

MADISON COUNTY BUDGET OFFICER
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Honorable Members of the Madison County Board of Supervisors:

I am pleased to present you with the Madison County 2022 Tentative Budget.

The 2022 Tentative Budget calls for no increase in the tax levy. If adopted, the average tax rate on full value will decrease by about 34 cents per \$1,000 of taxable value. This means on average, for a property valued at \$100,000, the decrease in County taxes would amount to \$34 in 2022. The actual rates vary by municipality, mainly due to the equalization rates assigned by New York State to each locality.

The County's financial outlook for 2022 is much different than what we were facing a year ago. Last year at this time, we were bracing for drastic cuts in State Aid, approaching sales tax revenue projections with an abundance of caution, and questioning whether any Federal stimulus funds would reach the County coffers. In addition to concerns about revenue shortfalls in these and other categories of revenue, we were also making cuts, including some significant cuts, to departments' budgets.

Fortunately, most State Aid reductions were restored, sales tax revenue has exceeded projections to date, and the County received a sizeable allocation from the American Rescue Plan Act (ARPA). These positive revenue outcomes, along with departments' budget reductions, have resulted in a more favorable, but still cautious, outlook for 2022.

The County's unexpended surplus funds, often referred to as "rainy day" funds, were also the focus of discussion last year. At year-end 2019, the balance of these funds had fallen to under \$11 million, or about 9% of the ensuing year's appropriations. Although this was well within the range contained in the County's Fund Balance Policy, it suddenly didn't seem like much of a cushion when facing the prospect of millions of dollars in revenue losses brought about by the pandemic.

The County routinely appropriates some fund balance in its adopted budgets, although the amount actually used is typically much less than appropriated due to the County's conservative budgeting practices. Because of concerns about the level of unexpended surplus funds, the amount appropriated in the 2021 County Budget was reduced to \$3,804,929, which was considerably less than recent prior years.

The 2022 Tentative Budget includes the appropriation of fund balance in the amount of \$4,493,747, an increase of \$688,818. Even with this slight increase, it is estimated that the percentage of unexpended surplus funds will be about 16% of the next year's appropriations. This percentage is toward the upper end of the range in the County's Fund Balance Policy, and better positions the County to mitigate future "rainy days."

The County has been receiving a host community benefit revenue from New York State since 2017, due to Oneida Indian Nation casinos operating within Madison County. Unlike other counties that host casinos, Madison County's host community benefit is not guaranteed, and rather is subject to the inclusion of these funds in the New York State budget. County officials continue to advocate for this revenue to become permanent.

Due to the uncertainty of host community benefit revenue, it has not been included in the County's adopted budgets. It has been the County's practice to appropriate this revenue for non-recurring expenditures, outside of the adopted budget. Because of pandemic-related financial concerns, the County deliberately did not appropriate any of this revenue for spending in 2020 and 2021. The portion of this revenue retained by the County, and not shared with the city, towns and villages, amounted to \$2,583,984.

The 2022 Tentative Budget assumes the use of \$1,033,500 from host community benefit revenue already received, for projects and equipment that have been requested by departments but removed from the Tentative Budget. A list of the proposed expenditures is attached for your reference. Although the County is working to ensure continued receipt of host community benefits in 2022 and beyond, this future revenue remains uncertain and therefore has not been included in the 2022 Tentative Budget.

As you know, the County is the recipient of ARPA funds. As a result of the U.S. Treasury's calculation to determine revenue losses, the County has much discretion regarding the use of these funds. However, ARPA recipients are specifically prohibited from using the funds for certain purposes, including lowering real property taxes. You have already allocated most of the first tranche of these funds, the majority of which will be used for non-recurring projects, programs and equipment that would have otherwise become requests in the 2022 and future years' budgets.

We have been providing you with regular updates regarding sales tax revenue throughout the year. Sales tax distributions, net of State withholdings for Aid to Municipalities and Distressed Provider Assistance, are up by 18% compared to 2020, and 21% compared to 2019. Much of the increase is attributable to internet sales tax, due in part to New York State enforcing the Wayfair Decision, and in part because residents are continuing to make more on-line purchases, as was the trend during the height of the pandemic.

The 2022 Tentative Budget includes estimated sales tax revenue of \$33,000,000, net of the aforementioned State withholdings. This is an increase of \$4,535,129 compared to the 2021 Adopted Budget. This sounds like a big jump, but also seems reasonable considering the County has already received \$27,753,960 for the first three quarters of this year. I would not recommend increasing the 2022 estimate any further, however, for the following reasons: the New York State Department of Taxation and Finance modified its distribution methodology to address anomalies caused by the pandemic, and the full impact of their reconciliations has yet to be determined; sales tax from vehicle sales may decrease due to unavailability of new vehicles; a decrease in individuals' stimulus funds and unemployment benefits may result in decreased spending; and it has been the County's practice to conservatively estimate this source of revenue.

The 2022 spending plan of \$129,046,826 reflects the departments easing back to pre-pandemic activities. Appropriations for items such as training and staff development are returning to more typical levels, as more in-person conferences and seminars are being offered. While vacant positions continue to be scrutinized, there is now less hesitancy to fill those positions. The 2022 Tentative Budget includes a handful of new positions, some of which were anticipated as staffing changes occurred in 2020-2021, and some of which are meant to assist with transitions due to planned employee retirements. The County Highway budget was reduced considerably over the past couple of years, but the proposed 2022 Budget restores that funding, while also reflecting the increased cost of materials.

The 2022 Tentative Budget provides for all mandated services, as well as other services valued by our taxpayers and residents: public safety services, highway services, department of motor vehicle services, social services, health services, planning services, veterans' services, election services, youth bureau and other services. We are fortunate to have such a dedicated workforce that strives to provide the best possible services for our taxpayers, while being cost-conscious and mindful of who we work for.

I would like to thank Chairwoman Yvonne Nirelli and the entire Finance, Ways and Means Committee for their participation during the budget hearings. I would also like to thank the department heads for all of their efforts again this year. Thank you to County Administrator and Deputy Budget Officer Mark Scimone, whose perspective and support is much appreciated. And thank you to Deputy Treasurer Rebecca Marsala, who never hesitates to help me with whatever is needed while I'm focused on budget-related duties.

Please let me know if you have any questions or comments during your review of the Tentative Budget. The public hearing is scheduled for Thursday, November 18, beginning at 10:05 a.m.

Respectfully submitted,



Cindy J. Edick
Budget Officer

**2022 Budget Requests
Proposed to be Funded by
Host Community Benefit Revenue**

Department	Description	Amount
Highway	Steel Track Excavator	\$ 220,000
Highway	Brush Hog Tractor	140,000
Highway	Chipper Truck	110,000
Public Facilities	Air Handler Unit/Isolation Room	100,000
Information Technology	Video Projects	80,000
Highway	Fork Truck	70,000
Information Technology	Access Control Doors	54,000
Public Facilities	Lawn Tractor	50,000
Public Facilities	Exterior Building Cleaning	50,000
Information Technology	Video System Projects	46,000
Information Technology	UPS Unit-Data Center	40,000
Board of Elections	Computer Equipment (EMS Server)	25,000
Information Technology	Network Equipment	25,000
Information Technology	Cabling & Rewiring Projects (DMV)	15,000
County Clerk	Furniture	8,500
Total		<u><u>\$ 1,033,500</u></u>