



# Tompkins County Department of Administration

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

September 6, 2016

To the Honorable Members of the Tompkins County Legislature:

I am pleased to present you the Recommended 2017 Tompkins County Budget. The Budget proposes modest spending growth of less than one percent, stability in current programs, and the alignment of resources with priorities that include adaptation to climate change, reductions of our jail population, regulatory compliance, and a diverse, well-trained, motivated workforce.

In many ways, our Budget continues to benefit from a relatively strong local economy. For the second straight year, the budgeted cost of mandated human services programs has declined, in part because of an economy that is creating opportunities for employment at nearly every step of the career ladder. The combination of large scale new construction and rising property values has increased our tax base by a remarkable 4.5 percent, allowing the costs of government to be spread across a larger base. The budget is also shaped by an inflation rate that has remained low and by enviable interest rates on our debt.

Our labor costs are rising, but moderately. Over the past contract cycle, good faith negotiations with our labor unions have resulted in well-deserved wage growth, with costs partially offset by structural changes in our health benefits plan. We are also realizing the rewards of smart, often difficult, decisions made by the Legislature over many years. Investments have been made in productivity-enhancing technology and training, in alternative energy and energy-saving systems, in fuel efficient vehicles, and entrepreneurial ventures such as the highly successful Greater Tompkins County Intermunicipal Health Insurance Consortium. These investments are keeping operating costs down and allowing us to sustain high levels of service and quality with a workforce that remains 6% below our 2009 peak.

However, the Budget is the product of expenses *and* revenues, and sales tax revenue—the only major source of County revenue that generally grows with the economy—is not growing. In fact, receipts have declined in five of the past six quarters and are projected to fall well-short of the 2016 budget target. Even with the anticipation of modest growth returning next year, the 2017 budgeted sales tax estimate is down by \$694,000 from the 2016 budget.

A shift of \$694,000 in budgetary support from the sales tax to the property tax results in a 1.5% increase in the property tax levy. This odd phenomenon of declining sales taxes in the midst of a robust economy is the defining characteristic of the 2017 County Budget.

In all, the Recommended Budget proposes a 3% increase in the property tax levy. The increase is made up of three elements:

- 1) 1.5% attributable to the drop in sales tax revenue;
- 2) 0.5% for the policy-based increase in levy for capital improvements; and
- 3) 1.0% for everything else in our \$173 million budget.

While the proposed property tax levy is up, the property tax rate is *down* by 1.5%, to \$6.63 per \$1,000, due to strong growth of the County's tax base. This is the third consecutive year that the County's tax rate has declined. The proposed 2017 tax rate is the lowest since 2011.

## **Major Influences on the Budget**

### **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. At the time of this writing, nearly every indicator of the economy is pointing up. Unemployment is low, the stock market and consumer confidence are high, and inflation is practically non-existent. However, the sales tax is not up. At the current pace, 2016 revenues are projected to fall 1.5% behind last year's collections that, in turn, were down by 1.8% from the year before. If projections hold, this will be the first time in at least 20 years that sales tax revenue has fallen in two consecutive years. Our 2016 collections are tracking well behind the 2016 sales tax budget.

The odd, counter-intuitive path that sales taxes are following makes projecting 2017 sales tax revenues precarious. There is not a clear, predictive trend line to follow. The Recommended Budget assumes that revenues will bottom-out in 2016, and then grow by a modest 1.4% in 2017. This results in a \$694,000 reduction in budgeted sales tax revenue, essentially leaving \$694,000 in program expenses with no means of support other than the property tax.

It is hard to understate the impact of the sales tax collection patterns on the Budget. Over the past 20 years, sales tax revenues have grown by an average of 3.4% per year. If that trend had continued over the past three years, sales tax revenues would have been \$4.3 million higher in 2017—and property taxes 9% lower--than they are now estimated to be. This shift of budgetary support from the sales tax to the property tax represents a profound, and potentially long-term, structural change in the fiscal character of the County budget.

### **Labor Costs**

Wages: Labor agreements covering 2017 are now in place for most County employees, with only the Road Patrol and Corrections Officers unions without a contract next year. All of the settled contracts provide a 2.25% wage increase in 2017.

Although the Sheriff's road patrol union contract will expire at the end of 2016, I am pleased that the County and Police Benevolent Association were able to reach agreement earlier this year on a contract that covered the seven years from 2010 through 2016. This is the first negotiated, rather than arbitrated, contract in many years. The unusually large increase in labor costs in the Sheriff's budget is the result of that seven year wage adjustment.

Workforce: The Budget reflects an additional 10.8 full time equivalent positions compared to the adopted 2016 Budget, bringing the total County workforce to 731.5 FTEs. Most of the additional positions were already created in 2016, or are self-funded through grants and earned revenue such as Medicaid reimbursements. Only the following 1.7 FTEs require over-target (OTR) funding:

- A Human Resources Associate in Personnel to assist with staff recruitment and employee relations,
- A half-time inspector in Weights and Measures to add depth and coverage to this single-person office, and
- A grant-supported half-time position in Assigned Counsel and a small portion of an FTE in Finance reflecting an internal reorganization.

The positions added since the 2016 budget was adopted are concentrated in priority policy areas including compliance, jail diversion and reentry (family treatment court, housing assistance, jail evaluations), intergovernmental cooperation (Schuyler County Assigned Counsel contract), and mental health services. Again, these positions are generally self-funded or, in the case of the Compliance position, have been added to the departmental target during the course of this year.

The recommended personnel roster remains 44 positions, or 6%, below the peak level in 2009.

Fringe Benefits: Through good-faith negotiations, the County has worked to provide fair and well-deserved wage growth to its employees and also address the pressure of soaring fringe benefit costs that have impacted both employees and taxpayers. Over the past contract cycle, all of our settled contracts have included the provision that all new hires who wish to have health coverage are enrolled in the Greater Tompkins County Health Insurance Consortium's "Standard Platinum Plan", a less-costly plan offered by our Consortium. This transition is already having the effect of moderating the growth in the County's health costs.

Health costs have also been moderated by the existence of the Health Insurance Consortium. Now in its fifth year, the Consortium has expanded to include several municipalities outside Tompkins County and keeps delivering on its promise to stabilize health costs by pooling the buying power of its members. Shortly before New York State announced a 16% increase in premiums for its statewide health insurance program, the Consortium approved a 5% increase in premiums for 2017. That follows an increase of just 3% in 2016. With a multi-year track record of performance with the Consortium and the Platinum Plan, we are confident that the baseline estimate for health benefit costs in 2017 can be safely lowered to reflect actual, rather than projected, spending patterns

Just last Friday, contrary to earlier indications, the State Comptroller announced that the 2017 pension rate would be going down slightly, from 15.5% of payroll this year to 15.3% next. The eleventh-hour savings associated with the reduction have allowed us to increase the Contingent Fund budget, which will help mitigate the risks of uncertain sales tax collections and potentially higher jail costs.

Labor Cost Summary: The combination of wage and benefit growth and changes in the workforce roster results in a \$831,135 (\$612,630 local), or 1.3%, increase in the County's overall cost of labor compared to the 2016 modified budget.

## **Mandates**

After a generation of steadily, and often sharply, increasing costs for State-mandated human service programs, 2017 is the second consecutive year of budgeted reductions in mandated expenses. Although starting at a very elevated point of \$21.3 million (local dollars), the property tax-supported cost of mandates is expected to fall by \$143,000 from the 2016 Budgeted level.

In the Health Department, the local dollar budget for the PreK Special Education and Early Intervention programs was reduced by \$394,000, aligning the 2017 budget with recent spending patterns. Reductions have also been made in the budget for Temporary Assistance programs in DSS, reflecting caseload declines that correspond with a strengthened economy.

Not all mandates are going down. As the result of State-imposed changes in income eligibility thresholds that will significantly expand the number of people eligible for County-funded attorneys, the Budget includes a \$100,000 increase in the Assigned Counsel budget. This is a very rough estimate of what will happen when the income threshold to be eligible for free legal counsel doubles to 250% of the Federal Poverty Level in April. With the Governor's position still uncertain regarding new State legislation authorizing a multi-year State takeover of the costs of indigent defense, it is clear that the Assigned Counsel Office and its budget will be the subject of much attention in 2017.

After enjoying two years of Medicaid cost reductions, the County's Medicaid budget will rise by \$87,000 in 2017. The increase is the result of the State recalculation of the Medicaid savings attributable to Affordable Care Act that have been shared with counties. Although much of the volatility of Medicaid has been eliminated thanks to the State's cap on county Medicaid costs, the program remains Tompkins County's single largest cost and represents fully 25% of our 2017 property tax levy. Put differently, if the State paid its own Medicaid bill, County taxes would immediately drop by 25%.

## **Town Plowing Contracts**

In an important, but little recognized, example of longstanding intermunicipal cooperation, the County pays several towns to plow some of the County roads within their jurisdictions. Some of the town contracts are based on the actual cost experience of the previous winter, meaning the 2017 payment is based on the 2015-16 plowing season. As you recall, last winter was remarkably mild and nearly snow-free. As a result, our contracted plowing cost for 2017 is \$250,000 less than the year before.

The Recommended Budget applies half of that savings to property tax relief (or to support other costs that have grown, depending on your perspective) and the other half to augment the Highway Materials budget, allowing additional paving to occur next year. This strategy is intended to mitigate at least some of the tax shock that will occur when snow returns and costs rise to their traditional level. When town

contract costs rise, the first \$125,000 of the increase can be supported by shifting funds from the Highway Materials budget rather than raising property taxes.

### **Capital Reinvestment**

The Budget continues to adhere to the 2012 Updated Capital Improvement Plan adopted by the Legislature, including the policy that calls for an annual 0.5% increase in the property tax levy to support capital investment. By this policy, \$233,000 will be added to the 2017 property tax levy and dedicated to pay for infrastructure improvements. Most of these funds will be applied to pay debt service on projects already authorized by the Legislature.

The Recommended Budget includes an important new initiative intended to help the community adapt to the effects of climate change. The “Natural Infrastructure” program, funded at \$200,000 in each year of the Capital Program, will support projects to address surface water, flooding, and groundwater quality and quantity issues within the context of increasingly extreme weather patterns. The funds, which could stand alone or serve as a match for other programs, will focus on protection by easement, restoration or stabilization of upper watershed forests and wetlands, stream corridors and floodplains, and aquifer recharge areas. As this is intended to be an annual investment, I have proposed financing this capital program with cash rather than debt.

Two bridges will be added to the plan next year: Fall Creek Road Bridge rehabilitation and replacement of the Ludlowville Road Bridge over Salmon Creek.

The Capital Program also makes a small adjustment in the Facilities Restoration program adding \$100,000 in 2018 to overhaul the two elevators at the Human Services Building. A compensating reduction of \$100,000 is made in the 2021 allocation for the Facilities Restoration program.

As it has since its approval, the Capital Program is focused on maintaining existing infrastructure.

### **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, Tompkins County Area Development, Tompkins Consolidated Area Transit, and Tompkins County Public Library) and well as its numerous partner agencies such as the Human Services Coalition and the Cornell Cooperative Extension.

Earlier this year, TC3 proposed a one-year freeze in the two county’s contribution to the College in the hope that support will increase in the future. With some reluctance, the Legislature agreed to the proposal to keep the County’s allocation at \$2.93 million for the 2016-2017 academic year. Similarly, TCAT has proposed a 2017 budget that asks for its three funding partners—the County, City, and Cornell University—to maintain funding at the 2016 level. The Recommended Budget duplicates the approach taken last year by allocating \$50,000 in *onetime* funding for TCAT to keep the County’s commitment at \$989,522. In addition, if real estate activity in the County remains strong in 2017, additional revenue growth could accrue to TCAT through the County’s Mortgage Recording Tax.

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 \$6,900 increase in County support in 2017, raising our contribution to \$238,000, or approximately one-third of TCAD's total budget. The same agreement calls for the use of \$200,000 in Room Occupancy Tax revenue to support TCAD's budget, which is up from \$125,000 in 2016.

For other sponsored and partner agencies, the Recommended Budget proposes a 2%, or \$117,000, cost of living increase and \$194,000 in onetime funding for a number of non-recurring or capacity-building expenses proposed by the agencies through the OTR process. These onetime investments in the past have allowed local agencies to increase their self-sufficiency and thereby limit their reliance on on-going County support.

I am pleased to advise you that the County's 2016 allocation to the Tompkins County Public Library closed the Library's longstanding structural deficit and concluded a multi-year funding strategy developed by a County-Library working group in 2013. While the Library continues to seek additional funding to expand its services through the OTR process, the County's baseline allocation (including the 2% cost of living adjustment) is now sufficient to support current levels of service.

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

Although there are thousands of items in the budget that vary from 2016, a few warrant special attention because of the amount of funds involved, or the linkage to organization-wide priorities.

Performance Measurement Initiative: For several years, the Administration Department has discussed the need for a countywide performance management system that will allow an objective assessment of the effectiveness of our programs in achieving their intended outcomes. While there will always be qualitative aspects that must be considered when evaluating performance, the cliché is true that if you can't measure it, you can't manage it. Although the commitment to become a more data-driven organization has never diminished, we've struggled to find the time to develop a custom system versatile enough to use across a functionally diverse organization, and simple enough to administer without creating a whole new bureaucracy.

Over the past two years, our Youth Services Department has been utilizing a performance measurement system called Results Based Accountability (RBA) to help agencies clarify outcomes and then measure attainment. The RBA approach and its tracking software are being used by a number of other state and local governments, and the experience in Tompkins County has been excellent. Based on how well the system has been applied locally, I believe the RBA system can serve as the platform for a County-wide, outcome-based, performance measurement system. I have requested a multi-year OTR that will allow it to be implemented throughout the County over the next three years. The process will begin in 2017 with the human service departments, who have gained the most familiarity with the system through Youth Services Director Amie Hendrix's reports and presentations.

Technology and Training: \$70,500 in onetime funding has been recommended for continued staff training intended to address issues identified in the recent Workplace Climate Survey, including career and leadership development. The request is \$20,000 higher than the onetime allocation made in the 2016 budget, allowing a broader scope of training that includes additional opportunities for staff to attend professional conferences. Our goal is to provide County staff the tools they need to be highly productive, creative, motivated, and prepared to advance their careers within County government. While there are not adequate resources to do so next year, converting this funding for staff development to “target” funding should remain a goal for the future.

Highway Equipment: This year’s Highway Division budget includes an unusually large \$408,000 Over Target Request for highway equipment due to the need to replace three large pieces of heavy equipment. The cost will be paid with funds from the Highway Fund Balance. Much as the Division has developed a cost-effective replacement program for its light truck fleet, it will be exploring a similar strategy for its heavy equipment if the OTR for this equipment is confirmed.

Aligning Staff to Achieve Emerging Policy Priorities: Several modifications within the target budgets of County departments have occurred since the 2016 budget was adopted, and are incorporated in the 2017 budget. All are intended to align resources with our emerging priorities such as jail diversion and re-entry, regulatory compliance, staff recruitment and retention, intergovernmental cooperation, and housing/homelessness.

In DSS, for example, two staff positions have been added to help address the rising caseloads being seen in Family Treatment Court as a result of the heroin epidemic; a housing specialist has been added to work closely with the homeless and housing vulnerable (including those released from jail); and a nurse has been added to conduct substance abuse evaluations at the jail. In Mental Health, three grant-supported positions were created by the Legislature in 2016 to assist with the implementation of Open Access—an initiative that allows clients in crisis to see a clinician shortly after their arrival and without a prior appointment. Mental Health has also added a position to assist with quality assurance/compliance requirements. Earlier this year, a part-time position was created in the Assigned Counsel Office to fulfill our inter-governmental cooperation agreement with Schuyler County to handle certain indigent defense cases on a contract basis. All of these positions were supported within the departments’ baseline budget targets and are almost fully supported with grants, earned income, or contractual payments.

In addition, the Legislature authorized the creation of a Compliance Coordinator position and an increase in the spending target of the Administration Department earlier this year.

The Recommended 2017 Budget proposes funds to support a new Human Resources Associate position in Personnel that will allow us to significantly increase our efforts to recruit a diverse staff at a time when the retirement of baby-boomers in the County workforce is expected to escalate. This position will also work on a variety of initiatives intended to make the County an employer of choice. A half-time position is proposed in our one-person Weights and Measures Division to expand the scope and depth of this important consumer protection office.

Airport: The budget includes continued assistance to the airport through a waiver of administrative fees for services provided to the airport by County staff. This would be the third year of a proposed 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. As you know, Airport Manager Mike Hall is working on multiple fronts to increase passenger activity and generate revenue, and has engaged the Air Services Board and the entire community in those efforts.

Solid Waste: The Solid Waste Division has skillfully adapted to its ever-changing environment that has most recently produced higher disposal revenues but lower recycling commodity prices. I'm pleased to advise you that current operations can be sustained, and the food scrap initiative can continue to expand, without a change in the current \$55 annual solid waste fee.

### **Risks**

There three significant risks inherent in this budget.

Jail variance: There is a looming unbudgeted expense associated with a State push to reduce population levels at the County Jail. While the State Commission of Correction recently extended an 18-bed variance through the end of 2016, the COC was clear in demanding the County reduce its inmate population to fit within an 82-bed jail, or expand the facility to accommodate County inmates. If the State is not happy with our progress, it has demonstrated a willingness to revoke our variance, resulting in an immediate increase in board-out costs.

Assigned Counsel: As indicated earlier, there is not a way to predict how many additional clients will be provided County-funded legal defense when the state-mandated income eligibility threshold doubles, to 250% of the federal poverty level, in April. Nor is it clear whether the Governor will sign legislation to have the State gradually assume the cost of mandated indigent defense. While \$100,000 has been added to the Assigned Counsel Office budget, there remains a significant risk that costs will rise beyond the 2017 budget.

Sales tax: The absence of any discernible pattern in recent sales tax collections makes trend-based predictions of future collections very precarious. The estimate used in the 2017 budget is intended to err on the side of conservatism, but it is possible that we are witnessing a sea change in consumer spending patterns that may portend continued declines in consumer spending and associated sales tax revenue.

Recognizing these risks, I have increased the Contingent Fund budget by \$230,000 over the 2016 adopted level.

### **Tax Cap**

Based on information supplied by the State, our estimate of the 2017 tax cap is now 2.22%. The 3% increase in the levy required to balance the Recommended Budget is therefore \$362,369 above the cap.



## Goals and Outcomes

The Recommended Budget was shaped by a 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 Capital Program and continues to increase the property tax levy by ½% to support reinvestment in County infrastructure. Within that funding allocation, the Budget includes a new Natural Infrastructure capital initiative intended to help mitigate the effects of climate change.
- **Goal:** Adapt to Evolving Priorities.
  - **Outcome:** Achieved. Resources aligned with jail diversion and re-entry, regulatory compliance, staff recruitment and retention, adaption to climate change.
- **Goal:** Stay within Fiscal Parameters.
  - **Outcome:** Achieved. The proposed tax levy is at 3% and includes the priority items that were the basis of the levy target.

## 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 2017 budget stands at \$173,047,755. This represents a 0.8% increase in total spending over the 2016 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 2017 local dollar budget totals \$84,743,251, or 0.9% more than in 2016.

**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 \$48,062,035—an increase of 3.0% over 2016. The recommended levy is above the projected 2.22% property tax cap.

**Property Tax Rate:** Because of a robust 4.5% increase in the value of taxable property in the County, the recommended 2017 property tax rate will decline to \$6.63 per \$1,000 from the 2016 tax rate of \$6.73 per \$1,000, a reduction of 1.5%

This is the third 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 \$170,000 to \$175,000. The recommended budget would increase the County property tax bill for the owner of a median-valued home by \$16.

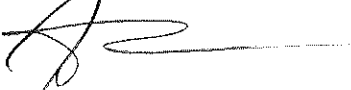
As I transmit the recommended budget to you, I wish to thank County Department Heads and Agency Directors and their staff for their professional approach to the challenges that mark every budget. All continue to demonstrate their commitment, and ability, to provide services that are essential to the 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. As a result, we remain able to maintain 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.

I especially want to thank Kevin McGuire, who has come to master our very complex budgeting systems and who played a critical role in the development of a new automated budgeting system that has been put in place this year and will simplify the complex and time consuming process of creating the annual County budget.

I look forward to working with the Legislature in the coming weeks to delve into the details of the budget and arrive at a 2017 spending plan that aligns with the priorities and values of our community.

Sincerely,



Joe C. Mareane  
County Administrator