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COUNTY ADMINISTRATOR
Lisa Holmes

DEPUTY COUNTY ADMINISTRATOR
Bridgette Nugent

*Inclusion Through
Diversity*

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

September 6, 2022

To the Honorable Members of the Tompkins County Legislature:

I am pleased to present you with the Recommended 2023 Tompkins County Operating Budget and 2023-2027 Capital Program.

The Recommended \$207.7 million Budget is balanced with a property tax levy increase of 1.46%, which falls below the 2023 tax cap of 2.59%. The taxable assessed value grew 8% over the prior year. The recommended 2023 property tax rate will decrease to \$5.73 per \$1,000 from the 2022 tax rate of \$6.10 per \$1,000, a decrease of 6%.

If approved, this Budget would decrease the tax bill of a median home valued at \$225,000 by \$83. This budget also includes a solid waste annual fee increase from \$70 to \$75.

With these dollars, the budget supports the continuity and quality of services that the community has come to expect, a sustainable investment in the County's infrastructure, reasonable wages and benefits for employees, and opportunities to address emerging priorities and concerns.

The financial goal approved by the Legislature in April 2022 included a maintenance of effort budget which would result in 1.88% levy growth over the 2022 Adopted Budget. Departments were assigned fiscal targets for 2023 which included negotiated increases in salary and fringe costs and instructed to submit any additional expenditures as over target requests. Supported agencies were provided with 3% cost of living adjustments and likewise instructed to submit any additional expenditures as over target requests.

Broader Trends

While the need for local government's active response to COVID-19 decreased in 2022, the reverberating impacts can still be felt across the nation, in the economy, within our community, and within local government. High consumer demand combined with supply shocks, including shortages of workers, raw materials and consumer goods have resulted in surging and sustained inflation in 2022. June's inflation rate of 9.1% marked a 40 year high. The Federal Reserve has acted decisively to raise interest rates and curb consumer demand to ease inflationary pressures, with more rate hikes expected at their last three meetings of 2022. Russia's invasion of Ukraine in February 2022 has contributed to rising fuel prices and further disrupted the movement of commodities such as auto parts, oil, and grain. These larger forces directly impact the cost of capital projects, borrowing, transportation, fuel, utilities and vehicle purchases.

Longer-term community impacts have emerged since the pandemic, including rising mental health and substance use concerns, public safety demands, and a growing number of people who are unhoused, coupled with a persistent lack of affordable housing. A shortage of workers has impacted multiple sectors and every job level, leading many employers to raise wages to compete in a tight labor market. The 2023 recommended budget attempts to address a number of these key areas.

Over Target Requests

The over target requests (OTRs) of departments and agencies totaled \$7.2 million in 2023. Of these, \$2.6 million was requested as target and \$4.6 million as one-time. Target OTRs seek to increase a department or agency's annual baseline budget and impact the property tax levy, while one-time OTRs impact fund balance and are generally considered short term.

Of the department and agency requests, I have recommended \$766,000 toward target OTRs and \$5.1 million toward one-time OTRs, to be paid using \$1.6 million in American Rescue Plan funding and \$3.5 million in fund balance.

The 2023 budget process marked the elimination of departmental rollover in the budgeting process. Previously, departments were able to request re-appropriation of unspent funds in their departmental budgets from the previous year. While unspent departmental funds always reverted to the General Fund at the end of the fiscal year, they were designated as rollover and became available for departmental use with permission by the Legislature. With changes to the Fiscal Policy in 2022, any unspent funds at the end of the fiscal year still revert to the General Fund, however without the rollover designation. Departments can still submit one-time over target requests to the Legislature, drawing from the General Fund as needed. Additionally, two of the major uses of rollover funds by departments, the purchase of computers and vehicles, became centralized through the 2023 Capital Program thereby addressing those needs.

Labor Costs

Wages: There are three settled labor agreements for 2023: White Collar, Blue Collar and Road Patrol, which collectively cover 89% of employees. The White Collar agreement calls for a 3% increase in 2023; Blue Collar 2%; and Road Patrol 3% (2.75% for Sergeants and Lieutenants). The Corrections Officers' union does not yet have a contract in place for 2023, but we are engaged in negotiations.

Workforce: The 2023 budget reflects a total County workforce of 796 full-time equivalents. This reflects an increase of 32 positions over 2022. Eleven of these positions are fully funded within the Health Department through an increase in Article VI state aid, coupled with the ability to claim a higher percentage of fringe costs with state reimbursement. Several other positions were funded in departmental budgets without the need for over-target requests. Approximately ten positions are one-time multi-year requests related to Reimagining Public Safety. Three positions are to assist with succession planning in various departments and not expected to continue beyond 2023. The remaining target positions fall largely in two categories: to meet increasing demands in public safety through the Sheriff's Office and Department of Emergency Response, and to support intra-organizational capacity through Information Technology Services and the Finance Department.

Living Wage: In 2022, the Tompkins County living wage increased to \$16.61 per hour. The 2023 budget increases the salaries of the following titles to meet the new living wage standard: Information Aide, Election Worker, Project Assistant, and Seasonal Worker.

Sponsored and Partner Agencies

The 2023 recommended budget includes a 3% cost of living adjustment for sponsored agencies including Cornell Cooperative Extension, Tompkins County Public Library, Rural Libraries, Human Services Coalition Agencies, Tompkins Community Action, Tompkins Consolidated Area Transit, and the Recreation Partnership. It includes the annual contractual increase for Ithaca Area Economic Development. In addition, it includes \$772,000 in mostly one-time over target support for sponsored or partner agencies.

The 2023 recommended budget includes an over-target increase of \$145,980 to Tompkins County's ongoing contribution to Tompkins Cortland Community College as well as \$281,000 in one-time funds to support TC3's Capital Program and Workforce Initiative.

2023 Tax Cap Calculation

The cap on the percent-increase of the County's real property tax levy for 2023 is estimated to be 2.59%. The 1.46% levy required to balance the 2023 budget is \$590,681 below the capped amount.

Federal Relief: the American Rescue Plan Act

In 2021, through the American Rescue Plan Act (ARPA), the Federal Government granted \$19,847,267 to Tompkins County to assist with COVID-19 recovery. Of the ARPA funds, approximately \$8.36 million is committed toward the County's Capital Program, \$6.53 million will be used toward the Tompkins County Community Recovery Fund Program, and \$3.65 million was utilized toward one-time over target requests in the 2022 budget, leaving \$1.59 million for use toward one-time requests in the 2023 budget. Funds must be obligated for all ARPA funded projects by December 31, 2024, and all funds must be spent and projects complete by December 31, 2026.

Airport

Prior to the COVID-19 pandemic, the level of air service at the Airport was sufficient to sustain operations without the need for further subsidization. In December 2019, a \$35 million terminal expansion and modernization project was completed. The project was funded through a combination of state and federal grants and \$12 million of local bonding. In 2019, passenger enplanements out of the Ithaca Tompkins International Airport (ITH) were at 108,993. Notably, enplanements generate Passenger Facilities Charges (PFCs) which were anticipated to be used to cover the debt service on the terminal expansion project.

Pandemic-related reductions in air travel in 2020 and 2021 greatly impacted the Airport. In 2020 and 2021, federal funding (ARPA, CARES, CRRSSA) enabled the Airport to continue service and maintain competitive fees to retain airlines; however, enplanements and therefore PFC revenue dropped dramatically during that time. In 2020 there were 33,231 enplanements, and in 2021, there were 55,282. Current PFC revenue generated by these enplanements is insufficient to cover the Airport's debt service on the terminal project as previously expected. The 2023 recommended budget includes \$342,481 to pay half the debt service on this project, with the remainder to be covered through PFC revenue. It is expected that the County will need to cover the debt service at least through the next 3-5 year period until enplanements increase and PFC revenues rebound.

The loss of American Airlines in 2022 and the slow rebound in air service from the pandemic has also led to a gap in funding for Airport operations. Without assistance to bridge the gap, the Airport cannot offer competitive airline rates and charges to maintain existing airlines or attract new carriers, nor will it be able to balance its operating budget. The 2023 recommended budget includes a series of three diminishing one-time over target requests to assist the Airport through this period of recovery: \$1,329,654 in 2023; \$800,000 in 2024; \$300,000 in 2025.

Realizing the significant investment of public dollars towards the Airport's recovery, Airport leadership has embarked upon a 3-5 year Recovery Strategy with a multi-pronged approach to expand new air service, retain existing air service, collaborate with partners, maximize non-airline revenue, maximize customs and general aviation revenue and reduce expenses. Goals and targets have been established, with progress toward the goals to be evaluated quarterly and reported to the Legislature.

Reimagining Public Safety

The 2023 budget includes requests across multiple departments to continue to materialize the important work of the Reimagining Public Safety initiative. These requests support the implementation

of the joint and County-specific plans approved by the Tompkins County Legislature and City of Ithaca Common Council towards efforts to reduce disproportionate minority contact in policing and the criminal justice system. Appropriated funds will be used to continue the community healing plan led by trained local facilitators, to implement and evaluate a co-response to crisis intervention between Mental Health and law enforcement, to develop and implement an officer wellness plan, to implement an inclusive recruitment strategy, develop culturally responsive training for law enforcement, to standardize data entry across law enforcement agencies, and to implement a public safety community dashboard. The work will continue to be coordinated through the Community Justice Center, and the costs of the joint Reimagining Public Safety Initiatives are shared with the City of Ithaca.

Capital Program

The 2023 Recommended Budget supports the investment in capital infrastructure to meet the County's space management, information technology, energy, fleet and other needs. The Capital Program includes Downtown Facility development, Green Building and Fleet projects, Highway improvements, Facilities restoration, Airport upgrades and Recycling and Materials Management Center upgrades among other ongoing projects.

The 2023-2028 Capital Program required adjustments to previous plans due to escalating costs and other factors. Most notably:

- The Green Facilities Phase 1 project, slated to begin in 2022 at a cost of \$7.3 million was bid at \$14.4 million. Due to the critical nature of this project for meeting the County's goals for net zero emissions, as well as the potential for \$2.3 million in state grant funding upon completion, the additional \$7.1 million to fully fund this project is included in the 2023 Capital Program.
- Green Facilities Phases 2 and 3, originally scheduled for 2024 and 2025 respectively, are currently not included in the 5 year capital plan, as the cost escalations are currently prohibitive.
- In the Airport Improvement Program, the FAA had previously required the Airport to build a new Aircraft Rescue Fire Fighting (ARFF) and Snow Removal Equipment (SRE) building and invested \$1 million of federal funding in design costs. The building would cost a total of \$19.3 million to construct with a \$5.2 million local share. Due to the reduction in air service and therefore PFC revenue, the Airport will not be able to cover the debt service on this new structure. With the FAA's permission, this project is postponed indefinitely.

In 2023, the County centralized its fleet management system through the Green Fleet Capital Program, placing management duties with the County's Chief Sustainability Officer. Centralizing this process provides greater oversight and consultation toward the purchase of electric, hybrid or more fuel-efficient vehicles for departments. The dedicated fleet manager will assist departments with scheduled resale and replacement with new vehicles in order to maximize resale values. The fleet manager will apply for and utilize all rebates and incentives for electric and hybrid purchases, analyze vehicle telematics, and ultimately right-size the number of County-owned vehicles in the fleet. In addition to the management tools and efficiencies gained through fleet centralization, it's estimated that this change will result in a \$340,000 budget reduction to the County.

Similarly in 2023, the County centralized computer hardware procurement through the Capital Program, placing management for this process with the Information Technology Services Department. Centralizing this process assures that all equipment is compatible with the County's networks, and that replacement occurs according to a recommended schedule. Older out-of-date equipment makes the County more vulnerable to cyber-attacks, and regular updating and replacement is an important component of cyber-security. Centralization enables the County to benefit from bulk purchasing discounts and provides better and more efficient management of the equipment.

In 2020, Tompkins County adopted a policy change in the annual capital appropriation, allocating 1.00% of the prior year's property tax levy to support capital investment. Through this policy, each annual budget would dedicate more funds to pay for infrastructure improvements and support the long-term capital needs to achieve net-zero emissions. Most of these funds are applied to pay debt service on projects authorized by the Legislature. The proposed 2023 budget includes an annual capital appropriation of 1.93% of the previous year's property tax levy to support capital investment, equivalent to \$1,011,310. The appropriation was increased in anticipation of overall project cost escalation as well as declining PFC revenues to cover the Airport's debt service on the terminal project.

Scheduled Use of Fund Balance Toward Capital

The 2023 Capital Plan dedicates a total of \$3.7 million in unassigned fund balance to assist with cash flow, reduce the need for bonding, and thereby reduce the impact on the tax levy. This includes \$6.53 million originally slated as ARPA funding which was instead put toward the Community Recovery Fund. The 2023-2028 budget continues the scheduled use of fund balance toward upcoming capital needs. This strategy allows the Legislature to set aside needed funds for large capital projects over a period of time and to reassess each year based on the overall fiscal health of the County. It also allows the Legislature the flexibility to change course if conditions worsen or if growth and savings exceed expectations.

Mandates

On a positive note, there are no significant increases in the total local cost of mandates expected for 2023. While increases are forecast in the following programs: Corrections medical .59%; DSS Economic Security 3.6%; DSS Childcare 1.84%; they are offset by decreases in Medicaid (2.74%); Health Department Pre K (1.75%) and Assigned Counsel (2.42%).

The New York State budget includes flat funding for the Assigned Counsel Program, and rates for legal representation haven't been increased in 18 years. A recent court ruling in Manhattan granted an increase in rates for New York City, while directing the Governor and State Legislature to complete a statutory increase in the rates. For Tompkins County, the rates would increase from \$75/hour to \$158/hour, amounting to approximately a \$1.8 million increase in total.

Sales Tax Revenues

Sales tax collections are elastic and tend to vary with the economy. When the economy is strong, sales tax revenues rise. When the economy falls, so do sales tax receipts.

At the time of this writing, unemployment is low; however, interest rates are rising and there is variability in the stock market and consumer confidence. Since 2021, pandemic-related supports such as expanded insurance benefits, rental assistance and the eviction moratorium have ended, leading to decreased spending capacity for many households. Gasoline prices have remained higher than average in 2022, which leads to higher sales tax revenues, but also limits consumer spending power in other areas.

For 2021 and 2022 (year to date), actual sales tax receipts have exceeded budgeted estimates, largely because of conservative and pragmatic budgeting around the unknown course of COVID-19 and larger economic recovery. After Tompkins County suffered the most precipitous decline in sales tax revenue of any upstate County in New York State in 2020, the County experienced a stronger than predicted rebound in 2021, making it the highest year of sales tax receipts ever. To date in 2022, actual sales tax receipts have outpaced those of 2021 for every month except one.

A known positive factor impacting 2023 sales tax is the end to the New York State diversion of certain county sales taxes for state purposes. Previously, \$309,472 in Tompkins County sales tax receipts were diverted annually for the New York State Distressed Hospital Fund and \$387,278 for Aid to Municipalities. This amounts to a total of \$696,750 annually which will be restored for the County's use in 2023.

Considering all these factors, I have estimated that sales tax revenues will be \$40.58 million in 2023. This was derived by using the actual sales tax receipts in 2021 (\$39.88 million) and adding the \$700,000 in previously diverted funds. This amounts to a 1.7% increase over actual sales tax received in 2021. I believe this to be a cautious yet realistic approach to forecasting this elastic source of revenue, given the larger economic factors.

Casino Revenues

Among other revenues that the County uses to support ongoing costs are the payments from casino gaming. The 2023 Recommended Budget includes \$2.1 million in Casino revenues, which is a \$1.5 million increase over what was budgeted for 2022.

Prior to the pandemic the County received an average of \$1.9 million in payments each year (2016-2019) from Tioga Downs and del Lago. In 2020, due to the pandemic, the County received one-half of what was budgeted, and subsequently the County budgeted conservatively in 2021. The actual receipts rebounded in 2021 (\$2.15 million), and 2022 is outpacing 2021, thereby supporting the 2023 budget change.

Compensation Study

In 2022, the County has undertaken a compensation study to perform a market analysis of unionized and non-unionized titles and salaries. Once completed, the study will indicate which salaries are below market rate, and a plan will be developed to address the differences. The 2023 budget incorporates \$500,000 in ongoing funds to put toward future salary adjustments needed as a result of this study.

Vacancy Rate

Payroll is the largest item in the County budget, making up 36% of the overall cost. Built into the 2023 budget is an estimated vacancy rate savings of \$378,000. This figure was derived based on the 10-year history of budgeted vs actual expenditures in the payroll lines that are not heavily subsidized (e.g. DSS) or part of a department supported by enterprise funds (e.g. Recycling). Over this 10-year period, the total unspent payroll lines were between 3 and 5%. The 2023 Recommended Budget assumes a conservative vacancy rate of 1%. With improved tracking software, the County will be better able to identify actual vacancy rates in the future, leading to improved forecasting.

Risks

There are two major risks in 2023:

Economic Downturn: Further action by the Federal Reserve to raise interest rates to curb inflation may tip the economy into a recession in 2023. If this occurs, pressures will be exerted on the County budget in opposing directions, including a potential contraction in sales tax revenues while at the same time a potentially greater demand for County services, including income supports and SNAP.

Airport: The Airport is subject to larger trends in the Airline industry and the overall economy, including a national pilot shortage, changing trends in business travel and the high cost of fuel. Many factors impacting its ability to regain self-sufficiency are outside of local control. As previously mentioned, required construction of the ARFF/SRE building has been deferred with permission of the FAA.

Recognizing these risks, I have increased the contingent fund by \$300,000 over the previous year's level, to \$1.2 million total.

Fiscal Summary

The summary of the 2023 proposed budget is as follows:

Total Budget: The Recommended 2023 budget stands at \$207.7 million. This represents a \$12.5 million or 6.41% increase over the 2022 adopted budget.

Local Dollar Budget: The local dollar budget is the portion of the budget that is 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 2023 local dollar budget increased by \$7,192,047, or 7.57% more than in 2022.

Property Tax Levy Increase: The gap between total expenses and all other revenue is filled by the property tax. The recommended budget would be balanced by a property tax levy of \$53,165,033 which constitutes an increase of 1.46% over 2022. The recommended levy falls below the projected property tax cap of 2.59%.

Property Tax Rate: The recommended 2023 property tax rate will decrease by \$0.37 to \$5.73 per \$1,000 from the 2022 tax rate of \$6.10 per \$1,000, a decrease of 6%. The taxable assessed value grew 8% over the prior year.

Impact on Owner of Median-Valued Home: Over the past year, the median value of a single-family home in Tompkins County has risen by 10% from \$205,000 to \$225,000. The recommended budget would decrease the County property tax bill for the owner of a median-valued home by \$83.

In Closing

As I submit the recommended budget, I want to thank the County employees who have committed themselves to public service in local government. Their service to our community in these challenging times is inspiring. Thank you to the Department Heads for their leadership, professionalism and prudent approach to the budget process.

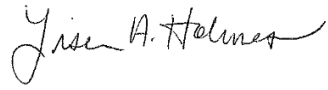
Likewise, I want to thank the Agency Directors and their staff for their responsiveness and partnership throughout the budget process and all year long. All demonstrate their commitment to provide quality essential services to the community in a cost-effective manner.

Thank you to the Legislature for establishing the policy guidance and responsiveness to community needs that has shaped the 2023 budget. As a result of that guidance, the County is well positioned to offer quality services, invest in the public's infrastructure, sustain our partner agencies, and maintain strong fiscal health.

Thank you to my colleagues in the County Administration department who have assisted in the budget process during another year of transitions. Budget Analyst Samantha Fralick participated in every aspect of the budget formation this year, from preparation for the budget retreat to budget book creation. Budget Director Norma Jayne joined the team in June and has provided valuable oversight and key experience to the budget process. Together Samantha and Norma make an incredible budget team. Ann Haider-Collins proofed, formatted and produced the budget book and scheduled the departmental budget meetings and presentations. Dominick Recckio assisted department heads and me in communicating key budget information in an accessible and professional format.

Our community faces several pressing challenges. I look forward to working with the Legislature in the weeks ahead to address those challenges with a 2023 budget that aligns with the priorities and values of our community.

Sincerely,

A handwritten signature in black ink that reads "Lisa A. Holmes". The signature is written in a cursive style with a large initial "L" and a distinct "A" and "H".

Lisa Holmes
County Administrator