

**ADDRESSING THE FINANCIAL PROBLEMS  
OF UPSTATE CITIES IN NEW YORK STATE**

Testimony of Corning City Manager Mark L. Ryckman

before the

Assembly Standing Committee on Cities

Assembly Standing Committee on Economic Development,  
Job Creation, Commerce and Industry

Assembly Standing Committee on Tourism, Arts and Sports Development

Assembly Standing Committee on Oversight, Analysis and Investigation

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Syracuse, New York

## **TESTIMONY**

Thank you for the opportunity to share my views with you concerning the fiscal constraints of cities in Upstate New York. As the Chief Executive Officer of the City of Corning and being the Immediate Past President of the New York State City/County Management Association, I have firsthand knowledge about the difficulties and challenges confronting our cities. I'd like to focus on three key areas where the State Legislature can make an immediate difference: Developing a Comprehensive Urban Renewal Policy; Enacting Public Sector Labor Reforms; and Providing Health Insurance Assistance to Municipalities.

### **Comprehensive Urban Renewal Policy**

New York is struggling in short-term and long-term job growth, especially upstate. A recent study by the Public Policy Institute of New York State found that private sector employment in New York increased by 8.7% from 1995 to 2005 far less than the national average of 14.1%. In Upstate New York, the picture is much more bleak. During this same time period, private sector employment rose a paltry 4.8%. In order to turn this trend around, and help New York regain its standing as a national economic leader, the State Legislature needs to enact significant reforms.

I am very supportive of the New York Conference of Mayors and Municipal Officials' call for a single entity to handle a comprehensive urban renewal policy. Currently, programs with similar aims are distributed among various agencies. For example, the newly created Restore NY initiative, which deals with the rehabilitation of commercial and residential properties, is handled by the Empire State Development Corporation, while the Community Development Block Grant Program, which can also deal with the rehabilitation of commercial and residential properties, is administered by the Governor's Office for Small Cities. Greater

coordination of programs at the State level could lead to greater coordination at the local level where communities could access two or more related programs to address a project comprehensively through a single agency rather than try to balance the requirements of multiple agencies, differing deadlines and multiple reporting demands.

Further, like NYCOM, I urge that a comprehensive State policy be instituted in governing development. This policy doesn't have to be punitive to new suburban development so long as it is more favorable to rehabilitation and revitalization of existing urban areas. Established cities have infrastructure, sites and policies in place which meet with some success; greater success will be achieved if the State enunciates policies which support those of the cities. This means the State should be more supportive, through tax or other incentives, toward those developments which locate within traditional downtowns than those which do not. Commercial projects seeking qualification under the Empire Zone, for example, might qualify only if those projects are located within a traditional downtown. Industrial projects might be given Empire Zone benefits only if they can prove that existing sites (rather than greenfield sites) cannot meet their needs. All aspects of State planning and development support should be geared toward the preservation of existing communities and downtowns first.

Revitalization of our cities is imperative to the growth of New York State. Our cities need to be restored as economic and cultural centers, providing needed jobs, quality education, and improved standards of living. This can only be achieved with the assistance of the State Legislature to enact a comprehensive urban renewal policy.

### **Health Insurance**

The cost of health insurance for municipal workers is overburdening local finances and driving up property taxes. In the City of Corning, our 2006-2007 Budget includes \$1,580,148 for

health insurance premiums which represents 10.5% of our total budget. A 2006 survey by NYCOM found that in the 49 municipalities that responded, health insurance and pension costs represented 21% of local spending.

This local health insurance dilemma is going to be further compounded when the new Government Accounting Standards Board Statement No. 43 and 45 requirements become effective in the near future. The New GASB statements will require municipalities to show the cost of "Other Post Employment Benefits" on our balance sheets. This will be most noticeable in the area of health insurance, where the future estimated value of health insurance premiums for municipal workers when they retire must be calculated and reported. The problem will increasingly mushroom as double digit health insurance increases continue to be the norm, and as the baby boomers reach retirement age in the coming years.

The new GASB standards begin taking effect for reporting periods in the largest municipalities with budgets in excess of \$100 million after December 15, 2006. Most upstate cities will fall into the next category of municipalities with budgets between \$10 million and \$100 million with a reporting date of December 15, 2007. These deadlines are rapidly approaching and sufficient funds cannot be raised at the eleventh hour.

Municipalities need to be able to establish reserve funds to offset these liabilities and we need additional state aid targeted solely for this purpose if we are to avoid significant financial constraints. Currently, under New York State Law, municipalities do not have the authority to establish reserve funds to offset retiree health insurance. We need the Assembly and the Senate to work together to add new language to the General Municipal Law allowing for "Employee Benefit Accrued Liability Reserve Funds". This is a simple measure the State Legislature could enact that would authorize cities to save for this imminent accounting change,

but time is running out.

We also need the State Legislature to help shoulder some of burden of these costs. Costs to offset these liabilities are generally estimated to be 2 to 10 times what is currently budgeted for retiree insurance premiums. This effect on municipal balance sheets could also impact bond ratings, forcing upstate cities to pay more on the money borrowed for needed capital improvements. The State Legislature needs to provide some assistance in terms of additional aid designated to be placed in the "Employee Benefit Accrued Liability Reserve Funds" to address this issue.

### **Labor Relations**

The State of Public Sector Labor Relations in New York is at a tipping point. Cities can no longer shoulder the financial burdens of binding arbitration and have to worry each legislative session that additional unfunded mandates will be passed down. This year, the Legislature passed labor bills that are opposed by the New York Conference of Mayors and Municipal Officials because they shift additional burden to property tax payers and continue to exacerbate the inequity between labor and management at the bargaining table. Some of these bills are as follows:

**Penalty for Employers to Negotiate in Good Faith (A.6222/S.3178):** This legislation would have required public employers to increase salaries of each employee that the union represents by 1% if PERB determined that a public employer failed to negotiate in good faith. In addition, a further 1% increase would have been imposed if the employer attempted to use the cost of the 1% penalty as an offset in its efforts to negotiate a successor agreement. This legislation would not only place additional burden on property tax payers, but it is completely one-sided with no corresponding penalties if PERB determined the unions failed to negotiate in good faith.

**"Last Offer" Penalty (A.6223/S.3177):** This bill would require the “last offer” made by the union become the agreement between the parties until changed or modified through negotiations, if an employer was found guilty of not negotiating in good faith. Again, like the last bill I mention, this legislation would not only place an additional burden on property tax payers, but it is completely one-sided with no corresponding penalties if PERB determined the unions failed to negotiate in good faith.

**Increase in Maximum Tier 2 Police and Fire Retirement Benefit (A.9759/S.6567):** This bill would increase the maximum service retirement benefit for all Tier 2 police and firefighters from 30 years to 32 years at a cost reported by NYCOM of \$2.4 million to the State and \$13 million to municipalities.

**Increase Mandatory Retirement Age for Police and Firefighters (A.10304/S.7176):** This bill would increase mandatory retirement age for most municipal police officers and firefighters from 62 to 65. This is another unfunded mandate for those municipalities who have been unable to retire an individual receiving the full amount of regular salary or wages under Sec 207-a or Sec 207-c of the General Municipal Law.

**55/30 Service Retirement Benefit (A.5430/S.3043-A):** This bill would permit a member of the Employees' Retirement System or the Police and Fire Retirement System to retire without penalty provided the individual was at least 55 and had completed 30 or more years of service. If enacted this bill would have cost municipalities in New York \$17.6 million according to NYCOM.

As you can see these legislative initiatives have a direct impact on local property taxes. Before you forward any more legislation to the Governor, I respectfully request that you ask what impact this legislation has on local property taxes.

## **Conclusion**

Again, thank you for allowing me to share with you the concerns that I perceive exist for upstate cities in New York. I greatly appreciate your willingness to hold these hearings to collect this valuable input. It is this type of dialogue that is needed on an ongoing basis, so we can relay financial conditions of our municipalities to you, in order for the Legislature to have all the necessary information needed when making difficult decisions effecting upstate cities in New York.