

To: Schuyler County Legislature, Management & Finance Committee
From: Tim O’Hearn, County Administrator / Budget Officer
Date: September 29th, 2021

Re: Tentative 2021 Budget

Attached please find the proposed 2021 budget and summary data. As you will recall, for the past two years, I have cautioned that based on historical trend data, we were due for a national recession. Unfortunately, this year that prediction was realized in a large way, as we are experiencing an unprecedented health and economic crisis due to Covid 19. This is having a dramatically negative impact on the 2020 budget both in terms of projected revenue shortfalls to include sales and room tax and a loss of state aid. At this point in time, I am projecting a deficit of three to five million dollars in this fiscal year, two million of which has been offset by spending cuts at the department level. Department heads have done an outstanding job in reducing the 2020-year spending as well as developing an extremely responsible budget for 2021. While we remain hopeful that federal assistance is forthcoming, the 2021 budget projections conservatively assume that this will not be realized. The proposed 2021 budget, which lowers the tax rate for the 9th straight year and additionally reduces the tax levy in the face of the aforementioned, is a testament to the dedication and professionalism of our staff. As you are aware, all staff have agreed to forego a salary increase in the coming year. This unprecedented action literally is the reason that you are being presented with a budget that does not seek to simply shift the burden to our taxpayers. As a result of this sacrifice, the tentative budget preserves all programs and services with no workforce reductions.

Below are the highlights:

2021 Preliminary Budget Notes

General Overview

	2020	2021	% Variance
Expense	\$ 50,164,668.00	\$ 49,419,182.00	-1.49%
Revenue	\$ 38,840,477.00	\$ 38,095,476.00	-1.92%
Levy	\$ 11,324,191.00	\$ 11,323,706.00	0.00%
\$ Amount increase in levy	\$ 265,247.00	\$ (485.00)	
Tax cap	\$ 11,582,969.00	\$ 11,753,700.00	3.79%
Variance above cap	\$ (258,778.00)	\$ (429,994.00)	
Tax rate	\$ 7.18	\$ 7.13	-0.63%
w/cap	\$ 7.34	\$ 7.40	

Factors Influencing Budget Projections:

- **Workforce / Personnel** – Counties (and their staff) have been on the front lines in responding to this pandemic. As extensions of state government, we have been charged with implementing and responding to state orders designed to protect the health of the public we serve. While all our staff are essential, many have been tirelessly working in a challenging environment, and *all* have risen above and beyond the call of duty. While I believe our staff is fairly compensated, there was no additional compensation for the extra pandemic related duties that have been assigned and executed without complaint. In addition to bearing the burden of pandemic response, 100% of our workforce have agreed to forego negotiated salary increases for the coming year to preserve services and staffing. This is a huge sacrifice on their part and one that I predict you won't witness in other governments and demonstrates the professionalism of Schuyler County employees. I cannot speak more highly of our staff, given their dedication and commitment. The dollar value associated with the wage freeze and retirement savings equals \$615,785.
- **Sales Tax** – Sales tax is difficult to project given the uncertainty of the pandemic response and infection rates. I have reduced this revenue by almost a million dollars and am hopeful that this is conservative, based on what appears to be a robust tourism economy in the third quarter. Assuming we can resume large events next year, my hope is that this is a conservative projection. Unlike past recessionary times, it is believed that our recovery will be quick and robust once we have the pandemic behind us. It is my hope that we far exceed this projection.
- **State Aid** – While the Governor hasn't formally exercised his right as granted by the Legislature, to make mid-year budget corrections, we are experiencing a 20% hold back of all state aid. Per the Governor, if federal assistance is not forthcoming the holdbacks will become actual reductions. Departments have budgeted a 20% decrease in aid through the first quarter.
- **Medicaid** – We are receiving enhanced FMAP through the CARES Act and our weekly Medicaid shares have been reduced proportionately. It is hoped that this will continue through FY 2021.
- **Pension** – Pension contribution increase is largely flat for 2021. On a positive note, we are seeing the effect of Tier 5 & 6 lower rates as we now have over 35% of our staff so classified.
- **Health Insurance** – I have budgeted a 5% premium increase, but we won't have exact number from Chemung County until late October. In 2021 we will also be subject to a 2% administrative fee imposed by the county. Additionally, this marks the first year that we will be reconciling premium vs. claims paid and will either have a credit or charge based on year end results.
- **Highway & Machinery** – 2021 budget is largely flat with respect to local share. Expenditures have increased by 1 million but that is attributable to a federal bridge project. The Machinery local share has been reduced almost 50%. The Legislature wisely funded equipment purchases this year, in anticipation of a difficult budget year, and we have removed all equipment purchases for 2021. All requested projects have been funded.
- **Fund Balance Appropriation** – (\$0) The 2021 budget once again does not rely on the use of fund balance to fund recurring expenses. However, due to the unforeseen economic consequences of the pandemic, it is likely that we will rely on fund balance to offset 2020 revenue shortfalls. I estimate this amount to be up to two million dollars. Thankfully, the Legislature and county staff have made a concerted effort over the past six years to control expenses and work toward restoring fund balance and that has certainly been successful. Absent this foresight, we would be in dire straits trying to get through this year. Our current unassigned fund balance represents 19% of GF expenditures which is a

huge improvement over the past but does not reflect the use of reserves in 2020 to cover revenue shortfall. Use of this “rainy day fund” is certainly what it is intended for, given we have been confronted with a tsunami but will still maintain reserves at just under 15%.

- **Community Services** – Mental Health clinic revenues are projected to increase slightly in 2021. However, due to the use of Federal Salary Sharing revenue, local share is projected to be (\$445,194) which is a 22% improvement over 2020. Additionally, this number reflects the clinics contribution to funding capital improvements in the amount of \$100,000 which will reduce the amount of reserves needed for this project while preserving state aid. Mental health continues to be a significant positive influence on the 2021 budget.
- **Contract Agencies** –I had advised contract agencies that in the absence of a federal bailout, I would be passing along the state’s 20% reduction in assistance that we are experiencing to them as well. Given the stronger than expected tourism season, I have only reduced them (SCOPED and CCE) by 10%. Soil & Water submitted a request reflecting a 20% reduction, to which I made no change.
- **Assessed Value 2021** – As you will recall, the real property office has been updating valuations on a regular basis to maintain a 100% equalization rate. This year, there was no such revaluation and total assessed valuation increased by .63% or 10 million dollars. This largely reflects the value of new construction during the previous year and as such does not automatically lower the tax rate as in past years. This proposal, in spite of the aforementioned reduces both the tax rate and the tax levy.
- **Capital Projects** – All capital projects that were not already underway have been temporarily delayed as we evaluate our fiscal position. We had anticipated using 1 million from reserves for this year’s projects and did not have anything planned for 2021. Because the Legislature has worked to build reserves, this should be a temporary setback and we will still “pay as we go” as opposed to issue debt to fund.

In closing, I offer the following commentary: As the administrative arm of NYS government, counties withstand far greater fiscal stress than other levels of local government. Never has this been truer than now. Due to the unprecedented experiences and impacts associated with the pandemic, the 2021 budget is one of much uncertainty. The Legislature has provided exemplary leadership throughout this time and has trusted the administration and staff to achieve its goals on behalf of the citizens of this County. I am proud of the actions of all staff and am thrilled to be a part of this team. That being said, I ask that as you begin your budget deliberations, you not lose sight of the tremendous effort and sacrifice that has been put forth by management and staff to not only mitigate this year’s horrific economic impact but then craft a spending plan for 2021 that will allow us to fully recover from the current crisis. Please also remember and acknowledge the personal financial sacrifice made by every County employee. They do so professionally and in so doing, ease the burden on our taxpayers.