



Onondaga County Legislature

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COUNTY EXECUTIVE'S 2012 BUDGET PRESENTATION TO THE ONONDAGA COUNTY LEGISLATURE – September 14, 2011

IN ATTENDANCE: Legislators Lesniak, Meyer, Tassone, Rapp, Buckel, Corbett, Stanczyk, Holmquist, Kilmartin, Cox, Warner, Jordan, Kinne, Laguzza, Masterpole, Williams, Ervin, Rhinehart
ALSO: see attached lists

Chairman Rhinehart called the meeting to order 10:15 a.m. and led the Pledge of Allegiance.

Chairman Rhinehart introduced County Executive Mahoney who presented the following:

Onondaga County is on firm financial footing. The economy remains challenged, but I stand before you with a balanced budget which continues our county's strong history of carefully planning for the needs of our citizens and at the same time being very efficient with their tax dollars.

In this budget, the county tax rate will drop to \$5.77/thousand, which is down nearly \$1.51, close to 21% since I took office in 2008. It is the lowest it has been since before 1960 and nearly half of what it was in the 1992 budget 20 years ago. My budget maintains a property tax levy of just under \$154 million. The levy was reduced by \$30 million in the 2011 budget; down over 14% since I started. It's the lowest it has been since 2002, 10 years ago. Although our county can be commended, it is constantly striving to be more efficient. Government does not cost the same today as it did 20 or even 10 years ago. The local part of our budget has been dramatically reduced; however state mandated costs have skyrocketed. Onondaga County's contribution to the state pension system in 2008 was \$15.4 million. The estimate for our 2011 contribution is \$32.4 million. Our bill from Albany has more than doubled in four years with an actual dollar increase of \$17 million. For 2012 we are projecting another increase of 21%, which is an additional \$7 million bill from Albany.

There is a certain amount of fatigue with respect to the constant theme of state mandates, but the truth is that they continue to take the lion's share of our property tax dollars. The entire levy is still lower than the bill from New York State. The one year increase in mandated costs is \$9.7 million this year. To put this in perspective, I'd like you to consider this: our entire Park's budget for 2012 is \$9.1 million. We can eliminate the entire Park's Department and still not keep pace with just this year's increase in the state mandated costs. In fact there are nine Albany mandated programs that consume 90% of all county property tax collected statewide. Counties across our state collect a total of \$4.4 billion in property taxes in 2010 -- \$4 billion of those dollars went straight to Albany to pay the bills for only nine programs. These are nine programs over which we have no input and no control, but we are expected to foot the bill.

This year we are taking an extra hit in Medicaid for what is known as a calendar creep. The first Tuesday in 2013 is January 1st and since banks are closed, our payment is due on or before December 31, 2012, which will result in an additional weekly payment of Medicaid of \$2 million. Don't think that there is relief on the horizon, if you count the remaining Tuesday's in 2013, you will see that there are still 52.

When you hear that NYS does not charge state-wide property taxes, please don't be fooled. It absolutely does, but it just uses us, the counties, as the middleman. We have become a pass through, which collects the money from our county homeowners and businesses to pay for the programs that Albany approves. From 2008 until the budget in front of you today, our bills from the State have increased over \$27 million. That is an 18% increase just since County Executive Pirro retired, and he was sounding the alarm bells long before he

left. The good news is that the sometimes difficult decisions that we have made together over the past few years have not only helped Onondaga County weather the world wide economic crises, but we have also weathered the Albany spending spree better than most. As you know a 2% tax cap is now the law in NYS, and its impact is being felt statewide. Many counties across the state are already preparing local legislation to override the cap. Fortunately, Onondaga County is not in that position. I believe that that cap without mandate relief is a recipe for disaster and hopeful that the state will make the issue a priority when the legislature returns. In the meantime, we must continue to make responsible decisions and govern with a steady hand. But make no mistake, this point is perfectly clear. Now that the tax cap is in place, significant reforms, which reduces the cost of state mandated programs, must occur. Onondaga County has been one of the best state wide at reducing local costs while absorbing huge increases from the state, but we too will reach a tipping point if the Albany bills continue to spiral out of control.

The budget I present to you today is one that continues our strong stewardship of the taxpayers' dollars and is focused on keeping our county financially sound. At the same time this budget takes a longer range view and considers the future impact of the decisions we are making today. One of the areas affected is our fund balance. The current projection has the general fund balance at \$79 million at the end of 2011, which includes a \$4 million surplus. As you know, this exceeds the county's policy of maintaining a fund balance of 10% of revenue, and the excess will be used to offset the need to raise property taxes to pay for the increase in cost of state mandates. This budget includes a \$4.5 million sum of fund balance to help fill the gap. In addition, as you also know, in March of this year I designated \$5.5 million of fund balance to pay for the county's share of the Early Retirement Incentive Program. I continue to believe that we should make use of fund balance for this one-time cost and not make partial payments, which will cost us more over time. As an update, please be aware that one of the requirements for participating in the early retirement incentive last year was agreeing that we would eliminate more than half of the total number of positions, which were vacated by retiring county employees. We have far exceeded that requirement. We are saving money on staffing; let's pay the ERI charge all at once and maximize savings there as well.

Sales tax revenues are strong and account for the bulk of the \$4 million surplus the county expects to have at the end of the year. Please recognize that if the projections are accurate, we will only now be getting back to sales tax levels which were collected in 2008. It continues to be a very slow recovery. The 2011 budget assumed approximately a 2% growth in sales tax receipts and with the benefit of events like the women's bowling tournament, we are expecting now that the number will exceed 3%. The budget before you today forecasts a 2.25% increase on top of that actual growth in 2011. It is more aggressive than we have been in recent budgets, and it will take an economy which is growing to make it happen.

In addition to the appropriations for the early retirement incentive payment and the \$4.5 million to fill a gap in this years' budget. I am forwarding to you today a list of items that I'm asking the legislature to fund with fund balance. The list includes items outside of the normal operating budgets of county departments and represents appropriate projects to be funded with a one-time source of money. The list totals approximately \$14 million, and when combined with the other fund balance appropriations, reduces the county fund balance to approximately \$54 million, which is closer to 8% of our revenues. It is my hope that this year you will make an exception to your 10% policy because using the fund balance in this manner addresses ongoing maintenance, which has been neglected and at the same time does not exacerbate a structural deficit in next year's budget. Funding these items will result in our ability to address any one time expenses, continue to operate the government efficiently, and avoid having to raise people's property taxes.

While we can agree that the 2% property tax cap without mandate relief will cause future budget problems, we must work together now to mitigate that effect. A cap of 2% would not have been an issue for us in the recent budgets. However, in the early '90's and 2000's it would have had a dramatic impact on the county, and for all but four of those years the levy was higher than it is today. We cannot simply lower the property tax levy by putting off recurring expenses or inflating revenue projections. The only responsible way to lower the tax levy is by making cuts in the budget which are permanent. As the legislature reviews the budget, I will be open to discussions about legitimate cuts which would be recurring. I am proud of the job we have done as careful stewards of taxpayer dollars and will always be open to new cost cutting proposals.

There is also a balance which must be considered with respect to the tax levy and fund balance to our county bond rating. Onondaga County has one of the highest bond ratings of any county, and we were actually upgraded in 2010. It is important to maintain our current bond rating because it results in lower costs for taxpayers when we need to borrow money for capital projects. When the rating agencies analyze municipalities, they look for stability. Our stability is reflected by the proportion of property tax to sales tax and room occupancy tax. A budget which more heavily relies on the more stable revenue sources will be rewarded with higher ratings. Although our budget process is focused on 2012, we are not operating in a vacuum. You showed foresight last year when you voted unanimously in favor of a new sales tax sharing formula, and we are seeing the effects through increased efforts to share services and consolidate municipalities, which will lower the overall cost for everyone.

It is important to make smart choices that do not increase out year gaps and be mindful that good sound bites are not always good policy. A key part in making smart choices is in making smart investments. To that end, I propose that the county implement an asset management system. Over the years the county invested in many structures -- structures which are now aging and require maintenance. It is not prudent though to only consider the needs of each individual facility when we can instead use technology to help assess all of our facility needs. As part of preparing for our future workforce, we must determine what our space needs will be and implement a plan to maximize productivity and minimize expense. In county government, the Civic Center and the County Office Building are the core. Our asset management system will help us to maximize efficiency and space use and better address our long term capital needs. This budget not only includes funding to implement the asset management system, it also allocates fund balance to begin projects to our core structures, which are necessary and overdue.

Since I began as County Executive, I have made increasing government transparency a top priority and this budget document furthers that goal. In the past the capital improvement plan contained all capital projects which were under consideration by county departments. This led to the plan becoming more of a wish list than a planning tool. In creating the capital improvement document this year, we challenged each department to prioritize projects within an overall budget. The result is a realistic plan of action. Many of these projects are long overdue and are necessary to preserve our assets while making them safer and more efficient. These buildings were built with taxpayers' dollars under the watchful eyes of John Mulroy and Nick Pirro. We have a duty to maintain them.

We have also expanded the Park's Department section to include a park by park breakdown of revenues and expenses.

You will also see changes in a reallocation of budget numbers within the program profile section of each department's budget. As part of the implementation of the People Soft system, we are preparing program profiles to budget and track expenses in greater detail. This new software tool will help us better analyze data so that we may more easily identify opportunities for saving taxpayer money.

The budget passed by last year's legislature cut funding for the arts and cultural organizations. Fortunately the Cultural Resources Trust assumed the obligation on the county's behalf. Although the Trust's mission is not to fund the day-to-day operations of cultural groups, we owe them our thanks for throwing a lifeline to many of these community treasures. Having depleted much of the Trust's funds on the arts last year has limited its ability to help again. Our county's cultural organizations will be embarking on a new initiative. This year I propose providing \$1.2 million to fund our arts and cultural organizations. This sum represents 22% of ROT revenues. In future years, I intend to propose the same fixed percentage of room tax revenues for arts and cultural organizations so that they may better plan for the future. This new program will provide a steady, recurring source of funding for these organizations. I am also proposing a public/private partnership and thank Chairman Rhinehart for his work on this important proposal. In the future, a portion of county funds must be matched by private donations before the funds are released to the organizations.

In last year's budget, I announced that we would pursue using the resources and expertise of our Division of Purchase to help other municipalities in Onondaga County save money, while doing the same for our own county departments. I am pleased to report that in the few months we've been operational, we have already saved county taxpayers over \$200,000. That is part of an overall savings of nearly \$900,000. In the coming

weeks you will hear from Purchasing Director, Sean Carroll, about his successes and what he needs if we are to expand this program to all of our towns and villages. It is my hope that you vote to fully fund this proven initiative.

I'm also proud to report that we have made tremendous progress since first announcing Ongov Enterprise-- Our new integrated approach to transform how we deliver services to county residents.

I mentioned earlier the promise of the People Soft program. This January we will move from an outdated set of financial applications running on an extensive mainframe to modern replacements, which run on less expensive computer systems. In January 2013 we will move our human resources and payroll applications onto this modern platform. I am also pleased to report that the contracts we negotiated with the software companies will allow us to offer these very same applications at no cost to any of our towns and villages. To prepare ourselves for this change, we have begun a significant reorganization of our Information Technology Department. One example of this is that my 2012 budget moves all purchasing of personal computers and laptops from individual departments to the IT Department, enabling us to dramatically reduce purchasing, and maintenance costs over the lifecycle of this equipment.

I am pleased to share that after 23 years at the Galleries, the Central Library is ready to be reconfigured to better serve our county's residents. Of equal importance, the Central Library will be less expensive to operate when our reconfiguration project is complete. In January 2011 the library released a study recommending that we downsize the Central Library by vacating about 6,000 sq. feet on the 3rd and 4th floors of the Galleries. Central Library will then move into a smaller space on ground floor where a new entrance from South Salina Street will welcome readers of all ages to space that has been reconfigured to meet the needs of today's families. The Governor and our State Legislature have included a \$2.5 million grant for our Central Library – downsizing and reconfiguration project – in their state budget, and I am asking this legislature to authorize \$5.2 million in funding for this project.

The discussions with members of the legislature leading up to today have been productive. I appreciate the effort put forth by Chairman Rhinehart, Floor Leader Lesniak and Minority Leader Stanczyk, as well as those members of their caucus who have helped to shape this budget.

We have tightened, and tightened, and tightened, and have driven our tax rate down in the face of huge increases in our bills from Albany. Let's continue to find smart ways to meet our obligations and work together to fight for the real mandate relief our county tax payers deserve.

Before I end, I want to thank Jim Rowley, our CFO, and his incredible team of budget analysts for the hours and hours of work that go into preparing this budget that I present to you today. We owe them a debt of gratitude; they spend a lot of summer nights working on the budget.

I know that for many members of the County Legislature, this will be your last budget, and I want to thank you for your years of service to Onondaga County. Chairman Rhinehart, you have been a formidable opponent on many occasions, and a strong ally on others. I wish you and the other members of the legislature, who will not be here next year, all the best in your next adventures. For those of you who plan to return, there is still time to change your minds.

Thank you very much.

Chairman Rhinehart adjourned the meeting at 10:35 a.m.

Respectfully submitted,



DEBORAH L. MATURO, Clerk
Onondaga County Legislature