



Transcript of Testimony on the 2014-2015 Proposed NYS Executive Budget

To the Joint Legislative Hearing
of the Senate Finance and Assembly
Ways and Means Committees

Delivered by Mayor Lovely A. Warren on January 27, 2014

Thank you Chairman DeFrancisco and Chairman Farrell, members of the committee, and other distinguished members of the Senate and the Assembly. I am Lovely Warren, Mayor of the City of Rochester, and I am honored to have this opportunity to speak to you on behalf of the residents and taxpayers of Rochester.

As you know, I am the newly elected Mayor of Rochester — Rochester's 67th Mayor and its first female Mayor. Prior to my election last November, I served as the President of Rochester City Council. I am a proud life-long resident of the City of Rochester, so I am very familiar with the challenging financial conditions we face.

Rochester In Context

In his State of the State address just a few short weeks ago, Governor Cuomo candidly and accurately described Upstate New York as being in a "cycle of decline" — and the evidence of this is clear to see in Rochester. The Rochester of today is far different from the Rochester of just a generation ago. Rochester is a tale of two cities. One city is vibrant, hopeful, wealthy, and highly livable. The other suffers from escalating poverty, dysfunction, unemployment that is higher today than it was during the Great Depression — and a deficient educational system. This divide has both immediate human consequences and short and long-term economic consequences. The Mayor's

challenge — our community's shared challenge — is to bridge these divides so that all people feel there is hope for them and their children; and we all feel that we have an equal stake in the future. A recent report by the Rochester Area Community Foundation outlined the harsh reality we face; and the findings are a call to action that cannot go unanswered. Rochester is the:

- Fifth poorest city in the country among the top 75 largest metropolitan areas;
- Second poorest among comparably sized cities in those metro areas;
- Ranked third for highest concentration of extremely poor neighborhoods among cities in the top 100 metro areas;
- Poorest urban school district in the State.

Invest in Rochester

While our challenges are great, in Rochester, our needs are pretty basic:

- Putting people to work.
- Keeping our citizens safe.
- Educating our children.
- Creating a good environment so people will want to invest, live and work in Rochester.

These are not pie in the sky ideas. What I am talking about are the fundamentals of good government. Providing these basic things is the covenant we make with the people we serve when they elect us to public office.

As mayor, I am committed to leading the fight to overcome the challenges the City of Rochester faces. Top among the challenges are fixing our schools, making our neighborhoods safe, revitalizing the economic engines of our city and putting people back to work. To that end, I am here today to urge you to support fair and equitable investment in the City of Rochester so that we can stop the cycle of decline and realize the promise of thriving city.

Rochester is a good investment — and with our beautiful waterways and world-class arts organizations, internationally recognized museums and brand names that are known worldwide — we are recognized as one of the crown jewels of the Empire State. We have a history of innovation, a strong base and a will to succeed. We have thriving colleges and universities. According to Forbes Magazine we are ranked fifth in the nation for patents per capita and Business Insider reports Rochester, NY is the “13th Most Innovative City in the U.S.” Forbes also recognized Rochester as the 4th Most Affordable City and Kiplinger named Rochester the 5th Best City for Families.

Despite our challenges, the City of Rochester has been able to maintain ourselves fiscally and we enjoy an excellent credit rating. We bring a collective resolve to face our issues head-on, but our progress is being hampered by many factors outside our control — primarily due to a persistence of inequities in State financial support. Given the cycle of decline that has plunged Rochester from one of the most prosperous regions in the nation to one of the least prosperous, it is critical to Rochester's long-term survival that the State start to address some of these inequities this year.

Structural Financial Challenges

Rochester is facing a \$37.5 million dollar gap that will escalate in future years. Like other upstate cities, the City of Rochester faces structural financial challenges that limit our ability to address this gap without the State's assistance. Many of our residents are struggling just to meet their basic needs so the City of Rochester will stay within the tax cap again this year. I must point out that even a 2% property tax levy increase would generate only \$3.2 million. Clearly, this structural problem will not be solved by raising property taxes. In Rochester, we have already begun to make difficult choices to cut programs to reduce our gap to \$27.9 million. The impacts of those decisions would be felt in every neighborhood, every corner of our city — by every man, woman and child who lives, works and goes to school in Rochester.

Poverty

Two years ago testimony from the City of Rochester stated more than 29% of our city's families live at or below the poverty rate. Owner-occupied housing is under 43%. The median family household income is a mere \$30,000 annually and four out of five of our children are eligible for the free or reduced school lunch program.” Sadly, as I sit here today to testify before you, little has changed. The City of Rochester has a significant concentration of poverty — as I mentioned earlier, the fifth highest in the entire country.

I support the Governor's proposal to provide universal PreK to all children and the increase in funding for after school programs are excellent initiatives; and I strongly support the Governor's NY Youth Works Program. Rochester's concentration of poverty is among the highest in the nation. 46% of our children live below the federally established poverty line, and some areas of our city suffer from rates of unemployment that are greater than they were during the Great Depression. Governor Cuomo and I recognize that the effects of chronic poverty are devastating to our children. The NY Youth Works Program is laser-focused on exactly the sort of assistance that Rochester

needs to start on the long road to restoring prosperity and restoring hope. Funding for youth jobs will offer life-altering opportunities for Rochester's youth.

Pension Relief

Pensions and medical insurance are the primary obligations that lock the city's finances in structural unbalance. While we have had some success in working with our unions to reduce costs, our medical insurance costs will be almost \$59 million and pension costs are projected to increase from \$5 million to \$49.2 million next fiscal year.

Together these costs represent almost 25% of our entire city budget. Last year we were forced to amortize rapidly escalating pension costs in order to mitigate the devastating impact on our budget. Governor Cuomo's pension reform enabled us to take advantage of the amortization option. Yet, amortizing the pension costs only provided \$12 million of temporary relief. This temporary relief was appreciated, and we may have no choice but to pursue this course again. We are loathe to take this step again. Pushing our obligations into the future is not a long-term solution. Without additional State support we may have no choice.

We are resolved to do what we can to meet the challenge.

Reductions and Efficiencies

We respect and appreciate Governor Cuomo's efforts to incentivize funding to municipalities by encouraging consolidation and inter-municipal agreements to reduce costs across the board. Our dilemma is that Rochester has already embraced this approach. Rochester and Monroe County have consolidated services and/or executed shared services inter-municipal agreements with our Water Authority, the 911 Call Center, The Rochester Monroe County International Airport, the Library System, and the Rochester City School District, as well as certain fire and social services, to name a few. While there may still be opportunities to seek out consolidations in categories like sewer districts and lighting districts, many of the "big ticket" consolidations have already taken place.

The fact that the City of Rochester has been "ahead of the curve" so to speak, limits our current possibilities to realize any meaningful savings through this initiative. We believe that the situation in Rochester is an unforeseen consequence to an otherwise sound proposal, which we hope will be factored into our request for more equitable ATM aid.

Despite the City of Rochester's efforts to manage conservatively, workforce efficiencies are a mere fraction compared to our structural imbalance. We have secured almost \$45 million in efficiencies in the last 10 budget years. Still, costs for the public safety alone are 42% of our total budget, and continue to grow, which is propelling us towards a crisis. Rochester has already cut personnel and renegotiated union contracts. The combination of relatively flat revenues, including AIM aid, the property tax levy, and an uncontrollable sales tax; and the burden of unfunded mandates leaves us with few remaining options to adequately fund one of the primary and most basic responsibilities of government — to protect our people and their property. A failure to do so not only endangers the well-being of our citizens, but will also make our city less desirable and less competitive in seeking and maintaining private investment. Smart business people will not locate their businesses, or keep their businesses, in municipalities that they do not trust are safe. Absent new formula funding or some other direct funding route, one of the most immediate ways to help Rochester, and other municipalities fund public safety services is to implement an equitable, need-based AIM aid formula.

Mandate Reform and a New Approach to AIM

Unfunded mandates continue to place an unfair burden on municipalities. Just one example of many — prior to 1992, a surcharge was collected on all fire insurance policies to reimburse local governments for code enforcement expenses. The justification for this surcharge was based upon the principle that proper code enforcement directly impacts life safety and property loss. However, these funds have been diverted to the General Fund. The state continues to collect the funds from the insurers, but no longer shares the revenue with the localities creating a hardship for the municipality. Even as we continue to implement efficiencies and reduce costs, unfunded mandates remain a burden on cities. State aid has not kept pace with the burden of State mandates.

Rochester continues to have the highest Maintenance of Effort (MOE) and the lowest per capita Aid and Incentives to Municipalities — or AIM — of our major upstate cities. Because of the State's MOE requirement, more than 70% of our tax levy goes to the school district.

It is time to take a new approach, a more equitable approach to AIM aid. The current system of AIM aid allocation is arbitrary at best — biased at worst — and certainly unfair to Rochester. For decades, the approach to AIM has pitted municipality against municipality, which is very unfortunate. It is time to replace the current flat rate system with a formula-based system that takes need and other factors into consideration. The current system represents a perpetration of entrenched inequities that is inconsistent with the high standards of fairness the people of this great

state deserve and demand. I call on our legislative leaders in the strongest terms to take up this task for the betterment of the entire state.

In Closing

We are committed to following the State's lead and make systemic changes to the way we do business on the local level as has done on the State level, but we must have the right financial tools to do so. Today I ask that you provide Rochester and other upstate cities those tools.

Simply said, New York State's approach to distributing aid to Rochester and other upstate cities and the level of aid being distributed are not meeting our needs.

I started my comments today by telling you that the situation in Rochester is a call to action that cannot go answered, so this is my call to you. It is time to change the way that New York State supports municipalities. Let's make this the year that we finally stop talking about unfunded mandates and actually do something meaningful to relieve municipalities of the burden of unfunded mandates. Let's make this the year that we work together to come up with a needs-based AIM aid formula that provides equitable assistance to all. Let's make this the year that the State steps up to the plate when it comes to investing in public safety at the community level. Let's make this the year when we start to make our cities strong and truly livable again.

I believe in Rochester, and I want you to believe in Rochester too. Rochester has many assets to build upon and we need your help to make sure that the "cycle of decline" of which the Governor speaks does not become a vortex of despair. Let's seize this opportunity to rebuild our cities and restore the faith and pride the people of New York have in their local communities.

I appreciate your time and attention, and I would be happy to respond to your questions.