City of Rochester: From an Industrial City to a Knowledge-based Economy

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EXECUTIVE SUMMARY

This paper summarizes Rochester's multipronged response to its fiscal challenges, and suggests why City leaders' combination of fiscal conservatism with innovative approaches appears to be moving the City in a positive direction.

The downturn of 2008 found Rochester already the poorest of any city in the State of New York, its core industries bankrupt or decamping, its affluent fleeing to suburbs, its school district performing worse than any, its property tax receipts dropping. But today, the credit rating industries give Rochester the highest marks, applauding the city for a fiscal conservatism that has built solid reserves in fiscally trying times.

Rochester's responses to fiscal stress rejected the conventional wisdom, which led many other cities to privatize services, slash workforces, employee pensions and benefits. Rochester, instead, re-thought its civic identity, reworked its operations, managed its expenditures and debt, and maximized current and potential revenues, to preserve city services and to minimize impact on its workforce.

With the highest incidence of poverty of any city in New York State--almost twice the statewide median--Rochester's property owners are unable to pay a level of property taxes that will sustain needed City services plus fund the fiscally dependent school district. So it has imposed some user fees and increased others (e.g., water, street sweeping and snow-plowing), but principally has turned to flexibility and efficiency in service delivery (e.g., semi-automated one-person garbage trucks that can double as snowplows; reassigning sanitation workers no longer needed on garbage collection routes to recycling operations and sharing use of some facilities and equipment with the Rochester City School District).

The City has also managed expenditures by reducing risk where possible—for example, imposing a hiring freeze, and reducing employee health care costs by negotiating with City unions to cap the City's annual increase, to establish a trust fund to cover excess claims, and to commit unions to share in managing City health care costs.

Closer to its borrowing limit than other NY cities, Rochester has enacted a self-imposed debt limit, taken advantage of the State's pension amortization program, and incurred very low-interest near-term debt to fund needed public works projects that also generate significant local payroll (including $325 million in building projects to renovate RCSD schools that will not count against the City's debt limit).

Finally, Rochester's regional importance inspires its philanthropists to invest in higher education to spur economic progress in the region (for example, the Golisano Institute for Sustainability at RIT). Those efforts dovetail with City partnerships to undertake major commercial developments and incentives for technology-based projects, such as renewable energy, health, and clean technology, benefiting both the City's tax base and the region's economy. Downtown revitalization, reinvestment in downtown neighborhoods, and support for small businesses through incubators and loan programs, further reinforce the transition to a knowledge-based economy.

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