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KATHY SHEEHAN
MAYOR

February 4, 2018

Hon. Catharine M. Young
Chair
New York State Senate Finance Committee
428 Capitol
Albany, NY 12247

Hon. Helene E. Weinstein
Chair
New York State Assembly Ways and Means Committee
LOB 923
Albany, NY 12248

Sent electronically via schnall@nysenate.gov and wamchair@nyassembly.gov

Dear Senator Young and Assemblymember Weinstein,

Thank you for the opportunity to testify about the City of Albany and Governor Cuomo's 2018-19 Executive Budget before the New York State Senate Finance Committee and New York State Assembly Ways and Means Committee.

Attached is the testimony I will provide on Monday, February 5, 2018, as well as an accompanying informational packet.

I look forward to speaking with you further regarding New York's Capital City.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathy M. Sheehan".

Kathy M. Sheehan
Mayor, City of Albany

Good afternoon. Thank you to Chairpersons Young and Weinstein for inviting me here today to speak with you about the City of Albany. I also want to thank the Senate Finance Committee and the Assembly Ways and Means Committee and the other members of the Senate and Assembly who are present, along with members of our Capital City delegation. Assemblymember Pat Fahy, Assemblymember John McDonald, and Senator Neil Breslin work closely with the City of Albany with respect to various issues and initiatives, but in particular our financial challenges.

I want to thank you again for supporting the \$12.5 million in Capital City funding that was in the Governor's budget last year. This funding, provided as new, unrestricted aid, and not as a "spin up," allowed the City of Albany to avoid borrowing against our future.

This year, the City of Albany seeks a permanent \$12.5 million in funding for the Capital City.

I would love to come before this body and ask for infrastructure funding, economic development support, or to create further partnerships with New York State, however because this inequity continues to exist, I am forced to return here every year to request equitable state aid funding – something that every other municipality in the State of New York is guaranteed the moment the Governor's budget is released.

We are seeking to ensure that the Capital City can provide services that we know are essential for the tens of thousands of people who come here to work every day, many of them in this building and in this plaza. The cost of maintaining roads and sidewalks, and of providing police, fire, and emergency services to accommodate and protect these workers and visitors, falls to our residents.

Providing this level of service while being denied our fair share in state aid is not fair, and is not sustainable. No other city in New York State is forced to endure this situation every year. Our residents, our police officers, our fire fighters, and all our hardworking employees deserve

better than to deal with this process year after year from their state government.

We simply cannot ask our residents, businesses, and taxpayers to carry a larger burden, simply because they chose to make the Capital City home.

Each year around this time, I am asked by homeowners and business-owners alike whether they will have to sell their homes or close their businesses, all because they are worried that New York State will not provide the \$12.5 million our Capital City needs to balance its budget every year.

If the City of Albany's state funding is cut by \$12.5 million and we are forced to place that burden on our taxpayers, every property owner would receive a 22 percent property tax increase. That is not fair, and it is not equitable.

As the capital of New York State, we are a city that nearly doubles in population nearly every day. This is great news for the economy, but it's a mixed blessing for the City of Albany because most of those employees walk into tax-exempt buildings.

New York State employs thousands of workers in the City of Albany. Unfortunately, most of those workers commute into the City from our surrounding, more affluent suburbs. We also host tens of thousands of visitors who come here to conduct business with and lobby state government.

As you see in slide 5 of your handout, our largest employers, other than state and municipal government and school district, are Albany Medical Center, St. Peter's Hospital, Albany Stratton VA Medical Center, Albany Memorial Hospital, SUNY University at Albany, and the Center for Disability Services. These organizations enjoy tax exemptions that the City of Albany is bound to recognize and is barred by the federal and state government from removing.

On slide 6, I have provided a map that shows just how widespread the amount of tax-exempt property is in the city, and identified for you the large parcels of land across the city that are owned by New York State and its various agencies and authorities.

As you can tell, the wide variety of colors on this map show a large portion of tax exempt property, and the burden on our taxpayers is astounding.

As noted on slide 7, Albany has the most tax-exempt property out of any upstate city with at least 50,000 residents. 64 percent of the property in the City of Albany is tax-exempt, and 58 percent of that tax-exempt property is owned by New York State. While we receive a payment from New York State under Section 19A of the Public Lands Law, this payment is just 0.36% of the value of the state's property.

Additionally, I want to point out that every municipality in New York State is entitled to payments under Section 19A of the Public Lands Law for property taken off the tax rolls by the state.

As a city of dozens of unique neighborhoods, our homeowners and residents in those neighborhoods bear a disproportionate burden of our tax levy. As noted on slide 8, City of Albany Residents who own approximately 24% of the value of the property in our city pay nearly 60% of the tax levy. And businesses that own just around 12% of the land value pay the other 40%. This crushing tax burden is our number one barrier to economic development.

Your State Capital City is truly treated like no other large city in New York State. As you see on slide 9, we have the lowest amount of AIM per capita received of any other upstate city with a population of at least 50,000 residents. Albany's AIM is \$128.84 per capita, compared to \$617 for Buffalo, \$494 for Syracuse, and \$419 for Rochester.

This inequity is also patently obvious when you look at our city and school tax levies in actual dollars compared to Utica, Rochester, Syracuse, and Buffalo on slide 10. The City of Albany's total city and

school tax levy is the second largest, and just \$2 million from being the largest. Again – in actual dollars, our city tax levy is higher than Utica, Rochester, and Syracuse – all cities that receive between two and almost four times as much AIM per capita as compared to the City of Albany.

This inequity is even further evident when reviewing AIM as a percentage of our total levy. As you can see on slide 11, Albany's AIM as a percentage of our total tax levy is just 7.31 percent – almost four times less than Utica, almost seven times less than Rochester, almost ten times less than Syracuse, and more than 16 times less than Buffalo.

On slide 12, we have provided a chart that shows tax levy per capita versus AIM per capita for Albany, Utica, Rochester, Syracuse, and Buffalo. By showing that our residents pay more than three times the property taxes per capita but receive four times less AIM per capita than Buffalo, or even almost twice as much property taxes per capita but receive half the AIM per capita of Utica, I believe there is no clearer picture of the unfair position City of Albany taxpayers are put in year after year.

This information demonstrates to you that our residents, our businesses, and our taxpayers are bearing a significantly disproportionate burden with respect to property taxes because of the large amount of tax-exempt property in our Capital City.

I am not suggesting that these municipalities do not need the AIM that they receive. I provide this information because I think it is critically important to understand what grave impact this inequity is having on the City of Albany. The reality for our city is that people living in some of the poorest census tracks in the region are bearing the burden of the state's refusal to provide AIM at even half the level that it provides to other cities. I want to stress that our ask is to get us to half, and we are not asking for AIM at the same level as even the City of Utica.

As you will see in New York State Comptroller DiNapoli's fiscal stress score chart we provided on slide 13, Albany is still one of only two cities in the state that is under significant fiscal stress. Comptroller DiNapoli,

being here in Albany, understands the challenges and how we got to where we are.

Prior to my administration, the City of Albany depleted our Rainy Day Fund – a fund that Comptroller DiNapoli recommends should be equal to approximately 10% of a municipality’s annual budget. For the City of Albany, that means our Rainy Day Fund should be approximately \$17.6 million, however at the end of 2016, we had a Rainy Day Fund of less than one-third the recommended size. We should be in a position to grow our Rainy Day Fund to the recommended level, not cut our budget to reduce the State of New York’s well-deserved aid to our city.

As you can see on the chart provided on slide 14, the City of Albany’s fund balance at the end of 2016 was much smaller as a percentage of expenditures compared to the same cities that receive more AIM per capita – Syracuse, Rochester, Buffalo, and Utica. Again, I understand and appreciate the difficult task every other city faces balancing their budgets each year, however I think it is important to note that the City of Albany is facing a state funding cut and being directed to increase our Rainy Day Fund at the same time – the only city in New York State facing that predicament.

And so, what does all that mean? This inequity not only impacts our competitiveness across New York State, it impacts our competitiveness right here in the Capital Region.

I shared this example with you last year but believe it bears repeating. As noted on slide 15, several places in the City of Albany that we see our legislators enjoying dinner is at Cafe Capriccio or at Jack's Oyster House. However, many of the members also like to go to establishments like Blu Stone Bistro and Cheesecake Factory, located in the Town of Colonie – just across the City of Albany line. The tax bill on Wolf Road in the Town of Colonie for a restaurant is 60 percent lower than the tax bill paid by that same establishment in the City of Albany. Sixty percent. An inequity exists where you can locate just across the city/town line and significantly reduce your tax burden.

When I came to this body four years ago, I promised that with an additional \$12.5 million, I would drive efficiency and cost savings for our city budget. I delivered on that promise.

From my first budget in 2015 to my most recent budget in 2018, we have absorbed multi-million-dollar interest arbitration awards, we have settled every union contract, we have managed to higher health care costs, and the growth over those four years was just 0.02%.

If we had followed New York State and capped growth by 2% annually since 2015, our budget would be almost \$11 million more than it is today.

Not only have we held the line on growth since I became Mayor, as you see on slide 16, we have cut millions of dollars from our City budget over the past two years. My 2018 budget included a \$600,000 decrease over the previous year – marking two consecutive years where I have cut the budget from the previous year, for the first time in more than 60 years. I am not aware of any other municipality of our size in the state who has done the same.

This is important to note because over the past two years we have cut to the bone, and any additional cuts will have adverse effects on the level of service our residents, businesses, and visitors have come to expect. Cuts should not reduce the liability of New York State to its Capital City – cuts should benefit the taxpayers who already bear an unfair and inequitable burden compared to other large cities throughout upstate New York.

It is also important to touch on an additional development since we met last year. As noted on slide 18, in May of last year, we received a report of the PFM Group's review of the City of Albany's finances. In 2016 and 2017, we worked with PFM Group and the New York State Budget Office to develop a three-year plan for the City. During this review, the need for significant revenue was acknowledged and validated. Again, the budget you passed last year also acknowledged this reality by including \$12.5 million in new aid to the City of Albany.

We have taken several of PFM Group's recommendations and implemented them in our 2018 budget. These initiatives include reorganizing nearly every department, including the Department of Administrative Services, to greater centralize and improve internal administrative functions. This includes centralizing payroll, leading to elimination of duplicative work across City departments, and the creation of a Payroll Director position to provide enhanced oversight of payroll spending.

In 2018, we expect to see benefits from our fleet vehicle maintenance plan, we are continuing with our plans to purchase our own street lights, and are reviewing the feasibility of sharing additional services with Albany County, including county-wide 911 dispatch, purchasing, payroll, and records management.

But these savings will be needed to absorb increases in health insurance, personnel costs, and to continue to contain our city budget. The premise that these savings should be used to reduce the state's equitable payment of unrestricted aid is absurd and is a standard that no other city in the state is held to.

Four years ago, I could understand skepticism about whether the City of Albany was part of the problem. At this point, it is inconceivable to me that it is still a question based on what we have been able to achieve over these last four years.

Again, thank you for the support that you've provided for this Capital City funding in the past. I urge you to make this \$12.5 million in Capital City funding permanent, and not force the taxpayers of the City of Albany bear the burden of a state aid cut to our Capital City.

Thank you.