

2



## OFFICE OF THE MAYOR

**Stephanie A. Miner, Mayor**

**Mayor Stephanie A. Miner  
February 25, 2015  
2015 Joint Budget Hearing  
Local Government Officials / General Government  
Hearing Room B—Legislative Office Building**

Good afternoon. I want to thank committee chairs Senator John DeFrancisco and Assemblyman Denny Farrell for holding this hearing and all the members of both the Assembly Ways and Means Committee and the Senate Finance Committee for this opportunity to testify today.

The City of Syracuse is the smallest of the Big 5 cities. Its 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.

My administration has responsibly managed the City's finances, cut costs and taken measures of self-help. Since taking office in 2010, I have reduced the City's workforce by 10%, closed a senior center and a parking garage, required employees to contribute more for their health care and consolidated and shared services with Onondaga County. I have increased fees and pressured our local non-profits to chip in for City services.

In June 2014, Moody's rated the City of Syracuse A1, S&P gave us an A- rating with a stable outlook, and Fitch rated Syracuse A with a stable outlook. All of the tough decisions have resulted in Syracuse improving and maintaining our bond ratings.

But, when faced with sky-high pension and healthcare bills and costly, now daily, water main breaks these self-help measures are just a drop in the bucket. Since taking office, the City's pension bills have grown by 36%, and we are expecting a \$26 million pension bill from the State Comptroller this year. In the past ten years, our health care costs have grown by 84%, with costs now at around \$44 million. Our more than 100 year old water mains, which used to only break in the winter, now break throughout the whole year. The freeze-thaw cycles of our harsh winters compounded by the plowing and salting necessary to keep our roads clear, rip our roads apart and scar them with potholes. Pension and healthcare costs cut into our budget for road reconstruction, leaving us to defer much needed projects to pay those state mandated costs. Of

course, the longer these projects are deferred, the conditions worsen and the cost of repair increases.

Aid to Municipalities, or AIM, the City's largest source of State funding, has remained flat for the past four years. FY2012-13 was the one exception when we were given \$20.8 million in one-shot spin-up aid, which we exclusively used to pay our pension bill. The enactment of Tier VI in 2012 promised relief to local governments but has only saved the City of Syracuse \$246,000. Although Tier VI may offer savings down the road, our short term needs beg more meaningful and immediate relief.

The 2% property tax cap limits a local government's ability to raise revenue through property taxes. With a shrinking tax base and having over 50% of the properties in the City of Syracuse tax-exempt, raising taxes 2% would only net the city another \$350,000. Cornell University's Community and Regional Development Institute found that local government spending was flat and property taxes were dropping even before the 2% property tax cap. The only local expenditures that are rising are those mandated by New York State, but state aid has dropped in real terms since the Great Recession<sup>1</sup>. Exploding State mandated costs and costly infrastructure repairs are bleeding us dry, and there is only so much we can do without State and Federal help. We need meaningful reform.

Infrastructure is vital and the core mission of government. It transcends political parties. People expect their government to plow and pave the roads and deliver clean water. As New Yorkers, we understand investing in infrastructure spurs economic growth. It's part of our proud history. The Erie Canal, a 19<sup>th</sup> Century marvel, was a huge, unprecedented infrastructure investment that transformed the Upstate economy and, in the process, our entire county's future. The concept was simple: the Erie Canal was a direct economic investment to move goods and people efficiently. In doing so, it accomplished unthinkable engineering feats and transformed our nation.

In Washington, our federal government is looking to seize the nation-wide crisis of crumbling infrastructure and turn it into an opportunity for economic growth. The Grow America Act proposes a nearly \$500 billion investment in highways, bridges and passenger rail services to promote long-term growth. Regarding investment in public infrastructure, Vice President Joe Biden stated, "What's the way to grow the middle class? Jobs. What's the way to get jobs? Generate a virtuous cycle where you generate more opportunity, more employers, more concentration of work in our communities. And that's what infrastructure does."<sup>2</sup>

Without State or Federal programs today, localities are shouldering the burden of deteriorating infrastructure which hampers their ability to reliably provide key public services. Local governments are operating at their leanest, yet are still hamstrung by flat state aid and the demands of state mandates. We must balance the need to invest in infrastructure with other spending requirements all while operating within the constraints of available resources, including

---

<sup>1</sup> "State Imposes a Fiscal Burden on Communities." Mildred Warner. Timesunion.com, 29 March 2014.

<sup>2</sup> "Biden: Middle Class in 'Worse Shape' since 1920s." Ben Wolfgang. *The Washington Times*, 19 February 2015.

low-growth in the tax base and the State-imposed property tax cap. Revenues are being dramatically outpaced by increasing costs. Local governments cannot complete the much needed infrastructure maintenance and replacement on our own.

Competing needs for operations and infrastructure are putting local governments at a breaking point. The Office of the State Comptroller released a report in September 2014 stating New York's municipalities are falling behind in maintaining and improving infrastructure, and without significant changes in policy and resources, they will be constrained to meet future infrastructure investment needs.<sup>3</sup> There is little question local governments are in desperate need of partners to ensure the infrastructure we were once so proud of is fixed, updated and maintained.

As investment in local government infrastructure declines, the systems continue to age and demand more intensive repairs. The effects of climate change have exacerbated this decline: Hurricanes Sandy, Irene and Lee ravaged roads, water mains and people's homes. Last year's polar vortex contributed to Syracuse's record number of water main breaks. This year, Syracuse is experiencing its coldest February ever. Today I will talk to you about just one area of infrastructure in dire need of attention—water systems.

A New York Department of Health (DOH) 2008 study found significant structural deficiencies in drinking water systems across the State and projected local investment needs for water at \$10.7 billion over 20 years, requiring an average investment of \$535 million annually. In 2012, local government spending on water systems totaled \$88.8 million—a \$447 million gap between what the DOH recommended and what was actually invested. The DOH also reported that the state's drinking water systems are nearing or have exceeded 100 years of age, and some municipalities, like Syracuse, still utilize some of its original infrastructure. The State's sustainable drinking water systems which produce sufficient quantities of clean water to serve residents, businesses and nonprofits like hospitals and schools, are in jeopardy. Deferring this investment threatens the delivery of a vital resource, and the cost will only continue to grow the longer it is put off.

Our sewer system suffers the same neglect as our water mains. A 2008 New York State Department of Environmental Conservation (DEC) study concluded as of 2004, 30% of the state's 22,000 miles of sewer line were beyond their expected useful life. Additionally, 25% of the 610 waste water facilities, including New York City, are operating beyond their useful life expectancy, are outdated and have obsolete technology. All of these factors increase the likelihood of contamination of the state's drinking water. DEC projected a 20 year investment need for local sewer systems of \$20.2 billion, requiring an average investment of \$1



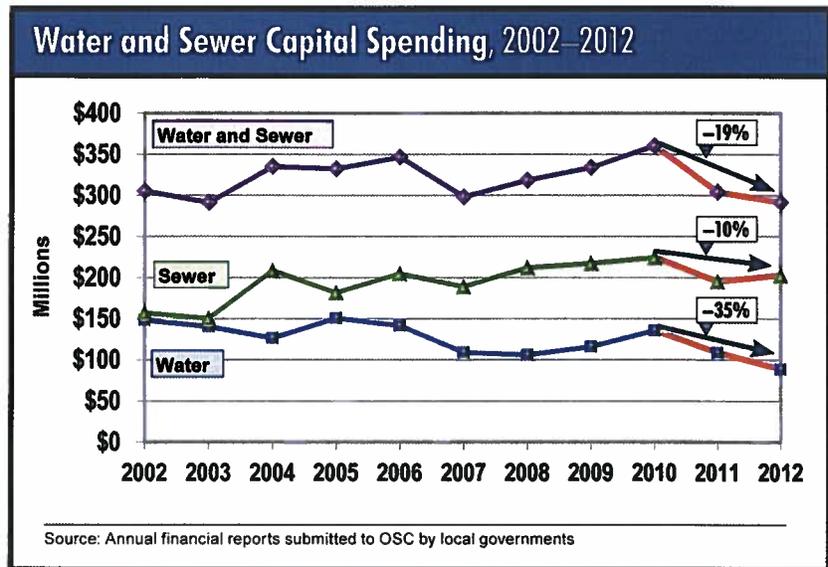
Butternut Street sewer collapse March 24, 2014

---

<sup>3</sup> "Growing Cracks in the Foundation: Local Governments Still Challenged to Keep Up with Vital Infrastructure Needs," p. 4. Office of the New York State Comptroller, September 2014.

billion annually. Spending on local government sewer systems in 2012 totaled \$202.6 million—a \$797.4 million gap.

Between 2002 and 2012, annual local government capital spending for water and sewer systems decreased by 5%, from \$305.4 million to \$291.4 million. Combined spending in 2012 was \$68.9 million, 19% less than the \$360.3 million spent in 2012 (see chart, “Water and Sewer Capital Spending, 2002-2012”).<sup>4</sup> Local government revenues have not kept pace with increasing costs and needs, while at the same time the State and Federal governments have eliminated or reduced funding programs to address infrastructure needs.



In announcing a program to fund wastewater infrastructure projects, Gov. Andrew Cuomo said “clean water supply that is vital to the livelihood of all New Yorkers,” and “New York does more than any other state to finance local wastewater infrastructure projects that protect the environment and support jobs.”<sup>5</sup> These projects are made possible by the low-cost financing provided by The New York State Environmental Facilities Corporation (EFC), yet with the financial struggles of many municipalities—even with low-cost loan programs in place, more resources to support clean water is needed in this year’s State budget. In these tight times, we operate prudently. Syracuse, and most other municipalities, simply do not have revenues to pay back any loans—even one with a low interest rate.

The Governor proposed the creation of an infrastructure bank, using bank settlement funds as seed money and leveraging private investment to finance “large-scale, complex, strategic infrastructure projects vital to the state’s future success” and have the ability to make “gap closing grants.”<sup>6</sup> Additionally, the Governor said he would “redouble efforts to address the substantial wastewater infrastructure needs” and notes in his 2015 Opportunity Agenda that

<sup>4</sup> Growing Cracks in the Foundation: Local Governments Still Challenged to Keep Up with Vital Infrastructure Needs,” p. 11.

<sup>5</sup> “Governor Cuomo Announces Interest-Free Loans to Fund Wastewater Infrastructure Projects” [www.governor.ny.gov](http://www.governor.ny.gov). 15 January 2015.

<sup>6</sup> “Moving the New New York Forward,” pp. 31-32. Cuomo 2014. Governor Andrew M. Cuomo.

“waste water and drinking water investments protect water quality, improve public health, facilitate keystone economic development, and foster recreational tourism.”<sup>7</sup>

New York State has not yet established a new dedicated wastewater infrastructure bank. Indeed, the only funding stream proposed in the Executive Budget is an Upstate regional competition, through which \$500 million would be awarded to three out of seven eligible regions. Long Island, New York City and Buffalo are not eligible for this competition. There’s also no assurance that clean water infrastructure would be funded as part of any region’s plan. In fact, only major infrastructure projects with a “catalytic” impact would be eligible.<sup>8</sup>

From a local government’s perspective, fixing the problem of chronically breaking water mains is not simply “catalytic,” it is a fundamental service the government should provide. Importantly, our history as a state illustrates that maintaining and updating water systems has always been a shared responsibility between local, state, and federal government.

From 2004-2014, the City of Syracuse had a total of 2,109 water main breaks. In 2014 alone, there were a record 391 breaks. With pipes bursting daily, we are replacing our water system foot by foot, and have no other way to pay for these breaks other than “pay as it breaks” approach. On average, it costs approximately \$150,000 to replace 350 feet of an 8 inch water main, and that figure does not include the cost of road restoration. This not only puts a tremendous amount of stress on our resources, but it greatly inconveniences those who lose water due to breaks, both residents and businesses alike.

Rather than giving Upstate localities funding for infrastructure, we have been told that economic development is the panacea to our woes—“Show us how you become economically stronger and create jobs, then you fix your own pipes.”<sup>9</sup> The Regional Economic Development Councils have awarded funding for a number of large-scale projects in Syracuse (See “REDC Awards and Syracuse Water Main Breaks” on the following page). Buildings in the center of downtown that were once vacant and dilapidated are now occupied and thriving mixed-use spaces. The Inner Harbor project which once seemed like a distant dream can finally get off the ground. Our educational and medical institutions have expanded and improved to attract and retain talented professionals. These awards have helped give Syracuse the boost it needs to become a modern urban center, and I thank you for funding this program.

---

<sup>7</sup> “2015 Opportunity Agenda,” p. 103. 2015 State of the State. Governor Andrew M. Cuomo. 21 January 2015.

<sup>8</sup> “2015 Opportunity Agenda: Restoring Economic Opportunity.” <http://www.governor.ny.gov/news/2015-opportunity-agenda-restoring-economic-opportunity-0>. 15 January 2015.

<sup>9</sup> “Cuomo to Syracuse: ‘You Are Not Sustainable. You Need Jobs, an Economy, Business,’” Teri Weaver. [http://www.syracuse.com/politics/index.ssf/2015/02/cuomo\\_to\\_syracuse\\_bring\\_a\\_job\\_to\\_attract\\_jobs\\_then\\_fix\\_your\\_own\\_pipes.html](http://www.syracuse.com/politics/index.ssf/2015/02/cuomo_to_syracuse_bring_a_job_to_attract_jobs_then_fix_your_own_pipes.html). 04 February 2015.