

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 2023 Tentative Budget.

Madison County is not immune to the economic conditions impacting our country. The nationwide impacts of historic inflation and unprecedented difficulty recruiting and retaining employees have infiltrated our community. The 2023 Tentative Budget reflects these challenges, while continuing to provide a broad range of services, with a tax levy that complies with New York State's tax cap.

As anyone can tell by a trip to the grocery store or the gas station, the cost of most everything has increased considerably. As a result, the County can expect to pay more next year for service contracts, equipment, supplies and fuel. The County can also anticipate the need to adjust wage schedules, in addition to other non-monetary measures, in order to recruit and retain the employees needed to provide services. The 2023 Tentative Budget includes a spending plan of \$141,116,850, which is an increase of 9.4% compared to the 2022 Adopted Budget.

The Tentative Budget reflects a 13.1% increase in revenue other than property taxes. Despite the economic downturn, the County's sales tax revenue is 6.6% greater than 2022 year-to-date. This increase is thought to be due in part to consumers continuing to order goods on-line that they would have otherwise purchased outside of the County. The Tentative Budget includes a \$2 million increase in gross sales tax revenue, which is still \$3 million less than what the County will likely receive through the end of 2022. Please keep in mind that the County shares just over 40% of sales tax revenue with the towns and villages.

The County has taken advantage of rising interest rates by aggressively investing resources while also safeguarding the public's funds. As a result, the 2023 budget for interest income has grown by \$1.3 million. The County also recently added a real property transfer tax; this new revenue source is expected to generate at least \$800,000 in 2023.

It is customary for the County to budget the use of some amount of fund balance each year. The 2023 Tentative Budget includes the use of \$4,493,747 fund balance in the General Fund, which is exactly the same as the 2022 Adopted Budget. Because of the County's conservative budgeting practices, the actual use of fund balance is expected to be less than half of the amount budgeted. Sales tax revenue exceeding budget and actual salary expenses coming in below budget due to vacancies are two prime examples why the County doesn't use as much fund balance as is budgeted.

Projecting the County's unexpended fund balance, also known as "rainy day" funds, is already a difficult task due to so many variables and possible scenarios. These projections are even more difficult to prepare this year because of supply chain issues and other economic uncertainties. It is estimated that unexpended fund balance in the General Fund will amount to approximately \$21 million, or 16.8% of the ensuing year's appropriations, at the end of 2022. It is projected that unexpended fund balance in the General Fund will amount to roughly \$19 million, or 14.4% of the ensuing year's appropriations, at the end of 2023. The County's Fund Balance Policy provides for a percentage of no less than 5% and no more than 20%.

The 2023 Tentative Budget includes a \$43,091,526 tax levy, an increase of 3.4%. If adopted, the average tax rate on full value will decrease by approximately 61 cents per \$1,000 of taxable value. This means on average, for a property valued at \$100,000, County taxes would go down \$61 in 2023. Although the tax levy is rising, the tax rate on full value is decreasing because of a significant increase of nearly \$494 million in full value. Each year the actual rates vary by municipality, mainly due to the equalization rates assigned by New York State to each locality. The tax rates for 2023 fluctuate considerably, with the municipalities with the lowest equalization rates seeing the highest increase in tax rates, and the municipalities with the highest equalization rates seeing decreases in their rates.

The tax levy limit for 2023 allows for a somewhat greater percentage increase than usual because the 2022 Adopted Budget contained no increase in the tax levy. The calculation does not allow carryover of the full \$937,118 that could have been levied in 2022, but rather the reduced amount of \$596,999. The County's levy limit for 2023 is \$1,430,024, or 3.4%. This is just \$8,498 more than the amount contained in the 2023 budget. Since New York State may withhold aid for "raise the age" expenses if the County were to exceed the cap, the County would need to immediately add \$101,688 to the budget for estimated raise the age expenses in the Department of Social Services. Raise the age expenses could be significantly greater, depending on the number of individuals enrolled in a secure facility or requiring other services. The County could request a financial hardship waiver from New York State in order to receive their aid, but this process and criteria remain a mystery.

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 is instead subject to the inclusion of these funds in the New York State budget. County officials continue to advocate for this revenue to become permanent.

It has been the County's practice to appropriate host community benefit revenue for non-recurring expenditures, outside of the adopted budget, due to the uncertainty of its receipt each year. Projects totaling \$964,800 have been removed from the 2023 Tentative Budget, with the intention of being funded by this revenue, if received, in 2023. If this revenue is not received, then the County will need to determine an alternate funding source, or postpone or cancel the projects. If the County receives the same amount of revenue as 2022, then there will be an additional \$793,012 that could be used for future non-recurring expenditures, or added to reserves or fund balance.

While the County's finances are currently stable and positive, the pandemic has shown how quickly that could change. Just a couple of years ago, we evaluated the devastating effects that the threatened 20% decrease in State Aid would have on our financials, and we also endured volatile sales tax distributions during restaurant and other business closures and slowdowns.

There is valid concern that if New York State's financial position deteriorates, they could again delay or withhold aid to the County. They could also raid the County's sales tax revenue, as they have already done to fund Aid to Municipalities and the Distressed Hospital and Nursing Home Pool. State Aid revenue increased by \$5,583,935, to \$25,164,419, in the 2023 Tentative Budget. This increase is largely due to a \$3,062,675 increase in aid for the Consolidated Highway Improvement Program (CHIPS), combined with a \$1,249,251 increase in aid for Social Services.

It is difficult to predict the long-term impacts of high rates of inflation on sales tax revenue and the County's costs of purchasing goods and services, but these are causes for concern that should not be ignored. Increasing employee wages has a longstanding effect on future years' budgets, as increases compound more rapidly and the corresponding fringe benefits expenses also go up. Additionally, the cost of issuing debt will grow substantially due to the rising interest rate environment.

The County allocated the majority of its American Rescue Plan Act (ARPA) funds for non-recurring projects, programs and equipment that would have otherwise become requests in the County's operating budgets. However, there are programs that will need to be added to future years' budgets if you wish to continue offering these services, such as the Mental Health School Clinics and the Countywide EMS Program.

As noted previously, a boost in interest income and the new property transfer tax served to help offset increased costs in the 2023 Tentative Budget. These items are expected to recur at similar levels, so future budgets won't see as great a benefit as 2023.

Again, the County's financials are presently sound, but it wouldn't be my budget message without at least a few words of caution.

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 17, beginning at 11:05 a.m.

Respectfully submitted,



Cindy J. Edick
Budget Officer

Madison County
Comparison of 2022 Adopted Budget and
2023 Tentative Budget by Category

	<u>2022</u> <u>Adopted</u>	<u>2023</u> <u>Tentative</u>	<u>Increase/</u> <u>(Decrease)</u>
<u>Appropriations:</u>			
General Government Support	\$ 32,652,935	\$ 36,442,412	\$ 3,789,477
Education	6,738,058	7,231,833	493,775
Public Safety	18,902,841	19,246,020	343,179
Health	7,898,031	8,565,330	667,299
Transportation	19,522,664	23,227,003	3,704,339
Economic Assistance & Opportunity	31,794,180	34,058,637	2,264,457
Culture and Recreation	874,718	873,686	(1,032)
Home and Community Services	7,334,804	7,445,045	110,241
Retiree/Unallocated Fringe Benefits	1,004,182	1,637,384	633,202
Debt Service	2,298,613	2,244,500	(54,113)
Total Appropriations	<u>\$ 129,021,026</u>	<u>\$ 140,971,850</u>	<u>\$ 11,950,824</u>
<u>Estimated Revenue & Appropriated Fund Balance:</u>			
Real Property Taxes	\$ 41,670,000	\$ 43,091,526	\$ 1,421,526
Real Property Tax Items	1,231,162	1,269,259	38,097
Non Property Tax Items	34,500,000	37,415,000	2,915,000
Departmental Income	12,312,748	12,676,966	364,218
Intergovernmental Charges	1,899,150	1,847,900	(51,250)
Use of Money and Property	261,035	1,551,585	1,290,550
Licenses and Permits	37,200	37,200	-
Fines and Forfeitures	157,300	158,800	1,500
Sale of Property & Compensation for Loss	1,307,500	1,479,000	171,500
Miscellaneous Local Sources	404,565	503,523	98,958
Interfund Revenues	2,528,293	3,135,672	607,379
State Aid	19,580,484	25,164,419	5,583,935
Federal Aid	7,243,565	7,187,719	(55,846)
Interfund Transfers	503,889	-	(503,889)
Appropriated Reserves	698,126	959,534	261,408
Appropriated Fund Balance	<u>4,686,009</u>	<u>4,493,747</u>	<u>(192,262)</u>
Total Estimated Revenue & Appropriated Fund Balance	<u>\$ 129,021,026</u>	<u>\$ 140,971,850</u>	<u>\$ 11,950,824</u>

Note:

Excludes Special Districts

**2023 Budget Requests
Proposed to be Funded by
2023 Host Community Benefit Revenue**

Department	Description	Amount
Public Facilities	Wayfinding Signage	\$ 300,000
Public Facilities	Security/Entrance for HHS Building	130,000
Information Technology	Replacement Backup Appliance	115,000
Public Facilities	County Clerk Upgrades	60,800
Information Technology	Rewiring in Veteran's Building	60,000
Public Facilities	Highway Parking Lot-Wampsville	50,800
Public Facilities	Tower Decommissioning	45,000
Information Technology	Video Wall for COB Atrium	40,000
Office of Emergency Mgmt	Burn Building for Fire Training Facility	40,000
Public Facilities	Overhead Doors for Public Safety Bldg	40,000
Public Facilities	Flooring for County Office Building	25,000
Information Technology	Fiber Project at Landfill Site	23,200
Information Technology	Cameras for Correctional Facility	20,000
Information Technology	Replacement Phone System Server	15,000
Total		<u>\$ 964,800</u>