

BUDGET MESSAGE 2012

As Town Supervisor and chief fiscal officer, preparing the tentative budget is my sole and principal responsibility. But no budget of this magnitude and complexity can be prepared without the input of many. I want to start by thanking all who have helped get us to this stage in the budget process, and I want to thank, in advance all who will add their efforts as we move to the final adopted budget in late November.

When I took this office nearly two years ago, I promised to deliver to you, the community, a structurally balanced operating budget, a budget where revenues equal program expenditures, with no appropriated fund balance and no unrealistic revenue projections. The budget I presented to you last year at this same time was structurally balanced and the budget I present to you today is again a structurally balance budget. I further committed to keeping a lid on property taxes, while also continuing to address the remnants of yesteryear unfunded spending, and systemic deficits as the result of accounting discrepancies.

It was a challenge to present such a budget last year. As you recall we faced the escalating costs of health insurance, debt service, retirement contributions, worker’s compensation, and other mandatory increases adding to over \$4 million to previous year’s budget.

This year, we continue to face many of last year’s challenges, in even larger numbers, while also having to address new unfunded mandates, and the newly instituted 2% State Property Tax Law.

The escalating costs of health insurance, retirement contributions, pension costs, Worker’s Compensation Insurance, increased legal fees, debt service, increased contractual expenditures and other mandated increases amount to increases of nearly \$ 4 million in 2012.

Without additional revenue, a total of \$5.1 million must be absorbed in order to achieve the goal of a 0% tax levy increase, and requires a surgical look at:

- how town government and services are staffed,
- how town government and services are organized, and
- how town government and services are provided.

All of these have to change. The 2% Cap on the Property Tax Levy allows for only a \$1.8 million levy increase to offset the \$5.1 million mandatory increase, should we decide to raise the levy to the permissible level. In this budget, no additional revenues are raised through taxes.

As you recall, last year’s Tentative Budget proposed to rethink, re-organize, and improve efficiencies, while creating long-term, systemic cost reductions. It is all the more apparent there are no other ways. And while rethinking and re-organizing provides many valuable opportunities to do better by our taxpayers, it does in other instances make for very hard decisions and sacrifices – many of which it truly pains me to have to propose.

So with all of that in mind, I have approached this budget with a belief that every problem and every challenge present a potential opportunity. Where possible, we have reorganized departments, set out a course for right-sizing and right-

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sourcing all departments, re-deployed staff, begun efforts to cross train employees where appropriate, and redefined the mission of some departments to be more commensurate with the resources available to them. I will attempt to highlight several of those changes today, as well as the difficult choices that have had to been made in order to meet our financial responsibility to you – the taxpayer – and you, fellow Town employees. In the weeks ahead there will be several public meetings, and I invite and welcome your input. The other members of the Town Board and I will have opportunity to discuss our perspectives and your input in those meetings. It is my hope, that on November 18th, the day the 2012 Budget must be adopted, you will all have a thorough understanding of what is in the budget, what is not in the budget, and why that is the case.

We may, of course, not always agree, but open and forthright discussion will, I am convinced, narrow our differences and increase our understanding.

The budget I present to you today will address each of the components as outlined above, with the underlying objective of NOT eliminating services and that which is most valued by the community, but rather, redefine how we provide them while making every effort to minimize, where possible, the impact on staff reductions. I will also add that reflected in this budget is the understanding that everything I present to you today, and whatever is finally included in the adopted budget, must be under constant review and evaluation. The tax cap legislation I mentioned earlier will be in place for the next 5 years. If mandated costs continue to rise at the rate they have for the past two years, we are assured of five very difficult

budget years ahead. Recognition of that reality is included as part of the plans reflected in this budget. It is for all of these reasons that the budget I present today includes a two-year proposal, including projections for 2013.

So, let me begin at the end. Last year’s adopted budget was \$80.2 million. During the course of this year that budget has been amended several times, making the 2011 actual budget \$81.6 million. This Tentative Budget proposes an \$80.3 million bottom line spending total - a zero percent tax levy increase.

Adding to the challenges associated with creating this proposed budget has been the ever changing rules associated with the 2% Tax Cap. As some of you may know, the legislation received somewhat of a fast track in Albany and much of what it contains is still unclear. The best example and one that the public may be familiar with is the effect of the special taxing districts’ budgets – are they part of the Town’s levy cap or do they reside outside the cap? The answer to this question and many others has yet to be clarified by the State. Of course, these impending clarifications have a direct impact on the final budget.

It is also important to note that every department and every level of employee in Town has borne the burden of controlling expenditures in this budget, from the IT Department to the Highway Department, from part time employees to high level management employees – all having to make sacrifices to achieve the objective of a zero percent tax increase.

The main tenets of this budget are:

Reductions, Reorganization and “Right-Sourcing.”

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Reductions. Staff costs are any municipal organizations single most costly expenditure. I am therefore proposing several staff changes, including reductions through thoughtful reorganization, to lessen the impact of these reductions and to most effectively capitalize on existing staff, as well as future staff attrition.

- a. The inclusion of a Town Retirement Incentive which was wisely and unanimously approved by this Town Board offers all eligible employees a cash bonus to retire before the end of this year with a \$1,000 per year of service stipend. The goal is that this will result in measurable and long-term savings for the Town. It should be noted that, unlike last year, when the State offered such an incentive, this is not the case this year, and as such we opted to effectuate a local version of this tool. It is important to note that, although there are buyout costs associated with such an incentive, these costs are offset by the resulting savings. This budget proposes a well planned amortization of these costs through NYS enabling legislation.
- b. This budget also proposes to implement the “Twenty Years of Service” provision as dictated by Town Law, where the Town Board, acting as Police District Commissioners, and under special State retirement law which permits the Town Board to separate from service officers

who elected to receive enhanced retirement benefits, retains the right to **not** continue Town Police Officers with over twenty years of service. In this budget, it is proposed that all officers having achieved twenty five or more years of service will not be continued beginning January 2012, and through the implementation of a newly proposed Steady Tour Schedule, as well as the Town Board’s commitment to upgrade and significantly automate police technology, this will reduce the current force to 90 sworn officers, a reduction of approximately 8 – 10 officers over traditional and current levels, including a shrinking of the senior and most costly officers’ ranks. This enables us to reduce the cost of operating the Police Department to a zero increase over last year.

The benefits of these reorganization plans are significant, but the short term costs associated with them are substantial. To help defray these costs, I am seeking to take advantage of a provision through enabling legislation from the State that will allow financing for them, as has been done for many municipalities throughout the state.

Our budget difficulties are such that all possibilities for cost reductions are under consideration. The Town realizes that this may impact on the services we provide and will

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certainly present some hardship to our employees. We have, however, attempted to implement changes that will preserve our service level through greater efficiency. While the Town certainly regrets the loss of personnel, many of whom have served in positions of rank, the need for cost reductions, greater efficiency and a new view of how to provide police services, made this decision necessary. We are pleased that officers will be able to separate from service with full retirements and generous benefits, including fully paid health insurance. While the cost of those benefits and leave payouts will reduce the savings generated by these retirements, they will nonetheless contain our increase in costs. We will also continue to explore in collective bargaining and otherwise, ways to control our police labor costs.

As touched on earlier, it is also our expectation that management changes and enhanced technology within the Police Department will result in the more efficient delivery of services. While there may be fewer management personnel and less seniority within the management ranks, I am confident the Police Administration and our dedicated police officers will continue to provide the exceptional level of service for which our Police Department is known.

- c. Further, I am proposing the reorganization of a number of departments and reduction in several positions at every level from administration to union positions throughout our Town Departments, some to effectuate efficiencies and cost savings; in others, necessary cost reductions. It is most important to note that without the careful and surgical look at re-organization and redeployment of certain staff, our need to find staff reductions or cut services would have been greater.

I am proposing to reduce the Town Attorney's Office by two attorneys, and similar staff reductions in the Information Technology Department, the Land Management Department, the Tax Receiver's Office, the Tax Assessor's Office, and many others. Despite these significant changes every effort has been made to protect our valued and dedicated staff through carefully planned reorganization.

- d. Also included is the reduction in the number of members for both the Zoning Board of Appeals and the Planning Board. I am also proposing the elimination of benefits for all future members of these boards.

Further, I am proposing a plan to introduce contribution to health plans for both elected officials and non-union employees, further reducing our employee costs. Currently, only CSEA union employees contribute to their health insurance

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coverage. This budget proposes that both elected officials and non-union administrative employees begin to contribute as well. In addition, all administrative non-elected personnel will be awarded a 2% cost of living increase, commensurate with the current CSEA contract. This budget also proposes to eliminate the cash in lieu stipend traditionally given to those employees who do not opt into the Town's health benefit plan, for additional savings. It must be noted that the proposals mentioned above are subject to change, should our three unions be willing to agree to concessions in order to achieve cost reductions in other ways.

Reorganization. Organizational efficiency has always been a top priority for me. I have been and remain convinced that we can find new and better ways to deliver our services to the community -- and by better I mean more efficiently and more cost effectively. I made several proposals for reorganization in my budget of last year and there are several others contained in this budget proposal:

- a. Human Services is divided into three smaller divisions, decreasing administrative staff but retaining all services in Senior Services, Community Services and Youth Bureau. Community Services and Senior Services and their related programs will become divisions reporting to General Services. Youth Bureau and its related programs will be folded into

Parks and Recreation and further developed in collaboration with other youth programs.

- b. A Constituent Response Center will combine switchboard operations, the existing position of citizen advocate, and website-based constituent services as a first step to establishing centralized citizen information and response services, while eliminating two part-time positions.
- c. The fire marshals, code enforcement officers (already a part of the Town Attorney's Office) and the Animal Control officers will all report the Town Attorney, creating a centralized management for each of these related divisions. Both the fire marshals and the code enforcement officers will be relocated to Town Hall from their current location at Jackson Avenue, making them more accessible to the public and more directly connected to the Town Attorney's office, saving the additional cost of operating an older and inefficient building at the Jackson Avenue complex.
- d. Capital Project oversight is proposed to be relocated in the Comptroller's office. Again, this move will produce a more effective centralized management of this function, while also creating the opportunity to begin the process of centralizing purchasing and cashiering, a much needed control and economizing measure that currently does not

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exist, as clearly indicated by the State Comptroller's Audit report. The goal is that these measures will be developed and implemented by the first quarter of 2012 through the combined auspices of Town Management Services and the Comptroller's Office.

Right-Sourcing. Industry has long recognized both the importance of leveraging innovative new services that maximize operational efficiency, and the difficulty of providing support for these services in-house. Personnel costs for the level of staffing needed to provide such services are prohibitive for businesses and certainly for municipalities. It is time for this government to recognize the value of such services which can lead to cost savings but will lead, more importantly, to enhanced compliance, improved deployment of current staff, a greater return on our technology dollars and the ability to achieve a level of currency with increasing complex but essential technologies.

- a. As a first step, we have begun the analysis of "Right –Sourcing" services provided from our Information Technology (IT) Department, so as to better achieve the level and degree of support from IT on which so many departments rely and to meet the rapidly changing demands of the technology world. Initially, this kind of right sourcing will target the vital support needed in our Finance

Department (the Comptroller's Office) as well as support for our current Govern system.

- b. The initiative for assessing the value of these kinds of services is reflected in this budget. Other opportunities for right sourcing are currently being evaluated and will be explored during the 2012 budget year, including email services, archiving, eGov and production services as examples.

This budget accomplishes two goals. First, it is a structurally balanced, zero tax levy budget. Second, the organizational and right sourcing elements set a foundation for future cost savings that will assist the Town as it continues to address the ongoing economic downturn and the certain challenges of the continuing 2% tax cap.

The Town of Southampton has adopted a 6 year capital projects program. In this budget, however, I have limited the capital projects projections to 2 years – through 2013. The constraints of the 2% tax cap and the unpredictability of the current economy make it prudent to address only short term capital projects such as road reconstruction and repair.

As I indicated earlier, I believe this budget is a thoughtfully planned and detailed agenda for discussion and input over the weeks ahead. Potential negotiations with our employee unions, thoughts and ideas from you, the public, and from the members of the Town Board will supplement that discussion and provide opportunity for modifications. Let me take a moment to offer a special thank you for the efforts put into preparing this budget to all department heads, to the staff in

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Human Resources, and especially in the Comptroller's Office.
Thank you.

Again, it is my hope, that on November 18, we will all have a thorough understanding of what is in the budget, what is not in the budget and why that is the case. We will have a budget that we can all agree serves the taxpayer well, serves our employees well, and protects the long-term financial security of the Town of Southampton.

Respectfully submitted,



Anna Throne-Holst
Supervisor

September 30, 2011

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