



City of Rochester, NY  
Joint Legislative Hearings  
on the 2013-14 Proposed  
NYS Executive Budget

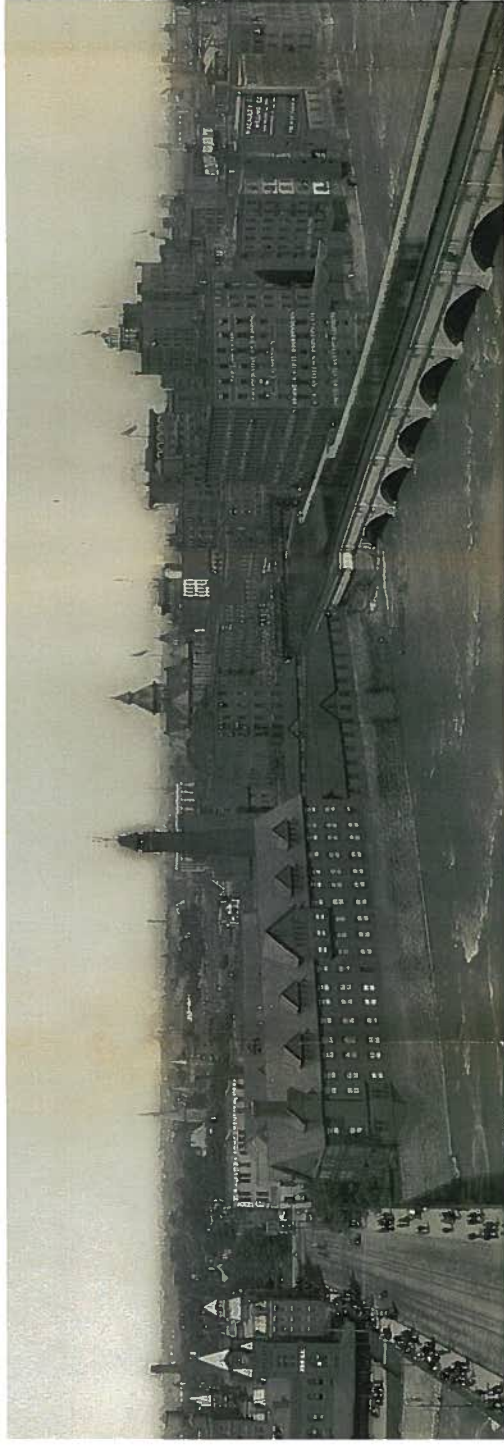
Testimony by  
Mayor Thomas S. Richards  
January 28, 2013



[cityofrochester.gov](http://cityofrochester.gov)



## CHANGING HOW CITIES ARE FINANCED



We support the Governor's proposed Financial Restructuring Task Force. However, it is important to understand that our problem is not a matter of accounting or of realizing that we have a problem. In very tough times, we have maintained an A plus credit rating.

If Upstate cities are to be successful -- given their age, given their concentration of poverty and given all of the demographic issues that we know to be true -- we must continue to invest in them and we must continue to maintain their service levels. And that costs money. If we back off, Upstate cities will soon deteriorate.

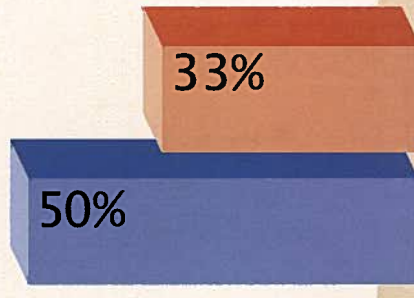
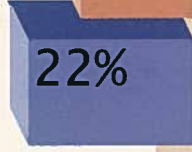
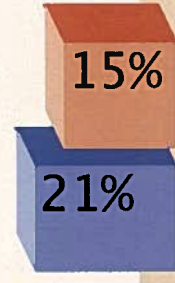
We are seeing this happen in some California cities and we certainly want to avoid the problems they are experiencing.

It is important to also make a distinction here between economic development activities and the success of cities. They are two different issues. Economic development, as good and as important as it is, will not address the financial issue that cities face.

**The traditional source of funding cities -- and the only source of revenue we control -- is the Real Property Tax. This is an 18th century model that is incapable of dealing with 21st century realities.** Our cities are permanently out of balance. Through much of the 20th century, the value in city real estate generated enough revenue to pay for City services. This was a result of a strong industrial base with considerable value in its real property. The industrial base generated the revenue that paid for the services needed by the residential base. This is no longer the case.

### Percent of Residents in Poverty 2011

■ Age <18 in Poverty  
■ Total Persons in Poverty



Monroe County

City of Rochester



Today, by the time we pay the state-mandated school district payments and pensions, all of our real estate tax, plus millions more, is gone. In fact, these two mandates account for 27 percent of our entire City budget. This is the best illustration of our structural imbalance.

It's not a matter of raising taxes. For example, the 2 percent statutory cap on increasing property taxes -- which we support -- will produce a little over \$3.2 million in a year in which we have a \$28 million shortfall. If it weren't for state aid and the sales tax that pays for everything else, we would have been broke long ago.

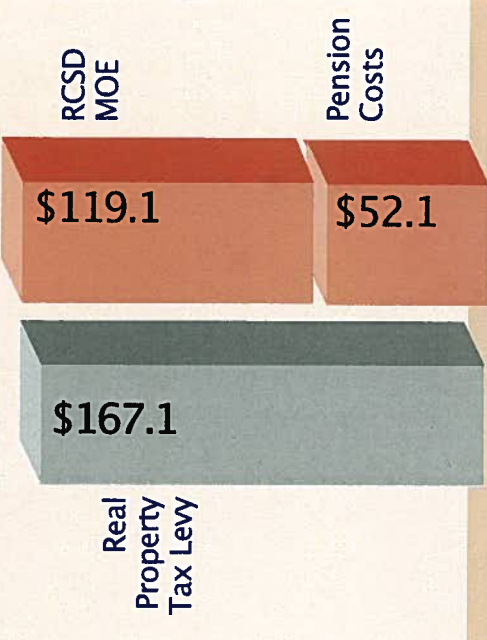
At the same time that the revenue model grew antiquated, the demand for services in the cities increased.

Rochester, despite its reputation and its general circumstances has some of the highest concentrations of poverty in the country. According to the U.S. Census Bureau, 33 percent of our residents and 50 percent of our children under 18 live in poverty; these rates are the highest in the state and among the highest in the country. Rochester is not the poorest, but our concentration of poverty is staggering. And since that concentration is in the city, we are carrying the load for the whole region.

Why do we have recreation centers and libraries and the myriad of other services? Because if our citizens don't

get these services from us, they don't get them at all. To be successful in rebuilding Upstate New York, we cannot ignore its cities and their archaic revenue sources. They are still the centers of economic and social activity. They are still where the people are and they are still the places where the needs are. Woe unto us if we try to succeed in Upstate New York by ignoring the cities.

### Real Property Tax vs. Pension and MOE Expenses (2013-14 Projections, \$ Millions)



## ROCHESTER'S BUDGET SITUATION & WHAT WE HAVE DONE TO ADDRESS THE STRUCTURAL GAP

We accept responsibility for dealing with as much of this problem as we are able. And for some time, we've been working on it. We began the upcoming fiscal year with a daunting \$42.7 million budget gap.

- We have managed and reduced our capital expenses to reduce the gap by approximately \$12 million.
- With our unions, we created a self insured health care plan, and in a unique agreement, the unions have agreed to share the risk of increased costs, resulting in a \$4 million savings.
- Two years ago, we instituted an early retirement program which has saved the City millions.
- The City of Rochester once employed 4,000 people. We now employ 2,700. We have been reducing

our employment every year recently and unless something happens, we're going to have to do it again this year.

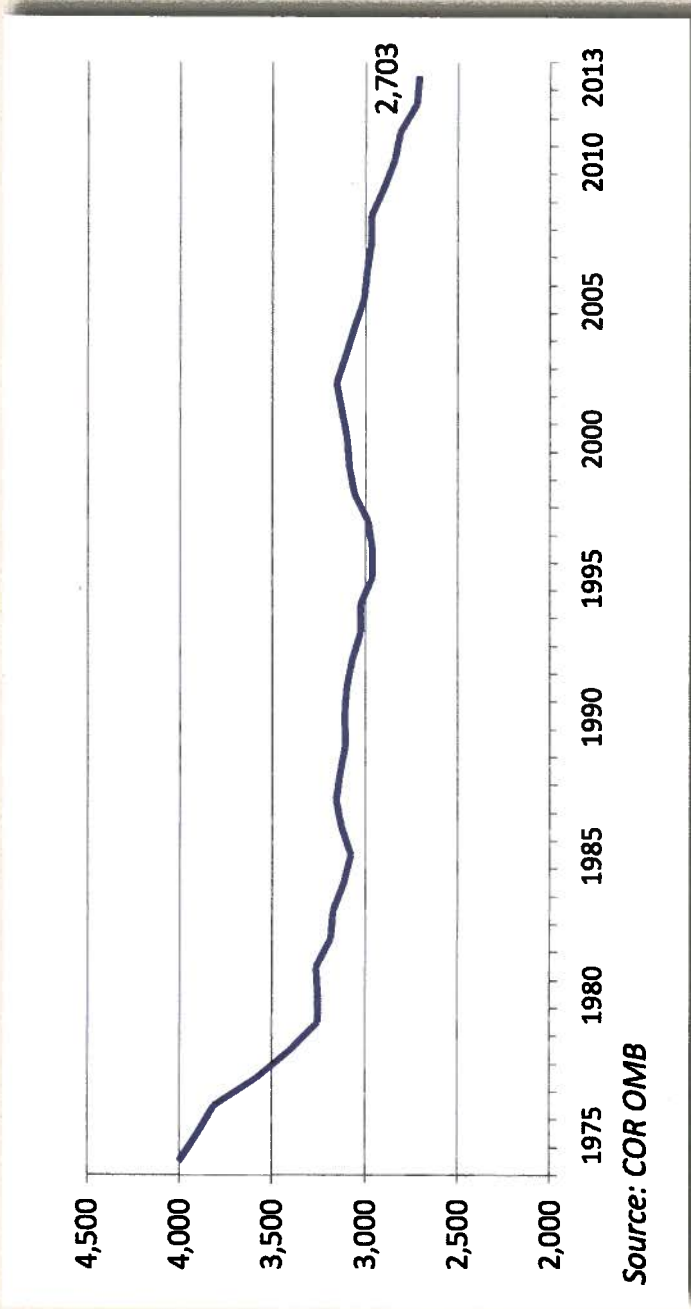
Despite these and other pro-active measures, we're now left with a \$27.9 million all funds gap for 2013-14.

We need to move away from dependence on the antiquated property tax and share the expenses created by the concentration of urban poverty across a broader base.

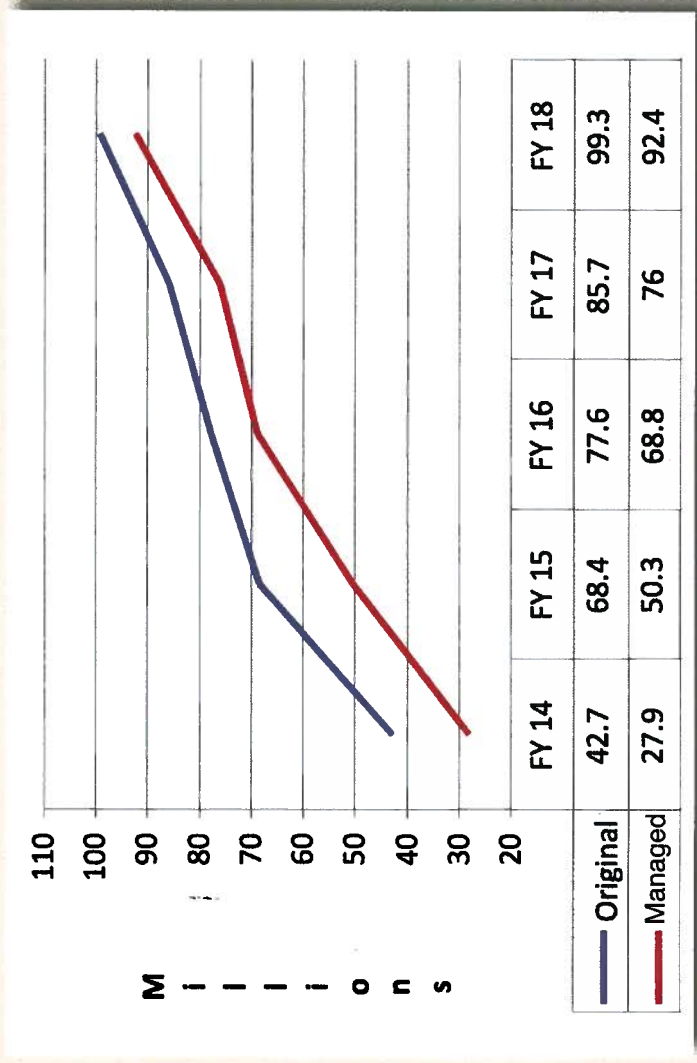
We see no way to do this without further help from the state. We don't expect to solve the problem all at once, but it is time to acknowledge the issues and get started on a permanent solution or else we will rue the day we didn't.



## City Employment 1974 - 2013



## Impacts of Local Actions on Reducing Rochester's Budget Gap



## SOLUTIONS

Thinking long term is important, but because we're not going to get it done all at once, we've got to survive to get there. That is why short term solutions like the \$15 million in spin up we got last year and the \$21 million adjustment in the stable rate pension proposal are vital.

In the long run, we will need to look to the state to either increase our direct aid, or reduce our expense burden in some manner.

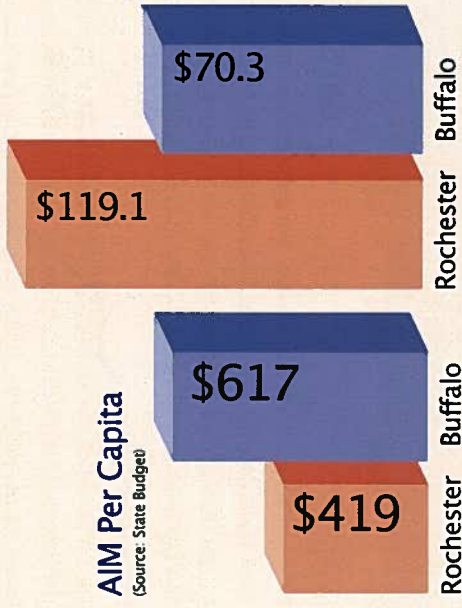
Billions have been invested by the state in education in recognition of the needs of urban children as a result of the environment in which they live. It makes no sense to continue to invest in the school system while allowing the community in which the children live to deteriorate.

We have long maintained the per capita aim funding to Rochester should equal that of our friends in Buffalo, as the financial and demographic factors that justify it are now much the same. This alone would provide our city with an additional \$41.7 million.

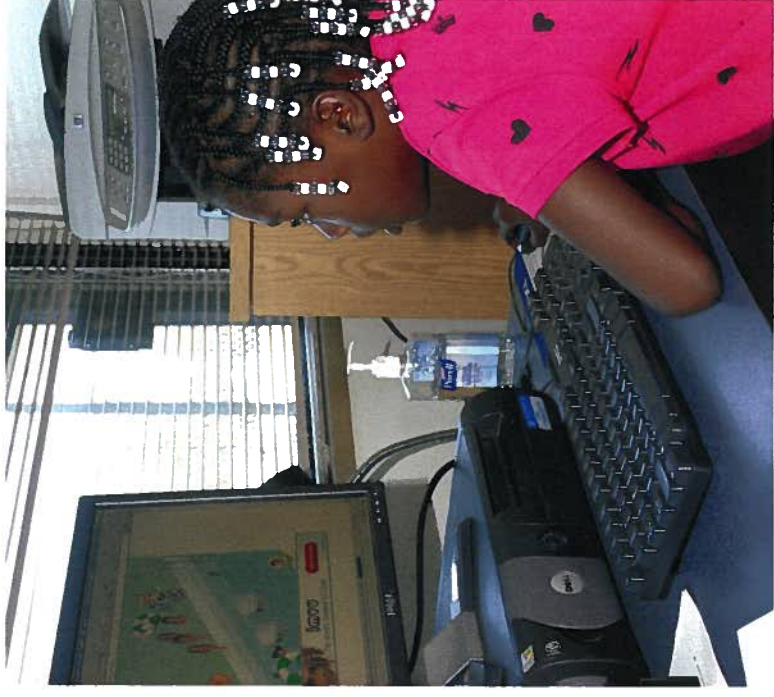
Our unique expense burdens, like the \$119.1 million mandated school payment and the significant public

safety costs could be shared by the state. This is based on the same principle the state has long recognized with the unique expenses for urban education.

### Overall MOE (millions) (Source: State Budget)

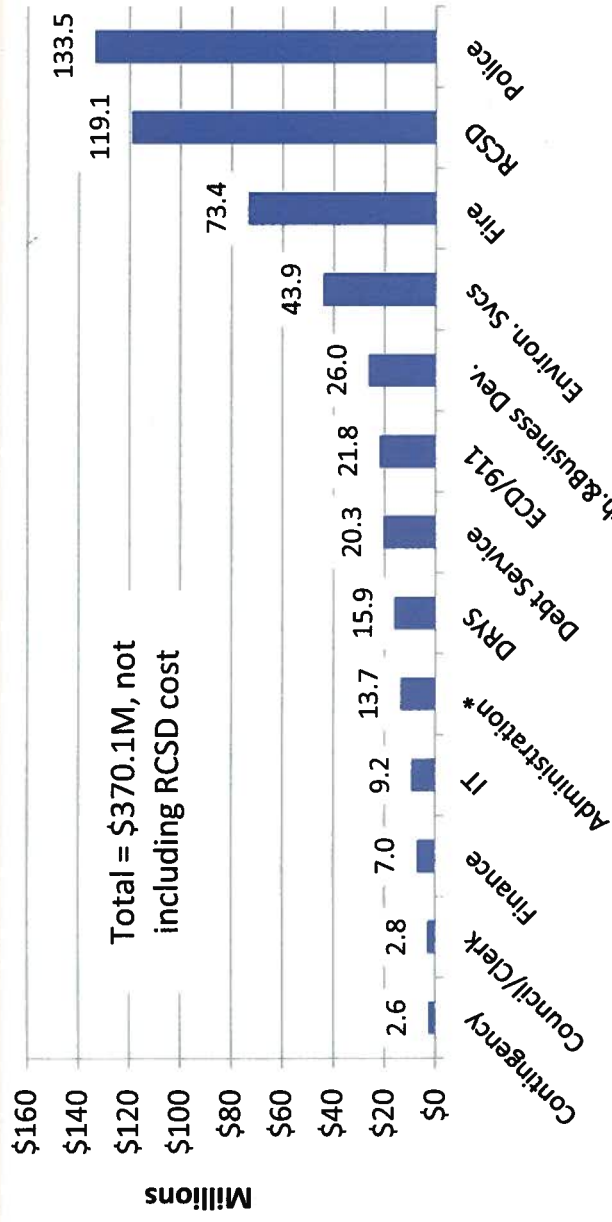


Rochester gives more money to its school district and receives less AIM aid per capita than Buffalo. The result is an overwhelming \$90 million financial burden.



"You can't have a 21st century expense plan with an 18th century revenue source and that's what we've got here."

### General Fund by Department 2012-13



\*Includes Mayor's Office, Law, OMB, DHRM, Communications. Source: OMB Analysis



## IN CLOSING

In all the numbers I have been discussing, it's important to have some perspective on what they mean for Rochester. Last year, you gave us a \$15 million dollar, one-time, one-shot spin-up. That is 125 police officers or 127 firefighters. It is greater than the entire Library budget and about equal to the entire Department of Recreation and Youth Services budget. The stable rate pension proposal this year will have a similar, significant impact and that is why it is vital for it to be included in the final budget.

However, as I have stated, we need to continue to work together toward a long-term, permanent solution. We can't thrive with an 18th century revenue source.

To be successful in rebuilding Upstate New York, we cannot ignore its cities and their archaic revenue sources. They are still the centers of economic and social activity. They are still where the people are and they are still the places where the needs are.

If we continue on this path the cities will surely become culturally and socially bankrupt on their way to financial insolvency.

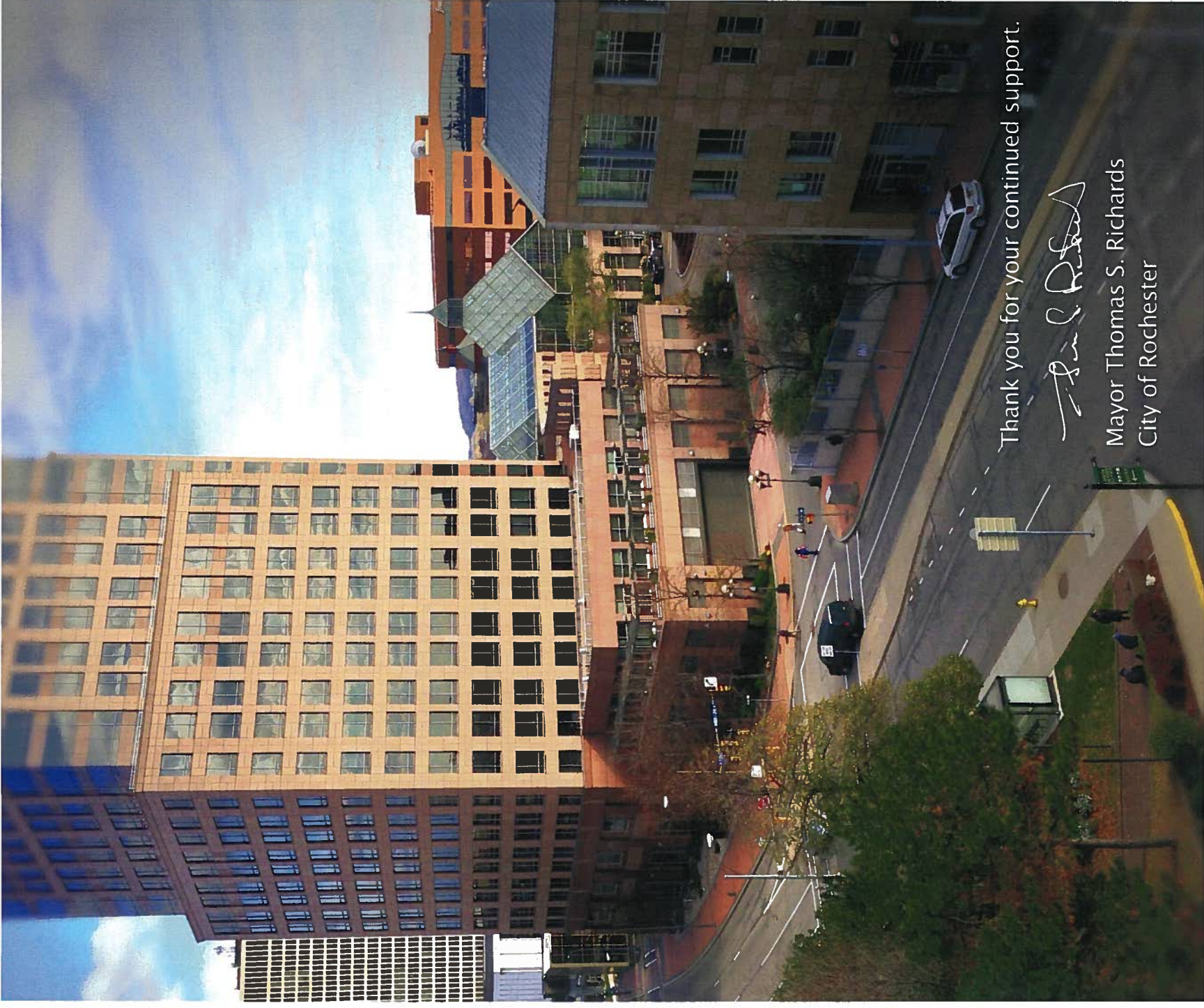
We need your help to change the way cities are financed and the City of Rochester looks forward to working with you and the Governor to accomplish this.



Front Street looking North from Market Street, early 1900's

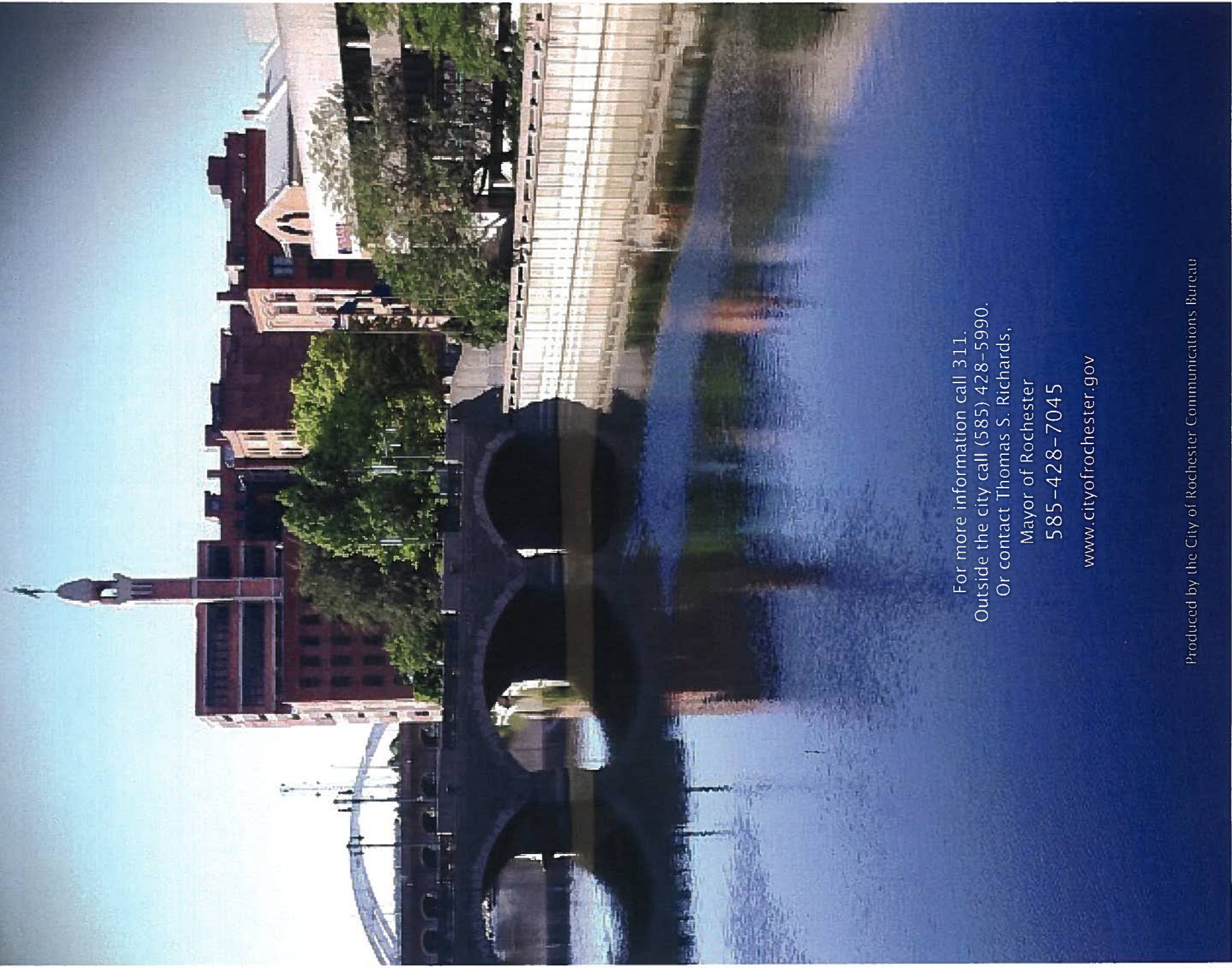


Currently Crossroads Park Same view, 2013



Thank you for your continued support.

Mayor Thomas S. Richards  
City of Rochester



For more information call 311.  
Outside the city call (585) 428-5990.  
Or contact Thomas S. Richards,  
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585-428-7045  
[www.cityofrochester.gov](http://www.cityofrochester.gov)