



Chautauqua County 2023 Tentative Budget September 28, 2022

Good evening Mr. Chairman, County Legislators, Department Heads, County Employees and Residents.

Thank you for the opportunity to present my 2023 Tentative Chautauqua County Budget.

Our 2021 Budget Mission



*Make our 2021 comeback better than
our setback.*

In 2021, our challenge was to think outside the box and ensure our comeback was greater than our setback. We did that. This meant for 2022 we could ...

Your 2022 Budget Goals



Reimagine County Government

- Efficient delivery of our services
- Efficient use of our workforce
- Efficient use of our facilities
- Revenue sources
- A three to five year plan

Reimagine county government.

We got out of the box, out of the COVID trenches, so we could think bigger and longer. Since we emerged from the COVID crisis of 2020 in strong financial position, we can plan for the future, not just worry about the present. So far this year, we are realizing efficiencies, finding new revenue sources, and thinking about how 2022 fits into a 3-5 year plan.

But Uncertainty Exists ...



But uncertainty still exists with inflation, supply chain interruptions, a volatile economy, and the war in Ukraine.

2023 Strategy: Imagine & Protect



Reimagine
County Government



So our 2023 financial strategy is to remain creative, but cautious. Think new and big thoughts, but protect our financial position.

Now for the details ...

2023 Budget Targets and Goals

- Present a budget with tax levy at or under the tax levy limit.
 - Tax levy = Tax Rate X Property Valuation
 - Tax cap limit will require a **reduction** in the tax rate.

First, let's review our goals for the 2023 budget.

Our first goal was to be at or under the tax levy limit mandated by New York State, also known as the tax cap.

Based on a variety of factors, the state specifies how much our tax levy can be, or in other words, how many dollars we can charge for property taxes. The increase in the tax levy is capped at 2%, or the rate of inflation, whichever of the two is **lower**.

This year we had a carry forward factor because we are under the tax cap in 2022.

Our tax levy increase is \$2.7 million, or 4.1%. Due to contractual increases, increases in unfunded state mandates, and an inflation rate of 8%, we made the decision to increase our tax levy in 2023 to ensure that Chautauqua County remains in a strong financial position come 2024. Even with the tax levy being increased, due to our strong real estate market, which caused Chautauqua County's property valuation to increase by more than 8%, the tax **rate** must **decrease** to keep the levy from exceeding the tax cap.

2023 Budget Targets and Goals

- Present a structurally balanced budget.
 - Recurring expenses should be financed by recurring revenue.
 - Fund balance should only be used for unusual one-time expenditures.

Our next goal was to present a structurally balanced budget.

We define a structurally balanced budget as one that covers recurring or “usual” expenses with recurring or “typical” revenues.

If we use fund balance, it should be used only for unusual, one-time expenditures.

2023 Budget Targets & Goals

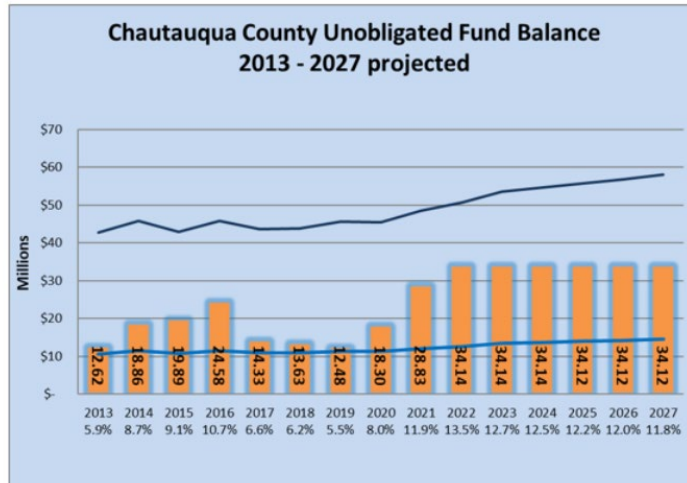
- Protect county's financial position
 - Maintain general fund balance of 5-15% of revenues, per Fiscal Management Policy.

Our next goal was to protect the county's financial position.

One way to achieve this goal is to maintain our fund balance.

Our financial management policy states our fund balance should be 5-15% of revenues. The fund balance is essentially the County's savings account. A surplus at the end of a fiscal year results in an increase to fund balance; a deficit results in a decrease in fund balance. The current general fund balance projection for 2022 is \$29 million, or 11.6% of revenues. To further explain why the fund balance is an important part of our financial position, let's take a look at our fund balance over time.

Protect Current Financial Position General Fund Balance 5-15% of Revenue



The orange bars show the amount of fund balance; the lower line is the lower limit of our target range; the upper line is the upper limit.

We have always been in compliance with our policy; however, in 2017 through 2019, our fund balance was quite low, at 5-7% of our revenues. Because we performed better than we budgeted in 2020 and 2021, we had surplus funds, and we added them to our fund balance.

At the end of this year, and into next year, general fund balance is expected to be 12-13% of our revenues. Even though this is above the midpoint of our target range, it's important to maintain our fund balance so we can protect our financial position.

2023 Budget Targets & Goals

- Protect county's financial position
 - Maintain general fund balance of 5-15% of revenues, per Fiscal Management Policy.
 - Consider significant national and international uncertainties
 - Safeguard recent financial success

Another way to protect our financial position is to be mindful of national and international events that are causing financial uncertainty. Inflation, war, commodity shortages, and volatile financial markets are some factors that could possibly have a negative effect on our financial position.

In spite of current economic uncertainties, we are optimistic about our financial performance in 2022. So far this year, our financial results compare favorably with our budget; however, it's important to maintain our conservative approach to financial management. We want to safeguard our recent financial success so we can manage any future financial threats.

2023 Budget Targets and Goals

- Increase investment in capital assets due to compelling requests for capital projects
- American Rescue Plan Act (ARPA) funds will not be used for recurring expenditures.
 - Funds must be obligated by end of 2024
 - Funds must be spent by end of 2026

Our final goal is to increase our investment in capital assets.

The recent capital project review process revealed many needs for capital investments, so we wanted to commit a significant amount of funds to these needs.

The American Rescue Plan Act is not really a goal, but it affects our budget. As you know, the county received approximately \$24.6 million from the federal government. These funds must be obligated by the end of 2024 and spent by the end of 2026 and there are rules and guidelines that determine how the money can be spent.

Our plan is to continue to amend the 2022, 2023, and future budgets, as needed, to implement allowable increases in services, new purchases, and/or new capital projects funded by ARPA.

We cannot use ARPA funds as a direct contribution to fund balance, and cannot use ARPA funds to reduce our tax levy.

2023 Budget Targets and Goals

- Present a budget with tax levy at or under the tax levy limit.
- Present a structurally balanced budget.
- Protect county's financial position.
- Increase investment in capital assets.
- American Rescue Plan Act (ARPA) funds will not be used for recurring expenditures.

To summarize, our goals were to: present a budget at or under the tax cap; present a structurally balanced budget; protect the county's financial position; and increase investment in capital assets.

Now that you know our goals, here are the results.

2023 Tentative Property Tax Levy & Rate

	2022 Adopted	2023 Tentative	\$ Change from Prior Year	% Change from Prior Year
Property Tax Levy	\$ 66,912,293	\$ 69,681,835	\$ 2,769,542	4.14%
Full Valuation	\$8,258,167,240	\$8,929,551,954	\$ 671,384,714	8.13%
Property Tax Rate	\$ 8.10	\$ 7.80	\$ (0.30)	-3.69%

I am proposing a 2023 tax rate of \$7.80—30 cents BELOW last year’s rate. This is my third budget as County Executive, and the third year I am proposing a decrease in the tax rate. I am also proposing a total levy increase of \$2,769,542. This is the maximum increase allowed by New York State, but represents an increase of only 4%, a relatively small increase in today’s inflationary economy.

Tax Rate Decreases 30 Cents



It is noteworthy that the tax rate in the 2023 Tentative Budget, the red bar, is significantly below \$11.72, the tax rate adjusted for inflation since 2012 (the far right yellow bar). A healthy 8.1% growth in property valuations contributed to the reduction in the tax rate.

Balanced Budget & Financial Position

- Structurally Balanced Budget
 - Use of General Fund Balance = \$4.5M
 - \$3.6M investment in capital projects
 - \$600K for CSEA 6300 bonus
 - \$292K of designated fund balance for repayment of helicopter debt
 - Financial Position Remains Strong
 - Surpluses in 2020 and 2021 and anticipated surplus in 2022 bolster fund balance
 - Fund Balance Remains in Required Range

The 2023 Tentative Budget is structurally balanced because it covers recurring expenditures with recurring revenues. However, the 2023 Tentative Budget uses \$4.5 million in general fund balance. The budget is considered structurally balanced because the fund balance will be used for unusual, one-time expenditures.

We plan to use \$3.6 million of fund balance to help achieve our goal of investing in capital projects. These projects include new plow trucks, a new multi-use athletic field at Jamestown Community College, and improvements in road, bridges and other county infrastructure. The fund balance will also be used for repayment of designated debt, and for a one-time bonus for members of CSEA Bargaining Unit 6300. This bonus was negotiated in the one year extension of the collective bargaining agreement.

As I mentioned earlier, our financial management policy states our fund balance should be 5-15% of revenues.

We are using some of the budget surpluses achieved in 2020 and 2021, but our fund balance is expected to remain above the midpoint of our target range. This decision will continue to protect our current financial position.

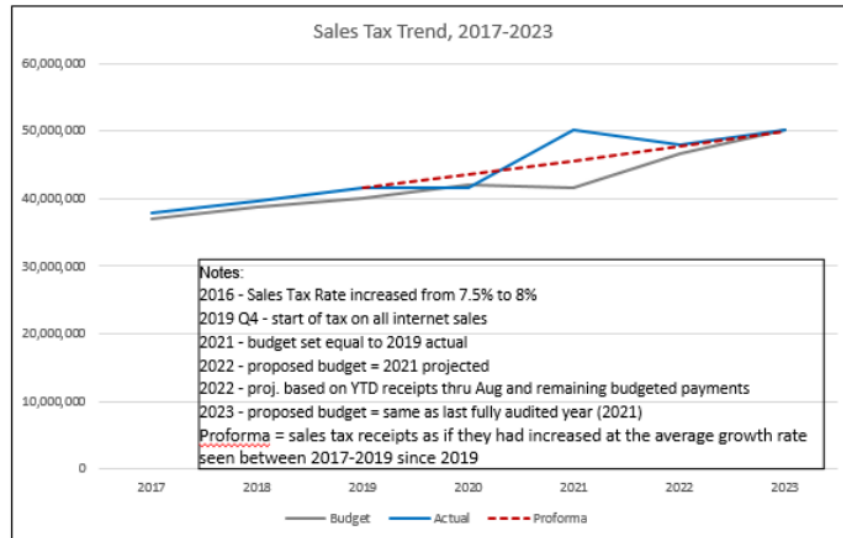
Now that I have demonstrated the 2023 Tentative Budget meets the goals we established, let's do the numbers.

Summary of Revenues by Classification (Governmental Funds)

Revenue Classification	2022	2023	Increase/(Decrease)	
	Adopted Budget	Tentative Budget	Amount	Percent
Departmental Income	\$19,735,272	\$20,962,996	\$1,227,724	6.2%
Fines, Licenses, Miscellaneous	\$2,262,664	\$2,389,786	\$127,122	5.6%
Shared Services	\$4,928,642	\$5,561,565	\$632,923	12.8%
New York State Aid	\$41,187,971	\$47,926,998	\$6,739,027	16.4%
Federal Aid	\$36,602,456	\$36,468,371	-\$134,085	-0.4%
Sales Tax - Pass Thru	\$33,101,281	\$35,219,707	\$2,118,426	6.4%
Sales Tax - County Portion	\$47,144,248	\$50,161,402	\$3,017,154	6.4%
Towns' Sale Tax Applied to Prop Tax	-\$50,000	-\$50,000	\$0	0.0%
Other Tax Items	\$7,776,452	\$8,052,798	\$276,346	3.6%
Use of Money & Property	<u>\$1,368,649</u>	<u>\$670,496</u>	<u>-\$698,153</u>	<u>-51.0%</u>
Total Revenues	\$194,057,635	\$207,364,119	\$13,306,484	6.9%
<small>(excluding transfers & property tax)</small>				

Revenues increased by 6.9%, driven by a \$5 million increase in sales tax, \$2 million of which is passed on to local municipalities. We will receive more New York State Aid, primarily due to additional funding for health and human services programs. Federal aid decreases as some grants expire. Many of the changes in state and federal aid are accompanied by changes in appropriations.

Sales Tax Trend and Proposed 2023 Budget



Sales tax receipts in 2021 (the blue line) reflected a strong recovery as consumers returned to pre-pandemic spending habits, and sales tax on all online purchases continued to generate additional revenue. The 2023 Tentative Budget for sales tax (the grey line) is equal to actual receipts of the last fully audited year (2021). The proforma, or dotted red line, represents sales tax receipts as if they had increased at the average growth rate from 2017-2019. The proforma suggests the 2023 proposed sales tax is consistent with growth trends prior to the pandemic.

Summary of Expenditures by Classification (Governmental Funds)

Expenditure Classification	2022	2023	Increase/(Decrease)	
	Adopted Budget	Tentative Budget	Amount	Percent
Personal Services	\$69,084,525	\$74,378,798	\$5,294,273	7.7%
Employee Benefits	<u>\$36,792,966</u>	<u>\$38,529,434</u>	<u>\$1,736,468</u>	<u>4.7%</u>
Subtotal Personal Services & Employee Benefits	\$105,877,491	\$112,908,232	\$7,030,741	6.6%
Equipment	\$553,472	\$963,913	\$410,441	74.2%
Contractual - Pass Thru Sales Tax	\$33,101,281	\$35,219,707	\$2,118,426	6.4%
Contractual - Medicaid	\$27,963,716	\$28,025,774	\$62,058	0.2%
Contractual - All Other	\$89,439,582	\$96,135,371	\$6,695,789	7.5%
Principal and Interest	<u>\$3,717,653</u>	<u>\$4,368,320</u>	<u>\$650,667</u>	<u>17.5%</u>
Subtotal Other Appropriations	\$154,775,704	\$164,713,085	\$9,937,381	6.4%
Total Expenditures	\$260,653,195	\$277,621,317	\$16,968,122	6.5%
<i>(excluding transfers to other funds)</i>				

Expenditures increased 6.5%.

Personal Services increased 7.7% due to contractual changes and additional positions, many of which are grant funded. The 2023 budget reflects settled contracts for all collective bargaining units, including the recently settled contract extension with CSEA 6300. For Unit 6300, the 2023 Tentative Budget includes a 3% increase in base pay plus a one-time bonus of \$750.

Contractual costs increased, but, as I mentioned earlier, much of this increase is offset by increases in revenue.

2023 Proposed Positions

# of FTEs	2022 Adopted Budget	2023 Tentative Budget	Change
Governmental Funds	1249.79	1284.04	34.25
Enterprise Funds	70.01	68.98	(1.03)
Total All Funds	1319.80	1353.02	33.22

Slide 19: Our new **funded** positions total 23, including additions to our staff of public defenders, school resource officers, and emergency medical technicians. Other positions that were added expand services in cold case investigations, emergency medicine, and economic development.

I pledged in my 2022 State of the County Address to invest in public safety. These new positions demonstrate my commitment to making Chautauqua County a safer place for all of our residents.

Accomplishments in 2023 Budget

- At the tax cap
- Maintains financial position
- Attainable sales tax budget
- Conservative occupancy tax budget
- Substantial investment in capital projects with no new debt

I am proud of the many accomplishments we were able to include in the 2023 Tentative Budget.

This budget maintains services and programs in an uncertain and inflationary economy, while staying within the tax cap **and** maintaining a healthy fund balance.

Our sales tax budget is attainable and our occupancy tax budget is conservative and attainable.

Capital projects include investments in heavy equipment, our airports, information systems, emergency response systems, and the JCC campus, all **without** incurring new debt.

Opportunities Ahead

- Sales tax and occupancy tax revenues will continue to grow
- Grants will continue to enhance our services, without creating dependence on them
- Reimagined ways of doing business will enhance and expand our services without depleting our resources

This year, we continue to capitalize on opportunities.

I believe our sales and occupancy tax collections will continue to grow, and we will continue to use grant funds to our advantage. We have already received new grants in health and human services, mental hygiene, and law enforcement.

We are investigating opportunities for funding from the Bipartisan Infrastructure Bill, and thinking about how to repurpose ARPA funds if projects in the current spending plan can be funded from another source. We continue to look for new and better ways to deliver or expand our services.

As I stated in my State of the County Address, my focus is to provide efficient effective county government. We have redesigned office spaces to better serve the needs of our residents and employees, we are also discussing ways to reorganize and centralize financial functions and social services.

I am confident the 2023 Tentative Budget empowers the County to make opportunities a reality and provides for a plan of continued financial success in Chautauqua County.

I thank you for attending, and encourage you to . . .

2023 Strategy: Imagine & Protect



**Reimagine
County Government**



Imagine & Protect!