

2010 Budget Address

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Oneida County Executive

In accordance with the terms of the Oneida County Charter, I appear before you today to present the proposed operating budget and capital project plan for 2010.

As I present this message to you today, I find that the themes and words used to describe our fiscal outlook and those of the State and National level have not changed much from last year's address. Oneida County's mid to long-term fiscal picture is clouded by slow State reimbursements, State mandates that continue to pile new costs on to Counties every year, increased demand and need for county services, and rising costs for pension payments just over the horizon. Until consumer spending recovers, sales tax income will not fully recover, either.

Our current fiscal reality demands that we cast aside business as usual and aggressively go through the budget to look at new ways to deliver services. The budget I present to you today accomplishes that goal. Prudent management requires that this budget lay the groundwork for fiscal survival starting in 2011 when millions in one-time revenues go away and millions more in massive costs kick in. My budget proposal also refuses to produce an election-year document that fails in our responsibility to do the right thing. Around us there is a drumbeat of negative financial news that if we ignore will lead to our peril:

- Sales tax collections all around the state failed to rise in August.
- Revenue shortages have New York State facing a \$4.7 billion current year deficit – and we all know when the state goes in the red, counties lose fiscally;
- Retirement costs are going up, with a projected 61% increase on average in 2011.
- Oneida County's financial reserves have been drained as low as they can safely go.
- One-shot revenue is going to end. Oneida County, as with all Upstate counties, is receiving FMAP aid that is non-recurring. If no new revenue source offsets that, there will be a \$7 million budget gap that will hit in 2011.

If all these negative pressures continue, Oneida County will face serious consequences. Even if not all parts of this trend continues, we are looking ahead to a time of external pressures that inflate spending and depress revenue.

The preparation of the County budget begins in July of each year. However the scope of what the budget represents and its impact is a year round process. This was no more evident than earlier this year when issues on the State level required us to make adjustments and restrict spending to reflect economic changes. The budget is a blueprint, not intended to spend every dime each year but to manage properly so as not to run in the

red. The areas that get the most attention are those areas of revenue. Sales tax and property tax. The argument continues each year. Ask the agricultural community and they favor the sales tax since it spreads the burden to all. Ask the retailers and the sales tax is a problem. Ask the homeowner and the property tax is not balanced and they should not bear the brunt of County services on their backs. The fact is they are all right. In County government we need to look at ways to spread the burden to all that use our roads, are protected by law enforcement, require health and medical service and get any of the variety of services we provide. We provide services that many people in this chamber may not know about but touch thousands of lives each day. And we provide funding to other areas of government to assist us in our commitment to provide services that we do not have the means to provide ourselves, but a responsibility to provide none the less.

One such case is the area of codes enforcement relating to lead poisoning in the two cities that is continued in this years' budget. Our concern for safe housing for those children and families that need our services helps to provide a safer and better community. The recent announcement with the City of Utica to impose larger fines on those who violate Public Health Law for lead poisoning is one way of taking action where the issues are: to hold people responsible for their property, protect our children and fund our respective agencies through those violators and not from those who follow the law.

Our selections of actions to take to balance this budget have become extremely limited. I have repeatedly stated since taking office that our failure to have even slight tax increases have placed us in the financial straights we are in. It is fiscal recklessness to hold taxes flat at this time, but it is also essential that the extra we ask from taxpayers be kept as low as we possibly can. This budget calls for a tax increase of 2.5% in the budgeted levy. The reasons are simple as to why this tax increase is necessary:

- Failure of the State to provide true mandate relief for Counties
- Our reliance on one-shot revenues such as FMAP and our continued depletion of our fund balance puts future budgets in severe jeopardy
- To maintain our recently improved credit rating and thus keeping our interest payments much lower than that would be with a lower rating.

Despite these factors, we have been able to limit the increase to less than the rate of inflation. Projected for 2010 is a very small growth in taxable value along with an increase in the reserve for uncollected taxes. This equates to an average county tax rate of \$9.39 per thousand of taxable value in 2010 or a twenty-three cent increase (\$0.23) over last year's average of \$9.16. While tax rates changes in each municipality vary each year due to assessment changes and equalization, on the average taxable value in the county of \$70,118 that works out to an average increase around \$16.00 a year.

Giving some insight into what we are up against, Medicaid cases are up 10%, the mandated Early Childhood Education program is up over \$800,000 to a total of over \$5 million and retirement contributions will increase to 11% of our payroll. Our mandated costs are up from 2009 over \$14.4 million to \$321,508,749. This leaves only \$38,533,605 in discretionary funds which have only increased \$130,000 from last year.

There are no magic solutions. An example of that is the FMAP money providing fiscal relief to Counties as part of the Federal stimulus package. When the deal was announced, we were told Oneida County would get \$26 million. Well, it didn't actually work that way. We did get \$3.3 million, but once the state budget year kicked in this spring, all that happened was that the state reduced our weekly Medicaid payment by \$102,653. The State is also withholding 20% of our allocation until they can reconcile exact Medicaid payments pursuant the State and Federal guidelines. I would like to make it clear that we are not spending FMAP money. That money is designed to offset our Medicaid costs over a 27 month period and to help offset pressures on property tax increases, minimize local service disruptions and avoid layoffs. It is also important to stress that this is only a temporary relief for two years; it will come to an end, and needs to be treated as such.

Fiscal pressures over the years have led to a constant contraction of County government except in those cases where we are required to have certain staff. The edict to add nine positions at our correctional facility is only the latest in a long line of costly requirements laid down by New York State. Other departments have shrunk and continue to shrink; even our Social Services staff – funded in part by state and federal dollars – has declined. Our collective mission in 2010 and beyond will be to look into the opportunities we have for change so that we can realign services in a manner that costs the least.

At the start of this speech, I listed many serious concerns that we face. Having said all those things, I want to emphasize that I have great confidence in our ability to manage this budget, because we have done the job year in and year out.

Last fall, the State Comptroller audited us. Their report noted, "Careful budgeting and the adoption of realistic spending plans aided the County's improved financial picture." Over three years, our revenue was an average of 1.27% above projections; our spending an average of 2.93% below our budget estimates. The audit later noted: "We also found the County has been generally successful in controlling its costs of operation." In short, we have a track record of not only budgeting well, but managing our budget to live within our means.

This year's capital project submissions totaled more than \$26 million. After a complete review and working closely with my Capital Budget Review Committee these requests were reduced to \$15.5 mil. The Comptroller Joseph Timpano and I are in agreement that this proposal significantly reduces any large increase in our bonding obligations for next year. We are able to fund those projects that are of significant importance to the County which I feel are essential, such as the new field house and renovations to the pool at MVCC. We also deferred other projects for the out years, such as several Airport projects that we seek federal assistance in funding.

As I said before, just doing the job well is not going to be good enough. Even in this time of increased needs, the structure of County Government cannot continue to be unchanged and unchallenged. We need to have law enforcement patrolling our town highways; public works crews repairing and plowing; public health workers providing essential

services to fight against lead poisoning and swine flu. We can't provide services today the way we did in the past. County Government must begin its evolution into a leaner government because even when the economy recovers, we cannot afford to be using resources in anything less than the most efficient way possible.

In saying this, we have taken many actions to contain costs. In August we worked with the cities of Utica and Rome, MVCC and the Waste Authority to conduct a reverse energy bid. The idea is simple: We allowed various companies to bid to supply our electricity over the next three years. Overall, our group has an annual projected savings of \$1.47 million, or more than \$4 million over three years. Oneida County would save over \$600,000 per year – which amounts to almost \$2 million in savings over three years. This bid process protects us from cost spikes due to disasters, supply shortages and demand increases. The Oneida County Comptroller, Joseph Timpano and his staff took an extensive amount of time to research the process and implement it which will greatly benefit the County in the savings that will be realized over the next three years.

We need to focus on our mission – service to the people of Oneida County – and adjust the staffing we have to provide those services. I believe in reduction through attrition and through realignment. As of December 31, 2009, 63 employees will leave County employment after years of valuable public service. As a result, we have eliminated 35 positions resulting in a savings of approximately \$1.5 million in 2010. This was the intent behind the retirement incentive; to avoid layoffs, reduce the number of County positions and save a significant amount of money.

In 2010, I will maintain our obligations to Oneida County's libraries, the Mid-York System and the Utica Zoo by not cutting the funding they receive from the County. This funding aids these programs greatly and I believe we must continue our commitment to these vital community assets.

Many other concessions, cuts and consolidations have been made throughout this budget process in order to drastically reduce our costs and increase our revenues. For one, all of my Department Heads were instructed to stay at 2009 budget levels and each one has worked very hard and been able to comply. MVCC's budget was also held without an increase to keep it at the 2009 level. Another example would be in the Sheriff's budget where the New York State Commission of Corrections is requiring the County to add another nine corrections officer positions. However, we were able to work together with the Sheriff Daniel Middaugh to eliminate four positions from his budget outside the Correctional Facility as well as save \$93,000 in other areas. Our Department of Mental Health has reduced the amounts of their contracts with the ARC and the Neighborhood Center by \$23,000. The Department of Social Services has also cut certain contracts they have with outside agencies to save \$122,500.

In 2010, Oneida County will be consolidating the employment services it offers to all the residents of Oneida County. This consolidation of services will occur between the Department of Social Services and Workforce Development. Workforce Development and the Department of Social Services Employment Division have always worked closely

together to aid public assistance recipients in obtaining employment and thus alleviating their need for assistance. With this consolidation, Workforce Development will be designated as the sole department within Oneida County to provide employment services. This consolidation or specialization of services will allow the Department of Social Services to redirect the duties and functions of the casework staff within the employment division to focus on preventive services for children and families. This focus on preventive services with Oneida County casework staff will allow Oneida County to reduce the number of preventive service contracts we are presently funding resulting in a potential local cost savings of almost \$500,000.

This is an excellent example of our departments working together toward internal consolidation and a reduction in the amount of outside contracts. An area of duplication within County government was identified and the steps were taken to remedy that situation thus maximizing County employees' efforts and keeping tasks aligned within the departments that provide those services.

County roads are another example of our work with town government. For years most towns in this County have plowed county roads in an effort to work together in our winters which have an affect on how we get to work, how our children get to school and how our other transportation needs are met. This again comes at property taxpayer expense. Last year the proposed increase to the Towns for this service had to be reduced. This year as just passed by this board a new three year contract has been approved to set costs so that towns can plan ahead. Some are happy with the increase, some would like more. I was recently told by one town tax collector that I should raise County taxes if I want them to plow our roads. We all use these State, County and Town roads and working together to keep them clear is essential.

The necessity to make cuts all throughout this budget in order to keep the property tax increase minimal lead to cutting over \$1 million out of the D-fund better known as the highway fund which repairs and maintains our county roads and bridges. Since maintaining the integrity of our roads is important, we have put into effect a proposal from Oneida County Clerk Sandra DePerno to institute a Vehicle Use Fee on vehicle registrations. Through this fee, passenger vehicle registration will increase \$5 a year and commercial vehicle registration will increase \$10 a year. This fee will generate \$1.2 million that will be dedicated to the Road fund to help defray our costs for plowing and maintaining county roads. This area of the County budget cannot continually be supported solely by property tax payers. We all use county roads and we in county government must find ways to fairly spread costs associated with vital services to all that use them and not just those that own property. It is not a decision I make easily however, in a State that continues to shift more costs to the Counties than ever before, we are faced with limited resources to provide not what our people demand but what they deserve. You will have before you this week a local law that deals with this issue. I urge you to pass it or find \$1.2 million to address the cut to our road fund.

As we along with each local municipality struggle to provide basic services at the lowest costs to all of our residents, we continue to hear discussion about consolidation. While more and more voices speak about consolidation each day and more so at budget time, we are frustrated that those municipalities who could benefit the most are those who

resist moving forward. I stand ready to work with any and all who desire to truly advance these efforts into actions. We have organizational structure in place that provides service to all of County residents. Some of these structures are duplicated in some towns and cities. These are the areas that have been the focus of much discussion and debate and yet no one moves forward. Consolidation will not provide a service at no cost. There will always be costs to providing service to our community, but the sum total of expenses will be reduced when governments get together in such joint efforts. I put out a call for action and stand ready to turn these discussions into action. Local government begins with each resident. When the residents want change, I am ready to work with them.

The bottom line of this budget is this: We have taken the steps needed to preserve fiscal strength and avoid short-sighted solutions that would lead to long-term problems. I am not going to dismantle a government that is the safety net for those who need the help of our road patrol, our public health nurses, our child protective workers and our human services professionals. Despite the setback that took place when the innovative Oneida Indian Nation settlement was rejected, my administration will continue to embrace innovation and implement creative management solutions to our operational problems to maximize the effectiveness of every tax dollar.

This budget is my administrations best effort in a very difficult time for the Nation, State and County. We have made cuts, we have eliminated positions, we have sought new sources of revenue and we have consolidated functions within county government. We continue to provide vital services and are doing so at the lowest possible cost. But let me caution you, the tide that began at the end of 2008 and into this year is cause for even more concern in the next two years. Our fund balance has been reduced significantly over the last several years and the FMAP money will go away after 2010. The decline in sales tax revenue will also cause us problems. The states' failure to pass meaningful mandate relief and further cost shifts will force us not to hold the line on each department next year but rather to completely eliminate areas of discretionary spending.

I am proud of my administration over the past three years. I am proud that we have been able to strengthen our financial position and that we have achieved the first credit rating upgrade in 7 years. I am proud we have been able to provide vital services and react when issues such as lead poisoning need action not talk and when we were faced with a sewer issue, we brought together those affected communities and began working on a solution. I am also proud that when other counties around us were facing double digit loss in sales tax, we had budgeted soundly and did not have to make drastic cuts to services. I am proud that we tried to resolve a 30 year dispute with our neighbors. We will keep trying and working on all of the above and more to make this county a better place today and for the future.

My administration and I stand ready to assist you in your deliberations.