



Office of the Mayor

Matthew T. Ryan

Mayor Matt Ryan's 2010 Budget Address

Monday, August 31, 2009

Good evening, and thank you for coming.

Over these last four years, I have had the privilege to work alongside dedicated city employees, a professional management team, neighborhood advocates and proud residents. We have moved away from failed policies of the past and toward a shared vision of a more responsible government, revitalized neighborhoods, and economic vitality. We have replaced past habits of inaction and reaction, with new habits of determined action and thoughtful planning. These four years, we have built an impressive foundation, and we are continually posting achievements and progress.

We must remember that along the way, it was not always easy. We have had our challenges.

The historic floods of 2006.

The tragedy at the American Civic Association.

And now, the uncertainty of a recession that has reached all corners of our nation, and adds unexpected pressures to working families, small businesses, and governments at every level. This recession causes concern, and in some cases, very real hardship and profound worry about our neighbors, friends and family members.

We endure this crisis the best way we know how: by finding ways to meet our needs without compromising our values. In times like this we are reminded of what we cherish most, and we make the hard decisions to protect the future of our loved ones, our homes, our enterprises. We find ways to make it work, and we do it together. I know many families right now are getting by because each member has recognized the value of shared sacrifice, because every member knows that a selfish refusal to do so would mean harm to loved ones.

In preparing this budget, my team and I, along with this City Council, have struggled with this very same dilemma. We have also experienced the same kind of unity and clarity that many families are currently experiencing. And this sense of teamwork and collective purpose has been inspiring to witness.



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Just as we came together to face our prior challenges, I am confident that we again will triumph over this short period of adversity. I don't say this lightly. I say this with certainty, and I know my colleagues on the Council share my optimism. For unlike the unexpected floods and the awful tragedy on Front Street, this is a financial challenge we are prepared to meet.

The 2010 Budget is a testament to the willingness of my administration and this Council to make the difficult decisions in difficult times. This Budget reflects how our experience and knowledge gained over the last four years have proven critical in identifying cost savings, reform opportunities, and realistic solutions to financial challenges, new and old. But what this budget reflects most, is our commitment to meeting the needs of our community, preserving the vital investments needed to safeguard and strengthen our neighborhoods, while still protecting our taxpayers, ensuring that families and business owners can continue to call Binghamton home for many years to come.

Tonight, I will begin the 2010 Budget Address with a brief discussion on the history of our city's finances. I will explain the challenges we inherited, and how we have used effective reforms and hard choices to deal with recurring annual pressures. I will share how over the last three years we have managed our tax dollars responsibly and achieved operational efficiencies across all departments. I will then point out how the national recession is impacting our finances, and how our proactive efforts over the last two years, working with Council and many other partners, have prepared us to address these challenges in a responsible way without compromising our values.

This budget also reflects the contributions by many. It was guided by the productive work sessions my office had with City Council. It was trimmed by my management team's commitment to rethink past practices. And it is grounded by the wisdom of staff and community members who worked for eighteen months on advisory Commissions to devise long-term solutions to our longstanding challenges.

I am proud of this budget, and it carries a compelling message: that we all understand the value of reforming past practices and making shared sacrifices in order to maintain investments that are moving us closer to a more prosperous community while still protecting the taxpayers in unprecedented economic times.

RECURRING CHALLENGES

It is always important to understand history, so let us begin there.

From 2002 – 2008, the costs of salaries and benefits have increased an average of \$2.4 million annually, which amounts to an 8% tax increase that needs to be covered every year.



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First let me explain the reason behind this annual jump. There are two key factors: soaring health insurance costs from a broken health care system, and skyrocketing pension contributions mandated by New York State. Our health insurance rates have increased an average of 15% annually since 2002. Our pension contributions went from \$330,000 in 2002 to more than \$4 million in 2004, where it has remained for the last five years.

The pace at which the pension contributions jumped between 2002 and 2004 caught many NYS municipalities by surprise, including Binghamton and the prior administration, which drew heavily on the city's cash reserves to cover the massive increase. As you can see from this graph, there is a direct inverse relationship between our undesignated fund balance and the pension costs: when our bill to the pension system went up, our cash in the city's piggybank went down. Obviously, this is not a sustainable strategy, and we came into City Hall with a virtually empty fund balance.

Nevertheless, I embraced this opportunity to push ahead with the kind of reform I promised in 2005. I recognized I would have to make hard choices to turn around this downward trend, to reform past practices, to remove inefficiencies from all our operations and shift us away from a costly practice of reacting to a cost-effective strategy of planning and acting. And while we advanced these goals here in City Hall, I consistently brought to Albany and Washington an urgent message of needed reform of the state pension system and our national health system, both of which negatively affect our local taxpayers.

Whereas the prior administration chose to pull down the city's reserves to cover the jump in pension and health insurance costs, I have continually sought ways to reform operations, cut spending and increase revenues. Over the last three years, I'm proud of our successes.

For example, by September of my first year in office, we had consolidated tax collection and enforcement to the County, which has saved more than a million dollars over the last three years. Compared to prior years, my team has leveraged millions more in state and federal grants to repair roads, rehab our parking ramps, demolish blight, construct new homes, develop brownfields, and expand our river trails. By investing in smart technologies, we continue to increase revenue sources, improve collection of delinquent bills, and deliver services more efficiently at a reduced cost. My management team has reorganized our workforce and reformed operations, leading to fewer dollars spent on overtime and ever more efficient use of commodities, such as electricity, road salt, and fuel. These are just a few of the reforms we initiated and continue to build upon on behalf of our taxpayers.

And as we were advancing with these more immediate reforms, I also began discussions back in January 2008 with this Council about the need to be proactive in dealing responsibly with these annual recurring pressures. That it was time to stop pretending that we could close our annual budget gap by eliminating clerical positions or removing small investments that yield big dividends down the



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road. Just like draining the cash reserves, it might prove a short-term fix, but it is not a sustainable and effective management strategy that protects the future of our community.

Fortunately, I had a partner with this City Council, and I want to personally acknowledge and commend these seven members for joining me these past two years to seek serious solutions for long-term results. You obviously do not do this for the pay, so thank you for your commitment to your district and our community.

So back in April 2008, the City Council and my office launched the Partnership for Change, an initiative that involved the creation of four commissions to address the more complicated areas of municipal finance. We ensured all our partners were involved—Council members, City Hall staff, the unions, many of my department heads, and expert community members—so our diverse needs would be reflected in the final recommendations.

The commission members dedicated an impressive amount of time and energy over the past 18 months, and their reports reflect both expertise and sound research. The Commission on Sanitation noted that improved recycling citywide would produce considerable savings, and a creative fee structure could be developed for higher level of services without impacting regular users and weekly pick-up.

The Housing Commission reported that a West Side overlay district would balance diverse constituent interests, maintain the integrity of our historic assets, and attract investment within a student corridor.

The Smart Growth Commission recommended wide-ranging land-use and development policies to create more livable neighborhoods, boost property values, and reduce taxpayer burden by ensuring quality development.

And the Commission on Personnel Costs provided some insightful analysis of our three largest personnel expenditures: health insurance, police and fire. For example, based on research conducted by the Commission, it was shown that Binghamton has the largest police force, per capita, among eleven comparable upstate New York municipalities. In Binghamton, there is one officer to every 315 residents. In Rome, there is one officer to every 441 residents.

According to the Commission's mid-term report, even if the Binghamton Police Force was reduced by 17 positions to 128, City taxpayers would still be funding the second largest department among similar upstate cities, ahead of Niagara Falls, Schenectady, Elmira, Troy, Ithaca, Watertown, Rome, Jamestown, and North Towanda.



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Aspects of these reports are already being implemented, and working with the Commissions over the last 18 months has prepared us to deal responsibly with our longstanding challenges.

Our foresight is proving invaluable. As the newspapers remind us every week, businesses, families and governments at every level are scrambling to deal with the negative impacts of one of our nation's worst recessions. Since last year's Wall Street collapse, the negative economic impacts have rippled out to all corners of our country, and into every home. I know that Binghamton is better positioned than most cities because of our proactive efforts, but we all need to recognize that the impacts are serious and real. I'd like to explain exactly how this recession has hit city finances.

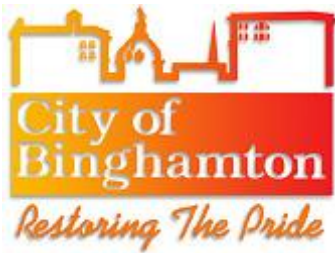
The New York State Pension fund is tied to the stock market, so when it goes down, our contributions go up. The \$4million payment we currently make to the system is already a difficult expense to meet annually, but all NYS municipalities have been told by the State Comptroller to expect a 50% increase. That's a stunning jump of \$2 million, which would require a 7% local tax increase to offset. The increase in this unfunded state mandate is unacceptable, and I've been sharing my frustration weekly with our legislators and the Governor's Office. On behalf of city taxpayers, I will continue to raise my voice over the special interests in Albany, and I will work closely with Assemblywoman Donna Lupardo and Senator Tom Libous to make sure serious pension reform is introduced and passed this fall, without delay.

The recession has also hurt sales tax revenues. In tight economic times, consumers spend less, and the projections aren't promising. While we are currently faring better than some areas, we are still projecting a \$700,000 decline in sales tax revenues in 2010.

The plummeting economy has dragged down our interest rates as well, and as a result, we are projecting a drop of \$500,000 in our interest earnings.

In sum, the recession has widened our annual budget gap by an additional \$3.2 million. Increases in debt service, unemployment insurance, and risk insurance bring the total budget gap to about \$7 million. In other words, when we started our budget work sessions with Council earlier this month, we were facing a prospective 24% tax increase. This Council and my office clearly understood the challenge before us. We knew we would have to regroup with department heads, encourage shared sacrifice, review costs in all departments, and move ahead immediately with our plans and the Commissions' recommendations.

Before I explain how we closed this gap, it is important to put this challenge in perspective. Some may want to peddle unrealistic or illegal solutions, but this Council and I, having worked together for the last two years, fully understand what needs to be done in order to protect our taxpayers and maintain similar or higher level of services than comparable upstate cities.



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For example, if we wanted to eliminate—and I'm not talking about reducing, but entirely eliminating—the following twelve divisions: Code Enforcement, Engineering, Building and Construction, Legal, Planning, the Treasury, Assessment, the Clerk's Office, Animal Control, Economic Development, Civil Service, the Mayor's Office, and Personnel, that would only save us \$3.5 million in salaries and benefits. Not to mention we would lose our ability to function as a city and be in violation of hundreds of federal, local and state laws.

So when it became clear that the magnitude of our challenge required sacrifice across every division and department, I made the first move by eliminating a position in my office and freezing management salaries. These decisions reduced by budget by a nominal amount in dollars, but they were a clear signal to my team that we were in this together.

I then called my management team to an emergency meeting and explained the task at hand, that our solutions didn't go far enough in this recession, that we had to protect our taxpayers and the future of our community. And because I knew my team's character, I knew they all would recognize the value of shared sacrifice. I told them cuts had to come from every department. There would be no selfish refusal. Nor was one department allowed to displace this burden on to another.

Tonight I am announcing that my team has come together in the face of this serious challenge and eliminated 38 positions from 17 different divisions. Though it was my full intention to achieve this outcome through attrition, the extent of the recession's impact has made that goal impossible. I am concerned for those who will be impacted by these cuts, and I know my team is still working to find ways to keep this unfortunate reality to a bare minimum.

As you can see, no department was spared, and I want to thank my entire team for showing the kind of leadership necessary to reduce this budget in every way possible. I want to thank Commission of Public Works Luke Day, who assembled his division leaders and identified additional savings by eliminating positions from Parks, Streets, Sanitation, and Engineering without jeopardizing the improvements we've made the last four years in service delivery, and without slowing our progress in organizational reform. I want to thank Comptroller John Cox for reviewing operations with his Finance Team and identifying positions that could be eliminated in the Treasurer's Office and in Data without compromising service delivery. I want to thank City Clerk Joe Merrill for speeding up the consolidation of Vital Statistics into the Clerk's Office and reducing the workforce without cutting services.

I also want to acknowledge and thank Fire Chief Dan Thomas, who has shown tremendous leadership meeting my mandate to reduce costs. I issued you a difficult directive, Chief, and I am inspired by your resolve and success in meeting it. I must also extend a deep appreciation to the Fire union, particularly Dave Holleran, John Janos, and Pat Eggleston, who worked shoulder-to-shoulder with the Chief and



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his senior staff to develop a plan that meets my directive, realizes important savings, and still maintains a comparable or even higher level of service than other upstate cities our size.

And I also want to thank Police Chief Joe Zikuski for his efforts to meet my directive. I am confident in Chief Zikuski's leadership and the expertise of his administrative staff to rethink organizational structure, develop more efficient operations, and shift officers from behind the desk and out into the neighborhoods. Again, even with these reductions, Binghamton taxpayers can take pride in that we're funding the second largest department, per capita, of eleven upstate municipalities, and thanks to the Chief's careful allocation of resources, the number of officers on the street will drop by only one. We've also added new crime prevention technologies these past few years allowing our police force to work smarter. As Commissioner of Public Safety, I will continue to work alongside the Police Chief to ensure the safety and protection of our residents. I am also confident in the professionalism of our officers, and that the police union, in service to the city residents and taxpayers, will rise to this challenge and offer smart contributions to these important reforms.

Each division will experience its reductions in a different way, but through ongoing reforms and the right investments, we will continue providing quality constituent services.

The recession made the prospect of a 24% tax increase seem very real and possible. It gave us all pause, and reminded us again how important it is to keep the struggling homeowner and small business owner at the center of our discussions. And it made very clear the power of unity, of finding ways to meet our immediate needs while still advancing a shared commitment to a brighter future.

By working together with the Council, across all departments, and in consultation with the commissions, my team has trimmed millions from this budget and we have successfully pushed this tax burden down to 8%.

I do not pretend that this will be an easy cost for each family to fully absorb. However, I know this budget contends with the pressures of one of our nation's worst recessions in a manner that is responsible and realistic. It reflects the ongoing savings of reforms initiated by my administration. It reflects serious solutions developed by community members, Council members, city staff, and my management team. And it reflects our unique ability to continue the kind of vital investments needed to protect the future of our community.

And that is the key. Municipalities that failed to be proactive, or those that lacked a reform-minded agenda must now slash services, postpone essential investments, and burden taxpayers with double digit rate increases.

Fortunately, and because of our management approach, we were able to avoid this outcome. In fact, this budget is a testament to our success these past four years in turning this city around. It is a clear



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signal that we can still deliver comparable or higher level of services than similar upstate cities while maintaining key investments in our future, and ensuring families and businesses can continue to proudly call Binghamton home for many years to come.

The accomplishments we have started will continue, and the positive momentum we have generated will not slow.

The more than 100 blighted properties we were handed from the prior administration will continue to be rehabbed or demolished with our award-winning Restore NY strategies next year and the years to come.

The neglected small business loan fund we recapitalized these past two years will continue to leverage millions in private financing, support local entrepreneurs, and create jobs in our city.

The infrastructure neglected for so many years will continue to see increasing levels of investment, more routine maintenance, and better quality of repairs.

The antiquated technologies left behind by the prior administration will continue to be replaced. In fact, this January they will finally be made obsolete when we go live with an enterprise financial software that will completely transform how we do business.

Then and now, that is the difference: It is how we have done business these past four years that has made a difference, and put Binghamton on the right path. New construction values are at record levels, and we continue to inspire confidence among investors. We have had the nation's top ranked real estate market for three years running. We have won the New York Conference of Mayor's Public Administration and Management Award two years in a row, the first time this feat has ever been accomplished. And true to our promise to grow our local economy, more than 38 new businesses have opened in the last year alone, and more are on the way.

We're continually moving our city forward, and positive development is obvious citywide, from the West Side to the East Side, from the South Side to the North Side, from the First Ward to our downtown core. We're restoring our housing stock, growing our businesses, strengthening our infrastructure and attracting private investment. And all of this is improving neighborhood safety while still protecting the taxpayer.

We're doing it through shared sacrifice, a forward-looking vision, and a continued commitment to reform. By coming together across all departments, with the Council, in partnership with the unions, and in consultation with the residents, we're implementing serious solutions, and they're achieving real results.



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This is how we make sacrifices without compromising our values. It's how we're building a strong community of safe neighborhoods and vital business districts. And it's how we'll continue building our future together.