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SCARSDALE FORUM INC.

**Report of the County Fiscal Affairs Committee
On
The Proposed 2017 Westchester County Budget**

RESOLVED, that the Report of the County Fiscal Affairs Committee on the Proposed 2017 Westchester County Budget, having been prepared and released to the County Executive, County Board of Legislators, and the general public under the Expeditious Treatment Procedure, be approved.

Discussion

Operating Budget

The County Operating budget as proposed by the County Executive's office is an unbalanced budget because the \$15 million of revenue for leasing the airport to Oaktree Capital Management is speculative. This transaction has not yet been approved by the County Board of Legislators or the FAA and it is unclear when such approval might be forthcoming. Furthermore, sending out an RFP on this project would have allowed AvPorts, who currently runs Westchester County Airport, and other companies to submit competing bids to run the airport. As such, the Committee opposes including this speculative revenue.

The Committee also opposes including as revenue the borrowing of \$9 million to pay for expected corporate and home owner tax settlements (certioraris). Since the County Legislature refused to bond \$11 million in tax certioraris in 2016, it is doubtful that they would approve the \$9 million for the 2017 budget. The \$9M of tax certioraris represents monies that would have to be returned to property owners who win a challenge to the assessed value of their land and buildings. As a result, this estimated line item also seems speculative, if not misleading.

The Committee also opposes deferring with interest \$4 million of the County's \$81 million pension obligations through the New York State Pension Fund Stabilization Program at a rate of 5% this year [citation]. This measure only kicks down the road current expenses and interest on the \$4 million obligation. Borrowing for both items will increase the expense budgets in future years and saddle taxpayers with higher taxes at that time. It is not worth creating an illusory, below inflation budget to generate a below inflation zero tax increase when it hurts taxpayers in the long run. Such poor management of the budget is frowned upon by Moody's and other rating companies. The County's unrestricted fund balance set aside for contingencies and other expenses is roughly \$140 million. The fund balance is often used as a measure of the overall fiscal health of a municipality. When the fund balance goes down significantly, the bond rating would likely drop and the cost of borrowing goes up. It is also the type of budgeting that led New York City to default on its bonds in 1975, which led to the City

being under the control of the New York State Financial Control Board for many years. Another example is Nassau County, which has been under the Nassau County Interim Finance Authority since June, 2000.

County Sales Tax

The forecast of a 3% increase in sales tax revenue for next year is an unrealistic projection in light of the county's \$20 million shortfall this year. The County addressed the situation this year with the sale of the Austin Avenue building in Yonkers and \$15 million through favorable refinancing of tobacco bonds. This year, instead of the 3% increase the County should go with a zero percent increase. This conservative approach is more prudent than continually overestimating sales tax revenues. It is a practice that is frowned upon by credit ratings agencies and has been specifically cited in the ratings downgrades of the State of New Jersey.

Personnel

A 3% raise has been proposed for the County's management staff. At the same time there is nothing set aside for the various union contracts that have expired this year or have never been settled. The settlement of all the contracts will be a significant amount, and an estimated, reasonable increase ought to have been included as a prudent baseline.

Many departments are struggling with understaffing, a problem which is being exacerbated by cutting additional budget line items this year. Some examples are Parks Recreation and Conservation by another 26, Planning by 7, and Health by 12 positions. Understaffing of this magnitude could leave some agencies unable to function properly.

Although the Committee believes the estimated headcounts and associated costs are correctly accounted for, we are concerned the underlying policy has reached a point where services will begin to suffer. Between 2010 and the proposed budget of 2017 there has been a 679 decrease of jobs, from 4,870 to 4,191, amounting to 13.94% fewer positions in County government. While there may have been a bloated bureaucracy in the past, this proposal cuts into the bone instead of just eliminating the fat out of the budget. The County Legislature needs to restore some of these jobs to allow the County to function. Some of the more significant cuts have been to Social Services which lost 191 positions or 16%, Public Works: 77 positions or 26%, Parks: 100 positions or 30%, Health: 91 positions or 32%, Planning: 10 positions or 32%, Community Mental Health: 32 positions or 47%, and Transportation: 19 positions or 54%. There were 94 positions cut this year. During the same time period the number of positions within the Office of the County Executive has remained unchanged.

Capital Budget

The only new item in the Capital Budget is for the restoration of the two pools and creation of two ice skating rinks at Kensico Dam at a cost of \$6.5 million. At a time of scarce funds, this project should not be funded and the available funds put to use on existing infrastructure, i.e. parks and roads.

Playland

Unaddressed in the proposed 2017 budget is the pending approval of the potential pool renovation or closure – which could add approximately another \$9 million dollars for renovation capital budget or approximately \$3-\$5 M for filling in and closing. The agreement between Westchester County and Standard Amusements includes only the management of the amusement park and not the work to be done on the pool.

Recommendations and Conclusion

The proposed Operating Budget, which is unbalanced, should never have been sent to the Board of Legislators as is. The combination of speculative but by no means guaranteed new revenue and potentially untenable bonding to arrive at a balanced budget with no property tax increases may yield a desired political picture, but its overly optimistic improbabilities make the budget unreliable as a basis for evaluating the fiscal policy of the County. We recommend that the County Legislature work to produce a revised budget that accurately lays out the fiscal affairs of the County government, maintains taxpayer confidence, and maintains credit rating agency approval at the highest possible level.

A functioning County government cannot continue while cutting staff budget line items. The Committee therefore recommends:

- Increasing the number of positions in the Planning and Parks Departments, and other Departments noted above.
- Putting out an RFP for running the airport and removing the \$15 million line item for the lease out of the Operating Budget.
- Paying for \$9 million in Tax Certioraris and \$4 million in Pension funds fully out of the 2017 Operating Budget.
- Reducing the 3% projected increase in sales tax to 0%. The \$499 million of actual sales tax for the year 2016 should be used as the projection for the 2017 budget.
- Removing the proposed restoration of the two pools and two ice skating rinks at Kensico Dam from the Capital Budget and instead use the money (\$6.5M) to maintain and repair current roads, parks and other infrastructure owned by the County.

While zero budget increases make good publicity sound bites, it is unrealistic to continue this policy for a seventh year in a row. There is a need to raise taxes to balance the County operating budget. The proposed budget leaves an unacceptable shortfall of at least \$28 million plus any money owed to County workers when it settles new contracts with the unions that represent them.

Respectfully submitted by the following members of the County Fiscal Affairs Committee:

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