

2010 State of the City Address,
Mayor Brian U. Stratton – February 8, 2010

Thank you Mr. President.

City Council Members, Reverend Clergy, and fellow citizens of Schenectady,

I appreciate this opportunity to report to you on the State of our City.

From time to time since becoming Mayor, I have come before you to speak to the condition, accomplishments and challenges ahead for Schenectady.

Because of the magnitude of the financial challenges before us, in both this current fiscal year and especially in the year to come, tonight I would like to use this forum to speak to you and to our citizens almost exclusively about those challenges.

While it has often been my practice, and that of previous mayors, to use this time to propose new programs and initiatives for our city, the reality is that there is little if any new funding available to begin or to support such efforts no matter how great our need may be.

As I presented during the Council's Committee Meeting Session last week, we already face marginal financial challenges just six weeks into 2010, but far more formidable economic obstacles will come next year.

For that reason, it is important that we begin to work together now to address them.

I believe that we can live within our current \$78.05 million adopted budget. Some adjustments will be required to make up for the projected reduction of \$236,000 in State aid proposed by the Governor.

We are already taking steps to address the 2010 shortfall.

Effective immediately, I have instructed our Department Heads and Administrative leaders to institute the following changes with respect to the 2010 Budget to offset the potential loss of State Aid and to achieve additional savings going forward.

- With the exception of Public Safety, we will freeze new hiring on at least six previously approved and budgeted positions, and carefully examine any unplanned or unbudgeted employment needs between now and the end of the year. The projected savings with that adjustment is \$260,000
- We will freeze all budgeted, but non-emergency Equipment Purchases in our budget, saving an estimated \$100,000
- We will reduce Travel, Training and Conference expenditures by \$50,000
- And, with the exception of Police and Fire, we will reduce and strictly limit our approval for non-emergency Overtime or Comp Time for employees, to save \$200,000

Although those savings alone can more than offset our projected 2010 shortfall, it is only part of the problem we need to act now to correct.

According to the five-year budget projections submitted to and approved by the State Division of the Budget and the Comptroller, in order to maintain the current level of city services now provided, and to do so without a property tax increase, we will need to make adjustments totaling \$12.8 million.

Revenues are expected to decline significantly next year --- or be \$8.1 million less. At the same time, expenditures are forecast to rise by \$4.7 million next year.

Continued reductions in our State Aid, significantly less available Fund Balance to apply to a new budget, a lower return on our Tax Lien sales, and other factors in the financial marketplace all contribute to an expectation for lower revenues in 2011.

So, in addition to the budget corrections we must put in place for the current year, what can we plan to do now to increase revenues and cut costs for 2011?

We believe there are real opportunities to increase revenues through the following means:

First, we need to continue our fight to restore Schenectady's level of State Aid to a more equitable and fair proportion. Even with the 2 to 8 percent reductions sustained by most cities in the Governor's proposed budget, Schenectady still lags behind cities of similar or even smaller size.

Our \$11.6 million annual share is smaller than Troy's \$12.7 million, less than Niagara Falls' annual \$18.3 million payment, and below the \$16.7 million the City of Utica now receives from the State each year.

We can also work to recover more of the nearly \$4 million in remaining delinquent property taxes in the city. We estimate that working with a collection firm, or even stepping up our own efforts, we could recoup \$500,000 to increase our cash flow.

By carefully examining and restructuring the more than 100 individual fees currently charged in the city, not including any proposed increase to the Garbage Fee, our revenues can be boosted by \$200,000.

These fees, which help to defray the cost of government services, include building permits, curb cuts, parking fees, rental certificates, and many others. They have not been adjusted in many years and have not kept pace with the cost of the services they support.

Our Fire Department is now examining the practicality and feasibility of billing insurance companies for more of the nearly 9,000 emergency medical assistance calls made by our Fire Paramedics each year.

We believe that by doing so there may be as much as \$500,000 in new revenue available. That would be far beyond the roughly \$200,000 we currently collect by billing for basic life support services.

And there is more potential opportunity to consider:

With nearly 30 percent of the city's property tax base classified as tax-exempt, we must continue to seek out the authority to bill those not for profit organizations that consume significant parts of our city services for reimbursement.

Seeking legislative home-rule authority to bill for emergency services provided to our not-for-profits would be consistent with efforts undertaken by the New York State Conference of Mayors in the past but never achieved on a statewide scale.

We already know the frequency and cost of emergency response calls to the Union College campus, and to a lesser degree, those services provided to the Ellis Hospital campuses.

These organizations are great partners with the city, undeniable assets, and significant contributors to our economy. Yet, they are also consumers of city services.

Without approved PILOT payment agreements in place, gaining the authority to bill for those services provided would at least allow a chance us to remain financially whole. Examining this is part of what we must do to explore each and every opportunity to address the financial challenge before us.

We can also act to significantly reduce our projected expenditures for 2011 by doing the following:

- We will begin meeting with our employee unions to seek their cooperation in securing a new, single provider Employee Health Insurance Plan that gives employees and their dependents enhanced services and lower cost to the City. It would literally be a win-win scenario. We believe that a revised, single-provider health insurance plan could reduce our city insurance costs by \$500,000.
- We also will immediately put into place a Worker Safety Program targeted at creating a safer workplace and reducing our Workers Compensation costs by \$200,000. With more than \$1.6 million expended per year on our employee workers comp claims, and thousands of hours in lost productivity, we must do more to curb these costs by improving workplace safety.
- One of the most effective ways we can reduce the cost of government while maintaining services is through staff attrition and turnover. While we should always diligently assess the need to replace employees as they leave city service, those who are hired and come onto the payroll in their place often do so at a lower rate and without the additional compensatory benefits of their predecessors.
- Therefore, a comprehensive Early Retirement Incentive Program must be part of our strategy going forward. We believe there are real opportunities, especially within the Police and Fire Departments, where as many as 16 of our senior police officers and other city employees could be eligible and willing to retire under an incentive program. We can rebuild our workforce while rebuilding our financial stability.

The long-standing requirement that the City of Schenectady each year be required to make both the City School District and Schenectady County whole for that portion of the city's uncollected property taxes is a huge financial drain, and it puts Schenectady in a somewhat unique and unfair position compared to other local governments.

In 2009, our total make-good payments to both the Schenectady City School District and Schenectady County totaled \$4 million – most of that to the School District.

It is an obligation that is not borne at all by the City of Albany, and only partially by the City of Troy. In Albany, the county collects all property taxes and makes the city and school district whole for uncollectables.

We can change our County obligation through Charter revision. However, the school tax reimbursement obligation issue will need to be modified through State Legislation and home rule. We will ask our representatives in Albany to seek home rule legislation to make these changes happen.

In short, each taxing district – City, School or County – should be individually responsible for collecting property taxes and ultimately for their respective portion of delinquencies.

By doing so, perhaps greater spending accountability and discipline can be brought to School spending, which accounts for more than half of our Schenectady property taxes.

But that's not all. We must also seek systemic ways to bring real change to our local government services through consolidation and cooperation.

We know the ways in which we have already moved effectively in that direction.

The consolidation of our vehicle maintenance, the sharing of our Salt Shed with the County and others, the fueling of City School District vehicles at our city gas pump, Centralized Dispatch among our county's public safety operations.

We must continue to explore additional opportunities to improve the efficiency and effectiveness of government through consolidation of service and intermunicipal cooperation.

As you know, we will soon get underway with a comprehensive study of improving our police operations.

A \$50,000 high-priority government efficiency grant from the Department of State will allow us to study opportunities to reduce costs within our department and through consolidation of services among departments, and even the potential for the complete consolidation of whole municipal departments in the county into a single Police / Public Safety unit.

We must not prematurely dismiss the potential or opportunity to realize practical solutions to our daily policing challenges and annual costs – and the opportunity to provide tax payers – not only within the City but also among other parts of Schenectady County, with real savings and improved public safety services for all taxpayers.

We will begin by moving forward with the study to be conducted by Columbia University based upon researchers' original outline submitted to us during the summer.

Whether the results of that study show that there are benefits to be gained by fine-tuning our own operations internally, or combining one or more of our services with another neighboring municipality – whole or in part – we know not now. Whatever it shows, will ultimately be the impetus for guiding us forward.

Similarly, we will soon apply for a second \$50,000 High-Priority Government Efficiency Grant from the State Department to examine the potential of cost savings and service improvements by combining the city's and county's snow-plowing and other public works operations.

Just as we have learned the benefit of sharing maintenance services with the county six years ago, we will go further.

Our new \$23 million City Public Works Garage will come online later this year, opening up the opportunity to provide more efficient and effective delivery of street maintenance, waste collection, sewer repair, salting, plowing and fueling.

This state of the art facility in short order will begin to pay returns in saved energy and the establishment of a safer work place for our employees. And it opens up new opportunities to save through shared services.

Under the direction of Commissioner Olsen, our City Public Works operation will also partner with Schenectady County to work from the new Bureau of Service to rebuild, paint and repair selected vehicles from within the county's public works fleet. Our new garage will offer the room and modern amenities needed to perform that work quickly, efficiently and safely.

President Obama's recently proposed Federal Budget for 2010-2011, and the \$150 Billion Jobs Bill now being considered by Congress, offer the only tangible hope for the kind of additional significant spending Schenectady needs to address the daunting needs of improving our neighborhoods.

Street and infrastructure reconstruction, demolition of blighted abandoned housing and commercial properties, improvements to parks and the creation of more green space, and catalyst projects to spark new economic growth are all possible if funding proposed through the Jobs Bill and the President's Budget are approved.

A few weeks ago, I joined about 230 other mayors from around the country to meet with the President, Vice President and nine of his Cabinet Secretaries in Washington D.C. during the U.S. Conference of Mayors annual Winter Meeting. The President and his Administration listened to the near unanimous cry of mayors nationally that the first Stimulus Spending Plan from last year had not gone far enough to create new jobs in their communities or to reinvest in any significant way in the aging infrastructure of their cities.

As we joined him inside the White House, the President promised a "continued, sustained and relentless effort to create good jobs."

Some of that promise is backed up by components of the President's proposed Budget, including a proposed increase in CDBG spending and other dollars to improve neighborhoods with new housing, investments in public housing and new investments in energy.

But the President's budget does not and can not go far enough in and of itself. Congress must complete work on the proposed \$150 Billion Jobs Bill – or “Second Stimulus” Spending Plan – along with an additional \$50 Billion in infrastructure spending proposed by the President. Those funds must be channeled directly to cities to train our unemployed and to rebuild and repair our neighborhoods.

My call in Washington was for something like a second WPA program, which in the 1930s put people back to work and built much of the original infrastructure in Schenectady neighborhoods, parks and city streets.

We still see that “WPA” stamp in the concrete sidewalks and structures in our neighborhoods and parks.

I believe that same kind of effort, coupled with the significant additional spending that is proposed in the President's Budget, if done properly, could provide the jobs and investment needed to save our neighborhoods and economic recovery.

The future of Schenectady remains bright. Just last week, we dedicated General Electric's new \$45 Million Renewable Energy Headquarters where 650 new hired engineers are working to market and oversee GE's wind power fleet of more than 13,500 wind turbines in the U.S. and Canada. And before long, we will be back at the GE-Schenectady campus to mark the opening of GE's new Hybrid Battery Manufacturing Facility.

These state-of-the-art, future-focused Green Industries could have been located by GE anywhere in the world, but they were brought here to Schenectady due to our dramatic change in doing business. That can-do, cooperative spirit will keep us going into the future and pay larger dividends down the road.

And so we begin.

We begin to work now to stem the economic tide and need to do more with less, and really to plan for the dramatic economic challenges of 2011.

Despite the enormity of that challenge, I do believe that the citizens of this city are up to supporting us in that the task. They have showed incredible resilience and ability in times of past challenge. Working together, we can do it again.

Thank you for your time and for this opportunity, and thank you for working with me.

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