



TOWN OF SOUTHAMPTON

2011 ADOPTED BUDGET

Budget Message 2011

Today I am proud to present to you the 2011 Supervisor's Tentative Budget.

Many hands, heads and hours have gone into the development of this budget document and I want to begin by thanking the Comptroller's office, the IT department, all of the department heads and their staffs, and last, but certainly not least, my own office staff for their cooperative and enthusiastic participation and hard work.

Crafting a budget of this complexity is a colossal undertaking and cannot be completed without the kind of support that each of these individuals and departments have provided. So, again, thank you all.

The budget I present to you today will:

Reduce the cost of government.

Decrease the size of government.

Reorganize key departments to achieve improved efficiency.

Avoid lay-offs in order to protect our working families.

Achieve a 0% operating cost increase.

Purposely address our remaining \$5 million deficit with a proposed 2.4% tax rate increase for 2011 dedicated to a three-year deficit elimination plan in order to sustain our high credit rating.

My goal in crafting this budget was to achieve a sound, sensitive and intelligent product and baseline from which the Town of Southampton could soundly operate, while providing the necessary services to our constituents; remain sensitive to the plight of our working families and tax payers, and by intelligently reorganizing and maximizing for minimum impact on our tax rate, while not putting anyone out of work.

I. Let me start there. History is as significant as current reality in our town. We hear of belt tightening, lay-offs and cutbacks from all over. In Southampton, we need to bear two things in mind: We began that process two years ago, as we started grappling with the excesses and missteps of the past.

It is also important to recognize that one of the foremost ills hampering today's much needed economic recovery, is the persistent, now systemic, high unemployment rate facing us nationwide, as well as locally. The Town of East Hampton is laying off about 30 employees, while Brookhaven has announced over 60 personnel cuts. Again, one of my primary goals as I began grappling with this budget was to not see anyone lose their job.

And as such, I am pleased to say this budget does not contribute to the unemployment plague, but rather works hard to protect our working families by keeping our staff at work – and at no additional tax increase to our taxpayers.

Through the carefully considered department and staff reorganizations I will be presenting here today, and our ability to take advantage of the Early Retirement Incentive offered by New York State, we have managed to reorganize and maximize our current staff. We intend to fill needed vacancies from within, and redeploy to maximize the use of part-time personnel, and in some cases, contract to outside vendors – all at substantially lesser cost to the Town – while also feeling confident our service delivery remains strong, if not improved.

NOTES:

And again, this budget does not reflect any lay-offs within our remaining staff, and the cost to continue operating at the same level of service is \$4 million less than in 2010 – and at a 0% tax rate increase.

Next, let's move back to the goal of reducing the cost of Government and its services – and how the dramatic increases in fixed costs for the next two years – coupled with the significant decreases in revenue – made that goal so very much harder to achieve.

On the revenue side, the Town of Southampton assessed property values have declined in a majority of our districts – and although helped offset by gains in some, the notable decreases still affect a number of our cost centers.

Furthermore, in the last two years, our Mortgage Tax Revenue has declined by more than half. At the high, Southampton Town enjoyed more than \$12 million a year in Mortgage Tax Revenue. In 2009, last year, we hit what was thought to be rock bottom -- less than \$6 million – only to be outdone by this year's projected total of no more than \$5 million by year's end. This drop-off in mortgage tax revenue has also revealed the severity of past administrations' poor financial management – the shortfalls of which we must continue to address in this and future budgets with a carefully crafted plan for deficit reduction. I will come back to that later.

As far as costs, we began addressing the goals for this budget knowing we faced a \$4 million increase in our fixed cost alone. This does not include the many requests and hopes for funding for needed staff, desirable projects, improved technology and infrastructure, just to name a few. In fact, the requested budget reflected a \$9 million increase over last year's Adopted and Amended Budgets.

That unavoidable \$4 Million increase represents the following:

The combined rise in pension costs for CSEA and public safety increased \$1.5 million.

Health care was hit by a 13.5% increase, representing approximately \$1.1million increase

Debt service related to past borrowings and where principal payments can not be deferred any longer, rose by \$1.3 million.

Unfortunately, the picture is no less bleak going into 2012, where fixed personnel costs are expected to rise further. With that in mind, as well as our commitment to improve our revenue projection, we have committed to unprecedented levels of multi-year projecting and budgeting, as you will see reflected through this presentation and the budget document.

So, the question is simply; “Can we keep providing our services, keep our working families at work, reasonably address our deficits without hitting our residents with an untenable tax burden?” The answer is yes. And this budget presents a sound, intelligent plan for doing just that.

This budget has no fluff – no smoke and mirrors, no unreasonable allocations of unrealized revenue. It is nothing but sound, conservative revenue estimates, based on carefully planned reorganization, as well as prudent financial policy and implementation.

How has this been accomplished?

First, we have taken full advantage of the NYS retirement Incentive and either not replaced those who have retired, or promoted from within to realize reduced employee levels and cost. These efforts combined with the now two-year-old hiring freeze have contributed to the steady reduction of town

NOTES:

government over the past two years. The 2009 Adopted Budget funded 579 positions. The tentative budget I am proposing funds 499 positions, a reduction of 80 budgeted positions over two years.

But simply reducing staff without a plan as to how one would absorb those reductions can weaken an organization and diminish its ability to serve its constituents.

So, my stated goal and the hard work we have done, was, and will continue to be, geared towards reorganizing several departments into more efficient, better organized, and more responsive divisions.

It is, I think, at this point useful to note the value of the organizational efficiency study commissioned by the Town Board and the results provided by Bowne Management Inc. We expect a full written report from Bowne on October 14 but their preliminary findings are very telling and have guided and/or confirm much of the effort to reorganize that is reflected in this budget. Three overarching themes are evident in their early summary of the hours of interviews, hundreds of questionnaires and numerous meetings with department heads and support staff:

1. Evidence of duplicative efforts between and within departments needs to be addressed. Sometimes that effort is the result of poor communication or lack of clear direction or inadequate systems functions.
2. Interdepartmental coordination and communication can improve both the level of service delivered by the respective departments and the cross-training necessary to achieve higher employee productivity.
3. Technology assets are not fully developed throughout all departments in the organization.

I believe we begin to address these general themes in the organizational changes we have embedded in this budget. However, these are only first steps. I am looking forward to the complete report from Bowne Management and hoping to use their very analytical and professional approach to any future reorganizations that will benefit town government.

In short, this will serve as an active and informative study, rather than the costly, dust collecting kind we have seen too many of.

As a result of this study and our work internally we are suggesting significant and substantive reorganization to the following departments:

- Business Management
- Land Management and Building & Zoning
- Public Safety and Code Enforcement
- Parks, Recreation and Facilities Management

BUSINESS MANAGEMENT

Business Management, as a department, has been redeployed. Human services (personnel) and its related functions (workplace compliance, affirmative action and employee safety) will function as a component of the Supervisor's office typical in most municipalities. Grants application and analysis will be a component of the Comptroller's office. Contracts and related insurances will be handled both by the departmental attorney which already exists within the Human Resource department and the Town Attorney's office. The education and government channel (SEA TV) will be under the supervision of the Town Council office.

NOTES:

LAND MANAGEMENT

Growth and development is a major concern in our community. Land management will consist of current and long range planning as well as the environmental divisions, so that the department can devote more of its professional resources to addressing the growth needs of our community and related environmental issues. We will increase some of the staffing within both the planning division and the environmental division. Its housing function will be transferred to the Town Housing Authority.

BUILDING AND ZONING

Building and zoning will be established as a new department no longer a part of land management and join forces with code enforcement, the fire marshal and animal control. The work of building and zoning is focused on public safety. The building, electrical and plumbing inspections and permits this department provides are grounded in town code with public safety as an underlying principle. Each of these departments often has complementary and related functions and the same objective – to provide for public safety. The Town and community have placed a very high value on enforcement of town code-as well as the support of our local businesses and the consolidation of these departments will allow for better coordination, better utilization of resources, better response to community concerns and provide greater, more expedited support to small businesses.

FACILITIES, RECREATION & PARKS

Recreation programming is an important and valued service provided to our community. Little will change in that department. However, parks and facilities maintenance will join forces with this reorganized department so that they can better support each other and the needs of the community. One

message that came through in the efficiency study done for the Town, although not only directed to these two departments, was the prevalence of redundant or complementary functions that were not well coordinated. In this example, too often these two departments have contracted for services they could provide each other, simply because the prerequisite coordination was not in place. This reorganization brings with it the potential for enhancing that coordination and for substantial savings and improvement in services. Further, we are commencing an improved and better coordinated youth services effort by the sharing and reallocation of staff between the youth divisions of both the Human Services Department and the Facilities, Parks and Recreation Department.

In addition to our departmental and management reorganization, we are approaching the capital budget differently and have enacted Chapter 10 of the Town Code, requiring the establishment of a capital project review team, which represents a natural outgrowth of the Facilities Management Teams I established early this year.

We embarked on a project rating system which is reflected in the structure of the capital budget presented as part of the 2011 Tentative Town Budget.

The 2011 Capital Budget reflects an emphasis on needed infrastructure improvements and long range protection and enhancement of the facilities we currently have. Highway barns need improvement, town hall working conditions need to be addressed, our technologies need updating, Trustee and Bay Constable facilities need improvement, storm water management facilities must be modernized, and roads need repair -- as do many other aspects of the town's infrastructure. Fully 88% of our capital budget is devoted to these efforts, 60% of that directly to the Highway Department. What you

NOTES:

will see in this budget an improvement plan focused on infrastructure – targeted, systematic and fiscally responsible. You will also see the creation of a new fleet management component as part of the transportation department now proposed as part of the Municipal Works Department. The new program will oversee vehicle purchase, use, maintenance, fuel consumption and vehicle disposition. The last 12% of the capital budget will be devoted to our technology infrastructure. Again, our internal studies have indicated that we are losing productivity because we are not taking full advantage of the technologies we have and/or not supporting new technologies that will enhance our operations. Our goal is to finally gain greater control, more reliable data collection, which will lead to increased efficiency and cost savings, and increased productivity.

Further, there are two important aspects of this budget that directly address our employees. First, our town has been cited for administrative staff salary disparities. This budget proposes a well thought out plan for addressing those conditions, and this will continue into the 2012 plan. In addition, I am proposing a 2% cost of living salary adjustment for non-union administrative employees who make less than \$80,000 and have not seen an adjustment in over two years. This increase will achieve parity with our union employees who have been equally rewarded through contract negotiations both this year and last, and come at a total cost of less than \$80,000.

Second, we will for the first time propose that future salary increases for administrative and managerial staff be tied to performance assessment. In other words, salary increase will be tied to a job well done.

Finally, much has been said of late about the importance of our credit rating. And indeed, its importance cannot be

overemphasized. It has a direct connection to the cost of doing business and, in turn, the cost to the taxpayers. The budget I am presenting today is designed to continue to strengthen our position in that very important marketplace, while also taking advantage of the low rate of borrowing currently available to us. Protecting that rating requires that we plan to reduce our deficits, and increase on reserves – a key issue for which we have been repeatedly cited by the rating agencies. This budget provides that much needed protection. As such, we have redirected spending from the operating budget that is in fact capital in nature. This can be better funded by bonding at our current low market rate. As part of continuing to exhibit sound management practices, we need to ensure proper fund balances, address our deficits and control operating costs -- A feat hard to achieve in the best of times, near impossible in current times, but what I am committing to you here today as part of a fiscally responsible and intelligent budget.

It is worth noting that if my request to the State for long term financing of retirement buy-out costs is approved, the tax rate may be reduced further still. As way of explanation, although the Early Retirement Incentive allows for significant staff and salary reduction, the immediate burden of the many pay outs is significant, at close to \$1 million. Bear in mind, although this represents a one time expense and hit to the general fund, I have requested of our State Legislators, we be considered for a financing option, so we can amortize this cost over the same five years as the plan allows for the pay in to the NYS Retirement System. This is of yet an unknown, but certainly an important goal.

In closing, let me also put some order and perspective to your tax bill; show how it compares with our neighbors and where your property/town taxes fall into line with the other tax lines, such as school, fire districts, etc.

NOTES:

First, the bulk of any homeowner's tax bill is represented by the school taxes our neighboring towns, such as East Hampton, Southold and Riverhead have an average breakdown of approximately 70% representing school taxes with the remainder 30% representing Property or Town taxes. In contrast, in the Town of Southampton, the school tax represents on average 79% of your tax bill and Property or Town taxes only 21%.

Second, our comparable tax rate burden is 50% less than Riverhead, and 25% less than East Hampton.

The overall burden on the Southampton taxpayer in government tax use of that tax dollar is much less than that of our neighboring towns.

There is a great level of detail in this nearly three inch thick document. Organizational charts, department descriptions with goals and workload descriptions, department and district budgets with all related facts and figures. What I hope is clear to all who review this budget is that if we, as a town, are going to continue on the road to recovery from the financial missteps of the past and to weather the perfect storm of difficult financial conditions we are currently facing. We must make systemic changes in the way we do business. We must protect our infrastructure. And we must support our workforce to higher levels of efficiency and productivity.

These efforts underscore the kind of systemic change I described earlier -- the kind of systemic change needed so that our town can run more like a successful business and less like outdated government.

This Tentative Budget represents important steps toward that kind of change. We, as your elected officials, must be bold but not foolhardy. We must be constrained while innovative. We must provide you, the public, with the blueprint that guides us

to a sound, more predictable, as well as affordable future. We must strive to continue offering the services and infrastructure your tax dollars demand and rely on, but both eliminate any excess as we do things smarter and better.

I think this budget provides that blueprint. Although hundreds of hours have been devoted to creating this document, only good can come from more review and more input.

Once again, I want to thank all who have contributed to this effort – the department heads, the board liaisons, the staff members in the comptroller's office, and in the IT department and in other departments. I also want to thank the various Citizen Advisory Groups who have weighed in on the process and particularly members of the Budget and Finance Committee for all their hard work and invaluable suggestions. In the weeks ahead, there will be a series of public hearings before the conversion of the tentative budget to the preliminary budget and finally the adoption of the 2011 Operating Budget on November 19, 2010. Copies of the budget will be available on line and CD's can be obtained through the Town Clerk's office.

Thank you for your interest in your Town's government. I look forward to continuing this conversation.

Respectfully Submitted,



Supervisor Anna Throne-Holst

NOTES:
