

Opening Remarks

Thank you Chairman DeFrancisco, Chairman Farrell, members of the Assembly & Senate, and the members of the Albany Delegation for inviting me here today. I also want to acknowledge my fellow mayors who I have had the pleasure of working with over the past year and who are tireless advocates not only for their residents, but for cities across New York State. We share many of the same challenges and we recognize that by working together, we can advocate for an urban agenda that is critically important for the health of our entire state.

Over the last four years, and again in his 2015 State of the State, Governor Cuomo has prioritized job creation and economic development across the state. He recognizes that to compete in a global economy, we must embrace new approaches to growing existing businesses and attracting new ones.

In addition to the innovative economic development programs that are currently under way, I submit to you that economically healthy cities are a critically important component to turning our State’s economy around. From 2000 to 2010, the nation's urban population grew faster than the country as a whole, and the pace of that growth has accelerated. Millennials are deciding where they are going to live before figuring out what they are going to do.

Albany has seen a significant increase in the demand for housing in our downtown, and a recently completed study shows that demand remaining strong for the next decade. Our region has seen significant growth in private sector jobs and we are poised, together with our fellow upstate cities, to help make New York the state of choice for human and economic capital in a world where place matters.

I am here to advocate for an investment in our Capital City that will serve as a bridge to a sustainable budget in the years ahead.

Filling the Gap and the Property Tax Burden

When I spoke to you last year, I outlined the deficit I inherited in our City Budget, which exceeded \$16 million. I also talked about our unique challenges:

- Albany’s population almost doubles every day requiring a city of less than 100,000 to support an infrastructure for nearly 180,000.
- Nearly 60% of all property (and 80% of commercial property) in the City is tax exempt.
- Our Homestead/Non-Homestead tax structure has driven our commercial property taxes to a rate that is 60% higher than our immediately surrounding suburbs. Our homeowners don’t fare much better: they own 30% of the value of all of the property in our city, but pay 60% of the tax levy.
- Under the State’s AIM formula Albany receives \$128.80 per capita, compared to an average of \$519.73 per capita for the next four largest cities. And that disparity carries through to school aid, with Albany receiving \$6,600 per pupil compared to an average of \$14,500 per pupil in Buffalo, Rochester and Syracuse.
- Albany’s poverty rate continues to grow and now exceeds 25%.

I do not want my testimony before this esteemed body to become an homage to the movie “Groundhog Day”, but I owe it to Albany’s property taxpayers to use this opportunity to draw your attention to the disproportionate burden they bear:

Mayor Kathy Sheehan – City of Albany 2015 Legislative Budget Testimony

Property Tax as % of Total Revenue	ALBANY	BUFFALO	ROCHESTER	SYRACUSE
CITY	32%	9%	11%	12%
SCHOOL	48%	7%	18%	16%

I want to be clear: I am not suggesting that these other cities deserve less aid. In fact, we are all in a position of need. We are all cities with high concentrations of poverty surrounded by wealthier suburbs and we are also expected to support infrastructures that serve entire regions. But the numbers cry out for a full and fair overhaul of our state's formulas for dispensing AIM and school aid. It is work that is beyond the purview of this one budget cycle, but it must be done and if it is done, I may never have to return to you with my proverbial tin cup, which I'm sure you would appreciate.

City of Albany 2014 Fiscal Accomplishments

But since I am here, I want to share with you what we've accomplished in the last year to reduce the cost of city government. As we prepared our 2015 budget, which was adopted this past December, we faced a \$22 million gap – the \$16 million deficit I inherited plus an additional \$6 million in increased health insurance and utility costs.

Our final budget included \$5 million in recurring operational savings, cuts in health insurance, and more than \$4 million in new revenue, including \$1.5 million in voluntary payments from large not for profits located in the city. We stayed within the 2% tax cap and because of an adjustment to our homestead/non-homestead formula, we actually reduced taxes for businesses by more than 3%.

We opened our books to the State's financial restructuring board, and just yesterday we received confirmation that we will receive a \$1.1 million grant to make a long overdue investment in technology that we project will bring an additional \$2 million in annual savings once fully implemented. We also received a \$3.9 million "bridge" to "temporarily stabilize" our 2015 budget. Without these funds, we would not have been able to balance our 2015 budget without taking draconian measures.

In fact, notwithstanding our budget accomplishments, the 2015 budget depends on \$12 million in one-time revenues in order to remain balanced; the same number that I respectfully requested from you last year. It was a risk to only ask for \$12 million last year knowing that I faced a much higher deficit, but I was committed to demonstrating that we could do better; that we could find savings and new revenue sources to fill part of the gap ourselves.

The report issued yesterday by the FRB acknowledges Albany's challenges are on the revenue side and no fundamental operational changes were identified. We intend to fully implement the FRB's recommendations to create multi-year budgets and find cost savings through shared services. In fact, we are well down the road on both of these initiatives. While we would welcome the ability to reduce our healthcare costs, we have not been successful in obtaining relief from our union contracts, which are subject to binding arbitration.

So the gap remains -- \$12 million dollars, again.

And what would it take to truly transform the fiscal health of the City of Albany? We are crippled by our homestead/non-homestead tax structure. We need to equalize our rate in order to attract commercial development. If we equalized it today, businesses would see a significant reduction in their tax rate; but

homeowners' bills would go up 11%, and we would have the highest tax rate of the big five cities outside of New York City. We would need to reduce our levy by \$5.5 million in order to equalize our rate and keep homeowners whole. Our property tax rate would still be higher than our surrounding wealthy suburbs, but this small investment would greatly accelerate our economic development efforts and help to grow our tax base.

So that's \$12 million to keep the lights on and another \$5.5 million, which would be committed to levy reduction, to start to turn the ship. I know that many mayors across the state are advocating for relief from the 2% tax cap, but the fiscal reality for Albany is that we can't possibly raise taxes by more than 2% because we already have such crushingly high taxes. It becomes a death spiral – the taxes are high, so people and businesses move out, which reduces our tax base, which drives up tax rates. We need to break the cycle.

Proposed Solutions

I am committed to growing Albany's tax base and managing our way to a sustainable city budget. But remember, we are home to our State's Capitol and have the largest percentage of tax exempt property of any of the big five upstate cities.

In order to bridge our way to sustainability, we are seeking a commitment of \$12 million per year for five years accomplished through the creation of a special Capital City Fund or linked to development of the Harriman Campus. This is funding that we need to keep cops on the street, fill potholes and provide life-saving EMT services to our residents and the tens of thousands of workers who come here every day.

It represents the additional AIM we would receive if we just received HALF of the median AIM paid to the other large cities outside of New York City.

We are also seeking reforms to Section 19-A of the public lands law that would extend 19-A payments to building improvements made on land currently owned by the State within the city of Albany. We are proud to be the State's capital, and we believe an amendment to 19-A will ensure that we have the resources we need to support a growing state infrastructure.

Finally, if the State wants to get serious about actually reducing property taxes for our residents and businesses, we need to shift the conversation from property tax caps to property tax cuts. This means linking increases in school aid and other incentives to levy reduction. When you consider the economic impact of \$5.5 million to the city of Albany to reduce its levy, the payback to the State would be significant. This small investment would result in a nearly 24% reduction in the property tax rate for businesses in Albany, bringing their rate to the same rate paid by homeowners, resulting in additional investment, growth in our base and new jobs. I realize this is an ambitious ask, but I stand ready to take the plunge and use these new dollars to CUT PROPERTY TAXES!

Future Opportunities

Notwithstanding our fiscal challenges, I am optimistic about our future. We are working to connect our residents with jobs in the growing technology sector. Too many of those living in our most underserved communities are at risk of being left behind. But thanks to investments supported by the Senate and Assembly, just this month we opened an ATTAIN lab in our new Capital South Campus Center in one of our most economically challenged neighborhoods.

The proposed Executive budget includes initiatives that are important to Albany, including:

Mayor Kathy Sheehan – City of Albany 2015 Legislative Budget Testimony

- Doubling the funding for the Urban Youths Job Program
- Advanced Grid Innovation Lab
- Homeland Security College
- Investment in Tivoli Park will serve to open up parts of our city that have not been utilized to their full potential.
- Heritage Tourism and I Love NY - The proposed Executive Budget seeks a new comprehensive marketing campaign connecting upstate to downstate.

In addition, the FRB noted our high utility costs as an area that needs attention. The Five Cities Initiative and NYPA announced recently that they will provide funding for a city-wide Energy Manager position that will not only help reduce our energy costs, but put us on a path to a greener, brighter future.

Now let me briefly address the \$5 billion in settlement money that everyone has spent about 20 times over. Every one of us in public office understands the challenge of allocating scarce resources. On the local level, there is no shortage of programs, people and ideas competing for money. Understandably, many people bristle at the word “competition” but ultimately, we as elected leaders have to make decisions about where to invest the scarce resources that are available to us. I believe it is important to focus a portion of these dollars to invest in infrastructure that will drive private investment and job growth. As mayors, we have to worry about keeping the lights on, filling potholes, etc. Finding the funds to actually invest in our future is challenging at best.

We could see significant private sector job growth in our city if we could invest in new water and sewer infrastructure at the Harriman Campus and in the Western part of our city near SUNY Poly. The much maligned cold storage facility that sits at the northern entry way to our city would be a prime area for future development, and linking our pristine water source to surrounding suburban communities could greatly expand their ability to attract new investment. These are just a few of the projects we will be promoting as candidates for investment.

Conclusion

I hate the term “tin cup day” because it evokes the image of someone who is doing nothing, asking for something that they haven’t earned. None of the mayors who come here today fit that image. We are all doing many things to move our cities forward. While we all have economic struggles, we are proud of our cities, we know that they are great places to live and work and we know that we can succeed in getting them to a point of sustainability with the right investment from the State. We are all highly accountable, driven leaders and the investments we seek today are just that – investments in a stronger future for our cities, our regions and our entire Empire State. Thank you.