

October 1, 2011

To all members of the Franklin County Board of Legislators and the citizens of Franklin County, I present to you the 2012 Tentative Budget.

As many of you know, this budget was extremely challenging. Franklin County faces continued cost increases from New York State mandates. This includes the following mandated cost increases, amongst others:

- \$246,948 for Medicaid, which is determined by New York State
- \$515,019 in pension costs
- 375,000 for public assistance
- \$100,000 for indigent legal defense
- \$150,000 for youth detention
- \$362,000 for matters related to staffing at the correctional facility, mandated by the New York State Commission on Corrections

Increases for these six items alone, which are beyond the control of the Board of Legislators, total \$1,748,967. In 2011, the County property tax levy was \$14,313,605. These cost increases amount to a 12.2 percent increase in property taxes. This is also the first County budget that will be enacted since the passage of a property tax cap that limits the ability of Counties to increase property taxes greater than 2 percent. While this can be overridden (requiring the votes of 5 of 7 Board members), it should be noted that a 2 percent increase in property taxes is \$286,727.

In short, the difference between a 2 percent increase in taxes, and the increased mandate costs, is \$1,462,695. The math is simple – the cost of mandates creates a crushing burden and Franklin County cannot hope to meet the challenge of a 2 percent property tax cap without mandate relief.

The above figures do not include other cost increases that, while not mandated, are beneficial to the residents of Franklin County. For example, the 2012 budget includes a commitment to bring natural gas to the northern end of the County. The economic benefit from this investment, over the long-term, far outweighs the cost.

In addition to the increases above, it should be noted that Franklin County utilized \$3,142,800 in fund balances and reserves to balance the 2011 budget. This was done as a last resort to limit the property tax increase. By using rainy day funds in 2011, the Board of Legislators saved the typical property owner \$120.52. However, reserves and fund balances can be equated to a savings account. Once the funds are used, they are no longer available – so the 2012 budget began with a “gap” of \$3,142,800 in addition to the increases in mandated costs.

The County is also facing increased medical insurance costs, consistent with other employers. At the start of the budget process, we anticipated these costs would increase by over \$1.5 million. The net effect of all of these increases was a starting budget “gap” of nearly \$10 million, or an increase of nearly 75 percent above the 2011 property tax levy.

This document, along with the agency budget narratives, outlines the corrective actions tentatively proposed. This budget contains a series of difficult proposals that are painful for County residents, contractors, and County employees. However, because Franklin County is forced to comply with state mandates, and these costs have been rising for years, the choices for closing budget gaps have become more and more limited. None of the decisions made in preparing this budget were taken lightly, and virtually all are unpalatable.

This budget proposal contains the following significant actions:

Property Taxes & Fees

- While the budget gap was vastly reduced, this budget does propose a property tax increase of \$1,853,076, or 12.95 percent.
- This property tax increase, on average, will cost the typical property owner in Franklin County an additional \$71.09 in 2012. Please see the full budget document for a breakdown of the increase by municipality.
- An additional \$300,000 in revenue is included due to the recent decision by the County to collect vehicle registration fees. These fees are paid by all owners of vehicles, and do not fall entirely on property owners. Without these fees, the property tax increase would have been 15.1 percent.

County Workforce and Retirees

- The County workforce is reduced by approximately 15 filled positions across all departments. Combined with vacancy eliminations, the total workforce is reduced from approximately 500 positions in 2011 to 475 positions in 2012.
- The County is seeking to modify its health insurance plan to mirror other plans provided to state and local government employees, such as the Empire Plan, and has budgeted to reflect these savings. If an agreement cannot be reached with our bargaining units, an additional workforce reduction will be required.
- The County Sheriff's Unit is entering the 5th year of its employment contract, which entitles members to a 3.5 percent pay increase. The County has an "opt out" clause, and this budget proposes this clause be exercised, eliminating the pay increase.
- Earlier this year the County modified its health benefit plan for retirees, and enacted a health insurance buyout option for active employees. These options generate a net savings in excess of \$1 million in 2012.
- To date, 10 individuals have accepted the County's voluntary separation incentive. These positions are either eliminated, or become part-time positions. This incentive saves \$500,000 in 2012, and has helped to avert additional layoffs.
- For the second straight year, there are no raises proposed for non-union employees.

County Programs and Agencies

- The County's public transportation program is modified to limit its impact on property tax payers. Fares are increased by \$1 per ride, and savings are required from a series of routing and scheduling changes. While the program is not self-supporting, the burden on property tax payers has been reduced from approximately \$440,000 to \$185,000.
- The County is providing \$141,765 in funding for tourism promotion, as compared to \$349,076 in 2011.
- The County is required to train and license individuals that care for children in foster care. Typically, there are 100 children in foster care within Franklin County. Occasionally, these children have special needs and must be placed in group homes or residential settings outside of Franklin County. These placements can cost the County up to \$500 per child, per day. The social services department has recently made an effort to expand services locally, reducing these expensive out of County placements. To date, this program has been extremely successful. This budget assumes the program continues to bear fruit, resulting in a savings of roughly \$1 million in 2012.
- The County Highway department faces reductions in staffing. Historically, the department has aided municipalities, at no cost, with repaving. Due to the staffing reduction, the County will not be able to provide the same level of assistance that has been provided historically.
- Significant reductions are proposed for the County jail as compared to the budget requested by the County Sheriff. These reductions total approximately \$250,000 net of fringe benefit costs, and are largely based on the County's plan to reduce the inmate count at the jail. While these reductions are difficult, the total budget for the jail is still increasing by nearly \$350,000, net of fringe benefit costs, over the 2011 adopted budget.
- The County is investing approximately \$362,000 to reduce the inmate count at the jail. This will primarily be accomplished through expanded electronic home monitoring, re-establishment of a community services program, and increased staffing in the probation department.
- Funding for mental health service providers is reduced by approximately \$50,000, and the County is using \$100,000 from an available pool of federal funds to offset its own staffing costs. As a result, these funds are not available to disperse to other service providers.

Options not Proposed

Programs and Services for Seniors

While this budget does contain reductions for costs related to the management of programs for seniors, there are no reductions proposed for the Expanded In-Home Services for the Elderly Program (EISEP), congregate meals, home delivered meals, or the RSVP program.

Municipal Chargebacks

The County has the legal option to “chargeback” both the costs of the real property tax service office, and community college tuition costs. These costs total \$600,103 for 2012. Therefore charging these costs to municipalities would have reduced the County property tax increase to 9.8 percent from 14.0 percent.

However, enacting these chargebacks will not save taxpayer monies. Rather, these costs would have been imposed onto municipalities, who would have had to reduce services or increase their levies accordingly. It should be noted that the County has mandated educational costs totaling \$4,624,750. These costs are for North Country Community College, costs for County residents that attend other community colleges in New York State, and costs for Pre-School Special Education.

Retirement Contribution Stabilization Program

The County also has the option of entering into a New York State program to limit pension cost increases. In effect, rather than paying for its full pension bill, the County can take a loan of up to \$1.25 million from the pension fund. This loan would have reduced pension costs in 2011 and 2012, and allowed for a property tax increase of 5.2 percent. However, the loan must be serviced, with interest, over the following 10-years.

While this budget does not propose entering into this program, the County expects some budget relief in future years for two primary reasons. First, debt service payments for the County jail will soon be eliminated. Second, the decision to merge the County Nursing Home with Alice Hyde Medical Center will generate significant savings over the long-term. Because of these reduced future costs, this loan program is not without merit and should be a continued part of the discussion until the final budget is adopted.

Use of Fund Balances and Reserves

The County anticipates ending the year with a total fund balance of approximately \$5 million and has a tentative operating budget of \$114 million. The fund balance can be thought of as the County’s “rainy day” funds. Most financial authorities recommend maintaining fund balances that total at least 10 percent of an entity’s total operating budget, while Franklin County’s fund balances total less than 5 percent of the operating budget.

Clearly, the state has not recovered from the recession that began in 2008, nor has Franklin County. According to economic experts, there remains the possibility of another downturn, and most expect, at best, a long period of anemic growth. County governments face substantial pressures during periods when the economy is weak: the demand for services, such as public assistance, increases while revenues decline.

Based on this information, combined with recommendations from a recent audit report and the County Treasurer, this budget does not utilize any fund balances. However, with the close of the 3rd quarter, updated information will be available pertaining to the County’s financial performance in 2011. If this information suggests that the County will have a surplus available at the end of 2011, this surplus, or a portion thereof, could be utilized in 2012 without the County depleting its fund balances further.

Conclusion

Many of the same pressures driving increases in the 2012 budget will continue to be present in 2013, and the County budget process will remain difficult until the economic climate improves and mandate relief is provided. Therefore I recommend that the Board of Legislators and all agency heads continue to be vigilant in managing their budgets, and in finding creative means of delivering services more efficiently.

Unfortunately, these are difficult times and undesirable choices must be made. I believe the proposals in this budget are fairly balanced without impacting those individuals most reliant on County services.

Best Regards,

Thomas Leitz
County Manager