



Tompkins County Department of Administration

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DEPUTY COUNTY ADMINISTRATOR
Paula E. F. Younger

"Promoting excellence in County operations while respecting the needs of the people we serve."

September 5, 2017

To the Honorable Members of the Tompkins County Legislature,

I am pleased to present you the Recommended 2018 Tompkins County Operating Budget and Capital Program.

The Recommended \$179 million Budget is balanced with a property tax levy increase of 2.4%, well below our 3.5% tax cap. If approved, the Budget would add \$12 to the tax bill of an average homeowner.

With those dollars, the Budget supports the continuity of County services at levels of quality the community has come to expect; a sustained investment in County infrastructure; reasonable and reliable wages and benefits for our employees; and opportunities to address urgent new priorities—none more important than the need to reduce our jail population and to address a shortage of affordable housing many describe as a crisis.

The Recommended Budget is, in many ways, the product of a strong local economy. Unemployment remains low, creating employment opportunities up and down the career ladder and reducing reliance on mandated human services programs delivered and substantially funded by the County. Caseloads in our major entitlement programs have fallen in each of the past three years, as have the costs of those programs. Low inflation and interest rates have had a stabilizing effect on the cost of routine expense items and debt service on our capital projects. Although local consumer spending remains wildly erratic and therefore rather unpredictable, I am optimistic that the two-year decline in sales tax collections has bottomed-out and that we can assume stable collections in 2018. Reflecting the continued strength of the local economy, the County's property tax base rose by a robust 3.1% over the past year.

The Budget also reflects the work done over the years by the Legislature, Department Heads, and County staff to put the County on a strong fiscal footing. Applying lessons learned from the Great Recession a decade ago, we have built the capacity to avoid lurching from crisis to crisis, and to provide time to adapt to change that can come abruptly and with devastating effect. In 2009, we said we intended to emerge from the Recession stronger than we entered it. We have.

A defining feature of the 2018 budget is the convergence of new revenues and new or elevated priorities. For the first time, the County will be budgeting recurring revenue from the area's two new casinos. An estimated \$1.2 million in new income is arriving just as we are working to respond to a State

demand to reduce jail overcrowding and to mitigate a housing shortage that is pricing increasing numbers of people out of the housing market. Through this Budget and the “Over-Target Request” (OTR) process, the Legislature will have an opportunity to align these resources and priorities.

This year’s budget includes an unusually large number of OTRs, each representing a discrete policy decision for the Legislature. Departments and agencies submitted over 100 requests, totaling \$3.8 million, to support specific expenditures beyond their baseline target budgets.

Some of the OTR’s are for one-time items, non-recurring items that do not impact the property tax levy. In those cases, I have recommended their approval and propose allocating funds from our reserves to pay for them.

To preserve the Legislature’s prerogatives, I have not recommended specific OTRs supported by the property tax or that, in my view, represent a policy decision that should be reserved for the Legislature. Instead, \$1.36 million has been budgeted as a placeholder in the Contingent Fund. It is up to the Legislature to decide whether to reallocate the funds to support OTRs, keep in contingency to protect against uncertainty, or reduce as a way to lower the property tax levy from its recommended level.

Major Influences on the Budget

New Casino Revenue Arriving as New or Elevated Priorities Emerging

The largest single change in the 2018 budget is the introduction of \$1.2 million of casino revenue. This new recurring revenue is the result of a State-negotiated revenue sharing arrangement that distributes taxes on casino revenues to counties throughout the region in which the casino is located. Our region is unique in sharing revenue from two facilities—the Tioga Downs Casino in Nichols and the Del Lago Casino in Tyre.

While I believe the \$1.2 million estimate of casino revenue is conservative, there is no track record to guide us when making the projection. Additionally, it seems likely that this revenue source will diminish over time, as more casinos are built and the luster of grand openings has faded. Still, with revenue now being received by the County, it is safe and appropriate to bring this income into the budget to support ongoing expenses.

The casino revenue comes on the heels of a clear signal from New York State that it will not tolerate continued overcrowding in our Jail. In response to the State’s threat to revoke a variance that allows the County to operate with 18 beds beyond its designed capacity, the Legislature commissioned an analysis by the Center for Governmental Research (CGR) aimed at identifying ways to reduce the jail population. In a report released in July, CGR made some 25 recommendations that it believes will lead to substantial declines in the number of individuals incarcerated in the County Jail.

The 2018 Budget includes several spending requests totaling \$782,000 that relate to CGR’s recommendations. If approved, the proposals would:

- Substantially increase the presence of our Mental Health Department at the Jail, enabling universal behavioral health and substance abuse assessments, individualized discharge planning, appropriate treatment at the jail, and active case management and a continuity of services when individuals are released;
- Expand Probation's capacity to manage more individuals through electronic monitoring rather than incarceration, and to accommodate more participants in drug court;
- Expedite the handling of cases in the District Attorney's Office;
- Provide expanded inmate health care in the jail;
- Continue OAR's *College Initiative Upstate* and provide a staff presence at the new *Endeavor House*;
- Provide a single point of central accountability for the implementation of these and the numerous other recommendations made by CGR.

These requests are in addition to approximately \$4 million already being spent for ongoing alternatives to incarceration, including probation services. While the requested measures carry a substantial cost, the alternative method of reducing overcrowding, by either boarding-out inmates or building new cells, is also costly. For example, each inmate boarded out to another County jail costs an average of \$85 per day, or \$31,025 per year; each jail bed constructed carries an estimated capital cost of \$250,000, which would add over \$18,000 in annual debt service to the budget.

The issue of housing and homelessness is another major priority that has gained urgency. The shortage of housing (especially houses and apartments that are within reach of individuals with low and moderate incomes) has become a significant source of community concern. The effects of our housing shortage have been documented in a County-commissioned Housing Needs Assessment survey and voiced by a broad spectrum of the community at last year's County-organized Housing Summit. While we are not in the homebuilding business and do not have land use control, community sentiment recognizes the need for leadership on this issue, and values the County's influence to contribute to solutions.

The Budget includes \$247,000 in Over Target Requests for initiatives related to the County's new Housing Strategy or that help mitigate homelessness. The requests include:

- Creation of a Senior Planner position in the Department of Planning and Sustainability to focus on implementing the County's Housing Strategy;
- Funds to implement elements of the Housing Strategy;
- Continuation of funding for the Continuum of Care's Transitional Housing Initiative and expanded hours for the Continuum of Care Coordinator;
- Resumption of weekend hours at the Ithaca Rescue Mission's Friendship Center;
- Funds to augment the *Solutions to Eliminate Homelessness* (rapid rehousing) program.

Sales Tax

While the sales tax appears to be coming out of a two-year decline, collections so far this year have been highly erratic. After experiencing declines in six of eight quarters, sales tax receipts grew by an extraordinary ten percent in the first quarter of 2017, and then by a more subdued three percent in the second quarter. The lack of a discernible trend in collections makes projections difficult and assumptions about future growth perilous. The 2018 budget assumes collections will remain flat for the rest of this year and all of next. This projection is conservative, but does produce a \$700,000, or 2.2%, increase in sales tax revenue over a 2017 budget that had assumed declines continuing into this year.

Mandates

After a generation of steady, and often sharp, increases in the cost of State-mandated human service programs, 2018 marks the third consecutive year of budgeted reductions in mandated expenses.

Projected spending for mandated programs in 2018 is down by \$267,000. The decline would have been even greater if not for a \$100,000 increase in ongoing Assigned Counsel costs attributable to the combination of higher income eligibility thresholds for free legal counsel and an expected \$100,000 onetime expense associated with an extraordinarily high number of homicide cases awaiting adjudication.

Medicaid, which remains the largest single cost in the County's budget at \$11.6 million—and that still represents 24% of the proposed 2018 property tax levy—is expected to remain flat in 2018. However, this may be a fragile assumption. If the federal government ultimately enacts changes to the Affordable Care Act that impact Medicaid, or chooses in some other fashion to convert its 52-year Medicaid partnership to a fixed-dollar block grant to States, it is possible that New York State will shift a portion of the resulting burden to counties.

The largest single decline in mandated costs comes in the Child Care (Child Protective Services/Foster Care/Adoption) budget, where local spending is down by \$331,000. The reduction does not reflect a reduction in service levels provided to clients or the County's commitment to addressing the needs of children and families in crisis; it simply aligns the budget for these programs with the actual spending levels experienced over the past several years.

DSS's two temporary assistance programs—Family Assistance and Safety Net—are continuing their three-year decline as the economy continues to recover. Caseloads for both programs have fallen by more than 20% since 2014. Local costs for the two programs are down by \$72,000 from the 2017 budget.

While recent statistics are heartening, the economic recovery has clearly left many individuals behind. SNAP (Food Stamp) caseloads are 53% higher than in January 2008, before the Great Recession. Although overall Temporary Assistance cases are inching back to their pre-recession levels, enrollment in the mostly-County funded Safety Net program is 25% higher than in 2008. The migration of clients from the federally-funded Family Assistance program to the County-State funded Safety Net program

reflects that many remain dependent on temporary assistance after the expiration of the five year lifetime limit on federal benefits.

The Early Intervention and Prekindergarten Special Education programs operated by the County's Health Department are budgeted at \$2.6 million (local dollars), virtually the same as in 2017.

Labor Costs

Wages: As of this date, labor contracts for 2018 are not in place. The Budget includes sufficient funds to settle contracts within the economic parameters established by the Legislature. The Budget also incorporates the results of a multi-year settlement reached with the Corrections Officers union earlier this year that covers the period 2015-2017.

Workforce: The number of full-time equivalent (FTE) positions in the 2018 Recommended budget is up by 6.9 FTEs to 740.5. Nearly all of the increase reflects the inclusion of newly-negotiated part-time Deputy Sheriff and Correction Officer positions in the Sheriff's Office (which will have a beneficial impact on overtime) and limited-duration positions in the Board of Elections and Planning that are funded with onetime or multi-year appropriations.

An additional sixteen positions are requested as a part of OTRs submitted by departments for consideration by the County Legislature. Several, but not all, are linked to initiatives to reduce the Jail population or address housing priorities.

Fringe Benefits: Fringe benefit costs, which consist primarily of health insurance and pension expenses, are traditionally a source of significant volatility in local government budgets. Next year, however, benefit costs are expected to rise by a relatively constrained 2%, or \$418,000, in 2018, bringing the total cost of employee and retiree benefits to \$21 million.

The County continues to reap the benefits of participation in the highly successful Greater Tompkins County Municipal Health Insurance Consortium, which has advised its municipal members that premiums will be rising by a moderate 5% in 2018. The growth in health costs is further mitigated by savings from the introduction of the Consortium's Platinum-level coverage in 2015, which is the plan now offered to all new County employees. All told, health costs are up by 3.7%, to \$10.73 million, in 2018.

Pension rates were announced by the State last Friday and are consistent with the rates projected in the 2018 Budget. Pension costs are expected to be stable at \$6.4 million next year.

Capital Reinvestment

The 2018 Budget continues to adhere to the 2012 Updated Capital Improvement Plan adopted by the Legislature, including the policy that calls for a 0.5% annual increase in the property tax levy to support capital investment. By this policy \$240,150 will be added to the 2018 property tax levy and dedicated to pay for infrastructure improvements. Most of these funds will be used to pay debt service on projects

already authorized by the Legislature, or proposed to be authorized as a part of the 2018-22 Capital Program.

The Capital Program continues to appropriate \$200,000 for the Natural Infrastructure program initiated last year as a part of the 2017 budget. The funds, which could stand alone or serve as a match for other funding programs, support projects that anticipate and mitigate the effects of climate change. The program is supported through a cash appropriation rather than debt and is expected to be a long-term annual capital commitment.

There are four new property-tax supported capital projects in the proposed 2018-22 Capital Program. In the Highway Department, the \$1.6 million reconstruction of the Cortland Street Bridge in Groton is recommended to go forward in 2021, and improvements to the County's Public Works Building, including a new truck wash bay, are scheduled for 2020. The Capital Program continues our investment in productivity-enhancing technology through replacement of twelve critical servers and modernization of the County's Human Resources/Payroll system, both of which will occur in 2018-19 by the Department of Information Technology.

In addition to the property-tax supported capital projects, several projects are proposed for the self-supporting Airport and Recycling and Materials Management Departments, including a major upgrade to the Airport Terminal and renovations and repairs to the 20-year old Recycling and Solid Waste Center.

Contingency Fund

The Recommended Budget provides funding to sustain current operations of County departments, provide a modest increase to sponsored agencies, and support onetime, non-recurring items that do not raise questions of policy.

Additional spending capacity is available to the Legislature within the 2.4% levy target established earlier this year. Approximately \$1.36 million has been budgeted in the Contingent Fund account, enabling the Legislature to reallocate these funds to support OTRs, reduce the tax levy below 2.4%, or retain the funds in the contingency account as a buffer against unpredictable events.

I have also requested a \$150,000 OTR increase in our baseline Contingency allocation in light of the increased uncertainty of state and federal aid programs the volatility of casino and sales tax revenue.

Sponsored and Partner Agencies

The County's reach is extended, and its mission more completely fulfilled, through relationships with its Sponsored Agencies (Tompkins Cortland Community College, Tompkins County Area Development, Tompkins Consolidated Area Transit, and the Tompkins County Public Library), as well as its numerous partner agencies, such as Cornell Cooperative Extension and the Human Services Coalition.

The Recommended budget maintains a constant level of funding for Tompkins Cortland Community College, reflecting an agreement reached with the College and Cortland County earlier this year.

TCAT has not requested an increase in funding from its three sponsor partners (the County, the City of Ithaca, and Cornell University). However, the Budget includes an Over Target Request that recognizes a \$50,000 increase granted to TCAT in each of the past two years is now, for all purposes, a recurring expense that should be added to the County's target budget.

The County's support for TCAD is established by terms of an agreement approved by the Legislature in 2013. Under that agreement, TCAD will receive a \$7,200 (3%) increase in County support in 2018, raising our contribution to \$245,500, approximately one-third of TCAD's total budget. The same agreement calls for the use of \$205,000 in Room Occupancy Tax Revenue to support TCAD's budget, up from \$200,000 in 2017.

Other sponsored and partner agencies receive a 2% increase in their allocations as a part of the Recommended Budget. Additionally, \$432,000 in onetime appropriations have been recommended and are funded in the proposed Budget.

Enterprise Units

Airport Department: The Ithaca Tompkins Regional Airport continues to show increased levels of passenger activity, although total volume remains more than 20% below the 2011 peak. Airport management and staff have done a tremendous job in instituting cost effective approaches throughout operations of the Airport, and in exploring opportunities for revenue generation. As a result, the Airport is no longer running in the red and has retired its operating debt to the County. However, the department has not gained sufficient strength to balance its budget while maintaining current levels of operation and also reimbursing the County for \$126,000 in administrative support. The Recommended Budget would continue to waive the County's administrative fees in 2018, which is one year beyond the target set in 2015.

Recycling and Materials Management Department: Over the past two years, the Department has experienced a major change in its revenue structure, with recycling revenues falling sharply, in line with commodity prices, but those losses more than offset by rapidly rising income from waste disposal charges. The net result is renewed financial strength for this self-sufficient Department, providing the capacity to sustain a new 10-year curbside recycling collection contract, expand the food scrap programs, address future capital needs, and ensure long-term rate stability for consumers. The Recommended Budget maintains the annual solid waste fee at \$55.

Risks

There are three significant risks in this Budget.

1. Jail Variance: If the State Commission of Correction's concern about the actual or potential overpopulation of the County Jail results in revocation of our 18-bed variance, and if the Jail population begins to rise above the unusually low levels of the past several months, board-out costs could rise precipitously. The Recommended Budget includes \$141,000 in board-out

expenses, enough to support the cost of between four and five boarded-out inmates per day. Each additional board-out would add over \$31,000 in cost.

2. Casino and Sales Tax Revenue: While I believe the \$1.2 million budget for casino revenue is conservative, there is no way to tell how Tioga Downs and Del Lago Casinos will fare in the face of new competition and as their novelty fades. Similarly, the days of routine 2-3 percent increases in sales tax revenue seem to be gone, with new consumer spending patterns causing erratic collections and no sense of the “new normal” yet evident. Each 1% of sales tax means about \$320,000 to our budget. Both revenue sources are volatile and therefore present a risk to the 2018 Budget.
3. Federal Funding: It is impossible to predict how decisions in Washington will affect this budget, either directly or indirectly. My greatest concern lies with how the federal government will change the way it funds Medicaid, and how those changes could impact the counties of New York State. While we should be protected by the cap on county Medicaid spending put in place by Governor Cuomo several years ago, the State’s commitment to the cap appears situational.

Tax Cap

Based on information provided by the State, our estimate of the 2018 tax cap is now 3.53%. The County’s cap was boosted by robust growth in our property tax base, the loss of PILOT revenue from the Milliken Station generating facility, and adjustments to the town sales tax credit.

The 2.4% levy required to balance this budget is \$542,000 below the capped amount. If not used in the 2018 budget, this amount can be carried forward and added to the County’s tax cap in a future year—a course I strongly recommend.

Goals and Outcomes

The 2018 Recommended Budget was shaped by several goals that have guided the County’s budget policy over the past several years, and have contributed to a stability that is uncommon among local governments.

- **Goal: Maintain Services**
 - **Outcome: Achieved.** There are no service reductions or program eliminations required by the Budget
- **Goal: Reinvest in Infrastructure**
 - **Outcome: Achieved.** The Budget fully funds the 2018-22 Capital Program and continues to increase the property tax levy by ½% to support reinvestment in County infrastructure.
- **Goal: Align Resources with Priorities**

- **Outcome: Achieved.** The Legislature will have the opportunity to apply new revenues to address new or elevated priorities, particularly in activities that may reduce the Jail population and mitigate the problems of homelessness and affordable housing.
- **Goal: Stay within Fiscal Parameters**
 - **Outcome: Achieved.** The proposed property tax levy increase is at the 2.4% target and provides opportunities to address priority items that were the basis of the levy target.

Fiscal Summary

The Recommended 2018 Budget has applied the resources available within the parameters set by the Legislature and in a manner that reserves important policy decisions to the Legislature.

Total Budget: The Recommended 2018 Budget stands at \$178,967,493, which is a 1.6% increase in total spending over the 2017 Modified Budget¹.

Local Dollar Budget: The local dollar budget is the portion of the budget not reimbursed by the state or federal governments, nor offset by earned program income. It is spending that must be supported by local dollars—mostly by local sales and property tax revenue. The 2018 Local Dollar budget totals \$86,567,592; a 1.0% increase over the 2017 Modified Budget.

Property Tax Levy: The gap between total expenses and all other revenues is filled by the property tax. The Recommended Budget would be balanced by a property tax levy of \$49,182,661—an increase of 2.4% over 2017. The recommended levy is well below the projected 3.53% property tax cap.

Property Tax Rate: Because of a robust 3.1% increase in the value of taxable property in the County, the recommended 2018 property tax rate will decline to \$6.58 per \$1000 from the 2017 tax rate of \$6.62 per \$1,000, a reduction of 0.7%.

This is the fourth consecutive reduction in the County's property tax rate. As proposed, the rate is the lowest since 2011.

Impact on Owner of Median-Valued Home: Over the past year, the median value of a single family home in Tompkins County has risen from \$175,000 to \$178,000. The Recommended Budget would increase the County portion of the property tax bill for the owner of a median-valued home by \$12.

¹The 2017 Modified Budget is exclusive of a \$2.9 million onetime cash expense to acquire the Tompkins Trust Bank Building.

As I transmit the recommended budget to you, I wish to thank County Department Heads and Agency Directors and their staff for their professional approach to the challenges that mark every budget. All continue to demonstrate their commitment, and ability, to provide services that are essential to the community with both quality and efficiency.

The Legislature, too, is recognized for establishing clear policy guidance and instilling a culture of fiscal discipline and responsiveness to community needs that has shaped this budget, and many before it. The Legislature has steadfastly refused to engage in the nearsighted fiscal gimmicks so many others have employed and which has caused others to lurch from crisis to crisis. As a result, we remain able to maintain services, invest in the public's infrastructure, sustain our partner agencies, adapt to changing conditions and needs, and maintain our strong fiscal health—all with a modest increase in the property tax levy.

I especially want to thank Kevin McGuire, who has come to master our very complex budgeting systems while also managing the extensive interactions with department and agency staff involved in the budgeting process. Kevin's remarkable eye for detail and dedication to accuracy is the major reason why I believe our budget is among the best in New York State in terms of providing clear, accurate, and insightful information to Legislators, citizens, and County staff.

I look forward to working with the Legislature in the coming weeks to delve into the details of the budget and arrive at a 2018 spending plan that aligns with the priorities and values of our community.

Sincerely,



Joe C. Mareane
County Administrator