



# Office of the Mayor

Matthew T. Ryan

## Mayor Matt Ryan's 2008 Budget Address

Monday, August 13, 2007

Good evening ladies and gentlemen. First of all, I'd like to thank all the department heads for their diligence and contributions to this year's budget process. This time of year, budget time, is a good focus point for all of us in city government. It is a time to focus on the big picture as we move forward together as a community. It is a time to acknowledge the stresses that all upstate cities contend with, as well as the challenges that are specific and unique to our city.

This year we are delivering the 2008 proposed Budget early so that we can work closely with City Council to make this the best budget possible.

As I outline this budget tonight, I can assure you that we have scrutinized every line, every dollar, every investment. We assembled a budget that meets all our obligations and fixed costs, but that also includes financially responsible investments that will yield big dividends in the future. It is a budget that clearly reflects this administration's priorities, strategies, and values—and is not satisfied with the status quo.

Over the last twenty months, I've made it clear that this administration brings a very different governing approach from previous years. This new approach values and encourages the direct involvement and participation from residents in the community. This new approach understands how partnerships across the private, public and non-profit sectors are key to mobilizing sufficient resources to move this city forward. We have given voice to those underserved in our community. We have moved the planning and decision-making process from the backrooms of City Hall out into the neighborhoods. We've dedicated resources and support to those residents organizing around creative, positive change. We have assembled a network of alliances around important shared goals, such as River Trail expansion, downtown revitalization, positive and meaningful youth development, and improving the health and safety of our neighborhoods. This is an administration that firmly believes that residents are the greatest asset of our community, and that strong partnerships committed to a common vision can achieve great things.

Over the last twenty months, I've also made it clear that this administration brings to City Hall a very different management style from previous years. We have made accessibility and responsiveness key service principles. We have improved the city's website to allow residents to Report Problems online, and we have built a system that allows us to internally track how well these problems are handled and resolved. We have set higher standards for all staff, and introduced a new merit-based raise program so we can recognize and reward those employees who serve this community with excellence and professionalism. We have made substantial investments in our workforce, launching long overdue safety and training programs. We have implemented a project-team management approach, reinforcing the importance of greater cooperation and communication between departments. We are well underway



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with a Capital Improvement Program that will finally synchronize long-term financial planning with our long-term development goals. This will give us an invaluable planning tool to match our capital dollars with priority infrastructure needs.

A significant management initiative has been and remains modernizing a City Hall that was years behind the technology curve. We've turned the city's website into a virtual City Hall, invested in a new telephone system, upgraded the software and hardware at every workstation in City Hall, and initiated a major IT analysis and reform effort. As it currently stands, there exists virtually no integration of data across departments, and we spend hundreds of hours every year in gathering and sharing data. Our IT reform effort will culminate in an integrated information system linked to the County's Geographical Information System that will allow for instant retrieval of all property data—including water bills, building permits, zoning restrictions, code violations and police calls. Making this investment will greatly increase workforce productivity, manage costs, and significantly improve how we deliver services to the community. I want to thank all the staff of City Hall; they have been cooperative and supportive during this challenging transition.

There is yet another key principle that informs our management approach: transparency. And to make this budget process as transparent as possible, I would like to announce a new series of budget workshops that will be held here in Council Chambers before City Council starts the Budget Hearings. I'm sure the Council will agree that the hearings don't allow for a more general exchange on the big-picture issues—such as capital projects, bonding and debt, personnel costs, and operations. It is my hope that these workshops will not only improve transparency, but also create a new and dynamic way for my administration and the Council to work together on this important process. We owe it to the city residents to invest their tax dollars wisely and responsibly, and I want to make sure the Council and all residents fully understand the financial landscape that informed my budget decisions. The details of these workshops, including date and time, will be announced in the coming days, and I encourage city residents to attend, as we will devote time at each workshop for public comments, concerns and questions. Thanks to Time Warner Cable, these workshops will also be broadcast live on Cable Channel 12.

Though we will explore the budget in greater detail during the workshop series, tonight I will present an overview of the financial health of the city, and explain how our development policies and investment strategies are reflected in the 2008 Budget. First, I will offer brief comments about the challenges all upstate cities face, and outline the successes we have posted despite them. I will then offer a very broad overview of the expenses and revenues of the General Fund, and the proposed tax levy for 2008. For each of these items, I will then provide more specifics and historical trends, all the while connecting our financial decisions to the governing and management approach that defines this administration.

The City of Binghamton is no different from many other upstate municipalities. We have financial stresses that have accumulated over the last ten years. Our economies, which relied heavily on manufacturing, were especially hard hit as the nation transitioned to a new information-based economy. We must now focus on education, health care and emerging high-tech industries to rebuild a strong



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regional economy. Furthermore, outdated state-level dysfunctional policies have saddled cities with unfunded mandates and serious financial challenges. Fortunately, our new Governor has brought to Albany a determined, roll-up-the-sleeve approach that shows promise and gives us cause for optimism. Still, much work needs to be done, and I will continue to cooperate with many upstate Mayors in calling for reforms that will bring additional tax relief to the residents of this city, as well as improve the upstate climate for investment and economic growth. Working with Assemblywoman Donna Lupardo, Senator Tom Libous, and the Governor's new team, I'm confident we can make the right changes that will complement and catalyze our local strategies for positive change and sustainable development.

How our tax dollars are spent in Washington is perhaps even more significant as to how our tax dollars are spent in Albany. Washington's management of our tax dollars has been a complete disaster, and we should be outraged until we see our tax dollars directed more responsibly to the essential human and infrastructure needs in communities all across this country.

Take for example the Community Development Block Grant, which has been cut by more than 10% over the last five years, from \$3 million in 2002 to \$2.7 million in 2007. This grant provides significant dollars for critical neighborhood investments—such as road repair, sewer improvements, park enhancements, homeownership opportunities, blight removal, and small business development—and the diversion of our federal dollars from needed neighborhood and infrastructure reconstruction across America to useless destruction in Iraq is a policy change that needs to be brought to an end immediately.

Iraq is not the only evidence of misguided priorities in Washington. New Orleans, the bridge collapse in Minneapolis, the recent gas pipeline explosion in New York City, and our aged and inadequate sewer infrastructure right here in Binghamton—these are all alarming examples of outdated and underfunded infrastructure that threaten security and safety. And until the federal government re-establishes priorities and better manages our tax dollars, that crushing burden falls on the shoulders of hardworking families and local taxpayers. That is simply unacceptable. Fortunately, we have representatives to be proud of. Congressman Hinchey has consistently given voice to the public's outrage over Washington's reckless agenda, and during a recent visit to the area, Senator Schumer expressed the need to refocus on the "meat and potato" issues that are of primary concern to the American taxpayer. We must all demand a change in direction.

As for the unique challenges to Binghamton, let us not forget the historic floods of June and November. The challenges we faced as a result of these events have been met with determination, but not without additional financial pressures. The reduced assessments from the June flood and the multi-million dollar infrastructure damage incurred by the November flood have both negatively impacted our financial health. Losses could have been far worse were it not for the leadership shown by our Commissioner of Public Works, Luke Day. He set a high standard of excellence and productivity, and the staff in both public works and engineering departments showed an outstanding work ethic and true commitment to public service. Because of their efforts, as well as Luke's close collaboration with state and federal relief



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agencies, we will recoup close to \$2 million from FEMA. I am proud of their efforts, and grateful for their service to the residents of Binghamton.

Despite all these challenges, we have remained determined, optimistic, and consistent. We have stayed true to an ambitious, progressive vision and aligned our resources and focused our attention accordingly. We have revitalized a dedicated workforce with effective leadership and improved management-labor relations with responsible investments in our workforce and the workplace. We took advantage of a unique state opportunity and secured the largest blight removal grant in all of the Southern Tier. We moved quickly and acted on the public's demand for consolidation, saving hundreds of thousands annually by consolidating tax services to the County. With our many partners, we have created a climate in our downtown core that continues to attract private investment and jobs, such as the 80-100 new jobs at the MetroCenter; the addition of Piaker and Lyons; Manley's proposed new gourmet market; the cluster of residential loft projects; and the continued expansion of our entertainment and cultural community with the notable addition of Night Eagle Café.

Our accomplishments this past year are numerous and impressive, and investment trends in the community and public feedback both affirm that we are moving in the right direction. The 2008 Budget reflects our commitment to accelerate this positive momentum. Now I would like to review this budget in more detail.

The City has one General Fund, and seven smaller funds that are expected to be self-financing. Those self-financing funds are Water, Sewer, Refuse, Ely Golf Course, Parking, Insurance, and Joint Sewer. However, the General Fund is what directly impacts the tax rate, and though there are concerns regarding a few of these funds that must be addressed, the General Fund will be the focus of my presentation this evening.

The total budget for the 2008 General Fund is just over \$52 million, which covers the personnel and operating costs of all services, including general government, community safety, transportation, health, culture and recreation, housing and development, and debt payments. The personnel and operating costs for 2008 represent an increase over last year of almost \$3.8 million, which is approximately 7.78%. In just a minute, I will give a detailed explanation as to what those expenses truly are—and explain which costs are fixed and which are investments in our future.

There are three primary revenue sources that offset these expenses: General Government; an annual appropriation from the general fund balance; and the tax levy. As you can see, general government revenues increased just over one million, with the bulk of the increases from state aid, the sale tax, and mortgage tax. We appropriated only 1.9 million from the General Fund Balance, which is the second lowest appropriation over the last twelve years. Balancing the fund is done with the tax levy, which increased by approximately \$2 million. Again, I will discuss these revenue sources in more detail later in the presentation. First, let's gain a better understanding of the increases in expenses.



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Annual expenses break down each year into operation costs and personnel costs. In order for residents to see exactly how their tax dollars are being spent, I also identified which costs are fixed and which represent new investment decisions. As you can see, the fixed costs of personnel and operations constitute 83% of the expense increases for 2008. This leaves very little room for other strategic investments. Nevertheless, we feel that the right investments will yield big dividends—and that's what this budget reflects. These decisions were either based on feedback from the residents or informed by the priorities and policies of our comprehensive vision of creating a safe community with healthy, livable neighborhoods. Before we look at our investment decisions for 2008, I think it's critically important to further detail the fixed personnel costs and provide a quick historical review of why this annual fixed cost has skyrocketed over the years. Note that these fixed personnel costs are to maintain exactly the same level of staff and services as the previous year.

The fixed personnel costs are contractual wage increases, health insurance, pension benefits, workers compensation, and other employee benefits. These costs account for an increase in 2008 of more than \$2.7 million. Certain trends have been very unsettling, and if we look at these costs over the last five years, we have reason to be concerned. From 2002 – 2007, pension costs ballooned by more than 1000%—from a few hundred thousand dollars to over \$4 million. Workers Compensation increased by 152%. And what should be no surprise to anyone, our health insurance costs climbed 64% over five years, which has increased our health insurance bill by almost \$3million over that time period. For 2008, increased health care costs of over \$900,000 will alone add over 4% to our taxes.

If we consider that a tax increase of 1% is needed to cover every \$220,000 in added costs, and the fixed personnel cost increase for 2008 alone is \$2.7 million, we see the potential danger to our financial health in the coming years. These fixed personnel costs can not be maintained without higher and higher taxes.

We have brought to City Hall an ambitious vision, an effective management style, and the courage to act. To prevent what could be very difficult years ahead, our determined efforts must be equally matched by reform at the federal and state levels—and again, I will continue to partner with our elected officials at both levels to ensure policy reform and a fair return of our tax dollars through appropriate investment. Similarly, we will work closely with City Council. Our goal must be to engage in a dialogue that will promote long-term solutions.

I caution that taking a butter knife to this budget and carving out one or two positions and then doing little or nothing for the next twelve months will not solve these challenges. True solutions will require the cooperation and commitment of many parties, including the Council, the unions, the residents, and our partners at the state level.

I absolutely understand that streamlining operations, shifting resources and downsizing staff are essential tools of effective management, but there comes a point when too many cuts actually incur long-term costs. Smart investments in personnel can actually generate greater revenue, prevent waste, protect against losses, or enhance a service that the community deems worthwhile. Many of our departments



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have been decimated over the years; the small strategic investments that have made it into this budget were deemed completely necessary to move this city forward.

With that in mind, I want to more closely examine the distribution of personnel costs across departments and mention a few key personnel investments we are making in 2008.

Police, fire, public works and parks make up the overwhelming bulk of the personnel costs. It will take political courage to have the sobering discussions about these very difficult decisions if we ever hope to develop long-term solutions to our massive fixed, personnel costs.

Future dialogue aside, we all clearly understand the significance of fire, police and public works in creating a safe community of healthy, livable neighborhoods, and my budget decisions last year and this year reflect this. When the federal government ordered that we no longer fund four police officers from the Community Development Block Grant, I made the decision to fund three of them with local tax dollars by adding them to the general fund. My management team has also worked closely with the firefighters to preserve the same level of fire and emergency support services and to devise some short-term cost-managing measures that give us the window of opportunity over the next two years to work together on long-term solutions. I greatly appreciate the union's acknowledgment of the financial challenges that lay ahead and their willingness to work together on solutions that will benefit all residents.

And though it may not be politically correct, I have said before that law enforcement alone can not create safe and healthy neighborhoods. Our officers do an amazing job enforcing the law and safeguarding the public. They put themselves in harms' way every day, and I commend their professionalism. However, we need to complement a well-trained, engaged police force with key investments that will protect against and deter neighborhood crime. A healthy neighborhood must have a well-maintained housing stock, a strong commercial district of diverse small businesses, clean parks and green common spaces, well-lit walkways, a properly maintained infrastructure, meaningful job opportunities with livable wages, and finally, an engaged citizenry invested both financially and spiritually in their neighborhood. We must consider this whole complement of strategies as we look toward investing in community safety.

But the reality is that many upstate cities, including Binghamton, are rapidly approaching their constitutional taxing limit. Furthermore, these ever expanding fixed personnel costs diminish our capacity to make strategic investments that will lead to a safer community with healthy, livable neighborhoods. If we do not break from the failed status quo, then change for the better will be very difficult. I ask City Council to join me in facing this most difficult challenge. We must search for meaningful reform that will maintain appropriate levels of police and fire protection. We must look at all the functions of City government with an eye toward controlling costs and maintaining performance capabilities.



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As for operations, the fixed cost increases are no different than what we are experiencing in our personal daily lives. Increases in fuel and utilities, a rise in insurance costs, and higher payments on borrowed money, are all things we are familiar with. City government has the same unavoidable operation costs that result from delivering essential services to the community. As for operation investments, you can see the list on the current slide, and I want to highlight a few. We've boosted our annual IT budget to equip our engineering department with the proper design tools and key departments with multifunction copier units that will allow us to move away from paper and toward a digital document management system. We've earmarked an additional \$110,000 to complete long overdue City Hall repairs and mandatory upgrades to comply with the American Disabilities Act. The \$90,000 we added last year for improved street light maintenance was a great start, but insufficient to cover our annual costs. We are investing an additional \$30,000 to keep our pedestrian corridors well-lit and our roadways safe. We're investing \$25,000 to support and strengthen local arts organizations, which make valuable economic and cultural contributions to our city. And to express our commitment to our economic partners at the Greater Binghamton Coalition and at the County, we are seeding a municipal marketing budget with \$10,000.

As for additional strategic personnel investments, residents can see the full list on the current slide, and again, I want to highlight just a few. The city has been without a Deputy Comptroller for more than two years, and filling the position will greatly improve financial management both at the city and the Joint Sewage Treatment Plant. The Parks Department is consistently backlogged with lawn maintenance work orders from code violations; at one point this summer, there were 82 outstanding lawn violations that Parks Department had to remedy. We've heard from residents that this is an absolute priority, and this additional position will allow for speedier remedy of lawn maintenance at nuisance properties. We've also added \$15,000 in Sanitation to fund summer garbage/litter crews that will be assigned specifically to the neighborhood commercial districts; this work crew will be coordinated with the summer youth crews that will be funded out of the Community Development Block Grant as part of the city's anti-littering campaign.

Turning to revenues, and as mentioned earlier, the three primary sources of revenue are general government, a fund balance appropriation, and the tax levy.

As for general government, the three most significant sources are state aid (AIM), the sales tax, and departmental earnings. The Aid and Incentive in Municipalities reached a peak in the late 1980s, and diminished greatly until last year. The aid still lags far behind inflation, but there are signs in Albany that a new commitment is being made to our cities.

For a while sales taxes were not split evenly between the County and municipalities. I want to thank the County Executive and the County Legislature for recently restoring the 50:50 split, which helps our bottom line. Finally, tax consolidation with the County has provided additional operational revenues and earned interest.



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The proposed appropriation from the General Fund Balance, approximately 1.9 million, is the second lowest appropriation in the last twelve years. The first lowest appropriation was included in my 2007 budget. The health of a city is largely determined by how much money it has in the bank. As you can see, our fund has dropped more than 50% in the last seven years. This is a troubling sign—not only does it limit how much work we can do, but it also directly impacts our bonding rating and subsequently, the interest rates we pay on our debt. If we do not maintain a healthy fund balance, it could lead to a downgrading of our bond rating, which could have a rippling negative effect for years to come. We must stabilize and reverse this downward trend, and the low appropriations the last two years are signs of our commitment to achieving this goal.

Simply put, if revenues don't match expenses, then we must raise taxes. Unfortunately, we find ourselves in this position. As a taxpayer, and someone who's been known to be thrifty—they say I still have my first communion money—I don't propose this tax increase lightly.

To cover the core services our citizens consistently say they want—fire, police and infrastructure—we will need to raise homestead taxes by 7.73% and non-homestead taxes by 8.89%. What does this mean for the average taxpayer? Here are the numbers for the year and by the month for taxpaying homeowners.

Assessed Value	Yearly Increase	Monthly Increase
\$50,000	\$60.58	\$5.05
\$75,000	\$90.87	\$7.57
\$100,000	\$121.16	\$10.10
\$125,000	\$151.45	\$12.62
\$150,000	\$181.75	\$15.15

Every decision we have made since taking office has been to responsibly manage the capacity of our departments, streamline operations, and upgrade technology across city hall. Government must do its best to control costs within the context of improving services to our customers, YOU the taxpayers.

In terms of increasing future revenues, our Binghamton PACT initiative is designed to create a safer community of healthier neighborhoods that will attract more families, homeowners, private investments and jobs. Our investment decisions have been coordinated and focused with the goal of rebuilding the housing market, increasing property values, and expanding the tax base.

Restore NY I was a great success, and by the end of the year, twenty-five of our most blighted properties will be removed from our neighborhoods. But it is our reinvestment and rebuilding programs under this



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initiative that will eventually lead to increased revenues, and I applaud all the Planning, Housing and Community Development team members for making this grant a success. Round two is upon us, and when we talk about the capacity of our departments, it is evident that increased investment can yield even greater returns, but only if we are equipped to take advantage of the opportunities as they arise.

This budget also confirms our support for our community arts organizations and will allow us to continue to focus on services for our youth, our most important hope for the future. We will be able to strengthen our capacity and become a 21<sup>st</sup> century city that will attract and retain young people as new residents. We will continue to improve our paving program (new paving machine) and street light maintenance program.

As the budget workshops go forward, it will be apparent that our reform efforts in consolidation of tax services have been crucial achievements and investments in our future. This budget continues to advance our consistent priorities, such as IT reform, workforce training and safety programs, vacant property registration, department realignment and the wireless downtown district.

People are seeing noticeable change in their neighborhoods. Blight is coming down and homes are increasing in value. More streets are being swept and paved than in prior years. Officers are out on bikes and walking, and we're attracting more investment. I'm proud of my management team and the workers at City Hall. We will continue to invest tax dollars responsibly to raise the standard of living for all residents.

Finally, I promise you that I will work with all our elected officials from Albany to Washington on pension reform and increased aid from the state and federal government (after all, it is our tax dollars). I will continue to lobby for a core infrastructure bond and more sewer and infrastructure money from the federal government and restoration of CDBG funds.

Tonight we have provided as much detail as possible about the revenues and costs for 2008 without keeping you here all night. The future budget workshops will provide more details for the whole community, and allow us to discuss other important issues—such as bonding, debt and the seven smaller self-financing funds—and how all these items impact the city's financial health and the tax rate. As we move forward, we must all work together to adopt strategies that will increase revenues and control costs. We look forward to this challenge. I want to invite residents to view this presentation on the city's website, and to attend and participate in the series of budget workshops and the hearings.

Thank you for staying informed and involved.

Good night.