



# Office of the Mayor

Matthew T. Ryan

## Mayor Matt Ryan's 2009 Budget Address

Monday, August 18, 2008

Good evening, and welcome to our 2009 Budget Address.

Before we begin, I want to thank those whose work has been so vital in the development of this budget.

To our management team: since the day my administration took office, we have emphasized teamwork, and it has helped greatly as we work together to move this city forward. I want to thank them for their creativity, leadership, and teamwork as we tighten our belts, and strive to serve our constituents at a lower cost. I want to express my gratitude to our City workforce for their dedication and commitment day in and day out. Our City works because you do, and we can never forget it.

I want to thank our entire City Council for their commitment to problem solving. Although we don't see eye-to-eye on everything, our common concern for the City has allowed us to move forward efficiently and effectively, showing that respectful cooperation between the administration and the Council means better government – particularly when it comes to finances.

I greatly appreciate the support we have received from our representatives at the State, Assemblywoman Lupardo and Senator Libous, for advocating for our City and Upstate. The same is true for our representatives at the federal level and the county level, Congressman Hinchey, and Senators Schumer and Clinton and County Executive Barbara Fiala. All are strong voices in trying to bring sound fiscal policies back to government.

My fellow mayors at the New York Conference of Mayors are all too familiar with this need, and we must thank NYCOM for giving municipalities the platform to call for the reforms we need to have a sustainable future.

And fundamental to all our efforts are our partners in the community. My administration has prioritized citizen engagement, from the Neighborhood Assemblies to our interactive website, and the response has been impressive. I want to applaud all those who are answering the call and taking a stake in our community. Together, we can overcome our challenges and realize our visions.

When my administration took office, we inherited a number of financial challenges. Technologies were outdated, operations were inefficient, and fund balances had shrunk to dangerously low levels.



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Compounding contributions to the state pension system and ever increasing health care costs were putting an increasing strain on our annual budget, and a flat tax base undercut revenues. These trends have continued.

Just a couple of weeks ago, Governor Paterson outlined the harsh economic realities facing New York. He explained the belt tightening measures necessary to address the dire economic conditions we all face. I thank him for his courage and leadership in these difficult times.

And that brings us to this budget address. My goal tonight is to give a brief history of the City's finances, and then outline the steps necessary to stabilize our fiscal future and move this great City forward.

While there were some disturbing signs in my first budget year, the promise of more aid from the state was made real in Governor Pataki's final budget.

He included a \$1.6 million increase over the proposed annual allotment of Aid and Incentives to Municipalities (AIM). This money is the payment municipalities get back from the State every year.

The AIM increase allowed us to keep taxes under 4% in my first budget, and all mayors at NYCOM were hopeful that this long overdue trend of the state returning to us our fair share of taxes would become a staple of municipal financing. Unfortunately that level of state aid increase was not sustained last year or this year, and it became clear in last year's budget, our second budget, that the AIM increases would not keep pace with our increasing costs.

That is why in the State of the City Address earlier this year, we talked about the fiscal storm clouds that were gathering. We decided to act by creating a partnership between City Hall, City Council, union reps, and the community. We set up four commissions to look at several aspects of City government. The most relevant to our budget discussion tonight is the Commission on Personnel Costs. This Commission was tasked with looking at the best ways to provide quality services to our citizens at a cost that our City can afford.

This commission has looked at data from comparably sized cities and at best practices. Although this commission's work is not done, we will talk tonight about some of the data that has been uncovered so far.

But first, I think we all recognize that things have gotten much worse since we first sounded the alarm back in February. The national economy is reeling, banks are defaulting on bad debt, the State is experiencing major shortfalls in revenues, and the skyrocketing price of oil has increased costs all across the board for many operations in city government.



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I don't need to say that these trends impact local government, as business owners and homeowners are facing the very same challenges. Making ends meet at the end of the month has become increasingly difficult, and we all have had to change our spending habits to cover higher bills. It's not easy, and as Governor Paterson stated last month, "things will likely get worse before they get better."

There are many factors contributing to our current condition. Some we control and others the State controls. We can lobby for changes in State policy, and believe me, the New York Conference of Mayors lobbies for reforms day in and day out on behalf of small communities. But we must address those costs that we can control now. If we don't, we will be forced to make wholesale cuts in our workforce instead of carefully calculated cuts that will have the least negative impact on core services.

Why do I say forced to make wholesale cuts? All municipalities have an allowable constitutional taxing limit, and counting today's proposed budget, we are already at 93% of ours. If we exceed this limit, our only option will be to make cuts to cover any increased spending.

Unlike the federal and state governments, we cannot run huge deficits in our General Fund balance, and ours is already dangerously low.

The main factors contributing to our fiscal crisis are these:

The main culprit is our mandatory payments into the statewide pension system.

There was an astronomical rise in our contributions as a result of the attack on the World Trade Center on September 11, 2001, and a bursting of the dot-com bubble around the same time. The New York State pension system is highly invested in the stock market, and any downturn there translates into increased costs for municipal contributors to the pension system.

These increased and now steady costs are staggering. We have paid \$14 million since 2001. If we had a reasonable contribution rate of say 7% we would be here tonight with good news, not bad. Is there any hope to decrease these mandated costs? In talking with Barbara Vanepps from NYCOM she says there is an idea currently being discussed in Albany that would put a cap on pension plan contributions. This could not come soon enough, and we will be urging our state government to pass this reform. But it is not something we can rely on in the short term.

The next culprit is the yearly increase in personnel costs, which include wages, health insurance, workers compensation, Social Security, and pension contributions. Between 2002 and 2007, personnel costs have increased nearly \$12 million – or an average of \$2.3 million each year. That means that each year we start with a large deficit that we have to make up by increased taxes or increased revenues.



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Without relief from the state on pension contributions and without assurances of a steady level of state aid coming back to our communities, small governments are, to some extent at the mercy of the whims of Albany. That leaves us with balancing the budget on the backs of our taxpayers and our workers.

As the City's population has decreased, many positions have been eliminated entirely, while others have been moved out of the general fund into the CDBG budget, meaning they no longer affect the tax rate. For instance, in 1987, Housing & Community Development had 24 positions covered by local taxes, and today that number is zero. Economic Development moved from seven employees covered by local taxes to just one, The Engineering Department was cut from 23 to 10, Sanitation dropped 20% from 91 to 73 – and the same is true for many other departments as well. Saving costs requires that we tighten our belts, and the same imperative applies to all departments.

However, not all departments have shared equally in these cuts, and that has to change for us to emerge from this crisis. Our Police Bureau is the best trained, most versatile force in the region, and their professionalism is second to none. Their services keep our community safe and secure. However, the number of positions funded has increased by more than 5% since 1987, and that trend is simply unsustainable. But I should note that in the budget being presented tonight Chief Zikuski has clearly demonstrated an understanding of our city's financial plight, and I thank him for his efforts in controlling costs and making cuts.

This is where the work of the Commission on Personnel Costs will soon start to pay off. The Commission has conducted a study of ten comparable cities. The contrast we found was unsettling, but instructive. While most municipalities dedicate 40% of their annual budgets to police and fire, we spend significantly more. Our personnel budgets for police and fire are the most per capita among comparable communities in Upstate New York. We already knew we had to minimize expenses, and now we know how much more we spend than our peer municipalities.

Without a doubt, we provide excellent constituent services, but it is equally undeniable that we can no longer afford to spend the same amount and avoid financial ruin. This data shows that we can and must move to control personnel costs in both the police and fire departments by moving to the size forces that we can afford and that will continue to adequately protect our citizens. For example, compare the fire departments in Binghamton and Schenectady. Both cities are 10.4 square miles in size. We have 16,000 parcels to protect, they have 20,000 parcels. They have 61,000 people, we have 47,000 people. They have 117 firefighters and we have 132. And in talking with Mayor Stratton, he says the services those 117 firefighters provide are more than adequate.

And if we look at the size of our police force per capita, and at the best practices for comparable departments, it seems clear that we can keep the same number of police on our streets, while



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eventually reducing the force and thus our personnel costs. I look forward to facing these challenges together – to protect our citizens and save money.

There are other factors also affecting the cost of providing services. Increased fuel costs alone will add several percent to this year's tax rate. And increased fuel costs affect so many other costs, such as chemicals for water treatment. These rising energy costs have also resulted in a tripling of the cost of asphalt that is needed to reconstruct or repair roads. Every cost in the City's operation is increasing, and we are feeling the same pain as our citizens who bear the brunt of a declining economy every day.

On August 1<sup>st</sup>, I was handed departmental budgets that would mean a \$345 tax increase for Binghamton's average homeowner, and comparable increases would face business owners. I said that was unacceptable, and I would not allow our City's taxpayers and businesses to bear this heavy burden.

So I sent every budget page back to my department heads, directing them to cut spending 5% across the board. I knew this would be a difficult task, but it was necessary to minimize tax increases. While some department heads' were limited by contractual obligations, others found creative ways to slash costs, and some cut even more than 5%. I applaud their efforts, and thank them for their commitment. In the short term, our departments have cut over \$1 million in costs since I handed the budget back to them.

Residents are making hard choices and spending less, and City Hall must follow suit. This budget process has led to little sleep and much anguish, and it is not easy to ask our taxpayers to bear an additional burden in these difficult economic times. But the combination of all the factors discussed tonight has led to a necessary increase of 16.93% homestead and 17.85% non-homestead. This brings the previously unacceptable \$345 increase to the average homeowner down to \$232 for an average home assessed at \$81,330. When this budget is finalized after input of City Council we look forward to working with the Commission on Personnel Costs on suggested reforms that will save substantial taxpayer dollars.

I deeply appreciate City Council's participation in the budget process upfront, even before their budget hearings begin. This has started the process of making the most cost-effective budget possible.

We can and we must provide quality constituent services at lower costs, but we will need the total cooperation of Albany, City Council, and city unions to achieve these goals. As Governor Patterson said in his address on the State's finances last month "the faster we address this crisis, the faster and stronger we will emerge from it."

I also placed a hold on all hiring, effective immediately and for the remainder of the year. In the last few months, we have had to rely on our cash reserves more than anticipated to cover unexpected and



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record gas prices and increases in costs across the board. These steps will help protect our fund balance, our community's bank account.

As we present this budget tonight you will see that the Assessment Department budget includes some increases. We need to bring our city to a 100% valuation rate, a time-consuming but necessary process that will help greatly in maintaining our fiscal integrity as we move forward. We are currently at only 83.60% of valuation, a figure that must change.

To sum up tonight's announcements, I present the recurring challenges we face, and the work we must do to attain fiscal sustainability.

**Personnel & Pension Costs** – each year the cost of our work force increases dramatically. We can no longer afford these year-after-year costs when we have no new sources of revenue besides taxes. It is simply unsustainable.

We must work together with the advice of the Commission on Personnel Costs to implement the changes necessary to put in place a workforce that adequately protects community safety at a lower cost.

We also must work at the local and state levels to convince Albany to adopt pension reform and other mandate relief. I intend to reach out to other local leaders to talk about how shared services and consolidation efforts are truly necessary. The time for provincialism must end.

And from now until the end of the year I will ask all departments to save money in any way possible. This will allow us to protect our fund balance as much as possible.

I have also sent a letter today to all our union representatives to explain our dire circumstances and ask for their cooperation during this budget crisis.

**Re-evaluation:** We must undertake a re-evaluation of our property citywide. We are at 83.60% of valuation. We are required to be at 100%. The last time this evaluation was done was 1993, and that data must be made current. This budget adopts a plan to complete this project within 4-5 years. The benefits of this proposal including the following:

1. Reestablishes assessment equity within the city.
2. Reduces the tax levy rates. Please note: by State law, any reassessment cannot be done to generate revenue. So if the city increases in taxable value, the tax rates are reduced by the same amount.



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3. Provides a good opportunity to review our two tiered system with the possibility of moving to one combined rate.
4. Increases the property exemption levels.
5. Provides a stable base to determine values in the years to follow.

As we move forward in these difficult times we must recognize some of progress that has taken place and the potential that exists. Sustainable investments are being made in our city, both in the private and public sector. Including the proposed student housing complex, there is at least \$120 million dollars of construction planned in the relatively near future, and construction values have steadily increased in the past 2 years. We have invested in both IT and bricks and mortar infrastructure that is necessary to attract investment, and we have cleared blighted properties at a rate five times higher than in the recent past. We are working hard to create a vibrant downtown and strong healthy neighborhoods for all our citizens.

So tonight I ask that all our citizens understand the challenges we face, and that together we keep our “eyes on the prize.” That prize is the promise of a prosperous future and a healthier community.

Thank you, and good night.