

2010 Budget Message

Robert J. Bondi

County Executive

September 8, 2009

“Putnam County: Adapting Government in Turbulent Economic Times”

Honorable Chairman, County Legislators, Elected Officials, Department Heads, Putnam County Employees and residents of Putnam County—I want to thank you all for being here tonight to listen and respond to the 2010 Annual Budget Address.

As I brought this completed budget to Legislative Clerk Chris Marrone, pursuant to our County Charter, I reflected with astonishment on what has happened to our economy this year, and the devastating effect that it has had on our citizens and their County Government. In our State of the County Address held in March, we discussed the difficult staff reduction decisions that we had made to keep Putnam County on sound financial footing. We spoke about how our strong financial position had enabled the County to weather the economic storm in 2008, and how County Government was positioned to control our own destiny. Yet, since then, this recession has worsened, requiring your County Government to continue to adapt to these turbulent economic times. Unfortunately, these adjustments are harsh, but necessary to deal with the effects of this brutal economy. Let us now discuss the 2010 Budget in greater detail.

REVENUES

We begin the discussion regarding the 2010 budget with revenues. Revenues (or more specifically the lack thereof) are the principal driving force behind this budget. The effects of this recession have been most apparent in the County's primary revenue - Sales Tax. In 2008, Putnam County led all 57 New York State Counties in sales tax growth from the prior year. For the first six months of 2009, Putnam again leads the entire State in Sales Tax revenue. Unfortunately, we lead not in revenue growth, we lead in revenue decline. Putnam County Sales Tax receipts thru June 2009 in Putnam County are down 14% (\$ 3.6 million). This negative trend, which we believe will continue in the short term, requires us to revise our 2010 budget estimate to \$ 47.5 million, down \$ 4.1 million from our 2009 adopted budget. Our sales tax revenue problem is worsened by the decline of virtually all other revenue sources as well. Prisoner Board-In revenues, County Clerk Fees, Interest Earnings, Environmental Health Fees and OTB revenues are just a few examples of how this recession has forced us to budget less revenues than the prior year. Also we have had to absorb State Aid cuts, and it is likely there will be more to come as New York State grapples with a severe budget crisis. These state aid cuts usually have the devastating effect of being retroactive to the beginning of the State Fiscal Year, April 1, 2009. Therefore, the County likely will not receive state aid for State mandated expenditures already made by the County! County Executives throughout the entire State, Democrat and Republican, have recently spoken out in one voice against this unfair practice to Counties, and more specifically, to the Real Property taxpayer. When the State returns to address budget deficits, we will advocate that they be prospective and

provide real relief to taxpayers by cutting program costs throughout the State. We will oppose cost shifts from State to Local Governments which do nothing to lower costs but leave the local property taxpayer footing the bill. The additional Federal (FMAP) funding the County will receive from the American Recovery and Reinvestment Act just is not enough to offset these other revenue losses. All told, non-property tax revenues (excluding the use of undesignated fund balance) fell from \$ 96.8 million in 2009 to \$93.7 million in 2010, requiring the cuts in appropriations, increase use of undesignated fund balance, and increase in property taxes that we will discuss shortly.

APPROPRIATIONS

The 2010 County Budget appropriations total \$ 137.1 million, a minimal increase of only one half of 1 percent over last year. We were able to keep appropriations flat, despite increasing mandated costs that the County is forced to pay, by cutting costs throughout the County budget, especially in the area of personnel. This budget incorporates 32 layoffs, which includes the elimination of 22 budgeted positions. In addition, 17 vacant positions have been proposed for elimination. There are other vacant positions which have been retained in this budget, some of which will likely be offered to some of the employees affected by the layoffs. These layoffs affect both management and CSEA union employees, proportionately. The decision to layoff County employees is among the most difficult decisions that County Officials can face. In 1991, we also reached this same painful decision as a result of a prolonged recession. We did not reach the current decision to layoff employees lightly. We cut and slashed each and every department, with their input and cooperation, in all areas prior to touching personnel services.

However, that did not generate sufficient savings. Therefore, we extensively researched and considered a mandatory furlough, so that the pain would be spread out across all employees. However, we received legal opinions that we could not unilaterally implement it across the board in a fair and consistent manner. Deputy County Executive John Tully and Personnel Director Paul Eldridge have met with each of our unions at the County level. They initiated talks with our largest union, CSEA, in July to discuss the possibility of a mandatory furlough to prevent or mitigate layoffs. Talks continued through August in an attempt to gain the agreement of CSEA for the implementation of a mandatory furlough for all employees within CSEA. Paul and John indicated to the Union that the same would be requested and required of our Management employees, as well. Unfortunately, CSEA was unable to agree with us on a mandatory furlough with minimal layoffs versus significant layoffs. We certainly wish, and I believe the local leadership wish, that such an agreement could have been struck, but it appears that a directive from the State CSEA organization has prevented such an agreement. Because of this directive from the State CSEA organization, we were forced to the layoff option. Let me be clear – this is **not** the path that I nor the executive branch wanted to take. Unfortunately, because of the legal requirement to negotiate furloughs with union employees, we can not implement them unilaterally. **We need to have their agreement.** Lacking agreement, we are forced to recommend layoffs in this budget.

However, in order to reduce the number of layoffs necessary to balance the budget we developed the **Putnam County Voluntary Targeted Retirement/Resignation Program.** This program was formulated from existing programs offered in

municipalities such as Rockland County and the State of New York, then modified to meet the unique circumstances of Putnam County. Employees that meet eligibility requirements regarding years of service and retirement/separation dates will receive incentive payments ranging from \$ 20,000 to \$ 30,000. These payments will **not** increase their pension benefit. In order to be targeted, each position had to demonstrate a savings of at least \$ 20,000 in the first year to Putnam County taxpayers. The implementation of this program, which requires the approval of the Putnam County Legislature, will result in the separation of 10 employees from service, saving Putnam County taxpayers \$800,000 in the 2010 budget. The County will also avoid the layoff of at least an additional 10 employees if the Legislature adopts this targeted incentive program. We are presenting the Legislature tonight, a draft resolution for your consideration. We urge its swift adoption.

We have no doubts that our remaining employees will have to shoulder even more responsibilities and additional duties left by retiring employees. **In fact, over the last two years we have eliminated 63 positions representing 7% of the County work force.** One manner in which we continue to minimize the effects of reduced staffing is through departmental consolidations. In this budget we transfer the fiscal operations of the Youth Bureau and Law Department to the Finance Department. We also begin the transition of the Office for the Aging fiscal operations to the Finance Department, which we expect to be completed in 2010. The voucher audit function returns to the Legislature, as the Finance Department cannot both prepare and audit vouchers. In the

future we will continue this trend of consolidating fiscal operations, complete with an updated financial accounting computer system, as resources (funding and space) allow.

There will be fewer employees in County Government performing more job tasks in 2010. Therefore, we have honored the raise granted pursuant to existing union contracts, and have granted the same raise to rank and file management employees. However, **this budget freezes the salaries of all management employees and elected officials making \$ 100,000 a year or more. Additionally, those management employees whose raise would bring them over the \$ 100,000 threshold will be frozen at \$100,000.** This action is certainly not a reflection on the hard work done by these employees, but a reflection of the economic times in which we now live.

One of the most significant costs in this budget relates to the New York State and Local Employee Retirement System. Our 2010 retirement expense is expected to be in excess of \$ 5.7 million, an increase of \$ 1.1 million over 2009, due to the poor performance of their investments in the stock market over the past year and a half. According to published reports, this cost is expected to remain high for the next few years, possibly reaching a whopping 30% of payroll by 2015. **This single appropriation increase accounts for a 3% increase in the real property tax levy!** These benefits are guaranteed by the New York State Constitution and Putnam County must pay this bill. The County Legislature has recently adopted legislation, which we have approved, advocating a Tier V pension plan for future employees. This Legislation, if adopted by

the State Legislature, will help lower pension costs for future generations, but we must still deal with these escalating costs now.

The cost of providing retiree health insurance continues to rise at a rapid rate. An increasing retiree pool coupled with rising health insurance rates continues to burden real property taxpayers. This budget contains an appropriation of \$ 3.4 million to fund this cost for retirees. According to an actuarial analysis prepared for the County's 2008 financial statements, this cost will rise to \$ 5.2 million by 2015, \$ 8.2 million by 2020, and \$ 10.7 million by 2025. Clearly, we must do more now to stem the tide of these rising costs to our taxpayers. In 2010, we propose that no retiree will pay less than 5% of the cost of their health insurance. Currently, there are retirees that pay a flat rate regardless of their health insurance policy. Not only is this inequitable, there is no incentive for a retiree to take a lower cost plan. We are currently developing a proposal for future retiree health insurance contribution rates, to be forwarded to the Legislature when completed.

Mandated costs that require increased County funding due to the recessionary economy can be found throughout this budget. The costs include community college tuition (\$ 250,000 increase), legal defense of indigents (\$ 90,000 increase), and the board-out of prisoners (\$ 95,000 increase). Additional highlights of appropriations can be found in the appendix to this address, but we emphasize now that we have continued to prioritize public safety and health spending. Public safety appropriations have risen 4.8%, health

program spending has risen 4.2%, while general governmental support spending has declined 4%.

Reluctantly, this budget includes an appropriation of \$ 154,000 to comply with our legal obligation to fund the newly imposed MTA Mobility tax. I support the Legislature in your endeavor to challenge this measure, while at the same time recognize our legal responsibility to fund this additional revenue stream for the MTA.

Increasing mandated costs have meant less funding to spend on discretionary programs. This budget includes a 15% reduction in contributions to outside agencies that do much to improve the quality of life in Putnam County. We would like to contribute more funding to organizations like the Libraries, Cooperative Extension, and Museums, but we simply can not spend money that we do not have. We have also had to eliminate other quality of life, discretionary programs. The Friday trolley service in Philipstown will end. This budget eliminates the Adult Day Care Programs in Patterson and the Saturday Adult Day Care program in Mahopac. However the residents of the towns of Patterson, Carmel, and Kent will be able to attend these programs at the brand new senior center scheduled to begin offering these services sometime next year. The Cold Spring Senior Center will close, as those clients will be able to receive services at the Putnam Valley Senior Center. The Putnam County Youth Bureau will be providing much fewer services to at risk youth due to the elimination of funding to programs such as the Pegasus and Youth Mentoring programs.

USE OF SURPLUS

The 2009 County Budget utilizes \$ 3.7 million in undesignated general fund balance to reduce the property tax levy. While we have successfully reduced our reliance on surplus to balance the County budget in the past few years, we have increased it this year to offset our revenue shortfalls. This \$ 3.7 million is the amount of surplus the County raised in 2008, and we are returning these funds to the taxpayer now. Despite our cost containment efforts to limit spending in 2009, there is a possibility that our \$ 14 million dollar general fund balance will decrease in 2009 due to the revenue decreases caused by this economy. We believe that our prudent financial management will help mitigate any possible surplus decrease, and we certainly believe that the County will not be in a deficit situation requiring the invoking of Section 7.07 of the Putnam County Charter, which we will discuss later. We know that when the economy stabilizes, the steps that we have taken in the 2010 budget to adjust revenue projections and cut spending will keep the County Government in a strong financial position.

PROPERTY TAX RATE

For two solid months, Elected Officials, Department Heads, and rank and file employees have worked feverishly on the 2010 budget to reduce the property tax increase that faced our citizens if the status quo was maintained. As a result of their efforts, the 2010 Executive Budget request **reduced** an initial requested property tax increase of 14 % to a

submitted 4.7% increase in the property tax levy that will cost the average homeowner in Putnam County an additional \$ 19 in County property taxes next year. Yes, our homeowners are struggling, and we know that any property tax increase hurts. Yet we feel that a \$ 19 increase is reasonable, considering that the retirement expense we referred to before amounts to \$ 12 of total \$ 19 increase. We believe that the remaining \$ 7 increase represents a proper balance between the mandated services that we are forced to fund, the quality of life services that our residents have told us that they want to continue to receive, and the amount that they can afford to pay. This budget, despite all of the cost cutting, preserves public safety programs such as road patrol, school resource officers, advanced life support service, and correctional services. In fact, tonight we are recommending a proposal to enhance public safety relating to gun permits. This budget supports a request of \$30,000 for an enhanced technological solution to tracking gun permits. The new system, complete with software and peripherals, will provide for a more professional license printed on a plastic card which will assist law enforcement by reducing the likelihood of tampering and will ensure the accuracy and security of the permit. We want to thank the County Clerk's office for submitting this request on behalf of County Court Judge James Reitz who authorizes pistol Licenses for Putnam County.

CERTIFIED HOME HEALTH AGENCY (CHHA)

The 2010 Budget leaves unchanged, the budget pertaining to the County Certified Home Health Agency (CHHA). Ironically, we have left this budget preserving the status quo in order to facilitate needed change. For years, Putnam County has addressed the escalating need for home care on a piecemeal, ad hoc basis. If a fire erupts, we put it out, then go

along until the next one comes, paying less attention to the long run. We cannot continue in this fashion any longer. We need to make a decision regarding the future of the CHHA that will guide us through not only the next year or two, but the next twenty. The Legislature needs to decide whether we are going to staff up the CHHA to handle the ever increasing caseloads, or otherwise convey the operation to a third party. In Appendix B to this speech, the Legislature will find Dr. Amler's proposal for resources if the County were to run this CHHA effectively for the long run. The Legislature will also receive, the report of the committees evaluating the CHHA requests for proposals (RFP's). For the past month, two separate evaluation teams have been thoroughly examining these RFPs. The first team is made up of members of the Health Department that are responsible for evaluating the proposals from a technical perspective. In other words, they are looking into each company's credentials and the ability to deliver quality services to patients. The second evaluation team consists of members from the Health, Finance, Personnel departments, along with the County Auditor, Michele Sharkey. They have been focusing on the financial aspects of the proposals, along with considering patient care. Within the next two weeks, the County Executive's Office will make a recommendation regarding which course of action to take. This issue is critical to our future, and deserves a full public vetting before the Legislature, through its committee process, makes a final decision. This budget purposely does **NOT** include the alternatives of: 1) increasing the County CHHA staff, 2) including the proceeds from the possible sale of our CHHA license, or 3) otherwise conveying the operations to a third party, so as to not prejudice the outcome of this needed public examination of the issue. We are committed to work with the Legislature to develop a system that will enable our

citizens to receive the quality home health care that they deserve at a price that they can afford.

2009 INFLUENZA A H1N1 – AKA SWINE FLU

We are all familiar with the Swine Flu Virus that has spread worldwide. This budget includes an appropriation of \$159,000 to fund an action plan developed by Dr. Amler, our Commissioner of Health, and her staff to deal with this issue. I would now like to call upon Dr. Amler to address the citizens of Putnam County to discuss our plan. (Dr. Amler's remarks can be found in the Appendix to this address).

ASSESSMENT/MORTGAGE TAX

I want to thank the members of the Legislature who supported the home rule request in support of the mortgage recording tax. This morning I signed the home rule request and returned it to Mrs. Marrone, Legislative Clerk. I would be remiss if I did not thank all the members of the Commission on Fiscal Vision and Accountability for recognizing the need for increased revenues and recommending to all of our elected officials the passage of this request at the local and state level. You will note that while I am convinced that it will pass, we have agreed to comply with the decentralized budget review guidelines, and have not included any assumption of revenue from the mortgage tax. We trust that the legislature will do the same.

The commission has asked for me to provide them with other ideas or areas that they could explore to realize savings or make government more efficient. Tonight I am asking the Commission to explore in depth, the concept of countywide assessment under any scenario (a ballot vote, coordinated effort or contractual arrangement). We are presenting to the Legislature tonight, a template for an inter-municipal agreement and a letter to all Town Supervisors, demonstrating our willingness to assume certain costs associated with the assessment function for one town under a pilot arrangement. We include, in the 2010 budget, an appropriation of \$65,000 to support this partnership initiative. County-wide assessment at market value promotes accurate and uniform assessments, which are integral in an equitable property tax system. Given the current state of our economy, our office considers the achievement of a common level of assessment at 100% throughout the County an extremely important initiative. Under current law, the level of assessment is the annual choice of the assessing unit. The County has considered requesting state legislation specific to Putnam County that would mandate a level of assessment at 100% by all assessing units in the County (See attached Assessment Appendix). In the event that we are not able to achieve county-wide full market value assessments through the cooperation of the current assessing units, we remain prepared to transfer assessment functions from the Towns to the County pursuant to New York's Municipal Home Rule Law. Such a transfer would effectively abolish all local assessment units, making the County the assessing unit. Contrary to recent news reports, we do not believe that this will impact a municipality's ability to continue to use homestead if the county adopted it at the county level for use throughout the entire County assessing unit.

CONCLUSION

We have spent the majority of this speech highlighting the cost cutting and personnel decisions made necessary by this recession. Our economy, and most importantly our citizens, are hurting. The statistics speak for themselves:

- Putnam County unemployment exceeds 7% (record levels not seen since 1991)
- From January 1, 2009 to August 31, 2009, 1,448 people have applied for unemployment benefits to the New York State Department of Labor at our Putnam Workforce Partnership Office, compared to 732 people for the same period in 2008, an increase of 100%.
- Putnam County Home Foreclosures this year are at 332, approaching record levels
- The Median Sales Price of a Single Family Home has fallen 18.1% since 2005, from \$ 410,000 to \$ 336,000
- Watson Pharmaceuticals, the County's largest private sector employer, is leaving the County within the next two years.

Undoubtedly, there are those who will say that this budget lacks vision. Our response is that we cannot achieve the vision of our future economic prosperity if we cannot see our way now to responsibly deal with our current economic troubles. Let me assure our citizens that this recession will not stop County Government from moving forward. Ironically, as the economy worsens and there is less revenue to fund services, the need for County services increases. The Finance Department has already written more delinquent tax payment plans (66) for struggling property taxpayers this year than the

entire year in 2008. Community college tuition reimbursement is up as residents of all ages are choosing to go to community colleges rather than four-year private schools. We anticipate that as foreclosure actions are concluded, our Department of Social Services will see further increases in services across the board; that is, programs such as Temporary Assistance for Needy Families, HEAP and Food Stamps. There has already been a significant increase in the number of families made homeless due to chronic unemployment caused by this recession. Despite our falling revenues, we will not stop delivering the services that they have come to expect and deserve. We will continue to invest in our future, making infrastructure improvements such as constructing a new senior center in Kent and building bikeways throughout the County. We will continue to improve and plow our roads. We will continue to provide police protection and vital public health programs such as immunization services. We will continue to provide the essential election services that make our democratic society possible. We will continue to strive to find more effective, efficient ways to provide these services.

A week ago this evening, this Legislature voted to allow the residents of Putnam County to decide if the Legislature should have equal power with respect to section 7.07 of the Putnam County Charter. The charter was written and has stood the test of time and has served the residents of this county well for over 30 years. Directly related to your vote on this charter amendment and with all due respect to the fact that we agree more than we disagree in the normal course of governance, this Legislature needs to understand and accept where its role ends and the Executive branch of government begins. With that being said, I feel compelled to let you know that despite the one sided vote to send this

charter change to the voters, I fully intend to oppose this proposed change until such time that the Charter Review Commission has had an opportunity to fully understand the proposal in the context of the entire charter.

At this time I would like to acknowledge all of the Elected Officials, Department Heads and rank and file employees who we rely on to get the job done on a daily basis. We are a team committed to being responsive to the economic conditions and the demands of our residents for quality services. You will find that we have done just that in the form of over 600 changes that included many difficult decisions from the already lean budget requests that were originally presented by our departments. These changes were made with the input of our departments and their employees. We will miss the service provided by those employees who we have unfortunately had to layoff and we thank those who opted for the incentive program and in doing so most likely preserved other jobs. The fact that over 75% of our budget is non discretionary and mandated, leaves us with limited flexibility as to where we can cut costs.

Finally, this administration stands ready, willing and able to work with the Legislature to answer all inquiries regarding this budget. We will continue to do our best to keep Putnam County a great place to live despite the difficult economic circumstances we now face.

Thank you and Good Night.