

2017 Budget Address
by Mayor Richard C. David

Tuesday, Sept. 13 at 7:00 p.m.
Binghamton City Council Chambers

INTRODUCTION

President Papastrat, members of City Council, honored guests, and fellow residents; thank you for joining me tonight as I present the 2017 Budget Message.

I'll begin tonight where my speech ended last year, highlighting the incredible success of the LUMA Projection Arts Festival. For the second straight year, tens of thousands of visitors from across our region and around the world witnessed Binghamton's creative spirit and growing downtown district.

As I've said before, we cannot ignore these signs of positive momentum and the desire of this community to demand more than the status-quo.

Whether it be the success of LUMA, the growth of downtown, the resurgence of Binghamton's neighborhoods, or City government's healthier fiscal state I will outline tonight — they all point to optimism for the future of this community.

I join a coalition of mayors, town supervisors, and county leaders who govern in a time of unprecedented tax caps, debt limits and unfunded mandates; uncertain health insurance and pension costs; stagnant state aid and dwindling federal entitlements. Many times, those in government paint a bleak picture to justify tax increases and financial decline.

My message tonight to Binghamton residents and taxpayers is different. I won't turn these challenges into excuses for inaction. Nor will I balance City Hall's budget on the backs of homeowners and businesses with astronomical tax increases.

In our first two budgets, this Administration has delivered on that message. Along with relief to Binghamton's property owners, we've made smart investments in public safety, infrastructure and improving neighborhood quality of life. We've held the line on taxes, made tough decisions and created innovative ways to save taxpayer dollars.

That's why tonight's address is about more than crunching numbers or property tax percentages — although we'll get to that. It's about our fiscal policy and the course we've set for decades of financial prosperity.

Taxpayers across the City should know exactly how City Hall budgets their hard earned dollars.

REVENUES:

Let's begin with revenues. The City's largest source of revenue, property taxes, amounts to \$36.7 million. State aid for next year will remain flat at \$9.2 million. Other significant areas of revenue include departmental earnings of \$3.2 million and \$1.8 million in Community Development Block Grant, or CDBG, funding. These funds are provided by the U.S. Department of Housing and Urban Development to enhance neighborhoods and assist low-income individuals.

Sales tax, at \$10.6 million, is the City's second-largest form of revenue.

Some time ago, Broome County changed the 50/50 sales tax distribution formula in favor of the County, which at the time was dealing with massive Medicaid costs. Over the years, millions of sales tax dollars that belonged to the City and other municipalities went to Broome County. These funds could have been used to fund police officers positions, park improvements and blight demolitions.

I'm one of many officials who have been urging the County to share more sales tax with municipalities. A few weeks ago County officials announced taking a step toward fairness by allocating more than \$1.2 million in additional sales tax revenue for municipalities, which translates into a roughly \$280,000 increase for the City of Binghamton in 2017.

As a former town supervisor, County Executive Preston understands the challenges of local government and what these scarce resources mean. This funding matters and directly affects Binghamton's budget. On behalf of all City residents, I thank the County Executive and Broome County Legislature for keeping their word on this issue.

EXPENDITURES:

On to expenditures. The overall City budget is comprised of the General Fund, the water and sewer fund, the refuse fund, insurance fund, parking fund, and community development fund. The total 2017 City of Binghamton budget is \$92.1 million. The General Fund budget is \$64.4 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 2017 General Fund budget are public safety at \$22.2 million, employee benefits at \$19.2 million, \$6.7 million in debt service payments, \$6.5 million in general government operations, \$3 million for parks and recreation, and \$2.7 million for transfers to other funds.

With annual increases in union negotiated salaries, managing these expenditures is no easy task. Salaries and employee benefits represent the largest expenditures in the City budget. When you combine those costs, police and fire protection representing 57 percent of the General Fund budget.

Next year's budget includes \$10.3 million for health insurance costs.

In 2014, during union contract negotiations, the City was able to include a new high deductible insurance plan, which netted significant savings for both members and taxpayers. As a result, in 2017, we have budgeted a minimal increase in our health insurance costs year-to-year. As more employees retire who are insured on older and more costly plans, the savings from this shift will be even greater.

The City's mandatory annual contribution to the New York Retirement System, the portfolio in which all public employees' retirement funds are invested, has been a fiscal challenge for decades.

In 2017, the City's pension bill is an estimated \$6.7 million. While the City's pension contribution has decreased the past two years, the City's contribution will increase in this budget cycle by \$344,000.

ESSENTIAL SERVICES

The City of Binghamton is home to the largest local law enforcement agency and fire department in the Southern Tier. These vital services require immense resources and financial support.

This Administration's annual budgets have demonstrated our commitment to our public safety professionals. Investments in new equipment and training; boosts in personnel after years of cuts. Binghamton is building back its reputation as a law and order community.

In the Binghamton Police Department, we've been able to leverage partnerships to fund new positions with targeted goals.

We've added two School Resource Officers to East and West Middle Schools, with the Binghamton School District picking up \$100,000 of their salaries. After success in the first two years of this program, the school district is renewing the program for a third-straight year. I thank interim Superintendent Dr. Tonia Thompson for her support.

Binghamton University will also extend its partnership to fund dedicated officer patrols downtown and parts of the West Side, working on student and community issues. Again, for a third year, the University will provide \$55,000 for the program. I thank Binghamton University President Dr. Harvey Stenger for his support and leadership on a model I believe all college towns should replicate.

We know issues of public safety go beyond our student populations. Reducing crime continues to be a primary focus of this Administration, as we devote as many resources as possible to protect our officers and make our neighborhoods safer.

In November, six individuals will graduate from the Broome County Law Enforcement Academy to join the Binghamton Police Department. These new recruits will face uncertain environments in the neighborhoods they patrol, but must know City Hall has their backs.

These new officers will be equipped with body worn cameras, these cameras enhance transparency and accountability. Rolled out last year, Binghamton is spending \$460,000 to purchase 93 cameras, five years of unlimited cloud-based data storage and hardware upgrades at two-and-a-half-year increments. Some of these costs are included in next year's budget. This technology upgrade is one of the largest in City history.

Next week, the first of 40 patrol car cameras will be installed. The program to again improve transparency in police operations. 40 cameras and a 5-year unlimited data storage plan will cost \$47,000.

To support ongoing public safety operations, we've secured grants for traffic safety details and community policing, overtime for gang investigations and park patrols, S.W.A.T. team training, and salaries and equipment to fight gun violence.

INFRASTRUCTURE

Many of the comments I hear from residents center on a common theme:

- "Thank the public works crews for paving my street, it looks great."
- "Thanks for fixing Riverside Dr., Prospect St., and Chenango St. they needed to be done decades ago."

I sincerely appreciate these comments. Binghamton's transportation infrastructure agenda continues to be the most comprehensive and aggressive in the Southern Tier. Residents have taken notice.

Infrastructure is the bedrock of our local economy, helping move people to work and school; helping businesses move goods and deliver services.

This summer, crews have milled, paved, and reconstructed dozens of streets across the City so we could reach our goal of 15 miles in 2016. With this pace, the City should be able to improve a vast majority of our 150-mile transportation infrastructure system on a 10-year cycle. That also happens to be the lifespan of an average mill and pave project.

Here's a look at two of the largest projects underway this construction season, West State Street and Chenango Street, both on the North Side and both expected to be complete within the next month. As the last streets are finished in the next several weeks, residents can expect 2017 to be another banner year for infrastructure improvements.

In 2017, \$5.6 million is budgeted for street reconstruction, mill and pave and underground utility improvements.

This is not only about improving neighborhood integrity and providing a smooth driving surface for residents and visitors — it's about saving money. According to Cornell University's Local Roads Program, for every tax dollar spent maintaining infrastructure today, four to five dollars is saved in future repairs.

If you think this construction season was productive, there are even more major strategic infrastructure projects are on the horizon.

Next year, the East Clinton St. Bridge will be fully rehabilitated. The City had secured NYSDOT and Federal Highway Administration funds to cover 95 percent of the estimated \$1.5 million project. Our team has worked with state and federal agencies to land more funding and advance the project.

With engineering work complete for the \$5 million Front Street Gateway project, large scale work for full street reconstruction, new curbs, sidewalks, period lighting and water and sewer upgrades will begin early next year, as will a major overhaul to Vestal Ave. and Leroy St., just to name a few.

USE OF COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS (CDBG)

Our Community Development Block Grant, or CDBG, funds will continue to improve neighborhoods next year. These funds are essential — advancing special projects without burdening local taxpayers. In 2017, the City will receive \$1.8 million in CDBG funds.

More than \$255,000 is targeted towards public infrastructure improvements and paving neighborhood streets. \$105,000 will fund parks upgrades.

More than \$200,000 to support Code Enforcement services such as code sweeps and crackdowns on vacant properties.

\$221,000 will fund blight demolitions for neighborhood eyesores, complementing the \$100,000 of local funds to support this administration's War on Blight. Since I've taken office, 55 properties have been demolished — including the old Public Works Garage, and Collier Street Parking Ramp — and we can expect dozens more next year. I appreciate the supportive comments I've received regarding demolitions and blight and we will keep tearing down dilapidated structures across Binghamton.

CDBG funds will continue to support Fairview Recovery's Intensive Care Navigator program for those with heroin addiction. Individuals usually have a 60 percent success rate in reaching long term care after checking out of a crisis center. Participants in this program have a 85 percent success rate. The City has created a great program to give these individuals a brighter future on the road to recovery.

COST SAVINGS / REVENUE ENHANCEMENT STRATEGIES

Last year, in an effort to ensure all financial operations were meeting standards, I reached out to the New York State Comptroller's Local Government Division.

While the City has a healthy fiscal stress score — in fact we saw a 28 percent improvement from 2013 to 2014 — we opened our books to the Comptroller's local government professionals to brainstorm ideas for improved cash management strategies, cost containing measures, better borrowing practices and revenue enhancement opportunities.

A report was finalized in June and while many of the recommendations are already underway, such as changes to building permit fees and paying cash for vehicles and small equipment, we're implementing and exploring other recommendations to keep our expenditures in line.

I thank Comptroller Tom DiNapoli's staff for their guidance and support through the process.

We have undertaken several major projects that are cutting costs and increasing revenues. In February, I was proud to report that our game-changing infrastructure project to convert nearly 7,000 streetlights to energy efficient LED technology was almost complete. Since then, we've closed out the project and have seen the real financial benefits — not just estimates — this \$4 million project has delivered for Binghamton taxpayers.

We've cut our street lighting electric bill by 60 percent with this one project, saving more than \$400,000 annually. In 15 years, the project will save \$1 million in lighting maintenance costs and \$6 million on the City's electric bill.

The New York Conference of Mayors and the U.S. Conference of Mayors has lauded our LED project as a best practice in making a green energy investment that saves money and benefits the environment.

Parking kiosks will replace our decades-old individual meters in the downtown business district. With a pilot program beginning in the next few weeks, the new parking technology will increase revenue and cut costs in our parking management operation. These centralized kiosks accept credit cards and aren't prone to the mechanical failures of the old meters.

From talking to other cities, we expect downtown parking revenue to increase by 30 percent. Through this increased revenue, the initial investment is expected to be recouped in 10 years.

Finally tonight, I'd like to discuss four broad policy changes that will have long term impacts on Binghamton's budget and taxpayers. Grants, debt, fund balance and taxes.

GRANTS

While CDBG funds are automatically allocated by the federal government each year, securing additional money from state and federal agencies is a central component in our plan to revitalize Binghamton.

After working aggressively to secure Binghamton's seat on the Southern Tier Regional Economic Development Council, I was proud to be part of the team that secured the \$500 million Upstate Revitalization Initiative award, the \$15 million Rt. 434 Greenway Project award, \$1 million in the Empire State Poverty Reduction Initiative, along with a Top Performer award in 2015 that funded many City and regional projects.

But City Hall has also worked hard this past year directly with our state and federal partners. In the last year alone, the City has secured approximately \$16.4 million dollars in grant funds. This slide shows some of the projects, which include \$5 million from the New York State Environmental Facilities Corporation to upgrade the Joint Sewage Treatment Plant; \$2.7 million from the Federal Emergency Management Agency (FEMA) to demolish 23 flood zone properties; \$2.7 million from the federal Highway Safety Improvement Program to study and implement safety improvements along the Main Street Corridor; and \$1 million in additional New York State Department of Transportation funding to improve both the South Washington St. and East Clinton Street Bridges.

To put this all in perspective, if not for grant funding, City Hall would have to raise taxes 44 percent to fund these projects. Taxpayers cannot alone finance all of our initiatives — especially when it comes to large-scale community development projects meant to improve our infrastructure, broaden our tax base and improve quality of life. Binghamton is getting more grant money now than in recent memory, and I will continue to make sure Binghamton gets its fair share.

I can also share with you tonight there are millions more in state grant funds being awarded to City projects that will be announced in the next few months.

DEBT

While investment is key to Binghamton's growth and bonding interest rates are at the lowest levels in decades, we must be mindful of the City's overall debt. We're still paying off bonds from many years ago and must be sure we pay off our debt in a way that doesn't overburden taxpayers.

In 2016, the City paid off more debt than it borrowed. We're going to that again in 2017. Excluding projects that are 100 percent funded by the state or federal government, in 2017 the City will borrow \$5.1 million, primarily for infrastructure and neighborhood street work, while paying off \$5.8 million in debt — a \$700,000 difference. This aggressive approach will reduce Binghamton's overall debt each year.

FUND BALANCE:

When I took office the City's Fund Balance, or reserves, was approximately \$9 million. At the end of 2016, we expect to close out the year with an approximate balance of \$17.5 million dollars. That reserve amount, according to the State Comptroller's Office Fiscal Stress Monitoring Score, now puts Binghamton in the ideal Fund Balance range based on the size of our budget.

This chart shows how much Fund Balance has been used annually since 2007. Depending on the year, the number ranges from zero to \$1.9 million. In 2017, the City will use \$425,000 in Fund Balance, roughly 2.3 percent of our reserves.

Two points need to be made when it comes to Fund Balance.

Last year, we changed the budget process to use Fund Balance cash instead of bonds to buy items with a short useful life such as vehicles or small equipment, or for one time expenditures such as demolitions. That's where next year's \$425,000 is going. This cuts fees and interest and was based on a recommendation from the New York State Comptroller.

Another point to emphasize is that this Administration has never used reserves to balance the budget, as has been past practice. The City should not routinely use its reserves to plug holes in annual operating costs — it's unsustainable. Union contract raises, health insurance and pension contributions continue to increase each year and the reserves will eventually run out.

Looking across New York State, comparable sized cities such as Schenectady, Rome, Watertown and White Plains are appropriating much higher portions of their Fund Balance compared to Binghamton. We're taking a smart, conservative budgeting strategy which is why our Fund Balance is not dwindling like other cities.

PROPERTY TAXES: RESIDENTIAL & COMMERCIAL

Now we've come to the part of the presentation everyone is most interested in — taxes. Property taxes affect the lives of each and every resident in this city, and Binghamton's high taxes is a top concern voiced to me when I visit your neighborhoods. And with good reason.

In 2014, Binghamton was crowned the highest-taxed city in New York State and I know we all remember this headline in the Press and Sun-Bulletin. What you may not know is that Binghamton also captured this dubious distinction in 2015. We're still living with the consequences of many consecutive years of massive tax increases.

This chart illustrates what I mean. Since 2006, residential property taxes increased 52 percent, with wild swings year to year. A 7.6 percent increase in 2008, a 14.2 percent increase in 2009, a 3 percent increase in 2011, then a 7 percent increase in 2013. It was unbearable and created a sense of uncertainty and frustration. Instability is detrimental to the growth and development of a

community. These tax increases also came at a time when some services, such as public safety, were drastically reduced.

Taxpayer struggles guide every financial decision I make at City Hall. That's why in the 2015 budget, which was my first budget, residential taxes increased only 0.48 percent, and in 2016 only by 0.41 percent, which were among the lowest increases in recent years. In 2016, commercial taxes actually dropped slightly for the first time in decades.

While I'm pleased to have essentially held the line on residential taxes during my first two budgets, I pledged to do more. That's exactly what I'm going to do.

CHOICES AND DECISIONS:

In 2017, residential taxes will *decrease* 0.25 percent. This is the first tax cut for homeowners since 1998 — almost two decades. It translates to a \$0.06 decrease per \$1,000 of assessed value. The residential tax rate will decrease from \$23.44 to \$23.38 per thousand.

While this residential tax cut is slight, it's a message to Binghamton homeowners that we've heard your cries for tax relief. This budget is a step forward in reversing the damage of the past and building a foundation for the future.

In 2017, commercial taxpayers will see a 0.84 percent *decrease* in their taxes. What this means is that commercial taxes will decrease about \$0.36 per \$1,000 of assessed value. The commercial tax rate will decrease from \$42.31 to \$41.95 in 2017. This is the second year in a row commercial taxes have decreased.

To commercial property and business owners, we're continuing to build that environment for job growth and development. It all starts with taxes and we're sending a message that Binghamton is open for business.

LOOKING AHEAD

As I conclude tonight, I want to leave you with a few thoughts.

First, I want to specifically thank Comptroller Chuck Shager and Data Processing Coordinator Lori Clift for their efforts during this budget process. I know how hard you both worked on this budget and I truly appreciate your efforts. I also thank the department heads who daily manage projects and employees in the tight fiscal environment I've created at City Hall. Our City employees are doing more with less and making sacrifices to benefit taxpayers. While our back to basics approach isn't always easy, it's delivering results.

This budget funds critical investments in infrastructure, public safety and neighborhood quality of life — the kind of projects residents want to see for their tax dollars.

But for some of the strategies and fiscal policies I've outlined, the results won't be seen in the next year, or even during my time in office.

Decades from now, Binghamton will be lifted from a burden of debt if we continue to aggressively pay down our bonds. In the long term, this City will have competitive property tax rates, boosting property values and putting more in taxpayers' pockets. A neighborhood may take a generation to change, but the blighted properties we tear down today and the streets we rebuilt tomorrow can be the start of that journey.

With buy-in from City Council, we can chart the course not just for the next budget year, but for Binghamton's long term financial health. Let's make Binghamton a 21st Century city, and a better place to live, work and raise a family.

With those thoughts in mind, I present to you, the members of City Council and the residents of the City of Binghamton, with the 2017 Budget — a plan that maintains the integrity of our broad range of municipal services and supports the continued revitalization efforts in our community.

Thank you and goodnight!