

# State of the City 2018

It is my honor to present my fifth State of the City speech. I am happy to report that the State of the City is good. As I have stated numerous times in the past 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, my staff, and our City Treasurer, we are meeting my two-pronged goal.

## **GENERAL FUND**

The City of Tonawanda General Fund began fiscal year 2017 with an undesignated fund balance of approximately \$1.8 million. There was no appropriation of fund balance in the 2017 Budget to reduce the property tax levy, \$200,000 was reserved for future tax stabilization, and \$466,300 was reserved for self-insured worker compensation and liability insurance claims. The undesignated fund balance represented approximately 8.4% of annual General Fund expenditures. From a general municipal accounting standpoint, the preservation of a 5-10% fund balance is the recommended minimum standard. (This is particularly true in the case of the City because it does not begin to fund current year operating expenditures until property tax bills are mailed in April.)

The \$200,000 reserve for tax stabilization was included as part of a total appropriation of \$300,000 into the 2018 General Fund operating budget and is now eliminated.

The City's total outstanding indebtedness at the end of fiscal year 2017 is \$21.04 million. Sewer Improvement Bond Anticipation Notes of \$140,000 and General Fund Public Improvement Bond Anticipation Notes of \$5.7 million will be permanently financed in 2018.

An initial, pre-audited review of 2017 General Fund budget expenditures indicates that the City will exceed its budgeted projection of \$21.17 million. Our auditors still must perform a comprehensive review of all expenditures for 2017, 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 \$20.8 million for fiscal year 2017. The City's share of Sales Tax Revenues will approximate \$4.8 million. The City also received \$2.6 million in State Aid.

An analysis of City expenditures requires more detailed narrative in the following areas:

## **1. Health Insurance**

The cost of this benefit to the City has increased from \$2.95 million in fiscal year 2008 to approximately \$4.66 million in fiscal year 2017. This represents an average annual increase of approximately six percent over the past ten years. The City continues with initiatives to transfer its Medicare eligible retiree population onto less expensive Medicare managed plans that do not compromise the level of benefits provided. 2017 was a difficult claim year for the City's self-funded health insurance model, and this will have a negative impact on the City's fund balance at the end of 2017. The most recent collective bargaining agreements do not change the level 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 278 employees and retirees. Approximately 126 policies are paid for on behalf of retirees and or their spouses which are generally insured, and approximately 152 are for current employees and families (113) and pre 65 year old retirees and their families (39) which are generally self-insured. It is a scenario where the City insures more retired employees than active employees. As per the Government Accounting Standards Board (GASB) Statement Number 45, the City is now 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 \$52 million. The significance of this expenditure on City finances cannot be understated. It is a model that is unsustainable.

## **2. 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 2017 the City's total retirement bill was \$1,642,124, up from \$1,611,361 in 2016. A 3% increase to \$1,687,000 is anticipated for 2018.

## **3. Liability/Workmen's Compensation Insurance**

The City's liability insurance program has been relatively successful and adequately funded. The reserve for liability insurance claims at the end of 2017 is approximately \$100,000.

In the area of Workmen's Compensation, the City has participated in an insured/high deductible program administered by Public Employers Risk Management Association (PERMA) since 2007. PERMA's Workmen's Compensation experience is exclusively with local governments. We believe that the influence of PERMA has had a positive impact on the City's worker compensation program. At the end of fiscal year 2017 it is estimated that the City will have accrued and fully reserved workmen's compensation liabilities in excess of \$600,000.

#### **4. Payroll/Personnel**

The total amount of wages paid in 2017 for 211 employees was approximately \$9.7 million. The total cost of salaries and benefits citywide is approximately \$17.5 million or 78% of total City expenditures (\$23 million). While our employees are our greatest resource, the control of salaries and benefits is vital to controlling the growth of property taxes. Contracts with all collective bargaining groups have been negotiated through December 31st, 2023.

#### **WATER FUND**

The Water Fund began fiscal year 2017 with a fund balance of approximately \$38,000. The City continues to receive revenues from the Erie County Water Authority via the surcharge of 49 cents per thousand gallons to help pay off outstanding debt service incurred by the City prior to the ECWA takeover. This surcharge generates approximately \$200,000 annually. The 2018 General Fund Operating Budget includes an inter fund transfer from the Water Fund to the General Fund of \$125,000.

#### **SEWER FUND**

The Sewer Fund began 2017 with a positive fund balance of approximately \$409,000. The City continues progress through the mandated \$30 million Sanitary Sewer remediation capital improvement required as part of the New York State consent order. This particular debt issue will be financed through the NYS Environmental Facilities Corporation (EFC) at 0% interest. The City's annual cost to the Town of Tonawanda for sewage treatment is approximately \$950,000, or 45% of the annual Sewer Fund Operating Budget. Improvements need to address unnecessary infiltration of ground water into the sanitary sewer system, which increases the

City's treatment bill to the Town. The 2018 General Fund Operating Budget includes an inter fund transfer from the Sewer Fund to the General Fund of \$395,000.

## **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. Across New York State, compared to other small cities, the City of Tonawanda's bond rating is satisfactory.

## **CONSTITUTIONAL DEBT LIMIT**

The City's State computed Constitutional Debt Limit is estimated to be \$43.9 million. The City's outstanding indebtedness of approximately \$21.04 million is reasonably well below its Debt Limit.

## **CONSTITUTIONAL TAX LIMIT**

The City's State Computed Constitutional Tax Limit for 2018 is preliminarily calculated to be approximately \$12.96 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 2018 tax levy of \$11.9 million, less exclusionary debt service costs of \$1.95 million, we have calculated that the City is currently about \$3 million (23%) below its State computed constitutional limit.

## **BEYOND THE NUMBERS**

We've updated our Local Waterfront Revitalization Plan (LWRP) and are within a month of completing the update of our Comprehensive Plan. I look forward to implementing the important and exciting changes and projects presented in those documents in the years to come. We have already secured \$600,000 for two of the projects. The City has also been the driving force behind the Main Street Program. Its many accomplishments has included the huge success of the City's December 1st Winter Walk- Its a Wonderful Life. Now, that Program has evolved into the City of Tonawanda Local Development Corporation (CTLDC), giving our central business the strong and district advocate it rightfully deserves. I look forward to working with the Corporation to further improve our downtown for our residents' enjoyment and potential investors. This year we will also focus on our neighborhoods. Our Housing Task Force is

working hard. We fully expect its findings and recommendations to lead to gains for our residents. For example, we will be able to be more aggressive with Zombie Homes. We will establish a Foreclosure and Landlord Registry to assist to go after financial institutions and absentee landlords whose practices can lead to lowering the quality of life in our neighborhoods. In 2017, we opened the two-acre Intermodal Hub on Young Street downtown. In addition to its attraction to boaters and bikers and residents, we have had quite a few events there including our first ever New Year's Eve ball drop and the big expansion of our Food Truck Thursdays. I am excited to build off of that with the possibility of adding a couple mixed use buildings in our downtown, a Farmers'/Artisan market starting in May and running through October, and some outdoor concerts. We've added properties to the tax rolls with 618 Delaware and the Little League Property. I look forward to working with Ellicott Development and David Homes to finish those 2 projects. We've partnered with North Tonawanda in submitting a grant to help Re-imagine the Canal. This grant would include wifi downtown, public art, an interactive historical virtual reality app to experience what our downtown looked like 100 years ago, bike rentals, and so much more. Speaking of public art I am excited to move forward on The Canal Remembered sculpture. It will be located in Niawanda Park and will pay homage to the park was uses 100 years ago and today. We were successful in receiving a grant to look at the possibility of reconfiguring the Niagara St corridor from City Hall to our Central Business District. By the end of March we should hear back on our \$1 million dock expansion program along our waterfront. Currently, the streets that will be repaved in the Spring/Summer will be a portion of Delaware Ave, Sharon Dr, and Belhurst Rd. Additional streets may need to be added once winter is over. We've also received notification of grant monies to help build a Marine Command and Control Center, The installation of an LED information sign outside of City Hall, upgrades to our Historical Society, and possible upgrades to the Millstream Educational Gardens are also in the works for 2018. Finally, after 3 years, we should see upgrades to Ives Pond Park.

## **IN CLOSING**

We have made great strides over the past four years. The stage is now set for even greater accomplishments. We need to continue to grow our tax base while at the same time find innovative and aggressive ways to change how we do business. If we do not do these things, then some tough decisions will have to be made in the future regarding the levels of services we provide. 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 an even better place to live. Thank you and God Bless.

