



Rockland County

Ed Day, Rockland County Executive

October 1, 2018

To the Honorable Members of the Rockland County Legislature:

In accordance with Section 6.04 of the Rockland County Charter, I respectfully submit the 2019 Proposed Budget for your review and consideration.

I am pleased to report that as we approach the end of 2018, the County's overall finances are beginning to turn positive. The County as of its last audit report in 2017 had a positive undesignated fund balance and we anticipate an additional increase at the end 2018. It has taken years to reverse the trend of a spiraling deficit fund balance to where we are today.

Despite years of significant economic challenges, Rockland County government still has much work to do to be completely financially healthy. However, as I submit this 2019 proposed budget, we cannot rest on the past successes from the previous years. We have all worked very hard to create surpluses the past several years and we must continue striving with that goal in mind.

We have made significant gains regarding our bond ratings, where we were once near insolvency and one level above junk bond status, to where we are today: A- Positive Outlook with Fitch, A2 Stable Outlook with Moody's and A- Stable Outlook with Standard and Poor's. Our strong bond rating has assisted in enabling us to finance our annual Tax Anticipation Note and various infrastructure serial bonds at lower interest costs, thus avoiding having to further increase taxes above the tax cap. This achievement is attributed to our consistent conservative financial practices and our efforts to broaden and diversify the local economy.

Each annual budget represents new fiscal challenges, this 2019 proposed budget is no different. Even though the County has been able to improve financially this does not mean that there are additional or excess funds available for increased spending. The success of the past several years does not carry forward to a new budget plan. I use this analogy, as a new year begins for any sports league, each team starts at 0 wins and 0 losses. Unfortunately, your past successes do not count towards the upcoming season. Well, a new budget plan is the same.

As we began the 2019 Budget cycle, we were faced with a budget gap over \$13.0 million. There were several significant expense drivers creating this budget gap.

- Nearly all the County's active employees and its retirees belong to the Empire Plan for health insurance. This state health insurance plan increased its premium costs by 7.1% or nearly \$5 million.
- Salary costs for contractual increases such as incremental longevity steps and COLA's increases went up over \$3 million and compound annually.
- Our debt service, the principal and interest on our serial bonds increased due rising interest rates and borrowing for needed infrastructure improvements by nearly \$3 million.
- The costs for the state's mandated programs such as Early Intervention, Pre-K, and the various social service programs such as Day Care, Services for Recipients, Children's Services and Juvenile Delinquent Care increased by nearly \$1.7 million.

Therefore, to balance the 2019 Budget, we needed to examine each program and department for cost savings to eliminate this budget gap. Since personnel costs make up a considerable share of the County's budget, my administration began eliminating vacant positions to drive down the budget gap. There are no layoffs of existing staff in this 2019 Proposed Budget. However, contained in this budget is the abolishment of approximately 28 positions, a list of which is in the Executive Summary.

Over the last several years, the County has transitioned many health and mental health programs to outside non-profits or local hospitals such as the pre-natal clinic and the mental health inpatient unit to Nyack Hospital, and the mental health methadone program to Lexington Center for Recovery. During the past decade, there has been a continual decline of financial support from New York State for municipal mental health programs. To improve the care and services as well as avoid further financial losses, in the 2020 proposed budget we will be exploring the transitioning of our mental health outpatient services to a non-profit; possibly Westchester Mental Health Association. We will begin the process of searching for a prominent non-profit that has the necessary support structure and expertise to provide for our clients at a lower cost than what the County could provide.

As many of you know New York State is now implementing a new program called "Raise the Age" requiring local municipalities to remove younger individuals from correctional facilities for their protection and well-being. The supervision of these younger individuals will fall under the jurisdiction of the County's Department of Social Services, Probation and Sheriff. To provide this supervision New York State has pledged to reimburse the County for the cost associated with this new program along with the hiring of new positions: 3 in Social Services and 1 in Probation which are contained in this proposed budget.

This proposed budget contains a new feature in the Department of Finance's Real Property Tax Division, in which deeds are reviewed and compared to the official County tax map. This new program is critical for our residents, town assessors and County Clerk to eliminate defective and erroneous materials. The tax maps need to reflect the deed

information as accurately as possible to ensure that the land a taxpayer owns is the parcel the taxpayer is assessed and billed for.

The plan is to utilize the Real Property Tax Division's deed reading expertise to clearly identify the parties and parcels affected in the documents which ultimately will assist the assessment information County-wide. This in turn will benefit the entire Rockland assessment community as well as assist the County Clerk's office. The new service is projected to generate an estimated \$1.2 million annually.

As part of our continued reevaluation of the needs of our residents, we are restoring the Office for People with Disabilities that was eliminated by the previous administration during the financial crisis. This renewed office will advocate on behalf of people with disabilities to ensure they achieve access to all the rights and responsibilities they desire to exercise.

I also wish to address our valued union and non-union County employees. It was and still is my desire to settle as many open contracts as fiscally possible. During, 2017 and 2018 we have tried to do so. And, for the first time in nearly a decade, my administration addressed this concern by allocating \$4 million in funding in the 2018 Budget. I called upon the County Legislature to add additional funds so that we could reward our employees who for so long have gone without a contract, but they failed to do so.

Unfortunately, as mentioned above, with increased costs and the annual payment for the deficit bond of \$13 million and facing a sizeable 2019 budget gap, it has become a daunting challenge trying to allocate funds for multi-year contract settlements that increase the base salary for employees without exceeding the New York State tax cap.

Contracts that are multi-year and include increasing the salary base become problematic in that the County is "locked in" to paying these contracts into future years without knowing if we will have sufficient funds to pay for them. As I have stated over the past several years, we wish to settle as many open union contracts as possible, but we must have the funds to do so. This 2019 Budget allocates \$1.5 million for open contracts, but this is simply not sufficient to cover those increases or to cover all employees. We will continue to look at any potential end of year surplus monies and make every effort to allocate a portion to union contracts.

The remaining portion of the potential surplus will continue to rebuild our undesignated fund balance. This tentative plan can only be accomplished if the County has a projected surplus. I look forward to working with our union representatives through the collective bargaining process, and with the County Legislature on this issue.

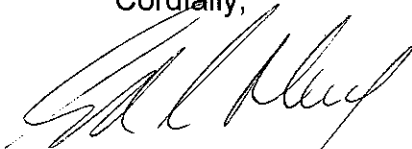
Over the course of these past several years, my administration began the transition of migrating non-profit contract agencies under the jurisdiction of County departments for oversight, accountability and possible state and federal reimbursement. As I mentioned in my 2018 Budget Message these non-profit organizations provide a valued service to our residents and the clients they serve. This proposed budget funds those agencies at

As you will notice throughout this proposed budget, nearly all County departments have seen their requested budgets reduced such as supplies, equipment, and program expenses to drive down the budget gap. There were many valid requests from departments seeking additional staff and new positions. I want to thank the managers and leaders in this organization for adhering to our conservative budgeting principles and adhering to my guidance that we will not spend beyond our means and that we must stay under the current tax cap.

As in 2018, I am submitting a 2019 proposed budget in which the County's property tax is less than New York's State's tax cap formula for Rockland, an increase of 2.9%, as detailed in the Executive Summary.

In conclusion, we are improving our balance sheet and generating surpluses thanks to the continued efforts of our financial team and the active cooperation of the employees. That does not mean that we can now sit back and relax. On the contrary, it means that we must continue to remain frugal and keep our debt service payments low, our spending under control and our revenue projections as conservative as possible so that we do not return to deficits, no reserves and poor bond credit ratings. We must work hard to ensure that we build upon the opportunities that lay before us. We must continue to broaden and strengthen the foundation of our local economy and that we work together to ensure future prosperity for all our residents and employees, leaving them a legacy that we can all be proud of.

Cordially,

A handwritten signature in black ink, appearing to read "Edwin J. Day", written over a horizontal line.

Edwin J. Day
Rockland County Executive