

5



Mayor Mike Spano

**Testimony on the 2014-15 Executive Budget Proposal
Joint Legislative Budget Committee**

January 27, 2014

Mayor Mike Spano
City of Yonkers

Good Afternoon Chairman DeFrancisco, Chairman Farrell, members of the Senate and Assembly, particularly my friends and former colleagues, and our Yonkers Delegation, Senate Democratic Leader Andrea Stewart-Cousins, Senator George Latimer, Assemblyman Gary Pretlow and Assemblywoman Shelley Mayer. Thank you for welcoming me today.

Today my testimony will focus on the state of New York's big cities, the challenges facing Yonkers, the partnership between the cities and the state, and the path forward to ensure that our cities – the state's vital organs – are healthy and thriving.

The State of New York's Cities

New York's cities make up 54% of the state's population; the Big 5 alone account for 46% of the State's population. When you include the state's metropolitan areas the numbers are even more revealing. New York is truly a state of cities.

New York's cities have incredible economic potential. All across America, cities are redefining themselves as economic engines and centers for growth and prosperity. For the first time in decades, growth in cities outpaces the suburbs; cities are creating jobs, particularly the high-paying tech jobs that are fueling the new economy; and cities continue to attract young people and immigrant populations.

But cities also face unique challenges that set them apart from towns or villages or even counties. The financial burdens that threaten cities like Yonkers are structural and systemic – and they are growing. Increasingly dependent populations, health care costs, retirement costs, labor policies, tax policies, growing educational needs and a deteriorating infrastructure all play a role in our current condition, and each must be addressed.

The Burdens Facing Cities

In the Big 5 cities, 1.8 million residents live in poverty. Think about that: the number of Big 5 residents living in poverty is greater than the population of 14 states. There are as many people living in poverty in Buffalo, New York City, Rochester, Syracuse and Yonkers as there are total residents in Vermont and New Hampshire combined.

Two-thirds of the State's poor live in the Big 5, and the cost of providing for the needs of New Yorkers living in poverty falls disproportionately on cities. Those costs are only increasing as the number of New Yorkers living in poverty continues to grow. Student poverty rates in the Big 5 are astonishing. In Yonkers, 65% of public school students live at or below the poverty level and 75% of our students are eligible for free or reduced lunch.

In Yonkers, we have several homeless shelters in a four block radius. Yonkers taxpayers – not our neighbors in Bronxville, Scarsdale or Hastings-on-Hudson – carry the financial burden of

providing for Westchester's homeless. The ancillary costs of supporting those shelters fall squarely on Yonkers' taxpayers too.

Likewise, Westchester County's public housing burden falls largely on Yonkers' taxpayers. There are 20 public housing developments with more than 2,000 apartments and an additional 2,600 Section 8 apartments in the city. Again, these are burdens our neighbors – some of the most affluent communities in the entire country let alone New York – do not have to bear.

Make no mistake: these are responsibilities that we accept. Yonkers takes care of its own. That's why I wrote and signed into law a historic affordable housing ordinance in Yonkers. As long as I am Mayor of Yonkers our city will continue to care for its most needy because I firmly believe that our society is measured by how we lift up those who have fallen down. But the burdens of these responsibilities are too great for any one city to bear.

From Partnership to Push Down

A partnership has always existed between New York and its cities. The partnership is the recognition that cities alone cannot shoulder the burden of caring for New York's dependent populations; that the entire State has a stake in the success of our cities. The history of New York has shown that when our cities succeed, the state succeeds. But over the last few years, as New York and the country began to lift itself up from the depths of the Great Recession, we've moved from that partnership to what I call Push Down Economics – the pushing of the burden from the federal government to the state government to the cities.

As a Mayor I see the direct results of cuts to AIM, school aid, CDBG and the impact of the sequestration. In Yonkers, we've been cut to the bone and still cities are being asked to sacrifice even more. When cities have to push down, the pain is direct. When cities have to cut, class sizes get even larger, streets become less safe, and seniors receive fewer services like home-delivered meals or a caseworker checking in on them to make sure they've taken their prescriptions. These are life sustaining services.

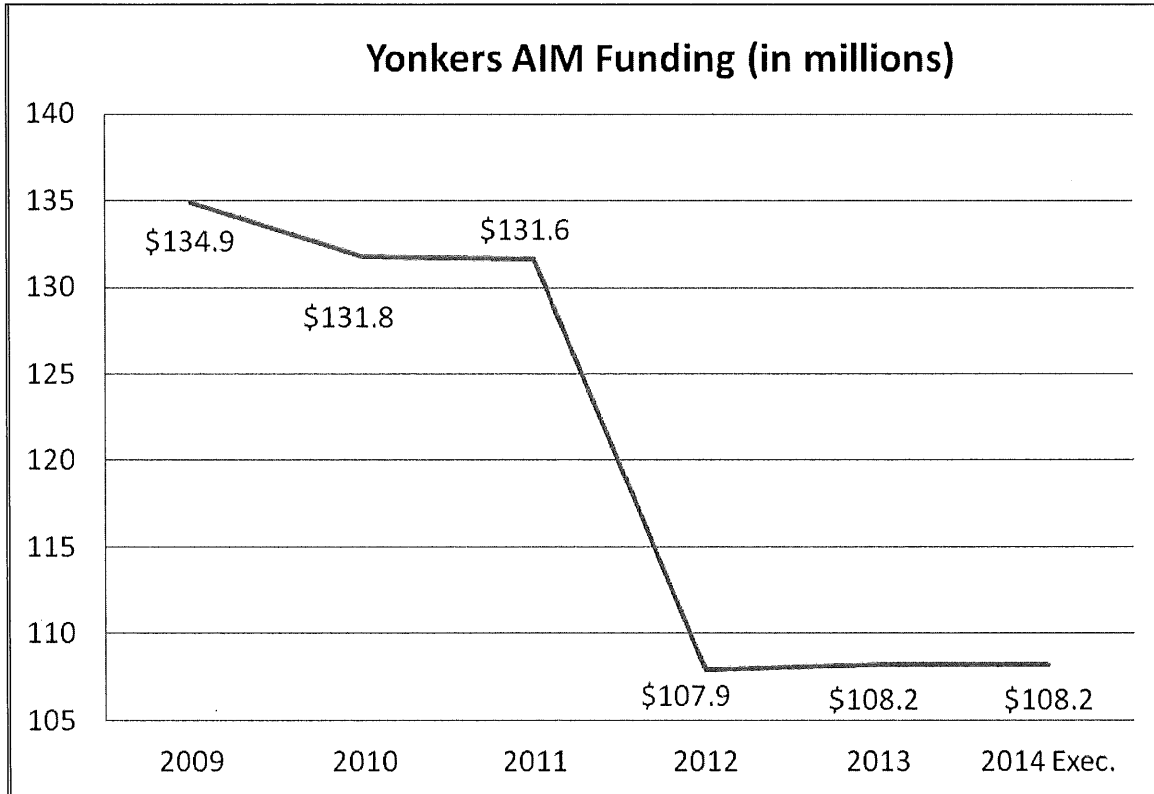
When cities have to cut, young people suffer. When sports programs, art and music are cut, many students are left with literally nothing to do after school. We all know how critical those after school hours are for kids. When we eliminate programs for young people, we are eliminating the opportunity for them to choose a better path in life.

Mayor Mitch Landrieu of New Orleans said it best. Our generals are taking away our weapons, our armor, our tools, but we are still asked to fight and win. How can mayors be expected to win the war on inner city poverty and violence without the resources to fight?

I have tremendous respect for the work our legislators do in Washington and especially here in Albany. I had the honor of serving as a legislator for 20 years. As a former colleague, I know these difficult choices weigh heavily on you. Today, as a Mayor, I am looking to Albany for a renewed partnership in keeping our residents safe and protecting our seniors because cities

cannot continue to push down. Asking one of our residents to cut a police officer or a teacher is like asking them, *which limb do you want to cut off?*

Reviving the Partnership



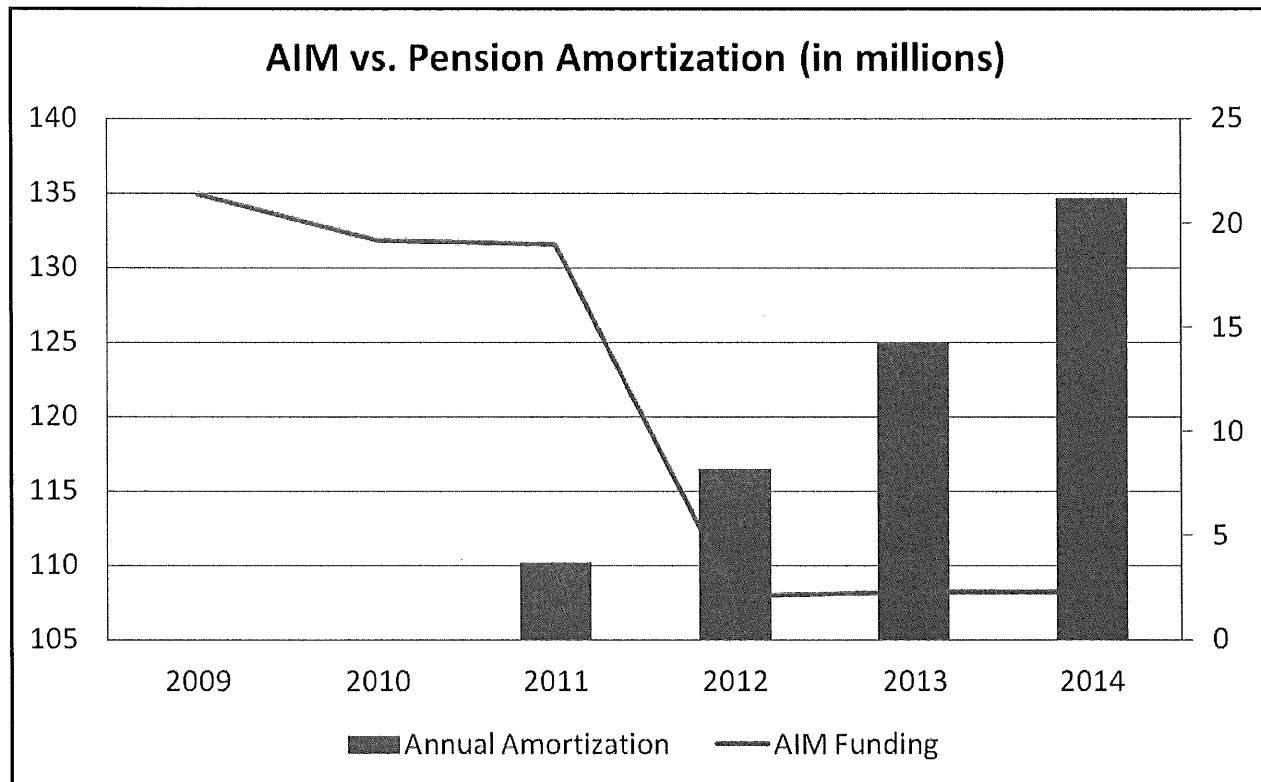
Reviving the partnership starts with an increase in AIM. Yonkers has taken a big hit from previous years' AIM funding levels. AIM funding is down 20% – nearly \$27 million – from 2009 levels. When adjusted for inflation, the City has taken an even bigger hit. AIM is not a handout to municipalities; AIM is the recognition from New York State that we are in fact partners. When the State walks away from its funding commitment, it signals to our residents that it is walking away from that partnership.

AIM funding and our costs are heading in two different directions – costs go up and AIM goes down. According to our multi-year plan, the cost of employee fringe benefits is projected to increase from \$127 million in 2014 to \$163 million in 2017. The cost of health benefits, which have grown on average by 7% annually, will continue to rise and Workers' Compensation expenses are projected to increase 10% annually. The City faces an estimated \$57 million budget gap – 12% of the City's budget – and that doesn't include the Board of Education.

This year, Yonkers needs an increase in AIM that reflects the reality of our increasingly dependent populations and rising costs. Our city cannot afford another year of flat AIM funding.

Reexamine Pension Smoothing

In the face of inadequate AIM and rising costs, Yonkers is left with three options: cut, tax, borrow. Like I said earlier, our residents have been cut through the bone and we cannot continue to push down any further. Under the property tax cap, we can only collect \$6 million in additional revenues, not nearly enough to meet the demands of rising costs. That leaves borrowing.



Yonkers has no option but to take part in the State's pension smoothing plan and will borrow more than \$20 million this year with interest from New York State's Retirement System. This year our pension bill is \$55.8 million plus an additional \$7.5 million in principal and interest payments from past year's borrowing. The interest on pension smoothing alone puts us over the property tax cap. Six out of seven of the City's labor unions have been without contracts since 2009 so these figures will increase significantly once those contracts are settled, leaving Yonkers with no choice but to borrow even more, resulting in ever increasing debt service to pay for the amounts borrowed.

Meanwhile, as Yonkers' taxpayers are saddled with interest payments, the stock market continues to make historic gains, the State's Pension Fund is seeing consistently strong returns

and New York State, under Governor Cuomo's leadership, has gone from a \$10 billion deficit to a \$2 billion surplus.

The State must reexamine its pension smoothing system and eliminate future interest charges for the Big 5. How can the State, in good conscience, charge its taxpayers interest on borrowing costs that have essentially been forced upon us?

The Constitutional Tax Limit Threat

On top of the cost of pensions, the City is also on a collision course with the 2% Constitutional Tax Limit – not to be confused with the 2% property tax cap. In Yonkers, assessed values continue to decrease each year and the City's taxing authority has fallen from \$242 million in 2010 to just \$17 million in this year's City Budget. Projections indicate that the remaining Constitutional Tax Limit will be exhausted by 2015 meaning that Yonkers will soon exhaust its ability to raise property tax revenues, the City's main source of revenue.

Take a look at the numbers for the Big 4 – they're frightening: Yonkers has exhausted 94% of its Constitutional Tax Limit; Syracuse 76%; Rochester 72%; and Buffalo 76%. We have been working with the Governor to review the formula that determines the Constitutional Tax Limit. Using a twenty year trend, as is the case for New York City, instead of the current six year trend will provide short-term relief.

School Governance Accountability

The elephant in the room today is our school budget and the Board of Education's \$55 million overstatement that has buried Yonkers' students and taxpayers almost overnight. This month I learned that Superintendent Pierorazio, who oversees Yonkers Public Schools with little-to-no financial oversight from the City, mistakenly accounted for spin-up aid in his 2012-13 and 2013-14 school budgets. It's money that Superintendent Pierorazio accounted for in his budget, but its money that never existed.

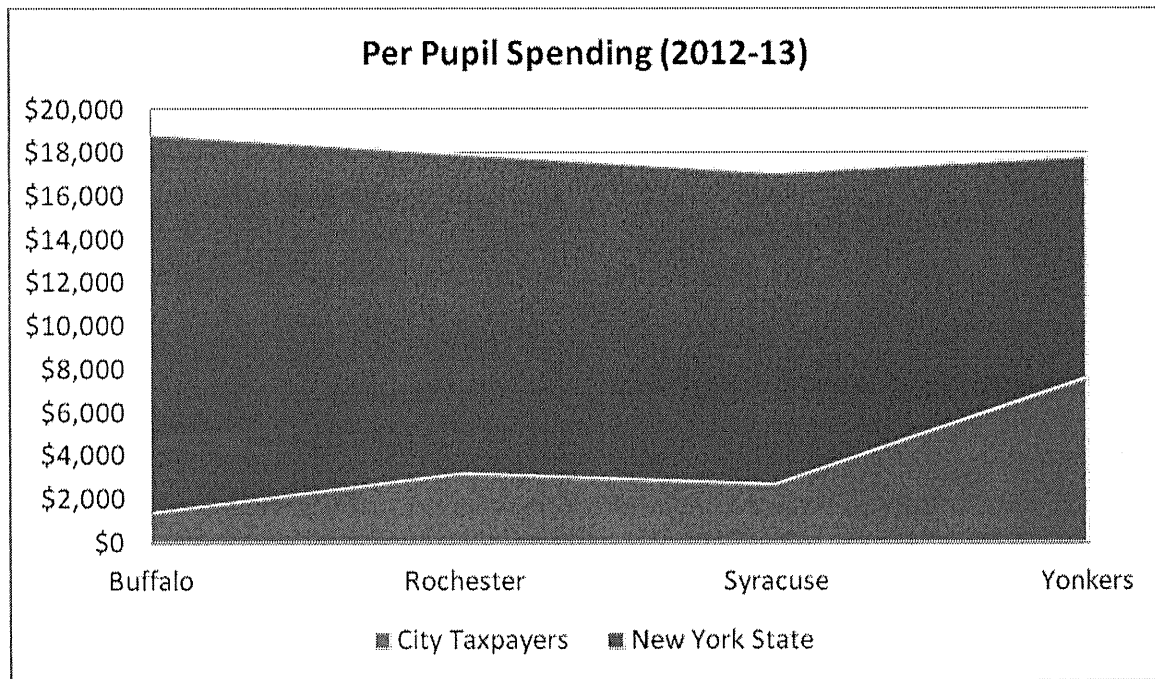
The Board of Education's budget error is the most immediate challenge facing our City and it requires immediate attention. Yonkers taxpayers alone cannot absorb the cost of this mistake – \$55 million dollars equates to a 17% property tax increase which the City doesn't even have the constitutional tax authority to levy.

It would also be unfair for our students – who have already suffered from years of cuts to programs and teaching positions – to pay for the BOE's error with even more cuts. We need help from the State. To that end, we are working with Governor Cuomo on possible solutions. Today I'm here to ask the Legislature to come to our aid.

The immediate priority is to fill the hole, but we also have a responsibility to taxpayers, parents and students to ensure that these accounting errors don't happen again. The time has come to change how we operate the Yonkers Board of Education.

Later this year, I will ask the Legislature to pass School Governance Accountability in Yonkers that allows the City to absorb the BOE's front office, finance and other non-educational operations. It just doesn't make sense for Yonkers to have two law departments, two IT departments and two HR departments – one on the municipal side and one on the educational side – when we can put those functions under one roof and save millions of dollars in the process, while ensuring proper oversight, accountability and transparency.

Level the Playing Field for Yonkers' Schools



Let's talk more in depth about Yonkers Schools. The school funding formula is inherently unfair to Yonkers' students. Our schools receive less funding per pupil than Buffalo, Rochester or Syracuse. The burden of this unfair formula falls on Yonkers taxpayers who spend more per pupil on education than the other three cities combined.

Let me repeat: Yonkers taxpayers spend more per pupil on education than Buffalo, Rochester and Syracuse combined.

Yonkers schools are growing. We are the only district among the Big 4 that has seen growth. Because of this growth, we also have the largest class sizes among the other big cities. Not surprising, our teacher-to-student ratio is also the largest. In many Yonkers schools, our students are being taught in basements or libraries because we can no longer accommodate the number of new students.

Yonkers' school buildings are the oldest in New York. The average school building is 73 years old. We have identified \$1.7 billion in school infrastructure needs that encompass every public school in Yonkers, including \$300 million just to improve our buildings so they meet basic safety codes.

It breaks my heart to see kids exercising and playing in cafeterias or auditoriums, dodging lunch tables and chairs because they don't have a gym – or because their gym was converted into a classroom. Our city needs new schools, period. But the system that governs our ability to finance the construction of new schools is inherently unfair.

For Yonkers, the rate at which New York State reimburses the city for school construction is approximately 60%. That's compared to Buffalo, where the State is paying for 94% of a \$1 billion school reconstruction plan which is nearing completion. Projects of similar scope and size are also underway in Rochester, currently in Phase I of a \$1 billion reconstruction program and Syracuse, currently in Phase II of a \$1 billion reconstruction program, again with the State paying for nearly all of it.

The State's reimbursement rate is based on a flawed formula that says Yonkers is a wealthy city and that its taxpayers can afford to build new schools and repair old ones. That's simply not true. In fact, we can't even ask taxpayers to fund school infrastructure projects because as I mentioned earlier, Yonkers has already nearly exhausted its constitutional taxing authority. The City could not even afford the debt service on such projects.

With the oldest school buildings in New York, it's time for the State to recognize the reality of Yonkers' critical infrastructure needs and our inability to fund them. All I ask is for a level playing field – no more, no less. Provide Yonkers with the same tools to construct new schools, renovate existing schools and offer our students the same opportunity as currently provided to those in other cities.

Our school district faces another challenge unique to Yonkers: nearly one out of every five public school students is an English language learner – that's the highest percentage among the Big 4. For many of these students, it's not just that they need English instruction; they are coming to Yonkers with no prior formal education whatsoever. Many of these students end up in Special Ed, at a cost to taxpayers of \$100,000 per student per year, and years behind their classmates.

I have always maintained that the diversity of our city is our greatest strength – our school district is 80% minority and our students hail from 100 different cultures and nationalities. Families are coming to our city because in Yonkers they see the opportunity to achieve the American Dream. But what kind of reality are we offering them if we don't give their sons and daughters an equal shot at success?

Despite all these challenges, our students have the highest graduation rates among the Big 5 at 72%. That's testament to the incredible work our public school teachers, administrators and

support staff do day in and day out, often on their own time and spending their own money to buy supplies for their students. Given an equal chance and their fair share, I know our students will perform even better.

When you look at the suburban school districts outside of New York's big cities, you start to see full picture – that we have two education systems in New York. In Williamsville, outside of Buffalo, the graduation rate is 94%. In Pittsford, outside of Rochester, the graduation rate is 97%. In Fayetteville, outside of Syracuse, the graduation rate is 95%. And in my home county, Westchester, the graduation rates in the affluent suburban districts are 97%, 98% and even 99%.

Public school education in New York State should not be a pay-to-play system. Our inner city students are just as bright, just as talented, and just as creative as their suburban cohorts. The teachers and administrators in the cities are as dedicated as those in the suburbs. The difference, quite frankly, is money. And it's time to once and for all level the playing field.

I am grateful that Governor Cuomo has proposed a 4% increase in funding for Yonkers' schools, but even with that increase, state aid is still lower today than it was before the recession. Even with that increase, our students still receive less than those in the other Big 4 cities. I know all this sounds familiar. I've sat in your chairs and have heard the big city mayors testify year after year. These are the same problems that have plagued Yonkers well before I was Mayor. This year, we need a renewed partnership with the State of New York to decrease class sizes, decrease student-to-teacher ratios and build new schools. We need a reformed school funding mechanism that treats our students fairly and we need it in this legislative session. Our students cannot wait any longer.

Yonkers Will Succeed

Despite all of our challenges, Yonkers is growing and our economy is improving. S&P recently upgraded Yonkers' bond rating to the highest we've seen in more than a generation. New development is on the horizon and new businesses are opening in our city. Mindspark, a cutting-edge tech company, recently opened its new headquarters in Yonkers, relocating 160 high-paying jobs to our Downtown Waterfront; Kawasaki Rail Car continues to expand in our City; and world-renowned artists are moving to Yonkers and transforming our beautiful waterfront.

Yonkers continues to be one of the safest cities of its size in America. In fact, according to FBI statistics, out of the 111 largest cities in America, Yonkers ranks as the fourth safest.

Much of Yonkers' success has been made possible by support from New York State and we are grateful. The award-winning 'daylighting' of the Saw Mill River in Yonkers has been called a model for other cities. This project would not have been possible without New York State's support. I want to thank Governor Cuomo and the Regional Economic Development Council for their continued support of the daylighting's expansion.

Under Governor Cuomo's leadership, New York State has made incredible progress over the last three years: making government work for the people; keeping taxes low and putting money back into taxpayers' pockets; and creating new jobs and opportunities for New Yorkers. Those accomplishments didn't come easy, but Governor Cuomo and the Legislature did not back away from the challenge – you embraced it. I truly believe the next challenge New York State should embrace is the state of its cities.

Governor Cuomo has described cities as vital organs of the state which cannot be allowed to fail. "If the body is the state," the Governor said, "then cities are the organs". With the state's support, I know Yonkers and New York State will succeed together. With a renewed partnership, I know Yonkers' best days are ahead. Yes, we face challenges, but I have never been so excited about Yonkers' future and I look forward to working closely with you to ensure that our cities – the state's vital organs – are not only healthy, but thriving. I am happy to answer any questions you may have for me or my Finance Commissioner. Thank you.

###