



## 2013 FISCAL PROFILE

# CITY OF BINGHAMTON

### Overview

The City of Binghamton is the center of the Binghamton metropolitan statistical area, comprising Broome and Tioga counties, which is home to about 250,000 residents. Between 1950 and 2000, the population of the City itself declined by 41 percent, although it has remained relatively stable since then.

A significant portion of the metropolitan area's manufacturing industry has been lost in recent decades. The region's defense-based employers, such as Lockheed Martin, were forced to reduce the size of their workforce as federal defense spending was cut. Meanwhile, high tech employers, including IBM and Endicott Interconnect, have also reduced employment significantly in the region. The manufacturing decline has contributed to the City's high rates of unemployment and poverty compared to statewide averages.

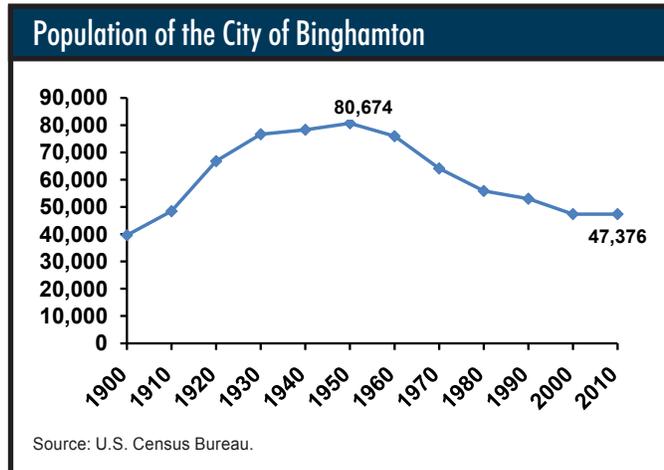
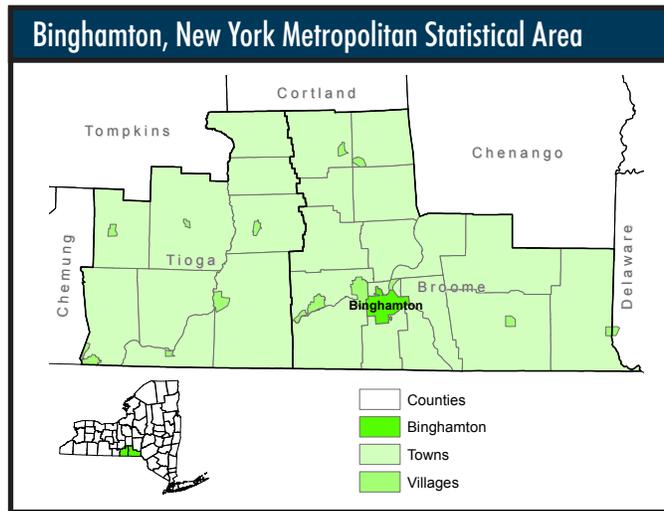
Binghamton must also contend with constraints upon its ability to raise revenues, including proximity to its constitutional tax limit and a recent change in County sales tax distribution.

- Binghamton's total revenues, on an average annual basis, increased 4.9 percent from 2001 to 2011, compared to 3.4 percent for all cities. City expenditures increased by 3.6 percent over this period, compared to a growth rate of 3.4 percent for all cities.
- Binghamton's unemployment rate was 9.2 percent in 2012, which was higher than the statewide rate of 8.2 percent.
- The City's median household income (\$30,267) is lower than the median city's median household income (\$38,699). Almost 42 percent of City children live in poverty, compared to 28 percent for the median city.
- The City has exhausted 86 percent of its constitutional tax limit, reducing its flexibility to raise property taxes. A recent change in the distribution of County sales tax further limits the City's revenue stream.
- The full value of property in the City increased at a 3.7 percent average annual rate from 2000 to 2012.

## Population and Economic Factors

Binghamton's population was 47,376 in 2010 and declined by 41 percent between 1950 and 2000. The population has since stabilized, with virtually no change in population between 2000 and 2010.

The City's annual unemployment rate was 9.2 percent in 2012, compared to 8.2 percent for the State. Binghamton's annual unemployment rate has been at least 9 percent since 2009, and consistently higher than the statewide rate since 2005. The City's median household income (\$30,267) is 53 percent of the statewide median household income (\$56,951), and somewhat lower than the median city's median household income (\$38,699).<sup>1</sup> The rate of poverty among children under the age of 18 is more than double the statewide rate, 41.9 percent compared to 20.3 percent, and also higher than the median city rate of 28.1 percent. Binghamton ranks seventh among the State's cities in the rate of poverty among children.



<sup>1</sup> Throughout this report, references to all cities or to the median city exclude New York City.

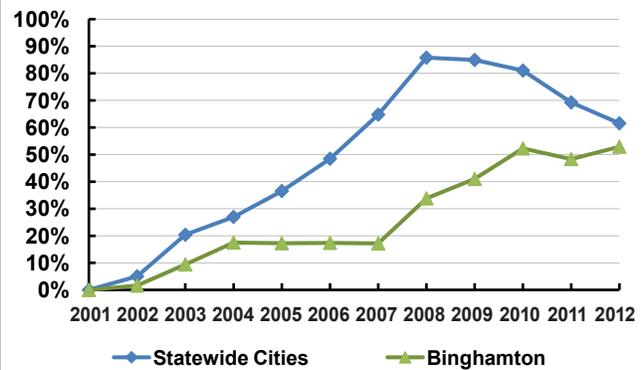
## Tax Base

The full value of property in Binghamton had an average annual increase of 3.7 percent from 2001 to 2012, a bit slower than the average annual growth of 4.4 percent for all of the cities in the State. The average annual increase accelerated to 9.1 from 2007 to 2010, and Binghamton's property values were climbing most rapidly even as other cities' property values were beginning to decline. Since 2010, property values in Binghamton have leveled out, while values have continued to decline in cities overall.

Homeownership rates are below the median for cities, as are home values, and vacancy rates are higher than for the median city. In 2013, the State approved Broome County's application to create a Land Bank, a not-for-profit corporation that, among other things, can hold, manage, and develop tax delinquent or foreclosed properties in order to promote homeownership and revitalization of these properties.<sup>2</sup>

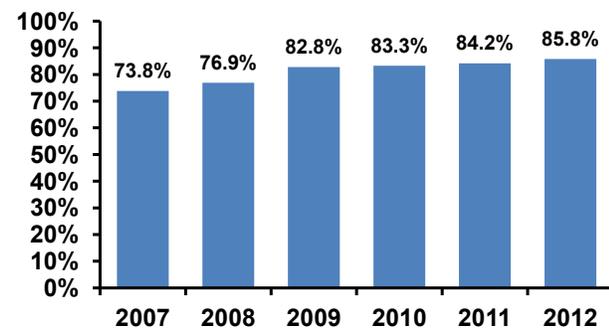
Binghamton has exhausted approximately 86 percent of its constitutional tax limit (CTL) in 2012, and the percentage of tax limit exhausted has been increasing recently, despite the fact that Broome County has "guaranteed" tax collections for the City and the Binghamton City School District since 2006.<sup>3</sup> The City has an available tax margin of \$4.3 million, limiting its flexibility to raise property taxes.

Cumulative Percentage Change in Full Value, 2001-2012



Source: Office of the State Comptroller.

Constitutional Tax Limit Exhausted



Source: Office of the State Comptroller.

<sup>2</sup> Not-for-Profit Corporation Law, article 16; Broome County Awarded Land Bank Program <http://www.gbroomecounty.com/countexec/broome-county-awarded-land-bank-program>.

<sup>3</sup> City of Binghamton *Official Statement*, May 15, 2012.

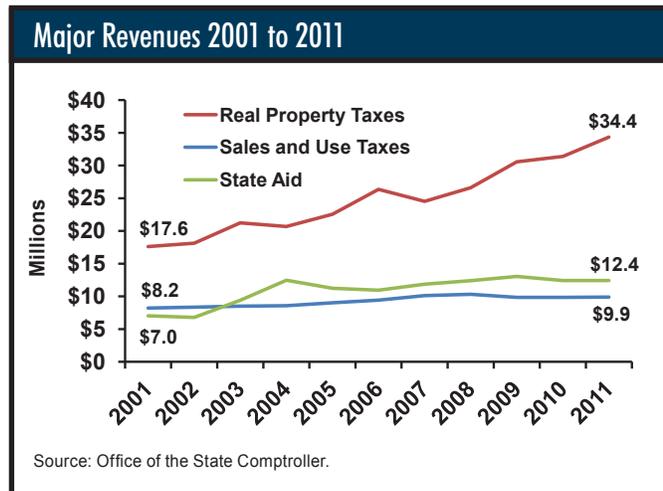
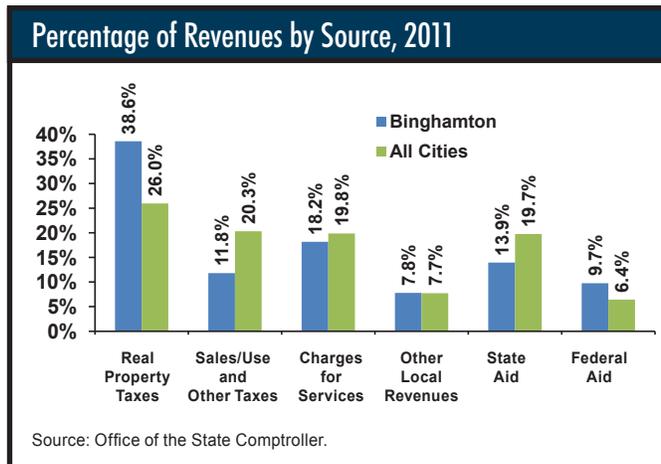
## Revenues and Expenditures

Binghamton collected \$89.1 million in revenues in 2011, 61 percent more than in 2001, reflecting an average annual increase of 4.9 percent.<sup>4</sup> This compares to a 3.4 average annual rate for all cities in the State.

The property tax accounted for 38.6 percent of the City's revenues in 2011, significantly higher than for all cities in the State (26.0 percent). Property tax revenues also grew from 2001 to 2011 at a much faster rate (6.9 percent average annually), than for all cities (3.7 percent). This growth rate is unsustainable without further substantial full value increases, given the City's proximity to its CTL.

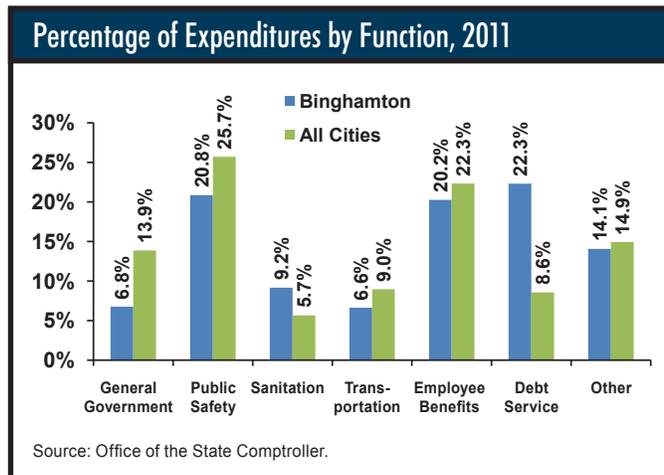
Binghamton received 11.8 percent of its revenue from the sales tax, lower than the 20.3 percent for all cities in the State. Sales tax revenue grew at a 1.9 percent average annual rate from 2001 to 2011. Due to a change in the distribution of Broome County sales tax to municipalities within the County (effective January 1, 2010), instead of the City getting a proportional share of any year-over-year growth in the County's sales tax collections, as was the case before, the increase was limited to no more than 0.5 percent in 2010, 1 percent in 2011, 1.5 percent in 2012 and 2 percent in 2013 and thereafter. This further limits Binghamton's local revenue growth.

The City relies on State aid for 13.9 percent of its revenues, compared to 19.7 percent for all cities statewide. State aid to Binghamton increased at an annual rate of 5.9 percent from 2001 to 2011. Even though relative reliance on State aid is low compared with all cities in aggregate, the City received \$262 in State aid per capita in 2011, slightly higher than the \$223 that went to the median city.



<sup>4</sup> As of July 10, 2013, Binghamton had not filed its 2012 financial data with OSC. Therefore, this report uses 2011 and earlier financial data.

Binghamton's expenditures grew at an average annual rate of 3.6 percent between 2001 and 2011, compared to 3.4 percent for all cities. As with most cities, Binghamton'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 account for more than 41 percent of expenditures. The City also had very high debt service costs in 2011, as discussed further in the "Bond Ratings and Debt" section.

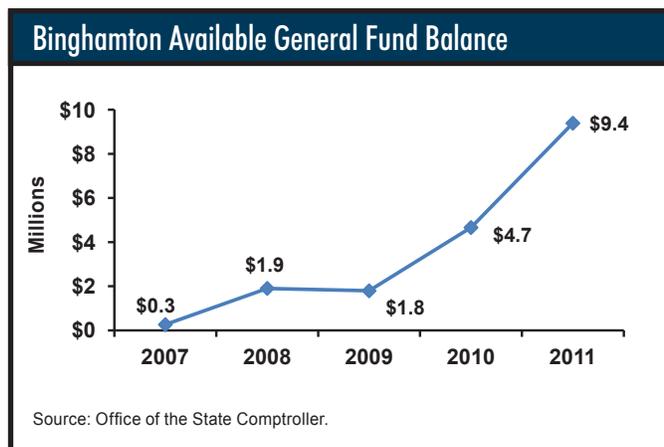


## Recent Developments

The City continues to recover from the flooding that affected the entire Broome County area in September 2011. Estimates show \$3 million to \$5 million in damages to City infrastructure assets and another \$23 million to \$25 million in damages to the sewage treatment plant owned jointly with the Village of Johnson City, some of which will be recovered through State and federal assistance.<sup>5</sup>

## Current Budget Condition

Between 2009 and 2011, the City's available fund balance in the general fund grew from \$1.8 million to \$9.4 million, or 17.5 percent of general fund expenditures. This is considerably higher than the 10.9 percent for the median city.<sup>6</sup> The City's cash ratio (cash and investments divided by liabilities) was 165 percent in 2011, near the 170 percent for the median city.



<sup>5</sup> *Official Statement*, May 2012; City officials point to a May 2013 estimate by an engineering firm, which suggests that the total costs of repair to the damages to the sewage treatment plant could be \$93 million to \$102 million. These costs would be shared between Binghamton and Johnson City, and would be largely reimbursed, though the municipalities would have to borrow upfront.

<sup>6</sup> For this purpose, "available fund balance" is all fund balance that is not restricted, committed, or appropriated.

A 2011 Office of the State Comptroller (OSC) audit report, which examined the City's financial operations for the period from January 1, 2008 to August 17, 2010, found that that the City had cash flow problems and that financial records were not adequately maintained.<sup>7</sup>

In June 2013, OSC instituted a Fiscal Stress Monitoring System as a way to help evaluate local governments and school districts relative to a number of financial and environmental stress indicators. Since Binghamton has not filed its 2012 financial data with OSC, it has not yet been assigned a fiscal stress score.<sup>8</sup>

## Bond Ratings and Debt

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City's long-term general obligation debt was downgraded by Moody's Investor Services to A2 from A1 in January 2013. The rating report noted concerns with low and declining wealth levels, a high debt burden, and financially weak enterprise funds. Moody's analysts also were particularly concerned about a lack of financial statements from the City since 2010, including audited financial reports and financial reports to OSC. Moody's affirmed the A2 rating in April 2013, and changed the outlook from negative to stable, reflecting consecutive projected surpluses in the general fund and the stability created by a significant institutional presence.<sup>9</sup>

While Binghamton's debt is high, it has been declining in recent years. The City's end-of-year outstanding debt has decreased by 10.5 percent from 2008 to 2011 (\$129.6 to \$115.9 million). Per capita debt (\$2,447) in 2011 remains well above that of the median city (\$1,403). Debt service costs as a percentage of revenue (24.9 percent) were well above the median city's (8.8 percent) in 2011. However, this is partially the result of debt refinancing and the repayment of principal on a halted project, together totaling about \$10 million. If this amount is excluded, then debt service costs would have been only 13.1 percent of revenues in 2011.

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<sup>7</sup> Office of the New York State Comptroller, *City of Binghamton: Financial Operations*, 2011 M-17, <http://www.osc.state.ny.us/localgov/audits/cities/2011/binghamton.pdf>.

<sup>8</sup> The City's financial report was due on May 1, 2013.

<sup>9</sup> Moody's Investor Service reports dated January 31, 2013, and April 22, 2013.

## Binghamton vs. All Cities and New York State

Population 2010: 47,376	City of Binghamton	All Cities (excluding NYC)		New York State
		Median	Aggregate	
<b>Demographic Statistics</b>				
Percentage Change in Population, 1950-2010	-41%	-20%	-25%	31%
Percentage Change in Population, 2000-2010	0.0%	0.5%	-1.4%	2.1%
Median Household Income, 2011	\$30,267	\$38,699	N/A	\$56,951
Child Poverty Rate, 2011	41.9%	28.1%	N/A	20.3%
Unemployment Rate, 2012	9.2%	N/A	N/A	8.2%
<b>Property Value Statistics</b>				
Median Home Value, 2011	\$83,700	\$99,700	N/A	\$301,000
Owner-Occupied Housing Units, 2011	46.4%	50.5%	35.9%	54.8%
Property Vacancy Rate, 2011	14.9%	10.4%	10.0%	10.7%
Percentage of Property Value That Is Tax Exempt, 2011	33.3%	32.3%	35.4%	26.2%
<b>Revenue and Tax Statistics</b>				
State Aid per Capita, 2011	\$262.21	\$222.79	\$380.14	N/A
Available General Fund Balance as a Percentage of Expenditures, 2011 <sup>(a)</sup>	17.5%	10.9%	7.3%	N/A
Tax Limit Exhausted, 2012	86%	44%	N/A	N/A
Cash Ratio, 2011 <sup>(b)</sup>	165%	170%	111%	N/A
Debt Service as a Percentage of Revenues, 2011	24.9%	8.9%	9.2%	N/A

(a) For these purposes, available fund balance is all fund balance that is not restricted, committed, or appropriated.

(b) Cash Ratio is combined funds cash and investments divided by current liabilities.

Source: U.S. Census Bureau; New York Department of Taxation and Finance; New York State Labor Department; Office of the State Comptroller.

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