

BUDGET MESSAGE

Executive Summary

Pursuant to the City Charter, this document is written to present the *City Manager's Fiscal Year 2017/2018 Budget Recommendation*. The adoption of the budget is the most significant action taken by the City Council each year. It authorizes the allocation of resources and establishes priorities and direction for City services and programs for the upcoming year. This budget is fiscally balanced with no use of one-time revenues to fund on-going operations. The funding priorities outlined in this budget are consistent with the goals and objectives established by City Council in the City's Strategic Plan. Fiscal accountability is achieved by the development of the annual budget and multi-year financial plans.

New to this budget

"Our goal is that for every nickel our citizens contribute, they will receive a quarter back in investment in the City,"

This year's budget is structured upon *one foundational goal*: to achieve \$100 million in additional investments within the next five years – by the year 2022. To offer a perspective, it has taken the City 10 years to achieve that level of investment in the past; so essentially, *we want to double our speed of investment*. The reader will notice some new language usually associated with the private business world – return on investment or ROI. While government is NOT and should not become a profit center, municipal officials must see themselves as accountable for wise and strategic investment of the public's trust and money. We want to begin the discussion of the return on citizen investment. That return comes in the forms of dollars invested in infrastructure like roads, sidewalks, equipment and water supply, housing improvement programs and parks as well as in external investment by residents, business owners and developers. Our goal is that for every nickel our citizens contribute they will receive a quarter back in City investment.

Our budget also offers four distinct priorities on which we must focus in order to achieve the foundational goal: FOCUS on growth, operational excellence, neighborhood investment and BIG Collaborative projects. As you read through the materials, we encourage you to consider how you might join us in focusing on these four priorities. We welcome feedback, and are keenly aware that a City with involved and engaged citizens is a City that can succeed. We have studied many municipal models in developing our strategy – some which led to great success and others that led to abysmal failure. One common ingredient in each success was that when citizens were

involved and passionate about a common goal, positive things happened. It truly takes an all-in approach to move any organization forward. We invite you to be “all in” on our shared journey to \$100 million.

Budget Overview

Evidence of the City’s climb from crisis (and lowered public confidence) began to show itself in 2012 when the City’s

bond rating was upgraded to an A1. In October 2015, Batavia became only the third city in New York State to achieve the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the annual budget. This award, along with the International City and County Managers Association’s recognition of our best in class strategic plan, demonstrated the

commitment that City Council and staff have to meeting the highest principles of municipal planning and budgeting. As a result of this dedicated work, our March 31, 2016 total fund balance was just over \$8.4 million, providing strong financial reserves and solid footing to make the necessary capital investments for a recovering economy. Indeed, we have invested as can be seen over the past five year’s commitment to millions of dollars in roads, sidewalks, and water and sewer infrastructure improvements. We’ve also attracted new small businesses, seen the expansion of existing businesses and finally have our first Batavia Opportunity Area (BOA) site transferred over to the Batavia Development Corporation for development by a highly respected and regionally successful developer. As we are recognized for excellence by the outside world, we have begun to rebuild trust with our citizens and move ahead with confidence and focus.

Unabashed
[uhn-uh-basht]

Adjective meaning not ashamed, disconcerted or apologetic; boldly certain of one’s position.



We are pleased to be able to recommend a budget that keeps our tax rate under the allowable tax cap. Remaining under the tax cap has proven very difficult for most of our local and regional governments. Our City vision developed by City Council in 2011 states that we will “proactively consider our financial picture and how we might best use our finances to help us achieve our mission,” and we remain focused on that vision and are grateful that our conservative budgeting and citizen commitment has allowed us to be in such a healthy position. We are ready to turn our focus to an unabashed “all in” approach to growth. We need to see ourselves as leaders in

our state as we achieve another tenant of our vision to “serve as a model for other small cities in its approach to an overall positive quality of life for all its community members.”

One Foundational Goal

Our budgets through the year 2022 will be built upon a single large foundational goal: to achieve \$100 million in new investments in the City of Batavia. While we have begun to realize large investments in our City, the goal will not be easy. It will require us to maintain our focus on growth and not become distracted by the urgent and unimportant tasks that often derail organizations. It will require operational excellence which will mean some level of investment in upgraded systems and keen attention and investment in talent management and leadership development. It will mean targeting our neighborhoods in a way that delivers the most bang for our buck, and it means taking time and making resources available to lead, facilitate and advance what we are referring to as BIG collaborative projects - those that involve multiple organizations and have tremendous financial impact.

Four Priorities to Get Us There

1. FOCUS on Growth

The City and its strategic partner, the Batavia Development Corporation (BDC), experienced an all-time high in 2016 with over \$15 million of private investment pledged for Batavia for the upcoming years - demonstrating significant return on investment for the City’s partnership with the BDC. The BDC secured \$1.9 million for the Ellicott Station project which closes in on \$5 million

Did you know?

The latest New York State Department of Transportation traffic counts show the highest traffic within Genesee County, excluding the portion of the New York State Thruway running through the county, is along Route 5 in the City of Batavia, which averages 17,019 cars per day.

of stacked incentives for the project slated to break ground this year. In addition, and with the assistance of a \$500,000 grant from the state, local investors will begin a \$2 million investment renovating 109-111 Main Street in downtown Batavia just after the New Year. The project includes complete exterior improvements and interior renovations of the property that will transform it to a mixed use facility, providing seven apartments on the top floors and two food and beverage

retail spaces on the first floor with additional space in the rear of the building for future development. 109 Main Street will house freshLAB, a new restaurant incubator concept that has become popular in metropolitan areas across the country. In 2016, the City realized over \$300,000 of investment by existing and new entrepreneurs.

In addition, 2016 was the busiest construction season for the City since 1990. In total the Department of Public Works managed over \$8 million of capital improvements and construction projects, all of which came at or under budget. These projects included the complete reconstruction of Summit Street (with sidewalks and water replacement), replacement of Washington Street and sewer line and resurfacing, replacement of 9,720 linear feet of sidewalk, resurfacing of over 14,520 linear feet of roads, removal of 2,790 tons of dry sludge from the wastewater treatment plant and the completion of the City's Master Plan. In the queue for next year is over 12,000 linear feet of sidewalk replacement, sewer line replacement for Elm Street, water line replacements for Elm, Vine and Chase Park, Dwyer Stadium and wastewater plant improvements. In total, the 2017/18 proposed budget has more than \$5 million of capital and infrastructure improvements.

When the City and the BDC applied for Governor Cuomo's Downtown Revitalization Grant last year, the application listed the many successes the City has had (mainly over the past five years) as it relates to downtown revitalization. Behind each success have been countless hours of work and re-work in order to hoist ourselves out of a hole and onto solid ground. Fortunately, we've come to a time in our development as a City during which we can fully focus on growth. We must

"The small towns and cities of America are once again becoming the new frontier for development." Investment Ready Places Preamble

be **"investment ready"** in every way possible by gauging our true development potential and aligning all that we have to seize that potential. The Downtown Revitalization Initiative (for which Batavia was a finalist) called for communities to demonstrate strong future growth priorities. In our application we spoke to many successes and how the time was ripe for Batavia with the recent prosperity of Buffalo and

planned growth of Rochester and Genesee County. We are in the midst of a perfect storm. Without the ability and discipline to spend time on the most important things that contribute to growth, we will be left behind.

2. Operational Excellence

A recent article on local economic development and competitiveness published by the International City Management Association says that, "because local governments are at the intersection through which most business creation must flow, this regulatory and administrative gateway needs to be supportive and transparent, and local governments need to create an environment conducive to businesses." (*Local Economic Development and Competitiveness*, ICMA.org.) In other words, the City needs to consider every interaction in which it serves businesses and ensure we provide the best possible service, and we need to be innovative to find the best answers. If we compare ourselves to other local, regional and statewide communities,

we might not be maximizing our own capabilities. We need to question codes, policies, hours available, employee training and knowledge base to discover where we need to improve.

Our ultimate goal is that a business will find it so easy to grow and flourish in or locate to Batavia that that owner can't imagine doing business anywhere else. We have made recent changes to sign codes with more code changes planned, and our comprehensive plan, once complete, will provide us with a lot of feedback in this area.

Another part of Operational Excellence is making sure that we have efficient systems. The City has been operating with a piece-meal technology finance and administrative software system for the past three decades. In 2017, we are embarking on a mission to clearly define our enterprise needs both now and in the future and to find, purchase and implement a comprehensive enterprise resource planning system over the next three years. This project will also help us to become more business- and citizen-friendly as we will be able to provide for the ability to perform many tasks (like bill payment and permit-applications) on-line.

The final area of importance under operational excellence is talent management. The International Public Management Association for Human Resources (IPMA-HR) 2020 report on public sector human resources said that less than 4 out of 10 public organizations reported they were even slightly prepared for the challenges of recruiting, retaining and rewarding top talent in the next five years. Batavia is no different. A decade of union contracts with annual salary increases at a rate higher than the eleven management employees has left the City with a salary inequity making it a nearly impossible task to promote from within the organization for senior level managers. It makes little sense that anyone would agree to take on more responsibility and work longer hours for less pay and fewer benefits. Batavia is not alone in this scenario, and we must be creative in our strategies to attract top talent while making sure we don't widen this pay equity gap any further. In addition we will look at our recruiting and hiring practices to make sure we

Why is innovation Important?

In order to attract investment, we have to be more competitive than surrounding cities. Take a look below at the 2015 New York State Infrastructure Scorecard – the state's overall GPA was a C-. If we are going to be innovative and attract investment and talent, we need to benchmark the best, not the barely good enough.

Drinking Water Grade **C**

Parks Grade **B-**

Roads Grade **D-**

Wastewater Grade **D**

Source: 2015 Report Card for New York's Infrastructure, American Society of Civil Engineers

are acting as effective ambassadors for our City. This is a job for every employee in the organization and indeed, for each citizen as well.

3. Neighborhood Investment

The City has been making home investment a priority for the past three years, and an aggressive effort to lead the way in New York State in combating “Zombie” homes has led

to several wins for Batavia. Last September the City received a \$66,500 grant to further combat zombie homes. Objectives of the grant include the development of a strategy that clearly outlines how the City will connect those at-risk homeowners with pre-foreclosure counseling services, establish strategies for redevelopment of zombie homes and develop an active base of zombie properties. In November, the City was again successful in having a bank front the cost of demolishing a home beyond repair; and in 2015 the City was the first in the state to adopt a “Zombie” home exemption providing a robust incentive to redevelop vacant properties. The City currently is working with local lenders on a mortgage package for financing a zombie home conversion.

Since 2008 the City Council has transferred foreclosed single-family homes to Habitat for Humanity for redevelopment. In every instance deserving families, after hundreds of hours of sweat equity, have moved into a newly refurbished homes to raise their families. In 2016, two additional former City properties, were completely rehabilitated by Habitat and are now occupied. Additionally in 2014 the City was awarded a \$400,000 Community Development Block Grant (CDBG) from the NYS Office of Community Renewal to provide housing rehabilitation grants for single-family, owner-occupied households. The grant was fully executed in 2016, helping 17 homeowners with improvements.

Finally, in April of 2016, the City was accepted in to the National Flood Insurance Program’s Community Rating System (NFIP CRS) at a Level 7 – becoming the fourth top-ranked community statewide. For flood insurance policies that renewed after October 1, 2016, residents and business owners in the City’s Special Flood Hazard Area (SFHA) are and will continue receiving a 15% discount on NFIP policies. Those outside the SFHA will receive a 5% discount on these policies. The total annual savings for residents stands at over \$53,000 while continuing to improve flood mitigation efforts in our community.



4. BIG Collaborative Projects

BIG Collaborative Projects are always there and, as can be seen from the definition (see sidebar below), these projects are important and must be done correctly. Failure to spend the time to carefully map out a plan, specifically define objectives and develop a timeline will cost hundreds of thousands of dollars and waste valuable time and resources. Trust is the main ingredient in a BIG Collaborative Project, because without it, the project is destined to fail.

BIG Collaborative Project Defined

{BIG kuh-lab-uh-rey-tiv, -er-uh-tiv proj-ekt}

A noun

A project that involves one or more organizations and all of the following characteristics are true:

The outcome of the project will have a direct impact on the overall success or failure of all organizations involved.

The organizations need each other to be successful. Their success is interdependent.

The project's value is at least \$5 million.

All parties must feel confident that the other organizations are invested in a mutually beneficial outcome. The thinking that successful BIG Collaborative Projects require is somewhat new to the public sector although it has been used in the private sector for many decades. Public sector officials and employees will need to determine how to accomplish important political and/or organizational agendas while building trust in those who represent organizations that compete for resources, positive media attention and citizen pride. The City will develop measurements for this area, as it will in all four strategic priorities, and we will carefully measure our progress. There are three BIG Collaborative Projects (or BIGCPs) on the docket for 2017: The mall resolution, executing a favorable sales tax agreement, and determining the future of our water supply. It is unusual for any organization (especially one of our size) to be involved with three simultaneous BIGCPs; yet we find ourselves in such a situation. It will be imperative to have open dialog

around resources needed and regular progress checks.

“We will lead and facilitate collaborative partnerships that support and enhance our vision and mission”.

City of Batavia vision

Summary

The City is proposing one foundational goal of reaching \$100 million in new investment by the year 2022. In order to do this, we propose concentrating on four priorities to get us there: a FOCUS on growth, operational excellence, neighborhood investment and BIG Collaborative Projects. We recognize that there is a great deal of work to do outside of these priority areas; however our goal is to FOCUS through minimizing distraction – aiming to spend more time planning, paying attention to measurements and dialoging with our constituents to make sure we stay on the same page. We are all in this together.



