



OFFICE OF THE MAYOR

Stephanie A. Miner, Mayor

**Mayor Stephanie A. Miner
January 28, 2013
2013 Joint Budget Hearing
Local Government Officials / General Government
Hearing Room B—Legislative Office Building**

I. Syracuse at a Glance

Good afternoon. I want to thank Assemblyman Denny Farrell and Senator John DeFrancisco, the committee chairs holding this hearing; the ranking minority members of the committees, Assemblyman Robert Oaks and Senator Liz Krueger; and all the members of both the Assembly Ways and Means Committee and the Senate Finance Committee for this opportunity to testify today.

Syracuse's population has stabilized, which is unique among Upstate cities. While Syracuse is the smallest of the Big 5 cities, it is the anchor of Central New York, which stretches from Lake Ontario to Pennsylvania.

Syracuse is a city on the move. Record numbers of construction permits issued and cranes in the air signal strong economic development. Since 2009, we've had continued economic growth, and 2012 was a record year, with construction values more than doubling since 2009. *See Appendix figure 1.*

A number of the projects in Syracuse and Central New York have been made possible thanks to the awards by the Regional Economic Development Councils. The Central New York Regional Economic Development Council has been successful in bringing home more than \$197.4 million for Central New York, including more than \$59 million for projects in the City of Syracuse alone. Thank you for your support in this program.

In the first round of awards, the Central New York Regional Economic Development Council distinguished itself as one of four "best plan" awardees and received the most money out of any region in the State. Our plan was commended for its community-revitalizing strategy to strengthen key industries, leverage the region's assets and build on partnerships between anchor

institutions and businesses. In the first round, the Central New York plan was awarded projects totaling \$103.7 million, \$38.8 million of which dedicated to funding 25 projects in the City of Syracuse. In the second round, the Central New York Region was one of two “top performers” and awarded \$93.7 million, \$20.3 million of which will fund 22 projects in the City of Syracuse.

Syracuse is a center of innovation. We have tremendous workforce and intellectual capital in the clean energy, healthcare and higher education fields. We have recently received national recognition for the exciting work taking place:

- Syracuse was the only city in New York State to be designated as one of IBM’s Smarter Cities
- The US Environmental Protection Agency (EPA) chose Syracuse as one out of ten cities nationwide to be recognized as a “Green Infrastructure Partner” based on our success in implementing green techniques to manage stormwater and in our progress in creating a more sustainable, livable community.
- The US Green Building Council (USGBC) awarded the County Executive, Syracuse University Chancellor and myself its “Global Community Leadership Award” for our collective commitment to greening the Syracuse community.

II. Fiscal Crisis

Like all governments, we are in the midst of a fiscal crisis. It is a sign of the times we live in. Unlike other government levels, however; cities bear the direct responsibility for providing vital services on which our residents, workers and visitors rely on every day. Police and Fire protection, water, trash and snow removal are obligatory functions of any healthy city. Frankly, all of the transformative economic development investments would fundamentally wither away should the City be forced to discontinue the delivery of these services. As Governor Cuomo aptly stated in February 2012,

“In the body of the state, the cities are the organs. So there is no future for a state where your cities are going bankrupt. The health of the cities is vitally important. I think you take any city, generically, you want to attack both fronts: you want to increase revenues and you want to reduce costs.”¹

As a City, we are doing our part to cut costs and boost our revenues. We have tightened our belt, consolidated services and pressured our tax-exempt institutions to pitch in for the cost of City services. We are doing all we can without State help. *See Appendix figure 2.*

The city has non-controllable expenses that cripple our ability to save ourselves from what appears to be impending insolvency. Employee costs have skyrocketed and comprise approximately 72% of the City’s overall expenses. Out of all City employees, Police and Fire make up 67% of employee costs. Police and Fire wages have grown by 39% between FY2000-01 and FY2010-11, where all other City wages grew by only 22%. The greater increase for Police and Fire, of course, is due to having the benefit of their wages negotiated by an arbitrator.

¹ Governor Andrew Cuomo, Syracuse Post-Standard Editorial Board, February 8, 2012.

The proposal set forth in the Governor's budget to cap arbitration awards will help alleviate some of this stress. In the City of Syracuse, each 1% step increase for Police and Fire costs about \$1 million. If enacted, this 2% cap could help stabilize a considerable amount of the City's operating expenses. I commend the Governor for his efforts to control this cost.

To echo the comments of Mayor Bloomberg who testified this morning:

*"This is a good idea as far as it goes – and it should go even farther. That's because the effect of the current structure of collective bargaining is to allow recalcitrant unions to force localities into contracts they simply can't afford without raising taxes. This makes an unelected arbiter more powerful than elected officials. That's wrong. It should be changed. It's long overdue that the ability to pay should be taken into account in these decisions."*²

III. The Pension System is a NYS Benefit

Pensions are by far the biggest uncontrollable cost the City is challenged with paying. The Pension System is a New York State benefit. Pensions are a State controlled, State run and State authorized fund—local governments simply receive a bill. Your decisions dictate vesting, retirement eligibility, benefits and employee contributions. This is not a case where local Syracuse officials made bad decisions and we are now looking to you to help rectify the results of those decisions. People in your positions—in fact, well-meaning people—made decisions regarding the pension benefits that have put all of us in the eye of the fiscal storm.

Accordingly, I do not think it is accurate to say:

*"The answer cannot be, my friends, that every municipality that has a financial problem they're going to come to Albany and ask for a check. We don't have the money. And it doesn't solve the problem anyway. If there is a fundamental economic inequity in that corporation, that public corporation, resolve the inequity."*³

Let's look at the year 2000 as an example. That year, the State Legislature unanimously voted to:

- End employee contributions after 10 years of service;
- Authorize annual cost of living increases;
- and enhance provisions for early retirement.

In fact, between 2000 and 2009, the Legislature enacted dozens of individual laws enhancing pension benefits.

² Mayor Michael Bloomberg, State Assembly Ways and Means and State Finance Committees Testimony, January 28, 2013.

³ Governor Andrew Cuomo, 2013-14 Executive Budget Address, January 22, 2013.

IV. Syracuse's Pension Costs 2000-2014

Let's compare Syracuse's pension costs for about the same period. From 2000-2010, Syracuse had a 729% increase in pension costs. The cost of pensions in FY2000-01 was \$2.4 million and jumped to \$19.9 million in FY2010-11—and it has increased every year since:

- FY2011-12 - \$23.5 million (879% increase since 2000)
- FY2012-13 - \$27.9 million (1062% increase since 2000)
- FY2013-14 - projected \$32.5 million (1254% increase since 2000)

Obviously, overall poor market conditions were a driver of these costs, too. Pensions are completely controlled, run and authorized by the State—and regardless of market conditions—these are the facts and this is what it's costing us. *See Appendix Figure 3.*

The State has helped chip away at this issue, and in last year's budget, you and the Governor gave the City of Syracuse \$20.9 million in one-time-only Spin Up aid, which we exclusively used to pay for pensions. You also enacted Tier VI to offer long-term savings.

V. Stable Rate Pension Contribution Option

The Governor's proposed Stable Rate Pension Contribution Option offers to reduce near-term payments for the City but will require higher than normal contributions in the latter years. If enacted, Syracuse will have the option to immediately reduce pension contribution rates by locking in a stable pension rate for a 25-year period and requiring higher contributions in the latter years.

While I am eager to accept an opportunity to provide immediate relief of our pension costs, I have the responsibility to also act in the best interest of the future fiscal condition of Syracuse. In doing so, my administration and I will prudently examine the Governor's plan in conjunction with our budget projections to determine whether this option will offer a long-term solution or defer the crisis for someone in my position to mitigate in the future.

Before authorizing this program, I believe there are questions that need to be answered and issues that need to be investigated.

1. How do we know that this plan is viable 25 years down the line? Reviewing an actuarial report from an independent analyst would be helpful to municipalities in deciding whether or not to opt in. Published materials such as this could speak to the stability of the fund in the long term.
2. This plan hinges on a high turnover rate of current employees being replaced by new ones entering Tier VI. Overall, employees are staying in the system longer and retiring later. It is our experience that public safety employees are not retiring after twenty years of service. In Syracuse, the higher the rank of a firefighter or police officer, the longer they stay in the system at the higher contribution rate. We are looking to trim an already lean workforce and are reviewing every position and not filling it where necessary. This

program is based on the idea that we could reap long-term savings of Tier VI, but it may turn out that the rate of new employees coming into the system at Tier VI may not be fast enough to make the program effective. The City of Syracuse has only hired 24 replacement employees since the enactment of Tier VI, which will save the City \$38,000. While this provides some relief, it is only a sliver in comparison to the costs that the City must pay for the other five Tiers.

3. Will we end up saving money if we defer these payments to a later time? According to this proposal, the plan would save Syracuse \$43.5 million over a five year period—which would certainly help the immediate problem of funding these costs—but what about when it's finally time to pay them? Without carefully vetted projections, we can only speculate. The near-term savings are calculated on events in the future that may not occur. I am concerned that in the first five years of this plan, we may be financing another liability that we may not be able to pay.
4. This proposal has implications that will have a long-term and lasting impact. I fear that opting into this program could be a hasty solution for cities to fix immediate cash flow needs. Volatility in the market place and changing economic conditions have a way of altering the best laid plans. Should challenging economic conditions present themselves in the future and cities are unable to pay this liability, NYS Retirement System could be seriously at risk. Consider this—if the Legislature knew today what would happen in 2008, do you think they would have suspended employee contributions as they did in 2000 for Tier III and IV employees?
5. Is there a definitive end date to this program? The plan proposes that at various intervals it will be re-evaluated, and if the ROI (return on investment) in the retirement fund does not meet expectations, they will just lengthen the term of the plan. A 25 year plan could potentially turn into a 30—maybe 40—year plan, and the taxpayers are always responsible for funding it. The municipalities that have already availed themselves of the current pension amortization plan have growing debt, and if they opt into this program, it would grow larger. In FY2011, 57 municipalities took advantage of the pension amortization plan and financed \$43.5 million of their pension costs. In one year, it had ballooned to 165 municipalities in the amount of \$200.6 million.

VI. Conclusion

We have an obligation to do what is prudent. These decisions will impact us regardless of our current positions. That requires a close examination of any proposal that may be enticing in the short term but shackle our future.

After all, while I know in 5 years I will not be mayor of Syracuse, that does not bar in any way that I will always want what is best for my fellow citizens.

Syracuse will always be a part of me and I, of course, will always be a proud New Yorker. I ask that as we navigate these difficult times ahead we create solutions, rather than simply defer problems for our successors. Thank you for your time and consideration.

APPENDIX

Figure 1

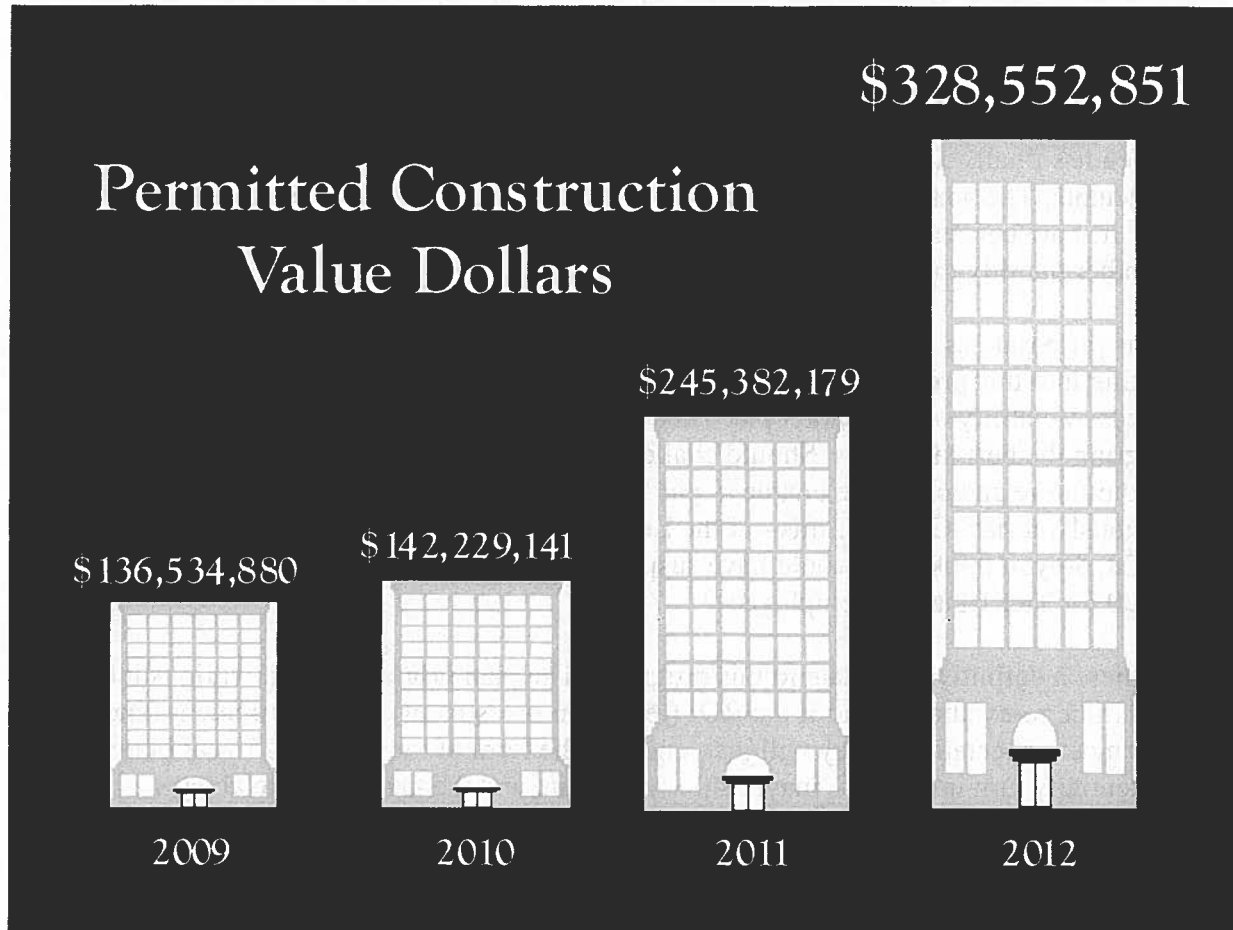


Figure 2

City of Syracuse Cost Cutting Measures

Item	Savings
Negotiated services agreement with Crouse Hospital	\$50k/yr revenue
Reduced Police and DPW overtime costs	\$1.9M
Reduced workforce by 10% from December 2009 to April 2011	\$7.0M
Consolidated City and County mail services	\$28k/yr
Privatizing airport security services	\$2M/yr
Tier VI savings- City has only hired 24 employees (replacements) since April 1 st	\$38k
Combined Purchasing Departments with County	\$220K
Negotiated Zero increases with six labor contracts	\$1.6M/each possible % increase
Closing of Ida Benderson Senior Center	\$175k
Elimination of City Department (Syra Stat)	\$150k
Closing of City parking garage due to structural repair issues	\$15M
Delayed infrastructure repairs (public works, water, buildings and firehouses)	\$30M (est)
Negotiated services agreement with Syracuse University	\$500k/yr revenue
Increase health care contributions for management/confidential employees (153 active employees) from 3% to 10%	\$100k revenue

Figure 3

City of Syracuse Growth in Pension Invoices

