Overview

The City of Elmira is the county seat and civic center of Chemung County, located in the Southern Tier of New York and a short distance north of the Pennsylvania state line. Since its peak of 49,716 residents in 1950, the City has lost over 41 percent of its population. Given its high percentage of families in poverty, high unemployment and below-average wealth, the City faces significant socioeconomic challenges.

The City of Elmira has taken measures to control expenditures through management efficiencies, while still recognizing the importance of investment in infrastructure and economic development initiatives. Externally, the City is working to accommodate the increased commercial activity and demand for housing that is being driven by the hydrofracking industry just across the border and by its connection to the new Interstate 86. Internally, Elmira has participated in shared services programs with Chemung County for purchasing, the administration of programs, and for information technology (IT) functions, which has produced cost savings and efficiencies over the past several years.

Moody’s Investors Service and Standard and Poor’s Ratings Services have commented on the improvements to Elmira’s financial position, in spite of the relatively low wealth level and above-average debt burden.

- The City’s unemployment rate was 10.7 percent in December 2012, which was significantly higher than the statewide rate of 8.5 percent.
- Elmira’s median household income of $29,488 is about half the statewide median ($56,951). Over 26 percent of City families live in poverty, compared to 11.0 percent statewide.
- On an average annual basis, the City’s total revenues increased 4.1 percent from 2001 to 2011, compared to 3.4 percent for all cities, while City expenditures increased by 3.1 percent over this period, compared to a growth rate of 3.4 percent for all cities.
- The higher rate of growth in revenues and slower rate of growth in expenditures has allowed Elmira to rebuild a healthy fund balance and reduce its reliance on short-term debt.
- The City has exhausted 52.7 percent of its constitutional tax limit.
Population and Economic Factors

The City’s population peaked at 49,716 in 1950, but then declined by a total of 41 percent from 1950 to 2010, including a decline of 5.6 percent between 2000 to 2010.

The average unemployment rate in Elmira was 10.7 percent in 2012, compared to 8.5 percent for New York State. The City has had an annual unemployment rate of over 9.0 percent since 2009 and has been consistently higher than the statewide rate since at least 1990. In 2011, the City’s median household income ($29,488) was just more than half of the statewide median household income ($56,951). Over 26 percent of all Elmira families are considered to be living in poverty—more than double the statewide rate of 11 percent.

Tax Base

Elmira did not see a rapid rise in housing values before the latest recession, and therefore did not suffer as greatly in the collapse that followed. The full value of property in Elmira increased at an average annual rate of 1.8 percent from 2002 to 2012. Even through the housing crisis Elmira’s full value growth continued at 1.7 percent annually, outpacing the negative aggregate growth for cities statewide over the last four years.

While homeownership rates (46.9 percent) are just below that of the median city (50.5 percent), Elmira’s median home value ($65,300) is significantly lower than the median city home value ($99,700).

Over 41 percent of all wholly tax-exempt properties in Chemung County are located within the City limits. Exemptions account for 36.7 percent of the City’s total valuation. Elmira ranks near the top third of all New York cities in share of total property that is tax-exempt. Having a high density of exempt properties located within the City places a disproportionate burden on the taxpaying residents and causes the City to depend more heavily on other revenue sources.
In 2012, the City had exhausted 52.7 percent of its constitutional tax limit (CTL), higher than the median city CTL of 43.6 percent, leaving it with an available tax margin of $5.8 million.

Elmira is one of the New York cities bordering Pennsylvania where hydrofracking activity appears to have bolstered economic activity for some time. But a comparison of Moody’s Investors Service rating reports issued just one year apart (May 2012 and April 2013) for Elmira shows a changing picture. Where City management had commented that hotels and restaurants in the region were at full capacity in 2012, Moody’s now reports that lower natural gas prices and reduced drilling in the last year have dampened the trend enough to see a change in local sales tax revenues.

The City continues to invest in its infrastructure and revitalization efforts. Recently, it has partnered with the State Department of Transportation and invested over $4 million of federal funds in its roads and bridges. The City has also invested heavily in its economic development and is taking advantage of its location along the recently designated Interstate 86.

Revenues and Expenditures

Elmira’s revenues grew at an average annual rate of 4.1 percent from 2001 to 2011, compared to a 3.4 average annual rate for all cities in the State.

Charges for services (mainly water and sanitation fees) and property taxes are the largest components of the City’s revenue mix, at 23.4 percent and 23.2 percent of total City revenues, respectively.

Elmira received 17.2 percent of its revenue from sales and use taxes, lower than the average of 20.5 percent for all of the cities in the State, but sales and use tax revenue grew at an average annual rate of 4.2 percent from 2001 to 2011, compared to the 3.2 percent growth rate for all cities. Ratings agencies have speculated on the economic consequences of Elmira’s proximity to the Pennsylvania border, namely the fluctuations in sales and use taxes from hydraulic fracturing activities.
Federal aid comprised 15.2 percent of Elmira's total revenues in 2011, although on average for the previous five years the City received 6.8 percent of total revenues from federal aid, which is comparable to other cities statewide. The recent aid was received under the federal Transportation Improvement Project (TIP) fund and, with a nominal local contribution, was used for full-depth road reconstructions, sidewalks and lighting, and to construct and repair main streets in a multiyear effort to revitalize the City. As such, the 20.6 percent of total 2011 expenditures related to transportation costs in 2011 are significantly higher than for all cities (9.0 percent) and higher than Elmira's average for the past decade (14.9 percent).

The City is less reliant on State aid than other cities in New York, receiving 15.1 percent of its revenues from this source, compared to 20 percent for all cities. Between State fiscal years 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 overall, and Elmira lost over $242,000. In the 2012-13 State fiscal year, Elmira received $156.81 in AIM per capita. This is lower than the average for cities statewide ($289.50) but slightly higher than statewide per capita figure if the Big Four cities are excluded ($153.01).³

The City’s expenditures grew at an average annual rate of 3.1 percent between 2001 and 2011, compared to 3.4 percent for all cities.

Like most cities, Elmira’s expenditures are dominated by a combination of public safety (police and fire services, etc.) and employee benefit costs (health insurance and pension contributions, etc.), which together comprise 41.4 percent of total expenditures. Transportation expenditures accounted for a sizable 20.6 percent driven primarily by the reconstruction and revitalization projects noted above. The City also spent more on utilities (water) than other cities (10.6 percent compared to 4.8 percent); management cites an unexpected increase in material costs as driving the spending growth in 2011.⁴
Current and Projected Budget Situation

Elmira’s higher rate of revenue growth and slower rate of spending has allowed the City to rebuild a healthy fund balance from a negative $2.39 million in 2006 to a positive $3.96 million in 2011 (7.8 percent of expenditures). In 2011, the City used $1.4 million of fund balance to fill a deficit in its parking authority fund and reorganized the function to prevent future deficits. The City’s multiyear projections indicate that the available fund balance will be needed to offset deficits in the near future, which could be cause for concern. Indeed, City projections show 2012 ending with an unplanned general fund operating deficit to be filled with fund balance, and the 2013 adopted budget appropriates another $728,000 of fund balance to partly close an operating gap.

The City has also reduced its reliance on temporary debt by not issuing revenue anticipation notes (RANs) in 2012, a standard practice in prior years, and is not planning to issue short-term debt in 2013.

Bond Ratings and Debt

Moody’s Investors Service confirmed the City’s debt rating of A2 in April 2013, which reflects the City’s improved financial position as a consequence of conservative budget management and represents a marked improvement since its 2008 Baa3 rating. The rating also reflects the City’s limited tax base with wealth levels well below State and national averages, an above-average but manageable debt burden and the City’s reliance on economically sensitive sales tax revenues. Moody’s added a negative outlook to the rating, citing the City’s unaudited 2012 data which shows an increasingly large share of revenues needed to fund pension contributions, a sharp drop in sales tax revenues, and last year’s loss of a manufacturing plant as contributing factors in the City’s ability to maintain structurally balanced budgets and adequate fund balance in the near future.

In August 2012, Standard & Poor’s Ratings Services (S&P) affirmed its A- rating on Elmira’s general obligation bonds, with a positive outlook. S&P views the City’s stable local economy with access to employment in the greater Elmira-Chemung County metropolitan area and its maintenance of a strong financial position (despite decreases in State aid revenues in recent years) as credits to the City. The positives are partially offset by the City’s adequate-to-low income and wealth levels, uncertainties presented by pending labor contract negotiations, and a moderately high overall net debt burden on a market value basis.

Elmira’s debt as a percentage of full value of 5.7 percent is higher than the median city’s (3.0 percent), although the City’s total debt of $36.3 million is lower than it was a decade ago. Elmira fares better than the median city on a debt per capita measure ($1,243 vs. $1,369) and on debt service costs as a percentage of total revenues (6.6 percent vs. 8.7 percent). Recent debt issuances have been for capital improvement projects to revitalize and maintain infrastructure for economic development.
### Elmir vs. All Cities and New York State

**Population 2010: 29,200**

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<tr>
<th>Demographic Indicators</th>
<th>City of Elmira</th>
<th>All Cities (excluding NYC)</th>
<th>New York State</th>
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</thead>
<tbody>
<tr>
<td>Percentage Change in Population,1950-2010</td>
<td>-41.3%</td>
<td>-20%</td>
<td>-25%</td>
</tr>
<tr>
<td>Median Household Income, 2011</td>
<td>$29,488</td>
<td>$38,699</td>
<td>N/A</td>
</tr>
<tr>
<td>Percentage of Families in Poverty, 2011</td>
<td>26.4%</td>
<td>15.1%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Unemployment Rate, 2012</td>
<td>10.7%</td>
<td>9.2%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Property Value Indicators</th>
<th>City of Elmira</th>
<th>All Cities (excluding NYC)</th>
<th>New York State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Home Value, 2011</td>
<td>$65,300</td>
<td>$99,700</td>
<td>N/A</td>
</tr>
<tr>
<td>Percentage Change in Full Value, 2007-2012</td>
<td>12.0%</td>
<td>11.6%</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Owner-Occupied Housing Units, 2011</td>
<td>46.9%</td>
<td>50.5%</td>
<td>35.9%</td>
</tr>
<tr>
<td>Property Vacancy Rate, 2011</td>
<td>10.8%</td>
<td>10.4%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Percentage of Property Value That Is Tax Exempt, 2011</td>
<td>36.7%</td>
<td>32.3%</td>
<td>35.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue and Tax Indicators</th>
<th>City of Elmira</th>
<th>All Cities (excluding NYC)</th>
<th>New York State</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Revenue Sharing Aid (AIM) per Capita, SFY 2012-13</td>
<td>$156.81</td>
<td>$146.80</td>
<td>$289.50</td>
</tr>
<tr>
<td>Tax Limit Exhausted, 2012</td>
<td>52.7%</td>
<td>44%</td>
<td>N/A</td>
</tr>
<tr>
<td>GF Unreserved Fund Balance as a Percentage of Revenue, 2007</td>
<td>-0.1%</td>
<td>13.4%</td>
<td>15.7%</td>
</tr>
<tr>
<td>GF Unreserved Fund Balance as a Percentage of Revenue, 2011</td>
<td>13.2%</td>
<td>13.3%</td>
<td>12.9%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, American Community Survey, 5-year estimates, 2007-2011 and 2010 Census; Department of Taxation and Finance; New York State Labor Department; Office of the State Comptroller.

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1. Throughout this report, references to all cities or to the median city exclude New York City.
3. The Big Four cities are: Buffalo, Rochester, Syracuse, and Yonkers.
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