

WELCOME

Good afternoon, ladies and gentlemen, legislators, department heads, members of the public and the media. Thank you all for coming today.

Chairman Schofield and lawmakers, I thank you for this opportunity to come before you with my administration's proposed spending plan for 2007. To our department heads, thank you for coming today and thank you for all of the work you have put into your individual department's budgets. This is never an easy time of year but once again I want to acknowledge your professionalism as we navigate this tough process.

We put a lot of demands on you to come to us with streamlined spending plans for next year. You all answered that call and I know it was not easy because it is hard to continue your current level of service to the community without the additional funds you require. You have all made sacrifices. I appreciate your efforts and the efforts of your employees and I know the taxpayer appreciates your diligence as well.

Budget Director, Nathaalie Maxwell has done a tremendous job in meeting with all of our department heads and guiding them through this budgeting period. I have complete confidence in the spending plan constructed by Ms. Maxwell. I gave her a tough challenge and she has delivered. I want to thank her for her professionalism and expertise. I would also like to thank the Deputy Director of Budget, Kathy Bevelacqua. This was her first County budget experience, she was of tremendous assistance and I am glad she is on our team.

When I campaigned for this job of County Executive, one of the promises I made to the people of this community, was to avoid the dramatic ups and downs experienced during the budget process in previous years. I vowed to keep the tax rate steady.

2007 PROPOSED TAX IMPACT

This year the 2007 spending plan calls for a spending increase of nearly 5.4% and a 5.7% increase in our revenues. This will mean a 3.67% increase of the property tax rate.

To get to this point we have overcome many challenges and have had to make some tough decisions. I will detail some examples in a moment.

POSITIVE DEVELOPMENTS

I am happy to be standing here today as your County Executive. This is an exciting time for Broome County. I truly believe we are on the verge of something pretty significant ...something this community has not experienced in awhile. I am talking about positive movements in our local economy.

- For the first time in 4 years the Greater Binghamton economy saw an increase in manufacturing jobs.
- 500 manufacturing jobs have been created in just the last year and more are expected in the near future. These are good, solid, high paying jobs.

- Our overall unemployment rate of 4.4% remains below the state and national averages.
- Broome County actually outpaced the national average when it comes to per capita income in 2005.
- Our community which has not experienced much growth in the past decade is actually seeing not one but several housing developments either under construction or on the drawing board.

THE CHALLENGES WE FACE

It is heartening to finally hear some positive news about this community and its economy. But we cannot focus on the positive without also looking at the challenges that are still ahead of us.

High property taxes, high utility costs, skyrocketing healthcare costs, and fuel costs that spike and fall at the drop of a hat are some of the challenges we face. Also, despite the increase in per capita income our overall income picture continues to lag behind the national average and that is due to our continuing population loss.

These are the realities we face as we mold a spending plan for the next year. We can be optimistic but we also must remain somewhat cautious and conservative.

SUMMER FLOOD OF 2006

This year, our community was hit by the largest nationally declared disaster in the history of Broome County.

The summer 2006 floods devastated a large section of our County and while rebuilding and recovery has begun, there will be a long term negative impact on our community. This flood will have a multi-million dollar impact on personal property, municipal infrastructure, business facilities and business revenues.

With all of the negative news surrounding this flood it is relieving to know that we can all rest assured that FEMA and SEMO have agreed to fully cover all of the County's eligible damage. Thanks to the hard work and coordinated efforts of our department heads and County employees we have been able to get an early start on getting County operations back to normal and the reimbursement process has already begun.

Although the public property damage remediation will not cost our taxpayers anything additional, we must come to terms with the harsh reality that 2 major floods in as many years may be tough for even our most loyal residents to bear.

We pray for and with those who have lost their homes as a result of this flood. And as those residents, hardest hit by this disaster decide their future, we have to prepare conservatively in the instance that their decision is to relocate. With some being offered the opportunity to be bought out by the Federal government and others just looking for a fresh start, we have been forced to increase the deferred revenue line of the budget from \$750,000 to \$1.25 Million in order to prepare for the potential consequences.

ELIMINATION OF SALES TAX ON CLOTHING

We know that residents across the County are feeling a financial pinch at this time. This is why I was the main proponent and supporter of the elimination of the sales tax on clothing and footwear under \$110. This action will have an impact on our revenues but I know that this decision is one we all agree had to happen. It was absolutely in the best interest of all Broome County taxpayers. Now that we have made it through the disastrous flood I am glad that this legislation was unanimously supported because our residents will need all of the help that they can get.

50/50 SALES TAX IMPACT

While this budget process has had to overcome the challenge of the flood – a force of nature, we have also been forced to overcome a few man-made challenges. With all of these challenges in mind, we have kept a tight lid on controllable costs in the 2007 spending plan.

One of the largest issues we faced heading into the 2007 budget process was not related to spending but instead the massive loss of revenues. The issue surrounded the decision to reconfigure the sales tax distribution formula, moving to a 50-50 split from the 47.5 - 52.5 split.

I have made it clear from the beginning of the 50-50 discussion that I did not support making this move at this time. I supported last year's reconfiguration of the formula from the 45-55 split to the 47 and a half-52 and a half formula. I did not care for the timing but I supported the move. It was the right thing to do.

The move earlier this year to revert back to the 50-50 level, however, was not the right thing to do. This single decision is responsible for at least 3.75% of the 2007 tax rate. Had the legislators shown better fiscal judgment on this matter the 2007 tax rate would have been infinitesimal.

I know that some of our lawmakers felt it was important to follow through on their promise but the promise they made in 2002 was not the promise they fulfilled in the summer of 2006.

In the 2002 resolution, lawmakers resolved that they would **review** the sales tax distribution formula, "...if within the next 5 years, New York State should assume the County share of Medicaid costs..."

Today I tell you that Broome County Government's share of Medicaid stands at \$33.7 million dollars and climbing. In my opinion, a nearly \$34 million dollar Medicaid bill proves that the state has not "assumed the County share of Medicaid costs" and Medicaid remains a huge tax burden.

COUNTY'S BURDEN GROWS WHILE SALES TAX SHARE SHRINKS

At this time I would like to expand the sales tax issue beyond the Medicaid discussion. Everyone in Broome County understands that the County's scope of services and the accompanying tax burden has expanded in other areas as well.

This includes the responsibility and costs associated with running elections. We now carry that burden 100% to the tune of nearly a million dollars. We operate BC Transit at a cost of \$10 million dollars for the benefit of all County residents. Our nursing home and

health department exist for all County residents and their families while our Emergency Services department and 911 dispatchers keep everyone in the County safe – as witnessed during the well coordinated response to the recent flood.

The cost of handling all of these programs is skyrocketing. The burden on our County taxpayers is increasing and it is only logical and fair that the sales tax distribution formula reflect this ever increasing burden placed on County government.

SHARING SERVICES AND CONSOLIDATION

I am in favor of the sharing of services and consolidation for all of the preceding reasons.

In 2007, I will be forging ahead with my goals to push the shared service and consolidation discussion. 2006 was a successful year for us. With the help of lawmakers, we were able to finalize the transfer of city tax collections to the County. The City is receiving an upfront payment of \$3 million dollars and in return the County will recover those funds by making a profit from the interest, penalties and auctioning of City properties. It is anticipated that the County will see a full return and start making a profit within the next two years.

In 2006, we were also able to work on a joint refueling agreement for fleet vehicles with the Town of Chenango. This single move will save the Town of Chenango an estimated \$500,000.

Also in 2006, my administration put forth two consolidation proposals. One was an education effort to promote public

involvement in the discussion of possibly dissolving villages. The other involves a proposal to create a consolidated urban police force. Consolidation is the way to go and I continue to pledge my support for any municipality or group that wants to discuss sharing services or even consolidating.

We have made a lot of progress but we have a long way to go. I plan to keep pushing the debate until the redundancy and waste of resources that cost our taxpayers millions each year comes to an end.

CONTRACT AGENCIES

Sharing services should also be consideration for the many contract agencies that look to the County for funding and provide necessary services to all residents.

Our Contract Agencies are extremely important to this community. They provide valuable services and programs. They have also come to rely on the support of Broome County taxpayers and unfortunately we cannot provide the support they seek and deserve.

This has been an extremely difficult process and it has not been an easy decision but we have to keep our contract agencies at the same level they received in the last two budget cycles. Times are tough and because the cost of running Broome County Government is increasing at a rate that our taxpayers simply cannot endure, we are unable to meet the monetary requests of the contract agencies'.

Contract agencies should seek out other sources of funding. I know that is not easy but it has to be done. It is becoming increasingly difficult for the County to continue funding these agencies at the

current level. I would ask that some of our municipal leaders, who have been on the receiving end of additional sales tax dollars, consider reviewing the importance of the contract agencies to the community. I ask them to consider including these agencies in their proposed spending plans for 2007 and beyond.

Many of these groups add to our community's quality of life, a quality of life that is shared by residents across the County. I ask supervisors, mayors, trustees and council members to recognize the value of the services to the people of their municipalities and give the various agencies' fiscal needs serious consideration.

HEALTHCARE COSTS CONTINUE TO RISE

The County would like nothing more than to be able to fund all of services we provide without cuts, however when you turn to page 176 of the 2007 budget book and review the section on healthcare you will see why we are unable to.

Healthcare costs are skyrocketing and the future is uncertain. Health insurance continues to be the fastest rising expenditure in the Broome County budget.

In 2004, those in office projected that 2005 health insurance costs would decrease, but instead they increased substantially and left the County in a fund deficit. This million dollars plus deficit was brought forward into 2006 and was a catalyst for the large premium increases that both our employees and the taxpayers had to endure. I wish that I were able to report a different picture for 2007, however I cannot.

According to industry experts, health insurance is expected to rise at a rate of 15% in 2007. This, coupled with the deficit financing that must take place, brings the health insurance budget up to \$36 million dollars from the projected \$30 million in 2006.

To emphasize the severity of this increase, note that health insurance costs for 3,400 employees and retirees have now surpassed our costs for Medicaid.

Broome County Government, much like all municipalities – local and statewide, is facing a health insurance crisis.

My administration has spent countless hours studying this issue and its impact on government employees and the taxpayer. We have looked at local options to make healthcare more affordable while providing our employees with the coverage they need.

Although we will continue studying this issue I am compelled to take action immediately. Therefore, I will be introducing an omnibus healthcare resolution for the October legislative session. This resolution contains five integrated proposals designed to re-assert control over the County's escalating healthcare costs.

This is an innovative approach to reducing healthcare costs. If we receive support from the Legislature and from our employees, we could show savings upwards to \$5 million dollars over the next four years.

We will release details of our health care resolution soon and I ask our legislators and employees to give the omnibus healthcare

resolution careful consideration. We must work together on this issue of healthcare in order to provide some relief.

PERSONNEL DEVELOPMENTS

Although the healthcare costs were a major factor in our union negotiations, I am pleased to announce that the County has reached an agreement or tentative agreement with 5 of the 6 unions whose contracts expired in 2005. I would like to recognize our negotiation team, spearheaded by Tom Behan, for its hard work. I would also like to acknowledge the union delegates who worked with the County to reach these equitable agreements.

As a part of these agreements more than 95% of our employees have agreed to pay 15% of their health insurance costs, a 5% increase over their 2005 contribution. This will go a long way in helping the County balance its budget without overburdening the taxpayers.

I want to thank our union members who have understood our healthcare dilemma and have agreed to increase their contribution towards their health care premiums. I'd also like to thank all of the administrative employees who have been contributing 15% since the beginning of 2006.

I would like to extend a big thank-you to my administrative appointments who have not only had to increase their healthcare contributions but whose salaries have been frozen for the last 2 years. That salary freeze which was part of my campaign promise will remain in place for at least two more years. It has saved Broome County taxpayers more than \$100,000 so far and will save

close \$250,000 by the end of my first term. I want my appointments to know that their hard work and sacrifice is indeed making a difference.

Other notable changes in personnel can be found in specific departments whose requests will allow us to generate revenues, increase efficiencies beyond the anticipated costs, or are not funded by increasing the property tax rate.

For instance, Willow Point Nursing Home has a new initiative that will make this facility more appealing to physical therapy patients. This type program receives higher reimbursement rates from the state. They have been approved for 1 additional physical therapist, 1 occupational therapist aide and an upgrade for the Director of Rehabilitation. This initiative will generate over \$400,000 in revenues and cost less than \$150,000.

We have also approved measures to increase the level of care provided to our elderly, disabled, and youth populations through CASA and DSS. Some measures include creating a Medicaid examiner, 2 caseworker trainees, and 2 public health nurses. None of these positions will have an impact on the property tax rate since they will be paid for through savings that the County will realize or through the Medicaid Administrative CAP.

CAPITAL IMPROVEMENT PROGRAM

My administration looks for savings everywhere and with every recommendation we bring to the County legislature. It is a running joke that we frequently dig under the seat cushions for whatever

loose change can be used to help lower the tax burden. One way in which we have tried to save taxpayers money is by holding the line on capital projects.

The County is currently undergoing many worthwhile capital projects that will enhance the lives of all residents. These projects include an \$11 million dollar Intermodal transit hub where all of the different modes of bus transportation will meet, drop off and pick up patrons; a downtown One-Stop Shop and incubator that will harbor and promote economic development; and renovating our Central Kitchen facility, which is in need of major repairs.

While we understand the need to continue funding projects that will beautify, promote and enhance our County we are cautious when incurring debt. The 2007 – 2013 capital program includes a manageable \$1 million dollar cap on taxpayer supported debt that ensures that we do not continue to overburden taxpayers by spending above our means.

This is why I have expressed, on many occasions, my disapproval of any large scale bonding that does not result in immediate revenues or savings. Yet, large scale bonding that will cost taxpayers approximately \$800,000 each year for the next 30 years is exactly what some County legislators decided to support.

I am still in disagreement.

It was my hope to renovate the George Harvey Justice Building without any bonding and I hope that this is the end result. It is long overdue. Our community will realize an **immediate** benefit in terms of job expansion and growth as well as the **immediate** effect of

millions in revenues. In the end it will lead to efficiencies in operations while saving taxpayers over \$500,000 a year in rent. To top it off, we will have saved one of the most historic and beautiful buildings in the Greater Binghamton area.

In a recent editorial a resident expressed the frustrations of this administration when they asked how legislators could possibly turn \$17 million dollars into a deficit. In my eyes, and the eyes of many taxpayers this is the definition of fiscal irresponsibility. I will be working diligently and watching closely to help dig the County out of yet another hole.

CREATIVE THINKING, TOUGH DECISIONS MAKE A SOLID BUDGET

Do not be fooled by looking solely at the bottom line 3.67% property tax increase for the 2007 budget. I made a promise of no rollercoaster tax increases and we were able to deliver but not without the hard work and sacrifice of our department heads, contract agencies, employees and some favorable state and federal legislative actions. I wish I were able to stand before you and say that taxes were not going to increase at all or possibly even decrease, however I cannot.

At the beginning of the year we stated that the decisions being made concerning sales tax would greatly impact the 2007 budget. **They have.** But a ‘thank you’ must go out to department heads like Beth Saxton, Executive Director of the Youth Bureau who came up with some creative suggestions on exploring ways of getting additional funding for contract agencies; Dr. Judy Blanding and Bob Henry – at Willow Point Nursing Home, whose innovative ideas to expand our

physical therapy sector will increase revenues substantially; Art Johnson and Don Bowersox at DSS who have found efficiencies of scale which translates into savings by reducing the number of days our children are housed in high cost facilities; and Claudia Edwards, Director of Public Health who has simply cut her controllable contractual spending. These are just a few examples. All of our Department Heads deserve credit for the work they have done to hold the line on controllable spending.

I would also like to note that there were so many viable requests that were either denied or delayed because funding them at this time would have put the taxpayers back into the same situation that we have sworn to protect them from. All of our department heads have had to sacrifice in order to mitigate what could have been an expensive year for tax payers and we all owe you a debt of gratitude for your hard work and innovative solutions.

CONCLUSION

This budget address cannot touch on everything but I hope I have provided a better picture of where the County currently stands and our strategic plan for the future. I ask that you carefully review the 2007 spending plan with the understanding that it has been put together with two central points in mind; the burden it places on our taxpayers and the services it allows our employees to provide to County taxpayers. We value your input and we look forward to working together with you on a final budget that takes into consideration the realities we face while maintaining the high quality services we provide.