INFRASTRUCTURE NEEDS
OF CITIES IN NEW YORK

Testimony of

Mark L Ryckman
Corning City Manager/CEO

before the

New York State

Assembly Standing Committee on Cities

February 4, 2016
Rochester, New York

TESTIMONY

Good morning and thank you for inviting me to Rochester to share my views with you concerning municipal infrastructure needs in New York State. As the City of Corning's Chief Executive Officer and a Past President of the New York State City/County Management Association, I am well aware of the financial burdens limiting our cities from investing in infrastructure improvements.

Over the years, our municipal infrastructure has deteriorated. In Corning, we recently completed a study of our street conditions. The findings outlined the need to invest $31 million over a 14-year period to bring our streets to acceptable driving standards. This amount does not include the cost of upgrading the miles of water and sewer mains below the surface.

Our community does not currently have the funds to support these needed improvements. Instead of investing in our infrastructure we have reduced our workforce, and reallocated funding from street improvements, water/sewer upgrades and facility repairs to fund mandated pension costs and ever increasing health insurance premiums.

Sound Policy and Financial Management:

We recognize that governing in these difficult economic times requires new approaches and hard decisions. Both the State of New York and its local governments have a responsibility to provide fiscally sound policy direction and management decisions. In Corning, we have been making the difficult decisions necessary to mitigate the financial pressures we face.

In 1997, when I was appointed as the City Manager in Corning, we had 131 full-time employees. I reduced our full-time work force to 115 employees during the 2002-03 recession. These workforce reductions provided only temporary relief. In 2010, in response to reduced sales tax, state aid, and gross receipts tax revenues, as well as increases in pension and health insurance costs, I further reduced our workforce to 103 full-time employees. These two rounds of layoffs are a 21% reduction in our full-time workforce. During both rounds of workforce reductions, the majority of positions eliminated were in the form of direct layoffs, not through attrition. These were hardworking, valued employees that we can no longer afford.

In addition to workforce reductions, we have continued to exercise extreme caution in our expenditures; renegotiated sales tax allocations with our county government; reduced the size of our vehicle fleet; and restructured certain department operations to improve efficiencies and control costs. We have taken prudent action to reduce those costs under our control, but continue to struggle to pay for basic city services while meeting our infrastructure needs.

State Pension Costs:

As I mentioned, part of our efforts in reducing the City's full-time workforce was in response to the alarming growth rate of our pension payments. In recent years, the State Legislature created new Tier V and Tier VI pension categories as a means of controlling long-term rate increases. The stock market has experienced strong returns since 2009, which has started to provide a slight relief in rates. This rate reduction is slowing the growth of our mandated payments, but the City's pension payments are still expected to grow again for 2016 by approximately $50,000. Our preliminary 2016 estimated payments total $1,164,000, an increase of 2,291% from our required payment of $48,683 in 2002. In contrast, inflation as measured by the CPI-U for the Northeast Region has risen 34% since 2002. It is likely that the recent turbidity in the markets may limit further short-term pension rate relief, and push savings out a few years, delaying our ability to invest in infrastructure improvements.

Health Insurance:

The cost of health insurance for municipal workers is also overburdening local finances, driving up property taxes and limiting our ability to invest in infrastructure repairs. As we all know, health insurance premiums continue to increase at a rate much higher than the consumer price index. In FY08, our total costs for health insurance premiums and other health related benefits such as eye and dental care for current employees and retirees was budgeted at $1,798,674. For the current fiscal year, we have budgeted $3,506,477. This is an average annual increase of 10.5%. Our employees and retirees pay, on average, less than 1% of these costs. Health insurance premiums are estimated to continue increasing at a rate which outstrips inflation, and deprives the City of the necessary funds to provide needed infrastructure repairs.

For several years, we have made an effort to control the rate of increase for current employees and retirees through negotiations with all four of the City's bargaining units. Under the Taylor Law, we do not have the unilateral right to change health insurance plans. We will continue to monitor these costs and discuss these issues in subsequent rounds of negotiations, as we try to identify ways of securing additional relief.

Reimbursement for Maintaining the State's Highways:

Not only are municipalities responsible for their own infrastructure, but in some cases we are responsible for the State's as well. The New York Conference of Mayor and Municipal Officials (NYCOM) reports that there are 38 cities that maintain certain State owned highways under arterial maintenance agreements. We are reimbursed $0.85 per square yard, a rate set by the State Legislature in 1987. Our maintenance costs over the last 29 years have risen significantly, but the reimbursement rate has never changed. NYCOM is proposing an inflationary adjustment to $1.80 per square yard, to appropriately compensate us for doing the State's work. NYCOM estimates the impact to the State's budget at approximately $11.6 million.

Property Tax Cap and Unfunded State Mandates:

There has been much discussion across New York about the mandated property tax cap, a well-intended attempt to control ever increasing taxes at the local level. However, the cap did not eliminate any of our significant cost drivers such as health insurance costs and mandated pension payments. The property tax cap will only be effective if coupled with substantial relief from the onerous restrictions placed on us by the State itself. If we, in local government, routinely adopt expenditure levels under the cap, without meaningful mandate relief and regular increases in state aid as you provide to school districts, we will at some point face further reductions of our full-time workforce, the loss of services and the continuing decay of our infrastructure.

Assistance from the State:

So far I've defined our problems with aging infrastructure in our cities, but let me briefly outline the solutions which are all within your authority to address:

1. Property Tax Cap: If the State legislature is not going to lift the property tax cap, or provide the mandate relief that was promised when it was imposed, at least exempt infrastructure improvements from the tax cap. If we are to address the infrastructure needs in our communities, we need the ability to raise revenues. The property tax cap does not allow municipalities to meet increases in health insurance and contractual wages, let alone invest in our aging infrastructure. The self-imposed 2% spending cap on the State's own budget excludes capital costs. If this exclusion is necessary for our State government, our municipalities should be afforded the same relief.

2. Aid & Incentives to Municipalities (AIM): We need the State to restore the cuts to the AIM program as you have done with school aid. This will help alleviate some of the financial pressures we are facing in our operating costs, so we can again support infrastructure investment.

3. Consolidated Highway Improvement Program (CHIPS) Aid: The CHIPS program provides much needed assistance to repair and resurface our roads. This year's State budget included an additional $50 million to the CHIPS program for extreme winter recovery efforts. Unfortunately, the Governor has not included this added funding in his 2016-17 Executive Budget. We ask the Legislature's assistance in once again including this additional funding during the upcoming budget deliberations.

4. Reallocate Unused Funds: The $150 million Municipal Restructuring Fund has gone unused and the $80 million Local Government Performance and Efficiency Program has been underutilized. The Legislature could boost our infrastructure investments by reallocating these funds along with a portion of the State's bank settlement funds to municipal infrastructure needs providing direct property tax relief.

5. Arterial Highway Aid: The State should adjust the arterial aid reimbursement rates from $0.85 per square yard to $1.80 per square yard for the 38 cities who maintain State highways. I encourage you to reach out to Senator Thomas O'Mara (58th District), who is supporting this increase, to coordinate your efforts to provide cities with a much overdue inflationary adjustment.

Conclusion:

Again, thank you for allowing me to share with you my concerns and recommendations to address infrastructure issues in our cities. These hearings are important to allow local officials to directly communicate our needs to you, ensuring the Legislature will have all of the necessary information when making difficult decisions effecting local governments. I encourage the State Legislature to make needed legislative reforms and budget reallocations to allow local governments the latitude necessary to address their fiscal challenges so we can focus on funding infrastructure improvements.