort included:

1. Increase positive awareness of Gainesville locally, regionally & nationally
2. Establish Gainesville as a recognized leader among peer cities
3. Continually evaluate & refine the marketing plan to ensure that the city is utilizing its marketing resources in a cost-effective manner
4. Create and communicate a stronger sense of "Community Pride"

The Town of Kirkland, Village of Clinton, and Hamilton College can all benefit from a branding campaign. By making a concerted effort to harness the spirit of the community and to project this identity in a unified effort, the community takes action in determining the kind of visitors, residents, and businesses it hopes to attract in order to sustain and build upon the vitality of the area. It is another example of how a community can be pro-active in taking control of the development process to ensure future development moves in the direction that is right for the community.

Conclusion:

The purpose of this section has been to explore the various components of town/gown relations within comparable college towns. From formal financial agreements to informal aspects of the same relationship, this dynamic within college towns poses many issues. This section explored those components and has attempted to shed some light on what is happening in other college towns and how Kirkland compares. The purpose of the comparison is to give officials within the *community* of Kirkland some ideas on how to strengthen their own town/gown relations.

It seems from the above analysis that Hamilton College and Kirkland could do much more to strengthen their ties, thus strengthening the overall bond of the community. Within college towns there exists a certain dynamic that is unseen in towns that are missing the college. Especially in small, rural communities like Kirkland, the college is a vital and essential part of the whole community. Communication can never lack between these two entities; if and when it does the whole community will suffer. By formalizing the relationship through financial contributions and donations, the college can gain much more stature within the community where it is located. However, this relationship works both ways. The town must be open to the opinions and ideas of officials at the college. Once again, by formalizing this relationship, the lines of communication will always be open, thus ensuring that the town/gown relations remain strong.

Qualitative Analysis Conclusion:

This section has attempted to take a different route in gauging the health of Kirkland. By juxtaposing Kirkland to comparable college towns, this report has found that in order for Kirkland to remain “healthy” some changes beyond the financial realm may be necessary. Additionally, by exploring what is occurring within these other towns, this section has attempted to present ideas for further solutions within the town of Kirkland. The final section of this report will deal with various recommendations that could be undertaken by officials and citizens within the Kirkland community to help strengthen the bonds that have made this community what it is today.

Conclusions and Recommendations:

The purpose of this report has been to develop an in-depth analysis of the Town of Kirkland, Village of Clinton, and the Clinton Central School District. The two main sections of the paper have explored the financial condition of these jurisdictions, as well as comparisons with comparable governments focusing on the scope of their local governments, as well as town/gown relations within these localities. The most important findings of the research are related to the necessity for a comprehensive long-term plan and fruitful communication between different governmental entities and community groups. It would also help to develop a strategic outlook as well as establish a common vision for the future of the entire community.

The financial data analysis reveals a trend that local managers should be aware of: generally, revenue is growing at a slower rate than expenditures; this is a common theme among all jurisdictions studied. Though this is not a cause for immediate distress, it emphasizes the essential role of identifying capacity problems, gathering evidence, planning for the future, and maintaining a healthy debate within the community.

The ability to identify the essence of any problem and to support and present these concerns to fellow citizens may often depend on the quality of information that municipalities keep. For that reason a better record of the government’s assets and their actual condition must be kept. Additionally, for purposes of providing the link between financial data and the actual level of quality of services delivered, localities should attempt to measure service outputs and performance. These issues can be addressed through the expansion of capacity within the scope of the local government. By hiring full-time professional positions to tackle the financial aspects of government, the elected, part-time officials will be given a greater chance to expand their own, hands-on management – one of Kirkland’s many hallmarks.

Introducing new record keeping practices and developing capacity to extract financial information can be extremely challenging. Experiences in similar towns show that either contract-based or permanent consultation with a

professional should be encouraged. Consultation comes in a variety of forms. For towns that are wary of out-of-town consultants, using community resources is an interesting possibility. Additionally, for small, college towns such as Kirkland, having a top-tier college presents many opportunities for the expansion of capacity.

Planning for the future involves not only generating ideas and strategies, but also the will to implement those ideas and initiatives. Therefore, the ability to spread out the costs and revenues of future projects is a very important instrument for development. If used prudently, investments and long-term debt can provide a local government with ample opportunities for development. Local government officials in the Town of Kirkland and the Village of Clinton should not be afraid to use debt as an instrument for securing future needs. Short-term financial planning can easily be improved by developing better accounting practices regarding reservations and appropriations of fund balances.

Finally, a dialogue between community groups will ensure that all of the above mentioned efforts are directed toward a shared future vision. Creating a community vision provides a small town with many opportunities, the largest being the opportunity to strengthen the community bonds that hold the town together. In order to provide a better exchange of ideas, representation and participation must be formalized between all local networks; from the individual citizen to the part-time town leadership to the highest paid college professor. Kirkland Ventures provides a great starting point for this formalization. By bringing in more members of the entire community, the town can work towards reaching consensus on this vision. As can be expected, this process requires many resources, including time and patience. However, the end product will be worth the struggle.

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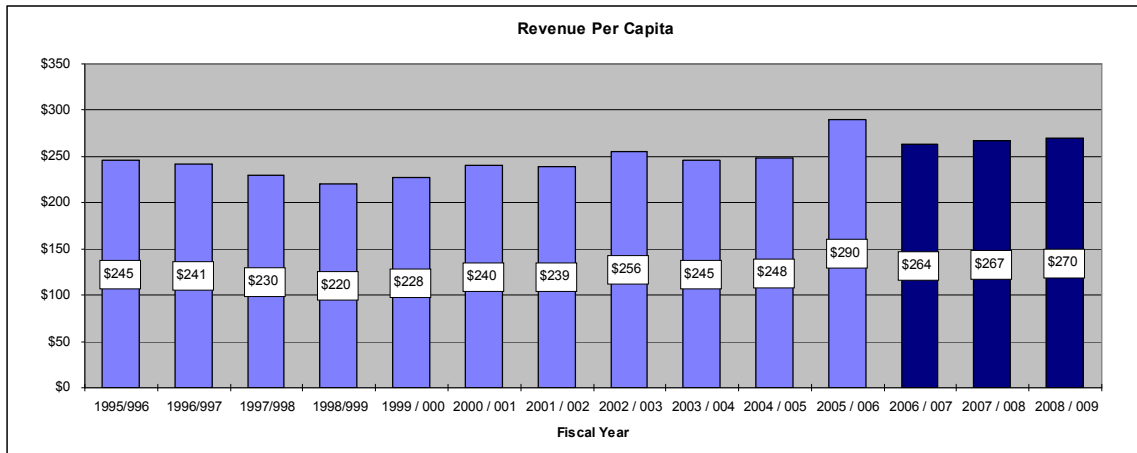
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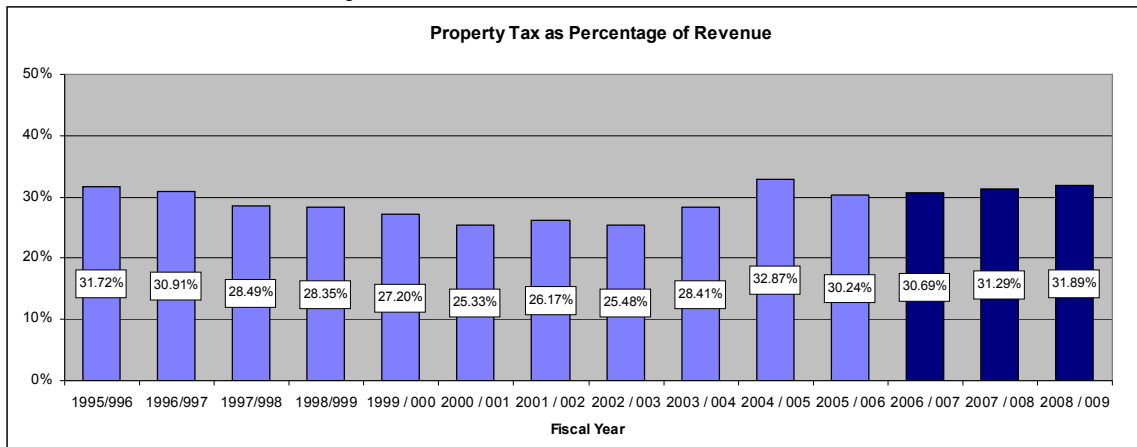
Appendix

Appendix A, Cited Graphs, Kirkland:

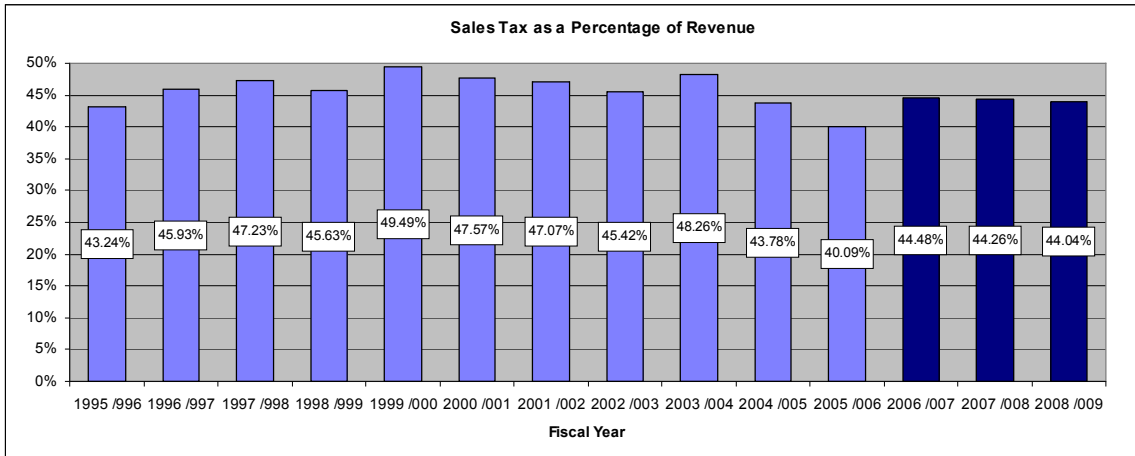
Graph 1: Net operating revenues divided by the total population of the Town of Kirkland. Population number is exact for the year 2000/2001; other figures are estimated by the US Census Bureau. The dark blue bars are the revenue per capita estimates for years 2007-2009 based on the FY 1996-2006 trend.



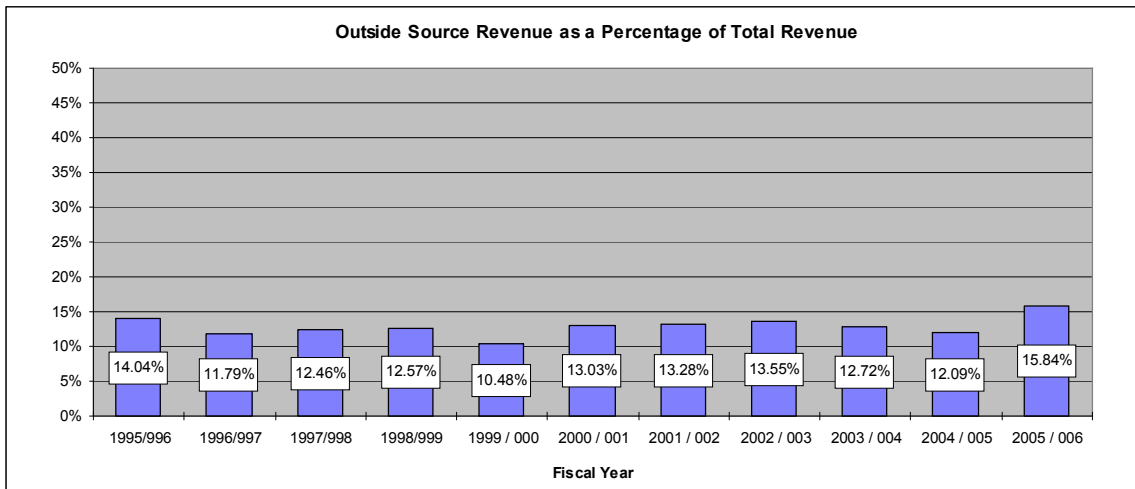
Graph 3: Total real property tax revenues of the Town of Kirkland as percentage of total operating revenues of Kirkland. The dark blue bars are the property tax revenue estimates for years 2007-2009 based on the FY 1996-2006 trend.



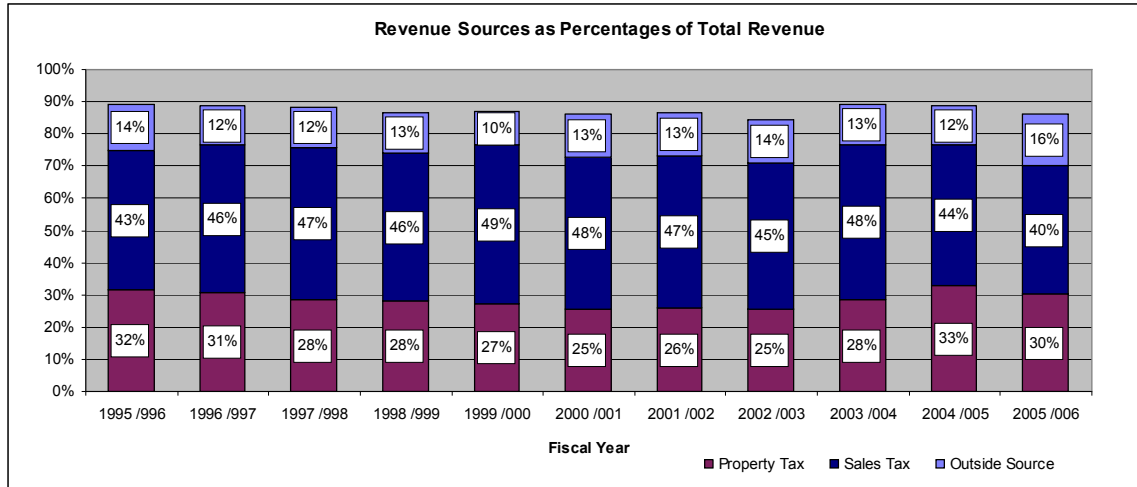
Graph 7: Total sales tax revenues of the Town of Kirkland as percentage of total operating revenues of Kirkland. The dark blue bars represent the proportion of sales tax revenue estimated for years 2007-2009 based on the FY 1996-2006 trend.



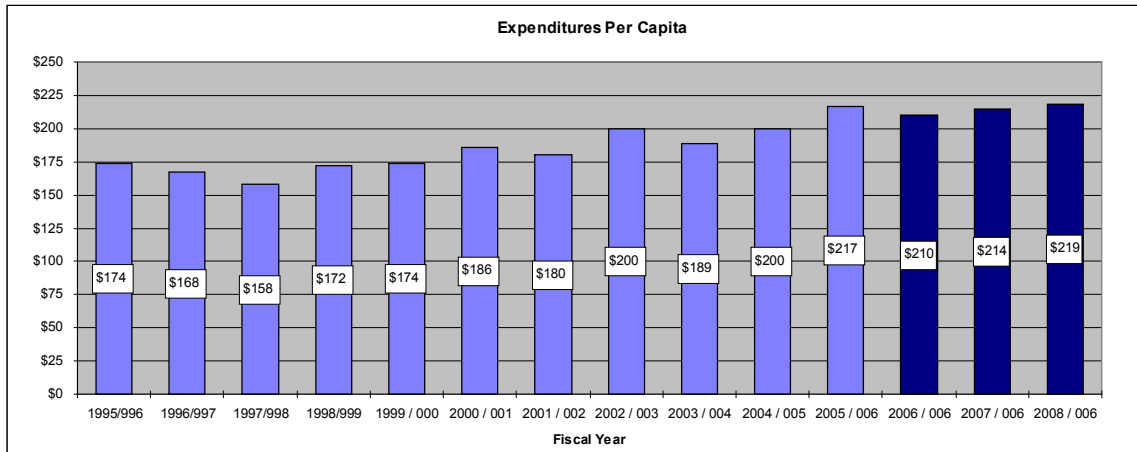
Graph 8: Total non-local revenues of the Town of Kirkland as percentage of total net operating revenues of Kirkland.



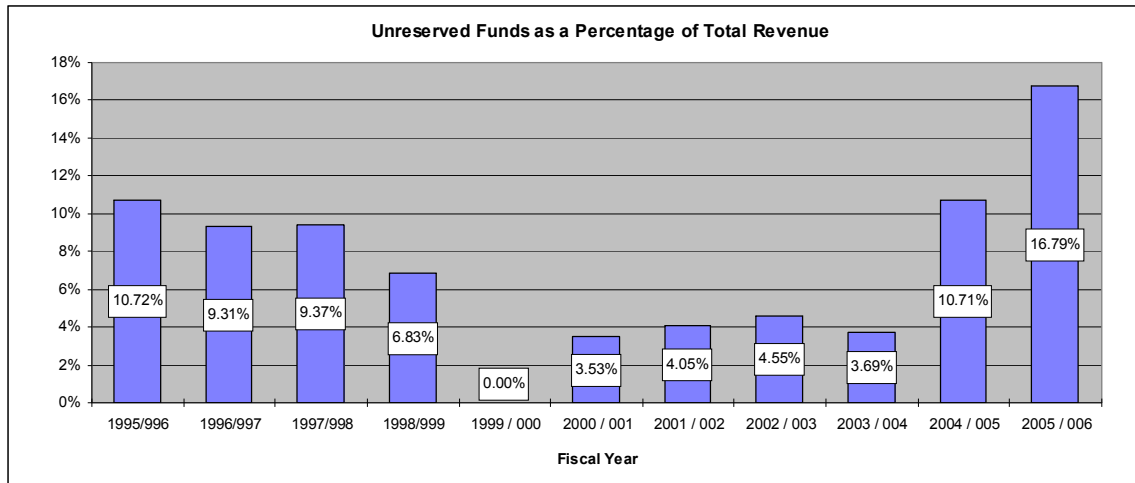
Graph 9: Summary graph of composition of total revenue sources in percentage terms in Town of Kirkland.



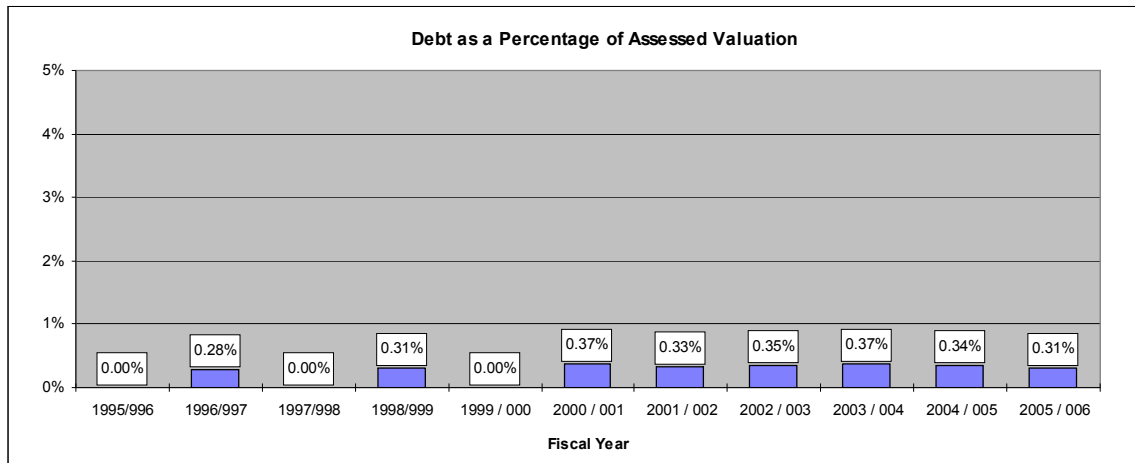
Graph 10: Net operating expenditures over the total population of the Town of Kirkland. Population number is exact for the year 2000/2001; other figures are estimated by the US Census Bureau. The dark blue bars are the expenditure per capita estimates for years 2007-2009 based on the FY 1996-2006 trend.



Graph 13: Annual difference between total assets and liabilities that is not appropriated or reserved for state or other mandatory expenditures. Measured against net operating revenues of Town of Kirkland.

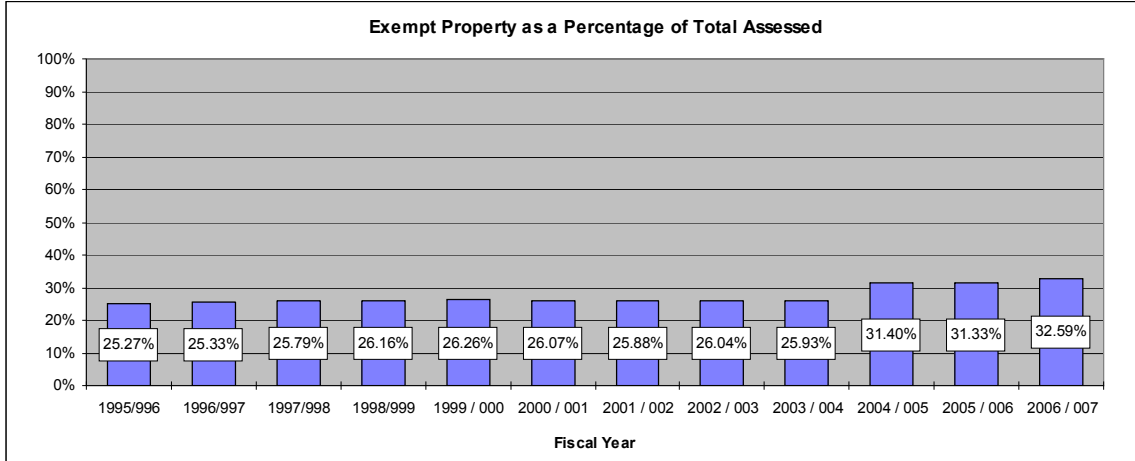


Graph 14: Total direct bonded (and BAN's) debt that is counted against the constitutional debt limit as a percentage of total assessed valuation of real properties of the Town of Kirkland.

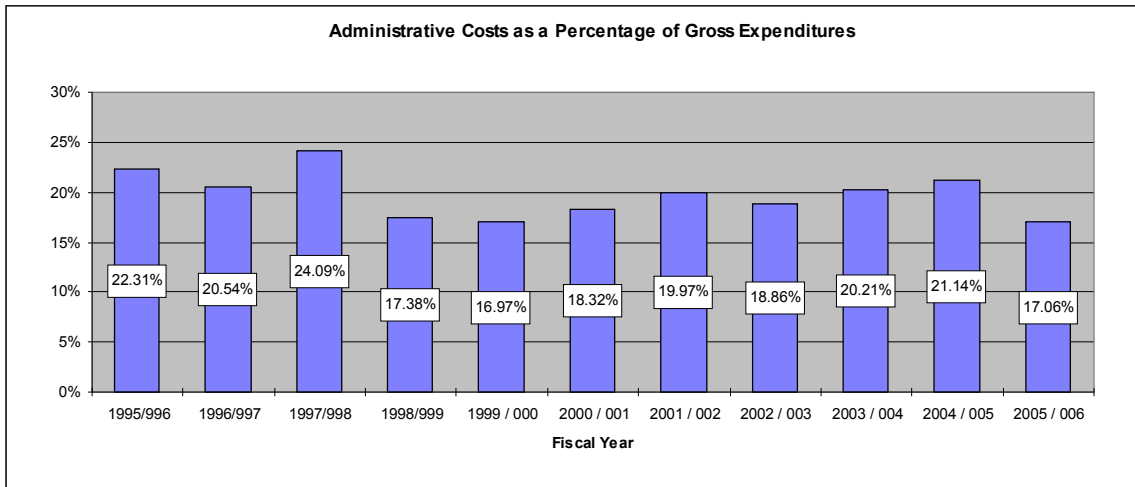


Other Useful Graphs, Kirkland:

Graph 16: Percentage of real property base that is exempt from local and school property tax payments. The trend is applicable to both Town of Kirkland and the Clinton Central School District, since their tax bases are almost perfectly overlapping.

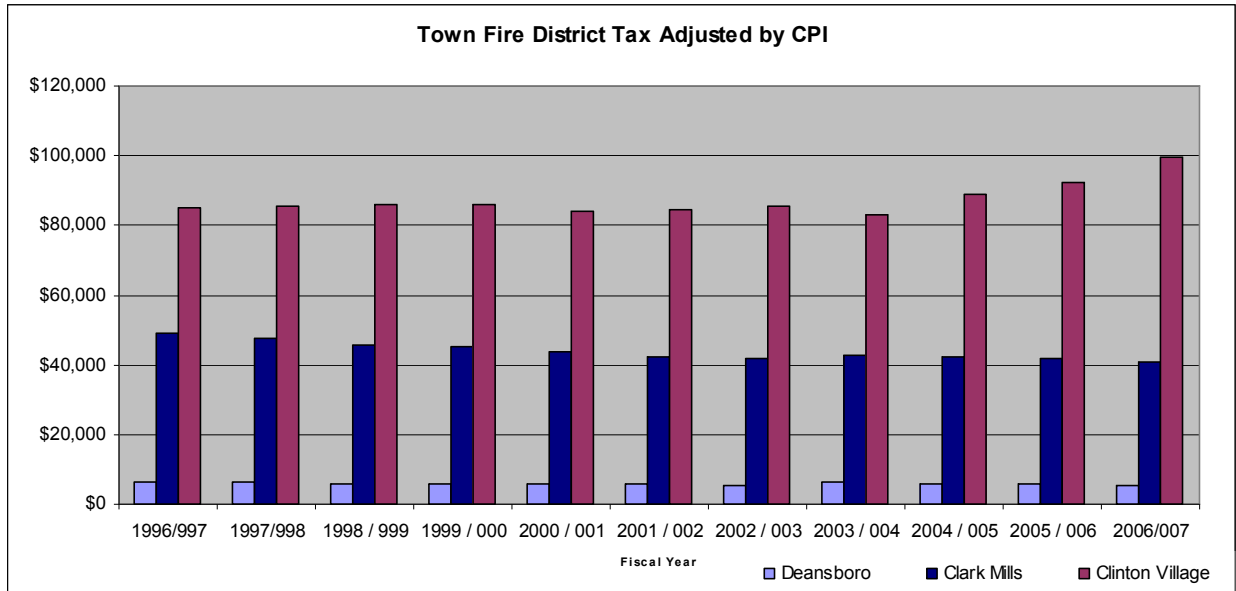


Graph 17: General and administrative expenditures (grouped by expenditure function) as a percentage of gross expenditures of the Town of Kirkland, General Fund.



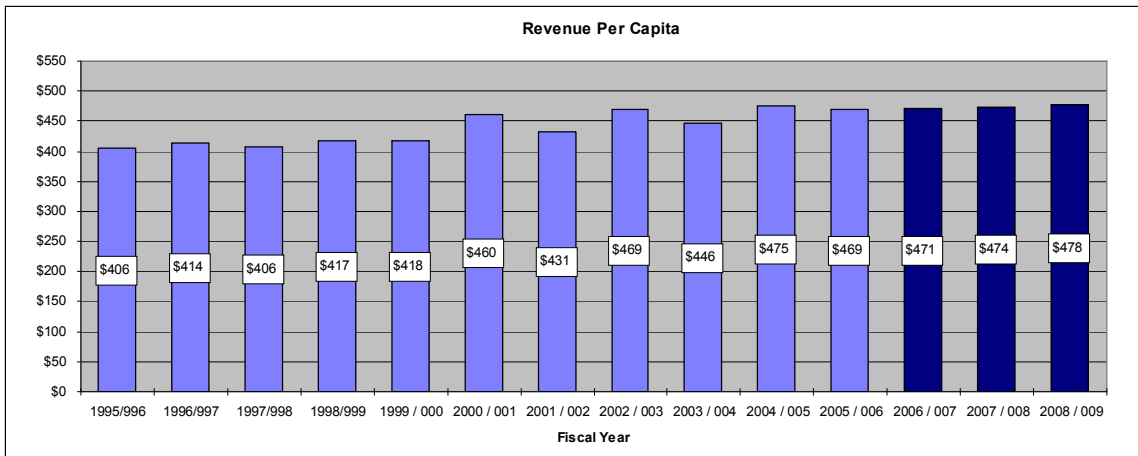
Appendix B, Cited Graphs, Kirkland Special Districts:

Graph 4: Real property tax revenue trend of the Fire Districts in the Town of Kirkland adjusted to inflation.

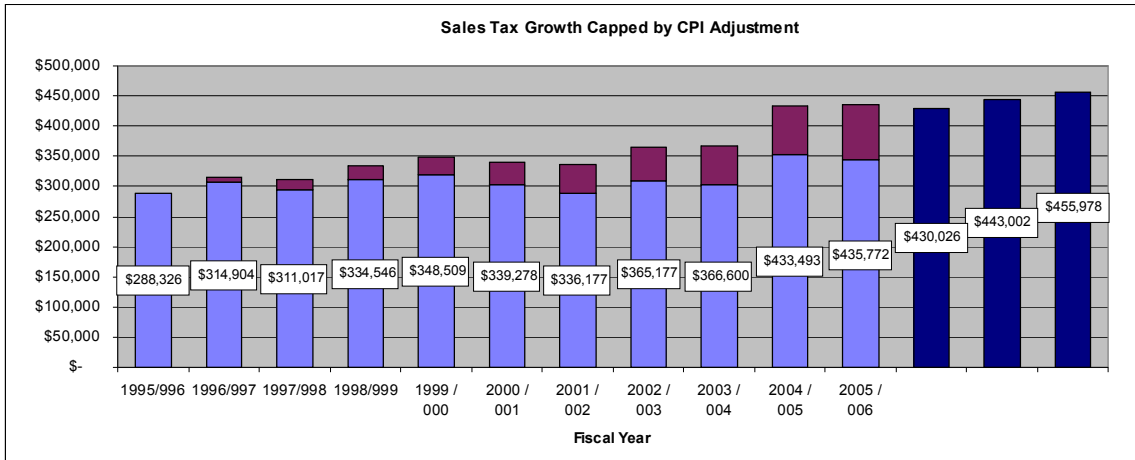


Appendix C, Cited Graphs, Clinton:

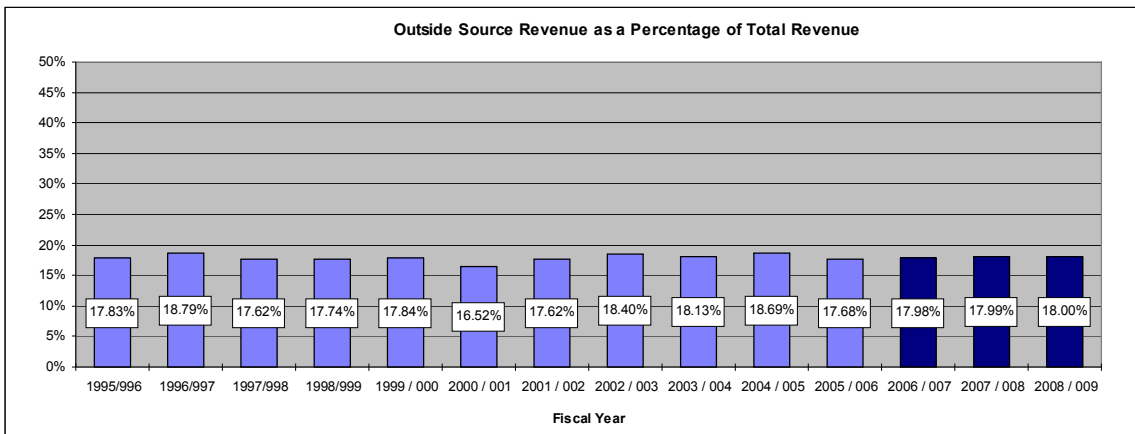
Graph 1: Net operating revenues divided by the total population of the Village of Clinton. Population number is exact for the year 2000/2001; other figures are estimated by the US Census Bureau. The dark blue bars are the revenue per capita estimates for years 2007-2009 based on the FY 1996-2006 trend.



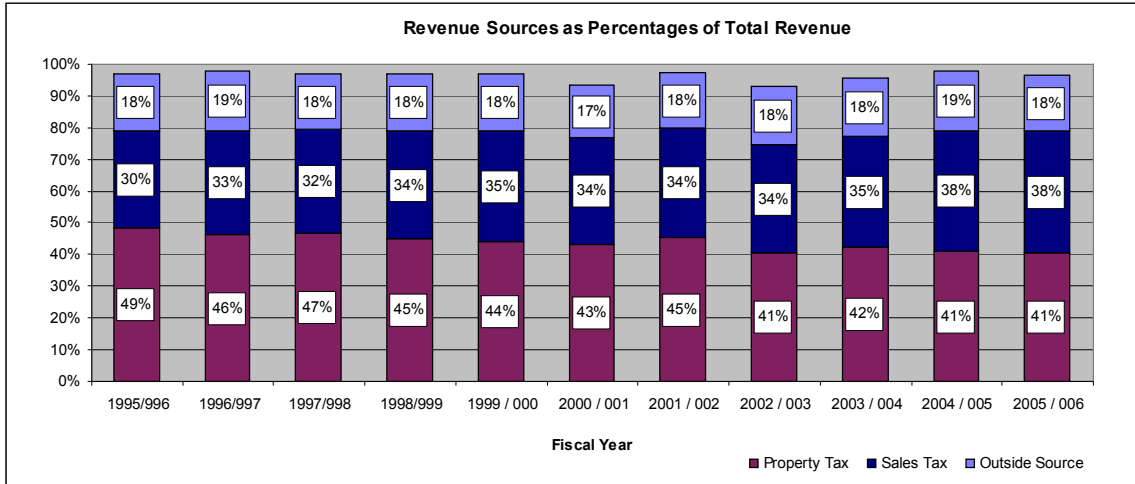
Graph 4: Total sales tax revenues of the Village of Clinton as a percentage of total operating revenues of Clinton. The dark blue bars represent the proportion of sales tax revenue estimated for years 2007-2009 based on the FY 1996-2006 trend.



Graph 5: Total non-local revenues of Village of Clinton as a percentage of total net operating revenues of Village.

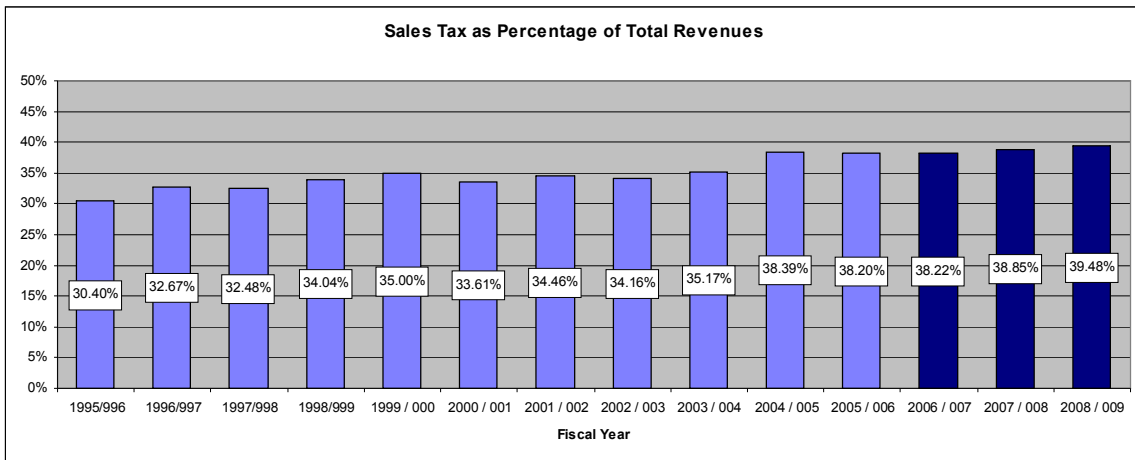


Graph 6: Summary graph of composition of total revenue sources in percentage terms in Village of Clinton.

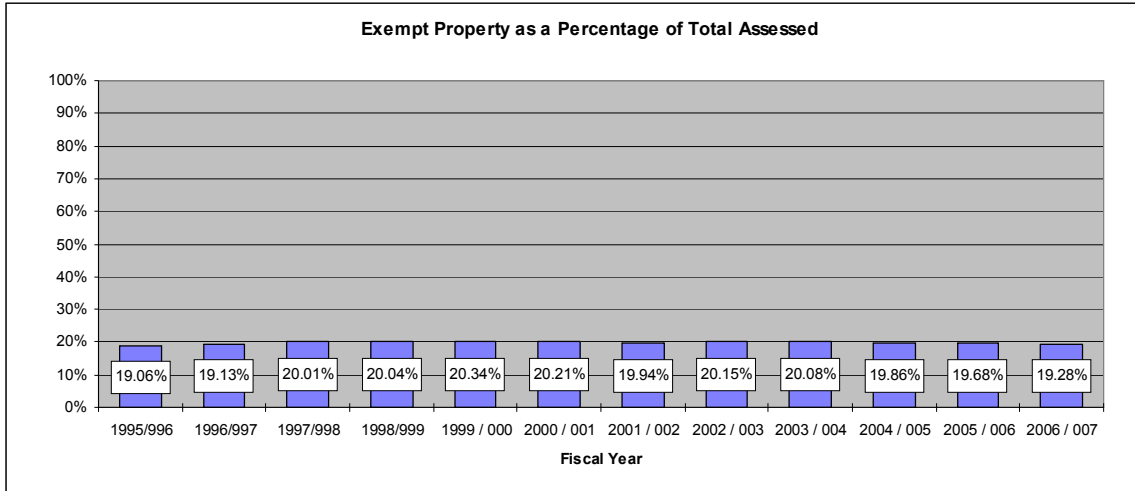


Other Useful Graphs, Clinton:

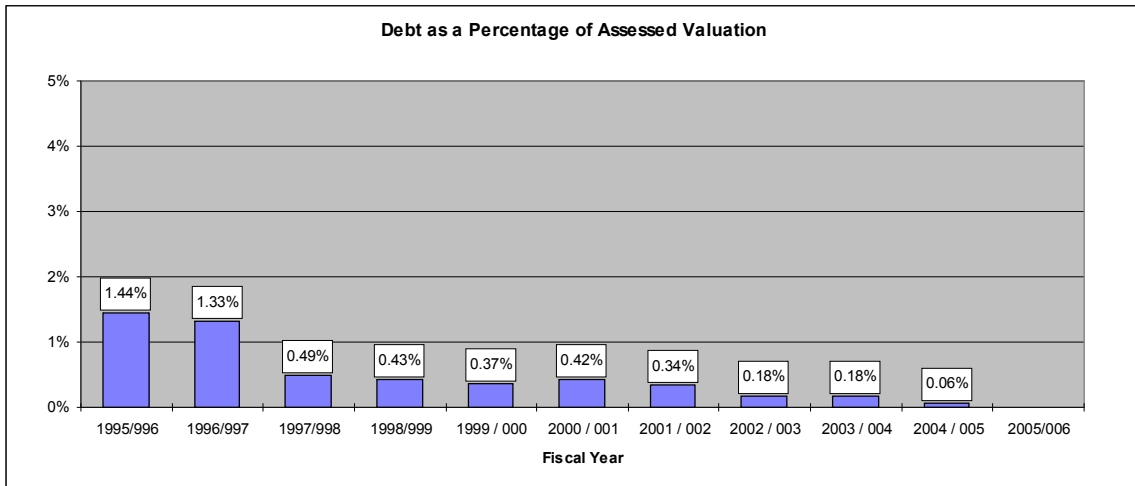
Graph 13: Total sales tax revenues of the Village of Clinton as a percentage of total operating revenues of Clinton. The dark blue bars represent the proportion of sales tax revenue estimated for years 2007-2009 based on the FY 1996-2006 trend.



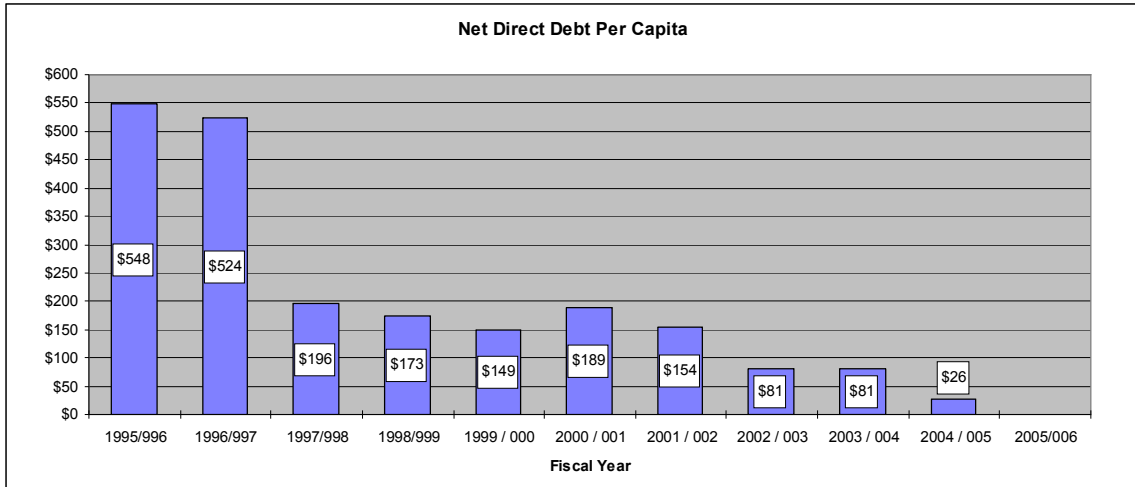
Graph 14: Percentage of real property base that is exempt from local and school property tax payments.



Graph 15: Total direct bonded (and BAN's) debt that is counted against the constitutional debt limit as a percentage of total assessed valuation of real properties of the Village of Clinton. Data acquired from the county office.



Graph 16: Total indebtedness (and BAN's) as a percentage of total assessed valuation of real properties of the Village of Clinton. Data acquired from the county office.



Appendix D, Cited Graphs, Clinton Central Schools:

Graph 1: Growth of total net operating expenditures of CCS adjusted to CPI. The dark blue bars represent the projections of expenditure growth over the FY 2007-2009.

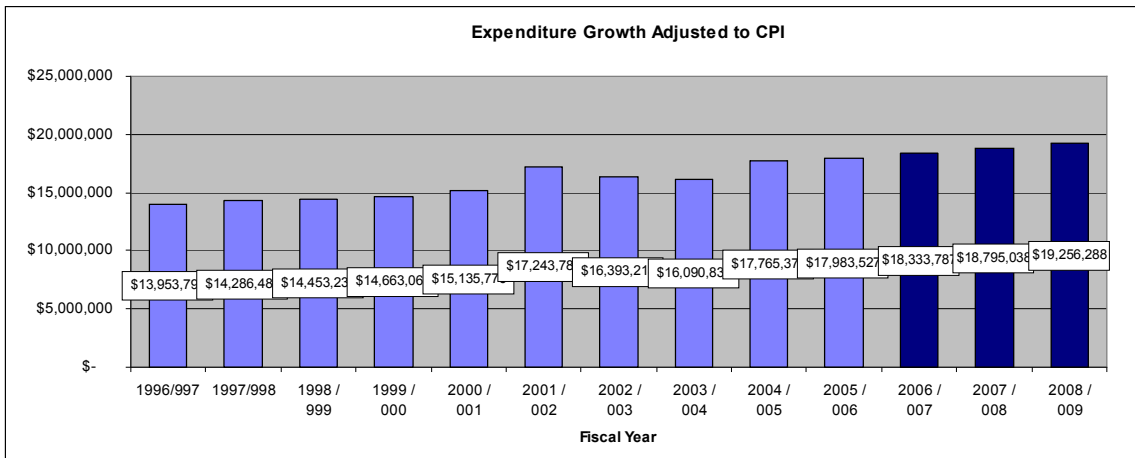
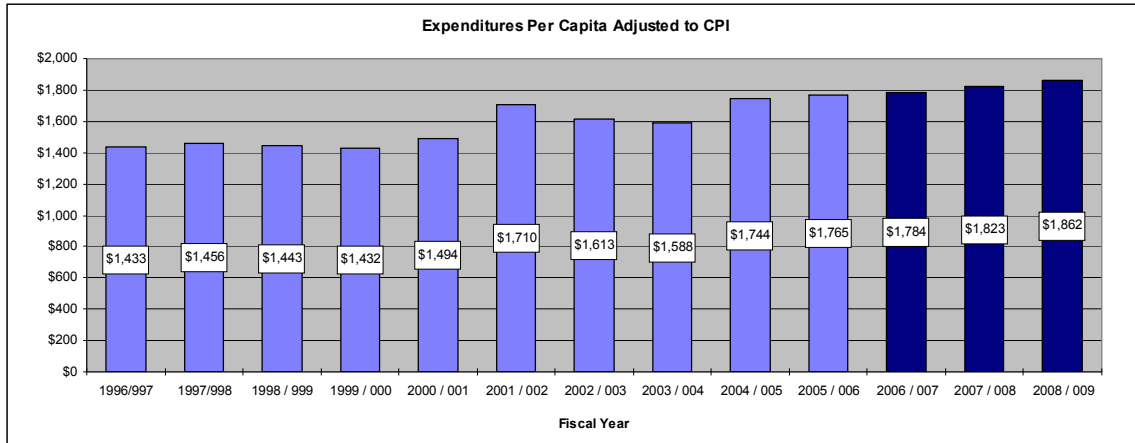


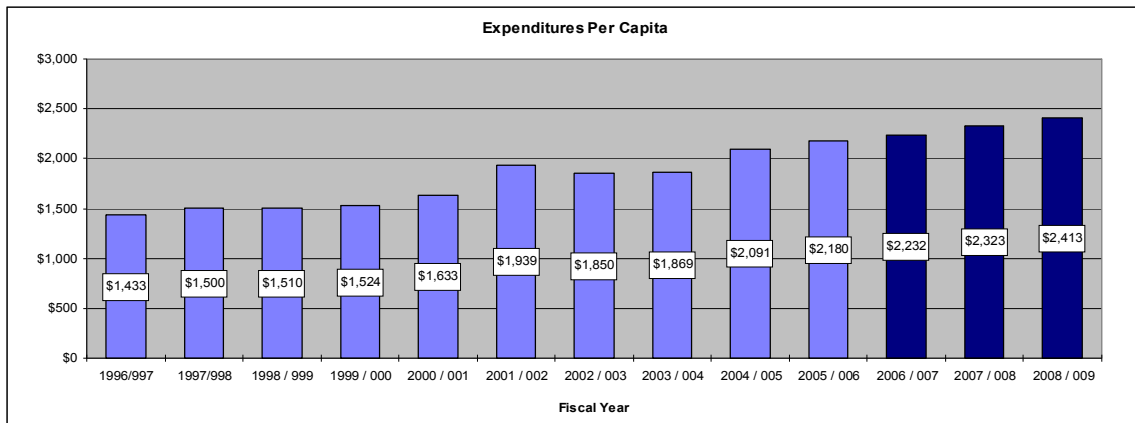
Table 1: Town Population

1995 / 96	1996 / 97	1997 / 98	1998 / 99	1999 / 00	2000 / 01	2001 / 02	2002 / 03	2003 / 04	2004 / 05	2005 / 06
9675	9,737	9,814	10,015	10,237	10,133	10,084	10,166	10,134	10,189	10,189

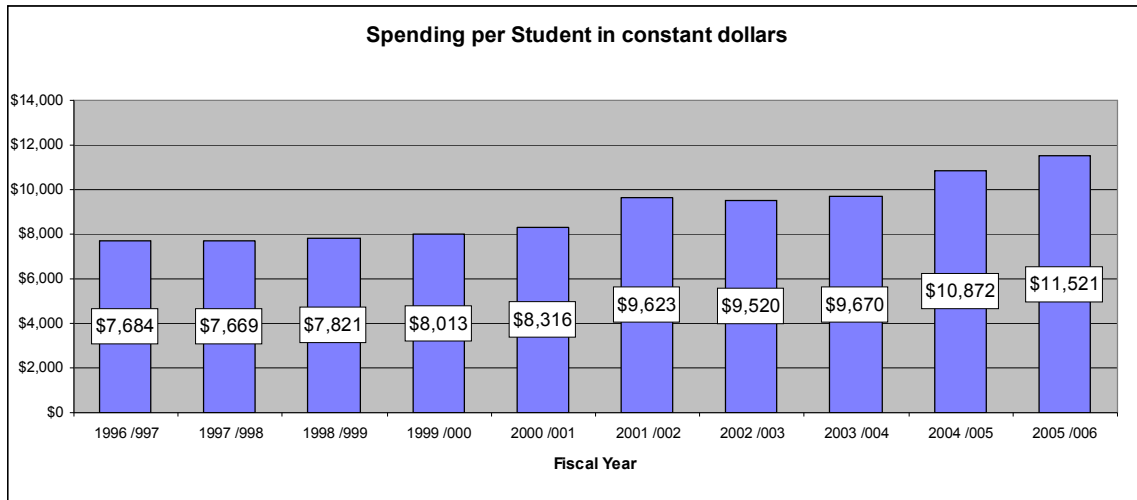
Graph 3: Net operating expenditures adjusted to CPI over the total population of CCS. Population number is exact for the year 2000/2001; other figures are estimated by the US Census Bureau. The dark blue bars are the expenditure per capita estimates for years 2007-2009 based on the FY 1996-2006 trend.



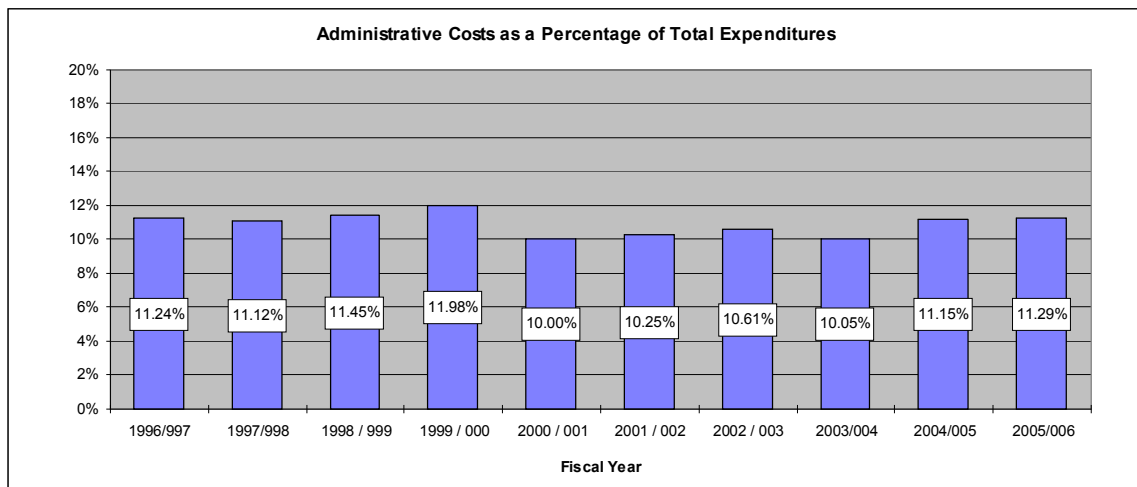
Graph 4: Net operating expenditures not adjusted to CPI over the total population of CCS. Population number is exact for the year 2000/2001; other figures are estimated by the US Census Bureau. The dark blue bars are the expenditure per capita estimates for years 2007-2009 based on the FY 1996-2006 trend.



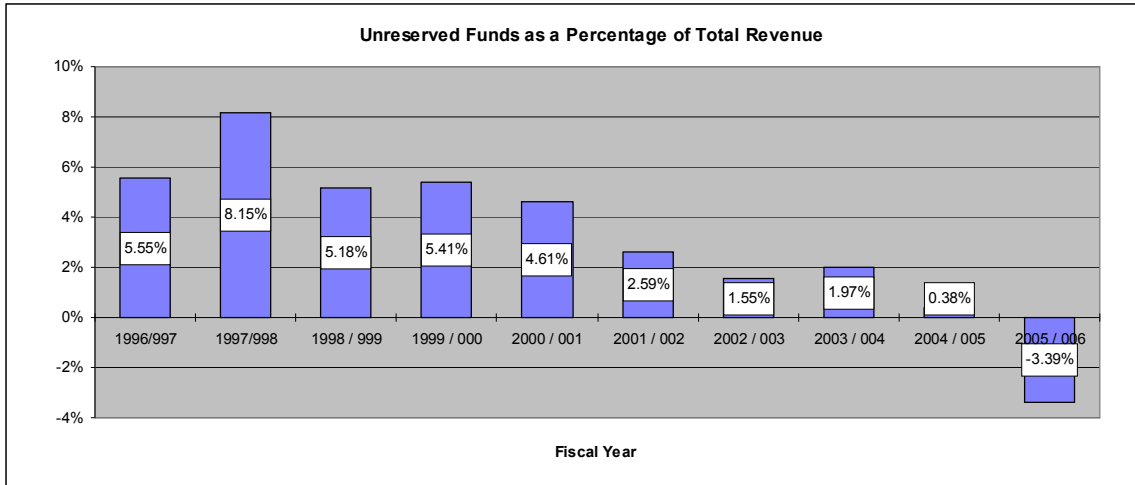
Graph 6: Total net operating expenditures adjusted to CPI over the number of pupils in CCS. Pupil count acquired from CCS.



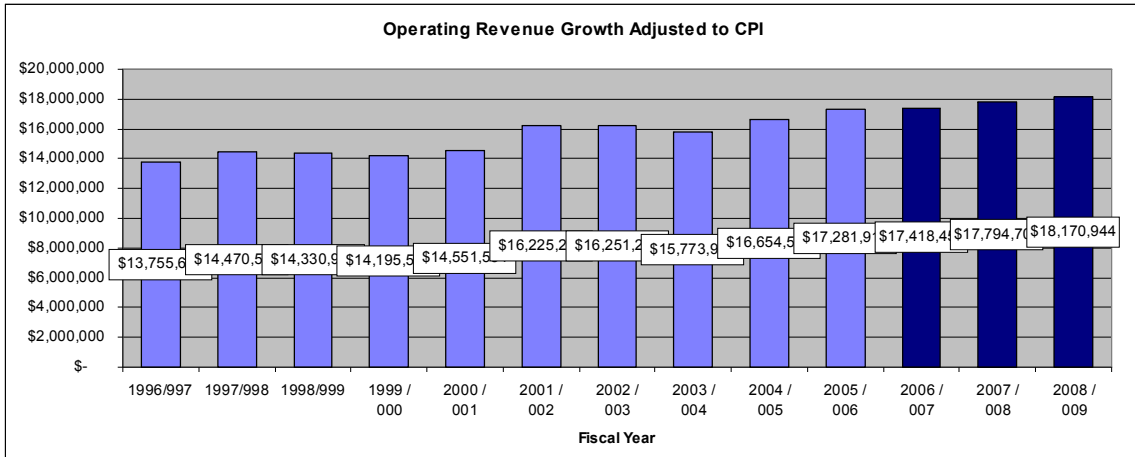
Graph 7: General and administrative expenditures (grouped by expenditure function) as a percentage of gross expenditures of the Clinton Central Schools, General Fund.



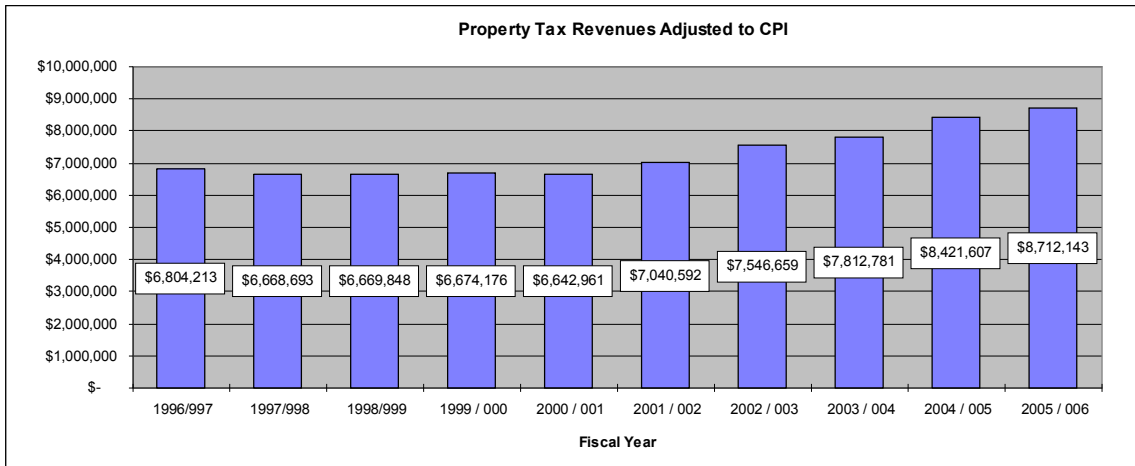
Graph 11: Annual difference between total assets and liabilities that is not appropriated or reserved for state or other mandatory expenditures. Measured against net operating revenues of CCS.



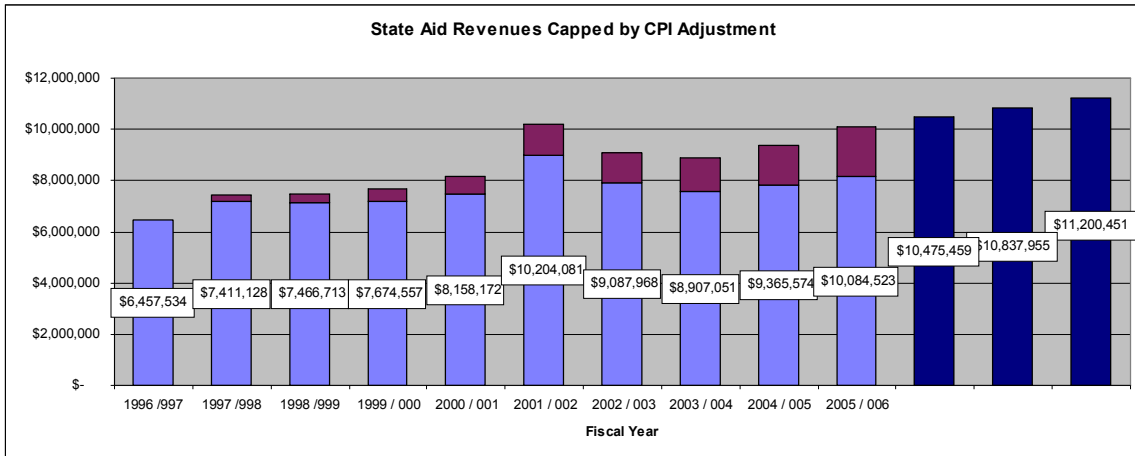
Graph 14: Net operating revenue growth adjusted to CPI. The dark blue bars stand for the projections of future revenues of FY 2007 – 2009 in constant dollar terms.



Graph 18: Total real property tax revenue growth in CCS. The dark blue bars are the property tax revenue estimates for years 2007-2009 based on the FY 1996-2006 trend.



Graph 19: Total state aid revenue growth in CCS. The dark blue bars are the state source revenue estimates for years 2007-2009 based on the FY 1996-2006 trend. The capped portion of each bar represents the adjustment to CPI.



Graph 20: Total real property tax revenues of CCS as percentage of total operating revenues of Clinton Central Schools. The dark blue bars are the property tax revenue estimates for years 2007-2009 based on the FY 1996-2006 trend.

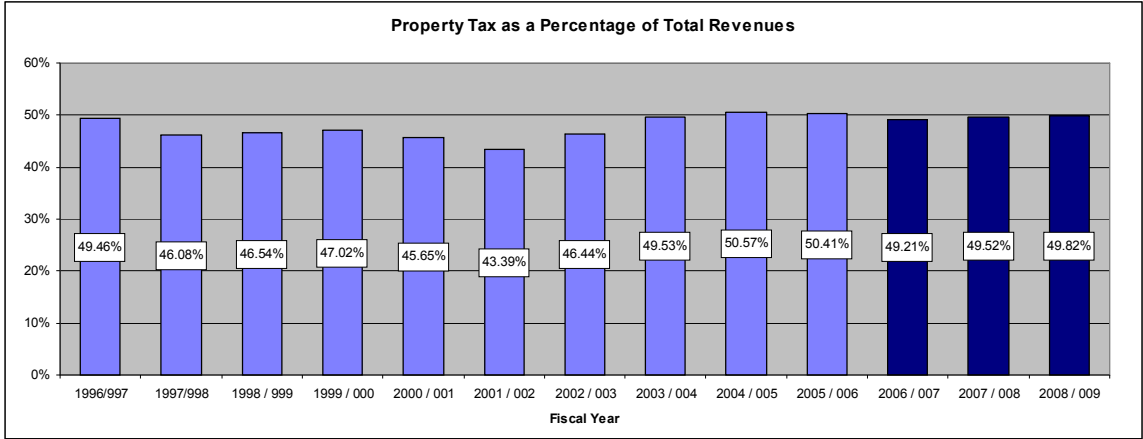


Table 2 CCS, Percentage increase (decrease) of revenue/expenditure categories from year to year in CCS.

Category	97-98 % Chg	98-99 % Chg	99-00 % Chg	00-01 % Chg	01-02 % Chg	02-03 % Chg	03-04 % Chg	04-05 % Chg	05-06 % Chg	06-07 % Chg	AVERAGE
Real Property Taxes	0.99%	1.59%	1.74%	2.26%	9.94%	8.41%	6.22%	9.87%	6.52%	10.03%	5.76%
Charges & Services	-53.96%	72.38%	46.91%	26.07%	15.02%	-4.62%	-	17.47%	40.06%	-32.70%	1.67%
Use of Money & Property Sale	-0.01%	-3.09%	-12.31%	15.14%	-49.37%	-7.69%	-	48.80%	242.16%	46.12%	8.35%
Property & Compensation	263.75%	-81.92%	5.79%	14.43%	-92.38%	101.26%	59.60%	474.10%	265.79%	100.00%	79.12%
Misc. State Sources	83.91%	-18.68%	50.27%	47.79%	-24.50%	57.33%	44.18%	3.86%	30.42%	-72.14%	1.85%
Federal Sources	14.77%	0.75%	2.78%	6.30%	25.08%	-12.20%	-1.19%	4.66%	8.84%	-2.08%	4.77%
Total	-51.94%	-10.33%	100.00%	0.00%	528.56%	-33.41%	34.92%	-32.52%	-37.44%	-5.57%	22.24%
Total	8.14%	0.57%	2.87%	3.00%	16.90%	-2.78%	1.40%	7.95%	7.79%	2.43%	4.83%
General Support	4.30%	5.82%	7.94%	11.46%	21.15%	-0.52%	-4.56%	22.46%	6.39%	-8.47%	4.31%
Instruction	9.92%	4.51%	9.61%	6.65%	2.72%	3.93%	-2.83%	4.80%	5.18%	-7.22%	3.73%
Pupil Transportation	14.71%	-1.55%	8.06%	-2.52%	1.42%	9.18%	-0.86%	13.71%	-7.13%	0.34%	3.54%
Community Services	33.09%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-6.69%
Employee Benefits	-6.58%	0.58%	-19.57%	9.76%	6.46%	29.07%	12.09%	22.79%	20.60%	7.61%	8.28%
Debt Service	2.80%	-3.35%	-3.00%	21.88%	112.28%	-44.76%	7.73%	-19.84%	21.14%	12.15%	10.70%
Capital Outlay	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	5.50%	2.76%	3.15%	6.05%	18.18%	-3.85%	0.77%	6.88%	9.54%	-1.45%	4.75%

Table 3 CCS: Total debt service expenditure as a percentage of total net operating expenditures in CCS.

	1996	1997	1998	1999	2000
Debt Service	1,694,275.00	\$ 1,741,673.0	\$ 1,683,268.00	\$ 1,632,693.00	\$ 1,989,982.00
Total Expenditures	\$ 13,953,795.00	\$ 14,721,371.00	\$ 15,127,219.00	\$ 15,603,244.00	\$ 16,547,403.00
%	12.14%	11.83%	11.13%	10.46%	12.03%
2001	2002	2003	2004	2005	2006
\$ 4,224,327.00	\$ 2,333,485.00	\$ 2,513,837.00	\$ 2,015,016.00	\$ 2,441,057.00	\$ 2,737,744.00
\$ 19,555,618.00	\$ 18,803,355.00	\$ 18,948,942.00	\$ 20,252,436.00	\$ 22,184,433.00	\$ 21,862,909.00
21.60%	12.41%	13.27%	9.95%	11.00%	12.52%

