

MOHAWK VALLEY GATEWAY OVERLOOK (Amsterdam Pedestrian Bridge) MAINTENANCE: PENNY-WISE or POUND-FOOLISH?

ESTIMATING CITY MAINTENANCE COSTS

Assuming an open season of six months, with two weeks either end to prepare/close the structure, a seasonal employee at a higher than city current rate and expense factors as shown in enclosure one, the total annual maintenance cost to the city is estimated at \$12,450.

ESTIMATED CITY SALES TAX REVENUE

Based on a low-end estimate of attendance (draft version previously given to the Common Council), the additional sales tax revenue county-wide resulting from this is estimated at \$163,367 annually. Using a simplified formula of 15.7% accruing to the City from the 50% of the sales tax available for local distribution, the estimated amount of increased revenue to the city government from the Mohawk Valley Gateway Overlook is \$12,824.

THE BOTTOM LINE

At low-end estimates, the favorable balance to the city is only \$392 per year; but this rapidly rises with attendance. At mid-range the city sales tax revenue is estimated at \$44,480; the dividend to the city after expenses is therefore \$32,030. At high end estimate, the city sales tax revenue is projected to be \$80,153; therefore the dividend to the city is \$67,703.

This DOES NOT include direct and indirect economic impacts. Those are orders of magnitude greater in and by themselves (see enclosure two).

It also DOES NOT include additional sources of revenue (discussed below) or increased property tax revenue due to the increased value of adjacent properties (too early to accurately forecast).

The bottom line is that “bridge” maintenance will quickly pay for itself in city sales tax revenue alone and then actually begin to “show a profit.” And, that this is probably the smallest contribution the Mohawk Valley Gateway Overlook will make to the city’s financial future.

THE COST OF DELAY

The Canal Corporation/Thruway Authority has only weeks to conclude this agreement with us if they are to clear all the gateways necessary to put out the contract to build the structure on schedule and without incurring unplanned costs.

Average monthly inflation in 2013 is 1.75% (now currently 1.1%). Assuming the higher rate (still less than previous years) holds steady on an annual basis, and prorating monthly based on the approximately \$12,200,000 left to complete the project, the typical cost of each month’s delay would be an additional \$17,792 per month. *This is not the real cost – because this budget is legally capped by the original bond act.*

The Canal Corporation/Thruway Authority cannot just move money from another account to cover shortfalls: It can only cut amenities from the project to compensate for increased cost. And a miss is as good as a mile: it does not matter if a feature busts the budget by \$10 or \$10,000, the whole feature must go, not just the underfunded portion of it. For example: we could lose *The Wheel of Life* mosaic for the cost of a month's delay. It could be that close- and by the time we can calculate that (bid accepted) it will be too late to undue costs added by delay.

These features are the reason people will come to see the Mohawk Valley Gateway Overlook and spend money locally. Diminish them and you lessen the attraction, hence you reduce the economic impact. So the real cost in delay will not be borne by *them* (Canal Corporation/Thruway Authority) *now* in cost overrun – it will be by *us* in lost tax revenue and other economic impacts *later*.

OTHER REVENUES

There are other revenues/funding sources which have been successful at the few relatively similar structures. These include but are not limited to: event revenue, voluntary donations, a county contribution, establishing a not-for-profit or public benefit corporation, and seeking eventual incorporation into the state park system. The advantages and disadvantages of each will be addressed at a later time: the point here is that they are proven and available to help bridge any funding/revenue gap as attendance builds up, and to augment profits later. We also have one more budget cycle to plan/allocate for maintenance costs.

A MODEST PROPOSAL

I have suggested to Canal Corporation/Thruway Authority representatives that the maintenance contract be redrawn as a ten-year term, with automatic renewal in ten-year increments up to fifty years, unless either side requests in writing renegotiation before a certain date.

Any variant on this should be acceptable: this isn't a contract where we are forgoing revenues by agreeing to keep a rate or payment set. Our costs are relatively clear, their responsibilities set, and we accrue the benefits unencumbered by them to the best of our ability.

Recasting the contract assures our citizens we are looking out for their interests in the case of the unforeseeable, but provides the stability all concerned need.

R. H. von Hasseln
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ENCLOSURE ONE – ESTIMATED ANNUAL MAINTENANCE COST to the CITY of AMSTERDAM for the MOHAWK VALLEY GATEWAY OVERLOOK

PERSONNEL:

Seasonal Worker @ \$10 an hour/30 hours a week/7 months ¹	\$8,400
Benefits	0
TOTAL PERSONNEL:	\$8,400

CONTRACTURAL EXPENSE:

Electricity ²	\$1500
Fertilizer ³	100
Water	0
Paint	100
De-Icier/Salt ³	0
Replacement Plantings ⁴	250
Replacement Fittings ⁵	1850
Misc Supplies ⁶	250
TOTAL CONTRACTURAL:	\$4050
GRAND TOTAL:	\$12,450

NOTES:

¹ Higher than either current city seasonal DPW/Parks workers or new NYS minimum wage

² Based on similar length street lighting use

³ Based on City Hall usage (6.1 acres); most of these materials already supplied from DPW stocks – these figures assume an additional expense, not contained within existing appropriations.

⁴ Based on City Hall usage. Actually, most there donated to City Hall at the end of the growing season

⁵ Replacement of stolen placards, damaged fencing, broken pavement, etc. High-sided estimate: at this annual replacement level, the “overlay” would be completely replaced in 68 years, instead of replaced by the Canal Corporation at 50 years for\$125,000, as they have budgeted..

⁶ Garbage bags, replacement/additional gardening tools, etc.

ENCLOSURE TWO – ESTIMATED ANNUAL ECONOMIC IMPACT and SALES TAX GENERATED: MOHAWK VALLEY GATEWAY OVERLOOK

	ECONOMIC IMPACT		
	(VISITORS)¹	DIRECT²	INDIRECT³
LOW	30,000	\$2,042,092	\$10,210,460
MID	103,750	\$7,062,036	\$35,310,180
HIGH	187,500	\$12,763,312	\$65,816,560

	SALES TAX REVENUES		
	(DIRECT IMPACT)	TOTAL TAX⁴	CITY NET⁵
LOW	\$2,042,092	\$163,367	\$12,824
MID	\$7,062,036	\$564,963	\$44,350
HIGH	\$12,763,312	\$1,021,057	\$80,153

NOTES:

¹ **ESTIMATED VISITORS:** Low end based on recorded attendance last year at Bridge of Flowers in Shelburne Falls, MA (smaller, less features, more remote). Mid range: ¼ of actual partial first year at Walkway Across The Hudson at Poughkeepsie, NY (closer to NYC, no features); high end: ¼ of Poughkeepsie current annual forecast.

² **DIRECT IMPACT:** Based on national and Mohawk Valley surveys of actual visitors: percentage of day versus overnight visits, number in party, amount spent by each category during visit, etc.

³ **INDIRECT IMPACT:** Based on economic principle that new revenue to a local economy will move several times through that economy: the butcher pays the baker who pays the candlestick maker, etc.

⁴ **TOTAL TAX:** Sales tax collected county-wide on direct economic impact alone.

⁵ **CITY NET:** City of Amsterdam allocation of the county-wide collection: roughly 15.7% of the 4% available for non-state (local) use.