Budget Capital and Finance Committee
March 9, 2009
3:30 p.m.
Scott Heyman Conference Room

DRAFT

Present: J. Dennis, P. Mackesey, K. Herrera, M. Hattery, N. Shinagawa
Legislators: M.Koplinka-Loehr, W. Burbank, M.Robertson, C. Chock
Staff: J. Mareane, J. Kippola, M. Lynch, N.Jayne, County Administration; P. Meskill, Sheriff; P. Carey, DSS Commissioner; D. Squires, Finance Director; M. Pottorff, Legislature Office
Guests: M. Armstrong, TCAD; S. Wiggins, D. Sparrow, S. Stein, Strategic Tourism Planning Board; F. Bonn, Chamber of Commerce; B. Bossard, Community Arts Partnership

Call to Order

Mr. Dennis called the meeting to order at 3:32 p.m.

Changes to the Agenda

It was MOVED by Ms. Mackesey, seconded by Mr. Shinagawa, and unanimously adopted by voice vote to add a resolution to the agenda that was referred to committee by the full Legislature at its March 3, 2009 meeting. The resolution is entitled "Supporting the Fair Share Tax Reform Act of 2009' in the New York State Legislature, to Improve Equity in Taxation for New Yorkers and Help Close the State's Projected Budget Gap"

Approval of Minutes of February 3, 2009

It was MOVED by Mr. Hattery, seconded by Ms. Mackesey, and unanimously adopted by voice vote, to approve the minutes of February 3, 2009. MINUTES APPROVED.

Approval of Minutes of February 3, 2009

At the request of Ms. Herrera, the minutes of February 3, 2009 were withdrawn from the agenda.

Comments from the Public

No member of the public was in attendance.

Chair's Report

Mr. Dennis had no report.

Report from the Finance Director

Mr. Squires asked that the Audit Committee gather at the end of the next meeting on March 23rd for the purpose of going over the scope of the audit and gathering input. Mr. Squires reported on the first sales tax payment for February, 2009, and said the gross amount was 5% down from last year. He has been working on closing 2008 accounts and is waiting for some final claims from the Department of Social Services to be completed.

County Administrator's Report

Mr. Mareane said in response to the rapidly changing fiscal environment he would like to began a discussion today about the 2009 budget and a framework to approach that budget. The Committee agreed to discuss this later in the meeting. Mr. Mareane said he will be requesting action on a personnel matter at the next meeting of this Committee; he will first present the item to the Government Performance and Workforce Relations Committee

Public Information Officer's Report

Ms. Lynch had no report.

Department of Probation and Community Justice

Budget Adjustment

It was MOVED by Ms. Mackesey, seconded by Mr. Hattery, and unanimously adopted by voice vote by members present, to approve the following budget appropriation and submit to the full Legislature.

FROM:	A3996.43389	Other Public Safety	$6,510
TO:	A3996.54491	Subcontracts	$6,510

EXPLANATION: Appropriation of unused 2007 STOP (Violence Against Women) Grant funds.

RESOLUTION NO. - SUPPORTING THE "FAIR SHARE TAX REFORM ACT OF 2009" IN THE NEW YORK STATE LEGISLATURE, TO IMPROVE EQUITY IN TAXATION FOR NEW YORKERS AND HELP CLOSE THE STATE'S PROJECTED BUDGET GAP

MOVED by Ms. Mackesey, seconded by Mr. Shinagawa. Mr. Hattery said he will not debate the resolution at this time. He believes this proposal would be more appropriate if it were a member-filed resolution because this Committee did not consider a variety of options or proposals to address the State Budget shortfall.

Ms. Herrera supports the idea behind this resolution and appreciates it coming back to Committee. She spoke to the content of the resolution and said she thinks it is too lengthy and the intent of the resolution could be addressed in many fewer whereas's.

A voice vote on approving the resolution and submitting to the full Legislature resulted as follows: Ayes: 4, Noes – 1 (Hattery). MOTION CARRIED.

WHEREAS, New York State faces a budget gap of at least $13 billion in the 2009-2010 fiscal year, and

WHEREAS, the Executive Budget proposes billions of dollars in cuts to schools, healthcare providers, and other essential community services, which will lead to increases in class sizes, teacher layoffs, hospital and nursing home closings, longer wait times in emergency rooms, and deep cuts to hundreds of important programs such as housing assistance and homeless shelters, and

WHEREAS, the Governor has also proposed some 137 new taxes and fees, such as reinstating the state sales tax on clothing under $110 and increasing fees for license plates, which fall disproportionately on middle- and low-income New Yorkers, and

WHEREAS, Governor Paterson has described his budget proposals as necessary to “share the pain” across the citizens of the state, and

WHEREAS, during the last 30 years, New York has reduced income tax rates on the wealthiest New Yorkers by more than 50% (from 15.375 percent to 6.85 percent) and eliminated high income tax brackets, so that working class families and the very rich pay the same tax rate. Today, New Yorkers who make more than $40,000 a year are subject to the same marginal tax rate as those who make $400,000 or $40 million, and

WHEREAS, New York has replaced this lost revenue over the years by implementing more regressive taxes and fees that disproportionately impact low- and moderate-income New Yorkers, including cost shifts to local governments that force increases in property taxes, as localities struggle to cover costs of essential and mandated services, and

WHEREAS, as a result, currently the richest 1% of New Yorkers pay 6.5% of their total income in state and local taxes, while the poorest 20% of New Yorkers pay 12.6% of their income in taxes, and

WHEREAS, the Fair Share Tax Reform Act of 2009 (S.2021; A5912) would raise more than $6 billion in revenue to nearly halve the projected budget shortfall, while reforming New York's tax code to make it fairer, more progressive and in line with neighboring states, and

WHEREAS, the Fair Share Tax Reform Act of 2009 would slightly increase tax rates for the top 3.5 percent of New Yorkers, as follows:

- by 1.4 percent for those with taxable income of more than $250,000 (from 6.85 percent to 8.25 percent);
- by 2.12 percent for those with taxable income of more than $500,000 (from 6.85 percent to 8.97 percent); and
- by 3.45 percent for those with taxable income of more than $1 million (from 6.85 percent to 10.3 percent), and

WHEREAS, there is no evidence that moderate tax rate increases at the top levels induce outmigration. In fact, after New York passed a temporary surcharge on higher-income taxpayers in 2003, the number of high-income returns grew by 30% while the surcharge was in effect. Evidence from New Jersey shows that since 2004, when that state raised the tax rate on half-millionaires by 2.6%, the number of people earning at least $500,000 has grown by 70% and people have not left the state as a result, and

WHEREAS, in December, more than 100 New York State economists, including Nobel-prize winner Joseph Stiglitz, endorsed (http://www.fairsharereform.com/economists) a proposal similar to Fair Share Tax Reform, saying “We are concerned...that steep state budget cuts will exacerbate the economic downturn and harm vulnerable low- and moderate-income New Yorkers....Economic theory and historical experience gives a clear and unambiguous answer: it is economically preferable to raise taxes on those with high incomes than to cut state expenditures.”, and

WHEREAS, more than 150 of the state's religious leaders endorsed Fair Share Tax Reform in an open letter (http://www.fairsharereform.com/clergy) to Governor Paterson and Albany legislators in December 2008, saying: “We implore you to ask those New Yorkers who are most well-off to share in the sacrifice and give up a little bit more of their income for the good of our State. A slightly higher contribution from New York’s wealthiest residents would significantly reduce the need to cut important healthcare and education programs so severely.”, and

WHEREAS, according to a Quinnipiac poll (http://www.quinnipiac.edu/ x1318.xml?ReleaseID=1245) in December 2008, voters support, by 84 to 13 percent, raising the state income tax on people who make more than $1 million per year, now therefore be it

RESOLVED, on recommendation of the Budget, Capital and Finance Committee, That the Tompkins County Legislature agrees with Governor Paterson that all New Yorkers should share in sacrifice in these difficult fiscal times, especially those most financially able to do so, RESOLVED, further, That the Tompkins County Legislature calls on the New York State Senate and Assembly to pass the Fair Share Tax Reform Act of 2009, as one of the actions needed to close the state's budget shortfall, raising $6 billion by slightly raising income tax rates for the top 5 percent of New York taxpayers, and therefore eliminating the need for some of the devastating cuts to the most vulnerable of our citizens,

RESOLVED, further, That copies of this resolution be sent to Governor David Paterson, New York State Senator Leader Malcolm Smith, Senators Dean G. Skelos, Eric T. Schneiderman, Jeffrey D. Klein, James L. Seward, George H. Winner, Jr., and Michael F. Nozzolio, Assembly Speaker Sheldon Silver, Assemblymember James Tedisco, Assemblywoman Barbara S. Lifton, and New York State Association of Counties.

SEQR ACTION: TYPE II-20

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RESOLUTION NO. REQUESTING NEW YORK STATE LEGISLATURE TO AMEND SECTION 1202-f OF STATE TAX LAW TO PERMIT TOMPKINS COUNTY TO USE HOTEL ROOM OCCUPANCY TAXES FOR ECONOMIC DEVELOPMENT

MOVED by Mr. Shinagawa, seconded by Mr. Hattery.

Mr. Hattery said considering the use of the Room Occupancy Tax for this purpose was a Committee goal from 2008. He said he drafted a "Statement of Purpose and Intent" (see page 6) to clarify a fairly restrictive definition of economic development and direction of the allocation of TCAD. He also said in talking about economic development, in no way is there an intent to attempt to include other public services provided by the County. He also said this proposal seeks to expand what is a very narrow and complimentary use to the current uses of Room Tax and that it is not the intent of the Legislature to "open the door" to new uses for this Tax.

Ms. Herrera spoke of the thoughtful foundation that exists with Tompkins County's tourism program. She said this is a time when it is very tempting and when urgency and thoughtless actions can lead us to take away from the County's strong foundations of economic development, which is tourism. She said this action, although it may look like a quick way to get some money, will be a real problem and will take from a program that makes Tompkins County stand above other communities. She thinks another way can be found to support economic development.

Ms. Mackesey said Mr. Hattery has been working on this for the last three years; therefore, this action has not emerged in response to the downturn in the economy. She expressed concern in going to the State Legislature with a request in State Law because she is not convinced the end result will be what was requested. She agreed with Ms. Herrera that the County's tourism program is a wonderful program and would like to find a way to explore ideas, such as a micro-enterprise program, to assist in funding economic development. She said she cannot not support the resolution as it is now written.

Mr. Shinagawa agreed that the County's tourism program has been very successful. He said he will support this resolution because if a connection is not made between tourism and economic development, the other options for funding are to raise the property tax or sales tax. He said this is a practical choice and does not believe this action will destroy the tourism program or alter it in any major way.

Mr. Bonn said tourism is one of the hardest hit sectors in this declining economy and said there could be as much a 20% reduction in Room Occupancy Tax collections. He said they have spent a lot of time looking at this and all information he has reviewed leads him to believe it will take three years to recover and rebuild once the cycle ends; it is believed this negative economic period will last 18 months. He said for every $5 raised in Room Tax, the County is raising $4 in local sales tax. Mr. Bonn said once the room rate drops it takes a significant amount of time and energy to rebuild the rate. He said while he does support the efforts of TCAD and thinks there is a viable link between tourism and economic development, he does not think it is the appropriate time to take this action.

Mr. Stein said he believes there is a link between economic development and tourism but doesn't think that tying TCAD to tourism in this way is what TCAD is looking for. They need to have other funds for other purposes besides tourism. They were getting those funds before changes were made to the IDA program at the State level. Mr. Stein said to work something out in order for TCAD to receive tourism funds it would require that there be at least some linkage between the two. He said when this was looked at a few years ago that linkage wasn't identified.

Mr. Wiggins said the Tourism program is facing a $125,000 cut in planned funding in the 2009 budget (23% decrease) based upon actual revenue forecasting for 2009. He said the STP (Strategic Tourism Planning) Board has been and will continue to be open to finding a way to support economic development under the auspices of TCAD as long as a line can be drawn between tourism and that funding. While they will remain open to those discussions he does not think this is the appropriate time to take this action.

Mr. Sparrow said the STPB has already supported an initiative with Workforce Development for training in cooperation with the Chamber of Commerce and Tompkins Cortland Community College.

Mr. Bossard spoke of the arts industry in Tompkins County and said it is important to recognize that this industry benefits from the current method of how Room Occupancy Tax is distributed under the direction of the STPB and this is a very difficult time Statewide for the arts industry.

Ms. Chock expressed concern over the timing of this proposal and said there is a proposal being developed that would change the way the tourism program is currently administered. She suggested that this resolution be delayed until that proposal is complete.

Mr. Hattery said he would not have proposed this if he thought the small amount of funds under consideration would do any damage to the existing tourism program. He said this resolution does not have a percentage figure tied to it as recommended by the attorney. He clarified that the resolution requests the authority to take this action, it does not mean the Legislature would be required to use it. Mr. Hattery said there are quality of life issues with many of the other economic sectors the County partners in. He said this should be supported unless the County is prepared to look to other revenues such as the sales and property taxes to put footing under those other economic development programs that have decreasing funding.

Mr. Dennis said this is an issue that should be looked at periodically. He would like to have a discussion of a specific percentage figure but would not support sending a resolution to Albany with a percentage number in it.

A voice vote on approving the resolution and submitting to the full Legislature resulted as follows: Ayes – 2 (Hattery and Shinagawa); Noes – 3 (Dennis, Herrera, and Mackesey). MOTION FAILED.

WHEREAS, in 1986 at the request of the Tompkins County Legislature, the State adopted Section 1202-f of State Tax Law authorizing Tompkins County to impose a hotel occupancy tax, and

WHEREAS, subsection 9 of that law provides that revenues resulting from the imposition of the tax shall be "allocated for tourist and convention development" with the exception of an administrative fee of up to ten percent, and

WHEREAS, the County Legislature subsequently adopted a local law implementing the authorized tax (currently Chapter 150 of the Tompkins County Code), and

WHEREAS, revenues from the hotel room occupancy tax have risen in recent years, and

WHEREAS, the County Legislature has identified economic development as an important County need, now therefore be it

RESOLVED, upon recommendation of the Budget and Capital Committee and the Planning, Development and Environmental Quality Committee, that the County asks the New York State Legislature to amend Section 1202-f(9) of New York State Tax Law to authorize Tompkins County to allocate revenues resulting from the imposition of the tax to economic development in addition to the already permitted uses.

SEQR ACTION: TYPE II-20

<u>Document submitted by Legislator Hattery:</u>

Hotel Room Occupancy Tax and Economic Development: Statement of Purpose and Intent

January 26, 2009

It is important to clarify the legislature's purpose and intent in broadening the allowable uses of the Hotel Room Occupancy Tax to include "economic development." It is the intent of the legislature that this term be interpreted narrowly and not expansively. The use of Hotel Room Occupancy Tax revenues for economic development would be restricted to direct economic development programming and planning, including: business retention and expansion support activities, marketing, new business attraction, and monitoring and strategic planning for economic development. Initially it is anticipated that the use of these revenues for economic development would be allocated to support such activities through Tompkins County Area Development (TCAD), the County's key professional partner in this area. TCAD has been successfully working in this area for a number of years. These funded activities would be the subject of an annual or multi-year agreement between the county and TCAD.

It is equally important to indicate those activities that the legislature does not imply or intend in this expansion of the use of the Room Occupancy Tax through the term "economic development." Specifically, the legislature does not intend that "economic development" be interpreted broadly to include other public services provided by the county. It can be argued that some public services improve the environment for development. In other cases, it can be argued that the demand for a public service is increased because of tourism, manufacturing, high tech or other economic development. The legislature is excluding the use of the Hotel Room Occupancy Tax for public services based on these or other rationales that could be developed. This exclusion would include, but is not limited to expenditures for public safety, public works (including public infrastructure) and public health.

In short, the legislature seeks to expand the language of permitted uses for the room occupancy tax to include a limited and complementary use. The use of these funds for economic development is an important, related purpose in the county's overall development plan. It is not intended nor is it expected that this minor adjustment in the use of Hotel Room Occupancy Tax revenues will jeopardize the successful and important activities in tourism promotion and tourism industry development. Finally, in broadening the use of these revenues to include "economic development" the legislature does not intend to create a precedent for further amendments to the use of the tax that would lead to the diversion of Hotel Room Occupancy Tax revenues for other new uses.

RESOLUTION NO. - ADOPTION OF CASH MANAGEMENT AND INVESTMENT POLICY

It was MOVED by Mr. Hattery, seconded by Ms. Herrera, and unanimously adopted by voice vote by members present (Mr. Shinagawa was temporarily out of the room), to approve the following resolution and submit to the full Legislature.

WHEREAS, Article 2 -Section 10 of the General Municipal Law requires each local government to authorize depositories for public funds, and

WHEREAS, Article 2 -Section 11 of the General Municipal Law requires each local government to authorize Permitted Investments for public funds not required for immediate expenditure, and

WHEREAS, Article 3 -Section 39 of the General Municipal Law requires each local government to adopt a comprehensive investment policy which details the local government's operative policy and instructions to officers and staff regarding the investment of public funds, and that the Investment Policy shall be annually reviewed by the local government, now therefore be it

RESOLVED, on recommendation of the Budget, Capital, and Finance Committee, That the Cash Management and Investment Policy dated January 2009, is hereby adopted.

SEQR ACTION: TYPE II-20

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County of Tompkins, New York
Cash Management and Investment Policy
January, 2009

I. SCOPE

This cash management and investment policy applies to all money and other financial resources available to the County of Tompkins for deposit and/or investment on its own behalf or on behalf of any other entity or individual.

II. OBJECTIVES

The primary objectives of the County's cash management and investment activities are, in order of priority:

- To conform with all applicable federal, state and other legal requirements (legality),
- To adequately safeguard principal (safety),
- To provide sufficient liquidity to meet all operating requirements (liquidity), and,
- To obtain a reasonable rate of return (yield).

III. DELEGATION OF AUTHORITY

In accordance with the County Charter Article 6.02, responsibility for administration of the cash management and investment program is delegated to the Director of Finance, who shall establish written procedures for cash management consistent with the authorized Cash Management and Investment Policy. Such procedures shall include an internal control structure adequate to provide a satisfactory level of accountability, maintaining records incorporating descriptions and amounts of investments, transaction dates, and other relevant information, and regulating the activities of subordinate employees.

IV. PRUDENCE

All participants in the cash management and investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the County.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

All participants involved in the cash management and investment process shall refrain from personal business activity that could conflict or appear to conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

V. DIVERSIFICATION

It is the policy of the County to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

It is the policy of the County to invest with qualified financial institutions domiciled within the County whenever practicable.

The following diversification limitations shall be imposed on the County's portfolio of deposits and investments:

Institution:

- No more than 50% of the overall portfolio may be deposited in a single bank,
- No more than 35% of the overall portfolio may be deposited in Money Center Banks that have no branches within Tompkins County,
- No more than 10% of the overall portfolio may be deposited in state authorized cooperative investment programs.

Instrument:

- No more than 10% of the overall portfolio may be invested in the securities of a single issuer, except the U.S. Treasury.

Maturity:

- No more than 15%of the portfolio may have a maturity beyond twelve months,
- The average maturity of the portfolio shall never exceed one year, and,
- At least 20% of the portfolio shall be invested in accounts, instruments or marketable securities that can be liquidated to raise cash on one business day's notice.

VI. INTERNAL CONTROLS

It is the policy of the County that all money collected by any officer or employee of the County be transferred to the Finance Department as soon as is practicable, but in any event within one business day of receipt, or within the time period specified by law, whichever is shorter.

The Finance Director is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly, and that deposits and investments are managed prudently and in compliance with applicable laws and regulations.

VII. DESIGNATION OF DEPOSITORIES

A. The Tompkins County Legislature shall review and approve this list at least annually.

VIII. COLLATERALIZING OF DEPOSITS

In accordance with the provisions of General Municipal Law §10, all deposits of the County, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by any one or combination of the following:

1. By a pledge of eligible securities with an aggregate market value equal to the aggregate amount of deposits, from the categories designated in Appendix B to this policy. Eligible securities must also meet the rating requirements of at least one nationally recognized statistical rating organization as described in Appendix C.
2. By an eligible irrevocable letter of credit issued by a qualified bank, other than the bank with the deposits, in favor of the County for a term not to exceed 90 days, with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed- upon interest, if any. A "qualified bank" is one whose commercial paper and other unsecured short-term debt obligations meets the rating requirements of at least one nationally recognized statistical rating organization as described in Appendix C or by a bank that is in compliance with applicable federal minimum risk-based capital requirements.
3. By an eligible surety bond payable to the County for an amount at least equal to 100% of the aggregate amount of deposits and the agreed- upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims - paying ability meets the rating requirements of at least two nationally recognized statistical rating organizations as described in Appendix C.

IX. SAFEKEEPING AND COLLATERIALIZATION

Eligible securities used for collateralizing deposits shall be held by the depository and/or a third-party bank or trust company, subject to security and custodial agreements satisfactory to the County Attorney.

The security agreement shall provide that eligible securities are being pledged to secure the County's deposits together with agreed- upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted, or released providing collateral values are maintained, and the events that will enable the County to exercise its rights against the pledged securities including failure to meet deposit repayment or collateral terms, or the deposit institution's insolvency. In the event that the securities are not registered or inscribed in the name of the County, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the County or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for the County, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement shall also describe how the custodian shall confirm the receipt, substitution, or release of the securities. The agreement shall provide for daily revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. The agreement shall provide that the custodian will exercise the County's rights to the security or as instructed by the County. Such agreement shall include all provisions necessary to provide the County with a perfected interest in the securities.

X. PERMITTED INVESTMENTS

As authorized by General Municipal Law §11, the County authorizes the Finance Director to invest money not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- Special time- deposit accounts
- Certificates of deposit
- Obligations of the United States of America
- Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America

- Obligations of the State of New York
- Obligations issued pursuant to Local Finance Law §24 or §25 (with approval of the State Comptroller) by any municipality, school district, or district corporation other than the City
- Cooperative Investment Pools (approved by the State Comptroller)

All investment obligations shall be payable, saleable, or redeemable at the option of the County within such times as the proceeds will be needed to meet expenditures for purposes for which the monies were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable, saleable, or redeemable at the option of the County within two years of the date of purchase.

XI. <u>AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS</u>

Financial institutions and dealers approved for the purchase and sale of investments are listed in Appendix D. All financial institutions with which the County conducts business must meet the requirements of Appendix C. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the County. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The Finance Director is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners, and custodians. Such listing shall be evaluated by the County Legislature at least annually.

XII. <u>PURCHASE OF INVESTMENTS</u>

The Finance Director is authorized to contract for the purchase of investments:

1. Directly, including through a repurchase agreement, from an authorized trading partner. Authorization for the purchase of repurchase agreements is subject to the limitations outlined in XIII below.
2. By participation in a cooperative investment program where such program meets all the requirements of the General Municipal Law, the diversification characteristics as outlined in Section V of this policy, and otherwise meets the same standards as the County has for direct investments.
3. By utilizing an ongoing investment program with an authorized trading partner, pursuant to a contract authorized by the County Legislature.

All purchased investments, obligations, or participations unless registered or inscribed in the name of the County shall be purchased through, delivered to, and held in the custody of a bank or trust company. Such obligations shall be purchased, sold, or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the County by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in General Municipal Law §10.

XIII. <u>REPURCHASE AGREEMENTS</u>

Repurchase agreements are currently not authorized by the County Legislature. Should authorization be approved to invest in Repurchase Agreements they would be subject to the following restrictions:

- All repurchase agreements must be entered into subject to a Master Repurchase agreement providing for the terms outlined below and satisfactory to the County Attorney
- The County may only be the initial purchaser in such agreements
- Trading partners are limited to banks or trust companies meeting the rating requirements of one of the nationally recognized rating organizations as described in Appendix C or primary reporting dealers approved by the Federal Reserve Bank of New York

- Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America
- No substitution of securities will be allowed
- The custodian of the purchased securities shall be a party other than the trading partner satisfactory to the County
- Tenor of the repurchase agreement should be no longer than 3 months
- Tenor of the securities to be purchased should be no longer than 10 years
- The market value of the securities purchased shall exceed the purchase funds by the margins shown below; and the securities shall be revalued daily, and these margins should be maintained by the initial seller during the life of the transaction:
- For bills or bonds less than 3 years tenor, 3%;
- For bills or bonds of 3 years to 10 years, 4 1/2%;
- No one repurchase agreement may exceed $2,000,000, and,
- The County retains the right to terminate the agreement and sell the securities outside the repurchase agreement if any of the above items are not met, after adequate notice to the initial seller.

XIV. PERIODIC REVIEW

This cash management and investment policy shall be reviewed by the County Legislature at least annually.

Appendix A
DEPOSITORIES

The banks and trust companies, authorized for the deposit of County moneys are:

The Tompkins Trust Company
Bank of America
M&T Bank
Citizens Bank
Chemung Canal Trust
HSBC Bank
First National Bank of Dryden
First National Bank of Groton
JPMorganChase Bank
Tioga State Bank
Proposed Additions:
First Niagara Commercial Bank
Key Bank
NBT Bank

Appendix B
SCHEDULE OF ELIGIBLE SECURITIES

The type of securities that are considered "eligible securities" for collateralization are:

- Obligations issued by the United States of America, an agency thereof, or a United States government-sponsored corporation, or obligations fully insured or guaranteed as to the payment of principal and interest by the United States of America, an agency thereof, or a United States government- sponsored corporation.
- Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the market value of the obligation that represents the amount of the insurance or guaranty.

- Obligations issued or fully insured or guaranteed by New York State, obligations issued by a municipal corporation, school district, or district corporation of New York State, or obligations of any public- benefit corporation which under a specific state statute may be accepted as security for deposit of public moneys.
- Obligations issued by states (other than New York State) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- Obligations of counties, cities, and other governmental entities of another state having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- Any mortgage- related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by federal bank regulatory agencies..
- Zero-coupon obligations of the United States government marketed as "Treasury STRIPS".

There must be diversification of the collateral- securing deposits, except where the deposits aggregate less than $2,000,000 or the security is in the form of obligations of the U.S. Government or State of New York.

Appendix C
Nationally Recognized Statistical Rating Organizations (NRSRO)

The following are the organizations generally considered to be Nationally Recognized Statistical Rating Organizations, and their respective investment rating categories, which are considered acceptable for investments by the County or for securities eligible as collateral for Deposits by the County:

NRSRO	Long Term Debt*	Short Term Debt**
Moody’s Investor Services	A1 or better	P-1 or better
Standard & Poors	A+ or better	A-1 or better
Fitch	A+ or better	F-1 or better
Duff & Phelps	AA- or better	D-1 or better
IBCA	AA- or better	A1 or better
BankWatch (Banks)	B or better	TBW2 or better

* For securities with an original term of one year or longer. Also, for the claims- paying ability ratings issued by Moody's, Standard & Poors, and Duff & Phelps.

** For obligations usually defined as less than one year.

Appendix D
AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The financial institutions and dealers authorized for the purchase and sale of investments are:

The Tompkins Trust Company
Bank of America
M&T Bank.
JPMorgan Chase Bank

<u>2009 Budget Discussion – Presentation of Information by the County Administrator</u>

At this time Mr. Mareane presented and reviewed the following document for the purpose of beginning conversations and developing a strategy to respond to fiscal challenges.

Adapting to a Rapidly Changing Environment: A Recommended Budget Framework for 2009
Department of Administration
March 9, 2009

Executive Summary:
Since the approval of the County's 2009 budget in December, the rapid decline of the economy has threatened County's ability to sustain services and maintain its balanced budget. It is now clear that the economic downturn is deep and may take years to reverse.

Revenues on which the County relies—State aid, sales tax, and interest earnings—are in decline. Expenditures tied to human service needs are poised to rise. The result is a structural imbalance that must be addressed, preferably in a manner that does not create abrupt shocks to the community and economy that could exacerbate the effects of the recession.

This report recommends a framework for transitioning to the new fiscal realities that will shape County finances for some time. It is intended to foster discussion leading to a strategic direction the County can follow during a volatile time.

The report calls for 2009 to be recognized as a transition year, using available one-time resources--including the first of two installments of Medicaid cost relief tied to the federal stimulus package--to sustain most programs supported with at-risk State aid for the balance of 2009.

However, the report also recommends the County advise providers of those services that funding may not be available beyond 2009. This will ensure a fair and lengthy notice to all affected, and help position the County to align on-going revenues and expenses in 2010.

Background:
<u>2009 County Budget</u>: The 2009 Tompkins County budget was developed during a time of rapid changes in the state and national economies. Relying on the best information available, the County budget sustained current levels of service with a 3% property tax levy increase (but a tax rate reduction 13%) and a $3.4 million draw from reserves. With that use of reserves, the general fund balance remained at an estimated $840,000 above the County's 5% fund balance goal. This $840,000 was intended to serve as a buffer against potential aid cuts or other impacts of the recession.

<u>State Budget:</u> The economy has worsened since the approval of the County budget, resulting in a record State budget gap that now exceeds $14 billion. Under a plan proposed by the Governor, that gap would be filled with a combination of revenue increases and expenditure reductions, including at least $1.6 million in permanent aid cuts to Tompkins County departments and contract agencies. [1]

[1] The estimated loss of aid <u>includes</u> recent modifications to the Budget recommended by the Governor, particularly the restoration of a $505,000 cut in CHIPS highway maintenance funding and the continuation of bioterrorism planning funding through August 9, 2009. The estimate <u>does not include</u> the potentially significant impact of a change in the way DSS administrative costs and youth services are funded by the State, a plan to compel counties to provide home heath care services with County rather

The proposed State budget cuts to County programs are concentrated in the following areas:

$630,000	Community Optional Preventive Services (COPS) funds
$120,000	Elimination of reimbursement for housing State inmates
$113,000	Managed Addiction Treatment Services (MATS) funds
$111,500	Bioterrorism grant, Health Department (State funding proposed to continue only thorough August 9, 2009)

The actual financial impact of some of the cuts will not be known until allocation decisions are made by the State after the budget is passed and actual caseload volumes and types are known.

In addition to proposed cuts to County programs, the proposed State budget would impact a number of local agencies affiliated with the County. A survey conducted by the Department of Administration in February found $1.1 million in aid losses to area agencies ranging from the Finger Lakes Library System to the Displaced Homemakers program.

Unanticipated Relief--Federal Stimulus/Medicaid Savings: The federal stimulus package includes an $87 billion temporary increase in the federal government's share of the cost of Medicaid (Federal Medicaid Assistance Percentage, or FMAP). For the next two years, the federal government's share of Medicaid costs will increase by a minimum of 6% for all states and even more for states such as New York that are suffering higher unemployment. In states where counties pay a portion of Medicaid cost, the federal stimulus legislation requires states to share the savings with counties.

Current estimates indicate that Tompkins County will realize a two-year Medicaid savings of between $3.25 and $4.0 million, depending on assumptions about the Governor's success in securing Medicaid cost containment measures. To realize the full $4 million savings, the Governor must achieve his full cost containment agenda—a remote prospect.

Calendar Year	Range of Estimated Savings
2009	$1.8 million - $2.2 million
2010	$1.5 million - $1.8 million
Total	$3.3 million - $4.0 million

In 2011, the County's Medicaid costs will again rise to the "unsubsidized" level that is growing each year by the "capped" 3% rate. Importantly, Governor Paterson has not proposed lifting the cap and shifting Medicaid costs to counties as a part of his budget reduction plan.

Other Forces Affecting the County Budget: The County's 2009 budget includes sales tax revenues approximately equal to the County's actual 2008 receipts.

Based on current economic conditions, it is no longer safe to assume that sales tax revenue will remain stable. The County's January payment from the State was down by approximately 3.5% from last January. (Note: monthly sales tax payments to the County by the State are the product of actual and estimated collections and may not accurately reflect actual spending activity during that month). With each 1% of the tax representing about $300,000, the County will fall approximately $1.1 million short of its sales tax budget if the January trend continues through the year.

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than agency employees, nor an estimated $800,000 cut in State aid to Tompkins Cortland Community College. Tompkins County supports 62% of TC3's "sponsor share."

The County's investment income has also been negatively affected by low interest rates. Most expect rates to remain low throughout this year. If interest rates remain at their current level, investment income will fall $250,000 short of the budget target. Although lower interest rates have lowered the County's cost to borrow, the budget impact of those lower rates will not be felt until 2010.

On the positive side, while petroleum prices are again on the rise, prices are well below the budgeted estimate. If prices at the pump average $2.50 per gallon this year, the County's fuel costs should remain $130,000 below budget in 2009.

Finally, the County has been notified that it will receive an unbudgeted $58,000 payment of tobacco settlement proceeds in 2009.

<u>Pressures on Human Services:</u> To date, temporary assistance caseloads within the County have remained relatively stable. However, indicators of future demand are rising. The County's unemployment rate has risen from 3.1% in December 2007 to 5.6% in January 2009—the highest January unemployment in 17 years. The number of Tompkins County households receiving food stamps rose by 17% from December 2007 to December 2008, paralleling a statewide increase of 14%. There is a likelihood that welfare caseloads will increase later this year, as unemployment benefits reach their 33-week (extended) limit.

Strategic Considerations:
Several factors need to be acknowledged before considering a plan to maintain a balanced budget in 2009 and address major structural factors that result from permanent cuts in State aid and the potential of a lingering recession:

1. Medicaid savings tied to the increased federal share are limited to just two years. If the County pays for on-going programs with its Medicaid savings, it will create a structural deficit that must be closed in 2011.
2. The County's contributions to the State retirement system are expected to rise sharply beginning in 2010, reflecting current losses in pension fund assets.
3. The State aid cuts that ultimately come out of Albany will likely be long-term or permanent. Although the Governor's plan will not emerge intact, permanent reductions in aid to counties are likely to come out of the budget process. In fact, the Medicaid "windfall" could well make cuts to counties more palatable to State legislators.
4. The largest and most likely cut to counties is the elimination of the Community Optional Preventive Services (COPS) program. Tompkins County currently receives $639,000 in State COPS to support $1 million in local preventive services programs (the remaining $360,000 is the local match).
5. It is reasonable to expect sales tax collections to fall below the 2008 level and deny the County the traditional near-automatic growth in revenue in 2010. Again, each 1% drop-off in sales tax collections represents a loss of $300,000 in County revenue.
6. It is also reasonable to expect dependence on public assistance to increase in the second half of 2009 (as unemployment benefits expire). The 2009 budget assumes caseload levels approximately equal to those experienced in 2008. Each 1% increase in caseloads in the second half of the year results in about $50,000 in additional local dollar spending.
7. It is likely that future County budget growth targets will continue to parallel inflation, which has now fallen to near-record lows. Those targets will be established as a part of a budget process that begins in April with an update and budget forecast by the Department of Administration.
8. It is very likely that schools and, perhaps to a lesser degree, municipalities will respond to State aid cuts with offsetting increases in property taxes, putting additional burdens on already financially stressed residents and businesses.

<u>A Recommended Framework to Adjust to Changing Circumstances</u>

The profound changes in the economy and State budget will have an immediate and long-term impact on the County's budget.

It is recommended the County use its Medicaid savings and "excess reserves" in 2009 to avoid abrupt, jarring mid-year budget adjustments in 2009, provide fair and lengthy notice of potential funding reductions or eliminations to affected programs and agencies, and to then conform the 2010 budget to the new set of social, economic, and fiscal realities.

It is recommended that this transitional framework—a blueprint to guide the County through 2009--incorporate the following elements and assumptions:

- An expected $1.8 million Medicaid savings in 2009 (the first installment of a total 2-year savings of $3.25 million);
- An agreement that the Medicaid savings will be recognized as one-shot revenue received over a two-year period. It will not be used to support on-going operations beyond 2009;
- A projected 3.5%, or $1.1 million, decline in sales tax revenues between 2008 and 2009;
- An acknowledgement that at least a portion of the $840,000 in "excess" reserves will likely be needed to support the transition plan.
- An assumption that COPS funding will be eliminated by the State.
    - DSS will continue its efforts to shift funding from COPS to formula-based preventive programs for children at imminent risk of placement, thereby preserving at least a portion of some programs now funded through COPS.
    - The County will use 2009 Medicaid savings to allow COPS programs not eligible for alternative funding to continue operation either through the end of the current school year (if school-based) or through the end of 2009
    - Acknowledge that the County is not likely to be able to replace COPS funding with its own funds after 2009. Enlist the help of the Human Services Coalition to work with DSS to assess how to address client health or safety issues that may result from termination of a COPS-supported program.
- A commitment that County programs affected by formula-based aid reductions (including both in-house and agency-provided programs) will be sustained through the end of the school year (if school-based) or the end of the 2009 calendar year, using Medicaid savings and "excess" reserves as the source of support. Decisions regarding long-term funding will be a part of the 2010 budget process;
- An agreement that all fully grant-supported programs will be reduced in the same proportion as the reduction in grant support, including the elimination of programs supported by categorical grants eliminated by the State. Work with departments on appropriate transition periods. The major fully (or nearly fully) grant supported programs most affected by this response are:
    - Managed Addiction Treatment Services program in Mental Health ($113,000);
    - Bioterrorism program in Health ($111,500).
- Seek State approval of an increase in the land-line telephone surcharge to $1/month as a means to generate approximately $250,000 to support the costs of the interoperable public safety communications project. If enacted, funds would begin to flow in 2010;
- Initiate a meaningful, effective effort to solicit cost-saving ideas from County employees;
- Implement a 2009 austerity plan, with savings potentially earmarked to address the County's overall budget challenges rather than held as "rollover savings" by departments. This departure from the rollover policy would be temporary and tied to the current extraordinary economic circumstances. The austerity plan will direct County department heads to restrain spending in discretionary areas including vehicles, furniture and equipment, travel, and overtime.

A vacancy review process recommended to the Legislature would allow a review of hiring decisions as a part of an austerity plan.

Impact of Proposal: Finance and Administration estimate that this approach to the State budget cuts and sales tax revenue losses will allow the County to achieve the following results:

1. Finish the year within approximately $640,000 of the budget target, an amount that could be supported with "excess" fund balance, leaving some room to cover the effect of other reductions, such as the State's plan to shift DSS administrative costs to a block grant and the potential of rising human service needs. Any additional Medicaid savings would be applied to reduce the amount of "excess" reserves applied.
2. With considerable advance notice, inform providers of services impacted by the State budget that the County may not be able to replace State dollars with local funds beyond 2009;
3. Enter the 2010 budget process with programs supported by State aid pared down to reflect revised aid levels. This provides the Legislature maximum latitude to make policy decisions regarding its 2010 funding priorities.

Risks of the Proposal: The plan assumes the containment of losses that cannot yet be quantified, especially the potential loss of State aid to DSS for the administration of the Safety Net and Food Stamp programs.

There is a risk that the extended wind-down period for State aided programs will produce an expectation of longer-term support by the County.

Tightening the budget will likely mean challenges in 2011, as the surpluses that have historically rolled forward into the operating budget to reduce taxes either shrink or disappear. This will create additional pressure on the 2011 budget.

Finally, there remains a risk that the economy will continue its precipitous decline, creating additional budget pressures that cannot be forecast with any accuracy today.

Positive Adjustments	**(Millions)**
Medicaid Savings	$1.85
Fuel Savings	$0.13
Tobacco	$0.06
DSS Funding Shifts	$0.20
Subtotal	**$2.24**
Use of Additional Resources	
Offset State Aid losses/sustain impacted programs through 2009	($1.58)
Offset Sales Tax Shortfall	($1.05)
Offset Loss of Interest Earnings	($0.25)
Subtotal	**($2.88)**
Shortfall	**($0.64)**
Reserves in Excess of Policy Goal	$0.84
Remaining "Excess' Reserves	$0.20

Conclusion: As the County enters an uncertain and volatile time, a strategic framework will help guide it from the environment of 2008 to the vastly changed realities of 2009-10. This Department has proposed such a framework; one that strives for a planned and phased transition to a more austere future, using available one-time resources to avoid abrupt cuts that could exacerbate the effects of the recession, while laying the foundation for difficult changes that must be made in the 2010 County budget.

Mr. Mareane said efforts are underway in DSS to see if some service recipients from one category to another mandated preventive service. If that can happen there may be other funding sources that can be secured for those cases.

He said embedded in the last bullet is a departure from the current Rollover policy. He said he would be recommending a temporary suspension (not elimination) from the policy because the County may need those funds to balance the budget. He said he thinks it would be fairer to let departments know from the beginning what the approach would be. Mr. Mareane said he doesn't believe this would produce a substantial amount of money because as years have gone by the budgets have tightened up so there is a much narrow band of savings opportunity involved. He said in looking forward at future revenue sources it is unlikely there will as much surplus revenues to bring into the next year's budget.

Mr. Mareane said one area that is closely being watched is what will happen to the State reimbursement of DSS administrative costs if it shifts from a reimbursement formula to a block grant. This framework assumes that the County will get through that with relative neutrality and that the State is going to back away from its plan to put detention into a youth services block grant and create a risk of diverting money from youth services. It also assumes that the Governors' plan to in-source all home health aides is not going to prevail; and assumes that the economy isn't going to get much worse than it is how.

Mr. Dennis said he hopes all County Legislators will make appropriate calls and emails to tell explain what these actions mean for Tompkins County. He asked if department heads have seen this document. Mr. Mareane said the most impacted department have seen this and he will circulate to all department heads after this meeting.

Ms. Robertson said she appreciates seeing this information all contained in one document. She spoke to Rollover policy and said Legislators need to remember it is not just a policy about pulling a little bit of savings into the General Fund. It really shapes the behavior or departments all year long so that there isn't a "use it or lose it" behavior. She said although there is many negative potential impacts to the County's budget she would be very cautious in changing that policy. She noted that the Governor has already backed down from many of the original proposals contained in his budget.

Ms. Robertson said the Sheriff is working with the Commission of Correction on getting some relief from the current Jail variances.

Ms. Herrera asked what would be the raised by the $1 land line phone charge. Mr. Mareane said approximately $250,000. She agreed that although there are many unknowns at this time discussions need to begin earlier rather than later.

Ms. Mackesey noted the amount of Rollover has declined significantly over recent years.

Mr. Koplinka-Loehr proposed that the Legislature discuss these items in depth at the April Budget Retreat in order to move forward in a common direction.

Ms. Jayne noted that as the revenue streams are declining at least three percent of the tax levy has been covered by the Fund Balance for the last five years and this is another area that the Legislature won't be able to count on.

Ms. Carey said she is seeing a shift in the way DSS will be providing services in the future. They are looking at the Department's mandate, what they are going to do, and how they can serve people in these changing times.

Ms. Herrera spoke of the State property tax system of pushing costs down to the local level. She extended an invitation to anyone interested to begin discussing a method to communicate to the State that this has to stop.

Committee Goals

Mr. Dennis asked members to submit suggestions for Committee goals to him.

Budget Calendar

The Budget Retreat will be held on April 28th. Ms. Jayne will communicate with Legislators about this.

Adjournment

The meeting adjourned at 5:25 p.m.

Respectfully submitted by Michelle Pottorff, TC Legislature Office