

WELCOME

Good evening, everyone. I would like to thank Chairman Mark Whalen and all of our lawmakers for this opportunity to once again deliver this annual budget address. This is my fourth budget address to this legislative body. Four years ago, I vowed that during this administration I would bring you a responsible, solid budget. I feel strongly that this administration did that for the 2006, 2007, 2008 budgets and now for the 2009 spending plan.

RECOGNIZING LONG TIME LEGISLATORS

Before I get too far into the budget details, I did want to take a few moments to acknowledge a couple of our long time legislators who dedicated their legislative careers to working responsibly for their constituents for a combined total of more than forty years.

This will be Art Shafer's final opportunity to help mold a budget for his constituents and for all of the residents of Broome County. After almost a quarter of a century as a lawmaker, Art is retiring at the end of this, his 12th term. I do not say it like that to emphasize his age but instead to focus on his tremendous commitment to public service.

Art, I would like to take this opportunity to recognize and thank you for all that you have done for this legislative body and for the people of Broome County in your 24 years as a county legislator.

Everyone knows we have not always agreed on the issues. But that is okay. And yes, believe it or not, there have been issues that we did agree upon. We will miss you and I am sure members of this body and the residents of the Town of Kirkwood will miss your leadership as well.

I am not going to say goodbye quite yet because you still have one more spending plan to dissect before you get to officially retire.

Again thank you for all that you have done and I expect to see you at the grand opening of the George Harvey Justice Building, whose renovation was one of the issues we agreed on.

And speaking of disagreeing on the issues, I would like to also recognize Minority Leader Dan Schofield who is retiring after nearly 2 decades representing the people of Endicott and the Town of Union.

Dan you have been a formidable adversary these past three years. I would like to say I enjoyed every minute of our exchanges over the years but I cannot. However, I have enjoyed your passion and your determination. You have been a wonderful spokesperson for your constituents and for your party. Like Art, we had our disagreements but we also shared common ground on many issues including the county management of En Joie, sales tax relief for our residents, and your strong support for county economic development efforts. On behalf of the people of Broome County I would like to thank you for all your years of dedicated service.

You, however, may not get an invitation to the George Harvey ribbon cutting. Just kidding!

I look forward to working with both Art and Dan and all of our lawmakers in these next few weeks finalizing the 2009 spending plan.

OUR CURRENT FISCAL SITUATION 2009 TAX RATE INCREASE

These last four years have seen some major challenges and some major successes. And I believe this spending plan is a reflection of what we have faced and are going to be facing in the future.

Our economy is struggling. We are seeing higher unemployment rates. The national economy is putting a freeze on most financing opportunities for new and existing businesses. Fuel prices in the past year have shot up to levels beyond where anyone thought it was possible to reach. Healthcare costs continue their climb and New York State is in financial distress.

Yet in the face of all of these challenges, we have been able to deliver a budget with a tax rate that reflects the cost of living. This is not a fluke and this is not the result of any gimmicks or tricks. This budget I present today is the result of this administration's solid financial strategy.

In accordance with my promise to manage county finances in a more responsible manner, I am proposing a 2.77% increase in property taxes. This means an additional \$36 dollars to the average homeowner and represents approximately \$350M in appropriations for Broome County's next fiscal year.

I want to thank my Budget Director Nathaalie Maxwell. Nathaalie has once again worked closely with our department heads to keep spending in check while maintaining our quality county services. Nathaalie is tough. And that is okay. The decisions she has to make are not easy ones but she, like me, has vowed to watch over the taxpayers' money as if it were our own and she has done an excellent job with that commitment.

It has not always been an easy road with Nathaalie. Sometimes we have to remind her that we are all on the same team. I kid her of course but I can tell you that the last four years have been easier on me with her in the budget positions she has held. Don Freed's shoes were hard to fill. Her feet are much smaller, and she is a little more fashionable but she has more than proven herself in this position as Broome County's Budget Director. Thank you, Nathaalie! Don Freed would be proud.

Thank you to Marie Kalka our Deputy Budget Director who joined the Executive Staff from DSS this year and has done a phenomenal job thus far. And last but not least, I want to thank Darlene Croston, another asset in our Budget Office.

DEPARTMENT HEADS/EMPLOYEE RECOGNITION

It has once again been a long and difficult process but through dedication and teamwork we have once again delivered a solid, responsible product.

Our department heads and employees also deserve a huge round of applause. They are the ones who must implement these tight spending plans and keep providing the services so vital to our community. We should never forget the contributions they make on a daily basis. I assure you, this administration does not take them for granted and we appreciate all of their efforts.

TAX STABILIZATION FUND

In addition to the 2.77% tax rate increase, we have been able to set aside \$1.25M in a tax stabilization fund. As we move forward, this important strategy will help minimize any unforeseen financial hits to our County.

Placing \$1.25M in this rainy day fund shows that my administration is more committed to the County's overall financial health, than an unrealistic election year bottom line. This type of fund will save our taxpayers the burden of rollercoaster property tax increases. I know this from personal experience. In 2006, had there not been a tax stabilization fund to draw from, the property tax increase would have been approximately 4% higher.

I was appreciative that legislators had the foresight to create this fund and the strength to authorize its use in our time of need. While I hope we do not have to dip into the \$1.25M in the near future, it should be comforting to taxpayers to know that this cushion exists.

I am very proud that our County is fiscally strong enough to create this tax stabilization fund and bring to bear my campaign promise made four years earlier, of a structurally balanced budget.

SOLID BOND RATING

Earlier this year we reported that Standard and Poor's affirmed the county's "A" bond rating. This rating positively affects the ability of the county to leverage funds for projects and development. On average, the county seeks bonds for capital improvement projects every three years.

When I heard that Standard and Poor's, a top bond rating agency was coming in to do a full review of our current rating, I was concerned about the timing. I questioned, what Upstate New York county could keep from being downgraded in the face of a national economic downturn, a perceived eroding tax base, and the loss of a number of large employers within the last 10 years?

The answer....Broome County could and did.

We managed to retain our bond rating due to our good financial standing and strong plan going forward.

Our bond reviewers were impressed by our County's economic development efforts. We reached out to assist local companies and we found ways to attract businesses from outside of our area. We created a sustainable revenue stream to market our region and to cleanup our brown fields.

My administration was able to demonstrate strong leadership that enabled us to make tough, sometimes controversial and unpopular financial decisions that kept us on target.

In addition to taxes and fees, the County must borrow money in order to fund large capital projects. And as we all know, the cost of doing infrastructure improvements continues to grow as material and labor costs have greatly increased.

A high bond rating positively affects the ability of the county to leverage funds for projects and development. Since investing in our infrastructure is a critical component of my strategic economic development plan, we will need to ensure that our County can secure the best interest rates by maintaining a solid bond rating.

Our good rating allows us to get better deals in the financial markets thereby saving more taxpayer dollars. It is my goal to maintain our current "A" rating or improve upon it after the 2009 review.

DESPITE TOUGH TIMES, ECONOMIC DEVELOPMENT EFFORTS FIND SUCCESS

These are difficult economic times but our area has been able to weather these tough times and still show signs of strength. The assessed value of all of Broome County's properties is rising while many areas of the country find their collective and individual home values falling and in some cases plummeting.

Yet in the face of this, many local companies are still showing signs of growth.

Emerson Network Power Surge felt so strongly about its own performance, it committed this year to building a new headquarters in the recently created Charles St. Business Park in Binghamton's First Ward. Westcode, on Airport Road in the Town of Maine, is another shining example of successful growth. The company announced just a few weeks ago it plans to add a third shift and hire more workers.

Endicott Interconnect Technologies President Jay McNamara personally told me his company is experiencing tremendous growth and expanding the diversity of its products and services. In fact, Mr. McNamara, received the 2008 Ernst & Young Regional Entrepreneur of the Year Award for his innovative ideas.

And just last month we were able to announce that after a long and competitive search, Impress USA, chose Broome County for the site of its new manufacturing facility.

This administration played a key role in recruiting this company to Broome County and I have to report it was very gratifying to be on the winning end of this competitive process.

I want to thank my Director of Economic Development, Darcy Fauci, for working with the IDA to convince Impress USA officials that our Broome County Corporate Park in Conklin is indeed the best choice for their expansion plans.

And we all look forward to working with Town of Conklin officials to finalize this development project to the benefit of all involved.

Our economic development efforts have born fruit across our geographic region. From En Joie Golf course and Endicott Forging in Western Broome to the Corliss Avenue project in Johnson City to the Charles St. Business Park and Emerson Network Power Surge in Binghamton, to the Impress USA development in the Broome County Corporate Park in Conklin. We have attempted to spread the success and we will continue to do so.

These are just a few of the economic development successes experienced just in the last year. This administration is proud of these accomplishments and we promise to continue to work in partnership to promote our region's assets and to shine the most positive light on Greater Binghamton.

A healthy diverse economy means more and better paying jobs for our residents. It also insulates us from any dramatic downturns in any one industry sector.

NATURAL GAS LEASING

There is also another bright spot in our area's economic outlook and that is natural gas drilling. While it holds the promise of tremendous revenue for our residents and our local governments, it also brings with it many unknowns and potentially hazardous environmental impacts.

Due to the breakthrough in technology that now allows companies to drill for natural gas horizontally, we have experienced much interest in Broome County.

Everyday we hear or read about another land owner or consortium leasing their land to gas companies willing to pay top dollar for the a right-of-way to what may or may not lie beneath. The County, much like these private landowners, sees the potential for profit and is currently exploring our options to capitalize on a new revenue stream.

While we do see the potential for profit, we also see the potential for environmental dangers. The dollars may be large, however, I assure you that the County will not enter into any lease agreement without first having done our due diligence of ensuring the protection of our natural resources and our community.

Recently our County Attorney spent some time in Texas analyzing the legal, environmental, and economic impacts of the natural gas phenomenon. His findings will be used to assist local professionals in drafting of the County's request for proposals from natural gas companies.

In an effort to share services with all interested municipalities the County has offered them the ability to attach their properties to our RFP allowing gas companies to respond to all. Once the bids have been received each municipality will then have the ability to separately negotiate their own lease agreements and contracts. This shared service agreement will minimize the use of redundant resources and maximize the profits. It will also afford participating municipalities some uniformity.

Again I assure you that we are moving forward carefully and cautiously.

REVENUE BEYOND SALES AND PROPERTY TAX

After starting the year with a reduction in sales tax receipts, New York State Comptroller, Tom DiNapoli, began warning counties to curtail their dependence on sales tax as the only substantial non-property tax revenue. In the months following that downturn, sales tax rallied back to give us a current trend that projects a 7% increase by the end of 2008.

The unexpected spike in sales tax revenue can be attributed to a number of things. The primary factor is an unspecified adjustment by New York State that gave our June receipts a \$1M boost. Although the State adjusts our sales tax revenues on a rolling basis this particular adjustment was uncommonly high.

In response to the Comptroller's call to diversify revenues, we started examining other sources of revenue and earnings

retention. Some of our findings have allowed us to reduce property taxes. An example, included in the 2009 budget is \$5M in revenue for the planned incremental leasing of county owned land. Finally, retaining our earnings in the tax stabilization fund ensures that there is at least a 2% property tax offset for future budgets.

While constantly reevaluating the revenues side of the equation is a given, my administration has also done its due diligence by trying to control expenses.

HEALTH INSURANCE

The ever expanding cost of providing health insurance to our active and retired employees has continued to strain the County's financial resources. Since overtaking Medicaid as the County's single largest expense, health insurance has shown little sign of decline.

In 2007 the health insurance fund ended with a \$650k deficit. While it is still a deficit, it is a far better result than the \$1.6M deficit seen in previous years. Although this was an improvement, this remains an area of great concern. The 2008 trend shows an even larger reduction in the deficit, allowing us to budget an overall 3.7% increase in health insurance costs for 2009.

It is anticipated that the cost of health insurance will increase annually. However, we have been able to shift from the double digit increases witnessed prior to my administration to more manageable single digit increases on average.

This has been no easy feat. In order to accomplish this we had to negotiate changes with our unions, work with our consultants, build consensus with the legislature and open new lines of communication with employees and retirees.

GASB 45

Continuously analyzing our health insurance program and restructuring it when necessary is a pivotal part of ensuring our fiscal stability, now and in the future. For this reason my administration has worked diligently on the GASB 45 issue.

Although, escalating health care costs must be addressed on a national level, the County Administration has been proactive. We did not wait for GASB figures to be released. From the beginning, I directed the Budget Officer, Personnel Officer and related department heads to focus on immediate and long term health care costs.

The result - while national health care costs have been rising, the County's GASB figures have actually decreased. We have introduced more than 5 pieces of legislation that have effectively decreased the County's GASB liabilities by more than \$60M in aggregate.

My administration is also examining possible savings by consolidating with the New York State Health Insurance Program and by adopting several management utilization programs. The point of all these initiatives is that Broome County has been taking responsible steps to address the current and future costs of health care. I look forward to hearing the

results of the Chairman's healthcare task force and working with lawmakers on additional measures to manage the retirement health benefits of future employees.

TRANSPORTATION AND FUEL COSTS

It will come as no surprise that this year's major issue revolves around transportation and fuel costs. Fuel costs have skyrocketed. This year compared to last year, we are paying almost double for gas, oil, grease and diesel fuel. Even the most accurate of experts did not predict this.

The sharp increase in fuel cost is leading to a projected shortfall this year of approximately \$1M in Public Transportation. At least \$200,000 of this shortfall can be attributed to the escalating costs of parts and equipment, an indirect result of the increasing fuel and delivery costs.

It is because of these relentless increases in fuel costs and all associated products and services that I am forced to consider all options to mitigate the impact on property taxes.

In order to reduce the impact of transit's deficit on property taxes and in response to increasing ridership included in this budget is a proposal to increase the transit fares.

Information pertaining to the particular increases can be found in the back of the budget book in the fares section.

However, for a brief summary, fixed route cash fares are set to increase from \$1.00 to \$1.25, while BC lift fares will increase

from \$2.00 to \$2.50 and BC Country will increase from \$2.00 to \$4.00.

Increasing transit fares will bring in approximately \$400,000 in additional revenues. This will reduce the Transit Department's property tax support from \$3.1M to \$2.7M. This equates to almost 1% less in property taxes for the 2009 fiscal year.

Fixed route fares have not been increased in more than 10 years and with the rising cost of providing this service now is the time for us to make the appropriate adjustment.

EMPLOYMENT/PERSONNEL

The number of employees in Broome County's general fund has declined almost 3% since my administration took office. Yet personnel costs, including benefits, account for approximately 37% of the \$350M appropriations.

Tracking and managing personnel is as important to our financial health as tracking and managing health insurance, fuel and even Medicaid costs. For this reason I supported and continue to support the use of management studies to assist department heads.

SHERIFF'S OFFICE STUDY

The Sheriff's study was one such study and the results of the draft have gone a long way in assisting the Budget Office to make the right financial recommendations for the Sheriff's

Office. The draft of this study solidifies our position that not only is the jail adequately staffed but it currently has 2 more correction officer positions than necessary. Additionally, while the Sheriff requested \$1.3M in overtime, this draft helped us understand that the request was over budget and could be reduced. And it was.

I'm sure that the final version will be even more helpful to the legislators.

WILLOW POINT STAFFING

Analysis does not always result in a reduction in staff. Sometimes we find that we need to add positions to achieve a certain level of service or for efficiencies. Last year, after analysis we approved increasing the staff at Willow Point Nursing Home to include another full time physical therapist. This action increased revenues and subsequently reduced property taxes.

REINFORCING DSS CPS UNIT

This year we find ourselves in a similar situation with a different goal in mind. The Department of Social Services was awarded a grant to add a new child protective services unit. This grant will fully fund the 6 positions from now through the first quarter of 2009. After that point, the County will be reimbursed 65% of the costs. And after ensuring that NY State is still willing to fund these positions in the face of budget cuts

we have committed the necessary County funds for implementation. When we benchmarked against other counties, we found a need, and this budget will address that need.

MEDICAID AND INTERGOVERNMENTAL TRANSFERS

Although we are thankful that the State continues to support the soft cap it's placed on Medicaid and the County can more adequately plan for the increasing costs we must remember that the costs are still increasing.

Medicaid is budgeted at \$35.6M for 2009 and is scheduled to rise at a rate of 3% each year in perpetuity.

A \$2.3M appropriation has been added to next year's budget for the reinstatement of the Intergovernmental Transfers from the Federal government. Budgeting these dollars will return double the amount to Willow Point Nursing Home, an enterprise fund in need of cash. New York has earmarked \$14M for Broome County that can be claimed from now through 2011. However, counties must advance 50% of the total intergovernmental payment.

This is a great opportunity for the nursing home but it presents some budgetary challenges. It is essential for us to take advantage of the IGT as soon as possible therefore we are budgeting this increase in appropriations for the 2009 fiscal year, however, as more information becomes available we will look for additional creative solutions that will not require increased property tax support.

CONCLUSION

I look forward to working with all of our legislators on finalizing the 2009 spending plan and then implementing its recommendations in the coming year. However, things cannot end there. We cannot simply put together another budget and cross our fingers and hope for the best next year. As we have demonstrated the last four years, managing the County's finances requires daily review and vigilance. As we move forward, we must also be open-minded to transformative changes that could alter the very structures of government we have come to know and rely upon. And I look forward to working with all of our municipal leaders and our lawmakers on these inevitable changes. My door is always open.

Thank you!