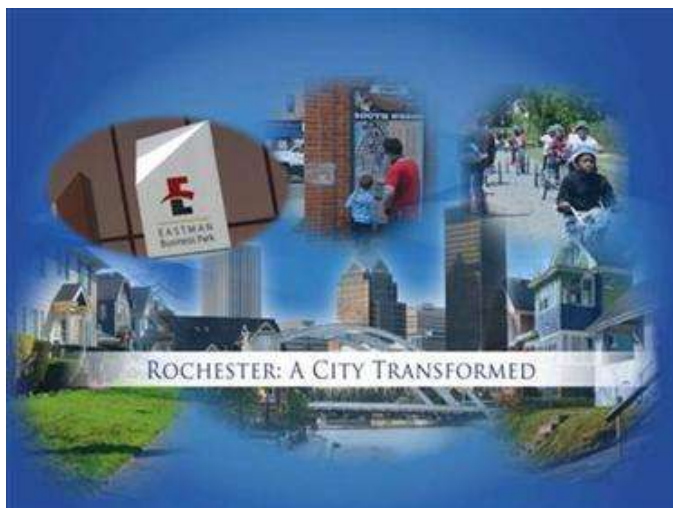


**Transcript: 2013-14 Budget Presentation Address**  
**Delivered by: Mayor Thomas S. Richards**  
**May 17, 2013**



Good morning. First, let me acknowledge all the people who brought us to this day, starting with my employers, the citizens of Rochester. This budget process included several community forums which helped us shape this spending plan. In my State of the City Address earlier this month, I said that we are a city transformed and that the very basis of how cities are funded is no longer valid or sustainable. I said there is a widening gap between the needs of a modern urban area and the resources available to fund those needs. This disparity needs to be altered fundamentally and over time.



While this will be our focus going forward we must still govern and budget for the realities of the moment. Today I have a budget to deliver to City Council.

That budget must be balanced. In the abstract, a balanced budget is not that difficult a thing to do. It is basic math. Just cut the amount you are over budget and you meet the requirement of a balanced budget. But that is also a recipe for a failing city and that won't happen on my watch.

It is vital that we have a city budget that closes our sizeable spending gap while still investing in children, neighborhoods and the business core of our city.

I would also add that we cannot view this budget as a one year bridge to better times -- far from it.



The transformation of our city imposes on the budget a set of priorities: For this year, we must close a substantial \$42.7 million structural gap; maintain sufficient financial flexibility and capacity to cope with an anticipated substantial gap in future years; and we must continue to invest in the capital projects and the services that will make our transformation possible.



These priorities can conflict with each other and achieving a balance can be delicate. In preparing this budget, we have approached this balance by evaluating both the financial impact of our choices and the impact on the needs of our transformation.

For instance, amortizing the pension payment this year could mean we won't be able to take full advantage of lower payments in the years ahead – but that must be balanced with the need to maintain future financial flexibility by saving our reserves and maintaining current capital and service investments.

We believe that this balance best supports our city's transformation. You will see this balance throughout the budget.

Ultimately there will need to be some fundamental changes in the way we fund cities like ours. For this we will need the help of New York State, as it controls much of our revenue and our expense. Without such a change, the balance described above will eventually be impossible.



Governor Cuomo has proposed a Financial Restructuring Board to deal with these issues. While we are encouraged by the attention to the issue and intend to actively participate, the timing and outcome remain uncertain.

In the interim, the transformation of our city will march on and it is up to us to manage it to the benefit of our citizens. This requires new approaches to how we budget, how we use our resources and how we deliver projects and services. You will also see these new approaches throughout this budget.



This proposed spending plan will close our budget gap without raising property taxes. Nor will it require large reductions in the people we employ and in fact, will increase City employment. This budget will not empty our reserves or savage vital services and programs that make Rochester a city worth living in.



This budget will allow us the flexibility to manage ourselves in the face of several more years of structural deficits.

This budget invests in enhanced recreation services for our children, bolsters our parking management abilities, finishes the Fire Department's reorganization, provides IT support for modernization plans in our departments, reallocates resources to increase police officers in the field and allows for additional, diverse academy classes for both police and fire.





All of this is possible because we are building on the actions and decisions we made last year and the strategic decisions we are making this year. For example:

Our decision to borrow at the current record low interest rates for our capital projects allows us to continue to invest. Our decision to go to a self insured healthcare system and to work with our unions on a shared medical coverage plan allowed us to avoid a dramatic increase in healthcare costs. Our decision to offer an early retirement program and the modest increases our unions agreed to in contract talks has paid dividends this year. It not only allowed us to hire new, more diverse recruit classes in the Police and Fire Departments, but also allowed for a reduction in our pension bill. This played a vital part in closing this year's budget gap.

But this budget is not just about the 13-14 fiscal year. We began this process by looking years down the road to envision what kind of city we could become given our skyrocketing mandate costs and stagnant revenues. Failing to recognize the realities of our situation would be folly and would take us into a downward spiral of ever-increasing budget cuts that lead to either insolvency or a city that is no longer a desirable place to live, work and raise a family.

And so we set out to think differently and to budget differently. Despite our actions last year, we still faced a major gap. Let me detail some numbers.

### Total 2013-14 Proposed Budget

\$481,695,300

\$10.1M (2%) lower than 2012-13

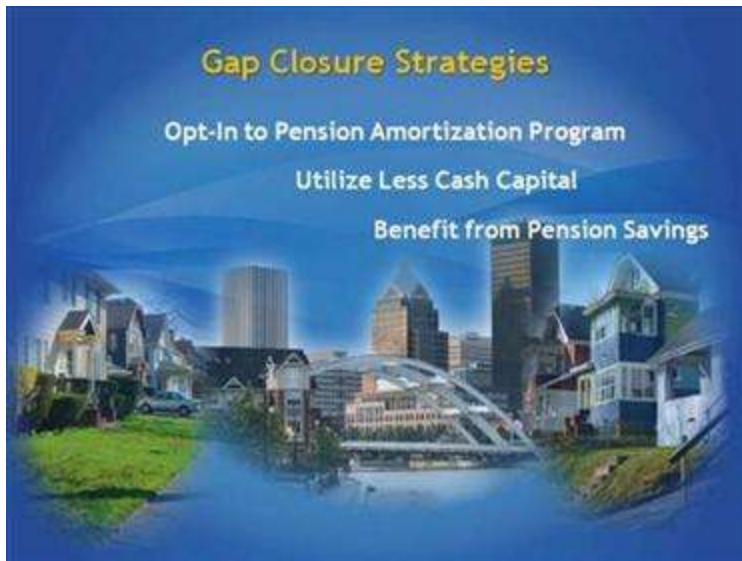
The 2013-14 proposed budget is \$481,695,300. This amount is \$10,100,700 or 2% less than the 2012-13 amended budget of \$491,796,000. This is important in establishing that, despite increased investment in some areas, we continue to spend prudently.

### Total 2013-14 Budget Gap

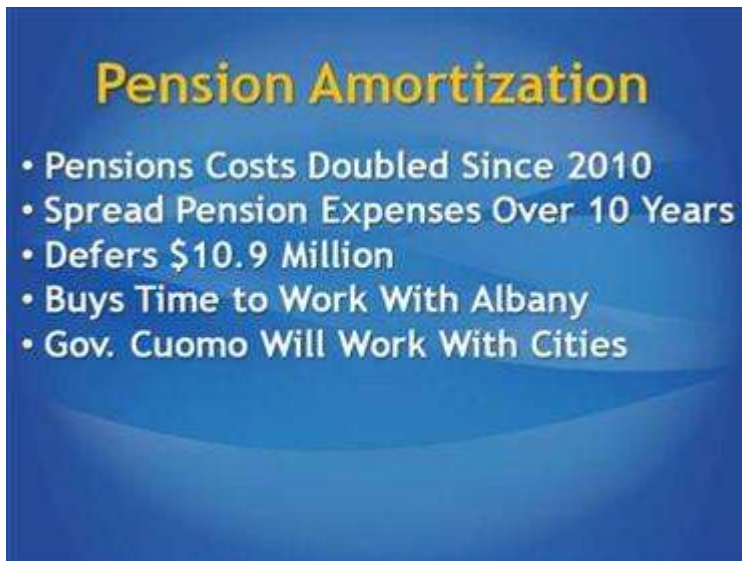
\$42,700,000

Remaining Gap: \$28 Million

As I stated we began this year's budget process with a \$42.7 million shortfall. And even after whittling it down to \$28 million, that is still a very substantial gap.



The three main drivers of our gap closure plan are opting in to New York State’s Pension Amortization program; utilizing less Cash Capital; and pension savings. Let’s spend a little time on each.



The single largest decision made with respect to the budget gap was to amortize part of our pension expenses. The state’s 10-year pension amortization option provides for our city’s long-term viability by enabling us to pay a portion of our annual pension contribution over time, leading to smoother, more predictable pension costs.



State mandated pension costs have doubled since 2010, going from \$20.2 million to \$44.1 million (before amortization) next year and are expected to peak at over \$50 million in 2015.

Paying next year's bill without amortizing would unduly drain our reserves, force deep cuts to our workforce and slash vital city services. While this would pay the bill, our city would not be a place where people would want to live, work and raise a family.

The pension amortization will defer about \$10.9 million in this budget. This will allow us to preserve critical services and programs, maintain our reserves and our flexibility for a longer period of time and invest in things that we can no longer put off, such as improvements to information technology systems.

Amortizing will also buy us time to keep working with Albany for a more permanent solution to the financial realities cities face. Last year, New York State offered cities a one-time spin-up to help pay pension and other mandated costs.

This year, no additional dollars were offered, only a way to defer the costs, which we must do. Next year we hope to have a new dialogue and new options from the state.



The City has had a longstanding, conservative practice of supporting its capital budget with funds from its operating budget. A reduction in this cash capital program has the impact of reducing the operating budget shortfall.

We've made adjustments to the total cash capital plan to save \$17 million. We were able to do so and still preserve a high level of capital investment by taking advantage of lower interest rates and reprogramming some previously approved capital funds.

Our capital program is as robust as ever. The approved 2012-13 Capital Program amount was \$66.8 million. The proposed 2013-14 Capital Program amount is \$67.9 million. When projects funded by Capital Acceleration and reallocated Cash Capital are included, our total Capital Program amount is \$102.9 million.



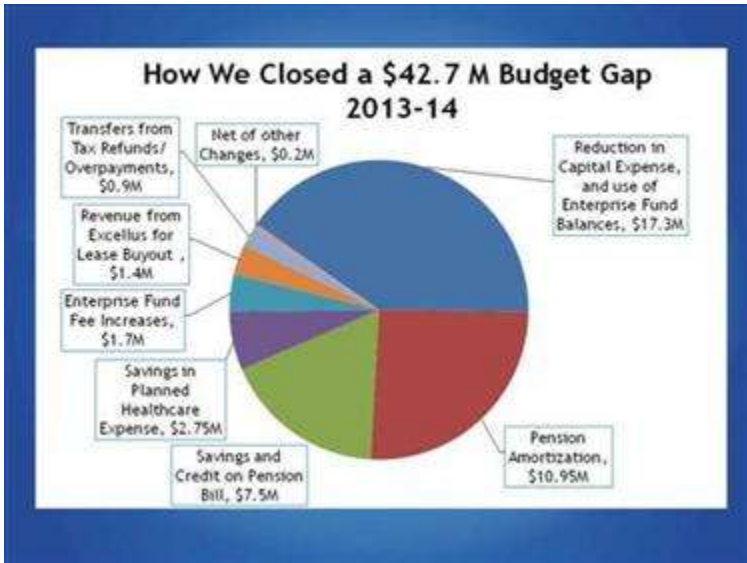
Some examples of what this money will be used for include:

- Home rehabilitation grants;
- The purchase of playground apparatus;
- La Avenida Phase Two;
- Accelerated vacant house demolition;
- Lake Avenue Reconstruction; and
- Continued Midtown Redevelopment.

# Pension Savings

- \$7.5 Million

As a result of the impact on the state pension billing mechanism of the early retirement program and modest pay increases agreed to by our unions, our pension costs for this year were lowered by \$7.5 million.



In summary, a \$42.7 million gap was closed by:

- \$17.3 million Reduction in planned capital expenses and use of Enterprise Fund balances;
- \$10.95 million Pension amortization;
- \$7.5 million Savings and credit on estimated pension bill;

- \$2.75 million Savings in planned healthcare expenses;
- \$1.7 million Enterprise fund fee increases;
- \$1.4 million Increased revenue from Excellus lease buyout to provide tax relief;
- \$0.9 million Transfer from Property Tax Overpayment Fund;
- \$0.2 million Net of other changes

As a result of these actions, we were able to align our expenses in a way that maintained services overall, allowed additional investment in some areas and reduced the overall proposed budget by two percent.

Although we did not close the gap through large budget reductions, this does not mean that adjustments were not made. In order to preserve, and in some cases enhance services, there were reductions in some areas among and within departments.



On the revenue side, we will not be raising taxes. Our residents can ill afford more in property taxes. Once again, trying to fund a modern city with property taxes is not feasible. We must seek other solutions than taxes.

## Property Tax Burden

	2012-13 Tax Bill	2013-14 Tax Bill	Net Difference	Percent Change
Homestead*	\$1,352.40	\$1,376.20	\$23.80	1.76%
Non-Homestead**	\$11,267.68	\$11,021.31	-\$246.37	-2.19%

\*Typical Home Value = \$70K

\*\*Typical Business Value = \$262.1K

Despite no increase in the property tax levy, taxpayers will see a change in their tax bill. This is due to the state mandated shift from non-homestead properties--mostly commercial and businesses--to homestead properties-- mostly residences. The financial impact of the tax shift on the typical homeowner is an increase of \$23.80. The financial impact on the typical business is a decrease of \$246.37.

## Enterprise Funds

- 2.1% Water Rate Increase
- 2% Local Works Rate Increase
- 1.95% Refuse Rate Increase
- Homeowner\* Cost = \$18.52

\*Typical Home Value = \$70K

The other factor impacting a change in the tax bill will be modest fee increases for our Enterprise Funds. In these funds, the fees charged relate directly to the cost of providing the service.



The proposed increases are: 2.1% in the Water Rate; 2% in the Local Works Rate; and 1.9% in the Residential Refuse Rate. The financial impact of these fee increases on the typical homeowner is an increase of \$18.52.



The combination of the state-mandated tax shift and the proposed fee increases will result in an increase for the typical homeowner of \$42.32. In addition, parking fees at meters and Downtown garages will rise slightly.

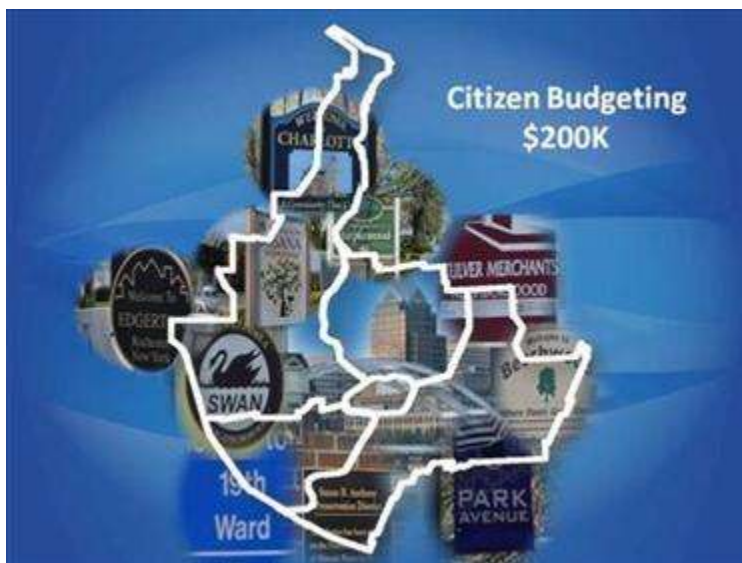
That's a look at expenses and revenues, now let's look at how we will invest this money to keep our city's transformation going. Some of these impacts will be reductions and many will be enhancements. And even the reductions we make, we must keep in mind the balance of our priorities.



Let's look at the Rochester Police Department.

This budget calls for the elimination of the Mounted Patrol Unit.

The seven officers who were dedicated the unit will no longer be on horses, but they will now be on patrol where they are needed to address gang violence and other major crime. On the whole the residents of Rochester will be better served by having seven more officers on the street actively preventing and solving crimes. The budget includes funding for a Police Academy class of up to 25 recruits in February 2014. This will allow us to maintain our complement and recruit from a highly diverse Civil Service list from the last police exam.



I have also invested \$200,000 for a citizen based budgeting initiative to combat crime and violence. We will award competitive grants in each quadrant for a grassroots plan to assist the police department to combat crime.



**Public Safety: RFD**

- 4 Additional Firefighters
- 2 Recruit Classes
- Increased Diversity

This slide features a blue background with a yellow title. The top half contains a collage of images: two fire trucks, a firefighter in full gear, and a group of firefighters in uniform. The bottom half contains a bulleted list of key initiatives.

We have increased funding to the Rochester Fire Department for four additional officers. This will complete the Department's reorganization and help contain overtime expenses. The City will also invest in two fire recruit classes to allow us to maintain the complement and take advantage of a highly diverse Civil Service list from the last Firefighter exam.



**Recreation and Youth Services**

- Increased City Investment
- Additional Pathways to Peace Staff
- Redevelop Edgerton After-School Program
- New After-School Program at School 17

This slide features a blue background with a yellow title. The top half contains a collage of images: a group of people at a table, a park with a fountain, and a group of children playing in a gymnasium. The bottom half contains a bulleted list of key initiatives.

This year the City is making a significant investment in the Department of Recreation and Youth Services. While the overall DRYS budget is smaller than last year's, that is due to the decrease in grant funds in the amount of \$738,700.

However, the City investment in DRYS will increase by \$437,200. These additional investments include: additional Pathways to Peace staffing; the re-development of an after-school program at Edgerton; a new after-school program at School 17.



**Information Technology**

- 4 New Positions
- Replace Mainframe Data Systems
- Upgrade Payroll\Personnel Systems
- GIS Installation
- Automate Parking Bureau Finances

The slide features a blue background with a yellow title. Below the title is a collage of three images: a server room, a person at a computer workstation, and a person looking at a document. The list of projects is presented in white text on a dark blue gradient background at the bottom.

We will be investing more in information technology with the addition of four new employees. The IT Department is the infrastructure on which we will build citywide efficiencies. These new employees will provide succession planning for pending retirements.



**Library**

Realigning Resources  
Restructuring Programs  
Meeting Current Needs Cost Effectively  
Total City Branch Investment \$

The slide features a blue background with a yellow title. Below the title is a collage of three images: a library exterior, two people at a table, and a library interior. The text is presented in white on a dark blue gradient background at the bottom.



At the library we will see six fewer full-time equivalent positions. While on the face of it, that would seem devastating, it is not. 4.2 of these positions are in the Central Library, funded by the County and 1.8 are in City Branch Libraries funded by the City. It is part of a reorganization that reflects the changing nature of libraries. They are shifting from being a book repository to a provider of a variety of literacy and related programs, such as homework assistance. They are realigning their resources to provide more in programs and less in traditional services. This is a good example of how we are restructuring programs to meet emerging needs without adding significant costs. The City's total investment in its branch libraries is \$5,137,200, or \$463,200 more than last year.



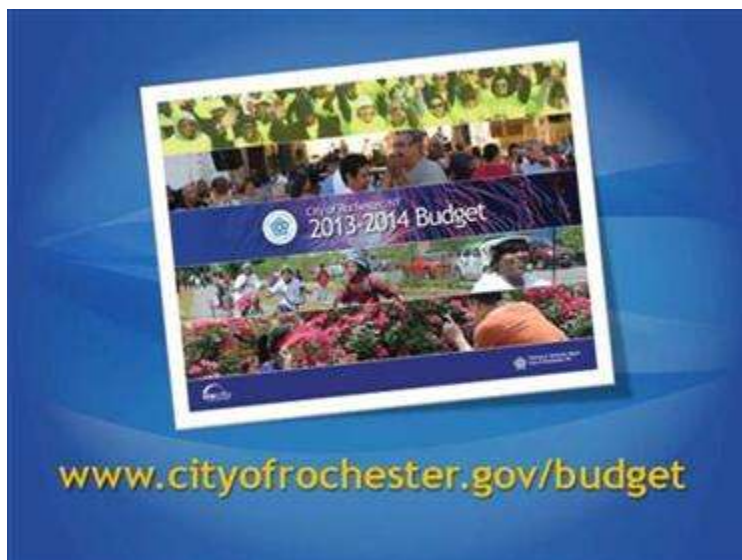
Other changes and enhancements from different departments include complete planning for transition to single-stream recycling; invest \$150,000 to increase the number of residential snow plowing routes to improve our response times during major storms; we are also adding a sales position for the cemeteries; Neighborhood and Business Development will be adding two positions for housing administration and to enhance community engagement and planning activities. In the Finance Department, we will be transitioning the East End and Midtown parking garages to City management and adding some staff to support the transition. The 311 Call Center night hours between 11 p.m. and 6:30 a.m will be eliminated. Public Safety Aides will relocate to the public safety building to cross train with police for their communication needs.



Money will be added to the Communications and Special Event budget to further centralize the financing of festivals and events and a full-time position will be created to support the Freedom of Information process.

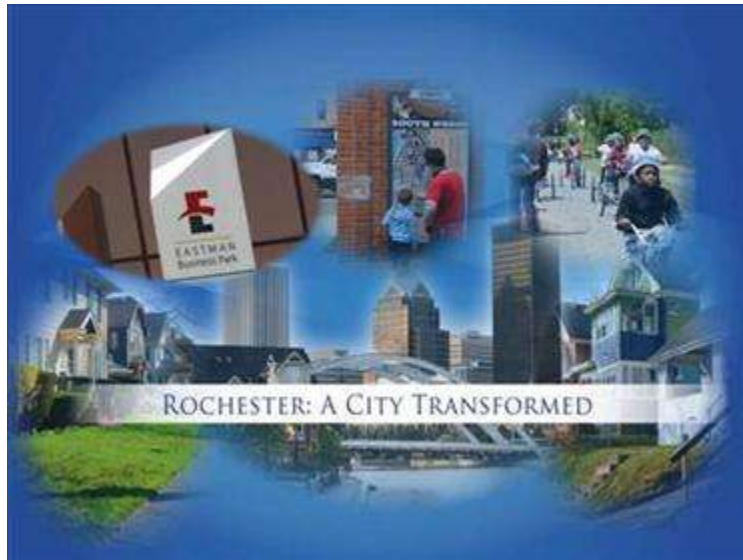


In sum, there will be an addition of 17 full-time positions and a loss of six for a net gain of 11 positions. The reallocation of resources has a potential impact of a layoff of one full-time and three part-time employees.



A complete listing of all changes are contained in the budget book which can be found in its entirety on the City's website at [WWW-dot-cityofrochester-dot-gov-slash-budget](http://WWW-dot-cityofrochester-dot-gov-slash-budget).

Budget Director Chris Wagner will be available in room 309A after this to answer specific questions you may have.



This budget set out to do three things. Close a substantial \$42.7 million structural gap. Maintain sufficient financial flexibility and capacity to cope with future structural shortfalls; and continue to invest in capital projects and services for our residents to make our transformation possible. To do this, we need a new approach to how we budget, how we use our resources and how we deliver projects and services.

This budget does all that while keeping an eye on what is to come. We needed to preserve our fiscal flexibility. We've done this by keeping our reserves strong while still investing at a robust rate. We continue to invest in our workforce – in diversity –and in neighborhood improvement.

We continue to invest in our children with the expansion of after school programs and enhanced recreation programs. We continue to remake our Downtown and invest in our neighborhoods. And we have invested heavily in public safety in both our police and fire departments. We have built on last year's budget and we can continue to build on this year's plan. This budget keeps our city in a position to control our own fate for the next several years while we work to find a permanent, structural solution to our financial future. We will engage the state to work together with us to complete the transformation of Rochester. Thank you.