



## OFFICE OF THE CITY MANAGER

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March 19, 2013

To Mayor Miller and Members of the City Council:

As per the City of Oneonta Charter, the City Manager is required to complete a "State of the City Report" as soon as practical in the beginning of the New Year. Although the Finance Department is closing the 2012 financial statements, the attached report will identify many of the financial issues that the city must be aware of.

While there is not a standard formula for the information contained in this report, I have tried to give historical data and information of the city over the last three (3) or so years. This data varies depending upon the information available. Much of this is actual data, while more current years are utilizing budgeted figures. Depending upon the information available, if actual numbers are not available, then adopted budget data is used. This may be confusing when going through the various slides. My intent is to identify trends that the Mayor and Council should be aware as the city moves through uncertain times ahead. I plan to verbally discuss the various financial slides contained within the first 13 pages of the document that were prepared by our Director of Finance Meg Hungerford which played a valuable role in the development and presentation of this overall report.

I can make the following observations that summarize the findings contained within:

- The NYCOM indicates that there are only 9 cities out of the 61 cities in the State of New York that are financially solvent at this time and that the City of Oneonta is one of these few.
- Over the last ten (10) years, the city has during the early years, collected more revenue than its expenditures which has led to an accumulation of "Fund Balance" that the city has available.

## State of the City of Oneonta, New York 2012

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- Since 2008, the national and statewide economic downturn has had a serious impact on all of the cities across the State of New York which has affected sales tax revenues, interest earnings, mortgage recording fees, the values of home and the ability of residents to continue to pay increased property taxes and fees.
- Governor Andrew Cuomo proposed and had the legislation adopted that has significantly limited all municipal and governmental organizations from raising additional revenues by the “Adoption of the 2% Tax Levy Cap”. This has severely reduced the government’s ability to raise additional revenues unless there is a public hearing and super majority vote to exceed the tax levy cap.
- The property tax revenue for Oneonta is approximately 29.4% of our total revenues in 2012 which equates to a Tax Cap limited increase of \$85,454 or about 0.058% of our entire budget (much less than 2%) as the tax levy is only a small portion of our revenues.
- The New York State Comptroller has significantly raised the municipal retirement fund contribution rates to compensate for the 2008 stock market losses. This has added undo stress on local governments across the entire state. As the only individual responsible, he can set the rate annually at will. Since 2008, the city’s retirement contributions alone have grown from \$616,892 to \$1,478,465 in 2012 or an increase of \$861,573.
- The “Healthcare and Education Reconciliation Act of 2010” (HR 4872) and the “Patient Protection and Affordable Care Act” has been put into effect. The true cost of implementing Health Care legislation for the City of Oneonta in future years is uncertain.
- Over the last three (3) years, the total budgeted cost of operations for the city has grown nearly \$3 million dollars; this includes Capital Projects of \$739,000 added to the budget in 2012. Historically, funding for Capital Projects has not been part of the adopted budget.
- During this same time, the General Fund cost of personnel (salaries and benefits) has increased nearly \$1 million which is about one third of the increased overall costs. The General Fund Revenue grew by \$1,075,997.
- The number of city staff has decreased from 139 to the current level of 129 or a reduction of 7.2% of the workforce over this same three (3) year period.



## State of the City of Oneonta, New York 2012

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- For the entire organization, the cost of Retirement and Health Insurance costs of \$2,842,375 in 2008 have risen to \$4,144,629 in 2012 or \$1,302,254 increase in four years or a 45.8% increase.
- The New York State Aid for Municipal Governments (AIM) has been reduced in recent years. Governor Cuomo has vowed that governments in general need to cut costs and / or merge with others. In 2008, the city received \$2,349,730 in AIM revenue which over the last three (3) years was reduced \$117,873 to the 2011 amount of \$2,231,857.
- Sales Tax revenues dropped since the 2008 downturn in the economy and have recently returned to about the same level. Otsego County Sales Tax collection is trailing the State of New York numbers. We collected \$4,014,045 in 2008 and \$4,049,177 in 2011, an increase of only \$35,132.
- The General Fund for 2012 is \$14,781,568 or 74.2% of the overall adopted budget of \$19,921,485.
- The city budget includes the use of “Fund Balance” over the last several years due to increased overall operating expenses. While the city still maintains a strong Fund Balance, long-term operating deficits will erode this position.
- The Five-Year Budget Forecast that the city has been using is a good tool to anticipate long-term effects of short-term budgeting decisions.
- On a more positive note, the city completed Phase One of the Spruce Street reconstruction, the Dietz Street Parking Lot and the Methane dome system for the Waste Water Treatment Plant. These are long term investments in the community that were much needed.
- The Johnson Controls Project was a \$2.4m major initiative, blended roof replacements with energy savings and new \$1.5m water meter system to control energy costs. The energy savings are projects to cover the additional debt costs.
- The City also implemented the KVS accounting software system which all departments utilize and has been a major factor in efficiency measures.
- Mayor Miller has been correct when describing that the City of Oneonta must reconfigure our spending / or revenues to balance operating budgets.

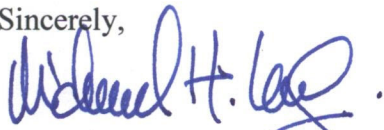
## State of the City of Oneonta, New York 2012

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- In Conclusion – I hope that this will lead to a discussion of “level of service” that the city will continue to provide balanced by increased consideration of revenues to offset increased expenses.

I am available to discuss this report in much further detail. This exercise will form the baseline data that will be used over the next several years to chart progress. As soon as actual year end data is available, we shall prepare a report to the City Council on the final numbers. All of the Department Heads are working diligently to decrease operating costs and at the same time increase revenues.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael H. Long".

Michael H. Long, ICMA-CM  
City Manager

Enc: State of the City Report 2012