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Mayor Mike Spano

Testimony on FY 2012-13 Executive Budget

Joint meeting of the Assembly Ways & Means and Senate Finance Committee

January 24, 2012

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Good Afternoon Chairman DeFrancisco, Chairman Farrell, members of the committee and other distinguished members of the Senate and the Assembly, particularly my Senator, Andrea Stewart-Cousins and Assemblymembers Gary Pretlow and Tom Abinanti. Thank you for having us here today.

I have to say, this is a new experience for me. I've been on the other side of this process for the last 16 years as a Legislator and member of the Assembly Ways and Means Committee. It's an honor for me to sit here today and represent the great City of Yonkers, now as its Mayor.

I wanted to take this time to brief you on the state of Yonkers' budgetary status as I enter the first year of my administration. Since I took office, just three weeks ago, it has been my goal to reinstate pride in Yonkers. As a lifelong resident of the City, I am very familiar of its proud past, vibrant present and I have confidence in its great future. However, in order to spread the message that Yonkers is a place of pride, we need to invest in both current and new businesses, but most importantly, we need to invest in the children of Yonkers, by redesigning our approach to education.

While times are tough everywhere right now, Yonkers is no exception.

After reviewing Governor Cuomo's recent Proposed Budget, my Finance Commissioner John Liszewski, who is sitting with me here today, has determined Yonkers' estimated budget shortfall for the 2012-2013 Fiscal Year to be approximately $72.6+ million in order to remain status quo – this includes City and Board of education funding. We know this number is expected to grow.

To remain status quo, meaning no increases in services for our taxpayers or salaries for our workforce, the City of Yonkers is projecting a $50.6 million deficit on the municipal side for Fiscal Year 2012-2013. As you know, our Superintendent of Schools, Bernard Pierorzio, reported to you yesterday, that the Yonkers Public School (YPS) deficit is $22 million. This overall deficit does not include expired or pending labor contracts/costs needed to increase services, nor does it include restoration of previous education cuts, which in actuality would bring the Yonkers Public Schools' shortfall to $39 million.

I know that as you examine this year's budget, there will be tough choices to make. Tough choices are often passed down to lower levels of government. As you know, those choices eventually end at the city level. We are where the rubber meets the road. The choices, at times, are not ideal. Without the necessary provisions, even the City's essential services are threatened.

I don't want to alarm our constituents by sounding off figures in possible layoffs. But I do want to make a point of saying that lack of funds will affect essential city services such as police, fire and sanitation. For example, the Yonkers PD currently has the lowest workforce since before 2001 – that's over ten years that one of the largest cities in the State, the next major City closest to New York City, couldn't afford to maintain its police force at full strength. The police department is at a level that is currently below strength and further cuts can jeopardize the City.

Now, it is my job to ensure cuts do not happen. We are rolling up our sleeves and getting to work to make sure our taxpayers and workforce are protected. We ask that the State be helpful and provide for the cities of New York State.

With the Country's, State's and City's increasing needy population, unemployment at one of its all-time highs, with a decreasing economic base and a middle class squeezed more than ever, this is the time when we can't let our cities fail.

As mentioned, providing and investing in quality education is something from which I will not back down. Over 26,000 students in the Yonkers School District deserve my best efforts, as they do yours.

During Superintendent Pierorazio's testimony, he explained that the Governor's Proposed Budget includes a reduction in the Gap Elimination Adjustment of $2,803,107 for the Yonkers Public School District. The GEA is, in effect, a permanent reduction in our state aid. In 2012, the GEA amounted to a reduction in aid of $28,116,478; under the Governor's proposal, the reduction for 2013 will be $25,313,371.

The Executive Budget, as it stands now, still keeps Foundation Aid frozen at 2008-2009 levels, thus still reflecting 2008-2009 enrollment. However, the Yonkers School District has grown by 1,257 since Foundation Aid was last adjusted. It is time our aid reflects the enrollment growth.

In addition, the Governor's Budget Proposal calls for district and unions to pick up the cost of 3020-A – which is the teacher-disciplinary hearings. The potential annual cost of this unfunded mandate needs to be estimated and may be costly. In the last fiscal year, unfunded mandates accounted for 12.53% of our budget – which is over $62 million. I want to echo our Superintendent's testimony from yesterday, supporting the mandate relief proposals as suggested by the Big 5. The budget also proposes that the early intervention program for three and four year olds presently paid for by the State and the County will now be shifted to the school district – which is a multi-million dollar cost shift and will have a significant impact on our budget.

The Proposed Budget also does not recognize the 16% of the Yonkers Public School students who are English Language Learners, which is the highest among the Big 5 School Districts, and cost the School District and the local taxpayer close to $15 million per year. Lastly, the Proposed Budget still provides the Yonkers Public Schools the lowest allowance -- $2,700 per student – for the Pre-K program. As a result, Superintendent Pierorazio will have to maintain a waiting list for prospective students to enter the program. Knowing that 98% of Pre-K students enter Kindergarten as readers, it would be a great disservice to our children and their future to continue forgoing an opportunity for them to learn because of limited funds.

I am not sitting idly by either and waiting for our children to be provided with the tools they need to succeed. I am in the depths of rebuilding Yonkers' educational system, by engaging our local community to invest in the leaders of tomorrow by developing an Education Redesign Team. This committee of parents, teachers and city leaders will be tasked to recommend the most cost-effective measures to provide quality education services to better prepare the next generation. This is just the first step of many that will bring our children and schools to the levels they deserve.

I know the State's investment in our schools will prove to be a good one. Over the past several years, we have made substantial progress in elevating the standards of the Yonkers Public Schools to the levels on par with many of the better school districts in Westchester County. In fact, the International Baccalaureate Program at Yonkers High School was recently ranked #41, out of 21,000 high schools in the country – according to *U.S. News and World Report*. This Gold Medal High School is just an example of the potential of our other schools. The great progress we've made should give you assurance that Yonkers' schools are worth the State's investment.

I'd now like to turn your attention to the business end of the City of Yonkers and the ongoing efforts to rebuild and continue the redevelopment renaissance that has taken a firm hold on our City, but which will clearly be threatened by a reduction in the essential services that businesses, employers and the public require in order to invest in a city.

Despite the economic downturn in the last four years, we've seen solid and tangible development in Yonkers. I've had the distinct pleasure of witnessing the construction and opening, just this fall, of the 81-acre, $900 million Ridge Hill development off the New York State Thruway. Each day, more and more prominent retail stores are opening, including Lord & Taylor, LL Bean and Whole Foods – providing jobs and commerce for our City. Renovation for the Cross County Shopping Center has been completed and now stands as Westchester County's largest retail facility with over 1.5 million square feet.

Yet the largest industrial sale of the year in Westchester lies within Yonkers with the $7.6 million sale of Stewart Stamping facility -- a two-story, 200,000-square-foot industrial building located on 3.5 acres. Stewart Stamping has occupied the property for over 50 years and this year Express Cabinets, Inc., a leading manufacturer and distributor of kitchen cabinetry, will invest approximately $1 million in upgrades for the facility. The company currently plans to relocate 60 of its employees to the Yonkers hub. This is a win-win deal for our City.

Additionally, we are transforming the oldest and poorest areas of Yonkers with new housing opportunities with the Warburton Lofts and Ashburton Avenue program, providing affordable housing to hundreds of families. Future economic developments also in the works include the Alexander Street project, which will include apartments, commercial development and acres of new public open space. The lot where long-ridden School 6 now stands also will be refurbished, thanks to a recently awarded $29.6 million State tax credit. These properties will provide a larger tax base both on the residential and commercial side.

Of course, as we all know, much of the redevelopment has taken place on the Yonkers waterfront – which houses unobstructed views of the magnificent Palisades of New Jersey. However, like most cities, the waterfront is the oldest section of the City. While this area has the greatest potential in all of Yonkers, we need to improve the blighted properties leading to the waterfront. Without the necessary renovations, our efforts on revitalizing the waterfront are for naught. But I have faith that we will get there and confidence in the State to recognize our needs.

Yet, more needs to be done to generate revenue for Yonkers. One of the hot button issues to cross our way recently is discussion of Governor Cuomo's recent proposal to legalize full gaming in New York State. I have had discussions with our Governor and he knows how whole-heartedly I support the amendment in the State's constitution to bring legalized gambling to our great State. It is about time we move forward and compete with the likes of the profitable casinos in Connecticut and New Jersey.

Five years into its operation, Empire City at Yonkers Raceway is adding well to the economy of the City and the State, drawing three million patrons a year and netting nearly $52 million a month last year, 51% of which goes to education funding. The growth has made Yonkers Raceway the City's largest private employer, with about 1,200 employees. Last year, it increased its net win — the amount of money left in the machines after payouts to winners — by 7.4%, up $43 million.

On top of that, I am happy to report that Yonkers' Empire City has begun a $40 million renovation this past fall – which will include 400 new video lottery terminals plus a new restaurant and expanded services. These video slots are incredibly profitable for the State.

It wasn't just Empire City that had a good 2011 -- gambling prospered statewide. Sales of traditional lottery games rose 2% from 2010, while the state's nine racetracks produced record numbers and a 16% revenue increase from 2010 to 2011.

This is just the beginning -- we need more in order to compete for the flocks of New Yorkers who visit neighboring states for their gambling and entertainment. Yonkers is leading the charge in making this happen. Our City is sending a message to New Yorkers and the surrounding area that Yonkers, the gateway to all parts north in New York, is a vital economic driver. We look to increase the cap on Capital Funding for the Raceway so we can support our local vendors, and ultimately our City.

It is not my intention to sit here today and pontificate on how the State must assist with its assumed deep pockets. Instead, I realize this process needs and should be a partnership, and Yonkers has begun to do its part.

By February 1st, my office is enforcing a new City take home car policy. We are eliminating all of the non-essential cars. Too much of our taxpayers' dollars have been spent on cars and gas for high-level City workers. While this won't cure our fiscal issues, the money saved can be used to put more police officers in our neighborhoods or buy school books for our children. Currently, there are close to 100 take home cars, and already we know dozens of them will be returned by the end of the month. This is just the beginning.

In just a few weeks, Yonkers, under my administration, already has begun a comprehensive asset reduction plan in which all City departments are being audited. We are diving into the trenches and finding ways to cut unnecessary costs, looking to do more with existing staff and cutting down on outside consultants and contracts. As I've said many times before, Yonkers has the best workforce around – there is no reason not to entrust them with getting the job done.

Additionally, for the first time, the City will be asking its workers to contribute towards their health insurance – at all levels. And by the end of this year, my administration will consolidate a number of city departments that are redundant in their services.

While I've only skimmed the surface on Yonkers' budgetary status, it is important you understand that our City is at a crossroad. We've come so far in the last two decades to renew our City and better provide services for our taxpayers. We are at the beginning of a renaissance that unfortunately is challenged by our economic times. If we do not obtain the necessary funds, all efforts, from the previous administration and now from ours, will require us to dramatically cut City services.

I know firsthand how difficult the budget process can be. I am confident that during ongoing budget negotiations that you will make every effort to assist the City of Yonkers in the best way possible.

I come to you today to establish collaboration between the State and Yonkers. Let's work together as one, to set a model for others, that if we are on a united front and look to do our own part, great things can be accomplished for our residents.

As always, I look forward to working with you closely this year and am happy to answer any questions you may have at this time for me or my finance commissioner.

CITY OF YONKERS

FY 2013
BUDGET PROJECTION

PROJECTED BUDGET GAP

- <u>STATUS QUO BUDGET</u>

Municipal shortfall	$50.6 million
Yonkers School shortfall	$22.0 million
TOTAL GAP FY 2013	$72.6 million

REVENUE SHORTFALLS

- Economically Sensitive Revenues
  - Income Tax Surcharge $2,000,000
  - Mortgage & RE Transfer Tax 500,000

FY 2013 Revenue Shortfalls

- FY2012 one shots:
  - Pilots $6.4 million
  - Raceway Impact fees 2.7 million
  - Sale of Assets 1.5 million

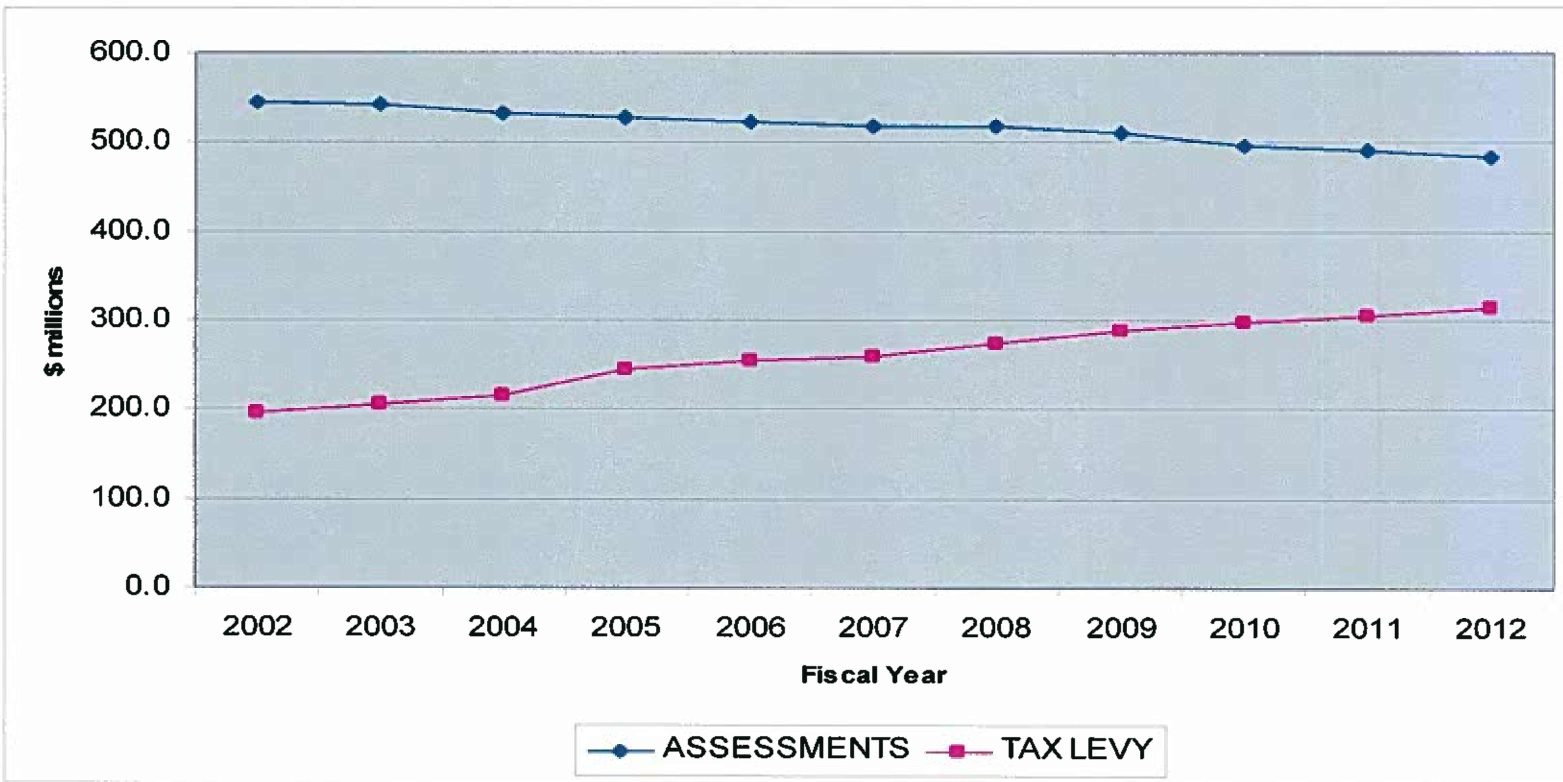
Increases in Departmental Appropriations

Gasoline	$500,000
Water Purchase	$2,300,000
Software License	$250,000
Employee Steps & Longevity	$4,550,000
Automobile Supplies	$250,000
Fuel for Heating	$250,000
Light & Power	$500,000

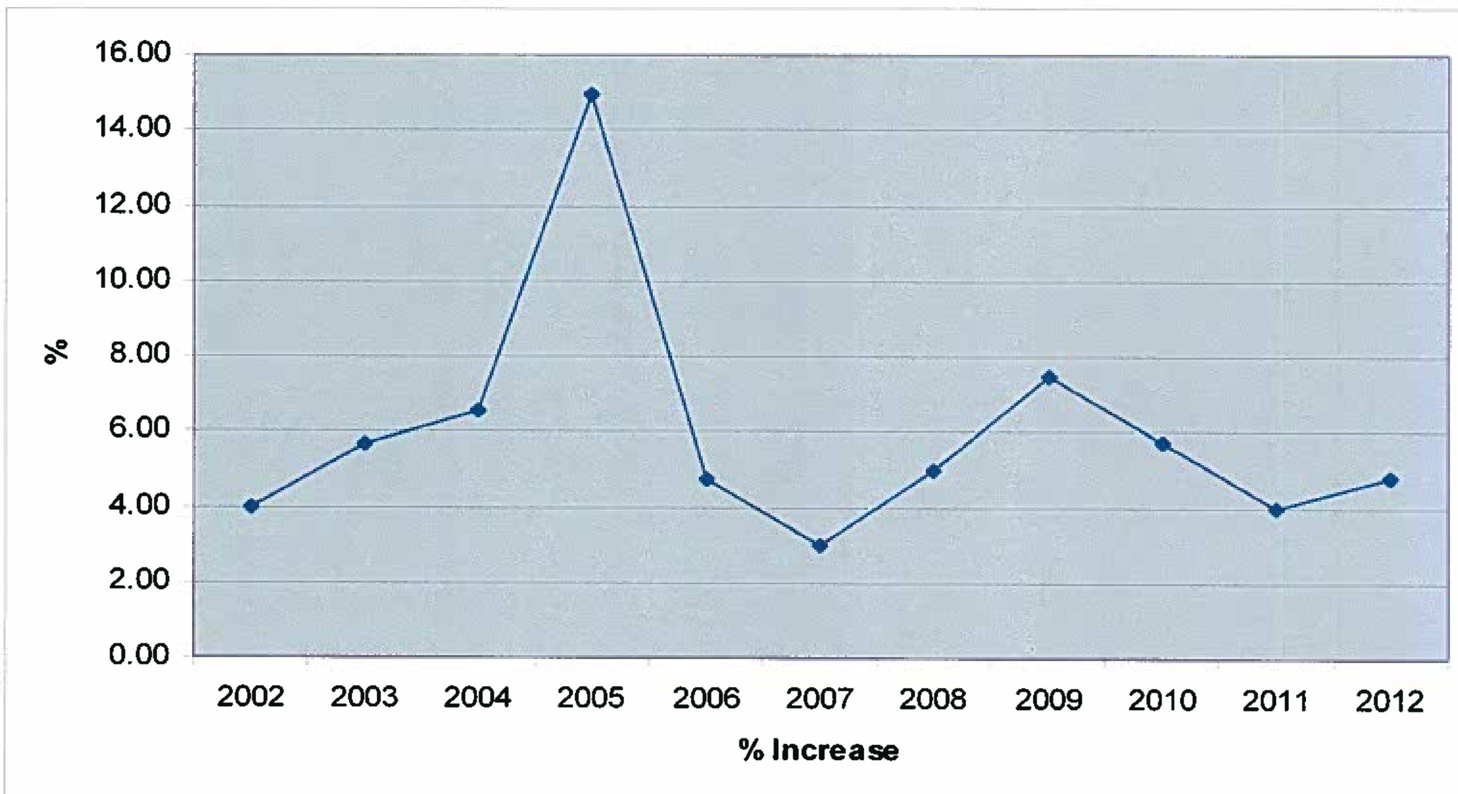
Other Appropriation Items

- <u>Employee Fringe Benefits</u> $6.0 million
  - Pension Costs
  - Health, Dental & Life.
  - Workers Compensation
- Tax Certiorari Payments
  - $36 million over last 3 years.
- Increase in Debt Service $14.2 million

Yonkers Tax Levies vs. Assessed Values



City of Yonkers Tax Increases



Contributions to Yonkers Public Schools

Yonkers contribution to YPS increased 68% over last 10 years.