

GENESEE COUNTY

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Memorandum

TO: Genesee County Legislators, Fellow Employees and Geneseeans
FROM: Jay A. Gsell, County Manager/Budget Officer *JAG*
DATE: October 16, 2013
SUBJECT: Budget Officer's Proposed 2014 Budget

The Genesee County Manager's proposed budget for 2014 is one of the more difficult fiscal balancing acts we have encountered in the last 13+ years since the growth of New York State/federal entitlements, New York State Pension Plan ballooning assessments and the County Nursing Home requiring a consistent and rising "subsidy" just to keep the doors open and our residents safe and sound.

As Genesee County government attempts to keep providing core/essential services as well as mandated programs within a total expenditure plan of \$144,000,000, the pressure on the property tax levy under the third year of the New York State imposed property tax growth cap has increased significantly. Any sign of real and sustained mandate relief, particularly within the 8-9 major areas of New York State imposed mandated programs - Medicaid, County Jail, Indigent Defense, Probation, Pre K/EI, Public Assistance/Safety Net, Child Welfare/Protection and Youth Detention on top of the 19 – 28% New York State pension system rate of payroll contribution for our County workforce which equals approximately \$5 million within the County budget annually, is not on the Albany horizon.

Genesee County government departments and related agencies were asked to again try to submit 2014 funding requests equal to or less than the 2013 Adopted budgets. Even with a slight 2013 to 2014 reduction in the State pension payroll rates and a 2.5% increase in the County health plan rates for our self-funded employee health care plan, the overall requested general fund appropriations came in at approximately \$105.4 million vs. \$101.8 million in 2013; while General fund revenues (non-property/sales tax) for 2013 vs. 2014 are projected to only increase by \$350,000.

All these fiscal stressors continue to put more pressure on staff and program reduction within the County general fund and as has been mentioned previously, our 2013 County workforce, not including the Nursing Home, is 54 employees less than our peak in 2000; this also reflects the County having absorbed the City of Batavia and Village of LeRoy dispatching services in 2009.

In this proposed budget is a State Commission of Corrections mandated increase in County jail staff of 4 new employees which is part of a 3 year program of a total of potentially 7 new employees and some part-time personnel to maintain the County's 97 male only jail population capacity. Coupled with the rampant increase in female offenders having to be incarcerated on a daily basis outside the Genesee County Jail and in adjacent counties, this division of the Sheriff's Department budget is a \$700,000 increase in one year for the mandated correction's program. This alone is a \$.26/\$1,000 new cost within the County general fund budget vs. the Adopted 2013 budget. In the overall scheme of things, the someday in the future new jail facility project, whether our single County/regional or collaborating with New York State DOCs/prison capacity, will have to be faced as our current three generation physical plant is close to being functionally obsolete. A new Genesee County jail, built to 2014 State and federal standards and male/female dual occupancy could cost upwards of \$32 million for about 120 cells just for bricks and mortar with a potential 15-20 year long-term debt commitment. This County realistically doesn't have the funds nor can we "experience" the lost opportunity of starving all other capital needs like roads and bridges and water transmission lines to go it alone and alternative housing solutions and more regional solutions must be pursued and NYS Legislation changed to facilitate safe and realistic incarceration solutions for small, rural/suburban counties like Genesee to manage our daily jail population.

The New York State imposed property tax levy cap for Genesee County could provide a \$.15/\$1,000 rate increase in the general property tax rate which would generate approximately \$353,044 in new revenue to balance the \$104,672,390 General Fund portion of the total County expenditure plan of \$149,100,167.

The County Manager's recommended budget for 2014 includes a \$10.11/\$1,000 property tax rate which is a \$527,000 increase over 2013. The County has been struggling to maintain the \$9.82 - \$9.89/\$1,000 rate for the past six fiscal years and for the reasons stated above, the Budget Officer's recommendation does not continue that "hold the line reality". This could result in the County needing to adopt a local law to override the State tax cap limit of \$10.04 for Genesee County as part of the 2014 Budget Adoption process deadline of December 20, 2013.

The other driving force in the 2014 budget proposal is the subsidization by the County General Fund of the continually growing operating deficit within the County Nursing Home budget. The County Nursing Home and its 200 beds of SNF-Adult Home levels of care is unable to generate sufficient revenues to cover its \$18.3 million in heavily regulated cost of long term care. The County has a \$5 million RAN in place to pay the bills and provide 4 Star quality care plus is presently also "lending" the Nursing Home an additional \$800,000 - \$1 million. The prospect of receiving IGT federal matching funds equal to a total of approximately \$4.4 million for this year's budget and again in 2014/2015 is not enough to eliminate deficits within the County Nursing Home budget and aforementioned IGT program is seemingly slated for demise by CFY 2015. The County is exploring internal and external options- fiscally, programmatically and ownership wise with the help of a third party independent consultant as this continual drain on the County General Fund and lost opportunity costs for road and bridge repairs and other essential County capital projects can't be continued for much longer.

As has been stated in past County budget presentations, the percentage of our County property tax levy that goes to the 8-9 major mandated/State controlled programs that counties must participate in or contribute to consume about 71% (not including the NYS Pension Contribution of \$5 million) of our annual property tax levy. The principle culprits are the local share of Medicaid – approximately \$9.96 million in 2014 (not including the 50%

IGT/Nursing Home subsidy match) and still growing EI/Pre K Handicapped Children's Education programs with a \$1.5 million County share which have become ingrained in the County General Fund Budget.

The State of New York is allegedly trying to assume more of the program administration and oversight of both of these programs but "demonstration" efforts in select counties or poorly planned roll outs of New York State centralized contracting authority have proven less than optimal and still have counties dealing with the more complicated/ non internet "click and point" questions and answers. The Medicaid Administration takeover is already delayed until at least 2015 and the MRT reforms and projected major Medicaid savings initiatives are likely to drag out until 2017.

The 8-9 major mandates collectively consume about \$19 million of our annual property tax levy or about \$7.13/\$1,000 of our 2014 County property tax rate. In effect this is the Albany/NYS property tax rate for Genesee County which is playing out across the State in all 57 counties and is unique with the exception of North Carolina and California with respect to the burden put on counties by their State governments. This top down transfer of fiscal responsibility has to be abated or stopped if New York State Counties are going to survive.

The 2014 New York State cap on Medicaid Local Share Growth will require Genesee County to budget 1% more in our base Medicaid weekly share line of the Department of Social Services Budget. For CFY 2014 the MMIS base local share will equal almost \$9.9 million and as of CFY 2015, this will be a "fixed" cost in the County Budget which in the New York State mandate relief philosophy is considered a "plus". (Not Likely). The County has also begun to "benefit" from the creation of Tier V and VI pension cost assessment for our newest employees (about 6% of the overall workforce) but the ultimate long term benefit/realized pension cost savings will likely be reached in 2042. This form of New York State top down relief is not alleviating the present day pressures on the Genesee County Budget and what local "essential" services the County can try to continue to fund like Sheriff's Road Patrol, Planning, Parks, County Highway, Historian/Records Management and Information Technology to name a few.

There are no new fees, charges/non-property tax taxes in the proposed 2014 Budget. The 2 year old vehicle registration fee of \$5/\$10 per motor vehicle renewal will likely generate \$375,000 in general fund revenue. However, the E911 State wireless and land line surcharges which generate in excess of \$200 million state wide is being minimally shared with county governments who are providing the lion share of Emergency Communications and investing in state of the art technology and cross county borders interoperability. While our county has been successful in receiving E911 CIP grants for our next \$11 million P-25 next generation compliant 800MHz upgrade which will be compliant by June 2014, the ongoing operating costs of running a Countywide dispatch which will also be handling the Troop A, State Police emergency calls in Genesee County as of 2014, at \$2.1 million is offset by less than 10% of the surcharge/State revenues.

The 2014 County Manager's Proposed budget does include a healthy increase in the County retained 4%/50% of sales tax = 9% over the 2013 budgeted figure. The City of Batavia along with the 13 towns and villages should also see said percentage increase in their shares of locally retained sales tax that the County distributes to them based on our decades old agreement. The County is also continuing to use 1% of our share of sales tax proceeds to fund long term debt (like the non-grant covered share of the 800MHz radio system upgrade), water fund debt payments to Monroe County Water Authority, Asset Acquisition costs like Sheriff's marked vehicles, information technology replacement and a pared down list of capital projects

not funded with long-term debt and to help keep the property tax rate and levy within the New York State mandated – Year Three – property tax levy cap.

The 2014 proposed County Budget includes 4-5 new positions (not related in hours of work increases for existing part time or less than full time current employees). Four of these new FTE's are the New York State COC mandated correction personnel estimated to cost \$340,000+ as part of the aforementioned three year plan to maintain the jail's 97 bed space certification. One additional Genesee Justice DS/V Assistance position is almost entirely funded by a New York State domestic violence grant for this vital piece of the criminal justice continuum and jail population management "work in progress". The mandated salary increase for the District Attorney connected to Judicial Salary Reform by New York State (a three year planned increase) is expected to be covered by State Aid as is salary parity for attorney staff in the District Attorney's office and Public Defender's office.

With regard to the Public Defender's ILSF funding and New York State's three year shift of funding from basic/entitlement grants to three year competitive grants, the Public Defender has been so far successful in achieving competitive grants-State Aid covering 28% of the total department cost.

Current and future opportunities to consolidate or better coordinate County operations and management of services like the Genesee-Orleans joint Health Departments oversight which has gained national recognition and funding from the Robert Wood Johnson Foundation and Center for Disease Control as well as the Genesee/Orleans/City of Batavia Youth Bureau's consolidated management and program delivery and the City of Batavia/County prosecutorial agreement and Genesee/Orleans Mental Health Day Treatment clients being serviced through Genesee County Mental Health Clinic continue the proactive, cost effective/cost savings mentality of our Western New York local governments. Future retirements of County management/administrative support personnel may also provide "savings" in lieu of replacing key personnel on a one to one basis and providing multiple division or department administration with fewer people.

Aside from the tentative three year renewal of our CBA with the County Nursing Home CSEA union and the just beginning negotiation with our Sheriff's road patrol and detective's union, the other County organized employee groups have contracts in place which have 1.5 – 2% salary increases which are included in this proposal – approximately 85% of the County workforce is unionized and all active employees are contributing approximately 10% of the monthly health care premiums into our self-funded health care plan cost center. This budget proposal also includes a management performance based potential salary increase for approximately 100 management/supervisory and support personnel with a 2% cap on the potential net earnings increase.

The County Legislature in discussion with the Genesee Community College trustees has already committed to a \$100,000 local sponsor share increase toward the GCC operating budget. The \$2,036,000 contribution is less than 6% of the College's overall operating budget which is at or near the lowest percentage and funding amount of all the host counties in New York State. At the same time, the funding amount included for the County to pay other counties for Genesee county residents to attend other community colleges is again projected to be \$450,000, which is approximately \$100,000 more that 2-3 years ago. The somewhat unique GCC campus centers offerings in the other three GLOW counties has engendered some push back from those counties as their tuition payments to GCC for their native sons and daughters are almost equal to the Genesee County Host

County share. New York State Legislative proposals to revert to the standard 1/3 State/ 1/3 Student/ 1/3 County host funding model could be a major cost escalation for Genesee County and one we would certainly resist a statutory modification/mandate to shift the burden to community college host counties only.

2014 General fund support to the County Road Fund is approximately \$209,000 greater than 2013 due to the continuing deterioration/aging of the vital transportation infrastructure particularly roads and bridges (the County is responsible for over 220 of these longer than five feet). The cost of materials and supplies and fuel continue to increase more than the CPI 2% inflation factor. In addition to the 800 MHz radio system upgrade, two major bridge and road CIP's, the Cedar Street Fuel Farm which provides fleet fuel for the County, City, RGRTA, ARC and Soil and Water is in need of replacement/modernization to comply with DEC/EPA regulations and the 50 year old antiquated/non FAA compliant airport terminal will hopefully be funded by a capital improvement program that will be reviewed and approved by the County Legislature in early 2014. Funding from the 1% sales tax proceeds have been allocated for these projects. Final design for the \$6.5 million estimated airport terminal project is ongoing and New York State has recently provided \$1 million in construction grant funding which will complete our 20+ year commitment to improve the safety and operating integrity of our General Aviation facility which has already garnered approximately \$17 million in State and federal aid/improvements with a 2.5% - 5% County local share.

The other critical, pending CIP for Phase II of the County wide water system which would entail Monroe County Water Authority system improvements to the East of Genesee County is still being evaluated in conjunction with pressing needs for better water quality in communities like Elba and Bethany and the anticipated shovel ready Lite WNY STAMP economic development venture in the town of Alabama. Potable, reliable public water is a must for this 1,400 acre site and options for the source and related infrastructure are being coordinated by GCEDC with the State of New York and possible \$36 million State economic development/critical infrastructure funding. The County will still need to determine along with our municipal partners where long term current and increased public water resources will originate from as part of the County's Smart Growth plan and as the publically facilitated Business/Industry parks grow/develop in LeRoy, Pembroke, Batavia and obviously Alabama.

The combined County Clerk's and Auto Bureau Divisions are projected to net cost the County General Fund \$30,000 against a \$1.3 million expense with both divisions seeing high volume of citizen/customer contacts particularly with adjacent County auto dealers processing their licensing paperwork through Genesee County. The pistol permit and registration increased traffic and application program resulting from the SAFE Act passage has certainly delivered an unfunded burden on our County Clerk's office along with the application processing implication for the County Attorney and Sheriff's Office and County Court Judge. The County Airport with strong fuel sales and T- Hangar rentals as well as the top notch physical plant (except for the terminal building) is also projected to generate sufficient revenue to offset 100% of its operating expenses and possibly contribute to a new Terminal CIP for debt service costs.

The County Nursing Home Enterprise fund is still a deficit financed/County subsidized reality that in 2014 will likely use \$2.2 million and \$780,000 in County budget subsidies just to break even in the operating budget. The \$2.2 million local share, 50% IGT match is from the County General Fund and \$780,000 is the 50% local share of the Adult Home cost sharing and are both from the DSS budget. The County Nursing Home total Budget of

\$18.3 million has seen some revenue enhancements through the work by Administration and staff on items like case mix index, right sizing the Adult Home beds to 40, rather than its 80 potential beds, new contracts for Rehabilitation Therapy Service, food service, enhanced CMS and private pay/insurance billings and prescription drugs/third party purchasing contracts. However, the ingrained operating deficit is approximately \$2.5 - \$3 million and thus the persistent, structural operating deficit as well as the month to month cash flow problems which necessitated a \$5 million RAN borrowing just to meet payroll and pay expenses, "facilitated" the County to retain the services of Bond, Schoeneck and King a mid- State consultant to help finalize the best options for the continued ownership, operation and quality of care enjoyed by our 200 residents of the Nursing Home. This is a heavily scrutinized/regulated healthcare facility that the 30 or less New York State counties like Genesee are continuing to provide as part of county government. Again the opportunity cost/value of at least \$2.9 million in county funding supporting the Nursing Home in not a long term viable position for the County to be in "alone". Closing the facility is **not** an option as far as the County Legislature is concerned and with our facility representing 42% share of the legitimate long term care/institutional beds within Genesee County and our increasing percentage of older residents it is a vital part of the nursing home needs within our 60,000 population County but not necessarily as a department of County government.

The County departments and related agencies preliminary requests submitted in September would have needed an \$11.50/\$1,000 local property tax rate on projected tax levy of \$31,055,000 an approximate 16% tax rate increase over the Adopted 2013- \$9.89 tax rate.

The County Manager's proposed budget does include a recommendation to use \$2.5 million of the undesignated, unreserved fund balance which was \$10.7 million (audited) at the end of 2012. Over the past 12 years, Genesee County General Fund Budgets have used on average \$2.3 million annually which in the case of the 2014 budget would leave about an 8% undesignated, unreserved fund balance which is still within the New York State Office of the State Comptroller and bond rating agencies guidance of the 5-10% range for our County General Fund/core budget.

Again, New York State has Genesee County as well as most of our brethren in a precarious cash flow position with a yearlong running State reimbursement receivable of about \$4-5 million which when coupled with the now 1+ year delay in Nursing Home IGT reimbursements will likely force the County Treasurer to do a second RAN/temporary borrowing of about \$3-5 million just to keep paying the Nursing Home's monthly bills and payroll. As was mentioned previously, the fiscal picture is akin to a private sector bankruptcy position which a County like Genesee in New York State cannot sustain indefinitely particularly as relief from crushing mandates, alternative revenues and/or alternative operating scenarios like our recent Public Health department merger with Orleans County, joint Genesee/Orleans and City of Batavia Youth Bureaus, centralized E911 dispatch PSAP service/800MHz radio equipment as well as the \$1 million in annual snow and ice control payments to towns for them to provide safe, passable County roads during the snow season are not sufficient to relieve the burden on the county General Fund/property tax levy unless more draconian, local non-mandated service cuts are implemented and/or the deficit funding of the County Nursing Home is no longer totally a Genesee County government obligation.

This Genesee County 2014 all funds budget proposal equals \$149,100,167 compared to the 2013 \$144,980,471 Adopted all funds budget. Genesee County continues to tread a tightrope of basic services, meeting our mandated program obligations and not relying on any 2014 promised or expected New York State mandate relief or reform. Increasing local female jail detainees, probation caseloads, Medicaid enrollees equaling 8,200 individuals

(500+ over 2011/2012) as well as a rising number of safety net recipients under New York State's overly generous continuing support mandate and last but not least our out of control Pre K/EI programs for children 0-5 years of age which New York State uniquely in the nation has counties paying approximately 40% of the actual costs but waiting an inordinate amount of time to be reimbursed for the 60% New York State share of this \$4 million annual education expense which logically New York State counties have no business being in and have almost no ability to influence outcomes, efficiencies or service levels which are controlled by New York State and the local school districts, all contribute to the pressure on our current \$9.89 tax rate potentially going to \$10.11 for 2014.

While New York State has essentially saddled Genesee County with a State property tax burden within our local property tax rate equal to \$7.13 of our proposed \$10.11/\$1,000, 2014 property tax rate due to the State mandated programs and local share costs incurred, Genesee County, its legislative body, employees, contracted agencies and affiliates and related service providers continue to explore and implement inter municipal agreements, collaborations and inter agency/department cooperation and possible mergers so we can maintain a modicum of cost effective and efficient services which our residents, taxpayers and clients have come to expect and/or are entitled to by virtue of our being a county in New York State.

Genesee County government has been loath to do what New York State does to us which is shift some of the costs to other local governments like animal control (dog license fee revenue to the County to help operate the animal shelter) and community college tuition chargebacks based on student's local community of residence. On the horizon in 2018, the current local sales tax proceeds distribution of 50% of our total \$39 million generated going to the City of Batavia and towns and villages tied to the countywide water master agreements may need adjustment if New York State and the federal government don't provide real, guaranteed mandate relief coupled with program/service delivery reform and rightsizing in areas like Medicaid, Pre K/EI and Safety Net funding starting in 2014/15.

As has been the case for the past 20 years of my tenure as County Manager/Budget Officer, Genesee County government will continue to do the best it can services wise and performance wise with the fiscal constraints in place. Our County Comprehensive Plan, Smart Growth Plan/potable water extensions and Agricultural Protection District consolidation and agricultural land preservation plans, as proactive and future oriented as they are, cannot be sustained with the New York State fiscal hand we are dealing with and many of the action items and good governance priorities continue to be put on hold due to these top down fiscal constraints.

The long term planning and continued success of GCEDC economic development "project wins" and aggressive attraction and retention programs for all segments of our business economy, particularly agriculture and 21st Century technology/smart businesses, need to be reinforced and supported by well maintained and shovel ready infrastructure, job training and public education programs geared to the needs of business and industry and the emerging workforce and displaced workers whose desire to stay in our "community" and be safe, prosperous and contributing members of our eclectic society. These are not merely quality of life issues or programs that could be jeopardized by lack of New York State mandate reform and fiscal relief; this fiscal profile over the next 5 years needs to be substantially modified if a vibrant, attractive, progressive community portrait is to be "sold" by the likes of GCEDC, the Chamber of Commerce, our schools and partners in local government and our business and faith based community for our present multi-generational populace and those to come after the "millennials".

This proposed Genesee County 2014 Budget reinforces our commitment to being an active, progressive, forward thinking partner in the community, taking care to be good stewards of the public trust and be open, approachable, problem solving public servants, not simple bureaucrats. The trust and confidence of our citizens and taxpayers is something we continue to hopefully earn and we accept the challenge that entails. There are no simple solutions or "magic" fiscal slights of hand or deferrals of critical programmatic needs or fulfilling the obligations of State/Federal mandates which this Budget Proposal includes or attempts to turn a "blind eye" to. As always we are up to the task with our local, regional and statewide partners in good governance.