



Albany: Our Capital City

Joint Legislative Hearings on the 2013-14 Proposed NYS Executive Budget

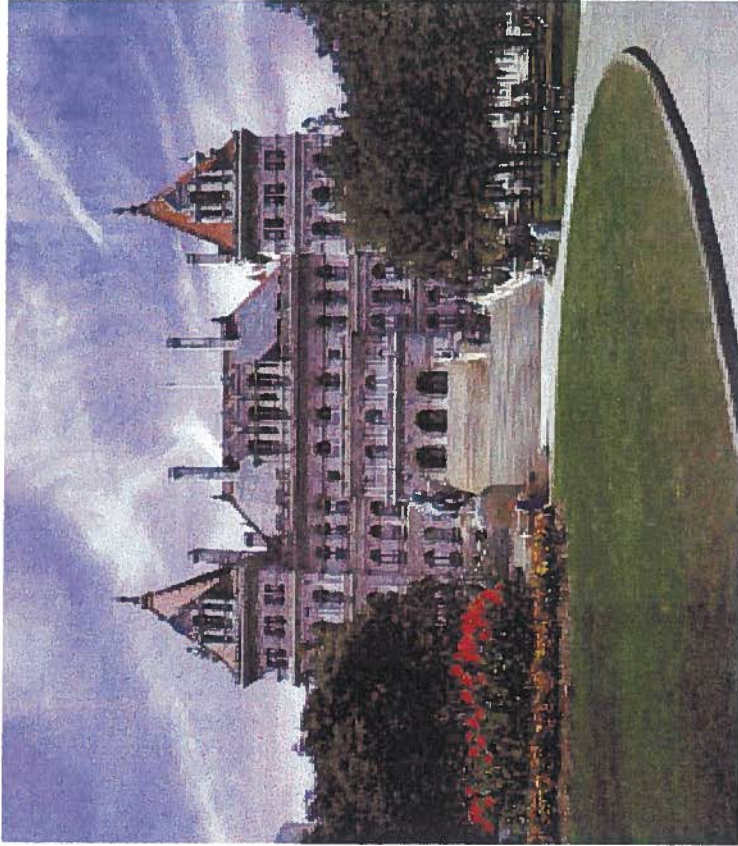


Testimony by Mayor Kathy M. Sheehan

January 27, 2014



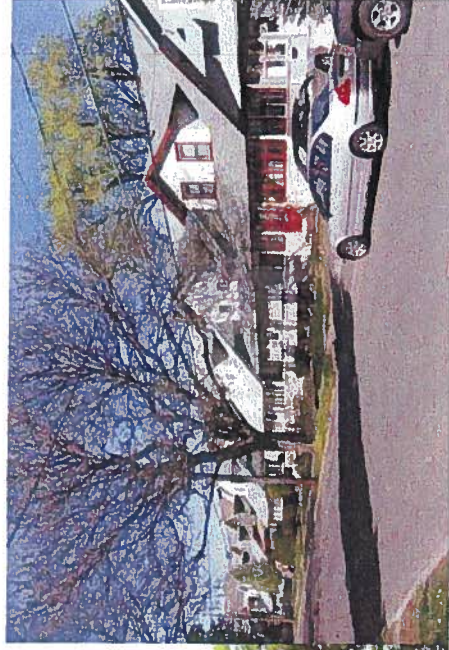
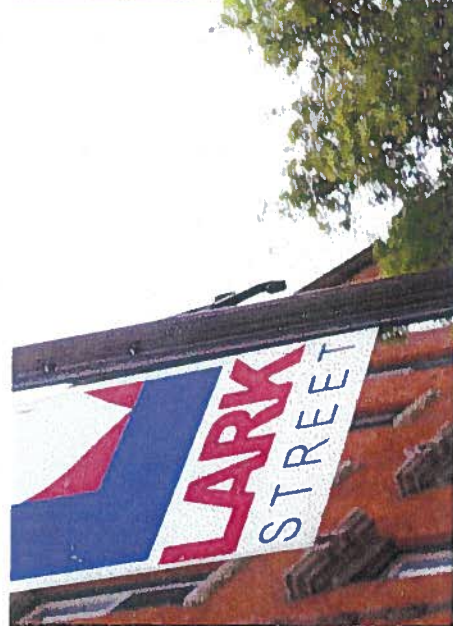
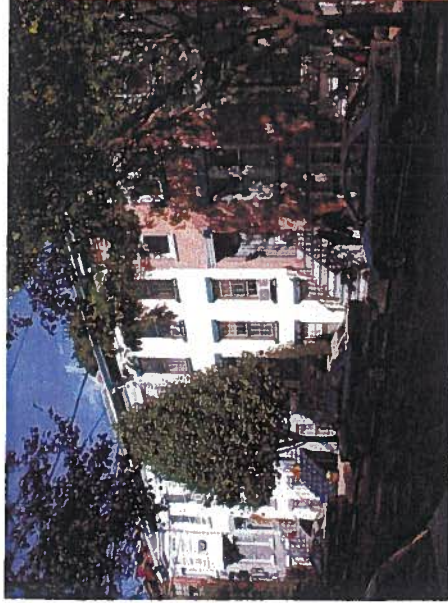
Overview



Albany is the sixth largest city in the state, with a 2010 population of 97,856. Home to the State Capital, Albany is a center of employment for government, health care and higher education. Albany's population nearly doubles during the day to more than 180,000.

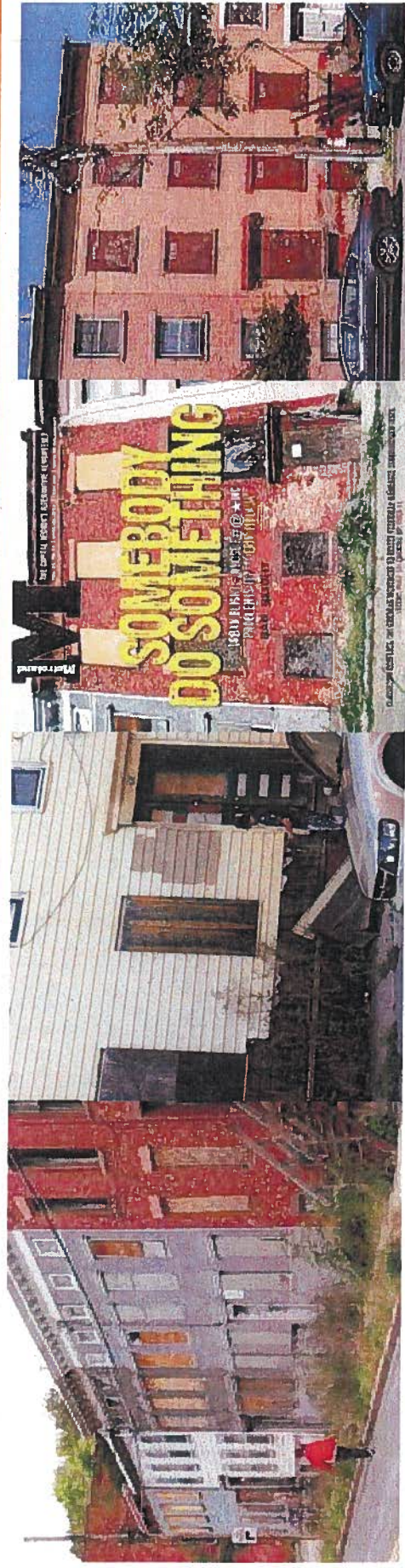
Established in 1686, Albany is the second oldest chartered city in the United States. Its rich history is reflected in its architecture, cultural institutions and diverse neighborhoods.

A City of Neighborhoods



Albany is a city of diverse, historic and unique neighborhoods. The City has 28 neighborhood associations and 14 historic districts. Nearly half (46%) of Albany's residents are African American, Hispanic, Asian or mixed race. The City has a growing immigrant population, including refugees from Burma, Iraq and Bhutan, with additional populations from the Congo, Sudan, Eritrea, Afghanistan and Central Asia.

Albany's Growing Struggles



Notwithstanding its relatively stable employment base, many of Albany's neighborhoods struggle with abandonment and decline. Albany's home ownership rate is on par with Syracuse and Rochester, and lags that of Buffalo, Yonkers and nearby Schenectady. Once thriving commercial districts in Albany's diverse and unique neighborhoods also struggle. The City has more than 1,000 vacant buildings and empty parcels. Office and retail vacancy rates are more than double the rates in surrounding suburbs totaling nearly 25%.

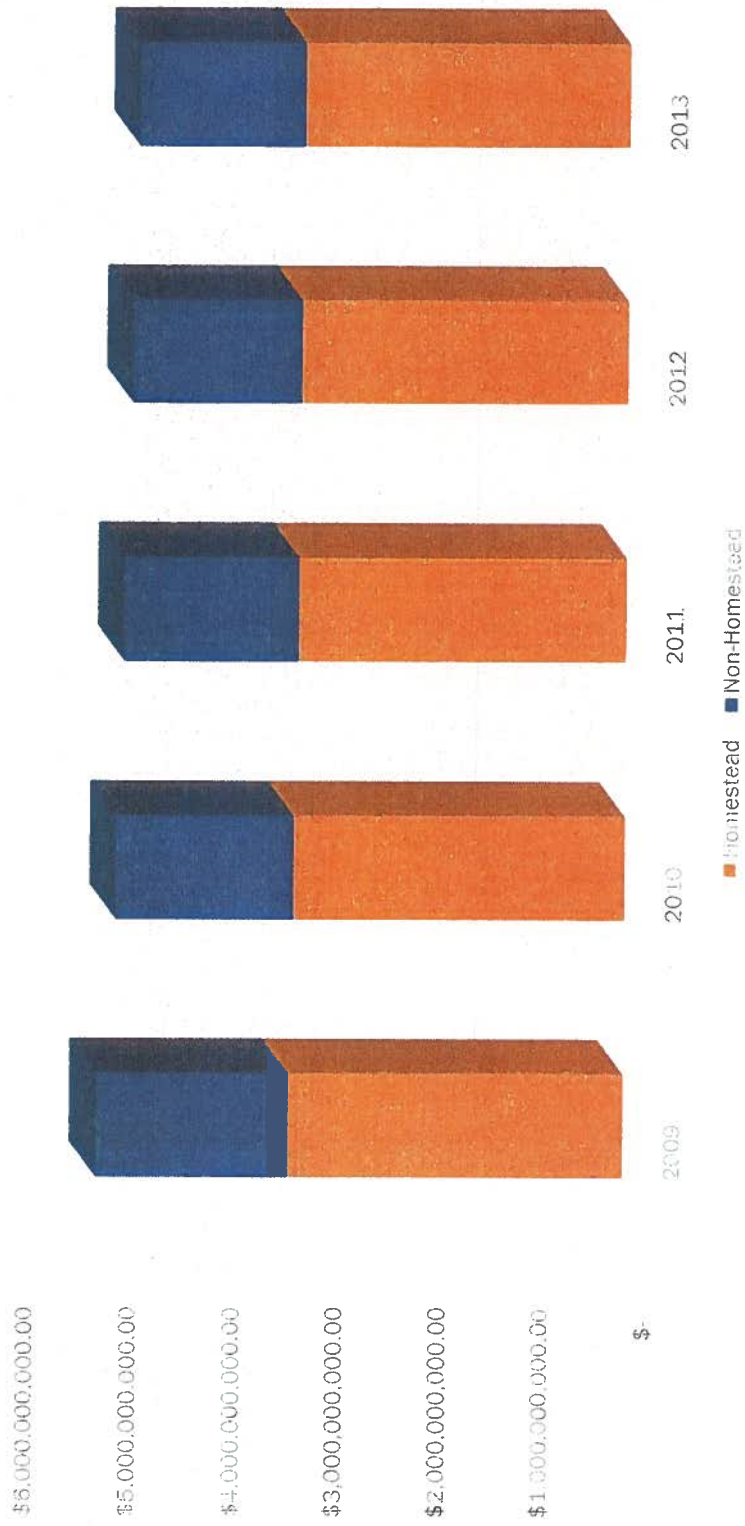
Albany Indicators

	Albany	State	Difference
Poverty Rate	25.4%	14.9%	+ 70%
Eligible for Free Lunch	60.0%	43.0%	+ 40%
High School Graduation	49.2%	74.0%	- 28%
Homeownership	40.3%	54.5%	- 26%

City	Poverty	HS Grad	Free Lunch	Homeowners
Buffalo	30.1%	46.8%	72%	42.3%
Rochester	31.6%	43.4%	83%	40.4%
Yonkers	15.6%	66.0%	68%	47.0%
Syracuse	33.6%	48.0%	73%	40.2%
Albany	25.4%	49.2%	60%	40.3%

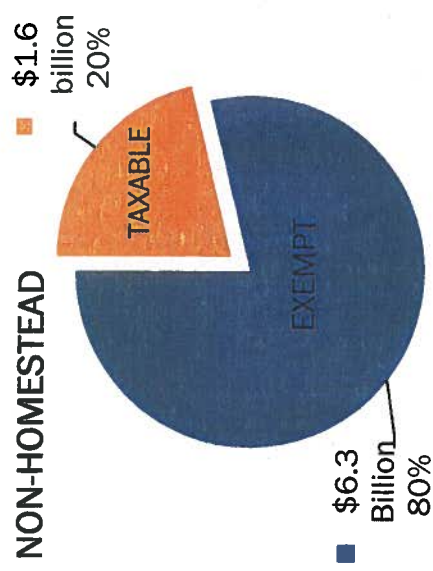
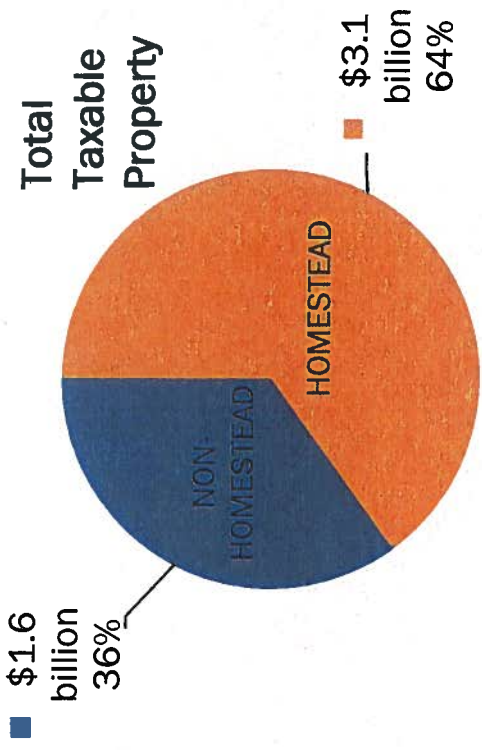
Declining Tax Base

13.3% Decline in Commercial Tax Base
 - 7.0% Decline in Total Tax Base



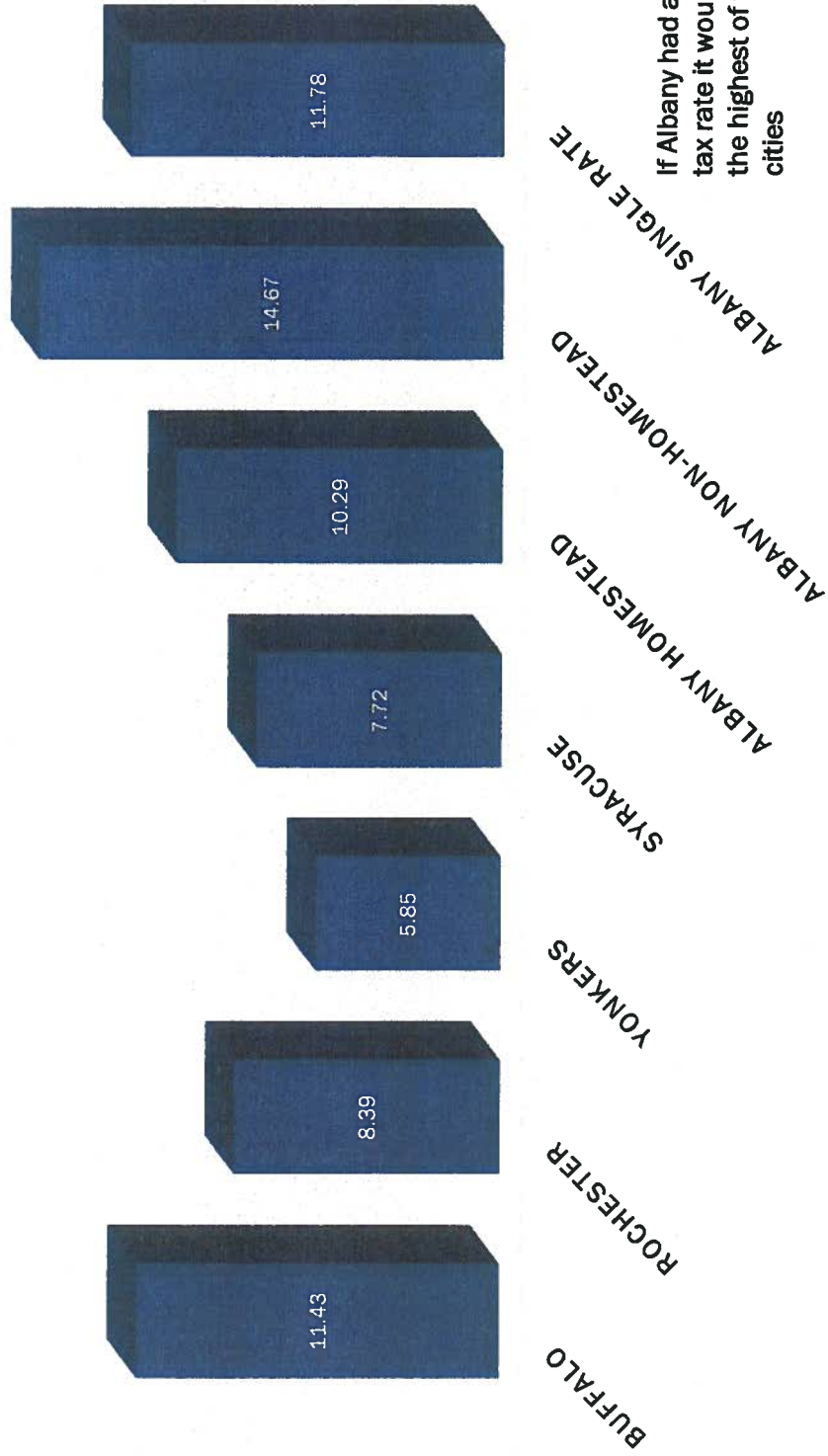
Tax Exempt Property

City	Exempt Property
Buffalo	37.0%
Rochester	29.5%
Yonkers	36.7%
Syracuse	49.5%
Albany	57.0%



TYPE	ADJ BASE	TAXABLE VALUE	RATE
Homestead	58%	\$ 3,145,131,674	\$10.2914
Non-Homestead	42%	\$ 1,613,712,622	\$14.6744

City Tax Rates



If Albany had a single tax rate it would be the highest of the 5 cities

2014 Budget Challenges

Expenditures	\$171,077,200
Recurring Revenue	\$154,592,200
Deficit	(\$ 16,485,000)

- ⌘ Structural Deficit \approx 10%
- ⌘ Fund Balance less than 5% of operating expense
- ⌘ Continue to Borrow for Pension Expense
 - Total pension borrowing will exceed \$14 million
- ⌘ Staying within cap still resulted in 6.6% Property Tax Increase for Non-Homestead Properties

Structural Deficit

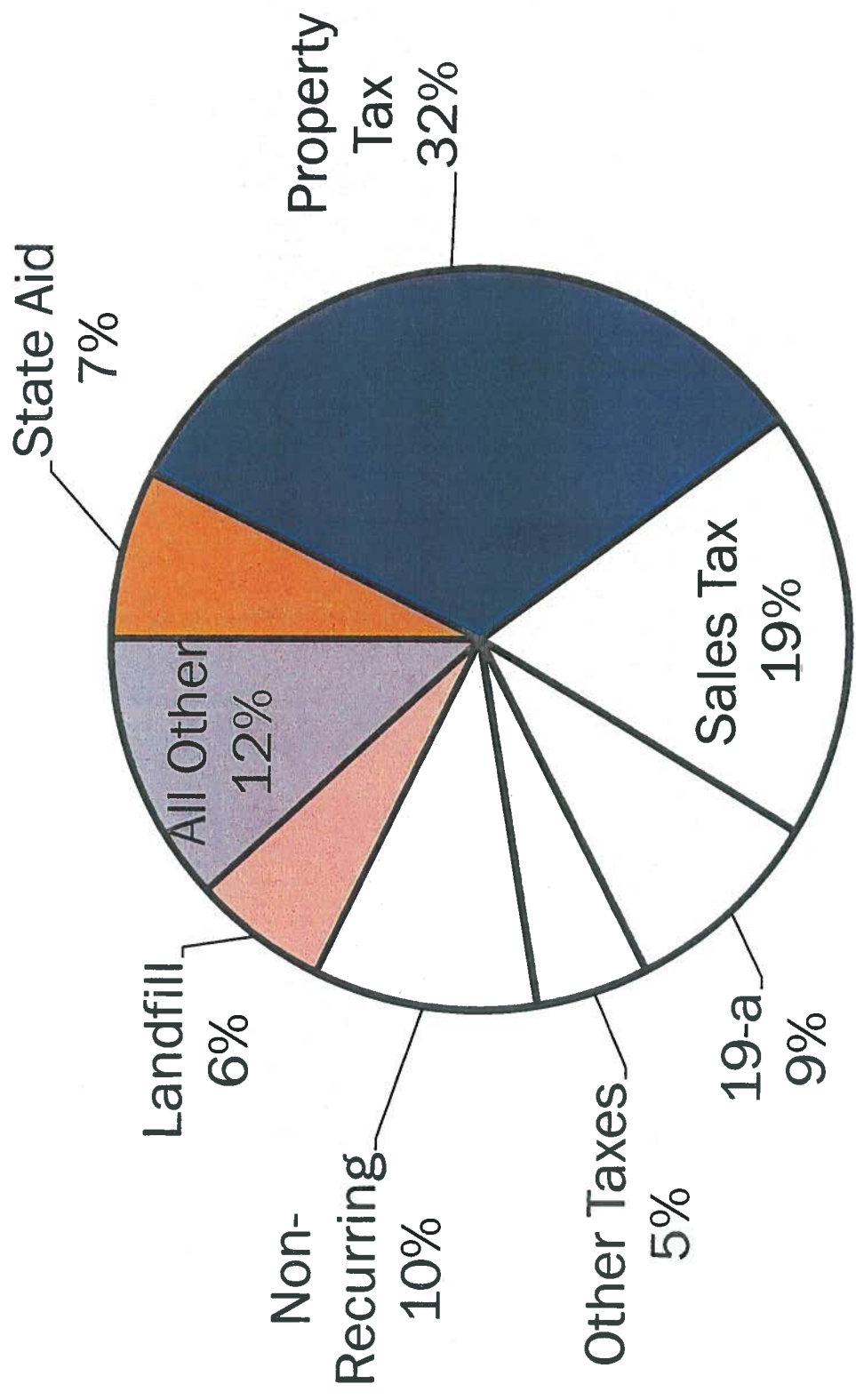
Source	Amount
Fund Balance	\$ 9,801,000
Debt Reserve	\$ 2,470,000
Pension Borrowing	\$ 4,214,000
TOTAL	\$16,485,000

The City budgeted the use of approximately \$4.3 million of Fund Balance in 2013. While the year-end close will not be completed for several weeks, it appears that revenue will be lower than budgeted, and expenses will be higher, resulting in a further erosion of Fund Balance. If 2013 and 2014 end on budget, the City will have less than \$8 million of Fund Balance remaining.

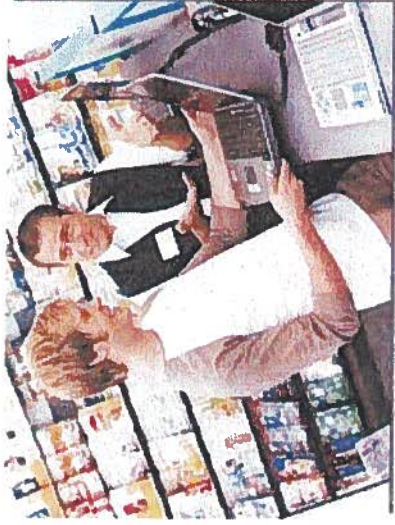
Expenses

	2014	
SALARIES	\$75,749,000	44%
RETIREMENT	\$18,250,000	11%
FICA	\$5,792,000	3%
HEALTH INSURANCE	\$22,204,415	13%
OTHER EMP. BENEFITS	\$1,203,000	1%
WORKERS' COMPENSATION	\$4,260,000	2%
OPERATING EXPENSES	\$22,588,785	13%
DEBT SERVICE	\$21,030,000	12%
TOTAL	\$171,077,200.00	

2014 Revenue Breakdown



Sales Tax



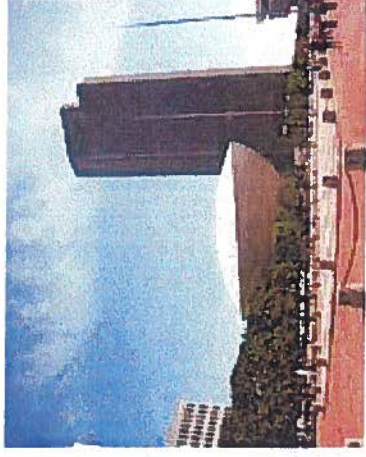
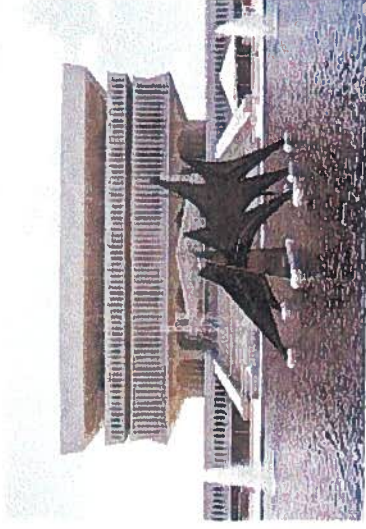
- Sales tax is shared county-wide based on population. Albany receives the same portion of sales tax from sales within the city as from sales in other municipalities in the County.
- Accordingly, the City does not get a direct sales tax benefit from the increase in its daytime population.

Landfill Liability



The City of Albany operates a municipal solid waste landfill. As a result of financial decisions made in prior administrations, the landfill did not make reserves for known future expenses. Accordingly, when the landfill closes in 2020, the City will incur millions of dollars in closure and restoration costs, and will have to spend millions more to dispose of its waste at another facility. It will also lose approximately \$10 million in operating revenue.

Payments under Section 19-a



- ✎ The Empire State Plaza dominates Albany's skyline and was built on 98.5 acres that were condemned by the State and taken off the tax rolls. Under Section 19-a of the Public Lands Law, the State pays the City \$15 million per year to compensate for the loss of this property. Section 19-a payments are reduced to \$7,150,000 in 2031 and cease completely in 2033.

AIM

City	ACS 3-Year Population	Proposed AIM	AIM Per Capita	AIM as % of Budget
Buffalo	263,334	\$ 161,285,233	\$ 612.47	35.8 %
Rochester	211,240	\$ 88,234,464	\$ 417.70	24.3%
Yonkers	195,351	\$ 108,215,479	\$ 553.95	23.5%
Syracuse	145,025	\$ 71,758,584	\$ 494.80	23.9%
Albany	97,884	\$ 12,607,823	\$ 128.80	7.4%

Economic Realities

- ∞ Attracting jobs is necessary but not sufficient
 - Albany's dependence on Property Tax Revenue means that jobs must be linked to taxable property and/or an increase in residents.
 - High tax rates and an aging infrastructure have contributed to a 7% reduction in the City's taxable property tax base. Growth at NanoTech and Global Foundries have been positive for the region, but have not resulted in an increase in Albany's tax base.
- ∞ Cannot continue to ignore inequities
 - 25.4% Poverty Rate
 - Of the 5 largest cities outside of NYC, Albany's AIM per capita is 69% lower than the next lowest city
 - Nearly 80% of Albany's commercial property is not taxed
 - Albany residents and businesses pay among the highest tax rates in the State

2014 Budget Measures

- ⌘ All open positions are under review and cuts will be made from adopted 2014 budget
- ⌘ All proposed Capital Projects are under review and borrowing will be cut from adopted 2014 budget
- ⌘ All programs under review and cuts are expected
- ⌘ Prioritizing Inter-municipal Consolidation Opportunities
- ⌘ All fees under review
- ⌘ Undertaking complete review of tax exempt property to determine eligibility
- ⌘ **REQUESTING AUTHORIZATION FOR COMPREHENSIVE REVIEW BY NYS FINANCIAL RESTRUCTURING BOARD**

Revenue Needs

- Cost saving measures will not close the City's deficit
- Currently all Union Contracts are up for negotiation
- Three potential options:

Harriman Campus PILOT

Re-authorize PILOT payment for 330 acres of prime tax exempt real estate at the Harriman Campus.

Net Increase
\$11,000,000

Bring Parity to AIM

Based on Albany's comparative population, increase Albany's AIM per capita to 50% of the mean of comparable cities.

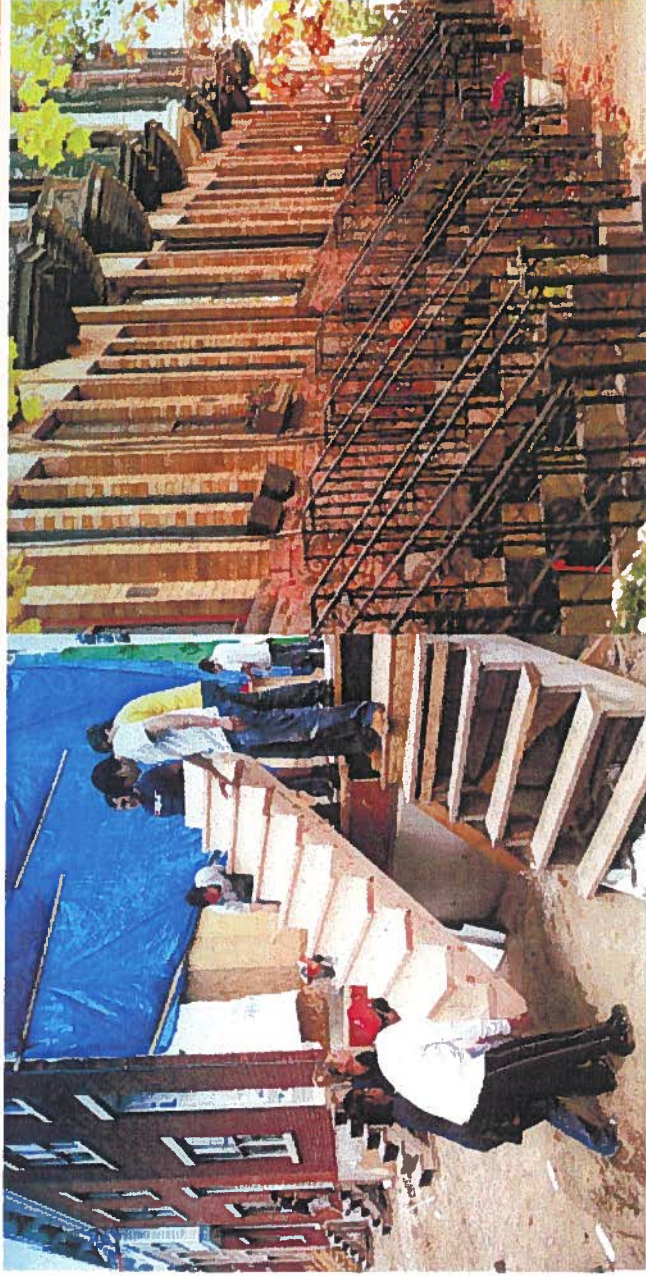
Net Increase
\$12,828,891

Impact Aid

Authorize Impact Aid of 1% of State owned property recognizing the unique financial impact of being the Capital City.

Net Increase
\$15,151,000

2030 Vision — Albany's Hope for the Future

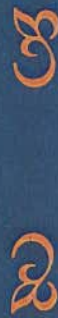


Albany in 2030 has built on its history and diverse natural, cultural, institutional, and human resources to become a global model for sustainable revitalization and urban livability. The City promotes a balanced approach to economic opportunity, social equity, and environmental quality that is locally driven, encourages citizen involvement and investment, and benefits all residents.

*Albany 2030 Plan
Adopted April 2, 2012*



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