



Inclusion Through  
Diversity

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

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September 3, 2019

To the Honorable Members of the Tompkins County Legislature:

I am pleased to present you the Recommended 2020 Tompkins County Operating Budget and 2020-2024 Capital Program.

The Recommended \$191.8 million Budget is balanced with a property tax levy increase of 2.76%, which meets the approved financial goal set in May 2019, and is below our tax cap. It is also recommended that the County's solid waste annual fee increase from \$58 to \$60. If approved, the Budget will add \$12.86 to the tax bill of an average homeowner.

Our Budget continues to benefit from a strong local economy. For the fifth straight year, the budgeted cost of mandated human services programs has remained manageable (increasing less than 1% over 2019), in part because of an economy that is creating opportunities for employment. Currently the City of Ithaca and surrounding municipalities have several large-scale construction projects underway, all of which continue to contribute to the rising property values that have increased our tax base by a remarkable 4.2 percent over last year. Since 2015 our tax base has increased by 17%, allowing the costs of government to be spread across a larger base. This robust growth in tax base, along with stable growth in local wages and consumer spending, has contributed to healthy growth in sales tax collections.

This year's Over Target Requests (OTRs) were greater than in past years, as departments and agencies submitted 97 requests, totaling \$3,123,946, to support specific expenditures beyond their baseline target budgets. This was the highest amount of OTR funding requested in recent history. Most of the OTRs are for one-time items, non-recurring expenditures that utilize the County's fund balance, and do not impact the property tax levy. Target OTRs, requesting an increase in baseline target budgets, do impact the property tax levy. All OTRs recommended were reviewed through a lens of expectations and performance to be achieved; alignment with legislative priorities; and "what success would look like." The Recommended Budget includes \$2,724,966 of OTR requests, of which \$920,338 are target requests and \$1,804,628 are one-time requests.

While the proposed property tax levy is up, the property tax rate is *down* by 1.58%, to \$6.31 per \$1,000, due to strong growth of the County's tax base. This is the sixth consecutive year that the County's tax rate has declined. The proposed 2020 tax rate is the lowest since 2011.

## Major Influences on the Budget

### Capital Reinvestment

Tompkins County for decades has set the vision of being a leader in reducing our government's greenhouse gas (GHG) emissions and the risks associated with climate change. Evidenced by 20 years of action, Tompkins County government has continually worked with a sustainability approach to facility improvements, operational policies and collaborative efforts spanning across municipalities, businesses and the community to reduce GHG emissions collectively. In August 2019, the Tompkins County Legislature set a new vision by adopting a new Energy Strategy which provides the vision and leadership to move both County government operations and the overall community toward achieving net-zero emissions. The first priority in the Energy Strategy outlines that:

*"The County will undertake an inventory and analysis of our facilities and fleet to determine a financially sound path to net-zero emissions. A high-level analysis is occurring now as part of the County's capital planning and those numbers will inform whether the County can responsibly commit to net-zero or other more aggressive GHG emissions goal by 2030, 2040 or 2050. We will strive for the largest reduction in the shortest timeframe possible while remaining financially solvent."*

While similar goals have been discussed at the national, State and local levels, to date few governmental entities, if any, have taken the step of quantifying the financial investments needed to achieve the goals and laying out a path for financing necessary projects. The proposed 2020 Capital Plan provides a funding strategy to achieve the goal of net-zero emissions in County operations by 2035 by committing \$100 million in investment over the next fifteen years to make the elimination of greenhouse gas emissions in County operations as close to a reality as possible.

### Capital Plan Update

The proposed budget document updates the County's Capital Plan from its last update in 2012. Included are updates in recent capital projects, the status of ongoing capital projects, and planned capital projects in the near future.

The 2020 Capital Plan and proposed budget calls for a policy change in the annual capital appropriation, by recommending a policy of allocating 1.00% (compared to the current 0.5%) of the property tax levy to support capital investment. By this policy, the 2020 budget will dedicate significantly more funds to pay for infrastructure improvements and support the long-term capital needs to achieve net-zero emissions by 2035. Most of these funds will be applied to pay debt service on projects authorized by the Legislature.

The Recommended Budget builds on existing capital projects and includes several new projects to assist in meeting the County's space management, emergency services, information technology, energy and other needs:

- **Downtown Facility Development** – In September 2018 the Legislature took action to purchase several adjoining properties along N.Tioga/Sears Streets in the City of Ithaca. Over the course of the past 12 months staff has completed a feasibility study to identify the practicality of combining several offices/departments spread across downtown in one facility located on these parcels. Preliminary estimates for new construction, \$20-\$22 million for an estimated 37,000 – 47,000 square foot building, have been incorporated into the proposed Capital Plan. It is assumed, that at least \$5 million in unassigned fund balance would be utilized to offset debt service for this project.
- **Public Safety Building Improvements** – The Legislature recently decided to focus on maintaining a solely occupied public safety facility, as opposed to a shared facility option with the City of Ithaca. A concerted effort is now underway to conduct a conditions assessment of the existing public safety facility. Subsequent discussions will examine space needs for the Patrol Division and Jail. Not knowing the full

extent of the public safety facility improvements, \$30 million is estimated in the proposed Capital Plan for extensive renovations to the existing facility. The Capital Plan identifies 2020 as a planning year for the Public Safety Facility to identify needs and engineering cost estimates prior to making decisions for construction in 2022/23.

- Emergency Response Improvements – Several investments are identified in the Capital Plan related to the County’s interoperable communications network and back-up dispatch needs. The County’s now 15-year old microwave system that provides connectivity in mobile/portable communications needs upgrading, as the current system is antiquated; at times, our provider can no longer find replacement parts for equipment. Replacement of the system is needed to maintain reliable dispatch operations. Estimated cost for this upgrade is \$1.8 million. Additional telecommunication upgrades include establishment of a backup dispatch center needed for critical redundancy of the system. About \$2 million is estimated to support system upgrades and \$4.5 million for a backup dispatch center. While some of these capital projects will need to be bonded, all Emergency Response capital projects (and subsequent debt service) will utilize annual State Interoperable Communications grant funding, with no impact on the general fund tax levy. The Capital Plan identifies 2020 as a planning year for the back-up dispatch center to determine needs and engineering cost estimates prior to making any decisions.
- Green Facilities – The Capital Plan identifies \$32 million dollars over a 15-year investment period to make needed improvements to existing County facilities with the ultimate goal of achieving net-zero emissions. The proposed Capital Plan lays out investments that allow the County to achieve this goal by 2035. Over the past several months staff has worked with engineers to develop a very high-level understanding of potential investments and estimated costs to create a placeholder for the Capital Plan. These discussions included possible improvements such as, but not limited to: LED lighting, building envelope sealing, plug load controls, controls optimization, boiler replacement, transformer replacement, solar canopies, geothermal, solar PV, distributed battery storage, and fuel cells. This is by no means an exhaustive list of improvements, but preliminary research suggests that such investments could achieve approximately a 90% reduction in current emissions and, with new technologies and efficiencies anticipated in the next 15 years, could get the County very close to its net-zero emissions goal.

The Capital Plan also includes \$200,000 to hire expert consultants to assist in the detailed engineering work required to move these projects forward. We would also expect to apply to NYSERDA’s FlexTech program to help fund this analysis. It is envisioned that planning work will occur in 2020/21 with investments commencing in 2022/23.

- Green Fleet – Complementing the Green Facilities initiative is a commitment of \$2 million in the Capital Plan to convert the County’s passenger vehicle fleet to electric vehicles. In total, the County has just over 70 passenger vehicles, including 10 electric vehicles. The Capital Plan outlines an annual \$400,000 investment over five years (2021-2025) replacing all gas-powered passenger vehicles with electric vehicles. This commitment includes purchasing and installing charging stations for County vehicles at their respective departments.

More research will be needed to expand the scope of this capital program to all vehicles in the County fleet, but the Capital Plan provides a strong starting point for the capital needed to reach an important milestone of firmly establishing an EV fleet of 70+ passenger vehicles.

- Highway & Facilities – The Capital Plan continues an annual allocation of \$1.8 million for capital improvements to roads and bridges, as well as an increase in two-year investments of \$1.4 million in facilities restoration projects starting in 2021-2027. Facility restoration projects will likely be implemented in conjunction with energy enhancements after initial planning takes place.

**General Fund Balance Commitment** – It is recommended as part of this budget that \$2.5 million of unassigned general fund balance be committed to the Capital Fund to support the proposed Capital Plan. In addition, it is recommended that the County’s fiscal policy be updated to specify a target goal of maintaining a minimum unassigned fund balance of 18% general fund revenues (up from the current 10%). Based on 1) the most recent audited financial statements; 2) average annual appropriated fund balance in past years’ budgets; and 3) the proposed Capital Plan, retaining a minimum of 18% unassigned fund balance will provide the County the financial liquidity and stability for more challenging economic times in the future, should revenues become strained. The current unassigned fund balance is \$41.3 million, setting a goal of 18% of general fund budgeted revenues would require the County to maintain a minimum of \$34.5 million. Assuming 2019 fund balance commitments, the proposed 2020 One-time OTRs and a transfer of \$2.5 million to the Capital Fund, the remaining unassigned fund balance for 2020 would be approximately \$34.8 million, or 18.1% of general fund revenues. This would continue to keep the County in a strong financial position moving forward.

### **Enterprise Funds**

**Recycling and Materials Management:** Affected by the fallout from decreasing values for most curbside collectables, our recycling revenue continues to be adversely impacted when compared to commodity prices of just a few years ago. Recycling markets are volatile by nature, and this has been one of the most turbulent stretches in history. Prices for all commodities, especially cardboard and mixed paper, have dropped by over 50% in the past few years with little hope that pricing will return to previous levels.

In addition, the cost of County-wide recycling collection has increased by \$600,000 under the new 10-year contract approved in 2018. As the budget development process began, the decline in revenues and increase in contractual expenses created a \$700,000 operating deficit. In response to this large operating deficit, staff made multiple budget adjustments, reducing the operating deficit for the year to \$310,000 and proposing the use of fund balance to balance the budget in 2020. In addition, the budget includes reductions in several service contracts with local providers, multiple fee increases to commercial haulers and an annual fee increase from \$58 to \$60 per household in 2020.

The current fund balance in the Solid Waste Fund as of December 31, 2018 is \$1,767,484. With the 2019 budget projected to result in a \$400,000 operating deficit and the proposed 2020 budget utilizing \$310,000 of fund balance, future budgets need to rely less on fund balance and more on revenues generated from the annual fee or other fees for service.

In 2020 the department will be issuing a new Request for Proposal (RFP) for operations of the current facility at Commercial Avenue. Costs to continue to provide services as they are today are expected to go up. As a result, careful consideration is being given to the RFP development to maximize operational savings while providing high service levels. The RFP is scheduled to be issued in spring 2020, with Legislative discussion and action in late 2020. Should recycling revenues not recover (which they are not expected to) and the RFP result in increased operational costs, it is very likely that the Legislature will be faced with reducing services or increasing the solid waste fee, or both in 2021. It is also recommended that in 2021 the County evaluate the current formula used to compute the Solid Waste fee for Cornell University, Ithaca College, TC3 and TST BOCES as its methodology is over 20 years old.

Next year, County staff is committed to working diligently with vendors and partners to make the necessary changes in operations to keep service levels high at a manageable cost.

**Airport:** By the end of the 2019, ITH will have a new and expanded passenger terminal supported by a new geothermal heating/cooling system which will nearly eliminate natural gas usage for the entire terminal building, as well as a new solar canopy. 2020 will mark a historic year, as the airport embraces the renovation and expansion providing for greater passenger capacity, a new customs facility for new economic development opportunities, and shared fuel farm with NYS DOT.

Primarily, due to State mandated construction design and timelines, cost overruns have increased the project costs to \$37 million. Currently, approximately \$27 million of reimbursable costs have been identified, mostly from NYS and FAA. The remaining \$10 million of non-reimbursable costs will be locally bonded. Approximately \$3 million of the non-reimbursable costs are covered under future Passenger Facility Charges (PFCs) leaving an estimated \$7 million of local cost covered by the County's general fund capital appropriation. These are preliminary estimates, and as passenger enplanements continue to increase due to larger plane capacities and increased route options at ITH, more PFCs may be utilized to cover debt in the future. Also, there is also a push in Congress to increase the federally set PFCs; should this occur, we may have access to additional PFCs to assist with debt service related to the project.

There are several uncertain elements remaining in airport operations related to the terminal expansion project. Along with the construction of the customs facility, there is a cost to the County for a federal customs agent to staff the facility. Costs borne by the County for the customs agent and operations of the facility are preliminarily ranging between \$150,000 - \$250,000. While the County expects to establish user fees and charges for users of the customs facility, a specific business plan has not yet been developed as set costs have not been identified. Once established, it may take several years for the customs facility operation to establish itself before the County can fully understand the impact to the airport budget.

While the Recommended Budget proposes a \$50,000 operating deficit, with expectation of utilizing Airport fund balance to balance the budget, the County has retained a consultant to renegotiate existing contracts, including those with the airlines that may produce increased revenues. The current fund balance in the Airport Fund as of December 31, 2018 is \$862,187. The General Fund continues to assist the airport through a waiver of administrative fees for services provided to the airport by County staff. This would be the sixth year of what was originally a three-year plan to help the airport rebuild passenger activity and return to full self-sufficiency. The waiver saves the airport \$126,000 in payments to the County.

Following completion of the airport renovation and expansion project, a budget review will be conducted to determine short and long term financial goals for the Airport Fund.

### **Labor Costs**

Wages: There are two settled labor agreements for 2020, White Collar and Blue Collar, which cover over 65% of County employees. Both contracts provide for a 2.0% wage increase in 2020. Road Patrol and Corrections Officers unions do not yet have contracts in place for next year, but we are engaged in negotiations.

I will be working diligently with Human Resources and department leadership to negotiate fair and reasonable labor agreements for the two remaining units in 2020.

### Workforce:

The Budget reflects a total County workforce of 768 FTEs. This is an increase in 20 positions over 2019. Seven positions are to assist with succession planning or are due to anticipated increase in voter turnout for the General Election and are not expected to continue beyond 2020. An additional 4.5 positions are related to the Public Works Apprenticeship partnership, with the County receiving reimbursement for three of those positions from the Town and City of Ithaca. In addition, at least three positions are due to unfunded mandates related to early voting and criminal justice reforms. The following positions require over-target (OTR) funding:

- An increase in the Supervising Attorney position from part-time to full-time, and a Data Collection position are being funded by NYS to increase and enhance public defense through the County's successful Assigned Counsel program.
- The equivalent of nearly three FTE's is requested by Board of Elections to assist with early voting for primaries and the General Election in 2020.

- A three-year One-time OTR supports hiring of a Chief Equity and Diversity Officer for Tompkins County. This recommendation has come from the Diversity & Inclusion Infusion Employee Team responsible for reviewing results from the 2018 Workplace Climate Survey.
- The continuation of the Performance Measurement/Criminal Justice Coordinator and Management Fellow positions have been requested as One-time OTR's.
- The equivalent of nearly three FTE's for succession planning in Finance, Information Technology Services, County Clerk, Weights & Measures and Clerk of Legislature.
- The District Attorney's Office has requested an additional Paralegal and part-time Confidential Investigator to assist with new discovery procedures due to State-wide criminal justice reforms.
- Due to increased project management and planning initiatives related to capital improvements, Department of Emergency Response has requested a Project Manager for 2020 only.
- The equivalent of 4.5 FTE's represents the continuation and expansion of the Public Works Apprenticeship program with the Town and City of Ithaca. Three of those positions are reimbursed by the Town and City.
- The Senior Planner position responsible for managing the Energy Advisor program is proposed to be added as a Target increase to the Department of Planning and Sustainability.
- Two additional Deputies have been added to the Sheriff's roster; however, one has been funded with reductions in other budget lines such as overtime, equipment and jail board-outs. Also, restructuring of the STOP-DWI program will relocate the STOP-DWI Coordinator from County Administration to the Sheriff's Office.
- An upgrade in an existing part-time position to a full-time Deputy Workforce Development Director position would assist the Director in focusing on the areas where there is a critical community need for additional efforts to ensure that local businesses have the skilled workforce they need to be successful and local jobseekers have the skills necessary to access the available opportunities.

Fringe Benefits: Health costs continue to be historically below industry standards due to the County's participation in the Greater Tompkins County Municipal Health Insurance Consortium. Now in its ninth year, the Consortium has expanded to include a number of municipalities outside Tompkins County (which now include Seneca County) and keeps delivering on its promise to stabilize health costs by pooling the buying power of its members. The Consortium is currently considering a 5-6% increase in premiums for 2020 but has not yet finalized its premium. The Recommended Budget includes a 6% increase due to projected increases in out years. That follows an increase of just 5% in 2019. With a multi-year track record of performance with the Consortium, including the Platinum Plan, we are confident that the baseline estimates for health benefit costs in 2020 are appropriate, and that drastic increases in premiums similar to other insurers around the state and nation are not within our foreseeable future.

The 2020 average pension rate is 14.6%, a negligible decrease from 2019's 14.9% rate. As a result, the Recommended Budget assumes no change in the retirement contribution compared to 2019.

### **Mandates**

There are additional costs related to new unfunded mandates recently passed in the State budget. Early voting is mandated by the State, requiring Counties to provide increased hours and days of early voting for every primary, general and special election. As a result, the Board of Elections is requesting additional staff to manage the increased hours as well as the General Election. In total, the Board of Elections is requesting \$195,000 in OTR funding requests: \$160,000 in One-time funding attributed to early voting and the General Election, and \$34,000 as a Target request.

During the last State legislative session sweeping criminal justice reform was enacted, impacting cash bail, pre-trial services and discovery procedures. The new discovery laws require the District Attorney's Office to collect, screen, organize and distribute documentation from law enforcement agencies on a timeframe that is exponentially quicker than current practice. The request for two additional positions, Paralegal and Confidential Investigator,

software to easily share discovery information, and related office supplies equals an increase of \$170,000 in target for the District Attorney's budget.

Overall, 2020 continues as a fifth year of stable mandated expenses. The total local cost of \$21.7 million represents a slight increase in property tax-supported mandates. Medicaid, which remains the largest single cost in the County's budget at \$11.8 million, remains flat compared to 2019. While the County has little influence over this mandated expense, and New York State counties currently benefit from adoption of the Affordable Care Act (ACA), should the federal government enact changes regarding the funding for ACA, the County's costs could increase drastically. Medicaid costs represent 23% of our 2020 property tax levy.

As in prior years, while the economy continues to strengthen, Department of Social Services' two temporary assistance programs – Family Assistance and Safety Net – demonstrate a relatively consistent number of total cases since 2008, however at a much greater local cost. Family Assistance cases continue to decline – down 28% from January 2008 and have no local cost. In contrast, Safety Net cases remain 25% above January 2008, with 71% of their cost local funding and 29% from New York State.

The clear shift of cases from federally-funded Family Assistance to the County-State funded Safety Net program, while total assistance cases remain literally flat over the past decade, suggests that many people remain dependent on temporary assistance following expiration of the five-year lifetime limit on Family Assistance.

### **Sponsored and Partner Agencies**

The County's reach is extended, and its mission more completely fulfilled, through its relationships with its Sponsored Agencies: Tompkins Cortland Community College (TC3); Tompkins County Area Development (TCAD); Tompkins Consolidated Area Transit (TCAT); and Tompkins County Public Library (TCPL), as well as its numerous partner agencies such as those affiliated with the Human Services Coalition, and Cornell Cooperative Extension of Tompkins County.

Earlier this year, both Tompkins and Cortland County Legislatures agreed to a 5% increase in sponsor contribution to TC3 with the hope that the increased support will help mitigate financial challenges related to decreased enrollment. This \$148,000 increase will bring Tompkins County's allocation to \$3.13 million for the 2020-21 academic year.

Also, County support for TCAD increases consistent with the terms of a Memorandum of Understanding for economic development services. Under that agreement, TCAD receives a \$5,008 increase in County support in 2020, raising our contribution to \$255,418, or approximately one-third of TCAD's total budget. While the new agreement provides for a continued County contribution of approximately one-third of TCAD's budget, the proportion supported by property tax levy increases significantly in 2020. The Recommended Budget provides a \$65,000 increase in property tax share for 2020 and increases it over \$140,000 more by 2023. The same agreement calls for the use of \$127,700 in Room Occupancy Tax Revenue to support TCAD's budget, down from \$187,000 in 2019.

For other sponsored and partner agencies, the Recommended Budget proposes a 2%, or \$128,000, cost of living increase and \$372,000 in mostly one-time funding for a number of non-recurring or capacity-building expenses proposed by the agencies through the OTR process. In the past, these one-time investments have allowed local agencies to increase their self-sufficiency, thereby limiting their reliance on ongoing County support.

### **Other Major or Noteworthy Items**

Although, the budget includes thousands of items that vary from 2019, a few warrant special attention due to the amount of funds involved, or the linkage to organization-wide priorities.

Performance Measurement Initiative: The 2017 budget authorized funding for a three-year OTR to implement a County performance management system. The funding was renewed in 2018 for the Performance Management Initiative. In 2018 funding was also provided for the creation of the Criminal Justice Coordinator position to assist in implementing performance measures for key recommendations of the CGR Jail Study ATI initiatives. It was determined that combining the work of the Performance Management Initiative Coordinator with the Criminal Justice Coordinator would leverage our resources in the most efficient manner as the tracking of the ATI Initiatives would become part of the performance management initiative. Both the County's performance measurement initiative and measurement of the performance of ATIs are being implemented utilizing a program called Results - Based Accountability (RBA).

In 2019 the budget book included an introduction to performance measurements for the County. This year the budget book includes a more thorough introduction to performance measurements. This is our first attempt in replace the former performance improvement assessments (PIAs) with a new Results Based Accountability format. Seven departments that began RBA in 2017 and nine departments from 2018 have replaced their PIAs with this new format. The remaining departments will utilize the RBA system in 2020, uploading monthly, quarterly or annual data and performance metrics tied to departmental missions, goals and objectives. While the first group began collecting and inputting information in 2018, this information over time will be able to show change and growth in each department and allow for data-based decision making. I have requested continuation of the multi-year OTRs that will allow this program to be implemented throughout the County.

Workplace Climate Survey: Last fall we began to provide the results of the May 2018 Workplace Climate Survey to all employees. As we shared the information throughout the organization we began to further analyze the results. In January of 2019, a twenty-five-person team of employees known as the Implementation Team began to dive deeper into the organizational results to better understand the workplace climate. This Implementation Team determined four priority areas – performance evaluations, organization-wide communication, employee engagement & retention, and diversity & inclusion.

Armed with the survey data the Implementation Team subgroups began to look for the solutions to the challenges they found in the four areas. One solution that was quickly identified was the development of organizational values and a new team focused on setting values was formed. The twenty-five-person Implementation team now includes over 30 individuals from 21 departments working to find ways to improve our workplace!

Through research related to best practices, our culture, additional focus groups, and much more, the five subgroups are working to develop recommendations that will sustain our successes while continuing to improve. You will be able to see the first recommended course of actions provided by the Diversity Inclusion Infusion team within this budget, a recommendation to bring a Chief Diversity and Equity Officer to our organization. This is the first of the five teams to finalize and bring forth its recommendation for improvement. The other subgroups will also have varied strategies for organizational improvement which may include reallocated or new resources in future years.

In addition to the organization-wide work, the 2018 Climate Survey has allowed us to dive deeper into many of our departmental climates. Those departments that had over 10 members identify affiliation with their Department, now have Departmental Results that are being shared with the departments for the first time. Using these results our 10 departments with departmental results will be able to hone in on areas of improvement for their own department, developing work plans to capitalize on identified opportunities from the survey.

Capital Planning: As mentioned above, the proposed budget brings a new perspective and priority to the workplan for several departments if the budget is adopted by the Legislature. In addition to the capital expenditures necessary to achieve net-zero emissions for County operations, a significant investment in County staff resources will be required to evaluate options and allocate those investments in the most efficient and effective manner possible. This will be a major work program item for staff from several departments, but especially Facilities, Planning and Sustainability, and County Administration. Additionally, the Capital Plan includes \$200,000 to hire expert consultants to assist in the detailed engineering work required to move these projects forward. We would



also expect to apply to NYSEDA's FlexTech program for costs shares for this analysis. It is envisioned that planning work will occur in 2020 with investments commencing in 2022.

**Housing:** 2019 marked an unprecedented year as two major pieces of State legislation were passed directly impacting Tompkins County. One piece of legislation provides Tompkins County with the authority to use local funds to support affordable housing. As of Friday August 31<sup>st</sup>, Governor Cuomo signed into law home rule legislation authorizing only Tompkins County to utilize local funds to support affordable housing, more specifically *"...for the development, maintenance, or management of affordable housing."* Tompkins County is now the first and only county in the State of New York to have home rule authority to use local funds to support affordable housing projects.

The County partners with Cornell University and the City of Ithaca in a joint venture, the Community Housing Development Fund (CHDF), that provides funds to assist communities and organizations throughout Tompkins County in responding to the diverse affordable housing needs of county residents. Projects include units that are affordable to low and moderate-income households and are designed to ensure that newly constructed or rehabilitated housing units remain affordable to successive buyers or renters. This program has a proven 10-year track record of contributing funds to the construction of affordable housing units. Currently the County uses Department of Housing and Urban Development (HUD) program income from past first-time homeowner loans, not local funds, to support its annual contribution of \$100,000 to the CHDF. We have over \$500,000 in uncommitted HUD program income currently available for future use and anticipate receiving another approximately \$500,000 in additional HUD Program Income over the next 10 years from remaining loan payments.

The 2020 budget does not provide any specific recommendation for local dollars to be added to enhance the County's contribution to the CHDF as there is a current balance of program income that could be allocated to that use if the Legislature desires. It is recommended that any increased contribution to the CHDF first come from the existing HUD program income. After those funds are exhausted any use of unassigned fund balance to support the development of affordable housing should balance the goals of affordable housing with the capital investments and other initiatives.

### **Sales Tax**

Generally, sales tax collections vary with the economy. When the economy is good, sales tax revenues rise. When the economy falls, so do sales tax receipts. Currently unemployment is low, the stock market and consumer confidence are high, and at the time of this writing, sales tax is trending in a direction that would suggest 2019 will be another year of healthy growth greater than 3-4% in sales tax collections over the prior year. However, this has not always been the case: in 2015 and 2016 collections were down, despite similar economic conditions.

The recent history of sales tax collection provides limited insight to projecting future collections. Assuming 2019 will finish with growth over 2018 collections, the Recommended Budget provides for reasonable growth of just under 4%, or \$1,365,989. This balanced approach is an attempt to achieve practical and reasonable sales tax projections, while balancing an unforeseeable future due to the lack of predictive trend lines to follow.

It should be noted that, based on seven months of sales tax revenue, it is projected that sales tax growth at the close of 2019 will be lower than growth in 2018; and that projected sales tax growth for 2020 will be less than 2019. This continued decline in sales growth is a signal that the growth economy is starting to slow and level out. Because the impact of sales tax collection patterns on the Budget is profound, the long-term impact of variances and fluctuations in sales tax collections can drastically influence the revenue structure of the County budget. If careful consideration is not given to the County's reliance on sales tax collections when balancing the budget, aggressive sales tax budgeting could have a devastating and negative impact on service levels and the property tax levy for many years in the future.

## Risks

There are three significant risks inherent in this budget.

**Recycling and Materials Management:** The lethal combination of increased contractual costs related to the 2018 rebidding of the collection contract and the crash in the recycling market have had a crippling impact on the Recycling and Materials Management budget. The solid waste and recycling industry nationwide is experiencing an unprecedented jolt of uncertainty. We are not alone in facing this unknown, however the forecast of the 2021 budget and beyond relies heavily on the outcome of next year's RFP process.

**Airport:** 2020 is a year of significant change at ITH, making budget forecasting more challenging than in settled times. Specifically, for 2020, increased debt service due to project cost overruns and unknown operating costs, as the improved facilities and customs facility gets underway, may result in shortcomings for future year budgets until a consistent level of operations is met. Remaining nimble in 2020, with plans to adjust as the year unfolds, will be important.

**Sales tax:** Similar to last year, the absence of any discernible pattern in recent sales tax collections makes trend-based predictions of future collections difficult, if not impossible. The estimate used in the 2020 budget is intended to err on the conservative side, while balancing the possibility of a new base line of sales tax collections considering the past 24-month surge in collections. However, the message remains the same as last year in that the Recommended Budget provides growth over the prior year, but not too much growth, while keeping an eye on the economy should it take a turn for the worse.

## Tax Cap

Based on information provided by the State, our estimate of the 2020 tax cap is now 5.41%. The County's cap was boosted by robust growth in our property tax base, the loss of PILOT revenue, adjustments to the town sales tax credit and a substantial rollover from the prior year due to the 2019 tax levy coming in significantly under the 2019 tax cap.

The 2.76% levy required to balance this budget is \$1,320,165 below the capped amount. If not used in the 2020 budget, this amount can be carried forward and added to the County's tax cap in a future year—***a course I strongly recommend.***

## Fiscal Summary

The Recommended Budget has applied the resources available within the parameters set by the Legislature. It asks for an increase in the property tax levy in an amount necessary to ensure a continuity of service to the community.

**Total Budget:** The Recommended 2020 budget stands at \$191.8 million. This represents a .76% increase in total spending over the 2019 modified 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 2020 local dollar budget totals \$92.6 million, or .06% more than in 2019.

**Property Tax Levy:** 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 \$51,275,499—an increase of 2.76% over 2020. The recommended levy is below the projected property tax cap.

**Property Tax Rate:** Because of a robust 4.19% increase in the value of taxable property in the County, the recommended 2020 property tax rate will decline to \$6.31 per \$1,000 from the 2019 tax rate of \$6.41 per \$1,000, a reduction of 1.58%

This is the sixth consecutive reduction in the County's property tax rate. As proposed, the tax rate is the lowest it has been 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 \$185,000 to \$190,000. The recommended budget would increase the County property tax bill for the owner of a median-valued home by \$12.86.

As I transmit the recommended budget, I wish to thank all County Department Heads and staff for their professionalism, commitment to the community and patience. While this was my second time through this budget process, there were multiple meetings, phone calls and late-night emails and text messages that County Staff endured as I'm still becoming familiar with the budget and operations. Their patience was much appreciated.

I would also like to thank the Agency Directors and their staff for their professional approach to the challenges that mark every budget. All demonstrated their commitment, and ability, to provide services essential to the community with both quality and efficiency.

Thank you to the Legislature for establishing clear policy guidance and instilling a culture of fiscal discipline and responsiveness to community needs that has shaped this budget. The willingness to engage in the budget process beginning in April by setting fiscal policy and guidance provides clear expectations for preparing a budget to meet policy needs. As a result, the County is well positioned to provide effective and efficient services, invest in the public's infrastructure, sustain our partner agencies, and maintain our strong fiscal health—all with a modest increase in the property tax levy.

A special thanks goes to Kevin McGuire, whom I have come to rely on countless throughout the budget preparation process. His mastery of the budgeting systems and attention to detail have made the preparation and presentation of this budget among the best. And his interactions with department and agency staff, thoughtful questions and due diligence have made the budget accurate and transparent for all readers. A special thanks also goes to Autumn Edwards who spends countless hours addressing last minute format changes to the budget book, and graciously manages my budget meeting calendar with patience. Lastly, a huge thank you to Marcia Lynch who endures proof reading multiple drafts of the budget message into the late night hours.

I look forward to working with the Legislature in the coming weeks to delve into the details of the budget and arrive at a 2020 spending plan that aligns with the priorities and values of our community.

Sincerely,



Jason Molino  
County Administrator

