

2010 Budget Message

To the Honorable Members of the County Legislature:

I present to you the 2011 County Budget.

Onondaga County's last few budgets have been tremendously difficult and we face another challenging budget for 2011. We started the budget process looking at a nearly \$55 million dollar shortfall that has grown since then, but I am pleased to tell you that the budget I present to you today not only eliminates that shortfall but lowers the property tax levy by \$3.1 million dollars.

Sound fiscal decision making on all of our parts is helping us weather this crisis. We are focused on spending each dollar we get from taxpayers efficiently and effectively. In the 2011 recommended budget the property tax rate will drop to \$6.85 per thousand. To put this in perspective, the last time the rate was under \$7 per thousand was 1964, and those are real dollars, not adjusted for inflation.

Your recognition of the magnitude of our fiscal situation this summer during the sales tax conversation was invaluable. Your unanimous agreement on a major overhaul of the sharing formula will make our entire county stronger. You showed leadership and courage and I commend you for your hard work.

Meanwhile, the state continues to make things more and more difficult and every year there is less and less to trim while more and more mandated costs are passed down to us. While many will point to the problems being created by what Albany is doing, I am focused on the problems caused by what Albany is NOT doing. They have not reformed Medicaid, they have not fixed the problems with the pension system, they have not created a business friendly environment, they have not reined in high spending, and it does not appear they have considered the impact of their inaction on local municipalities.

This summer, you showed forethought when you modernized the way sales tax is shared in Onondaga County. By retaining more of the sales tax monies, you and I both expected that we would be able to put additional money against the tax levy thereby lowering taxes for all of our residents. Unfortunately, the state has other plans for that money...

The largest single cost in our budget is Medicaid, a mandated entitlement program that will cost us \$100 million local dollars in 2011. That's an increase of \$3 million dollars from the 2010 Adopted budget, a multi-million dollar increase in spite of the "Medicaid Cap". Additionally, the Federal government provided \$13.7 million in stimulus money to help us pay for Medicaid in 2010 but we have been told to expect only \$6.4 million in enhanced FMAP in 2011, a reduction of \$7.3 million.

Increased Medicaid costs and reduced FMAP created an initial budget gap of \$10.3 million.

And it doesn't stop there...

As County CFO Jim Rowley explained to your Fiscal Ways & Means Committee, New York State recently sent Onondaga County an unexpected bill for \$3.8 million for juveniles that were sent to state-run detention facilities. The State has given us until March to come up with the money, so we'll be spending an additional \$1.9 million in the current year and another \$1.9 million in 2011. In the end, our budget for this State mandate will increase \$2.2 million dollars in 2011.

And there are other increased state mandates as well. Safety Net, Medicaid IGT, Family Assistance, DSS Administration, Assigned Counsel and others will add an additional \$6.5 million to the 2011 Budget. Altogether, we have budgeted \$160.8 million local dollars to pay the costs of State mandated programs. That's

an increase of nearly \$17 million from the current year's budget.

The next largest contributor to the budget gap we faced in preparing the 2011 budget is our personnel costs. Onondaga County has been told by the State Comptroller that our contribution to the State Retirement System will increase by \$5.7 million in 2011. Additionally, we face increases in salary and wages, health insurance and workers compensation adding \$7.6 million in personnel costs to our budget gap.

Other expenses, including increased debt service for our interoperable radio system and \$1.4 million for the Village Infrastructure funding program that was created by the legislature, have added \$5.5 million dollars to the 2011 budget.

The 2010 budget, as adopted by the County Legislature, appropriated \$7.9 million of fund balance and additional funds from one-shot revenue sources such as insurance fund reserves, reserve for bonded debt, and capital project balances. My 2011 budget reduces the use of these revenue sources to fiscally responsible levels. Along with other decreases, we are facing a total revenue decrease of \$24.5 million.

We have been able to cut \$5 million in local dollars out of the 2011 Budget due to the cost savings from the Early Retirement Incentive program. This permanent reduction in headcount will continue to deliver savings in future budgets as well.

As I said, there is a one-time cost to our participation in the ERI program. After using every Federal, State, and grant dollar available, we must come up with \$6.6 million to pay New York State our cost of participating in this program. I am recommending that we allocate \$6.6 million in the 2011 Budget for this payment, which if made by the end of 2011 will entitle us to an early payment discount.

As I noted earlier, this legislature wisely modernized the sales tax sharing formula with the intent of lowering the property tax levy. But the projected increase of \$64M in local revenue included in this budget is almost completely absorbed by the increases in mandates and the correction of the use of one-shots.

By using some of our increased revenues to close the budget gap and by making substantial cuts in employee headcount to reduce expenses, my 2011 Budget will reduce the property tax levy by more than \$3 million. I am proposing to set the property tax levy at \$180.9 million, a reduction from the \$184 million in this year's budget.

One of the few certainties we have in New York State is that on January 1st 2011 a new governor will take office. My hope for our new governor is that he will create real change that will stop New York from trying to be all things to all people and stop shifting unsustainable burdens to counties, and county taxpayers. I want the governor to fully understand that the crisis is worsening and even the best run counties, like Onondaga County, can't keep our heads above water forever.

I have heard clearly from Town Supervisors and Village Mayors who face similar problems with their budgets and I will continue to carry the message to the state that it's time for a new governor and the members of the Assembly and Senate to show leadership and courage at the state level. More inaction is not an option; We need responsible action.

In Onondaga County we are taking responsible action.

We've reduced the size of county government. On my first day as County Executive we had 4,322 full time equivalent positions. The budget before you today has 3,862 FTE positions---that's 460 fewer positions. As every county legislator knows salary and benefit expenses are a big part of the portion of the budget we control directly. Reducing these costs will greatly impact the bottom line.

This year, the majority of the headcount reduction is coming from our decision to participate in an early retirement program. More than 300 county employees elected to take the early retirement incentive. While there will be a one time cost to participate, the overall effect will be an annual reduction in salaries of \$8.2 million dollars. The early retirement program also greatly reduced the need for layoffs in this year's budget.

We have looked carefully at everything we do to identify changes we can make to reduce our bottom line. We switched pharmacy providers and initially projected a savings of \$2.1 million dollars. The actual savings now appear to be closer to \$2.6 million and by switching to a different dental plan we expect to save nearly \$400,000 dollars. Our successful implementation of a task-based call center in the Food Stamp and Temporary Assistance area continues to provide incredible efficiencies. We are handling 52% more cases with no additional staff. We created the Onondaga Civic Development Corporation and activated the Trust for Cultural Resources which has lowered the local dollar cost of economic development by nearly 65%. We are switching our record storage to a new vendor which will save \$65,000 dollars. We are changing food service in the civic center and will go from providing a \$120,000 subsidy to a projected \$30,000 payment from the new vendor—that's a \$150,000 swing. We contracted for therapy services at Van Duyn which will not only lower payroll cost, but will increase the reimbursement we receive for therapy.

And, there is more on the way. We are anticipating many competitive sourcing initiatives this year. Government should not be competing with the private sector and our competitive sourcing initiatives will focus on areas where we currently do. Two of these areas are correctional health and food services at the Justice Center and Jamesville Correctional Facility.

In my budget message one year ago, I announced OnGov Enterprise, an integrated approach to transforming how we deliver our services to county residents. We have already made dramatic changes to our technology strategy on an enterprise-wide basis as we continue to redesign our business processes. My 2011 budget proposes a significant reorganization in our Information Technology department, which will be better positioned to deliver value to our citizens as a result. By the end of 2011, we will be ready to move from an outdated set of financial, budgeting, and procurement applications to modern replacements that will allow County departments to operate more efficiently and with fewer people. As an added benefit, we have licensed this software not only for every County employee to use, but also for anyone employed by any Town or Village government in our County. This will allow them to use our OnGov Enterprise technology within their own enterprises, at no cost to the towns or villages.

And we are looking at additional ways to share services with other municipalities.

For years there have been discussions about working with City Hall to find ways to share services. The two that are discussed most often are Economic Development and Purchasing. And the good news is---we are doing both.

The city and county are already in the process of co-locating our economic development offices—a change that will make it much easier for people looking to do business in our region.

And today, I am announcing an initiative aimed at bringing the buying power of as many municipalities as possible into a single Purchasing operation, with the goal of leveraging this buying power to reduce purchasing costs. Our Purchasing department buys a large volume of goods and services in support of County operations from vendors who offer discounts based on volume. Local governments and school districts are making their own purchases and using their own employees to negotiate discounts with vendors.

I have invited the mayors of our villages, the supervisors of our towns and the mayor of the City of Syracuse to enter into agreements with the County that would allow buyers working for the County's Purchasing department to purchase goods and services on their behalf. This will allow the County to realize significant savings on our

own purchases, while also using combined buying power to save money for all municipalities who participate. The City of Syracuse, whose purchasing department also buys goods and services for the Syracuse City School District, has already accepted my invitation. By January 1st, buyers in the County's Purchasing department will be able to negotiate discounts based on the volume not only of our own purchases but those of the City and the City School District as well. I hope many towns and villages will participate as well, allowing them to leverage the enhanced buying power of the County's expanded Purchasing operation. By eliminating the need for their own staff to make these purchases, municipalities may also be able to reduce their own personnel costs.

We are also combining the city and county Police Academies and sharing an arborist with the city which brings savings to both of us.

I would like to thank Mayor Stephanie Miner for working with me on these initiatives and I look forward to pursuing many more.

And I would like to thank you, the County Legislature for your recent vote that will result in a public referendum allowing county voters to decide whether to reduce your own ranks from 19 legislators to 17 legislators.

There is still much more we can do. The challenges we face require the county, the city and all 19 towns and 15 villages to thoroughly evaluate everything we do and determine whether we can do things more effectively or efficiently. You have heard me say many times that we must view our budgets as a shared balance sheet and recognize that we are all spending the hard earned money of the same people who call Onondaga County home. I take very seriously our obligation to our county taxpayers to spend THEIR money wisely.

My focus is less on *who* performs a function and more on *how* to perform most efficiently.

During the winter season, our Department of Transportation plows approximately 500 miles of County roads. The County pays towns to plow the other 300 miles of County roads. In many cases, our DOT snow plow operators lift their plows when traveling over town roads, while town drivers lift their plows when traveling over County roads. The result of this duplication is that taxpayers pay more for snowplowing than they would if either the County or the Towns got out of the snowplowing business.

We can reduce the overall cost if the County ends this duplication of snow plowing services by hiring towns to plow all 800 miles of County roads. Today, I am proposing a \$360,000 increase in the amount budgeted in 2011 to hire town highway departments to plow more County roads.

I have also asked Transportation Commissioner Brian Donnelly to negotiate with any town that is ready to take on more responsibility for plowing County roads in their town. Our goal is to have the County out of the snowplowing business by May 2012.

One of the major goals in the restructuring of the sales tax distribution is to reduce the overall cost of operating local governments in our county. For decades we've heard talk of consolidation but with the new policy you put in place, we are finally seeing action. Before the new formula has even taken effect, we've already had a commission recommend that Cicero voters consider whether to consolidate their police with the Onondaga County Sheriff's Office, the Geddes Town Board asked it's Supervisor to enter into conversations about a possible merger of it's police force, the Town of Skaneateles already transferred its 9-1-1 operations to the county and closed its center—saving taxpayers \$340K/year, the City of Syracuse is consolidating it's Purchasing operations with the county and the list goes on. You have given every town and village and the City of Syracuse the incentives needed to make decisions to control their spending and reduce taxes. We are all in this together and the county is prepared to help.

There's an old saying associated with government spending: "A billion here, A billion there, and pretty soon you're talking real money". For those of us in county government every dollar is real money. But unfortunately, Albany still doesn't get it.

State mandates are adversely affecting every county in New York State. We are doing all we can to reduce the costs we control and then the state offsets all that work by sending us enormous bills for the programs they put in place.

More than one half of the entire sum of property taxes paid by Onondaga County taxpayers is for Medicaid alone.

The per capita cost of Medicaid in New York State is greater than that of California and Texas combined. In Texas, their state pays \$11,534, for each Medicaid recipient. In California its \$12,904 and in New York State, the cost for every single person on Medicaid averages \$24,672. In fact, the total cost of Medicaid for Onondaga County in 2008 was \$603 million dollars. That is higher than the cost of Medicaid in states such as North Dakota or Wyoming—both of which have higher populations than Onondaga County.

And when combined with skyrocketing pension costs, the bills from New York State are becoming more than even the most fiscally conservative counties can handle. We have a benefit system in New York where the majority of government workers stop contributing anything toward their pensions after 10 years of service. And with the rate of return on the State's pension fund at historic lows, the state comptroller has announced that by early 2012 the county will be forced to pay more than 16% of its payroll into the pension fund—which is three times what was required of us in 2009.

And we heard the classic response from Albany. 18 months before this increase will take place, the state comptroller isn't asking the new governor to work with the Assembly and Senate to alleviate the problem; he told us we will have to raise property taxes to cover it.

And please be aware that we must remain vigilant because we already see more of the same on the horizon. The State comptroller released an analysis of the recently enacted state budget. And it indicates that state spending continues to grow and that there is over reliance at the state level on risky and temporary resources. When you combine this news with the lack of Medicaid and pension reform in Albany, it is easy to see that the state's serious fiscal issues will continue. And we've been down this road too many times to expect that the State will handle its own problems. We have to be prepared in 2011 to continue to deal with what are becoming expected cost shifts from Albany.

The most difficult time to cut taxes is during tough economic times, but it is also the most important time to cut taxes. If you're working in the private sector, you most likely haven't received a raise in a while and we understand that people are anxious about their jobs. That's why we are working so hard to reduce the size and cost of government—so we can offer some relief to our taxpayers.

It's not always easy, but our concern must be more about doing what's right and less about finding an easy way out. Working together, we adjusted the sales tax sharing formula for the benefit of the entire county. And by continuing to work together, we can keep Onondaga County on firm financial ground.

The important thing is that we have to keep the conversations going and keep asking questions so we know we are doing the best we can. Whether you are a county legislator, a town councilor, a mayor or a taxpaying resident—you must ask the questions and push for changes that will challenge the "way we've always done it" and move us toward the way we SHOULD be doing it.

Thank you.