

Broome County Executive's 2006 Budget Message

Good afternoon Chairman Schofield, Broome County Lawmakers, Broome County Department Heads, Broome County Employees, members of the media and guests. I am here today to deliver the Recommended 2006 Operating Budget and 6-year Capital Improvement Program.

This is my first budget address. Going into this process, I knew we faced many challenges. Many challenges remain but I am happy to report that through sound fiscal management we present today a balanced budget that presents a true and accurate picture of the County's finances.

I wanted to take a moment to recognize my Budget Director Donald Freed and Assistant Budget Director Nathaalie Maxwell. This has been a long tough process and I am proud of the work they have done. I especially want to recognize Don. It is difficult to match his many years of public service. His depth of knowledge also cannot be matched. I am grateful he agreed to be Broome County's Budget Director once again. He is truly one of Broome County's greatest assets.

I want to thank all of the Department Heads and the staffs of each department that participated in the budget process. It is not the most pleasant time of year. It must be done and all of you handled it with true professionalism.

Going into this budget process I vowed that we would not mortgage the future for short term financial benefits. We

propose to deal with our fiscal issues in a manner that will protect all tax payers both now and in the future.

We are working towards the goal of a structurally balanced budget. This is something Broome County has not seen in awhile. I appreciate the microscope this budget will be under. I know already that my administration has been under the microscope by many in this body. I have no problem with that. In fact I invite it. I only wish the microscope had been focused on some of these fiscal problems of the past and if they had we might not be faced with some of the issues we must deal with today.

We must always be vigilant in making sure the taxpayers dollars are being spent properly and effectively no matter what party holds this office.

2006 Recommended Budget

With that being said my 2006 Recommended Budget totals \$310 million dollars. If passed as is, there will be a 1.94% increase in spending and a 3.5% increase in the Broome County tax rate. We feel this is a reasonable amount that reflects the necessary expenditures to keep Broome County operating and adequately serving our taxpayers.

If the redistribution of the sales tax had not occurred, I would have stood before you today with essentially no tax increase. We all agree that this redistribution was warranted but we must also acknowledge that Broome County still faces unrestrained social service cost increases. My hope is that the additional

sales taxes distributed to the towns, villages and City will be reflected in their 2006 property tax rates.

Medicaid Expenses

Some might be wondering that now with the Medicaid Cap, why our taxes are not decreasing? What you have to understand is that the cap is just that. It only caps the amount Medicaid costs would have increased. Do not get me wrong, we are extremely grateful state leaders have finally tackled this tremendous burden that has rested on counties' shoulders, far too long.

What the state has given us is a formula that allows for an orderly and predictable way to forecast Medicaid expenses instead of the skyrocketing costs we were forced to solely absorb in the past. While we do not know for sure what our Medicaid costs for 2006 will be until the final numbers are certified by New York State on June 30th of 2006, we anticipate our local share of these expenses to rise by \$1.2 million dollars.

Medicaid is still the single largest item in the Broome County Budget comprising approximately 11% of the total budget.

I will continue to pressure our state lawmakers to better manage Medicaid. Our state by far has the highest Medicaid expenses, including highest total amount, highest per recipient and highest per capita.

I by no means want to sacrifice the care given to some of our most vulnerable citizens but I am pretty sure if properly reviewed and properly managed there is a way to cut back on these costs. This is one category where New York does not want to be a leader in the nation.

Surplus=Deficit?

Besides Medicaid, the most significant change in this 2006 budget is the dramatic decrease in the appropriated fund balances. Before I get into that, I wanted to take a moment to acknowledge our legislature's foresight in creating the tax stabilization fund last year. That certainly helped ease the transition from last year's appropriated fund balance to the much lower figure this year.

Last year's budget utilized \$19.7 million dollars in fund balances to close the gap. Our budget only uses \$13.2 million dollars, a decrease of \$6.5 million dollars. Some of you might be wondering "what's the big deal?"

This County has historically relied on these balances to bridge the gap, however, their appropriations resulted in a downgrade of Broome County's bond rating by Moody's in 2003. This costs Broome County extra money when it comes time to borrow money and it is definitely not the message we want to be sending to investors or prospective employers looking at our community.

Appropriated fund balances are also what led to the current fiscal disaster in Erie County. Since 2000, Erie County has used an excessive amount of appropriated fund balances to make ends meet. Right now that county is facing a fiscal crisis that seems insurmountable. I am not trying to compare our fiscal outlook to Erie County's. But we all need to pay close attention to what Erie County did wrong and never repeat those mistakes. I urge all Legislators to read the State Comptroller's analysis of how Erie County came to be declared unfit to run its own finances.

That is why I pledge to work with the Legislators to reduce the amount of fund balances this county relies on to close the gap. This cannot be done overnight but every year I plan to reduce the amount of the appropriated fund balance until we have a structurally balanced budget.

My goal is to get Moody's to upgrade Broome County's bond rating. With an upgrade, not only will we save on interest expenses but it will signal to the larger community that we are a government you can safely invest in because we are serious about our finances.

Non-Existent Fund Balances

Another thing Erie County officials did was rely on non-existent balances when creating their budget. It has been done here in Broome County as well but we will no longer do that. The 2005 Budget attempted to mask a \$2.5 million dollar shortfall at the Willow Point Nursing Home by indicating it would be covered by available fund balances at the facility.

Those fund balances largely did not exist. Those balances were \$1.5 million dollars less than budgeted. This means that in 2006 we must make up the \$2.5 million dollar recurring deficit as well as the estimated \$1.5 million dollar loss from this year. That means, almost \$4 million dollars in taxpayer support will have to be budgeted for Willow Point next year.

Appropriations of balances that once existed but are obviously no longer available is fiscally unsound. These types of appropriations are exactly what Erie County did and the reason, the State Comptroller says, Erie County is a fiscal disaster.

Sales Tax Re-Distribution

I mentioned that we are now sharing more of the sales tax revenues with the City, Towns and Villages. As I stated previously, it was always my intention to do that, I would have preferred, however, that we do it during the budget cycle.

I would like to make just a few comments about the current sales tax distribution. Under the current distribution formula, all of the local municipalities will be seeing an increase. Some of the increases for the larger Towns and Villages are pretty substantial.

To put it in perspective, every municipality, other than Broome County, will see a two year increase of 9.65%. Broome County, on the other hand, will see less than a 1% increase because of the new distribution formula. That is not much of an increase when you take a look at skyrocketing expenses like

Medicaid which we have already discussed will see a 3.5% increase next year and that is with the cap.

My point is that we must tread cautiously with future discussions of the sales tax distribution formula.

Future of Willow Point Nursing Home

I would like to go back to the discussion of the future of the Willow Point Nursing Home. It is this administration's belief that we must act now to assure high quality care for some of our most vulnerable citizens; our elderly and disabled. Studies have shown that the most financially feasible option available to Broome County, to deal with its aging facility and stabilize its financial base, is for us to build new. This is the only way to rebase our rate structure and obtain Medicaid rates that are consistent with our cost of providing the service. Right now we do not get, in our opinion, a fair reimbursement from Medicaid.

I recommend we move forward with plans to build a new nursing home. We are currently reviewing available sites and will be submitting a Certificate of Need to the New York State Health Department (NYSDOH) for its approval.

The decision to proceed with this reconstruction hinges on the New York State Department of Health and its terms and whether those terms will allow us to eliminate the annual deficit at this facility.

I am also recommending we budget money for a study to see how we can operate the most efficient nursing home. Because this facility is regulated mostly by state and federal rules, we need the experts to tell us how we are doing and how we can do it better.

B.C. Transit and Future Transportation Needs

I am also recommending a study of our B.C. Transit system. It too is regulated by the state and federal government and we need an expert to tell us if we are getting the most for our tax dollar. We have some hard decisions to make about BC Transit. This year the system took a tremendous hit because of the unexpected hike in fuel costs.

We know some of this is weather related but I think we also know we are not going to be seeing much lower fuel prices in the near future.

BC Transit will end the year more than \$300-thousand dollars over budget, mainly because of fuel. We cannot simply pass the burden on to the riders. Our rider-ship consists mainly of elderly persons, the disabled, students and the poor. Something, however, needs to be done. I do not want to make any knee jerk decisions like hiking fares and cutting routes until we have an analysis done on the entire operation.

Corrections Study

Another study I would like to see done next year is an analysis of our Corrections' facility, its staffing and overtime expenses.

It just has to be done. We cannot keep throwing money at these facilities hoping the hemorrhaging will stop on its own.

Salary Freeze Impact

This administration has taken steps to cut controllable expenses. As I promised in my campaign message, I would freeze the salaries of my staff for all four years of my administration. This is going to save taxpayers close to a quarter of a million dollars over the next four years.

Personnel Changes

We have been able to create a Director of Economic Development position in the County's Planning Department, yet the 2006 Planning Department's budget is less than it was this year. Through this move we have been able to develop a more focused approach to economic development which has got to be the number one priority. We do, however, need to work on additional funding sources for our economic development efforts.

In addition our Economic Development efforts are now accountable. There is no wondering about how this position is funded, or where the money is coming from, or where the money is being spent. In the past there have been a lot of questions raised but I guarantee you there **is** accountability and there **will be** accountability with our economic development efforts.

Some of you may criticize our moving away from a single Commissioner of Transportation. Instead we created a Transit Commissioner and a Department of Aviation Commissioner. It was obvious the unified position was not working. These are two completely separate entities that require completely different expertise. This restructuring allows us better and more efficient oversight of both facilities and did not have an impact on the taxpayer.

Believe me, I am all for consolidation and sharing services when it makes sense. This previous personnel decision did not make sense.

One more personnel note, we have placed funding in the budget next year to cover the additional dispatchers needed to handle the addition of Johnson City to our central dispatching operation. These individuals were hired midyear this year even though these positions were not subsidized in the 2005 adopted budget. It is a bit puzzling that no money was provided for in the budget even though it was known this move would happen mid-year.

Regardless, it has now been budgeted for and we are excited about the final piece of the 911 dispatching puzzle being in place. This is a shining example of Shared Services. While the County may not have saved money through this process, the local municipalities certainly have saved and the most important element, public safety has been secured.

Shared Services

Our Shared Services efforts will move forward. We have not put any money in the budget for this effort at this time. We believe that if we need additional resources we can probably find grants to assist us. My idea for Shared Services is to study the services all of our municipalities are doing and figure out if some can be provided more efficiently by joining forces. We are in the early stages and it will take everyone's involvement to keep this momentum going.

As you all know we have many agreements with our municipalities to provide services, some more formal than others. Most recently, Broome County entered into an inter-municipal agreement with the Village of Endicott to provide the Village with assistance on its labor relations and negotiation matters. This already has proven to be a tremendous success.

We have helped the village settle six of seven labor agreements. We are working towards a resolution to the final contract. We are also providing the Village our Human Resource expertise.

So far all signs point to a success. The Village has been able to save quite a bit of money by not hiring a personnel officer and we have been able to take on this responsibility without adding expenses to our bottom line. We hope to be able to provide this service to more municipalities in Broome County.

We are also embarking on conversations with the City of Binghamton regarding its tax collections and delinquent properties. We want to explore if we can provide them with some assistance in these two areas. Again, we will do it only if it makes sense.

En-Joie Golf Course

We have included a special revenue fund this year to account for our new golf course, which I also like to view as an extension of the Sharing Services concept. It is also a tremendous tool for economic development. As we have discussed, the initial estimated profit, of \$150-thousand dollars, is to be transferred to a reserve fund in accordance with the recently adopted legislation.

Our anticipated revenues at the golf course will be heavily dependent upon revenues generated by the golfing activity. This in turn will be greatly affected by weather and economic conditions. We believe we are being conservative in our revenue estimates. We based them on the actual results the Village experienced during its fiscal year ending in 2003.

We are optimistic on this issue of the golf course. We would not have gotten ourselves involved or been strong enough to withstand all of the heat, if we were not optimistic about our ability to manage the golf course and turn a profit. We are in the midst of creating a bi-partisan advisory board. We are also aggressively finalizing the staffing situation at the course and we look forward to the January 1st takeover as well as the next golfing season beginning next spring.

Tougher Oversight on County Expenses

As you know, we are still awaiting our audit from the New York State Comptroller's Office. Earlier this year my office did put into place a couple of measures to stop any mistakes or deliberate actions that would provide exiting employees with compensation they were not entitled to receive. I am happy to report those measures have proven successful and we have caught some mistakes. I look forward, however, to the Comptroller's report and look forward to working with county lawmakers on implementing some of the recommendations.

I have also implemented policies that allow for better oversight of travel. Any travel authorizations must come through my office before they can be approved. We are trying to keep departments as close to their budgets as possible.

I have also required that all fleet purchases be reviewed by my office before moving forward. We need to not only make sure these items are budgeted for but we must also track what types of vehicles are being purchased and how many employees are using these vehicles to make sure we are once again protecting the taxpayers' dollars.

Major Capital Projects

I wanted to just say a few words about some exciting things taking place next year that are included in our 2006 CIP or Capital Projects List.

We have also recently received some exciting and welcome news about the Tobacco Funds due Broome County and their impact on some of our capital projects. Broome County has been advised that recent favorable market conditions may allow us to receive \$15 million to \$19 million dollars in advances from future proceeds of tobacco settlement funds. These funds must be dedicated to capital projects with very long periods of probable usefulness.

We have sent our initial letter of intent to join 12 other counties in a pooled arrangement to draw down these funds. This fortuitous opportunity may allow us to advance our plans to replace some aging facilities and offset future lease and other occupancy expenses. I will be working with the Broome Tobacco Asset Securitization Corporation and County Legislators to advance these plans in the very near future.

One of our more immediate capital projects is the Intermodal Transit facility. It should begin to take shape next year. The \$11.4 million dollar facility will be a 24 hour a day, 7 day a week facility that will house BC Transit, Greyhound, Coach USA and Shortline. It will not only be a more accommodating facility for travelers, I believe it is going to be a tremendous addition to that section of Downtown Binghamton. It will

beautify a large section of that neighborhood and it will bring a lot of new business to this sometimes neglected part of town.

Our bridge and highway Projects total \$9.9 million dollars next year. The major projects on the agenda include the Bevier Street Bridge, South Street Bridge and a number of highway projects.

It is anticipated that the County will have to find another location for its Central Foods operation. In addition to the lease costs included in the Central Kitchen budget, an additional \$775-thousand dollars had to be budgeted in Capital Improvement Projects to replace the aging equipment.

Changing the Way We Vote

Another challenge for all of us next year is going to involve the way we vote. It is anticipated that we will all be voting electronically in next year's election. This is a mandate of the federal "Help America Vote Act". The cost for the new machines is \$2.1 million dollars. That amount is expected to be reimbursed by New York State.

This Act will also require counties to assume all election activities and expenses starting in 2006. We have estimated our additional costs at around \$350-thousand dollars next year. We are recommending that \$250-thousand dollars of this additional expense be charged back to the towns, villages and City to reflect what they previously incurred to pay these expenses on their own. The County will have to absorb the \$100-thousand dollar difference.

Contract Agencies

We have included a 3% increase for all contract agencies. Many of these agencies were seeking a much larger increase but I felt it was important to keep the line on these expenses since we were keeping our own internal departments to this same amount. We are also looking for more accountability from these agencies. I feel in the past we simply handed over the money with little follow up as to how it was being spent.

One example is the zoo. The Zoo at Ross Park is a tremendous resource and we would like to see it succeed and make its way through these current challenges. However, I cannot make any long term commitments to the zoo until I know that it has straightened out its management problems and has a solid plan for the future.

We have asked our Audit and Control Department to do a review of the finances at the zoo. I think any agency that receives a large sum of County money should expect County oversight. Again, I am happy to continue our financial support of the zoo but I need to know that the taxpayers' dollars are being spent in the best possible manner.

Another agency receiving County support again this year is the Community Free Health Clinic. This is an extremely valuable service being provided on a volunteer basis by some very dedicated health professionals. We cannot allow this service to fail because of a lack of support and that is why we are providing the clinic with \$103 thousand dollars in county support next year.

Conclusion

We have a lot of work ahead of us. Many challenges still remain. My campaign promise was for better fiscal management and I believe that is what we have presented today. This is a plan for Broome County that does not sacrifice long term stability for short term financial gains.

We can keep our expenses and revenues in line with each other without incorporating any budget tricks or by attempting to mask the true picture in order to look good at budget time only to suffer the consequences later.

I look forward to working with you on this budget and making sure our taxpayers are getting what they pay for. I and my staff will make every accommodation necessary to make sure you get the answers you require.

Thank you very much.