

# Our York:

## A City More Than Worth Saving

**Addressing the City of York 2015 budget and the longstanding financial constraints plaguing York and all 3<sup>rd</sup> class cities in our Commonwealth**

### Rotary Club of York

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Necessity is the mother of invention, and I think that tough times can spark a robust dialogue on how to confront our challenges to build a financially sustainable, thriving urban community.

Our proposed 2015 budget holds the line on property taxes just as we did in 2014 and 2013. Our administration believes that we cannot property-tax our way to sustainability and prosperity.

Our proposed budget has provoked honest introspection and straight talk about our fiscal challenges. As I have said before, while leadership compels us to speak truthfully and publicly about real costs and limited revenues, leadership also requires us to hold out meaningful hope by advocating for bold measures.

Long term fiscal game-changers can stabilize our property taxes while enabling us to continue providing quality public services and infrastructure that our people deserve and demand.

Part of this robust dialogue comes from the media. Indeed, the reporting of York's financial challenges over the last few weeks has been helpful. For the first time that I can remember, reporters and editorial writers are putting York's financial situation in the context of other cities like it throughout Pennsylvania.

Too often, we have talked and thought within a York County echo chamber that tends to generalize about our city's woes and cast blame on city officials without seeing the big picture of what has caused our challenges over decades.

We all have a responsibility to talk honestly and responsibly about our county seat's financial plight and to honestly discuss how to build a better and brighter York.

And it's incredibly important to get out of the way early on that this problem is not unique to York City. Nearly EVERY City in Pennsylvania faces these same fiscal challenges and constraints. We are now seeing the problem creep out beyond cities as well. We need to act and it's all hands on deck, local, county and state, private, philanthropic, employees, residents and commuters.

Look, you guys have heard much of this before. You all know this problem is not unique to York. You're all well in tune to what is going on around the state. We've got a systemic crisis on our hands. I've always been told to never waste a good crisis. Frankly, I'm starting to wonder how bad does it have to get?

Seriously? Within the last few years, Reading was named one of the poorest cities in America, Scranton was forced to put all employees, including cops and fire fighters, on minimum wage, Harrisburg — our state capital for goodness sake — was forced to go into receivership and when it considered bankruptcy our State government, governor and general assembly actually passed special legislation to prohibit it from doing so.

Here in York, today, we struggle with a several million dollar uncontrollable increase in our budget and with a tax increase untenable, I proposed a budget that no mayor, council, or city resident wants to realize. Draconian at best, crisis at worst.

How bad does it have to get in Pennsylvania before we start to speak up, demand action from our legislators, seek support countywide and stop sitting back and saying that “City” problem is exclusive to York and will be contained in York and is of York’s own creation.

Incidentally, it’s worth noting, from a financial perspective, we have 54 cities in Pennsylvania, not including Philly and Pittsburgh. Think of the incredible economic potential these cities all have for their regions and our state. All are poised to capture the national trend of interest and investment in authentic urban areas, ALL are hamstrung by this antiquated structure of municipal government and a feckless (Yea, I used the word feckless), state government, unwilling to actually act to strengthen our cities versus allowing them to wither slowly on the vine.

Again, because you’ve heard this before, because you’ve read this before, because you know this information, permit me to rattle off some information for you to consider. I believe this will help ensure you are best informed, perhaps you’ll learn some new information and perhaps you’ll help communicate to others the very real challenges our City faces, and why it is time for all-hands on deck for solutions.

I’d like to touch on Tough Choices. I’ve been honored to serve as Mayor for five years now and I spent several years employed by the City of York prior. As I make this presentation frequently, I’ve often been asked if the City is prepared to make some tough decisions. Or the old adage it’s a spending problem not a revenue problem and the City simply needs to rein in costs.

Five years I have been Mayor and each year has been incredibly difficult and wrought with incredibly difficult decisions leading to some of the toughest that lay ahead. Because we are a fast paced, 24/7 news society we forget what we debated last week let alone last year. Allow me to recollect, since I took office in 2010, we have made several very difficult decisions to avoid tax increases.

We cut \$600,000 in public safety, that is cops and firefighter, overtime spending.

We partnered with York Water to disconnect water service to delinquent Sewer Refuse customers. This brought in an additional \$1.2 million per year. It should have been done decades ago, it wasn't, we did it and it was right to do.

We've called payment on outstanding loans. Many development loans made in the 90's are due now, we've required and negotiated repayment.

We regionalized our fire service to North York Borough.

We've cut the workforce by over 35 employees, non-police or fire positions. That's about 10% of the workforce in five years and that's requiring all to do more with less without any significant increase in compensation to these employees.

And now today, because York has a designated distressed pension, we implemented a very modest increase in the Earned Income Tax for city residents and commuters that work in the City from 1% to 1.25% starting in 2015. And before us we have a very challenging budget.

Folks, none of this is new. I've been talking about it since taking office. Mayors before me foreshadowed budgets such as this. The City of York has been in the state's Early Intervention Program since 2005 which has three times now provided our city with an outside consultant to develop a five year financial strategic plan.

Because our small cities love studies and maybe because there wasn't enough information on the subject, enough people weren't convinced or the consulting industry needed a boost (no offense to consultants out there), in addition to our City's efforts to highlight these systemic challenges:

The Pennsylvania Economy League has studied these issues, The PA Municipal League, several PA Chambers of Commerce, to include York's; Public Financial Management, The House and

Senate, WITF and other PA NPR affiliates now have the ongoing Keystone Crossroads series to highlight these issues. Most recently, York College analyzed our city's finances to report, surprisingly, the same thing that every other study has as well. And of course, going back to 1996, Better York kicked all of this off with the Rusk Report.

Forgive me, I don't rehash all of this to sound sarcastic. But merely to say, these issues have been studied for several decades now. It's time for some action. How bad does it have to get? And why should we need a crisis to consider a collaboration to actually strengthen and set our cities on sustainable financial footing?

This all sounds pretty dire for a Wednesday. I apologize, and perhaps you regret it, but you invited me :)

It is dire. But to be honest, the City has endured and it will continue to endure. This too shall pass but honestly, I'd love some help and I'd love to actually solve some of these challenges to help York but also help all of our cities because that in turn will help our commonwealth. Setting aside political differences and actually talk about solutions.

Along those lines, I have a little bit more to discuss and then I'll open for questions.

Consider these statistics:

The City has a real estate tax base of \$1.3 billion. However, 37% of that does not pay taxes. You've all heard this before. Our educational, government, healthcare, social service, religious, and non-profit owners are all tax exempt. IF those properties paid taxes that would net about \$11 million to the city general fund annually. Or the cost for 110 police officers. Incidentally, our current force has only 104 officers.

We solicit contributions from all of these organizations and in our best year recently we received \$600,000 and this year looks to be a worst year with just short of \$100,000.

I don't say this to shame or demean these organizations but to point out that we start every budget year \$11 million in the hole.

Many of these organizations serve residents from all over the County, yet the city taxpayers shoulder the cost to provide the streets, traffic signals, snow removal, public safety and other services to utilize these services.

Incidentally, our residents are among the poorest in York County.

Consider this, the City population is 43,000. By day, however, 38,000 people commute into York. The commuters earn a total of about \$1.3 BILLION (with a B) annually in our City. Our residents, they earn about \$299 million annually.

Recall the services that the City provides so everyone can make it to the hospital, or York College, or the County government buildings, or to church, the United Way, or to Rotary?

It costs the City about \$750,000 per week to pay for all those services.

While commuters take home \$1.3 Billion annually in our City they effectively pay about \$1 per week to the City for those services.

That means the commuters that make about \$1.3 Billion in our City contribute about \$38,000 weekly to support those services. The City residents that earn \$299 million annually (\$1 Billion less), make up the difference of about \$712,000 weekly.

I've provided some of these numbers on a handout for you to take with you.

Finally, what can be done?

There are short term and long term solutions. And as I've stated, it's all hands on deck and I will listen to any idea you may have.

Given the perfect storm of factors battering us each budget year, our City essentially has several suggested fiscal game-changers.

- First, a menu of taxing options to broaden the tax base and reduce the dependency on property tax. You've heard the argument, we cannot raise enough revenue from property tax and we've cut as much as possible. Other municipalities have alcohol and other sin taxes, increased earned income taxes, additional fees on rental properties, all of which we could implement that would help but we are prohibited from doing so.
- Second, municipal pension reform; it's a significant driver in our budget and in 2011 I forewarned that 2015 would be a tough budget year because our pension spikes.
- Third, Reform Act 111 which governs the arbitration process for police and fire unions. This is not to diminish their right to collectively bargain but simply level the playing field for municipalities.
- Fourth, a beg and plead for more substantial PILOT contributions from our tax exempt community. We compare ourselves often to Lancaster, between Franklin & Marshall and Lancaster General the City of Lancaster receives near \$2 million annually. Recall, in our best year, we have received \$600,000. In our worst, \$0.
- Finally, and I will preface that we certainly can have an entire future Rotary discussion dedicated to this topic, but in 1996 David Rusk, in his report (page 19) proposed the County government increase its tax rate to support the cost of municipal services to offset concentrations of exempt real estate. The entire County would pay to support the costs to provide services to the exempt organizations that we all rely upon and support. It was a good idea in 1996, it's a good idea today. It is property tax reform at its core and it time we seriously consider it.

It's worth addressing Act 47 for a brief moment. Act 47 is the state law that governs a municipality declaring financial distress. A recovery plan is developed and implemented that hopes to stabilize the ship.

Act 47 has been discussed in York for well over a decade. When I first took office, I asked a panel of community stakeholders to vet Act 47. At the time, the recommendation was Act 47 carries no significant value to it. Today, 47 remains an option but admittedly it is not a solution. York has been designated by the state as distressed since 2005. That has opened the door to financial planners and grant funding. The state recently took action to amend Act 47, making it less effective. The City is currently developing its third 5 year financial strategic plan. I will evaluate that report and its recommendations as we continue to weigh the pros and cons to Act 47.