



Tompkins County Department of Administration

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COUNTY ADMINISTRATOR
Joe Mareane
DEPUTY COUNTY ADMINISTRATOR
Paula E. F. Younger

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

September 2, 2014

To the Honorable Members of the Tompkins County Legislature:

I am pleased to present you the recommended 2015 Tompkins County Budget. The budget accomplishes several programmatic goals—the most important of which is the preservation of County services—and our fiscal goal of remaining within the County's projected property tax cap.

The tentative budget would increase the County's property tax levy by 2.34%, adding \$6.34 to the annual tax bill of the average County homeowner. Because the increase is less than the State-imposed property tax cap, that \$6.34 would be returned to homeowners by the State under the new property tax freeze law. Additionally, the County's solid waste annual fee has been reduced from \$56 to \$52, a 7% reduction.

The 2015 budget is characterized by continuity and restraint. Departments have done an admirable job of maintaining services while still complying with budget targets that required a 1% across-the-board cut in non-mandated local costs. The budget allows us to maintain vital services, increase our investment in County infrastructure, and set aside funds for modest wage growth for our employees.

The total number of employees is essentially the same as this year, keeping our roster fully 7% below the 2009 peak.

The budget also addresses several emerging priorities, including providing temporary relief to the County-owned Ithaca Tompkins Regional Airport, funding the near-term recommendations of the Jail Alternatives Task Force, and realizing greater levels of attainment in meeting our living wage goals.

Our accomplishments have not come at the expense of our fiscal discipline. The budget does not resort to nearsighted strategies that have hobbled so many other local governments. County reserves appropriated in the budget are at the lowest level in memory, and are used only to support non-recurring expenses. We will borrow, but only for major infrastructure and equipment items that have long-useful lives. Our estimates of revenues and expenses are reasonable and attainable. Spending growth has been held to just 1.6% over 2014.

Much like the situation a year ago, we are realizing the benefits of a growing economy, while also experiencing service demands that suggest many are being left behind. On one page of the budget, we are reaping the benefits of rising consumer spending and associated sales tax revenue. On another page, we are supporting the costs of public assistance caseloads that were 9% higher this May than they were in May 2009, during the depths of the recession.

The budget is the product of these contradictory trends. We expect the recovering economy to positively influence some of our major budget items, including sales taxes, pension costs, and revenues tied to the real estate market. However, we have not seen a decline in the demand for human service programs that normally accompanies a recovery. Mandated human service expenses have stabilized, but at highly elevated levels.

The budget cannot address all of the needs identified by our departments and agencies. A number of Over Target Requests have been recommended at the funding level requested. However, several OTRs were only partially funded, or not recommended at all. Fully funding all of the OTRs would have added \$323,100 in property-tax supported, local dollar spending to the budget.

Major Influences on the Budget

Labor Costs

Lower Pension Costs: When the economy nearly collapsed in 2008-2009, the New York State pension fund lost approximately one-third of its value, leaving an enormous funding gap to be filled by employers. Pension rates tripled between 2009 and 2013, adding over \$5 million in costs to the County's budget. A resurgent stock market has contributed to a modest decline in pension rates in 2014 that is expected to continue in 2015. The tentative budget assumes the rate will drop from 20.1% to 18.8% of payroll in 2015, producing a local dollar savings of approximately \$375,000.

Moderate Growth in Health Costs: The Inter-Municipal Health Benefits Consortium continues to generate benefits for the County. During its first three years of operation, the Consortium built-up reserves to statutory levels and is now in a position to apply excess reserves to offset a portion of the 8% underlying growth in employee and retiree health costs. The County's 2015 premium will increase by 5%. While this rate of growth is enviable, the local dollar cost to provide health care for our employees and retirees will rise by approximately \$215,000 next year.

Wage Growth: All of the County's labor contracts will have expired by 2015. Funds have been set-aside in the budget to provide modest wage growth for all County employees.

The size of the overall County workforce remains constant in 2015, although the bottom-line masks slight increases and decreases within specific departments.

Mandates

The budget anticipates the second year of relative stability in the local cost of mandated programs. The net local cost of mandated programs is up by \$211,000, or 1%, over the 2014 budget.

In the Department of Social Services, increases in mandated programs--particularly Family Assistance, Child Care, and Juvenile Delinquent Care--have been largely offset by savings in other mandated areas. In particular, the combination of a "hard freeze" on Medicaid and the expectation of continued savings tied to the Affordable Care Act, have resulted in a projected drop of \$137,000 in the County's Medicaid

expenses. 2015 will be the second consecutive year in which the cost of Medicaid has declined. Still, at \$11.7 million, the County's contribution to the State for its Medicaid program remains our largest single expense and represents 25% of the entire County property tax levy.

Similarly, in the Health Department, increases in the Early Intervention program attributable to a multi-year adjustment in transportation rates have been offset by reductions in the department's estimate of PreK costs.

Much of the net increase in mandates costs is found in higher college chargeback expenses (+\$90,000) budgeted this year after recent growth in those costs. While considered a fixed, rather than mandated cost, the budget is also affected by higher costs for Jail inmate board-outs and medical care (+\$139,750). In particular, the budget recognizes the recent sharp increase in inmate medical expenses.

Capital Investment

In late 2012, the Legislature adopted an update to the County's 20-year Capital Improvement Plan (CIP) that established a schedule of capital projects and fiscal policy guidance intended to support the Plan. The policy called for the property tax levy to be increased by 0.75% in 2014 and 2015, and by 0.50% thereafter, to support capital reinvestment.

This budget departs from that policy by raising the property tax levy by 0.50%, or \$225,000, in 2015 to support capital projects. In making that departure, I am confident that the proposed level of funding will allow the County to sustain the full, ambitious slate of projects included in the Updated CIP, and also accumulate an ample capital reserve available for future projects.

Sales Tax

Sales tax collections have been erratic over the past two years. Following an anemic first quarter and a robust second quarter, the budget assumes that sales tax revenue will rise by 2% in 2014 and another 1.5% in 2015. At that rate of growth, budgeted sales tax revenue for 2015 is up \$628,000 over the 2014 budget.

Revenue Losses

Although both were anticipated, the scheduled \$96,400 reduction in payment-in-lieu of tax revenue from the Cayuga Power Plant (formerly AES) and \$78,600 loss of rent from the soon-to-be-departed Finger Lakes Library System for space in our Library building have had a meaningful impact on the 2015 budget.

Sponsored and Partner Agencies

The County devoted considerable time and resources last year to help address large structural deficits faced by our largest not-for-profit partner agencies. The County secured a new, recurring revenue source for Tompkins Consolidated Area Transit (TCAT) through a 0.25% mortgage recording tax that

provided \$680,000 in new revenue for public transit. We assembled a task force that developed a new revenue model for Tompkins County Area Development (TCAD) that commits the County to support one-third of the economic development agency's budget through a combination of property and room tax revenue (with the remaining two-thirds will come from Industrial Development Agency income and member contributions). Similarly, the County assembled a work group and implemented recommendations that included a significant increase in the County's appropriation to the Tompkins County Public Library to close its structural deficit. Because of the County's own fiscal constraints, the increase was funded by phased-in property taxes and phased-out draws on County reserves.

In 2015, we will continue to implement these plans. Our \$3 million contribution to the Library in 2015 will be fully funded with recurring revenue, ending our reliance on County reserves to fund this on-going expense. In 2014, \$140,000 of our contribution was paid out of County reserves.

Consistent with the schedule approved last year, the County's \$224,654 contribution to TCAD will be supported with \$164,654 in property taxes and \$60,000 in room taxes. In future years, the property tax contribution will decline as higher levels of room tax revenue are applied.

A 3%, or \$83,659, increase in the County's sponsor contribution to TC3 was approved by the Legislature earlier this year.

As was provided in the targets approved by the Legislature this summer, the budget also provides a 1% increase for all other sponsored agencies.

Town Plowing Costs

The County contracts with several towns to plow County roads that run through those towns. The payment schedule is lagged, so that the 2015 payment is based on the work performed in the winter of 2013-14. Because of a particularly hard 2013-14 winter that followed a particularly mild winter, the 2015 budget for town plowing is \$600,000—a \$169,000 increase above the 2014 budget.

Tax Cap

Earlier this year, New York State enacted a "property tax freeze" that promises homeowners a rebate for any property tax increase levied by a school or local government that stays within its State-imposed tax cap. While the amount of such rebates is small, the public relations promotion of the program by the State has raised taxpayer expectations and put local governments and schools under even greater pressure to stay within their tax cap.

In April, we projected that the 2015 tax cap would allow a levy increase of 2.36%, or \$1.06 million more than this year.

The spending targets for the 2015 County budget were based on a goal of staying within the 2.36% cap, requiring departments to reduce non-mandated spending by 1%. As indicated, department heads have generally been able to accommodate the reduction while preserving current levels of service. When

service levels were at risk, departments submitted over-target request that are, in almost every case, recommended in the tentative budget.

Based on updated information from New York State, the projected 2015 tax cap will be 2.65%, allowing levy growth of \$1,194,395, or \$130,699 more than allowed by the initial 2.36% estimated cap.

Goals and Outcomes

The budget allows the County to meet its basic programmatic and fiscal goals. Our 2015 spending plan stays within the tax cap, sustains existing levels of service, and allows a limited number of emerging priorities to be achieved.

1. Maintain Critical Services: The primary programmatic goal of the recommended budget is to maintain existing services. That goal has been achieved.

The stability of services does not mean we are static or complacent. As this budget reflects, Tompkins County remains a dynamic organization that is constantly adapting in order to sustain vital services in spite of often-adverse changes in the regulatory, fiscal, and socio-economic environment. The budget incorporates several such changes aimed at adjusting to changing circumstances and improving the quality and efficiency of services we deliver.

2. Re-invest in Basic Infrastructure: The projects contained in the 2013 Updated Capital Improvement Plan (CIP) are fully funded. The investments included in the 5-Year Capital Program are targeted to keep existing roads, bridges, and County facilities safe and in good repair.

Debt service on projects currently underway and scheduled to occur during the 5-year Capital Program period will be covered with a 0.5%, or \$225,000, increase in the tax levy. The CIP called for 0.75% hike for capital projects in 2015 and a 0.5% increase thereafter. As future budgets continue to raise the levy by 0.5% for capital, reserves will accumulate to support projects that will almost inevitably arise as needs and opportunities unfold.

3. Stabilize the Airport's Finances: After several years of robust growth and record passenger activity, the number of passengers flying out of the Ithaca Tompkins Regional Airport has declined sharply over the past two years. This comes at a time when airlines are already decreasing service to smaller airports across the country. Particularly in a knowledge-based economy such as ours, an airport connecting to multiple hubs is a crucial transportation link to the global economy. The County therefore has a strong interest in maintaining, and ultimately expanding, air service. While remaining firmly committed to an airport that is a self-sufficient governmental enterprise, the County also has a unique ownership obligation to preserve this vital asset.

To provide near-term relief needed to stabilize costs and implement measures to improve passenger activity levels, the recommended budget proposes a three-year suspension of the

\$126,000 payment made by the Airport to the County for administrative services. The temporary loss of revenue to the County will be offset by the appropriation of reserves and will not impact County property taxes.

4. Address Emergent Policy Goals: Over the past year, the County Legislature has undertaken reviews of specific policy areas, and debated ways to better achieve its policy goals. Guided by the direction that has come from those debates, the budget attempts to align resources with emerging policy priorities.

Alternatives to Incarceration—The recommended budget funds the near-term recommendations of the Jail Alternatives Task Force. In particular, \$50,623 is allocated to Opportunities, Alternatives, and Resources (OAR) to hire an additional staff person to assist with the low-bail program and provide additional case-management services.

Living Wage--County funds have been recommended to bring employees of one contract agency to the AFCU living wage. Additionally, the Human Services Coalition is providing support for another agency to achieve that standard.

5. Maintain Fiscal Stability: The programmatic and financial goals of the budget have been achieved without compromising our fiscal integrity. The budget appropriates \$571,776 in reserves, including nearly \$126,000 for the Airport, and limits the use of reserves to non-recurring expenses. That use of reserves is down by over \$100,000 from 2014 and is well below the \$3.5 million applied to balance the 2009 budget.
6. Remain within Property Tax Cap: The tentative budget is well within the tax cap. Balancing the 2015 recommended budget would require a 2.34% increase in the County's property tax levy, slightly below April's tax cap estimate. With additional information now available from the State, we are now projecting the 2015 tax cap at 2.65%.
7. Other Notable Features:
 - Enabled largely by the retirement of debt issued to develop the Solid Waste and Recycling Facility, the budget recommends a 7% reduction in the annual solid waste fee. If approved, the rate will be \$52 per household next year, down from the current \$56.
 - Although there are minor increases and decreases among departments, the County's overall workforce, as measured by full-time equivalents, is essentially unchanged from 2014. Among the changes is a (within target) 1.5 FTE increase in the Facilities Management maintenance staff that addresses a longstanding concern about the volume of work that exceeds the capacity of our buildings and grounds staff.

The budget supports 721.37 full-time equivalent positions. Our workforce remains 7% smaller than the 776-person roster budgeted in 2009.

- There are a few cost-neutral organizational shifts that have occurred in the budget, including shifting STOP-DWI to County Administration, consistent with the County Charter, and continuing internal consolidation relocating personnel with information technology and related responsibilities into our ITS Department.
- Through the OTR process, funding beyond the 1% target increase is recommended for several County-supported agencies.

Fiscal Summary

As was the case in 2014, the recommended budget does not try to return the County to where it was before the Great Recession. Changes are strategic and modest. The budget allows the County to maintain, but not expand, its diverse range of services essential to the community we serve.

Total Budget: The recommended 2015 budget stands at \$180,016,036. After adjusting for a new way of accounting for the issuance and retirement of bond anticipation notes, this represents a 1.6% increase in total spending over the 2014 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 2015 local dollar budget totals \$83,292,405, or 2.0% more than in 2014.

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 \$46,123,713—an increase of \$1,055,237, or 2.34%. The recommended levy is below the projected 2.65% property tax cap.

Property Tax Rate: Because of the modest increase in the tax levy and a relatively robust 3% increase in the value of taxable property in the County, the recommended 2015 property tax rate will fall by nearly one percent, to \$6.84 per \$1,000, from \$6.89 per \$1,000, a reduction of 0.7%

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 \$163,000 to \$165,000. The recommended budget would increase the County property tax bill for the owner of a median-valued home by \$6.34. Under the State's new property tax freeze law, homeowners would receive a rebate from the State that would fully offset that increase. Additionally, homeowners will see a \$4 dollar reduction in their annual solid waste fee.

Putting aside the prospect of a State rebate, the impact of the tentative budget on the average County homeowner is \$2.34.

As I transmit the recommended budget to you, I wish to thank County Department Heads and Agency Directors, and their staffs, for their professional approach to the challenges that mark every budget.

All exercised the restraint we requested, and continue to find ways to maintain service levels, provided with high quality, to the community.

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 over the past several months has come to master our very complex budgeting systems, and Kevin Sutherland, who was extraordinarily generous with his time whenever we needed his help and expertise. Our budget document has been designed to facilitate an understanding and discussion about programs, priorities and the competition for limited resources. Bringing clarity and transparency to the budget document and process involves a very complex, behind-the-scenes effort. That effort is greatly appreciated.

I look forward to working with the Legislature in the coming weeks to delve into the details of the budget and arrive at a 2015 spending plan that aligns with the priorities and values of our community.

Sincerely,

A handwritten signature in black ink, appearing to read 'Joe C. Mareane', with a long horizontal flourish extending to the right.

Joe C. Mareane
County Administrator