



Mayor Mike Spano

Testimony on FY 2013-14 Executive Budget

Joint meeting of the Assembly Ways & Means and Senate Finance Committees
January 28, 2013

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Good Afternoon Chairman DeFrancisco, Chairman Farrell, members of the Senate and the Assembly, particularly my friends and former colleagues Senate Minority Leader Andrea Stewart-Cousins, Senator George Latimer and Assemblymembers Gary Pretlow and Shelley Mayer. Thank you for having us here today.

Last year, Governor Cuomo, in my opinion, honestly stated, that “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.”

In fact, New York’s cities are now at the forefront of a national crisis, facing unprecedented financial challenges which may very well cripple the vital “organs” of this state. The culprit is an obsolete economic and governmental model that leads to insurmountable budget gaps. We simply cannot borrow or cut vital services much longer. We need to change the matrix.

The financial gaps are structural and are growing. What has occurred is that we have and continue to patch together budgets with one-shots and state-sanctioned borrowings against the future. The problem with this is that you eventually come to the end of the road, and I think we are just about there.

Labor policy, the retirement system, growing educational needs and the economy of the State and Nation all play a role in our current condition, and each must be addressed structurally.

I agree with Governor Cuomo when he states the cities are the vital organs of the state. My question is: without the health of our cities – what becomes of the State?

To find that answer, let’s work together and share our fiscal responsibility as New Yorkers.

What I offer today is a promise to work with you on our end on developing a New Deal for New York State’s Cities. Let us propose ideas and initiatives that will change the model and how the process works because while we’ve been kicking the can down the road, the road eventually comes to an end.

It is important you understand that our City is at a crossroad. Yonkers has come so far in the last two decades to renew our City and better provide services for our taxpayers. We are at the beginning of a renaissance that unfortunately is challenged by mandates, hard economic times and bureaucracy.

But despite the financial pitfalls that challenge our City, I'd also like to mention the positive direction Yonkers is moving. Just last week, I had the pleasure of standing beside the Yonkers Police Commissioner in reporting the City's crime rates are the lowest they've been in years. Despite cuts to our police department and having the smallest force since 2001, we have used our limited resources efficiently and effectively.

We've also seen solid and tangible development in Yonkers. I've had the honor of witnessing the daylighting of the Saw Mill River in downtown Yonkers, creating a park and pedestrian walkway for commuters and residents to enjoy. This was possible due to the State's support. This year, I want to give special thanks for the \$5 million in aid we received from the Governor's Mid-Hudson Regional Economic Development Council, which will go towards various economic development projects -- with the goal of stimulating jobs, housing, retail and overall growth of our City. The Yonkers waterfront is our strongest and most valuable asset and the state's investment in the waterfront and downtown areas has and will bring in a vibrant economic base that is needed for our City and residents.

The Regional Council's aid also has been influential in, what is my opinion, the biggest game changer for Yonkers, and that is the revitalization of the Glenwood Power Plant. This historic property perched on the Hudson River is a project that will restore the former power plant buildings in Yonkers. With the State's assistance, Yonkers potentially can see this \$155 million mixed-use project create a social, business and cultural destination -- with a convention center, restaurants, spa, hotel and more. This will revitalize not only Yonkers, but serve as a major boost to the entire Hudson Valley economy.

Working with the State, Yonkers has led extensive efforts in the last year to rebuild and continue the redevelopment renaissance that has taken a firm hold on our City.

With these successes, I'd also like to mention a portion of the Governor's proposal that will hamper the potential economic growth of Yonkers. In the Proposed Budget, there is a call for eliminating local IDA's (Industrial Development Agencies) ability to offer state sales tax exemptions to potential developers. Instead, the Yonkers IDA would need to seek separate authorization from the Regional Council to offer the sales tax exemptions for individual projects. Yonkers, which is classified in the Mid-Hudson Regional Council, would lose its primary negotiating tools with willing investors. This will have a direct impact on economic development in Yonkers. Our city has a lot of distressed areas that need help -- this new IDA proposal will handicap us in developing those areas. We ask you reconsider this proposal and think about the needs of our city, because as I've mentioned, economic development is a major driver in moving Yonkers forward.

Yonkers is doing even more for its fair share to take responsibility of its fiscal state.

The City of Yonkers hasn't done a property reassessment since 1954 – can you imagine? As a result, over the past 10 years Yonkers has had to borrow more than \$65 million dollars just to pay the cost of certiorari challenges. This year we expect an additional 3500 in certiorari challenges. That is money that could be used to build new schools, repair our streets and improve our parks.

Instead of sitting idly by and borrowing to cover these certs, we've made great strides in the last year to coordinate a Westchester County wide reassessment so we can begin to stem the tide of assessment losses due to tax certioraris that are impacting the tax rolls of every city, town and village in Westchester. I am proud to say Yonkers is taking the lead and has already issued a RFP to start the process.

Since the last time I sat in front of you, I have dug even deeper into the reasons why Yonkers suffers from financial distress. One reason was, plain and simple – the previous administration had a non-existent Finance team. After cuts and cuts, prior administrations had gradually cut the City's team, which is literally watching over our dollars and cents. At its worst, there were two people in charge of a billion dollar budget. Thankfully, under the leadership of our Finance Commissioner, we've brought in seasoned government budgeting managers and revamped our financial team. This fall, this team was instrumental in inviting the bond agencies to our great city and presenting our plans on how we hope to put ourselves back on the road of fiscal stability. As a result, I am proud to say that Moody's and Standard and Poor's recently improved Yonkers' negative outlook, which I inherited when I came into office, and upgraded us to stable.

While a stable outlook is a step in the right direction, our goal must be regaining a high investment grade rating that will reduce our borrowing costs further and indicate that the City is once and for all on a sound footing.

Like the Governor, I am whole-heartedly in support of the amendment in the State's constitution to bring legalized gambling to our great State. It is about time we move forward and compete with the profitable casinos in Connecticut and New Jersey.

Six years into its operation, Empire City at Yonkers Raceway is adding well to the economy of the City and the State, all built with private funding. In 2012, Empire City Casino was visited by 8.4 million visitors, generated \$276 million for education, and over \$1 billion in the last six years. Yonkers Raceway is now the City's largest private employer, with about 1,200 employees. It also provides \$21.1 million directly to the City budget.

On top of that, I am happy to report that Yonkers' Empire City is finishing up a \$40 million renovation– which will include 400 new video lottery terminals plus a new restaurant and expanded services. Just this past Friday, Empire City opened 30,000 square feet of a new

gaming floor. This is all incredibly profitable for the State and provides significant revenue and jobs to the City.

This is just the beginning -- we need more in order to compete for the flocks of New Yorkers who visit neighboring states for their gambling and entertainment. Yonkers is leading the charge in making this happen. However, the Governor's Proposed Budget would not authorize casino gaming in downstate areas such as Westchester County, including Empire City. I urge you today to not accept this limiting proposal which will undo years of progress. Let me explain why.

Empire City Casino is the gateway to the Hudson Valley and is perfectly positioned to help draw the 52 million tourists that visit New York City each year, north to the Hudson Valley. It is in the best interest of New York State to make Empire City Casino a first rate, full-service casino. Yonkers is a vital economic driver for this region. With full casino gaming, the Racetrack is prepared to make an additional investment in the City, with a resort-style hotel and other facilities that will add more jobs, more revenues, and improve the tax base. An expansion of gaming in Yonkers would be a game-changer for our city --and the region, and provide a long-range, critically needed funding source to support the ever-growing demands on our educational system.

On the other hand, a competing casino in the Hudson Valley, combined with the failure to also allow Yonkers to host a full-service casino, will reduce revenues, lead to the loss of jobs, and ultimately threaten the very economic viability of Empire Casino. We almost saw Yonkers Raceway close down entirely once before. Let's not go there again.

We ask you don't lose site of the big picture. Not including Yonkers in casino gaming would just be a mistake. I also will be asking the Governor to reconsider this incredible opportunity to promote casino gaming in Westchester at a facility which has already done so much for the local economy and stands poised and ready to do so much more.

With all this in mind, let's talk about the specifics of Yonkers' economy.

Let's start by outlining the specific problem facing Yonkers in the coming fiscal year. After receiving Governor Cuomo's recent proposed Budget, Yonkers has determined its estimated municipal shortfall for the 2013-2014 Fiscal Year to be approximately \$44 million. This assumes no new services and no pay raises for the City employees, most who have worked without a contract for four years. This shortfall will likely grow larger as we get closer to a new fiscal year.

In future years, the problem gets even worse. We know this because after I sat before you last year, I went back to Yonkers and decided I needed to get an even more in depth look at our city's finances. I convened a Commission of Inquiry on the City of Yonkers Finances, led by

former Lieutenant Governor Richard Ravitch and several experts in local and state finances. What the Commission found is alarming. Without significant reform in the current model, Yonkers can see a budget shortfall of up to \$500 million by 2016. This is a shortfall amounting to half of our current total budget.

Along with the \$44 million gap on the municipal side, our Superintendent of Schools, Bernard Pierorazio, who will appear in front of you tomorrow will report that the Yonkers Public Schools' deficit is estimated to be \$42.5 million – which adds to a total shortfall of \$86.5 million for the next fiscal year for the City of Yonkers.

So how do we fix it?

Let's start with labor and retirement. This overall deficit does not include expired or pending labor contracts, which go back as much as three years.

But let's start with the major handicaps for Yonkers and other local municipalities – which are the unfunded state mandates, particularly our pension costs. Labor costs in the City of Yonkers contribute to 77% of the City's overall budget. Our pensions will grow year-over-year 20% for the next fiscal year and is expected to grow another 19% in 2014. Our pension bill will grow 62% in 2014 from 2011. We have been amortizing our costs under the program authorized by the Comptroller's Office. Between 2005 and now, Yonkers has amortized close to \$85 million in pension costs and the interest will be \$16 million. Yet had we not borrowed, we would have had to raise property taxes an additional 8% to pay the costs. One suggestion we make today is to ask that the State Comptroller to take over future increases in pension costs amortization. We do not want to break the tax cap, but we cannot live within it if pension costs continue their sharp rise in the near future.

That being said, I do commend the Governor's recent proposal for the Stable Rate Pension Contribution Option. It's a thoughtful proposal and would significantly decrease our annual figures if it were to take place. It's a good start and will provide us with a bridge that is needed to help us in our pension crisis. This process of getting back onto the road of strong fiscal health is a give and take and it appears the Governor is being receptive to the concept.

We also propose that the State consider a new early retirement incentive for municipal workers so that we can accelerate the percentage of workers covered by the less expensive Tier VI. We estimate that this will save Yonkers taxpayers \$24 million in pension costs annually.

Additionally, we are required to stay within the state mandated tax cap, which I fully supported, but will only generate \$6.6 million in additional property tax revenues for the City of Yonkers in the coming year. However, with increases in healthcare costs, in which we will see an 8% increase, along with unavoidable pension rate increases, this puts us at a disadvantage. Just to

keep up, we would actually have to raise our property taxes 8.8% in order to cover the costs – and that would break the tax cap. That can't be the answer, so how do we solve this problem?

As I said, our labor contracts have long been expired. Negotiations are ongoing, and to be frank, have been tough and our City cannot afford contracts that were negotiated during more fruitful economic times. While we understand state legislation has provided well-intended safe guards for unions, it does bind us from meaningful re-sets at times.

207A and 207C protections are vitally import and must be kept. However, it is ripe for abuse and it is those abuses that must be addressed. The City of Yonkers spends close to \$6 million a year in overtime just to cover the costs of those unfairly taking advantage of these programs.

We need to amend the law so that those who file for 207A and 207C do not linger on the payroll, sometimes for years while their cases are reviewed. We need to review the cases expeditiously for those who apply in good faith and get the protections they deserve and require prompt review for those out on disability who do not request a timely review and decision.

The mandates I mentioned are beneficial for employees but they are drying up our "well." I ask you, that despite the lack of additional municipal aid proposed in this year's budget, you consider an increase in the Yonkers' "Aid to Municipalities." We know tough choices need to be made but without your partnership, the City's services will be threatened.

Mayor Richards from Rochester said that social and cultural bankruptcy precedes bankruptcy. Without the necessary changes, we will first have to cut services that taxpayers have long appreciated – libraries, parks, and community centers – which all add to the quality of life of our residents and the essential viability of my city.

Now let's discuss education.

As the Governor noted in his budget address last week, student enrollment statewide has been going down for the past four years. But not in Yonkers. In Yonkers it is going up. That's good, because it means people want to live in our City. But it also means we have to pay for it, and right now we can't. In the last three years, the enrollment of the District grew by more than 1500 students, totaling close to 27,000 pupils. We have the only district among the Big 5 that has seen growth. We have the biggest class size among the Big 5 Districts, ranging from 24-29 students a class. The Yonkers School District is growing at such a pace that it is expected to grow to over 30,000 students by 2018. Our teacher to student ratio is also the largest in the State, and is double that of a City of similar size such as Buffalo.

I am pleased that Governor Cuomo this year has noticed our needs and increased state aid by 4.4% or about \$280 per pupil. Yet Yonkers starts from an unfair position. We receive the lowest amount per pupil out of the Big 5 School districts. Today, we are asking for our kids to get their fair share.

We know Governor Cuomo fully supports a Pre K program – in fact he stated in his State of the State that early education makes a difference for a better life. Children who receive early education are 30% more likely to graduate from high school. The Governor even stated he supports this program for the lowest wealth school districts. Well, in my estimation, Yonkers definitely qualifies – I ask for your support in providing quality education for the next generation of leaders in Yonkers. It would be a great disservice to our children and their future to continue forgoing an opportunity for them to learn because of limited funds.

Let me provide you a clear example.

The Yonkers School District is one of the only school districts in Westchester County and the only school district in the Big 5 which had implemented a full day Pre K program, which costs at a minimum of \$14.8 million. In fact, due to lack of further funding, we had to revert back to a half day program. We now can't accommodate the demand for the half-day program - we have a waiting list. For half day Pre K, we receive \$2700 per pupil, the lowest allowance for either the half or full day Pre K program. Other districts in Westchester County, with fewer students, are receiving \$5800 per pupil. Nearby Scarsdale, a very affluent community in Westchester with a median family income of \$200,000 as compared to Yonkers' \$53,000, is entitled to the exact same amount per pupil. We believe that a new methodology in determining this figure should be addressed. We simply cannot be categorized together because we are in the same county – our taxpayers cannot afford that comparison.

So I make you a commitment to you today. Give Yonkers Pre K school aid for a half-day program at the same rate as the other Big 5 cities, and we will use those dollars instead to implement a full day Pre K program.

To reiterate, Yonkers faces challenges that many other school districts do not.

Sixteen percent of the Yonkers Public School students need instruction in English. That's the highest among the Big 5 School Districts. This costs the School District and the local taxpayer close to \$15 million per year.

There was a time when immigrants to America made New York City and the other major cities their first stop. Then they moved to the suburbs and the smaller cities. But that pattern has changed. Now many immigrants bypass New York City entirely. They go right to the suburbs, and to Yonkers. That's why our school district is growing when most of the others around the

State are shrinking. That's why our costs continue to rise sharply, even though we have one of the lowest per pupil expenditures in the County. Approximately, 54% of our student body is Hispanic. They have come to Yonkers, New York because they see a future here. But what kind of future are we promising them if their kids are in overcrowded classes, lack after-school and enrichment programs, sports programs, insufficient ELL programs or even enough guidance counselors to point them in the direction of a college education?

On the administrative and operations side, we've also witnessed an aging infrastructure that is inhibiting our students. The quality of our school buildings is alarming. We need capital improvement reimbursement needs of up to \$500 million just to have our buildings stay up to the basic safety codes. In several of our schools, we've had to resort to teaching our students in basements and libraries because our classrooms can no longer accommodate the amount of new students. We need new methods of affording reconstruction of aging infrastructure. We expect to come to you very soon with proposals that may be viewed as innovative. But innovation is what we need to address these issues critical to safe and healthy educational environments.

How much more do we need to increase our taxes to be on an even playing ground with nearby district schools? Many state officials would simply say that we should cut programs and services so we can scrape by. We've already cut art, music, gym and full day Pre K. What else can we do without having our kids suffer? More cuts are not the answer.

Similar to our issues on the municipal side, our Board of Education also is dealing with significant increases to its pension costs, between \$24 and \$34 million next year, healthcare increases of \$6.3 million, civil service retirement is up \$1 million, and the new APPR training requirement will cost us another \$1 million.

Tomorrow, Superintendent Pierorazio will explain that the Governor's Proposed Budget in more depth and how it will affect our students. This includes a reduction in the Gap Elimination Adjustment of \$3.2 for the Yonkers Public School District. The GEA is, in effect, a permanent reduction in our state aid. In 2012, the GEA amounted to a reduction in aid of \$24.4 million; under the Governor's proposal, the reduction for 2013 will be \$21.2 million.

But not all is lost on our Yonkers schools. We are making it work, despite our financial shortfalls. Over the past several years, we have made substantial progress in elevating the standards of the Yonkers Public Schools to the levels on par with many of the better school districts in Westchester County. In fact, the IB Program at Yonkers High School was recently ranked #24, #4 in New York and #1 in Westchester County – according to U.S. News and World Report. Meanwhile the PEARLS Hawthorne School was selected as a 2012 National Blue Ribbon

School. We also have the highest graduation rate of all the Big 5 and with 87% of our graduates attending college, and that's higher than the State average.

It's apparent that we've done more with less. Give Yonkers students what they deserve and need. The great progress we've made should give you assurance that Yonkers' schools are worth the State's investment.

In closing, I want to remind you that it is not my intention to sit here today with my hat in hand, assuming the State has deep pockets. Instead, I realize this is a process and there should be a partnership, and as I've stated, Yonkers has begun to do its part.

I come to you today to establish collaboration between the State and Yonkers. Let's work together as one, to set a model for others, that if we are on a united front and look to do our own part, great things can be accomplished for our residents.

New York cities will continue to be the architects of their individual futures, with a goal of ensuring a collective prosperity for New York State. We believe the first step in this process is to tell you the truth, which I believe I have today.

I am optimistic because it is my belief that our City has no greater friend than our Governor. What he does so well, along with this Legislature, is laser focus on issues that affect our citizens. You and the Governor have dialed in on immense change: ethics reform, budget reform, gun control and others. The next issue I hope to get the same laser focus attention is the needs of your cities. Don't let the hard working families in Yonkers down.

As always, I look forward to working with you closely this year and am happy to answer any questions you may have at this time for me or my finance commissioner.