

2015 BUDGET ADDRESS

Presented By:

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INTRODUCTION

Ladies and gentlemen, members of City Council, it is my pleasure to address you in these chambers as I present the 2015 Budget Message. Tonight, I will present an overview of the City's financial position, I will explain our policies and decision making process, illustrate where your tax dollars are being spent and why they are targeted to these areas.

It's been almost nine months since I took office, and this Administration has been very busy working to fix more streets, demolish more properties, attack blight, stimulate economic development opportunities, lockdown troublesome buildings, add police, fight crime, improve neighborhoods and address overall quality of life issues. In short, we've been focusing on basic city services.

Improving the City's finances is also a vital component of basic city services, and that's what we're here to talk about tonight. I have been very vocal about the condition of the City's finances, you've heard me voice concerns about the downgrade of the City's bond rating, the City's difficulty filing annual financial reports and audits in a timely fashion over the last few years, and employees in unrelated departments stealing money.

Add to that the challenges of annual increases in health insurance costs, union negotiated salaries and hefty mandatory contributions to the New York State Retirement System, and you begin to see an overall picture of the financial obstacles facing the City.

In addition, year after year, cities throughout New York are being asked to do more with less. Absorbing structural increases in costs while minimizing potential tax increases make for a complex budgetary process.

By tightening our belt, using creative out of the box thinking and making tough decisions we've been able to maintain our financial solvency. This administration's strategies are working and will net significant results.

ANNUAL AUDITS AND ANNUAL UPDATE DOCUMENTS

The first step to improve the City finances was to complete any and all outstanding audits or other required financial documents and submit them to the appropriate agency.

When I took office earlier this year, the 2012 audit was still outstanding. Within our first month, we worked with the auditor to expedite its completion.

Moving forward, I'm committed to making sure the City will no longer miss important annual financial deadlines because timely completion of these crucial financial documents impacts the City's financial credibility and reputation.

Once we caught on the City's 2012 financials, we began work on the 2013 ones. I'm pleased to tell you that the 2013 annual update document, which is completed by the City and required by New York State, was submitted prior to the April 30th deadline, and the 2013 audit is close to completion and will be ready by the September 30th deadline, which is two weeks from today.

The City's inability to complete the audit and other financial reports in a timely fashion sent a terrible message to the global financial and investment community. Catching the City up and completing the 2013 audit and financials on schedule will help restore the City's integrity and financial position. Both the current and former Comptrollers worked hard to get those documents complete and I appreciate both their efforts.

ESSENTIAL SERVICES

The range of services the City provides are among the best in Southern and Central New York. When it comes to protecting the public, the men and women of the police and fire departments are among the best trained and most experienced first responders in New York State. If a family is in need of assistance, emergency personnel can literally reach any area in the City within minutes.

Maintaining these vital public safety services alone is not enough. It's imperative we invest in public safety personnel, training, new vehicles and state of the art equipment for both the police and fire departments to meet the needs of our evolving community.

Police Department

I made a commitment to focus on Public Safety and devote as many resources as possible to fighting crime in Binghamton to make our neighborhoods safer. I've repeatedly stated my concern about cutting 20 police officers over the last 8 years and I pledged to restore as many of those police officer positions as I can.

Since January 1st I've added 4 new police officer positions, including two School Resource Officers at East and West Middle Schools and two new police officers to expand the Community Response Team (CRT).

I'd like to thank Superintendent Dr. Marion Martinez and the Binghamton City School District for paying \$100,000 to fund the School Resource Officer positions and for recognizing the role and value these public safety personnel play in our schools.

I also eliminated two City Hall administrative positions to fund the Community Response Team expansion. We also made other internal changes to fund benefits for the four new police officer positions.

This year, we also added a civilian Senior Crime Analyst position, which is funded through a grant from the New York State Department of Criminal Justice Services. The City has also submitted an application through the federal COPS program to provide three years of funding for three additional police officers. We should know the outcome of that grant application in the next month or so.

This 2015 budget maintains my commitment to Public Safety and will add three new police officer positions. The first police officer position is part of the Binghamton University/City of Binghamton Police Partnership Initiative that I announced in August. The University will contribute \$50,000 to fund the salary of an officer to patrol downtown and parts of the west side and work on student and community related issues. I want to thank Binghamton University President Dr. Harvey Stenger for his support and efforts to make the City safer for everyone.

The remaining two new police officer positions will be dedicated to walking the streets and patrolling our neighborhoods. These two new police officer positions will be the only new full time positions added in the 2015 budget that are not fully offset by a grant or other source of revenue.

In a 12-month period, this Administration will have restored 7 police officer positions, bringing the total number to 138. I want to increase our Police Department's visibility and presence, sending a message to criminals that this City that will fight to protect its streets and neighborhoods.

Fire Department

This year, the City also secured a \$1.3 million dollar grant from the Federal Emergency Management Agency (FEMA). The Staffing for Adequate Fire and Emergency Response or (SAFER) grant has added eight additional firefighters to the Department for a two year period, fully funded by the federal government.

These are just a few reasons why Binghamton continues to provide police and fire forces that are among the best in the state. Grants such as these enable us to expand our umbrella of protection without significantly adding to our tax bill. That's why these initiatives are so important and meaningful.

EXPENDITURES:

The overall city budget is comprised of the general fund, the water and sewer fund, the refuse fund, the insurance fund and the parking fund. The total budget for 2015 is \$91,878,209.81. The general fund budget is \$64.6 million. This is the budget that directly impacts the property tax rate and the one I'll be discussing in depth this evening.

Some of the more significant areas of spending in the general fund budget are public safety at \$34.3 million, \$7.1 million for public works, sanitation at \$2.6 million; parks and recreation at \$3 million and general government operations at \$3.9 million. The remaining budget categories include transportation, economic development, planning, housing and bond principal and interest payments.

I'd like to briefly highlight the expenditures in the 2015 budget. In essence, our expenditures are the costs associated with running the day-to-day operations of the city. The City's General Fund expenses will increase by approximately \$2.5 million in the 2015 budget.

I think it's important to outline the common factors all upstate cities are confronted with to illustrate the significant impact they are having on municipal budgets.

An annual factor that contributes to rising expenditures is increases in union negotiated salaries. I want to touch on salaries tonight because they represent the largest expenditure in the City budget. The City is essentially a service provider, which means our budget is a personnel budget funding those who plow streets, fight fires, patrol our neighborhoods and manage City departments. It's important to understand why expenses in these areas have gone up.

You can see in this pie chart how personnel spending is broken down, with public safety comprising the largest part of the general fund budget at close to 68%, which is earmarked for salaries for firefighters and police officers.

The City has settled contracts with four of the five unions and we are working with the goal of having the final union contract with the Teamsters settled before the end of the year. While we won't know the total amount until all contracts are settled, I can tell you at a minimum that salary increases will add several hundred thousand dollars to the 2015 budget.

Health Insurance

Health Insurance is a relatively sizable expenditure that continues to spike from year to year. This is an ominous trend confronting employers in the public and private sectors. In 2015, we are seeing a \$600,000 increase in our health insurance cost.

As this Administration begins to negotiate new contracts with the unions, we will be exploring a variety of different health insurance options to reduce the City's costs and look for savings.

New York State Retirement System

One of the primary financial obstacles the City has had to grapple with over the last decade relates to mandatory increases in contributions to the New York Retirement System.

The State Retirement System is essentially the portfolio in which all public employees' retirement funds are invested. The last two administrations faced massive increases in pension costs, which was a top contributor to significant tax increases over the years.

2014 was the first year in more than a decade where the City's pension costs actually decreased, and while that decrease was only a slight one from the year before, it was a step in the right direction. In 2015 the City's pension bill will decrease slightly once again to \$6.8 million, which is \$382,000 less from 2014. The New York State Comptroller sets the pension rates, which means municipalities have no control over those rates, even though they have one of the largest impacts on the budget. While we hope this downward trend will continue moving forward, we cannot rely on it.

REVENUES:

The City's largest source of revenue, property taxes, amounts to \$36.5 million. State aid for next year will be \$9.2 million. Other significant areas of revenue include departmental earnings of \$2.1 million.

Sales tax is also a major form of revenue for the City and I want to take a moment to discuss this in detail. This chart shows how the City budgeted for sales tax revenue over the last two years. As you can see in 2013 the City received \$9.74 million for the year. For 2014, the City budgeted \$10.2 million, which was a \$460,000 increase. At this point, the increased revenue has not yet materialized. In fact, the City has actually received approximately \$150,000 less in sales tax revenue through the first half of 2014 and there is no sign that the second half of the year is going to be any better, which means that deficit will likely grow significantly.

As many people know, Broome County is currently dealing with serious challenges related to a shortfall in sales tax, and some of that shortfall is being passed on to the City and other municipalities. Fortunately, the City is able to absorb the impact this year, but it's important we

use a more conservative sales tax estimate in 2015 to protect the City and taxpayers. That's why in 2015 we will budget \$9.8 million in sales tax revenue, which is \$400,000 less than was budgeted in 2014, and is consistent with what the City received in sales tax in 2013. A conservative financial strategy will only benefit taxpayers if sales tax revenue comes in higher than estimated projections.

Regional Economic Development Council & Broome County Land Bank Applications

In many ways the City of Binghamton should be run like a business, and in business you constantly look for ways to increase revenue. In order to increase our revenues in a significant way on a long term basis we need to broaden the tax base.

It's important to note that the City saw a decrease in assessed taxable property of \$7 million from 2013 to 2014, which can be attributed largely to the 2011 flood and loss of homes and businesses.

That's one of many reasons why the City is seeking significant grants through both Governor Andrew Cuomo's Regional Economic Development Council and New York State Attorney General Eric Schneiderman's Land Bank Initiative for three major economic development projects, most of which could break ground next year, and would generate increased property tax or other revenue to the City in the near future.

In about a month or so, the City should find out if our efforts to secure a \$500,000 grant for a mixed use residential development project at 70-72 Court Street, millions of dollars for the Collier Street Commons mixed use residential project and a \$500,000 grant for a grocery store project and redevelopment of the former Big Lots Plaza on the North Side, were successful.

This City deserves its fair share of State funding. It's very disheartening to continue to see so many other upstate cities secure millions of dollars in State money annually for their economic development projects, while Binghamton is passed over. We plan on changing that. Some of you may have heard this quote before. *"You can't hit a home run unless you step up to the plate, you can't fish unless you put your line in the water, and you can't reach your goals if you don't try."*

In past years, the City was not successful with these types of opportunities, and while I do not know and certainly cannot guarantee the outcome of these applications, we are advocating for these important projects with every ounce of energy we have, because economic development is how we grow this community, create good paying jobs and increase the tax base.

COST SAVING/REVENUE ENHANCEMENT STRATEGIES

One of the main goals of this administration is to reduce the cost of doing business and relieve taxpayers of any unnecessary financial burdens. To accomplish this goal, we have identified and

implemented a range of creative cost-saving strategies that save taxpayer dollars. Tonight I'd like to touch on a few ones that will yield significant savings.

By refinancing the 2007 public improvement serial bond, the City will save close to \$1 million dollars over the next 15 years, starting with \$112,000 in savings in 2015.

Next year, with Council's support, we will advance plans on two energy efficiency projects that will save hundreds of thousands of dollars.

The first calls for converting the City's approximately 7,000 street lights to LED technology. The energy savings will offset the installation costs and LED bulbs will brighten our City and enhance overall public safety.

The second initiative involves replacing 14,000 municipal water meters, which will provide more accurate water use metering, reduce resources spent reading meters and put in place a sophisticated leak detection system, which will decrease costs and increase water revenues.

We are currently awaiting the result of an audit and survey of the City's energy service accounts. The purpose of the audit is to secure refunds, credits and cost reductions from excess charges or costs on all electric and gas accounts.

We are also making changes to our money management strategy. While the City is successful at securing grants, we need to secure grant reimbursements in a more timely fashion because the City has to borrow the money up front to get a project started and is then reimbursed with the grant after the fact. When there are delays in being reimbursed the City spends money unnecessarily on principal and interest payments. I am challenging all City employees who manage grants, and there are many of them, to more quickly seek reimbursements. Better grant management has the potential to save \$100,000 in principal and interest payments annually.

By also shifting \$5 million of the City's cash deposits to an account with a higher interest rate at Chemung Canal Trust downtown, we will increase our revenues by tens of thousands of dollars annually.

These initiatives would not be possible without the dedication and expertise of our competent team of department heads. I want to thank our new Comptroller Chuck Shager, Commissioner of Public Works Gary Holmes and Finance and Data Processing Operations Coordinator Lori Clift for working on many of these initiatives.

Consolidation of Services

Consolidating and sharing services has played a significant role in the City of Binghamton's efforts to save money. Our philosophy has always been to study, analyze and evaluate any proposal for consolidation *before* presenting it as a viable course of action. This year the City

and Broome County are taking another significant step forward in identifying potential areas to save money and improve services.

Currently both Information Technology departments meet on a monthly basis to discuss additional services than can be shared that will benefit both governments and the taxpayers.

Shared services that are currently being explored include sharing e-mail servers, phone systems and a document management system. Testing is almost complete on the shared e-mail server project and full implementation will move forward in the next few months. A phone system pilot project will begin in early 2015 to explore the viability and cost effectiveness of expanding Broome County's phone system to the City, instead of the City replacing its current system.

The expansion of Broome County's document management system is underway and the City is looking to implement the system in the City's Assessment Office late this year or in early 2015. In conjunction with this project, we are working on a records management grant application to fund a digital scanning program for all documents in the City's Assessment Office into the document management system.

Once implementation in this initial department is complete, we expect to expand this system to all City departments, increasing efficiencies, better sharing of information between departments and costs savings by using Broome County's digital infrastructure as opposed to our own system.

While these concepts involve Broome County, sharing services does not need to occur only on a countywide basis to be effective or save money, but can move in multiple directions between municipalities. Municipal leaders are currently studying their own concepts and you will hear more about their plans in the near future.

Personnel Reductions

Another area that continues to impact our budget is personnel, which I touched on earlier. This year I have begun the process to reorganize personnel and eliminate positions in various departments throughout the City as part of an ongoing effort to streamline departments, maximize resources, and simply do more with less.

In 2015 we will eliminate the following positions: Chief Information Officer, Assistant Building Maintenance Mechanic, Master Electrician, Motor Equipment Operator, Firefighter, and two Transfer Station Operators. These positions were either vacant or the people were transferred to other vacant positions in City Hall. I also made a change in the Mayor's Office by reducing a full-time management position of Youth Success Director to part-time. I believe by leading in example and I will not ask the departments to do anything I am not prepared to do myself.

We are also eliminating two vacant laborer positions in the sewer department, though this will not directly impact your property taxes, but will impact you sewer bills.

There is also one layoff. We are eliminating the position of senior planner. Layoffs are never easy, however the planning department has doubled in size over eight years and I don't believe we need as many positions. We are working with the individual affected on different options.

Times are tough for all of us and sacrifices need to be made in departments where employees are on the front lines right through to top management.

FORM of AID

New York State Department of Transportation Aid

The City of Binghamton has a successful track record in securing significant financial commitments from the New York State Department of Transportation (NYSDOT) to reconstruct major bridge and roadway projects that spans several decades.

One of the first meetings I had after taking office was with Jack Williams, Regional Director of the NYSDOT, to identify ways to secure even more funding from the State. We quickly secured a \$100,000 commitment from the State DOT to reconstruct a sizable portion of Prospect Street, which had taken a significant beating from the nearby I-86 Prospect Mountain conversion project.

This year the City secured \$1.5 million from the State to paint the South Washington Street Bridge.

In 2015 the City is also working to secure funding from the State and Federal Government for; \$1.3 million to replace four traffic signals, \$2.1 million in neighborhood bridge repair and reconstruction, \$3 million in various flood mitigation and storm water management infrastructure projects and \$600,000 for improvements for a State Street Gateway Project. The state and federal government will fund 80% up to 100% of the total project cost.

These are large infrastructure projects that are having a dramatic impact on the look and feel of our city. Without this substantial assistance these projects would have been impossible to achieve otherwise. I can assure you our efforts to work with regional transportation planners and the New York State Department of Transportation officials to secure additional funding continues to be aggressive.

Securing massive support for major infrastructure projects enables us to target our funds for neighborhood infrastructure projects.

USE OF COMMUNITY DEVELOPMENT BLOCK GRANT MONEY

One of the other ways we're able to continue to improve our city is through the use of the Community Development Block Grant, which are funds the Federal Government provides to cities nationwide on an annual basis.

For the 2014-15 fiscal year, Binghamton received approximately \$1.9 million dollars in Community Development Block Grant Funding, which is less than half of what the City received in 2006. We target these funds creatively for economic development, code enforcement, park and infrastructure upgrades, and planning, housing and community development.

Neighborhood Street Reconstruction

Another example of where we target block grant funds can be seen in neighborhood street reconstruction projects. You may have noticed a lot of activity going on this summer as crews milled, paved, and reconstructed dozens of streets across the City. Crews are currently working on the East Side. One of the compliments I hear most frequently is about how many streets we are fixing this year, and of course, the Riverside Drive reconstruction project.

There are 157 miles of street in the city. In 2014 close to twice as many streets are being milled and paved compared to last year, and in 2015 we are on track to keep that break neck pace going with another \$130,000 in Block Grant Funding that will complement capital street reconstruction funds.

Block grant funds allow the City to provide enhanced services and critical programs without burdening the taxpayer. Without these funds the only alternative would be massive tax increases or elimination these vital services all together.

Demolitions

In addition to street reconstruction, hundreds of thousands dollars from the block grant also funds the entire cost of the City's annual demolition and housing improvement programs. One major casualty of the cut in CDBG funds is fewer demolitions each year. This summer the City demolished 8 properties using \$161,525 in CDBG funds. That's not enough to make a meaningful impact in our neighborhoods.

INCREASING DEMOLITIONS

In 2015 I plan to double the number of demolitions in Binghamton and have budgeted \$160,000 for additional demolitions in neighborhoods across the City. These burned out or crumbling eyesores lower property values, are unsightly, and impact quality of life. If the Federal Government keeps cutting funding, then we need to find another way to get this important task done. It's time we do more to address this form of blight.

NEIGHBORHOOD BLIGHT

Although they will make a major impact, demolitions alone will not solve the neighborhood blight issue. When I went door to door last summer I talked with many of you about improving

the quality of our neighborhoods. It was a top concern of residents, many of whom pointed to properties with code violations or homes that were serious sources of blight.

I pledged to attack neighborhood blight through enhanced code enforcement and this year we initiated a series of code sweeps, demolitions, better upkeep on private properties and cleaning City Streets.

Last month the City spent \$25,000 to hire two companies to mow grass and perform lawn maintenance on 125 city owned properties for the rest of the summer. Take a look at these before and after photos. The first is 12 Gaines Street in the First Ward. You can clearly see this is several years' worth of growth and un-kept maintenance. Here's what 12 Gaines Street looks like now that it's being maintained. Clearly, there's a significant difference. The next property is 31 Charlotte Street on the West Side. These two parcels are among the 125 vacant properties owned by the City. Imagine living next to one of these properties or in a neighborhood where you have to look at this every day. Here's what 31 Charlotte Street looks like today. By contracting for lawn maintenance we are not only addressing blight and improving neighborhoods, but also freeing up City resources to more quickly respond to code violations on private properties where owners ignore citations.

This is a photo of a private property on Mather Street that was taken during a code enforcement sweep I led over the summer. That's the highest grass I've ever seen in a neighborhood. The City is now in a better position to quickly address blight issues, like this one, on private properties across the City.

Next year the City will spend \$35,000 to expand this successful blight reduction plan from April through October. There's no excuse for a public or private property to reach this level of blight. We can and must do better. Overgrown and blighted properties negatively impact the quality of life in neighborhoods across the City. This initiative addresses a longstanding problem with a new approach by coordinating government and private sector resources, resulting in blight reduction. It's a minimal investment that will significantly improve the overall look of our neighborhoods.

PROPERTY TAXES: RESIDENTIAL & COMMERCIAL/INDUSTRIAL

There is no doubt that taxes effect the lives of each and every resident in this city, and addressing the issue of property taxes is never an easy task. This year we've taken a long hard look at the numbers and made difficult decisions that we hope will benefit the City of Binghamton and all its residents. As you know, in recent years, this task has become more and more difficult.

This chart shows how much residential taxes have increased over the last eight years. As you can see they've gone up more than 52% at time when some services, such as public safety, were drastically reduced.

One of my goals is to restore tax stability and avoid wild tax swings from year to year. Let me show you what I mean. As this chart shows, going from a 7.6% increase in 2008, to a 14.2% increase in 2009 to a 3% increase in 2011, then a 7% increase in 2013 creates a sense of uncertainty, frustration and instability. It's also very difficult for local taxpayers to bear and is detrimental to the growth and development of a community.

CHOICES AND DECISIONS:

Therefore, in an effort to stabilize taxes and avoid wild tax swings in the future, homeowners in 2015 will only see a \$.11 increase in their taxes per \$1,000 of assessed value. This translates into a .48% increase. The residential tax rate will increase from \$23.25 to \$23.36 in 2015. What this means is that residents with a home valued at \$70,000 will only see an increase of \$.66 per month or \$7.86 for the entire year.

Next year commercial business owners in the City of Binghamton will see a 1.9% increase in their taxes. What this means is that commercial taxes will increase \$.81 per \$1,000 of assessed value. The commercial tax rate will increase from \$41.67 to \$42.48 in 2015.

No one likes when taxes go up, but I am not only planning for the 2015 budget. This is about putting a long term plan in place to stabilize taxes on an annual basis moving forward. By stabilizing taxes and controlling spending, which this budget proposal does, we can begin to change and restructure how City Hall operates and pass savings along to residents.

FUND BALANCE

I want to take a moment to talk about the City's Fund Balance, which is essentially the amount of money the City has in reserves. It's not uncommon to use a portion of the Fund Balance to fill a gap in the General Fund budget to offset increases in property taxes. The 2015 budget does not include any use of Fund Balance, or reserves, for general government expenses.

We've put together a chart that shows how much Fund Balance, if any at all, was used each year over the last 8 years to balance the budget. In 2006 when there was a change in Administration there was \$3.1 million left in the Fund Balance. The Ryan Administration disputed that number saying there was only \$219,000, a number that has been manipulated repeatedly over eight years.

As you can see in this chart there were some years where no Fund Balance was used. But if you take a look at the 2007 budget, which was the Ryan Administration's first budget, you can see that \$1.2 million dollars in Fund Balance was used to balance the budget, which contradicts the statement that there was only \$219,000 available at that time. The 2007 budget included a

minimal tax increase because \$1.2 million in Fund Balance was used, and the only reason I mention this to you tonight is to set the record straight because the Fund Balance left in 2006 helped stabilize taxes in 2007.

LOOKING AHEAD

I leave you tonight with a quote from Vice President Joe Biden, who said “*Don’t tell me what you value, show me your budget, and I’ll tell you what you value.*”

The 2015 budget begins to meet many of the commitments I made during the campaign. We’re adding more police officers, fixing more streets, demolishing more homes, improving the integrity of our neighborhoods and stabilizing the tax rate. Having only been in office nine months, I believe we’ve made significant progress in a short amount of time.

In previous years, your taxes increased while some services, such as public safety, decreased. Now we are realigning our priorities and spending, and *increasing* several services for residents.

This budget represents a comprehensive look at all City expenses and expenditures. The proposed 2015 tax increases are minimal and put the City in a much better position to deal with the fiscal challenges on our horizon, and uncertainly surrounding the future of health insurance and pension costs.

Before we conclude tonight, I want to thank many of the department heads who are here and who have worked very hard to make difficult cuts in their areas and meet the high bar I set for 2015. This was not an easy process but we worked together as a team on behalf of the residents and our work shows here tonight.

With that thought in mind, I present to you, the members of City Council and our residents our financial plan for 2015, a plan that maintains the integrity of our broad range of municipal services and will ensure a continuation of revitalization efforts underway in neighborhoods throughout the City.

Thank you and good night!