



Onondaga County Legislature

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COUNTY EXECUTIVE'S 2016 BUDGET PRESENTATION TO THE ONONDAGA COUNTY LEGISLATURE September 15, 2015

MEMBERS PRESENT: Legislators May, Burtis, Tassone, Rapp, Liedka, Ryan, Chase, Holmquist, Kilmartin, Knapp, Shepard, Jordan, McMahon, Williams, Ervin
MEMBERS ABSENT: Legislators Dougherty, Plochocki

Chairman McMahon called the meeting to order at 11:05 a.m. and welcomed everyone to the 2016 budget presentation.

County Executive Mahoney presented the following, along with a PowerPoint presentation (not provided to Clerk):

Thank you Chairman McMahon and members of the Legislature for the opportunity to be here today to present the 2016 Executive budget.

This is the culmination of many months of work by the Office of Management and Budget, the Deputy County Executives and our department heads and I would like to thank them all. And for the first time since I have had the privilege of presenting the budget, we have a new County Attorney and I would like to welcome Bob Durr and thank him and Lori Tarolli and the entire Law Department for the work they have done to prepare this budget as well.

The 2016 Budget continues the long history Onondaga County has enjoyed as a government which carefully balances its obligations to our workforce, the public at large and the generations that will follow us. You will see that we have budgeted for new contracts for county employees, we have responsibly met our obligations by budgeting the funds necessary to maintain our infrastructure, and we have again been able to lower the property tax rate for our residents.

The budget process started with three cornerstone goals....the first was to continue to reduce spending. The second was to continue to carefully lower the property tax rate and the third was to continue to modernize the way we do business.

With respect to the first goal, the budget I present to you today spends less money than the 2015 Modified budget. It is not an easy thing to do when, as you will see, expenses continue to go up but by making strategic investments and carefully managing our operations, we can operate county government in 2016 and spend less money than we budgeted last year.

The second goal was to carefully continue to lower the property tax rate. This budget calls for no increase in the Property tax levy. It remains flat at \$140M. By reducing spending and enjoying a modest increase in property values, we are able to present a budget to you today which reduces the property tax rate to \$5.11/1000---which is again a historic low for Onondaga County.

This property tax rate keeps us well within the Property Tax Cap which will result in the county's homeowners sharing a \$615K tax credit from New York State.

The third goal was to continue what we have done in past years to change the way we do business inside county government. As I have said in the last couple years, there is no reason that every single department should need its own personnel administrator, its own financial administrator and its own facilities supervisor and maintenance staff. During the last two budget cycles we began to change that and the changes have resulted in greater efficiencies for our taxpayers. We continue on that path with this budget which proposes to transfer the financial infrastructures of IT, the Metropolitan Water Board, Community Development and Law to the Department of Finance. These changes allow us to strategically align our support functions to assist departments with meeting their missions.

The County Budget is complex and made up of thousands of moving pieces. You will spend many hours over the next four weeks going through each department carefully and hearing from individual department heads and the management and budget staff.

However, there are a few big drivers which can give an overview of the budget as a whole:

As you are all aware; SALES TAX makes up a significant portion of the resources we use to fund county government. This budget includes \$262M in sales tax revenue which contemplates a 2% growth rate in 2015 and a 1.5% growth rate in 2016. We are very careful in our sales tax projections, recognizing that, while they give us the ability to continue to lower property tax, they are a less reliable source of funding and we must always err on the side of caution. This projection of modest growth results in a \$4.8M increase in revenue to help us meet rising costs without having to raise either the property tax rates or the levy itself.

Another big driver this year is the continued mandate relief we have seen the past few years. When I took office in 2008 Medicaid growth had been capped at 3% and while it was considered relief relative to what the previous years had looked like, it still resulted in millions more local dollars being spent year after year. In 2015 New York State put a hard cap in place and began to absorb all of the increases at the state level. This has provided tremendous relief in our recent county budgets and this year we see even more. Not only are we able to stabilize mandated costs, this year we will have a REDUCTION in mandated costs. The 2016 budget reduces spending for State mandates by \$8.7 million dollars—a tremendous relief. On the other side of the ledger, we project expenditure increases in the form of wages and benefits, we plan to make a general fund transfer in large part to support DOT's ongoing maintenance of county roads and we see cost increases in the social services world.

Wage growth of \$3M is comprised of yearly step increases, overtime and potential contractual wage increases. Our biggest union, CSEA has been without a contract and I thank them for their patience as we balance the interests of our employees with our obligation to the rest of the county's taxpayers. I am pleased that we have reached an agreement with the union's leadership team and await a vote by both the membership and the Legislature. The value of the agreement is added to this budget in the hope that things go as planned and we can sign a new contract with the resources behind it to pay our county workforce.

Employee benefit costs are projected to increase by \$1.7M which reflects a 4% increase in the cost of health benefits and a 1% decrease in the county's pension contribution.

I am proposing a \$1.9M general fund transfer to DOT to increase our pay-as-you-go program for road maintenance. Additionally, there are another \$5M in cost increases in various accounts with foster care and professional services comprising a majority of the increase.

There are some other big changes on the reimbursement front. Preventive funding for Juvenile justice services is projected to decrease again in 2016. Further clarification of reimbursement parameters received from the state in 2015 will result in an additional decrease of approximately \$700K in revenue.

When combined with other reimbursement decreases from both the state and federal governments for social services programs, we are projecting an overall decrease of \$1.8M.

So, to summarize generally, you will see increases in sales tax revenue and lower mandated costs on the positive side of our ledger this year and you will see wage increases, general fund transfers as well as reductions in social service reimbursements on the negative side of our ledger and you will see that combined, I am able to present to you a balanced budget which calls for no increase in property taxes.

With respect to fund balance, as you recall we budgeted \$5M for the 2015 budget. If things go as we expect this year, we may not use any of that money and we will end this year with a surplus... I will update you on that when we close the 2015 books in the spring. In the meantime, I am again proposing that we use \$4M in fund balance to support the 2016 budget. This proposal will keep the county within its policy of a healthy 10% fund balance.

In addition, this legislature wisely reserved \$5M in fund balance in 2013. There was much needed work to do to get our physical assets up to date and when the economy suffered and interest rates were at historic lows, we took advantage of our exceptional credit rating and borrowed money when it was in the one percent interest rate range. As those bonds are paid off, the fund balance you set aside will allow us to avoid spikes in debt service costs. I am proposing that we use one million dollars of that reserve to smooth the repayment of our Department of Transportation bonds which were used to improve the condition of our county roads.

With respect to fees:

The budget includes no increases in Parks or Health department fees. There are modest fee increases that the sheriff has requested to support his budget and I am sure you will get more detail when he makes his presentation to you.

I am not proposing any increase in wholesale water rates in this budget. And as you know, three years ago I proposed a gradual 5 year increase in the sewer rate to support the costs associated with meeting our obligations under the ACJ. We are in year 4 of the proposal and I appreciate the support you have given me thus far. The proposal for the 2016 budget is an increase of \$20 in the sewer unit fee which would bring the total to \$431.77. It is the responsible thing to do and it is what makes it possible for the county to keep its infrastructure in good, working order.

Those are the highlights of this year's budget drivers. Now I'd like to show you where our property and sales tax dollars go in this budget:

Of the \$412M in local dollars which I propose in this budget, 41% or \$170M goes to support mandated programs. Medicaid, temporary assistance, Child Welfare, Special Children's Services, Legal Aid and a few others.

Of those mandates, our local share of Medicaid costs alone is \$98M or 24% of our entire local dollar budget---and 70% of our entire property tax levy. As I said, the arrows are now pointing in the right direction but after decades of increasing costs, it will take time for the damage to be undone. Our local share used to be well over \$100M for Medicaid.

33% of our local dollars, or about \$136M are allocated to support public safety. And the largest single portion of that, some \$62M, goes to support the cost of incarceration...The Justice Center, the Jamesville Penitentiary and Hillbrook. Given the complicated Mental Health issues of many of the inmates, building more jails is not only not the answer from a Human standpoint but it is also NOT the answer from an economic standpoint. Too many taxpayer dollars are already being spent on incarceration in Onondaga County and I was thrilled to see the memo from Sheriff Conway recommending that we study all possible alternatives to incarceration before we simply build more space in the jail to warehouse more people costing the taxpayers of the county more money.

12% of our local dollars---about \$49M pay for our physical services departments including transportation, parks and facilities---the largest portion of which is transportation at \$31M.

And that leaves just 14% of the property and sales tax dollars we bring in to support everything else in our budget: Health, OCC, authorized agencies, finance, purchasing, debt service and many more.

Roughly 54 cents of every local dollar we collect through property tax and sales tax goes to just four functions: Medicaid, Incarceration, Sheriff police/civil, and road maintenance.

In addition to the budget resolutions you typically see, I am also proposing a local law for your consideration this year: For a while now we have been discussing the benefits of changing the budget calendar. As you may know, Onondaga County is the first county in the state to present a budget every year. All of the other big counties wait until later in the year to consider their budgets and they do so for very good reasons;

- A later budget presentation can give a much more clear picture of what revenue will be and will lessen the guesswork that goes into forecasts.*
- As I have stated many times, the glaring example of why we should do this is the hole we ended up in when the Legislature passed the 2009 budget the day that the United States economy collapsed in 2008. Had we the benefit of the additional weeks I am now proposing, we certainly would have adjusted sales tax revenue projections and would not have started the year already in a multi-million dollar hole.*
- So this year I am proposing a local law that would move the presentation of the budget to November 10th with the Legislature adopting a budget by December 6th as opposed to the current date of October 10th for adoption.*
- I think you will see when you have the opportunity to study this issue that adopting this local law will make the budget process better for everyone.*

So, the bottom line:

In this executive budget which I present to you today:

- 1. Spending is down*
- 2. Property Tax Levy is flat*
- 3. The countywide tax rate is \$5.11/1000*

It is gratifying to see the arrows pointing in the right direction with both spending and property tax rates down and sales tax revenue increasing. And while incremental changes are important, it is valuable to look back to see where we have come

to get a clear picture of the progress we have made together. As I complete my second term it has been interesting to look back. Since 2008:

- The Property Tax Levy has been reduced 22%--from \$180M when I started to \$140M today.
- Through our efforts to modernize government we have been able to gradually reduce the workforce from 4,224 in 2008 to 3,286 now ---another 22% reduction
- We have a healthy fund balance consistent with the fund balance policy set by this Legislature years ago.
- There is No County in New York State which has a higher credit rating than Onondaga County.
- Our infrastructure is in excellent condition. We have made significant investment in our Roads, Water infrastructure and Sewers and at the same time we have carefully appropriated the dollars to make sure that the bills for the improvements will be paid without burdening our children with either dilapidated infrastructure or an inability to pay.

And we have made bold decisions about investments which will pay dividends well into the future. When New York State reached an agreement with the Oneida Indian Nation to share revenue, we estimated an annual sum of \$2.5M would be forthcoming. To put that in perspective, had that entire sum been used to lower the levy, the rate this year would be \$5.02/1000 rather than the proposed \$5.11/1000. Balancing that \$9 savings on the bill of a taxpayer with a \$100K home against the creation a \$20M annual economic engine was an easy financial decision but very difficult to execute.

When I presented my budget to you last year I also brought a request for a bond authorization for the West Shore Revitalization project which included this concept for an Amphitheater on Onondaga Lake. On September 3rd that concept became a reality (switch to Drone slide) as Miranda Lambert played the first concert at the Lakeview Amphitheater. I watched as people came over the hill and saw the amphitheater for the first time—it was a combination of excitement and amazement. It was hard to take in that this incredible facility is right here in Onondaga County and on the shoreline of Onondaga Lake. Boats dropped their anchors in the cove, people danced and sang along and the evening ended with a fantastic fireworks show.

This project is a shining example of how we have transformed Onondaga Lake from a liability to an asset. If you haven't seen it yet, I encourage you to take the west shore trail to our newest county park—the trail runs right through the Amphitheater.

I also told you last year that I didn't ask for this job because I thought it would be easy—and the vote of this Legislature to bond for the Lakeview Amphitheater was no exception.

I would like to take a moment to thank Chairman McMahon, Floor Leaders Pat Kilmartin and Linda Ervin, Ways and Means Chair Dave Knapp and all the legislators who voted for the bond resolution that made this possible.

You had the vision to take the bold step with us and it has paid off as the Amphitheater was completed on time and on budget.

The thousands of people who will now come to enjoy concerts every year will spend money in our restaurants, our hotels and with our local merchants and that spending will generate the sales tax we use to keep our roads paved and our infrastructure in good working order. And by using sales tax to meet those expenses, we will continue to reduce the property tax rate. Before you know it we will be down to that \$5.02/1000 rate and we will have this beautiful new county park for years to come.

I thank you in advance for the work you now have to do to examine this budget in great detail and as always, my team and I are looking forward to a spirited conversation.

Thank you.

Chairman McMahon adjourned the meeting at 11:25 p.m.

Respectfully submitted,



DEBORAH L. MATURO, Clerk
Onondaga County Legislature