



## 2013 FISCAL PROFILE

# CITY OF SYRACUSE

### Overview

The City of Syracuse is the fifth largest city in the State, with a population of 145,170 in 2010. While, like most upstate cities, Syracuse has lost a large portion of its population since the mid-twentieth century, this decline seems to have slowed – the City lost only 0.9 percent of its population from 2000 to 2010.

Currently, more than eight percent of the properties in the City could be seized for tax delinquency. Syracuse has taken advantage of the recently enacted Land Bank legislation to set up a Land Bank jointly with Onondaga County. This is meant to aid in the acquisition, management, and re-use of abandoned property.

Like Buffalo, Rochester and Yonkers, Syracuse has a dependent school district for which it must raise taxes and issue debt. As a result, the City has exhausted 68.6 percent and 52.9 percent of its constitutional tax and debt limits, respectively.

The City of Syracuse faces many of the same challenges as other upstate cities, including declining population and deteriorating industrial sector. However, it also has a larger than average percentage of its property tax base either exempt or delinquent. These factors, and growing fixed costs in the budgets of the City and the dependent school district, have created chronic budget gaps.

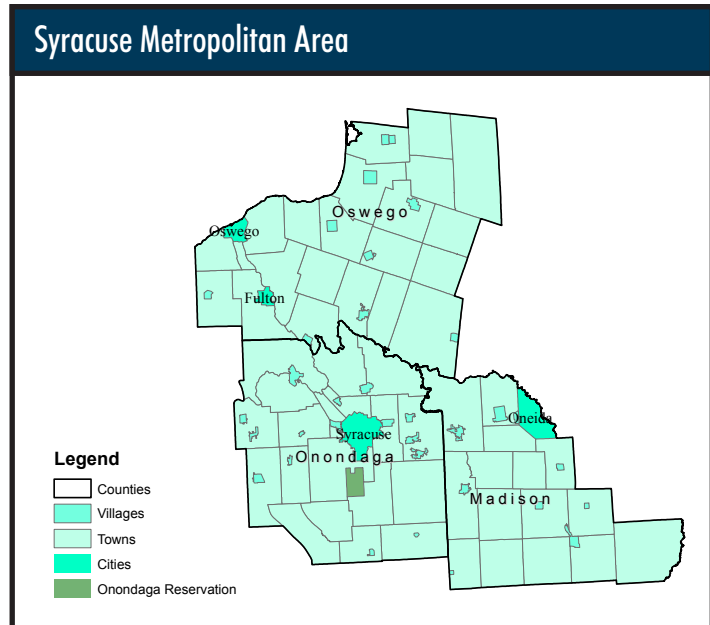
- Nearly half of the City's property is tax exempt, compared to only 32 percent for the median city in the State. 10.9 percent of properties in the City are vacant, compared to 9.2 percent for median city.
- Eight percent of the City's properties are tax delinquent. This and the high level of tax exemptions make it difficult for the City to collect revenues from property tax.
- The City has a large number of families living in poverty – 25.6 percent. The State average is only 10.8 percent.
- Revenues grew at an average annual rate of 3.7 percent from 2001 to 2011, compared to an average growth rate of 3.4 percent for all cities in the State.
- Over the decade, State aid grew at an average annual rate of 4.8 percent. At the same time, the real property taxes increased at an average annual rate of 3.1 percent.
- The City has outstanding debt of \$292 million and has exhausted 52.9 percent of its Constitutional Debt Limit, much higher than the 23 percent of debt limit used by the median city in the State.

## Population and Economic Factors

The City lost over a third of its population between 1950 and 2010, however the decline slowed to only a 0.9 percent decline from 2000 to 2010.

The City has a very large percentage of its families living in poverty, 25.6 percent, the second-highest rate for any city in the State and much higher than the statewide average of 10.8 percent.<sup>1</sup> It also has a relatively low median age – only 29.6, while the State median age is 38. Over 44 percent of those under 18 live in poverty – the third-highest rate in the State overall.<sup>2</sup>

The City's unemployment rate was 8.9 percent in November 2012, and has been near or over 9 percent since the beginning of 2009. This is significantly higher than the statewide rate of 7.9 percent in November 2012.



## Tax Base

Syracuse did not see a rapid rise in housing values before the latest recession, or the collapse that followed. Syracuse's property values have increased at only a 2.0 percent average annual rate from 2001 to 2011. Prices were fairly stagnant until 2006, and have increased at a somewhat faster 3.7 percent average annual rate since. Nearly half of the City's property is tax exempt – 49.5 percent, compared to 32.0 percent for the median city. This is due to the presence of Syracuse University and other colleges, as well as hospitals and government buildings. Meanwhile, eight percent of the properties are tax delinquent.<sup>3</sup> These factors limit the ability of the City to fully collect property taxes, and force it to be more dependent on other revenue sources. The City receives significant revenue from payments-in-lieu-of-taxes and user fees for such things as parking and utilities, which partially compensate for these property tax revenue limitations.

| Housing Statistics       |          |             |
|--------------------------|----------|-------------|
|                          | Syracuse | Median City |
| <b>Home Ownership</b>    | 38.5%    | 49.5%       |
| <b>Median Home Value</b> | \$83,400 | \$96,000    |
| <b>Vacant Units</b>      | 10.9%    | 9.2%        |
| <b>Exempt from Tax</b>   | 49.5%    | 32.0%       |

| Percent of Constitutional Tax Limit Exhausted 2012 |       |
|--|-------|
| <b>Buffalo</b>                                     | 71.2% |
| <b>Rochester</b>                                   | 74.9% |
| <b>Syracuse</b>                                    | 68.6% |
| <b>Yonkers</b>                                     | 68.2% |

<sup>1</sup> The City's poverty rate is 31.1 percent, compared to 25.6 percent of families living in poverty. The poverty rate captures college students.

<sup>2</sup> Throughout this report, references to all cities or median city exclude New York City.

<sup>3</sup> Office of the Mayor, *2012 State of the City Address*, January 26, 2012.

The City has exhausted 68.6 percent of its Constitutional Tax Limit. And, since the City is required to direct some of its property tax revenue to the school district, its flexibility under this limit is further restricted.

## Revenues and Expenditures

The City's revenues grew at an average annual rate of 3.7 percent from 2001 to 2011, compared to an average growth rate of 3.4 percent for all cities in the State.<sup>4</sup>

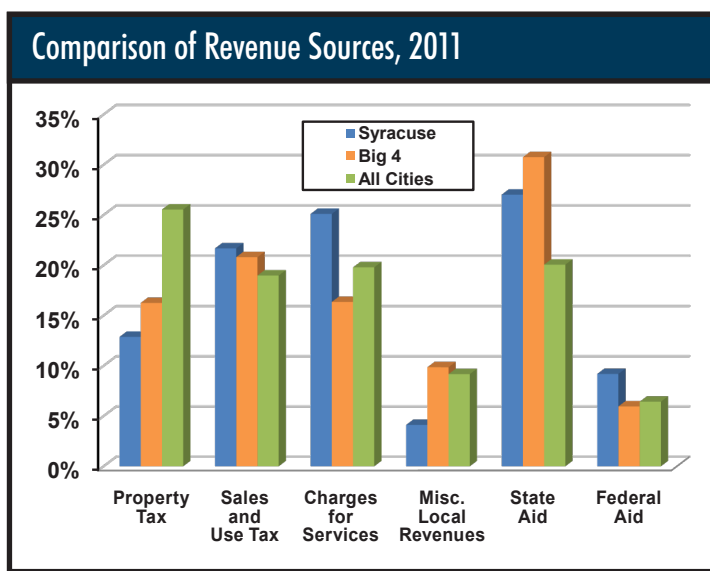
State aid grew at an average annual rate of 4.8 percent. In 2011, it accounted for 27 percent of the City's revenue. This is higher than the 20 percent for all cities in the State, but lower than the 31 percent for the "Big Four" cities (cities that have dependent school districts – not including New York City, namely Buffalo, Rochester, Syracuse and Yonkers). State aid is largely beyond the City's control and has been declining in recent years.

Between state fiscal year 2008-09 and 2012-13, Aid and Incentives for Municipalities (AIM) payments (which represent the majority of State aid for cities) decreased by \$43.7 million. Syracuse alone lost \$4.3 million in AIM from state fiscal year 2008-09 to 2012-13. Syracuse received \$494 in AIM per capita in 2012-13, more than the \$147 for the median city, but lower than the \$536 average for the other Big 4 cities.

The City gets 25 percent of revenue from charges for services (such as transportation and utility fees), while Big Four cities get only 16 percent and all cities 20 percent. Property taxes make up only 13 percent of City revenues, lower than the 26 percent for all cities and the 16 percent for Big Four cities. Real property taxes grew at a 3.1 percent average annual rate between 2001 and 2011.

The 22 percent share from sales tax was higher than the 19 percent for all cities and 21 percent for Big Four cities. The City negotiated a new 10-year sales tax sharing agreement with the county in 2010, which reduced the City's share in 2011 by about \$10 million, but will restore much of this revenue in subsequent years, eventually giving the City about 24 percent of the County's sales tax collections.

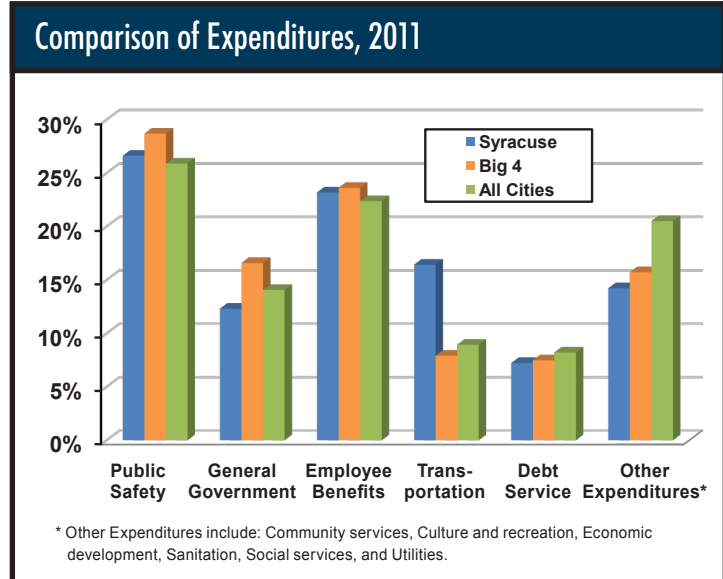
The Syracuse City School District is a dependent school district. School district revenues grew at an average annual rate of 4.3 percent from 2001 to 2011. Aid from the State and federal governments grew more rapidly over this period (average annual rates of 4.2 percent and 6.3 percent, respectively) than property taxes (3.6 percent average annual rate).



<sup>4</sup> Preliminary 2012 financial data is available for Syracuse. However, for comparative purposes this report will use data from 2001 to 2011.

Expenditures for the City of Syracuse increased at an average annual rate of 4.0 percent from 2001 to 2011, compared to a growth rate of 3.4 percent for all cities in the state.

Like most other cities, Syracuse spends a large amount on public safety (police and fire protection), 27 percent of expenditures, compared to 29 percent in Big Four cities and 26 percent in all cities. Employee benefits (health insurance, pension contributions, etc.) make up 23 percent of expenditures, very close to the 24 percent in Big Four cities, and 22 percent in all cities. Employee benefits also have been growing more rapidly than expenditures for other services, at a 10.3 percent average annual rate from 2001 to 2011. Syracuse spent significantly more on transportation in 2011, 16 percent of expenditures, while Big Four cities spent 8 percent and all cities spent 9 percent. This is in part because the City operated an airport, which has since been spun off into a separate public authority.



## Current and Projected Budget Situation

The City's General Fund had a balance of \$39.5 million in 2011, or about 18.6 percent of total revenues. This balance had declined by 37 percent from \$63.0 million in 2008.

The City's budget for FY 2012-13 grew by 3.7 percent and was balanced without the use of any of the prior year fund balance. The City did receive \$20.9 million as a one-time "spin-up" of State aid.<sup>5</sup> Current City revenue and expenditure projections show that, with moderate budget assumptions, Syracuse would deplete all of its available fund balance in the next few fiscal years. The City has taken measures to address its fiscal situation by recently negotiating contracts with several of its employee unions that provide no salary increases.

The Syracuse City School District's budget for fiscal year 2012-13 increased by 9.5 percent over the prior school year budget. The school district used \$10 million in budget surplus in fiscal year 2011-12, and was able to replace this and cover the rest of the increase in expenditures with a \$44.9 million increase in State aid.

<sup>5</sup> A spin-up is an accelerated payment of State aid that was scheduled to be paid in a later year.

## Bond Ratings and Debt

Moody's has given the City a municipal bond rate of A1 – indicating upper-medium grade and low credit risk. Analysts find that the City has a “satisfactory financial position,” based on a stable tax base due, in part, to the presence of higher education and health care organizations but that this is expected to come under some pressure due to the City's planned use of reserves and high reliance on intergovernmental funding and “economically-sensitive” sales tax revenues. Moody's also found that the City's debt burden is high, and likely to stay that way. The City regularly borrows for short-term cash flow purposes.

Standard & Poor's has given Syracuse an A- rating, indicating a strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances. They noted the high unemployment rate, low income levels, and stagnant property tax base. They also credited the City with a strong financial position, though general fund reserves have declined, and a moderate overall debt burden.

| Percent of Constitutional Debt Limit Exhausted 2011 |       |
|---|-------|
| <b>Buffalo</b>                                      | 57.3% |
| <b>Rochester</b>                                    | 60.8% |
| <b>Syracuse</b>                                     | 52.9% |
| <b>Yonkers</b>                                      | 18.4% |

The City had outstanding debt of \$292 million at the end of 2011, and had exhausted 52.9 percent of its Constitutional Debt Limit. This is significantly higher than the median for all cities of 22 percent of debt limit exhausted, but only third highest of the Big Four cities. On the other hand, debt service was 7.2 percent of revenues in 2011, lower than the 8.2 percent average for all cities in the State, and lower than the 7.5 average of the Big Four cities.

The City and school district have also established a Joint School Construction Board to undertake certain school building projects. Thus far \$140 million has been borrowed for school construction and renovation. This debt is not subject to the City's Constitutional Debt Limit, since it is issued through the City of Syracuse Industrial Development Agency.

## Syracuse vs. All Cities and New York State

| Population 2010: 145,170                               | City of Syracuse | All Cities (excluding NYC) |           | New York State |
|--|------------------|----------------------------|-----------|----------------|
|  |                  | Median                     | Aggregate |                |
| <b>Demographic Indicators</b>                          |                  |                            |           |                |
| Percent Change in Population 1950-2010                 | -34%             | -20%                       | -25%      | 31%            |
| Median Household Income, 2010                          | \$30,891         | \$37,607                   | N/A       | \$55,603       |
| Percentage of Families in Poverty 2010                 | 25.6%            | 13.7%                      | 16.6%     | 10.8%          |
| Unemployment Rate November 2012                        | 8.9%             | N/A                        | N/A       | 7.9%           |
| <b>Property Value Indicators</b>                       |                  |                            |           |                |
| Median Home Value 2010                                 | \$83,400         | \$96,000                   | N/A       | \$303,900      |
| Percent Change in Full Value 2007-2012                 | 15.8%            | 11.6%                      | -1.3%     | 5.4%           |
| Owner-Occupied Housing Units 2010                      | 38.5%            | 49.5%                      | 45.4%     | 53.3%          |
| Property Vacancy Rate 2010                             | 10.9%            | 9.2%                       | 10.4%     | 9.7%           |
| Percentage of Property Value That is Tax Exempt 2010   | 49.5%            | 32.0%                      | 34.9%     | 25.6%          |
| <b>Revenue and Tax Indicators</b>                      |                  |                            |           |                |
| State Revenue Sharing Aid (AIM) per Capita SFY 2012-13 | \$494.31         | \$146.80                   | \$289.50  | N/A            |
| Tax Limit Exhausted 2012                               | 69%              | 44%                        | N/A       | N/A            |
| GF Unreserved Fund Balance as a % of Revenue 2007      | 23.4%            | 13.1%                      | 15.7%     | N/A            |
| GF Unreserved Fund Balance as a % of Revenue 2011      | 18.6%            | 10.1%                      | 13.2%     | N/A            |

Source: U.S. Census Bureau, American Community Survey, 5-year estimates, 2006-2010 and 2010 Census; Department of Taxation and Finance; New York State Labor Department; Office of the State Comptroller.

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