

September 3, 2024

To the Honorable Members of the Tompkins County Legislature:

I am pleased to present you with the recommended 2025 Tompkins County Operating Budget and 5 Year Capital Plan.

This year I was tasked with preparing a budget limited to a 2% tax levy increase and that budget is presented for your review (referenced in the budget book as 5% Cut). Due to recent intervening factors since April's budget retreat, I've also prepared and formally recommend a budget with a 4.34% levy increase for consideration (referenced in the budget book as the 2025 CNTY Admin Recom), which falls just under the tax cap of 4.45%. If approved, this \$252.3 million budget would add \$138 to the tax bill on a median priced home.

A Tale of Two Budgets

The reason for 2025's "Tale of Two Budgets" is due to recent information gleaned from Tompkins County's 2023 audited financial statements, made available in August. As indicated in the audit, the County remains in strong fiscal position; however, any use of unassigned fund balance in the 2025 budget will lead us to fall below the newly established 25% minimum in the County's recently revised Fund Balance policy. This has significantly altered previous assumptions about available funds for use in the 2025 budget, leading to a necessary shift in approach to considering Capital Projects as well as one-time and multi-year over target requests in order to stay within policy parameters. I will discuss this later in this overview, where I will also provide further details about each budget scenario.

Major Influences on the 2025 Budget:

The Economy: The inflation rate has declined since its peak of 9.1% in 2022, and the Federal Reserve is likely to cut interest rates in September. As of July, 2024, inflation was 2.9%, marking the first time it fell below 3% since March 2021. Despite the fact that inflation has cooled, consumer sentiment continues to show a more negative view, as price levels are still elevated and interest rates have made it more expensive to make major purchases.

Sales Tax: The sales tax provides most of the County's non- property tax revenue. The County's 2023 actual sales tax revenue came in at 1.5% over 2022, while 2024 revenues through June lag 11% below budget. While the 3rd and 4th quarter revenues are historically higher than the first half of the year, it's realistic to believe that we may not reach our budgeted goal for 2024. Factors contributing to the decline in sales tax revenues include consumers having spent the one-time federal cash assistance provided during the COVID

pandemic, a cooling labor market, slowing wage growth and moderating inflation. Given this, the 2025 sales tax revenues are estimated at \$43.2M, using the 2023 actual sales tax receipts. This is slightly lower than the \$43.4M budgeted for 2024.

New York State Mandates: The County's mandated expenditures, over which we have little or no control, continue to rise and put pressure on local taxpayers. In 2025, the County will experience increases in the following:

Medicaid: The second and final phase-in of New York State's intercept of the Enhanced Federal Medicaid Assistance Percentage (EFMAP) funding will take place in 2025. This will complete the transfer of these Federal revenues from the counties to the State which began last year and amounted to a \$1.25M increase in the 2024 Tompkins County budget. In 2025, we'll see an additional \$362K in annual Medicaid costs. Altogether, over 2 years, the County has taken on over \$1.6M in costs that were previously State responsibilities, equivalent to a 3% increase on the local property tax levy.

Childcare: The Department of Social Services is mandated to provide for the cost of childcare for income eligible households. Expansions in eligibility enacted by New York State coupled with increases in rates paid to providers will increase the cost of childcare by \$606K in 2025.

Psychiatric Expense: Under Criminal Procedural law 730, counties pay 100% of the cost of specialized inpatient treatment to rehabilitate individuals who have been deemed incompetent to stand trial. Judges are now utilizing 730s more frequently, and in the last 2 years, Tompkins County has incurred an additional \$1M in psychiatric expenditures annually. In order to accurately reflect these expenses while not impacting the tax levy all at once, I recommend phasing these increases in over the next 3 years. In 2025 we've added \$300,000 to the budget to begin covering this mandate cost under the tax levy, and plan to cover any overage using the reserve established for mandate contingencies.

Mandate Uncertainty: Realizing that the cost of mandates under Whole Health Early Intervention have been underestimated due to the lack of providers, and the cost of emergency sheltering by the Department of Social Services is currently in flux, we added an ongoing \$330,000 to the mandate contingency fund in anticipation of additional expenses in these areas.

Labor Costs: The 2025 Recommended Budget reflects a total County workforce of 793 full-time equivalents, a reduction of 12 FTEs from 2024. All collective bargaining agreements with the County's respective bargaining units are in place for 2025. Additionally, the

County's 2022 Compensation Study included a market analysis of wages, indicating the positions where market adjustments were needed to remain competitive, particularly in the Blue Collar, Management and Confidential groups. The market adjustments for Blue Collar and White Collar were enacted in 2024, and remaining adjustments for Management and Confidential staff will be addressed in the coming month; all are incorporated in the salary schedules moving forward. Salary costs are estimated to grow by \$2.6M in the 2025 budget.

Vacancy Factor: Recognizing the time it takes to recruit and hire for vacant positions, in the 2024 budget we factored in a vacancy factor of 2%, equivalent to approximately \$792K. Based on continued monitoring of budgeted vs filled positions, in 2025 we've increased the vacancy factor to 5% or approximately \$1.9M. Recent increases in salaries due to negotiations and market adjustments from the Compensation Analysis have improved the County's ability to attract and retain talent, and therefore it's not recommended to increase the vacancy factor any higher at this time.

Fringe Benefits: Fringe costs are estimated to grow by \$1.1M in the 2025 budget, in part due to increases in health insurance costs. The Greater Tompkins County Municipal Health Consortium is calling for an unprecedented 14% rate hike in 2025, the first double-digit rate increase since the Consortium's inception in 2011. Since that time the Consortium's average annual rate increase has been 6.25%. This level of increase is not unique to the Consortium, as the broader health care industry is experiencing inflationary pressures, increases in prescription drug costs and increases in behavioral health utilization and costs.

Pension Costs: County employees are members of the State and Local Public Employees Retirement System. Counties do not control pension benefit levels, plan structures or cost allocation; however, we are obligated to pay the annual bill as calculated by the State. Pension rates have yet to be announced for 2025, and the pension fund performance is highly dependent on the stock market. We have estimated a 6% increase in pension costs for 2025.

Emergency Shelter Needs: The County continues to see record high numbers of individuals requiring emergency shelter services, coupled with a greater complexity of presenting needs. The closure of New York State-run facilities offering substance use and mental health treatment, as well as reductions in state-run supportive housing, case management and crisis intervention services for people with developmental disabilities has resulted in fewer housing alternatives more complex needs among the individuals seeking shelter. Community non-profits, churches and hotels are less willing or unable to offer sheltering options due to safety and liability concerns. This has resulted in County's planned

construction of a larger emergency shelter facility to meet the growing community need. It also has led to the consideration of a lower barrier approach to sheltering, which, if chosen, would necessitate further expenditure above the tax cap. The County has yet to receive its annual allocation for NYS Code Blue Shelter funding for 2024-2025, which adds an unknown variable to the budget for sheltering costs.

2% Target/5% Cut Budget

In preparing for a 2025 budget with a 2% levy increase, departments and agencies were faced with a 5% reduction in their fiscal targets. Any expenses necessary for operations that weren't able to be funded within the fiscal target were expressed as over target requests. Departments and agencies approached the process with forethought and cooperation: many found ways of absorbing the 5% cuts within their budgets without the need for over target requests. Some departments were able to offer additional areas for savings beyond the 5% reduction. After having recently enacted across-the-board reductions of 12% in 2020 during the COVID pandemic, it's worth noting that our departments and agencies are already lean in operations, with many having retooled and restructured to meet changing needs. The 2% target/5% reduction budget scenario is detailed in this year's budget book, along with its associated impacts.

A common theme across many departments is the increasing cost of contracts, including professional services, software subscriptions and licensing fees for the software necessary to conduct business and fulfill program requirements. Some of those increases are expressed as over target requests.

Staffing Restorations Under 2% Budget

Within the 2% target budget, a limited number of restorations were possible to address certain staffing cuts and other services deemed essential and cost effective in the ongoing functioning of the County and the provision of services. These restorations include:

- Hours to the Clerk of the Legislature's staff;
- An Attorney in the District Attorney's office;
- Hours to County Administration staff;
- Hours to the County Attorney's staff;
- Partial funding for an Assessment title promotion;
- Funding to staff the minimum number of annual elections under the Board of Elections, previously budgeted as one-time expenses.

Additional Restorations Under 2% Budget

In addition to staffing restorations, the 2% target budget incorporates:

- An increase in annual auditing services as newly required by the Governmental Accounting Standards Board (GASB);
- Ongoing costs of Human Resources software required to archive employee and payroll data;
- Increased cost of Highway software used for inventory tracking, job costing, and asset management;
- Restoration of cuts to Community Optional Preventive Services (COPS) through the Department of Social Services for which we receive a 64% NYS match;
- Restoration of cuts to the Recreation Partnership through Youth Services, which supports youth programming and leverages the contributions of other municipalities.

4.34% Increase Budget

The Recommended Budget includes a levy increase of 4.34%, incorporates all the restorations noted in the 2% scenario, and includes additional restorations noted below.

Capital Projects Supported Under 4.34% Budget

Under the operating assumption that fund balance is unavailable for use in 2025, it became necessary to start incorporating ongoing Capital Projects under the tax levy. In recent years, we'd utilized a combination of fund balance and American Rescue Plan Act funding to pay for the Highway Road Maintenance Program, the Facilities Maintenance Program, and the Green Fleet Program. With those one-time funding sources unavailable for use in 2025, there is a need to start building capacity for these projects within the tax levy, either through paying cash or bonding and recognizing the associated debt service. The recommended budget includes the following capital projects and/or debt service:

- Facilities restoration projects: \$200,000
- Highway road maintenance program \$200,000
- Highway road maintenance bonding costs \$80,000
- Green fleet \$100,000

Reimagining Public Safety Under 4.34% Budget

This year marked the third year of Reimagining Public Safety, and a status report of the various initiatives was presented to the Public Safety Committee in June. This project has been funded with three-year one-time funds through the fund balance; ongoing target funding for 2025 has yet to be determined. The Community Justice Center has proposed a

workplan for continuation with limited scope, based on successes and lessons learned. In addition, the Sheriff seeks ongoing funding to continue the Sheriff's Clerk positions to handle calls that don't require a law enforcement presence. The recommended budget provides the ongoing capacity to fund the CJC Director's salary at 50% in partnership with the City of Ithaca, while the ongoing salary of the Data Analyst is included in the Assigned Counsel budget at no additional local cost. This staffing arrangement provides the Data Analyst with the means to maintain the CJC Dashboard and to continue regular collaboration with the CJC through the role at Assigned Counsel. Partial restoration of the 5% cut to the Sheriff's Office will enable some level of continuation of the Sheriff's Clerk program. The CARE Teams, a major initiative of Reimagining Public Safety, will be in their 3rd and final year of one-time over target funding in 2025, and were not under consideration for target funding in this year's budget.

Staffing Restorations Under 4.34% Budget

The recommended budget provides for the partial restoration of the 5% staffing cut at the Department of Emergency Response towards the oversight and maintenance of the countywide emergency dispatch and radio communications system. It also provides for the partial restoration of the 5% staffing cut in the Sheriff's Correction division. The recommended budget provides for an Accounting position in the Finance Department to more adequately serve the overall accounting needs of the organization.

Software Costs Under 4.34% Budget

Finally, the recommended budget includes the cost of software in the following departments:

- Environmental permitting software through Whole Health;
- Assessment software

Fund Balance Background

The County's unassigned fund balance is the culmination of the surpluses and deficits across the organization's operations each year. Tompkins County has consistently maintained a healthy fund balance, and since 2021, a combination of conservative budgeting, workforce shortages leading to lower-than-expected payroll costs and record high growth in sales tax revenues led to consecutive years of fund balance growth.

Noting these trends, and to address concerns about unnecessarily increasing the tax levy, steps were taken in recent years to improve the accuracy of the County's annual budget, including the following:

- Factoring in a vacancy rate based on the trending percentage of unfilled positions;
- More accurately reflecting expected Casino Revenues based on previous trends;
- More accurately reflecting expected Interest Income based on previous trends.

In addition, multiple steps were taken in the 2024 budget process to utilize fund balance to address real-time organizational and community needs while stabilizing the tax levy.

- \$5.7M in unassigned fund balance was used to establish a Debt Service Reserve to pay off several capital projects that are coming toward their end. This helped reduce the 2024 tax levy by \$1.3M or the equivalent of a 2.4% tax levy decrease;
- \$4.7M in fund balance was used to support one-time and multi-year over target requests;
- \$283K in fund balance was used to stabilize the tax levy at a 2% increase.

These actions resulted in a use of \$10.7M in fund balance in 2023. Notably, the total unassigned fund balance at the end of 2023 was \$60.9M, while at the end of 2022, that figure was \$72 M, roughly an \$11.1M decrease. A multitude of factors go into calculating the unassigned fund balance, including actual vs budgeted sales tax revenues, mandate costs, and the timing of federal and state reimbursements. However, the 2023 unassigned fund balance figure indicates that the County's efforts to budget more accurately and stop accumulating excess fund balance are working. The stagnation in sales tax revenues further underscores the point that additional annual fund balance accumulation is far from a given. As such, without the availability of excess fund balance to pay for one-time expenses, it calls for a change in the annual approach to budgeting.

Change in Fund Balance Policy

In December 2023, the County's Fund Balance policy was revised to increase the target minimum unassigned fund balance to be calculated using 25% of the prior year's actual expenditures. Previously it had been calculated using 18% of the prior year's actual revenues. According to the 2023 audit, the year end 2023 expenditures were \$195M. The target fund balance is 25% of that figure, \$48.7M. With the 2023 fund balance at \$60.9M, that leaves approximately \$12.2M remaining. A note that in 2023, the County's actual expenditures grew by \$13.9M, equivalent to 8% growth.

Establishing and Funding Reserves

In September 2023, the County passed a new reserve policy to establish various reserve accounts to save money to finance future infrastructure, help with financial stability, and reduce reliance on indebtedness. In January 2024, approximately \$12.6M was moved from unassigned fund balance to fund a Capital Reserve, Self-Insurance Reserve, Worker's Compensation Reserve and Unemployment Reserve. This is in addition to the \$5.7M debt service reserve established in the 2024 budget process and mentioned above. These actions presumably result in a slightly negative amount of unassigned fund balance available for use in the 2025 budget process.

One-Time Funds Available for 2025

The County's 2023 audit was completed too late to include the available fund balance information in the 2025 budget retreat with the Legislature or in budget discussions with departments and agencies. As a result, all early budget planning assumed that the fund balance would be used as a source of one-time funds. To ease the transition, the 2025 budget plans to use approximately \$3.4 million from available debt service reserves. The use of these reserves toward eligible existing projects for which we owe debt service and typically cover under the tax levy creates an opportunity to support one-time initiatives and provides us with a transitional period to adjust budgeting expectations and practices.

The 2025 Recommended Budget allocates one-time funds to support several one-time multi-year initiatives which are already in progress, including the CARE Teams under the Sheriff's Office and Whole Health Department, the Early Intervention Program under Whole Health, Cooperative Extension Administrative Capacity Building, Student Resource Navigator and Food Systems Planning, Facilities Project Manager, REACH program support, Office of Human Rights programming support, and Human Services Coalition Housing Specialist. One-time funds also support one-year only expenses such as the 2025 Employee Climate Survey and software transition costs at Whole Health. Finally, one-time funds have been allocated to support capital projects such as Facilities Restoration, Green Fleet, Airport debt service, and TCAT capital.

One-time funds are being used to support a Respite Bed under the Department of Social Services to pay for court-ordered youth respite when needed. This has become a necessary resource to support youth in need; unfortunately, it was unable to be included as an ongoing expense under the tax cap.

In the budget process, it was identified that participation rates for Probation's Day Reporting Program declined significantly during COVID and have not recovered. This

program was identified in the 5% cut scenario and was removed from target funding. It has been allocated 1-time funding to allow for a year to attempt to reinvigorate utilization.

The County cannot assume that there will be fund balance or other sources of revenue available to pay for one-time requests to this extent in 2026 and beyond, therefore this should be seen as a transitional year. In the future, ongoing expenses should expect to be covered by ongoing revenues.

American Rescue Plan Act (ARPA) funds

By the end of 2024, Tompkins County's ARPA funds will be fully obligated as required. Of the total \$19.8 million awarded, approximately \$8.6 million was used to support the County's Capital Program, \$6.5 million was allocated toward Community Recovery Fund projects and the remaining \$4.8 million was used toward one-time over target requests in the 2022-2024 budgets. All ARPA funds must be spent and projects complete by December 31, 2026.

Capital Program

The 2025 Recommended Budget supports the investment in capital infrastructure to meet the County's space management, information technology, energy, fleet and other needs. The Capital Program includes Downtown Facility development, Green Fleet management, Broadband Expansion, Highway improvements, Facilities restoration, Airport upgrades and Recycling and Materials Management Center upgrades among other ongoing projects. It includes plans for schematic design for a new Public Safety building.

The 2025-2029 Capital Program required adjustments to previous plans due to limitations on the availability of one-time funds. Most notably, changes occurred in the Facilities Restoration Project, Highway Machinery 5 Year Plan, Green Fleet Vehicle Replacement, Emergency Shelter, and Broadband Expansion. The 2025 Recommended Budget was unable to incorporate the full extent of the Green Facilities Phase 2 projects, largely because the Phase 1 costs were much higher than anticipated. The projects within Phase 2 have been prioritized based on need and cost.

Transitional Year

In many ways, the 2025 budget marks a turning point in the approach to the County's budget process. Over the past several years, excess unassigned fund balance and ARPA funds have allowed for the funding of various one-time expenses and pilot programs across County departments and supported agencies. In 2025, we find ourselves approaching the minimum target fund balance, at a time in which all the ARPA funds are fully obligated and no longer available. This has led us to utilize one-time funds in 2025 to provide bridge

funding for initiatives where we'd previously pledged 3-year one-time funds. The convergence of these factors which shape the 2025 budget result in competing priorities and difficult decisions.

If the unassigned fund balance was available as it has been in previous years, the County would have been better positioned to consider support for one-time operating expenses across various departments and agencies. This includes a range of Human Services Coalition Agency programs and Cooperative Extension initiatives. Additionally, the funds would have allowed the County to fund the implementation of language access services, the distribution of informational mailings, the expansion of mobile support services, and further backing for suicide prevention efforts.

Strategic Plan

The County's first Strategic Operations Plan was adopted in the summer of 2024, identifying the organization's strategic priorities for the next 5 years. The 2025 budget aligns each Department and Agency's over target budget requests within established organizational priorities and objectives. Tompkins County's high-level priorities include Organizational Excellence, Equitable Service Delivery, Health and Safety, Climate Change Mitigation and Resiliency, and Economic Opportunity and Quality of Life. Wherever possible, Departments and Agencies have identified specific strategic objectives that their over target requests are seeking to achieve.

Solid Waste Fee

The 2025 budget includes a solid waste annual fee increase from \$80 to \$82.

Risks

In the 2025 budget, several initiatives are funded with one-time funds which may not be available for use in 2026. While the Legislature may decide not to continue some of these initiatives after 2025, any projects that are intended to continue must be supported under the tax levy. Those projects include:

- The CARE Teams;
- Whole Health Early Intervention support;
- DSS Respite Bed;
- Half the cost of the Rapid Medical Response program;
- Probation Day Reporting

In addition, funding for ongoing Capital Projects including Green Fleet, Facilities Restoration and Highway Road and Machinery need to be gradually built into the target for ongoing support, while planning for the ongoing costs of bonding for larger capital projects.

A portion of the mandated costs for Psychiatric Expenses are factored into the 2025 budget and increased costs will need to continue to be built into the target in 2026, based on recent trends.

In 2025, the Airport is receiving what is planned to be a final installment of one-time funds to help pay operating expenses as well as half the debt service on the Terminal Expansion Project. If the Airport's efforts to expand air service, increase revenue and decrease expenses aren't successful in 2025, additional support from the County may be needed in 2026.

Finally, the local and statewide environment around emergency sheltering, including Code Blue is very dynamic and subject to change. Depending upon several variables including NYS Code Blue funding and the availability of shelter operators and community partners, the County's reserves may need to be utilized in the future to cover associated costs.

Fiscal Summary

The summary of the 2025 proposed budget is as follows:

Total Budget: The Recommended 2025 budget stands at \$252.3 million. This represents a \$6.6 million or 2.7% increase over the 2024 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 sales and property tax revenue. The 2025 local dollar budget increased by \$2.3 million, or 3.4% more than in 2024.

Property Tax Levy Increase: The gap between total expenses and all other revenue is filled by the property tax. The recommended budget would be balanced by a property tax levy of \$55,762,946 million, which constitutes an increase of 4.34% over 2024.

Tax Cap Calculation: The cap on the percent-increase of the County's real property tax levy for 2025 is estimated to be 4.45%.

Property Tax Rate: The recommended 2025 property tax rate will decrease by \$0.44 to \$4.87 per \$1,000 from the 2024 tax rate of \$5.31 per \$1,000, a decrease of 8.3%. The taxable assessed value grew 13.8% over the prior year.

Impact on Owner of Median-Valued Home: Over the past year, the median value of a single-family home in Tompkins County has risen by 20.5% from \$249,000 to \$300,000.

The recommended budget would increase the County property tax bill for the owner of a median-valued home by \$138.

In Closing

As I submit the recommended budget, I want to thank the Department Heads, Agency Directors and budget preparers for their responsiveness and prudent approach to the budget process. All exercised the fiscal restraint we requested and worked proactively to consider reductions that would cause the least harm while maintaining quality, cost-effective services to the community.

Thank you to the Legislature for establishing clear policy guidance and instilling a culture of fiscal discipline and responsiveness to community needs which has shaped this budget. These actions position the County to offer quality services, invest in the public's infrastructure, sustain our partner agencies, and maintain strong fiscal health.

Thank you to Deputy County Administrator Norma Jayne, Budget Director Kori Post, and Budget Analyst Samantha Fralick for shepherding Departments and Agencies through a challenging budget process. The budget process is designed to facilitate understanding and decision making about programs, priorities and limited resources. Bringing transparency to the process involves a complex behind-the-scenes effort, and the budget team's work toward this end is greatly appreciated.

I look forward to working with the Legislature in the weeks ahead to address the challenges and identify opportunities before us to arrive at a 2025 budget that aligns with the priorities and values of our community.

Sincerely,



Lisa Holmes

County Administrator