

State of the City 2016

Good evening everyone. It is my honor to be up here today giving my third State of the City speech. I am happy to report that the State of the City is good. As I have stated the past two years, the basic principal of my administration is two-fold: to continue to provide the excellent city-services our residents demand, while at the same time guaranteeing the fiscal stability of our government a difficult task given state and other mandated costs. However, through the excellent work of our department heads and our City Treasurer, we are meeting my two-pronged goal.

FISCAL STABILITY

The City of Tonawanda's General Fund began fiscal year 2016 with an undesignated fund balance of approximately **\$1.7 million**. Importantly, none of the General Fund was used in reducing the property tax levy for the first time in over 30 years. In addition, \$200,000 was reserved for future tax stabilization. The goal is to continue to build upon this reserve as a means to control the growth of property taxes and reduce the need to finance future capital projects. Finally, \$983,000 was reserved for self-insured worker compensation and liability insurance claims; an area we monitor with great care. The total undesignated fund balance represents approximately 8.6% of annual General Fund expenditures. From a general municipal accounting standpoint, the preservation of a 5-10% fund balance is the recommended minimum standard. We are, therefore, meeting the accounting standard.

The City's total outstanding indebtedness at the end of fiscal year 2015 is \$18.6 million. Sewer Improvement Bond Anticipation Notes of \$5.1 million and General Fund Public Improvement Bond Anticipation Notes of \$2.7 million will be permanently financed in 2016. These are fiscally sound allotments.

An initial, *pre-audited* review of 2015 General Fund budget expenditures indicates that the City will stay within its budgeted projection of \$20.3 million. Our auditors still must perform a comprehensive review of all expenditures for 2015, including a thorough analysis of health, liability and workmen's compensation insurance reserves to ensure that they are adequately funded.

General Fund Revenues, including property taxes, should approach \$20.1 million for fiscal year 2015. The City's share of Sales Tax Revenues will approximate \$4.6 million. The City also received \$2.6 million in State Aid, unchanged from the past several years. (And unfortunate as the state's mandated costs on the City keep going up.)

CITY EXPENDITURES

An analysis of City expenditures requires more detailed narrative in three key areas:

1. Payroll/Personnel

The total amount of wages paid in 2015 for 214 employees was approximately \$9.6 million. The total cost of salaries and benefits citywide is approximately \$16.3 million or 71% of total City expenditures (\$22.8 million). While our employees are our greatest resource, the control of salaries and benefits is vital to controlling the growth of property taxes. Our four negotiated collective bargaining contracts were put into place January 1, 2012. They are set to expire December 31st, 2016. We will begin new contract negotiations with our four unions starting within the next few months.

2. Health Insurance

The cost of this benefit to the City has increased from \$2 million in fiscal year 2005 to approximately \$3.9 million in fiscal year 2015. This represents an average annual increase in excess of eight percent over the past ten years. The City has worked with its active employees to negotiate cost effective changes that streamline the delivery of health insurance benefits it is contractually obligated to provide. There are many pieces to the City's insurable population, including active employees, pre-Medicare retirees, and Medicare eligible retirees. Each segment of this population poses its own unique set of circumstances and funding mechanisms. The City is responsible for approximately 285 health insurance policies: approximately 160 policies are paid for on behalf of retirees and or their spouses, and approximately 125 are for current employees. And now, per the Government Accounting Standards Board (GASB) Statement Number 45, the City is required to measure and disclose the actuarial valuation of post-retirement health care benefits. The Post Employment Benefit Liability of City paid Health insurance is currently valued in excess of \$43 million. It is my goal during union contract negotiations to bring more certainty to the most volatile and unknown line in our budget.

3. NYS Retirement Contribution

All levels of municipal government are obligated to pay the New York State Retirement System a percentage of gross salary annually for its employees as a means of funding their future pensions. In 2015 the City's total retirement bill was \$1,648,605 down from \$1,754,240 in 2014. We will follow this closely during 2016.

SEWER FUND

The Sewer Fund began 2015 with a positive fund balance of approximately \$390,000. To fund the state mandated \$20 million capital improvements required as part of the New York State consent order for the sewer rate increase from \$4.70 to \$5.44 per thousand gallons for 2015 had to be made. The City's annual cost to the Town of Tonawanda for sewage treatment is approximately \$950,000, or 37% of the annual Sewer Fund Operating Budget. Improvements are necessary to address infiltration of ground water into the sanitary sewer system, which increases the City's treatment bill to the Town.

BOND RATING

The City's most recent bond rating from Standard & Poor's was maintained as *A+* stable+. In general this means the City's finances are stable and that it currently maintains a sound financial position. Across New York State, *compared to other small cities*, the City of Tonawanda's bond rating is in the top tier. We will work hard to maintain this rating.

CONSTITUTIONAL DEBT/TAX LIMIT

The City's State computed Constitutional Debt Limit is estimated to be \$42.7 million. The City's outstanding indebtedness of approximately \$18.6 million is reasonably well below its Debt Limit. The City's State Computed Constitutional Tax Limit for 2016 was calculated to be approximately \$12.3 million. Similar to our debt limit, this is a State Constitutional limit that caps the total amount of a city's tax levy by a percentage of the total assessed valuation. With a 2016 tax levy of \$11 million, less exclusionary debt service costs of \$1.8 million, the City is currently about \$3.1 million (25%) below its State computed constitutional limit.

BEYOND THE NUMBERS

I call that the dry portion of the State of the City...now onto the more exciting stuff. As we look ahead to 2016 I like to take a look back at 2015 first. Through the hard work of my office, City Treasurer, City Engineer, and our grant consultants we were able to secure \$13.7 million in funding to help offset future sewer rate increases due to the DEC mandated sanitary sewer project.

In a very exciting program we've partnered with the Erie County Land Bank to renovate or replace 3 homes in the City to the tune of over \$400,000 invested into our city to help tackle blight and help out our tax base. We look forward to partnering again this year with the Land Bank on additional properties with the City.

We entered into an agreement with Pyramid Brokerage to commercially market the Spaulding Commerce Park. Pyramid is the largest commercial realtor in the area and with their sister company Cushman-Wakefield help form the largest commercial real estate company in the world. None of us sitting up here has a clue regarding the intricacies of commercial real estate. It's, therefore, best to have someone with the

proven track record of Pyramid representing the City. We have had quite a lot of interest in the property, but because of the zoning restrictions that are in place, and rightfully so, with the area being in close proximity to residential homes, we've had to turn businesses away. Unless someone wants a junk yard, metal recycling center, multiple outdoor construction supply companies with stone roads, or a stone crushing operation right outside their home. Those are a handful of businesses we've had to say thanks but no thanks to. I look forward to working with Pyramid to bring more business into the City and help fill in Spaulding Commerce Park. This is a very competitive market as there are many similar commercial sites in Western New York, but we will continue to push hard, as the Spaulding site and the City of Tonawanda have a good story to tell.

Very soon we will wrap up completion of the Local Waterfront Revitalization Plan and start work on updating the city's 1990's Comprehensive Plan. These two plans are vital to the future development of our city (our residences, commerce and industry). They are also essential to and will enable us to obtain grants (that we could not now obtain) for new projects. And, as these development plans are being created with public input, they will not be some politician's ideas, but the public's view of how they want their waterfront and city to look and grow over the next 10-20 years. I look forward to seeing the path the residents have decided to take and do my very best to bring that vision to fruition.

Also very important, two prominent and respected developers have come forward with their vision for the former Little League Drive Property. This Council will have a tough decision on its hands. It is critical that we put land back on the tax rolls to help with the future solvency of our city. Every such development leads directly to an increased tax base and a lowering of the individual tax burdens on our taxpayers. We must take advantage of every solid opportunity. We cannot look to trade off one for another. We need them all. It's going to take a concerted and cooperative effort to add to our tax rolls, ensure we maintain and/or improve our housing stock, attract new businesses, and control future spending. That's what will decide our future.

Another new grant program we were awarded this year that we are very excited about is the Main St. Program. Through this program, a professional development director will be hired and a private sector Board of Directors will be established to work with our downtown area businesses. They will work with businesses to promote economic development/expansion along with historic preservation. . They will also help market our downtown, help fill any vacancies that pop up, and assist in the downtown beautification process. Much like Lumber City Development Corporation has been doing for North Tonawanda. While our downtown will never be like it was before Urban Renewal, there's still so much there to build on, making our downtown a real gem not only for our businesses but all our residents too.

And, another. Recently, we were awarded \$325,000 to help move forward with the \$1.5 million Koenig Alley Intermodal Hub Project. We will be turning 1 acre of the 4

acre current disastrous parking lot into a downtown community gathering space with bathrooms and a changing area that will allow bikers, runner, walkers, and kayakers a place to change and hop on any of the 4 bike paths that are within 1/4 mile of the hub. It will also allow for the possibility for an artisan/farmer's market during the spring/summer/fall time frame and help transform the look and feel of our downtown. I look forward to working with Senator Marc Panepinto and Greenway Commission to help obtain the funding to start this project this summer.

Also working with Assemblyman Schimminger's office I was able to obtain \$635,000 in grants to purchase a new fire pumper (which I gave the go ahead to a few weeks ago to build it) to help replace a 37 year old aging pumper, outfit our fire department with new Personal Protective Equipment, new security system at the Pavilion, and other vehicle purchases for DPW and Parks and Recreation. I thank Assemblyman Schimminger for his generosity and for not having to fund these purchases out of the City budget.

On something I am very excited about, tomorrow I will sign an agreement with the Vietnam Veterans of America Chapter 77 to bring their AH-1 Vietnam Veterans Memorial here to the City of Tonawanda. I can't think of no place more fitting for this memorial than up at Veteran's Park. The memorial will include an AH-1 helicopter. It will be a very dramatic memorial here in the city honoring those who fought so bravely in the Vietnam War, those that paid the ultimate sacrifice, and those families that were left behind to pick up the pieces. I am honored and humbled they chose the City to host this showcase memorial.

Other projects that are of note happening this year will be the completion of the Niagara St repaving project from Kohler-Hinds St, completion of the Rails to Trails I project, starting of the Rails to Trails II project, Montante Solar project that once completed will save taxpayers over \$1 million over the life of the contract, and continuing to work with the Team up to Clean up crew in helping make our city shine bright.

IN CLOSING

The City of Tonawanda will continue to face difficult decisions and challenges to ensure its long-term financial viability, and must continue to analyze and explore opportunities for savings as well as growth and stabilization of its tax base whenever possible. The City has a very good financial position. This is attributable to sound fiscal management on the part of our elected officials and department heads, as well as a stable, though not growing, tax base. The past two years' budgets have seen the City having to override the State's imposed property tax cap. We have had to do this in the interest of protecting City services and fiscal stability. There may come a point in time where tough decisions will need to occur if an eye isn't kept on the future. I thank our City Department Heads and all our city workers that take great pride day in and day out in their jobs and are true ambassadors for the city. I look

forward to continuing to work with the Council on making our wonderful city and even better place to live. Thank you and God Bless.