



City of Niagara Falls, New York

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October 1, 2009

Dear Honorable Members of the Niagara Falls City Council:

I am happy to present to you today the recommended Municipal Budget for the City of Niagara Falls for the year 2010. Last year, I presented you with a balanced budget achieved without increasing the tax levy. At that time, I also warned you that we might be witnessing the "calm before the storm," and that a number of major uncertainties lay ahead.

Some of those uncertainties have now come into sharper focus. I warned last year that the collapse of Wall Street would inevitably impact our costs under the State pension fund; that has now come to pass, with an impact in our 2010 budget of approximately \$700,000 in additional costs. The City's interest income, which had provided a significant boost to revenues in 2009, was similarly impacted, with a projected decrease of \$900,000 from 2009 to 2010.

Another storm cloud on the horizon identified in last year's speech was uncertainty about the future of Aid and Incentives to Municipalities (AIM), which ironically was initially conceived as a way for State government to provide a consistent and reliable source of general fund relief to needy municipalities. Well, I don't have to tell you that New York State is in difficult shape itself, and it would not be unreasonable to ask who is in a position to rescue whom. As a result of cuts in the AIM program, the City--like other cities across the State--will receive less than anticipated; in our case, a reduction of approximately \$302,000. Wages are expected to rise by approximately \$400,000 largely as a result of contractual obligations, such as step increases and longevity while we lost a \$400,000 revenue with the end of PILOT

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payments from TOPS Supermarkets, we project a \$200,000 decrease in the Gross Receipts Tax, and we lost \$200,000 in reimbursement from the New York State Courts as a result of changes in the administration of our Municipal Safety Building. It doesn't take a degree in economics to see the trend emerging here of decreasing revenues and increases in some unavoidable costs.

Luckily, the benefits of some past good decisions will help mitigate the impact of this whip-saw effect. Changes in how we purchase our health care coverage, including switching to a different broker, are projected to save us approximately \$1.5 million in 2010. Utilizing a system of regularly-scheduled department-head meetings, the rule was imposed early-on that all departments should be prepared to hold the line at the 2009 level of expenditures, which—given inevitable increases in the cost of living that impact many expense items—effectively means a cut in real expenditures for 2010.

Last year, we were extremely conservative in our projection of Sales Tax revenues, which substantially exceeded our estimates; so much so that, even anticipating a 5% decrease from actual 2009 revenues in 2010, we feel we can safely budget for \$300,000 more in revenues than we did last year. With the removal of the experimental meter system from downtown, we also feel confident that we can anticipate an increase of approximately \$100,000 in revenue from enforcement of violations of the 2-hour parking rule. These savings alone, however, are not enough to balance the increase in expenses. So other measures are required.

We will deploy \$1.5 million of our remaining AIM fund balance in 2010 to help close the gap. This will leave \$1.1 million for use in subsequent years. We are

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addition, we are choosing to use \$1 million less of General Fund Revenues, and \$1 million more of casino revenues, to make our annual payment to USA Niagara Development Corporation in support of the operation of the Niagara Falls Conference Center. This will allow us to provide property tax relief while remaining consistent with Section 99-h of the General Municipal Law.

Times are indeed tough, and the pressure on budgets is great. Nevertheless, as in our 2009 budget, we remain committed for 2010 to the policy of no tax levy increase; i.e., no increase in the amount the City takes from the private sector through the property tax. It is what you demanded, it is what we promised, and it is what we are delivering. The levy will remain the same at \$27,374,235.

There was bad news and good news in terms of the assessed valuation of taxable property. The bad news is that homestead valuation (the value of residential properties) fell by about \$183,000, largely as a result of demolitions of once-tax-producing vacant houses. Last year, we had to write-off over \$10.4 million in assessed valuation of non-homestead commercial and industrial property; largely as a result of state-required changes in the special franchise assessment program. This year there is good news. The value of commercial and industrial properties in the City increased by approximately \$22.7 million – the first such increase in many years.. We got back more than double what we had to write off last year. So overall, assessed valuation was up over \$22.5 million, thanks to business and industry. Please note this increase is not the result of any upward reassessment but instead a product of new construction and the end of tax pilots.

After consultation with the Council, we agreed to continue the City's long-term

After consultation with the Council, we agreed to continue the City's long-term commitment to equalization of homestead and non-homestead taxes by again making a 10% shift. The fiscal discipline to continue on the path of equalization even during tough times may be one of the factors which is causing businesses to take a second look at Niagara Falls, resulting in the very direct and positive impact on taxable valuation noted earlier. Every dollar of taxes paid by businesses is a dollar less that has to be paid by residents. But the way to maximize the business community's contribution is to make the community more business friendly, not charge them almost twice as much per dollar of assessed value, as was past practice. Applying the 10% shift for 2010 results in a homestead base proportion of 54.42545 and a non-homestead proportion of 45.57455.

Combining the commitment to no increase in the tax levy with the commitment to continue the 10% shift toward eventual equalization results in a homestead property tax rate of \$17.14 per \$1,000 of assessed value and a non-homestead rate of \$30.59. This represents a marginal increase of about \$.25 per \$1,000 of value (1.46%) for homestead properties, and a decrease of about \$2.35 per \$1,000 of assessed value (7.14%) for commercial and industrial properties. Fund balance—the security we set aside for “rainy day” contingencies and emergencies—is projected at \$4 million or 5% of annual expenditures – a sign of fiscal stability especially in these hard times.

In the City's 2009 budget address, I spoke about the “calm before the storm.” Well, now the storm has hit—a tsunami of tough economic news that has impacted every community across our nation, with our home state of New York particularly hard hit. But I am happy to report that, even with the tsunami at full swell, our head

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is still above water. We are holding our own. And that, after all, is what surviving an economic crisis is all about: finding a way to keep your head above water until the day when the waters finally subside, which—after a longer or shorter period of time—they always do. Under the circumstances, as a result of the hard work, discipline and sacrifice of many people, I think we're doing pretty well. But the general fund budget alone does not tell the whole story.

Our City is lucky to have sources of revenue available to it that do not depend on the property tax levy. We will continue our disciplined and determined policy to use casino revenues wisely for the purchase of capital equipment, the resurfacing of our streets, and other critical infrastructure improvements, and to allow the City to further grow our future tax base through participation in forward-looking economic development projects. We are proud to say we will pave a record number of streets in our in-house paving program this year, using some innovative new equipment purchased with casino revenues to give our men and women the tools they need to get the job done. This, by the way, is on top of \$5.1 million in stimulus funded paving. We will continue to use our Greenway dollars—provided through the relicensing agreement with the New York Power Authority—to improve waterfront parks and trails and develop heritage tourism sites. These non-tax revenues are a precious resource which can help jump-start economic recovery and grow the future tax base.

In my State-of-the-City address, I said my goal was to make progress in advancing our City's well-being even while the economic situation of our State and nation was difficult, hoping to position ourselves for rapid growth at the end of the current period of recession. Keeping a steady and sure hand on the fiscal tiller is a critical part of that strategy; because we are up to the task, a bright future lies ahead.

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Shopping and visitation will return to, then surpass, pre-recession levels. The real estate market will stabilize, then steadily improve. Private investment will follow public investment downtown, and the green collar job market will expand. There will be more people and businesses paying taxes to support essential City services, and hence a lighter burden for each to carry. Eventually, decades of economic decline will be reversed. But in order to get to that better future, we have to hold the line on taxes, and hence expenses, today. So that, as you can see, is what we're going to do.

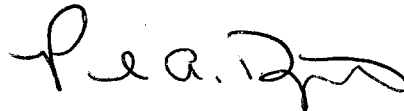
The budget we are presenting today did not arise in a vacuum. Rather, it is the result of a process set in motion months ago by City Administrator Donna Owens and City Controller Maria Brown. Each of our City department heads has answered the Controller's call to control costs, while simultaneously heeding the Administrator's call to maximize the delivery of essential services. Their combined message: "give the taxpayers more services for less money." I think that's what we've done, delivering expanded and improved services without increasing the tax levy. It wasn't easy. I want to thank City Administrator Donna Owens, City Controller Maria Brown, the Finance Department staff, and all the department heads and staff who worked selflessly to get the job done. Finally, in an innovative process designed to get comments in early and craft a truly consensus document, City Council members were invited to sit in from the very first budget meetings with the departments. I want to single out departing Council Chairman Chris Robins for his dedication this year and last in working on budget issues; his expertise and enthusiasm will both be sorely missed. All the Council members share in the accomplishments of this budget; their constructive attitude has helped shape policy decisions, and will make the budget review process easier for all concerned.

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Has the current economic crisis already reached its high water mark? Is the worst behind us? I certainly hope so, but it is difficult to say. What is absolutely certain is that if we want to be prepared to enjoy a return to prosperity in the future, we have to be smart and disciplined today. Many cost-cutting measures and innovations have been included in this budget, and increases in discretionary expenses avoided. The proposed budget of \$79,186,337 represents a decrease of \$1,674,490, or 2%, from the 2009 adopted budget of \$80,860,827

All municipalities in New York State face tough times ahead, but I believe the opportunities available to us in Niagara Falls for future economic growth are real and substantial. Look around at what is happening in our City. We've made some great progress already, but there's a long way still to go. Together, let's keep moving forward.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Paul A. Dyster". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Paul A. Dyster, PhD

Mayor