

BROOME COUNTY BUDGET MESSAGE 2010

Good evening everyone. Chairman Reynolds, Majority Leader LaBare, Minority Leader Marinich, all of our legislators, thank you for this opportunity.

Members of the media, department heads and employees, as well as residents of Broome County thank you all for coming out tonight.

We are living in unprecedented times. We are facing extraordinary obstacles. We need, more than ever, to work together to solve these daunting challenges.

Before we get too far into this budget message, I did want to take a few moments to acknowledge the hard work of not only our budget office, Marie, Marty and Darlene, but of all the time and due diligence afforded this process by our department heads and their employees. It has really been a team effort.

Our department heads worked with us to trim expenses and increase revenues by almost \$4M. This was not an easy job but they understood and they worked with us. For those who did not work with us, we were forced to make cuts for them.

Between our state, local governments, and school districts, our property taxpayers have been squeezed beyond their ability to take much more.

We feel we have crafted a budget that balances our need to minimize the burden on our taxpayers while preserving

valuable county services.

I have heard so many comments about why we do not simply cut staff. In many situations we are doing just that. But cutting staff leads to cutting services. When you ask those same people about what services they would cut in order to meet their demands for cutting personnel, they are usually hard pressed to name the service they would sacrifice. What is an unnecessary service to one is necessary to another.

We are looking at cutting personnel. More importantly, we are looking top to bottom, at the way the county delivers its services. We have no choice. Our current operating procedures and existing forms of government at all levels are simply not sustainable.

CURRENT FISCAL CHALLENGES AND STRATEGIES

Before getting to next year, I wanted to address our financial challenges this year.

We are taking steps now to stave off financial turmoil in the 2009 current budget. We have already implemented a hiring freeze. We are not purchasing any new equipment. We are not allowing any taxpayer supported travel that is not mandated in the final quarter of 2009. We are asking department heads to freeze spending to the best of their ability. We still have mandated expenses but where we can cut, we will.

Additional measures will probably be necessary. I ask for support from this legislature and our residents as we work our

way through these chaotic times.

2010 BUDGET BY THE NUMBERS

With all of these challenges in mind, and following a tremendous amount of work, the 2010 Broome County budget is calling for a 3.79% increase. That would mean approximately an additional \$44 to the average taxpayer that owns an average \$80,000 home.

This spending plan represents a nearly \$353M appropriation for the next fiscal year. It also limits the increase in spending from a 5½ % increase last year to this year, to a 1½ % increase this year to next year.

No increase is a good increase, but we believe this strikes a balance between the demand on services that our residents require and the escalating costs of doing business.

In difficult times, there is a larger demand on county services. For example, our Department of Social Services has seen the number of families seeking assistance skyrocket. Our workforce office has been inundated with hundreds more people coming through the doors every month looking for assistance in finding a job.

Our library is seeing an influx of new and repeat users who are looking for additional resources as they begin their search for a job.

Our Meals on Wheels program is being stretched to the limit.

These are difficult times indeed. So as we put this spending plan together we took into consideration the need to keep providing these valuable services while again minimizing the extent of the tax rate increase.

STAFF REDUCTIONS AND OTHER CUTS

We are looking to reduce staff by 24 full time equivalent positions. This will remove nearly \$1.7M from our bottom line. These reductions are happening as a result of some offices restructuring the way they operate or simply going without key personnel to support services.

In addition, there will be no administrative raises next year. I know this is a tough blow for many families, but we simply cannot afford it. There were also a number of requests to upgrade positions. That is also not happening next year.

In addition, today, we are announcing an initiative to reduce the ranks of our personnel by offering an early retirement incentive. This effort still has to be approved by our legislators.

However, in anticipation of that approval, we will distribute the eligibility requirements in an email to all employees tomorrow.

Bottom line, we would plan to offer \$13,000 to any eligible employee. If the number of employees participating exceeds 50, the incentive will be \$16,000 and if more than 100 employees participate, the incentive will be \$20,000.

Our goal is to not replace all of the staff members who will leave.

However, we must certainly be cognizant if one department is hit harder than others in terms of losing personnel. We will reserve the right to manage the personnel decisions following this incentive offer.

I make this vow to you our legislators and to our taxpayers that the end result will be fewer personnel AND a reduction in taxpayer supported personnel costs. The savings will more than cover the expected costs of the incentive program.

PLANNING FOR THE FUTURE

When it comes to future personnel issues, I am also announcing that this administration is going to begin meeting with our department heads in January to begin mapping out a plan for 2011 and beyond.

Will this mean fewer services for our community? I can almost guarantee it. Will it mean fewer hours of operation for some of the offices that deal with the public? Again, I can almost guarantee it.

However, I can also guarantee that before any of these decisions are made, we will thoroughly investigate all of our options and we will make sure we balance the need for these services with the taxpayer support that is necessary to maintain that service.

I ask for this legislature's support when it comes time to make some of these changes. And I ask for the public's support and patience when some of these cuts in service impact them personally.

BC TRANSIT FARE TO INCREASE TWENTY FIVE CENTS

We did have to make at least one very tough decision for next year and it involves our Broome County Transit operations. We are facing the loss of nearly a \$250,000 transportation grant. That grant allowed us to have Sunday BC Transit hours, as well as extended hours at night. We really did not want to have to cut back on those hours. That would have been devastating for the riders who rely on that service.

However, we had to make up the revenue somehow. Unfortunately, that means an additional twenty five cents will be added to the current base fare. This brings the cost of one ride to \$1.50. There will be proportionate increases for all passes as well. This is a difficult move but we felt it was more important to salvage the service. Those who use the service will have to be called upon to pay a little more.

On a positive note, we are removing the charge for the transfer which is currently thirty cents. So the base rate will be a \$1.50, but there will be no transfer charges.

When compared to other cities of similar size, and even when compared to much larger cities, our \$1.50 is quite competitive.

In Buffalo, the fare is a \$1.75, but there is a thirty cent zone fare and a thirty five cent transfer charge. In Rochester, the base fare is a \$1.00, but riders need to pay for transfers. In Albany, the fares are a \$1.50 as well but there are no free transfers. Syracuse has a \$1.25 fare but they also charge a twenty five cent zone charge. And in Ithaca, they are currently at the same fare that we will charge, a \$1.50 with free transfers.

So I think we, Broome County, compare pretty well. We have also surveyed riders and they overwhelmingly said they would rather pay a little more than have us cut services.

CONTRACT AGENCIES FACE CUTS

We also had to take a very close look at our contract agencies. They all offer extremely important services in our community and we do value them. However, we simply cannot afford to maintain the level of support we have provided in the past. When times were good, we certainly increased support. However, we needed to look across the board and make the appropriate cuts where possible. All of the agencies have been cut back 12.5 %.

We will get through these tough times but there will be some pain. If we manage the issue, I think we can still provide the quality services that our residents have come to enjoy without the costs of those services driving our constituents away.

SOME POSITIVE NEWS

For a moment, let's touch on some of the highlights of 2009,

meaning the positive things that have happened so far this year. And yes, there were some good things.

I want to thank our federal leaders, especially Senator Schumer, who recognized that counties have been carrying a huge part of the Medicaid burden for years now. The stimulus provided billions of dollars to New York for Medicaid relief, with much of that money going directly to counties.

The funds, which are called F-MAP, will amount to an estimated \$7.4M in direct relief for Broome County in 2009 and an estimated \$6M in 2010.

Just so you can all understand the Medicaid burden that our local taxpayers have carried; Medicaid remains our number two overall expense with more than \$60M in local tax dollars underwriting this program in just the last two years.

In case anyone thinks this F-MAP money is a gift, I do not consider it a gift. I think it is a well deserved reimbursement that hopefully can be continued in some form or another in the future. If, however, it is not continued, we stand ready to make the tough choices that will be necessary!

Medicaid spending is a tremendous burden on our local taxpayers but we are not sitting idly by just accepting the bills we are given. We are taking a proactive approach.

Broome County has been actively partnering with the state in conducting Medicaid audits. This is a time consuming process, however, it has paid off.

We hope to soon be able to release details about a large settlement that will more than take care of any expenses related to implementing this program and it will return dollars to county coffers.

We are looking for fraud and abuse, but we are also simply looking for mistakes. Mistakes do happen and sometimes good people and good companies make mistakes.

Our goal is to protect the integrity of the Medicaid program and that is what we are attempting to do.

On another positive note, our Risk and Insurance Office has been doing an excellent job of reducing costs.

- Our 1100 Medicare-eligible retirees and dependents have been moved to the Aetna Medicare Advantage health plan. This results in an annual cash savings of about \$865,000. This also translated into a reduction of our GASB 45 liability of \$61M.
- The RationalMed program was added to our prescription drug plan. First year savings thru July are approximately \$87,000.
- And we have added a Preferred Drug Step Therapy program. Estimated savings for this change are expected to be over \$200,000 annually.

On another positive note, our Enterprise Resource Planning project or ERP is moving forward. The Human Capital

Management phase is completed. While we experienced a few bumps along the way, it was a successful implementation and we are now in the midst of the second phase, which will address our financial issues.

I promise when all is said and done, these software applications will go a long way towards improving the way we do business. It will also provide more accountability. This is something we were ordered to do by the New York State Comptroller's Office and we are complying with those orders. Down the road, it will also provide us more flexibility in providing services to other government entities in Broome County.

In 2008, fuel prices escalated beyond where anyone could have imagined. That put a tremendous amount of pressure on our budgets last year. This year, gas prices, while not exactly economical, are certainly at more manageable levels. We budgeted for additional large spikes in prices this year, and so far that has not happened. Consequently, we are able to apply those savings to this year's bottom line.

Broome County has also implemented a number of energy efficient measures to keep current and long term heating and cooling costs under control. Our Deputy Commissioner of Buildings and Grounds, Mike Lynch, and his staff are to be commended for initiating changes in the way we manage our buildings. The Department's Energy Action Team has changed light bulbs, installed solar panels on the roof of the County Office Building and replaced and repaired equipment to make the items run more efficiently. The estimated annual cost savings add up to nearly \$150,000.

I want to acknowledge our Library Director Lisa Wise and her staff for also recognizing and implementing additional ways to save energy. So far at the library this year, consumption is down 19.5% because of the changes implemented there. The library also received NYSERDA and New York State Public Library Construction Grants to add solar panels to the roof next year. This will take place using no local tax support, but will certainly go a long way in saving future local tax dollars.

CHALLENGING TIMES STILL AHEAD

While there are positive developments, times are still extremely tough. We hear the stories every day. I wanted to share some of the numbers behind these sobering news stories:

- Our sales tax figures are currently tracking 7% below 2008 levels.
- Health insurance remains our number one tax supported expense, still outpacing Medicaid. The estimated increases in rates for next year are in the 5% range.
- Medicaid will eat up nearly \$36M.
- Our pension costs are going up more than 50%.
- The number of installment agreements signed by our Real Property Tax Department has increased 50% over the yearly average of the last several years.

- Our unemployment rate reached heights this summer never before experienced in recent decades.
- Some of our largest and more entrenched companies are laying off workers.
- Broome County has been forced to sue New York State because they have left us holding the bag on a more than \$1M cleanup tab following the accident in the basement of the Governmental Plaza earlier this year.
- And after months of delay, New York still has not announced its rules for natural gas drilling in the Marcellus Shale in the state.

MARCELLUS SHALE DEVELOPMENT

Regarding natural gas drilling, we do expect to hear news any day now from New York's Department of Environmental Conservation.

After the DEC issues the latest version of the Supplemental General Environmental Impact Statement, there will be a public comment period. It is our hope that drilling permits will be issued starting soon into 2010.

This will be good news for our landowners, for our local businesses, and for Broome County which has land to lease, benefitting taxpayers and our community as a whole.

I know not everyone sees eye to eye on this issue, but I stand by my administration's strong belief that we can benefit from this industry, while at the same time protecting our environment.

The Economic Impact Statement commissioned by my office talks about a potential impact in the billions of dollars in direct and indirect benefit. We do see the economic impact, but we also understand and seriously hold tight the need to protect our environment. Without a safe, clean environment, we have nothing.

We have expressed our concerns about potential environmental impacts to the DEC and to the federal government on multiple occasions.

We are not going into this blindly. We have done our research. We believe this industry, if allowed to develop and regulated appropriately, can contribute in a positive way to our community in the future.

CONSOLIDATION AND SHARED SERVICES

Before wrapping up I did want to touch on shared services and consolidation. Under our current circumstances, how could I not? However, I want this to be a hopeful message, not one that focuses on dire consequences.

We have a community right here in Broome County that is taking historic and unprecedented steps to make change. I think we should all salute the residents and the leaders in

Johnson City. They have undertaken this incredible challenge. First, they did the work to get the referendum on the ballot. Then, they did an amazing job of figuring out a way to cover all of the services currently provided under the current form of government.

I have seen their plan. I had also been consulted on some of the matters that involved Broome County Government, specifically the Sheriff's Office.

I have to tell you I think the committee performed its task admirably. Will services be 100% the way they were before? Probably not. However, for communities not going through this process, I can almost guarantee that the services enjoyed by your residents today will not be the same in the future either.

As I mentioned at the beginning of this speech, our current forms of government are simply not sustainable. Does this mean we have to collapse and consolidate all into one form of government? Absolutely not!

I continue my pledge here today that we stand ready to work with anyone who is willing to seriously discuss ways in which we can provide more effective and affordable services to our residents.

But short of that, I encourage you all to work together on your own efforts to find ways to provide some of your services to a broader population, while reducing the tax burden on all of our residents.

One large government may not be the answer, but I think we have reached some conclusions that with 1 city, 16 towns and 7 villages, there could be some reductions in the number of government entities.

Our Attorney General, Andrew Cuomo, has certainly reached this conclusion, and I applaud his efforts to provide for ways in which governments can more easily effect change. I encourage you to read his ideas about consolidation.

I think physically bringing some of our governments together can be done and done well. It is certainly possible between villages and towns, and yes, even between neighboring towns.

I think we should all support the effort in Johnson City. It is a major undertaking, but they have done all of the heavy lifting. We as a community now need to stand by to assist with whatever happens. They are a role model and I hope they are successful in showing many of us and people across the state that change can actually be a good thing.

We are only as strong as the sum of our parts. And right now some of our towns and villages are in need of a little support. Some are doing quite well and should be recognized for their solid efforts. In fact, we hope we can count on some of these communities to help going forward.

If we cannot effect change now, I am not sure it will ever happen in our valley. We have been through, and continue to suffer the consequences of some of the most difficult times since the great depression. We are lucky that our country and

our community are in a much better situation to handle an economic crisis of this magnitude than we were in the 1930's.

However, I fear going forward that unless we undertake transformative change we will be facing many of these same challenges for decades to come.

CONCLUSION

I stand here today with a lot of hope that the people of our community who are known for their strong work ethic and innovative ways will step up to the challenge.

We will work with anyone who wants to work with us and we will stand by and support any efforts where our towns, villages, and city want to work together.

I know we will weather these turbulent times if we stick together and combine efforts.

We are a strong community with a resilient spirit. We have been tested many times, but we have always met the challenge. I am confident we will persevere. Thank you all again for coming out tonight, and I look forward to working with all of you to meet the challenges that are ahead of us!

Thank you!