



**COUNTY OF OSWEGO
OFFICE OF THE COUNTY ADMINISTRATOR**

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Philip R. Church, County Administrator

TO: Members of the Oswego County Legislature
FROM: Phil Church
DATE: September 30, 2008
RE: 2009 tentative budget

Summary

Attached is the tentative 2009 Oswego County budget. The tentative budget is \$182,660,159 and carries a real property tax levy of \$36,827,980. The generic tax rate does not increase: it remains at this year's level of \$7.18 per thousand dollars of assessed value.

On the expenditure side of the budget the largest increases are mandated pre-kindergarten special education services, workers' compensation, fuel and asphalt, Medicaid, and labor contracts. There are also increased expenses related to the fire school and recycling, however these are largely offset by revenues from these programs. Departments reduced many of their expenditure lines where possible to compensate for increases and for reductions in state aid. The county will save \$300,000 in insurance costs in 2009, and will continue to benefit from the low-cost power program.

The revenue side of the budget is a mixed bag. State aid revenues are budgeted conservatively and, in many lines, are reduced to reflect known and potential cuts. Interest revenue has dropped significantly due to falling rates. Revenue increases are projected in the Highway Department as a result of a higher rate of state re-imbusement for plowing. However, this is negated somewhat by the same rate increase applied to our contracts with the towns. On a brighter note, sales tax revenues are projected to increase to \$36 million, with nearly \$11 million distributed to the City of Fulton and the municipalities.

Worthy of mention here is the significant action the Legislature took this summer by restoring the sales tax to motor fuel. Motorists saw no sustained increase in pump prices, and the additional revenue will go a long way toward mitigating state cutbacks and mandates. Had the tax cap remained in place, at current fuel prices the 2009 tax levy would be \$2 million higher and the generic tax rate would be \$7.57 per thousand, or 5.4 percent higher.

Under state law, the county budget must be adopted by December 20. The standing committees will review the tentative budgets of their jurisdictional departments during their October meetings. The committees may make recommendations for changes to the Finance and Personnel Committee. Once the budget passes the Finance and Personnel Committee, it will go to the full Legislature for a public hearing and further consideration and adjustment before adoption.

Cost-Drivers and Savings-Makers

New York State and the Economy

It is impossible to pick up a daily newspaper without reading the latest about the State's current fiscal crisis and the national uncertainty surrounding Wall Street and its impact on "Main Street." In a struggling economy County government is effected by rising costs, just as are businesses and families. And just like businesses and families, Oswego County is taking steps to save money: developing cooperative purchasing agreements, conserving fuel use, reducing the paving program, reducing insurance costs, scrutinizing vacancies, and examining Health Plan costs.

These local cost cutting efforts will help, but cannot match the magnitude of the potential impact on the County from State's financial problems. The New York State Association of Counties (NYSAC) hired a financial firm to examine the State's finances on behalf of counties. NYSAC found that the State will need to cut \$6.4 billion annually to eliminate its deficit. Of this, the State may need to cut \$1.6 billion from local aid.

New York State's mandated programs continue to take a toll on Oswego County taxpayers. While many of these programs provide worthy services to residents in need, the method of their funding and the inflexibility of administrative requirements imposed by the State create unnecessary tax burdens and needs reform. Among the best examples of this are programs for the education of children with special needs: the County's cost rose over \$860,000 in 2008 and will increase another \$755,099 in 2009. Counties have little fiscal control over these programs, yet must pay the costs incurred.

When in financial trouble, the State's past practice has been to cut aid to localities without reducing the mandates that aid pays for. The result is not a real "cut." It is simply a cost-shift to the counties that results in higher local property taxes. An example is the 2 percent across the board "cut" enacted by the State this year, which simply shifted expenses to the County and our taxpayers.

For the 2009 budget, the amounts appropriated from our fund balances are less than this year. \$5 million is budgeted from the general fund. \$1 million from the health fund is cycled back into self-insurance. I strongly recommend that the Legislature not appropriate any further fund balance in this budget to lower the tax levy or the tax rate. If the economy worsens, or more likely, if the State enacts significant cost-shifts to the County, we will need to draw on fund balance in the third and fourth quarters of 2009.

NYSAC has developed several proposals for the State that are alternatives to cost-shifting. These proposals recommend real cuts and reforms that will result in savings for the State and the counties.

Medicaid

The "cap" on local mandated Medicaid costs, (which caps the growth, not the expense) continues and will cost taxpayers an additional \$680,370 in 2009.

Foster Care

This year the County funded preventive services in an attempt to arrest the million dollar annual growth in foster care costs. The 2009 budget projects little change in the foster care budget, therefore the preventive services are again included in the budget.

Workers Compensation

Worker's compensation costs have been increasing dramatically over the past few years and reducing our internal service fund. The cause of the increase appears to be the effect of school districts leaving the plan a few years ago. The school cases that existed when they left remain with our plan. Those cases mature and costs rise, yet we no longer receive revenue from the districts. Our third party administrator has been instructed to re-double efforts to close or settle cases to begin reducing worker compensation costs. Workers compensation was increased in the 2008 budget and must be increased again in 2009 to maintain the viability of the fund. The increase in 2009 adds \$480,771 to the levy. Village payments to the fund will also increase, and tax bills in the towns and cities will reflect those municipalities' shares in the increase.

Personnel

Oswego County is facing the effects of the baby-boom: over the next five years 43 percent of the County workforce will be eligible to retire! How many actually retire is unpredictable. What is predictable is this potential exodus affords us an opportunity to strategically rethink how departments' staffing is structured, how work processes are designed, and how and if vacancies are filled. It is also predictable that other counties face the same situation, and we will be in competition for replacement workers. We'll need to determine how best to attract and retain replacement employees who will likely be younger and have different expectations than our current workforce. The 2009 budget begins this process. I discourage all departments from requesting new positions and upgrades, unless there is a clearly demonstrable need (such as instructors for the new fire school), desk audit justification, or the request is part of succession planning. There are a few reclassifications in this budget that meet these needs, and a more may be requested during jurisdictional committee meetings. Most have a neutral budget impact.

Equipment

New to the budget process this year was a requirement to submit capital project requests with budget requests. Large equipment is again removed from the 2009 operating budget. Such request will be combined with the capital project request and presented this fall to the Legislature as a capital plan. This practice has the benefit of allowing the Legislature to examine large equipment and capital expenditures closer to the time they are requested, and analyze and prioritize them with up-to-date information about the County's needs and finances. Capital projects, highway equipment, and all automotive equipment can be funded in 2009 from unappropriated fund balance and reserves.

Equipment for the Department of Solid Waste is in its operating budget because it is managed as an enterprise fund with the goal of self-sufficiency.

Fire School and Recycling/Solid Waste

While the economy and State fiscal crisis are serious concerns, we still have an obligation to seek improved services for our local residents. The 2009 budget includes operational costs for the new fire school as well as its revenue forecasts. The solid waste budget is self-sufficient with no cost to taxpayers and no fee increases. It restarts our recycling program and gets household

hazardous waste collection and ferrous metal recovery underway. It should be noted that the recycling program and other revenues are dependant on passage of the proposed Solid Waste Local Law in October. If the law fails, the Solid Waste budget will have to be reworked, with a possible increase to the levy.

The Next Steps

Over the next three months, the Legislature will examine this budget in committees and as a whole, and makes changes it deems are necessary and desirable. Certain conditions may change will require changes in the budget. For example, the State legislature may reconvene before the end of the year to enact additional cuts or cost-shifts that will adversely impact the County. Also, the Sheriff is awaiting the results of a man-power study by the State Department of Criminal Justice Services which may include new staffing mandates.

I appreciate the comments and suggestions about the budget I received from legislators throughout the year, especially Chairman Barry Leemann, who is active here daily and has proven to be a supportive and effective leader and boss. Department heads and staff worked very carefully on their budget requests, developed back-up information and endured my line-by-line questioning. I thank them for that. As always, I appreciate the work of Budget Analyst Steve Loadwick and Chief Accountant Mark See, whose daily year-long immersion in the budget provide them with invaluable insight to the budget that, in turn, is invaluable to me.

Please feel free to contact me at any time with any questions or concerns you may have.

Comparative Data

YEAR	BUDGET	TAX LEVY	TAX RATE
2004	\$156,415,409	\$36,724,197	\$9.20
2005	\$155,467,786	\$37,811,766	\$9.20
2006	\$154,388,818	\$38,864,943	\$9.08
2007	\$170,117,270	\$37,401,544	\$7.99
2008	\$175,580,784	\$35,487,990	\$7.18
2009	\$182, 660,159	\$36,827,980	\$7.18