



# NEWS RELEASE

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## **Mayors Release Results of City Budget Survey -- City Fiscal Conditions Continue to Weaken -- -- State Aid Cuts Will Force Property Taxes Higher --**

(Albany, NY) The New York State Conference of Mayors (NYCOM) today released the results of its annual “City Budget Survey,” which show that: (1) the weakened economy and rapidly rising expenses have forced cities into an increasingly precarious fiscal position; and (2) city officials have redoubled their efforts to minimize the impact of growing fiscal stress on real property taxpayers, but limited remaining efficiency measures mean cuts in state aid would become increases in property taxes.

“This data demonstrates that local officials, as representatives of the government closest to the people, are responsibly taking action to manage mounting fiscal stress,” stated Peter A. Baynes, NYCOM Executive Director. “Yet, it is also clear that the margins upon which cities are operating are razor thin, and a cut in state aid would lead directly to the last thing New York needs right now: increased property taxes.”

NYCOM surveyed the sixty-one cities outside of New York City and asked a series of questions about their fiscal condition, property taxes, health and pension costs, and efficiency actions taken at the local level. The key findings are attached.

“The good news is that the State Legislature has the opportunity to stabilize city finances,” concluded Baynes. “By rejecting the Governor’s proposed cuts in AIM funding, authorizing expanded non-property tax revenue options, and enacting significant mandate relief, state legislators will strengthen our cities and our state.”

# RESULTS OF NYCOM'S 2010 CITY BUDGET SURVEY

*The following is a summary of the findings from NYCOM's January 2010 budget survey of the 61 cities outside of New York City. Survey responses were received from 34 cities and serve as a representative cross section of cities of all sizes and all regions of the state.*

## **Fiscal Condition "Worsening" or "Significantly Deteriorated"**

- 67% of cities reported that their financial condition had "worsened" or "significantly deteriorated" over the past year, continuing the dramatic rise of last year and reflecting the highest level since the post-9/11 recession of 2002;

Year Reported	Worsening/ Significantly Deteriorating
2002	72%
2003	59%
2004	49%
2005	40%
2006	31%
2007	29%
2008	19%
2009	54%
<b>2010</b>	<b>67%</b>

- prior to the current recession, which is the most significant economic downturn since the Great Depression, the state's renewed commitment to AIM funding for cities during the middle portion of this decade had led to a steady improvement in the fiscal condition of New York's cities; now, however, cities are on the precipice of serious fiscal crises and in no condition to withstand reductions in AIM funding;

## **Health Insurance and Pension Costs**

The cost of pensions and health insurance continue to place an inordinate amount of fiscal pressure on city budgets, combining to represent 45.8% of the average city's property tax levy:

### ***Health Insurance***

- 71% of cities (compared to 51% in 2009) were successful in implementing cost-saving measures pertaining to health insurance, including increased employee/retiree contributions and co-pays, as well as less expensive and/or single provider coverage plans;
- Nonetheless, health insurance on average now consumes 30.1% of a city's property tax levy and for these 34 cities amounts to a total expenditure of \$250 million;
- The cost of health insurance for municipal retirees, on average, represents 33% of a city's total health insurance budget.

## ***Pensions***

- The cost of providing public pensions represents 15.7% of the responding cities' property tax levies, totaling \$111.5 million;
- For the average city, public safety pension costs represent nearly 75% of their total annual pension bill;
- Pension bills due in December 2010 (or February 2011) for these cities will increase by more than 33%, a \$37.5 million increase that represents a 4.5% share of the average city's property tax levy.

## **Local Efficiency Actions and Budgetary Controls**

- 62% of cities decreased the size of government through attrition, hiring freezes and/or layoffs;
- 59% of cities deferred capital/infrastructure spending;
- 50% of cities increased the number and/or scope of intermunicipal agreements and shared services with other local governments;
- 35% of cities have undertaken service cutbacks, program eliminations and/or austerity spending;
- 47% of cities increased water/sewer rates;
- 44% of cities increased other fees/fines.

## **Use of Fund Balance**

- 78% of cities reported appropriating a portion of their fund balance to balance their 2010 city budget, comparable to the 80% of cities doing so in 2009;
- The percent of fund balance, on average, appropriated to balance city budgets in 2010 was 34%, up sharply from 22% in 2009; the average amount of fund balance appropriated was \$1.6 million (up from \$1.3 million in 2009).

## **Property Tax Growth**

Even with the extensive use of local efficiency actions and budgetary controls, as described above, most cities were forced to increase property taxes:

- 66% of cities increased property tax rates for 2010, a sharp increase in an upward trend over the past three years (57% in 2009 and 54% in 2008);
- The average property tax rate increase for 2010 was 4.4%, up from 3.8% in 2009.