

INTRODUCTION

Good evening, everyone. Chairman Reynolds, Majority Leader LaBare, Minority Leader Marinich and all members of this Legislature. Thank you for this opportunity to provide you information on our proposed 2011 spending plan.

I stand here this evening, ready to deliver some very difficult news. This proposed budget has been the culmination of work undertaken by myself, my staff, our department heads and their employees. Work on this budget began as soon as we put the 2010 budget to bed last December and in many ways the work began years ago.

We have been working since 2005 to contain costs to the best of our ability. We have cut expenses by reducing some lines and completely wiping out others. We have eliminated positions either through attrition, or retirement incentives and yes, there have been layoffs.

We have done all of these actions in the face of declining revenues in sales taxes and continued increasing mandates from the state and federal government. We have worked to protect the valuable services our residents have come to expect and frankly pay a large amount of taxes to underwrite. Unfortunately, we are at the point where we can no longer simply cut contractual lines, supply lines, travel lines, and training expenses.

We now must structurally change the way we do business and we have reached a point where some services will be impacted. This is a reality that is at our doorstep.

It is not easy to do and it is not easy for our residents to understand when we say we can no longer afford to provide a service that directly impacts them. Sometimes the public gets it and sometimes they do not.

OUR EMPLOYEES AND THE SERVICES THEY PROVIDE

A few weeks ago I received an email from a constituent who was responding to a comment I made to the media. I said that because of our current financial situation, some services might be impacted. His response to me was, "...do not cut services, cut employees!"

It is unfortunate that the relationship between the employee and the service is not clearer to some. We need our employees. Our people provide the quality services all of us have come to expect from our local governments. We here in Broome County are very fortunate to have some of the finest public servants in the United States, and frankly the world.

Many of them have seen us through natural disasters like floods and ice and snow storms. They have been there through other public emergencies like the horrific ACA shooting or the H1N1 pandemic flu. They process our driver's licenses, our passports, our tax payments. They provide home visits to the sick, young, and elderly. They make sure our most vulnerable

are protected, fed, and clothed. They keep our parks clean and safe for all to enjoy. Our public workers wear so many hats and they do so much work day in and day out to make our community a better, safer place to live.

But we all understand that things cannot remain as they are. We simply cannot afford to do everything for everybody. We must reduce the size of government. We must redirect our resources and deliver our services in different ways to meet the future needs of our residents. And we must do this in a way that we are not burdening our residents so much that they have to leave and move to another area in order to keep a roof over their heads.

MAKING CUTS ACROSS THE BOARD

As you know near the beginning of this budget process our department heads were directed to submit a continuing budget that included a 10% reduction. Once again, some met their targets. For others, we were forced to make some decisions for them.

Our proposed 2011 budget reduces the number of County employees by 115 positions over 2010 staffing levels. This happened as a result of a combination of layoffs, positions vacated through attrition, as well as incentivized retirements.

When combined with the number of positions that were either laid off or incentivized to retire in 2010, we have eliminated a total of 139 positions in the last two years. This is significant and this will indeed have a major impact on our operations.

The number of jobs eliminated, including fringe benefits, reflects a savings of \$6.7M!

I want to thank the number of department heads who worked closely with us to meet our necessary budget goals. As we discussed at the beginning of the year, we told our department heads we would make the choices if they did not, fortunately, most of the time, it did not come to that. A department head knows their resources better than we do and knows what they can and cannot do. We listened. We agreed sometimes and we disagreed other times but overall we were extremely pleased with the amount of thought and consideration all of our department heads and supervisors contributed to this process.

I want to especially thank my Budget Director Marie Kalka, soon to be Director of the Office of Management and Budget, for working with the department heads to bring this plan together. She has done an excellent job and in the midst of the budget preparation, which is certainly a major undertaking by itself, she took the time and provided tremendous leadership in our efforts to reorganize how we manage the budget and finance departments. It will provide tremendous efficiencies going forward. We are already seeing the dividends of this merger.

I want to also thank Marty Gerchman and Darlene Croston for all of the assistance they provided Marie during this budget season.

MILLIONS CUT FROM PROPOSED SPENDING PLAN

When the number of positions that were cut are combined with the additional expense cuts implemented in this plan, we created a cost avoidance of around \$8M.

The proposed spending level for next year is \$354M. That compares to \$352.5M in 2010. That is an increase of \$1.5M.

What you have to consider, however, is that the increase in our pension costs alone amounted to \$3.7M next year. And our increased mandated DSS costs total around \$6.9M.

And might I remind you that Medicaid, which so many lawmakers have alleged is “fixed” still increases every year by \$1.2M. I have said it before and I will say it again, a mandated cost that continues to increase by \$1.2M a year is a problem still seeking a solution!

I wanted to quickly mention that in addition to making cuts in our operating budget, we have also scaled back in our Capital Improvement Plan.

Since taking office we have attempted to keep the net County support for all capital projects capped at \$1M. Next year we scaled back even more. The amount now budgeted for capital projects is nearer \$600,000. That is a significant decrease and again not something we have taken lightly. One item not in next year’s capital plan is the purchase of fleet vehicles. We simply will have to make do with what we have.

THE REVENUE PICTURE: THE GOOD AND THE BAD

On the revenue side there are a few bright spots to mention:

- Our sales tax figures are finally showing signs of improvement. We are now in the black year to year showing some growth and we expect that trend to continue. However, we have a long way to go to return to the levels we were at prior to the economic downturn.
- Our unemployment rate is beginning to come down from a high of nearly 10% earlier this year.
- Our bookings at BGM are up significantly.
- Our receipts from the hotel-motel tax are also increasing.
- Federal Medical Assistant Percentage or FMAP did indeed come through again for counties but this year we are receiving half as much as we did last year. The total amount of FMAP money we are budgeting for this year is approximately \$2.85M.
- Our health care costs, while increasing, are only increasing by 2.3%. This is significantly less than what we had originally anticipated. Certainly good news in a sea of bad news. While we have been helped in some ways by outside forces we have also gone to great lengths to make changes in our benefits plans with both an eye to our current bottom line as well as the burden on future budgets. These changes include Medicare Advantage, RationalMed, and Personalized Medicine, just to name a few. These changes have generated both

short term and long term savings. For example, Medicare Advantage saves approximately \$865,000 per year. And, from January 2007 to January 2009, our GASB 45 accrued liability went down by more than \$100M.

- This next update is not exactly a bright spot but it will go a long way towards assisting with our bottom line. We will be following suit with New York State and most other counties in reinstating the sales tax on clothing. This exemption has only been in place since 2006 and was the right thing to do. Now it is time to remove the exemption. This will bring an additional \$6M in revenue to Broome County. While raising any tax is never palatable, I believe it is fairer to remove the exemption that has been in place rather than transfer that \$6M burden to our property taxpayers. However, there will still be tax free breaks provided for our residents. It is our proposal to provide a total of 3 tax free weeks per year; one before the start of school, one prior to the holiday season, and one sometime in the spring.
- And despite the fact that I have proposed the inclusion of \$5M in revenue from the leasing of County properties for natural gas development each of the last two years, with this Legislative body's approval, I am not including that revenue in the 2011 proposed spending plan.

LEASING COUNTY LAND FOR NATURAL GAS DEVELOPMENT

As you know, a majority in this Legislature felt they could not support the recent \$16M offer that was made to us this summer. This lack of support came even though the Legislature and the Administration had agreed to put \$5M in revenues in the budget. Additionally, this Legislature approved our seeking offers on County land to fulfill that \$5M revenue line.

Not knowing where the collective mind set is on leasing County property for natural gas development, I will not put those revenues back into this Administration's proposed 2011 budget. I simply cannot do it!

This year we were able to make up that deficit by utilizing \$2M in 2009 fund balance. We anticipate saving over a million dollars after implementing a hiring freeze, a travel freeze, and restricting contractual and equipment purchases. We also experienced \$1.1M in savings from the 2009 retirement incentive. Our retirement bill was \$300,000 less than expected and finally we anticipate being able to transfer \$600,000 less to other funds from the General Fund as the result of appropriation savings.

Before moving on, however, I just want to emphasize this Administration's support for the development of the natural gas industry in New York State. I also want to remind everyone that leasing County property does not automatically mean that this body has any influence over whether the hydraulic

fracturing process will be allowed in New York. That decision rests solely with the state.

As we discussed earlier this year, already over 87,000 privately held acres in Broome County are under lease to gas companies. What we would be doing by signing a lease is simply tapping into a new and lucrative revenue stream. We would be getting revenues, both bonus payments and royalties, for our overworked overburdened taxpayers. We would be getting revenue to stabilize taxes going forward. And, finally we would be able to access revenue to reinvest in our deteriorating infrastructure.

Also, by leasing our acres, we make the commitment to our residents that if drilling occurs on County owned land, the companies involved will not only have New York State DEC overseeing their operations but they will also have all of the resources that Broome County can bring to bear on their operations.

Earlier this week, you were provided a new offer. It is an offer from the same company that responded to our request for proposals before, Inflection Energy. However, it is different than the previous offer. It proposes leasing fewer County acres and it leaves what we believe to be prime real estate for potential future offers. It provides for initial bonus lease payments of \$2250 to \$2750 per acre for approximately 3200 acres. That is a total of almost \$7.8M.

There are once again additional environmental measures that are provided for in their proposal. Things like an

environmental monitor, closed loop drilling, and a commitment to quality land recovery guidelines.

I ask you to once again study this offer and to weigh the benefit of entering a lease now and bringing in this much needed revenue to help us manage the many financial challenges we face today. We cannot tax our way out of this economic crisis but there also comes a point when you can no longer cut your way out. At some point you start to destroy the basic County services that provide the high quality of life our residents have come to enjoy, and frankly expect.

For years we have desperately searched for new sources of revenue to replace those we have lost. We need new sources of revenue to help us keep up with the rising costs of everything from fuel, to healthcare, to pension costs, to the skyrocketing prices of basic supplies to maintain roads and repair our buildings. While there are no magic bullets this certainly goes a long way towards helping us to better manage our present day financial challenges while also preparing us for the future.

Had we come to an agreement with Inflection and accepted the \$16M bonus payment that was being offered, I can assure you and I can assure our residents that I would have been coming before you with a zero percent tax increase or possibly even a tax cut.

We would still have made many of the proposed cuts outlined in this proposed budget. However, many of the devastating cuts that will mean a reduction in services could have been restored.

PROPOSED 2011 TAX RATE/SPENDING PICTURE

Instead today, I present to you the 2011 spending plan that calls for serious reductions in personnel, direct services, contract agency spending, and raises property taxes by a little over 5%.

The proposed 2011 budget proposes a spending plan totaling \$354M. That reflects a .38% increase from 2010. This .38% increase compares to the current cost of living increase in the Northeast of 2.25%.

Also, for the record, between 2006 and 2011, my Administration's proposed spending plans have averaged a tax increase of 3.9%.

I assure you we struggled to get to this number and certainly we continue to struggle with the many negative impacts this budget encompasses. It cannot be avoided. Every single department has experienced cuts and our contract agencies have been severely impacted. But again this cannot be helped. Everyone must suffer and sacrifice through this difficult period and hopefully in the very near future we can make some restorations in funding. This year it is impossible. I want to make it clear that all departments have been impacted, including mine. In the last year, we have eliminated a position in our office AND we have taken on the support for our County's Youth Bureau.

My deputies still wear several hats. Patrick Brennan is my Deputy overseeing all County physical services and criminal justice departments. Pat also remains the Commissioner of

Public Works. Darcy Fauci is my Deputy for Human and Administrative Services. She continues in her role overseeing my economic development agenda as well as taking on many of the responsibilities formerly handled by the position that we eliminated including community and government relations.

We have also created the Office of Management and Budget which has consolidated Finance and the Budget Division into one. While no positions were eliminated, there were still savings from this move and certainly a more efficient operation has resulted from this action.

One of my Executive Assistants, Colleen Wagner, has also taken on the duties of Runaway and Homeless Youth Coordinator while the other Executive Assistant, Darlene Croston, has combined her previous role of Budget Secretary with additional administrative duties related to the Executive Assistant's responsibilities. They include communications and updating the County's web page.

SPECIFIC CUTS BY DEPARTMENT

At this point I would like Marie Kalka our Budget Director to review the list of cuts that will impact our various departments. I think it is important to take the time to review these cuts because so many times we hear we have not cut enough. Some of our departments alone have cut nearly a half a million dollars.

- At the Arena and Forum we significantly reduced contractual expenses and we will not fill a Maintenance Supervisor's position vacated through the 2010

retirement incentive. We will be pulling resources from other areas in the Parks Department to cover the loss of this position. Savings, over \$140,000.

- In Audit and Control, one Weights and Measures position is being eliminated. Also three positions in Accounts Payable are being replaced with two higher level positions to address what is needed for the new financial system. The savings totals almost \$132,000.
- Aviation could have and still can be saved from devastating cuts, if it is able to lease its properties for natural gas development. In the meantime, the Commissioner is making up a \$600,000 deficit by using the fund balance at the airport, utilizing some unused capital funds, increasing revenues and reducing contractual expenses. But some of these steps are only able to be done once. Without a new stabilizing revenue source the airport and its operations as an enterprise fund are severely jeopardized. I do not need to remind you all that this community and this entire region would be devastated without a thriving airport that is able to maintain service at competitive rates.
- CASA, which is a fully reimbursable expense, did reduce some of its contractual lines as did Central Foods which is operating on a very tight margin. Central Foods has made drastic personnel cuts in previous years and is at a point where it cannot cut anymore.
- In the County Clerk's Records Division, there will be an elimination of a Records Clerk, a Part-Time Clerk and a reduction in contractual expenses. Because of the tough economic times we were also forced to reduce the amount of revenue expected by the Clerk's Office by \$300,000.
- At the Department of Motor Vehicles, which is also managed by the Clerk's Office, we have eliminated three Part-Time Clerks. I just want to remind everyone that this office like all other departments was tasked with making cuts totaling near 10%. How those cuts were implemented was left up to the department head, in this case the Clerk. I just wanted to clarify that because despite what you have heard, we did not mandate any specific operational changes in the DMV. These are decisions that are managed by the Clerk. Decisions he made include closing the DMV Office in the County Office Building, reducing Saturday hours to one location and eliminating some satellite operations. Again, the Clerk has the ability to make decisions that will have less of an impact on direct services like making other personnel cuts and reconfiguring his operations differently.
- At the Clerk's Records Management Office, we have eliminated two Clerks for a total savings of approximately \$80,000.
- At the District Attorney's Office, contractual expenses were reduced and we also had to eliminate a Keyboard Specialist. Total savings, approximately \$100,000.
- In DPW-Engineering, we unfunded several positions and reduced expenses for a total savings of about \$200,000.
- In DPW-Buildings and Grounds, we eliminated two positions, a Custodian and a Building Maintenance

Mechanic and reduced contractual lines for a total savings of almost a half a million dollars.

- In DPW Fleet, we reduced contractual expenses by nearly \$133,000. We are also utilizing a portion of Fleet's fund balance to reduce the amounts we had to charge back to all departments which I hope was welcome news to our department heads impacted by these charge backs. We also had to unfund a Head Auto Mechanic but that still leaves the County three Mechanics to maintain the fleet. All of these actions led to a savings of \$700,000.
- In Department of Public Works Highway Division, we had to reduce the contractual lines which will in turn reduce the number of roads paved next year. We also unfunded a Mechanic's position and two Laborers. These moves combined will save close to \$850,000.
- In the 2011 budget, our Department of Social Services will officially see its 16 positions eliminated that were part of the 2009 incentive package. In addition to these cuts, as you know we are partnering with two community agencies to provide services for adult protective clients and foster care. These actions coupled with additional expense reductions will save \$450,000 in taxpayer support next year and millions going forward. DSS also eliminated several positions in its FFFS Grant and those revenues totaling nearly \$600,000 are being utilized to offset operating expenses.
- In the Elections Office we certainly did not want to impact the office during peak activity, meaning the election cycle, but we were able to eliminate some

temporary hours and contractual expenses for a total of almost \$175,000.

- Emergency Services is a vital department we would prefer not to impact. We believe, however, we have come up with a plan that reduces expenses but will not jeopardize public safety. There will be an elimination of two Dispatchers. Call data reveals a dramatic drop in activity during certain days and times during the week which requires less manpower. The flexibility will remain in the system to manpower up when pending severe weather or snowstorms are forecast or other emergencies occur that will require additional staff. The department will utilize more part-time staff hours to fill in some of these shifts.
- We have already discussed the Executive Office cuts and mergers but bottom line the savings is over \$80,000.
- In the Finance Office, in addition to reducing expenses by \$7,000 by the creation of the Office of Management and Budget, there will also be the elimination of an Account Clerk for additional savings of \$40,000.
- At the Broome County Health Department, we eliminated four and a half positions, unfunded one position and made a number of different budget adjustments that will save taxpayers nearly \$400,000 next year and much more in the years to come.
- In Information Technology, there will be three positions eliminated along with contractual reductions for a savings of nearly \$250,000.

- In our Law Department, our lawyers will be making do with one less Keyboard Specialist and other cuts in expenses have been made as well. Total cuts there, nearly \$85,000.
- In your Legislative budget, a Part-Time Deputy position has been eliminated. That along with other reductions totals around \$35,000.
- At our Broome County Library, several positions are being eliminated or reduced to part-time. The folks at our library have experienced some significant reductions in staff in recent years and the Administration is aware and certainly sensitive to the extra burden. We are grateful for the additional effort required by each and every staff member.
- Our Office for Aging is unfunding two positions and eliminating a third. This was necessary because of the devastating impact of the large reduction in the Mortgage Tax. As you all know that tax has subsidized our OFA operations for years and the dramatic reductions in the amount of revenue created by the downturn in home sales is having a tremendous negative impact on OFA operations.
- In our Parks Department, a Senior Account Clerk is being eliminated as is the Director of Recreation. Our Naturalist is also being eliminated as we are facing the closure of Finch Hollow Nature Center. Several other staff positions are also being eliminated while new revenue sources are being tapped; logging some of our parks in strategic areas is one example. The Parks Department's total savings is over \$600,000.
- In Personnel, with the retirement of Elsie Logan, our longtime EEOC officer, that position will be eliminated and those duties will be reassigned. This position along with several other personnel changes amounts to nearly \$90,000 in savings. Although Elsie's stand-alone position will be eliminated, we will continue to work diligently on our affirmative action plan and obligations.
- In Planning, we propose eliminating an Economic Development Planner and a Senior Environmental Planner. In addition to these two moves and further cuts in contractual spending we have achieved savings totaling nearly \$140,000.
- At Probation we are eliminating the ISP Grant and we are downgrading a Senior Probation Officer to a Probation Officer. As a result Probation will experience a savings of around \$152,000.
- At the Public Defender's Office, contractual lines were reduced, incentive pay was foregone for one year, and a Keyboard Specialist position was eliminated for a total savings of nearly \$90,000.
- Real Property is reducing temporary help and combining the cashier windows for City of Binghamton tax payments with Finance's cashier operations for a total savings of nearly \$80,000. However, the department's budget reflects an increase because of the reduction in revenue expected from Real Property auctions.

- Our Security Department is reducing staff by two Security Officers and an administrative position for a total savings of nearly \$200,000.
- At the Sheriff's Office, we are proposing the elimination of a Deputy Sergeant, which has been vacant for nearly a year, as well as two Sheriff's Deputies and a Keyboard Specialist. I wanted to note that one of the Deputies is a School Resource Officer 9 months out of the year. Again, not something we wanted to do but this is just another example of the tough decisions we all face. These reductions as well as the elimination of some contractual expenses provide total savings of approximately \$400,000.
- The Transit savings have already been discussed at length as they were implemented earlier this year. In addition to the growing pressure on Transit because of the need to save taxpayer dollars, there have also been significant cuts in state and federal support for our transportation system. We eliminated more than \$500,000 in taxpayer support to the BC Transit operation and we did it without eliminating service to anyone in the County who currently receives service. We did it by eliminating convenience. We did not want to make these cuts and we certainly are not happy with them but we continue to provide this quality service to our residents without overburdening taxpayers.
- Our Veteran's Office is such a small office to begin with but we were creative enough to find savings. Veterans and Purchasing will share a Secretary for an overall savings of \$55,000.

- And at Willow Point, as we continue to prepare for our new nursing home, we remain under a mandate to reduce our beds. That mandate takes effect next year which means one wing of the nursing home is targeted for closure in 2011 which will lead to a savings in staff and other costs of approximately \$1.2M. This move, as with all of our other closures, will be done with a thoughtful strategy and over time. But bottom line, it must be done.

Right now I would like to turn things back to the County Executive for additional information about the changes proposed at our Mental Health Department and more information about the 2011 proposed spending plan.

CHANGES AT MENTAL HEALTH

As you know we are phasing down our Children's Clinic but I assure you we are doing this with the confidence that every child in need of Mental Health Services that we currently serve and those in the future will be able to find the appropriate care. Our mission is to be the provider of last resort and that will not change. We came to this painful conclusion to reduce our capacity after years of analyzing our service when compared to what is being provided in the community.

Our clinic has always run at a deficit and with changes in state funding that deficit will continue to grow significantly. The change as it is proposed will reduce County tax support for this program by \$180,000 next year and \$1.3M over the next five years.

There are now three providers of these services in our community; The Greater Binghamton Health Center, formerly the Binghamton Psychiatric Center, Family and Children's Society and Lourdes Hospital which expects to have its OMH license this January.

Also, the Broome County Mental Health Department simply cannot recruit a full-time board certified psychiatrist because our salaries are nearly 25 to 40% less than the other providers are paying.

Our Commissioner has made the commitment and he says he has received the assurance from the providers in the community that all of the organizations are committed to making sure that no child falls through the cracks.

From the Executive Director of Family and Children's Society we received the following communication: "We anticipate being able to accommodate all of the children referred to our agency from the County's Children's Clinic. Children referred to our agency from the County's Clinic will be given the highest priority and fast tracked into our services. We anticipate we will be able to handle as many as 12-18 referrals per week."

Even with the closing of the Children's Clinic, Broome County can still be part of the process and is committed to making sure every child with mental health issues is receiving the proper care.

The changes at our Mental Health Department are not palatable. None of the changes just outlined are something we want to have to do. However, we have no choice. We are at the tipping point. Without some dramatic change in our economic situation as well as the ability to tap new sources of revenue like the leasing of County lands for natural gas development, I can assure you we will be back here once again next year with an even more devastating budget picture.

We know that lawmakers will have a lot of questions. I just want to assure you that none of these moves were made without a lot of thought and consideration. Our goal was to keep most of our services going at current levels and where we could not do that, look to partner agencies in the community for assistance.

We ask everyone to be patient and we ask our departments and their staffs to bear with us through a lot of this transition. Hopefully, things will continue to turn around and hopefully we will experience new sources of revenue that can provide for some immediate relief as well as long term stabilization.

CONTRACT AGENCY REDUCTIONS

Before wrapping up I did want to say a few words about our contract agencies. I do not want anyone thinking that the cuts proposed in spending for agencies like Cornell Cooperative, the Ross Park Zoo, the Convention and Visitor's Bureau, the Broome County Arts Council as well as Aid to Local Libraries are something that we took lightly. We did not. There is no doubt about it, the proposed cuts are devastating. We need

these agencies to do what Broome County and other governments have been forced to do, rethink the way they operate and be more creative in the way they provide services.

We encourage them to utilize any fund balances they may have. We unfortunately do not have the ability to do that. We also encourage these agencies to turn to the local municipalities that they serve and where there are additional sources of funds, hopefully, they can tap into those resources to get them through this difficult time.

We have no where else to turn for these operating funds. We cannot continue to over tax our residents. We will not do it.

WE'RE LISTENING TO THE VOTERS

Voters are angry. We hear it everyday and we see the results in the polls and election results across the country all the time. We have done what we can to keep the tax rate at a reasonable level. But I also have to remind our residents, and yes, your constituents are my constituents, that cuts in personnel and cuts in all of our departments negatively impacts services. That is a fact of life.

You cannot bang the drum for government to cut, cut, cut and then be surprised when that cut results in a reduction or an elimination of a service.

I encourage lawmakers to respect the thoughtful consideration that was invested in this process by my office and our department heads. Based on that foundation of understanding,

we can move forward together. I urge you not to wait for your budget hearings to talk to department heads. Also, we are at your disposal for whatever questions you may have. We look forward to working with you to finalize a spending plan that both maintains a certain level of quality services to our constituents without overburdening our property taxpayers and all of our hardworking families.

Thank you!