



October 22, 2014

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

Re: Submittal of annual "In Process" Budget for Fiscal Year 2015

**Office of the
County Administrator**

411 Main Street
Suite 408
Catskill, New York 12414

Shaun S. Groden
County Administrator

Attached hereto please find the "In Process Budget" for 2015. As you know, as required by law, this budget is transferred to the Board, via its Budget Officer, for official presentation to the full Legislature. The Budget Officer will offer his amendments or recommendations to the Board. Thereafter, changes can only be made via action of the full Board and confirmed by its voting polarity.

If there is a single message for the community to consume with this release, it is the confirmation that once again, the county's operating budget will be within the Governor's Tax Cap legislation. That is, for the fourth consecutive year, the development of the operating budget for Greene County meets the required formulas as dictated by the Governor. This is no easy feat! As has been written here in previous years, the Tax Cap legislation is well intended but poorly executed. Yet, by virtue of such State wide legislation, it forces local governments to only focus "on next year's budget" while ignoring long term trends and financial projections. However, by submitting a Proposed Budget to the Legislature for consideration, it does afford the residents of the county the opportunity to receive a property tax refund from the State.

The Tax Cap formula allows a maximum increase of the property tax levy of \$ 795,811.00, which is a 3.55 % increase. The confusion for the taxpayer is that the Tax Cap formula indicates that an increase of 1.56% represents the allowable limit. It is no wonder that citizens can become confused trying to understand how 1.56 % can equal 3.55 %. Hence, our annual criticism of the legislation.

The second significant factor effecting this proposal is the expanded use of the Sales Tax; the single largest and most volatile revenue available to the county. After experiencing a free fall in receipts in the 2008-2009-2010 recessions, the Sales Tax has slowly climbed higher. While previously conservatively estimated, this budget will require maximum use. This will result in less flexibility or latitude to handle unforeseen events within the 2015 fiscal year. Any deviation in receipts during the execution of the budget will require immediate counter measures. Such measures can include reduced road repairs, delaying of equipment purchases and lastly the real possibility of work force reductions (layoffs).



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Besides these two factors, the budget faces a continual challenge with health care costs. Medical cost inflation and the effects of the Affordable Care Act continue to elevate expenditures beyond our control. Overall, health care costs increased \$ 1 million over 2014. These continual yearly increases are pushing the budget out of control. It represents the single largest expense center that cannot be controlled by our efficiency efforts, consolidation measures or reviving economies. The cure for these increases must come from Health Care Plan Design.

At this time, the ability to introduce Plan Design features will be coupled with a modified vision of employee compensation. The two are intertwined! One cannot occur without the other. The need to effect such change does represent the county's ability to change the arch of future costs. The arch must be lowered or local governmental services will not be able to be continued.

Aside from these mentioned primary factors, our priorities for the community continue to center on the need to replace our dated emergency communication system, the condition of aged buildings of our principle service centers (county jail and mental health facilities), road/highway infrastructure and replacement of vehicle fleets.

The emergency communication system did receive a boost this year, with the installation of a new radio tower in the Town of Jewett, on Windham Mountain. The majority of this project was made possible from grants and assisted by donations from Windham Mountain Partners, LLC. Additional towers are needed but will require continued success of accessing such grants. Yet, this project is imperative, for the safety of all emergency first responders, many of whom are volunteers.

The Board has established a County Jail Task force to address the conditions of our correctional facility that was constructed in 1908. As most residents know, the State Commission on Corrections is mandating a new jail. While considerable planning remains to be accomplished, this project will cost millions of dollars. And unlike the emergency communication system, there are no outside funding sources to complete such a large construction project. This entire cost will be borne by the taxpayers.

Road work and the replacement of obsolescent vehicle fleets should be considered routine business. But as expressed above, the pressure to meet Tax Cap formulas prevent proper long range planning. Asphalt has a life span. Heavy equipment used to support such work eventually falls victim to age. Each can be predicted and planned for. Yet, when seeking to reduce expenditures in order to meet the Tax Cap, they also represent easy targets for the budget ax. What a contradiction to sensible budgeting!

There are two (2) highlights for the budget. First, use of unappropriated Fund Balances has been reduced. This reflects a determined effort to reduce budget balancing mechanisms that can create uneven or inconsistent revenue formulas. Each year that budgets depend upon excessive Fund Balance contributions, it may reduce the overall fund value. Fund Balances represent the county's only ability to handle the unknown. Whether it is unusual snow fall or other severe unforeseen events, every county needs a savings account. The county does not have the ability to change tax levies during the year. Revenue is not within our control, as they are a function of our local economy. Therefore, it (county) must have sufficient idle funds in reserve to react to such events. By reducing our reliance on Fund Balances, we in effect improve our overall financial position.

Next, the budget will provide an increase with our outreach efforts geared towards our military veterans. We estimate that during 2015, to relocate our outreach office in the Jefferson Heights Medical Arts building. Long viewed as physically inadequate and functioning with spatial floor plans that defy logic, a newer and modern office is necessary. In addition, a new accredited Veteran's Outreach Worker will be added so that the increased volume of returning veterans can be accommodated. The key with the expanded personnel is the reality of requiring proper credentials. Those citizen veterans, who seek proper services from the federal government, must be serviced by employees who have access to federal databases and have the authorization to act as fiduciary agent of the veteran. We trust the expanded service levels will accommodate local needs.

In rounding out this budget message, it cannot go unstated that the driving themes which must be reacted to, are conflicting mandates from the State. The opening statement of this memo confirmed our compliance with the Tax Cap legislative, which is an initiative demanded by the Governor. As "well intended" as this legislation is, the difficulty in meeting this requirement are unfunded mandates by the same State that is defining maximum property tax levies. A majority of the budget allocations are to fund services that the State requires, but does not finance. Hence, the term unfunded mandates. Yet it is due to these mandates that our discretionary spending on local concerns, such as road repair, becomes marginalized. This budget is limited in its ability to address local goals, due to our need to meet the Tax Cap. In addition, it is also the reason long term planning and goal setting has become a budget causality. Our entire budget focus has become short sighted.

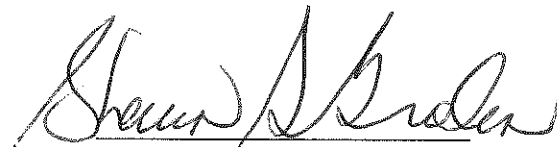
In conclusion, it must be restated that the budget proposed here does meet the Tax Cap requirements. By accomplishing such, the taxpayers of the county will be eligible to receive a tax refund from the State during the 2015 calendar year. Final program outlines have yet to be published, but if estimates hold true, these refunds will be sent in the third quarter of the year (Jul, Aug, Sept). The amount will be dependent upon each property's individual assessment.

The ability to meet the Cap requirements, in no small measure is made by virtue of increasing our Sales Tax receipts well above prior year estimates. The Sales Tax is the single largest revenue the county has. But it is also one that is subject to deviation beyond our control. Should there be significant decline in receipts during the year, other spending will need to be cut. It is certainly foreseeable, that if such reactions are mandated, work force reductions will be the likely alternative.

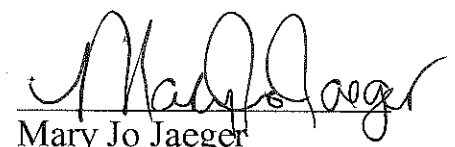
With this submittal, while taxpayers will be eligible for rebates, our residents should also consider the impact of single year budgets. At what point will the effect of the Governor's requirements create a dilemma for our citizens? When will our local responsibilities be evaluated against the Governor's? Every New York County needs relief from unfunded mandates. When that occurs, we will be able to direct our attention and our budgets, to our citizen's concerns.

We thank you for the opportunity to assist the Legislature in the development of the county's operating budget. We look forward to any and all inquiries and will be prepared to present an outline to the community at our annual budget public hearing.

Respectfully submitted,



Shaun S. Groden
County Administrator



Mary Jo Jaeger
Deputy Budget Officer