

October 30, 2015

To the Honorable Legislature of Greene County
411 Main St Suite 408
Catskill, NY 12414



Re: Submittal of "In Process" Budget for Fiscal Year 2016

Attached, please accept the "In Process" budget document for fiscal year 2016. As is required by law, this "In Progress" budget is submitted to the county's budget officer for final review and eventual release to the full legislature. As a point of order, submission of the "In Process" budget document will convert to a "Tentative" budget and thereafter any changes, amendments or correction to the "Tentative" budget, must be attained by legislative action and be determined as delivering a balanced budget to the community.

If there is a central theme to this proposal, it should be noted as being a "status quo" document. As such, there are no new programs nor are there any program eliminations. All existing authorized personnel are maintained, and all capital expenditures have been preserved. As such, it represents a continuation of services and programs to the community.

For the fifth (5th) consecutive year, this budget meets the requirements of the State's Tax Cap Legislation. The allowed levy increase for 2016 is driven by inflationary increases determined and set on April 1st, 2015. At an increase of just .0073%, or three quarters of one percent, it reflects the lowest allowable increase since the legislation went into effect.

As has been stated here in previous budget messages, the Tax Cap Legislation places unrealistic limitations on meeting requested service levels. By limiting discretionary spending over the requirements of mandates, the budget will not allow necessary investment in road and/or bridge maintenance efforts. As such, we face the continued deterioration of such infrastructure. In addition, health care costs continue to increase, as well as workers compensation costs, and post-employment benefits costs. At some point in the future, these expenses must be lessened, or the cost of status quo budgets will be impossible to maintain.

A secondary theme that must be emphasized is the significant reliance of Sales Tax earnings and Fund Balance use that this budget requires. The Sales Tax, like all revenues sources, cannot be controlled by the county. Its collection is wholly a function of the local economy. It is subject to changes! In addition its collection is derived from a multitude of sectors labeled NAICS Codes. These codes are centered on sectors of the economy, such as gasoline consumption. As we have all experienced, the cost of gasoline has dropped significantly over the course of the last twelve (12) to eighteen (18) months. While this is wonderful for the consumer, the correlating collection of gas sales taxes has dropped.

Fortunately, other sectors of the economy have balanced out the overall collection of sales taxes. With this in mind, it is imperative to understand that the ability to stay within the Tax Cap Levy thresholds is the ability to meet the overall sales tax collections. Retail gasoline pricing is projected to stay near current levels over the course of the next year thereby denying any future tax collection increase. If other facets of the greater consumer economy falter during the fiscal year, it will result in depressed collections and ultimately place the budget out of balance. For example, if the sales tax estimates is even off five (5%) percent, it would create a \$1,400,000.00 budget deficit. Corrective action during the year would be required, including the possibility of personnel layoffs.

Fund Balances, represent the ability to use excess cash to reduce taxation or the tax levy. Overuse of Fund Balances places future year budgets in deficit conditions. This is due to the inability to maintain consistent levels of Fund Balances, thereby offsetting the budget formula or creating deficits. Yet like the Sales Tax levels noted above, this budget will require an increased use of Fund Balances in order to meet the Tax Cap. In short, this budget has used maximum receipt estimates, in order to balance. Failure to obtain such estimates will cause further disruption in service levels and ultimately need correction.

During the preparation of the budget, a central goal was to meet state requirement on the Tax Cap, thereby providing residents with property tax refund checks. Governor Coumo provided all local municipal governments the opportunity to have its residents receive property tax rebates from the State, if their local town, county and school districts not only stayed within the Tax Cap but also submitted Efficiency Plans. Greene County was able to attain both requirements.

In June of this year, via the County's Treasurer's Office, the County submitted documentation to the State Dept. of Budget. Consequently, the State approved such plans thereby making the property tax payers of the county eligible for two years of property tax rebates. The first rebate will be issued in the fourth (4th) quarter of 2015 while the second rebate will be issued in 2016. These rebates are the only rebates that will distributed, as the overall program was discontinued by the State with the adoption of the recent State budget. Yet the value of such rebates cannot be understated.

Beyond this year's central theme of status quo capacity, it must be understood that by limiting greater action on discretionary spending, at some point in the future, discretion will become emergency or become required action. The county highway department, as outlined in its annual report, highlighted the condition of all county roads, bridges and road culverts. It is clear that the county is not investing sufficient funds in road repair or capital investments in road surface reconstruction. In addition the vehicle fleet is aging, which by extension will drive up maintenance costs. At some point, "cradle to grave" repair analysis will dictate vehicle replacement. This same issue of aging vehicles also plagues front line sheriff patrol cars and the fleet inventory within Buildings and Grounds. The State's Tax Cap requirements will further exasperate this problem.

As the Legislature deliberates this budget proposal, we should also note that ensuing year budgets will have difficulty living within the Tax Cap as expanding payroll and benefits costs outpace revenue growth. Additionally, the Board has indicated that the time has come to replace the existing county jail. Preliminary engineering and design work as begun, however, this work is conceptual in nature and the costs of such work

has been minor. As we move this project along, increased costs will occur and at some point, the county will need to issue serial bonds to accommodate all expenses. If final approval is given, it will become a multiyear project, but most certainly the impact of debt service amortization schedules may prevent future budgets from living within the Tax Cap.

We concur, that the county jail has reached its useful life expectancy. And this same dilemma also occurs at the mental health center, records management facility and the emergency dispatch radio tower backbone. These facilities will also need to be evaluated and decisions made regarding their future.

In conclusion, let us restate that this budget proposal falls within the Tax Cap perimeters thereby affording tax payers a rebate. However, in order to accomplish this, revenue estimates needed maximum capitalization. Monitoring of major revenues will be necessary during the fiscal year and if downward trends become constant, midyear adjustments will be implemented. Further, discretionary spending is once again limited, placing in question how the county can address these needs in the future. Budgets beyond 2016 will be difficult to maintain under the Tax Cap, unless some existing cost centers are reduced or eliminated.

Please review this document in detail. A public hearing will be held Nov 16th at 7:00 p.m. in Catskill High School. Should you have any questions or require any additional information, do not hesitate to call upon us.

Respectfully submitted,

Shaun S. Groden
Greene County Administrator

MaryJo Jaeger
Deputy Budget Officer