



City of Cortland

**Scott Steve
Mayor**

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To: Common Council Members
City Clerk

From: Scott Steve, Mayor

Date: October 29, 2022

Re: Tentative 2023 City Budget

I do hereby submit to the Common Council the tentative 2023 City budget for your review, modification and subsequent adoption. The tentative City budget is also hereby filed with the City Clerk in accordance with Article XXI Section C21-6 of the City Charter.

As we have discussed, the City Charter provides that on or before the 15th day of October the Mayor shall submit the tentative City budget to the Common Council, and as I have previously advised, I determined it to be in the better interests of the budget process to submit it to you beyond that date in order to provide a more exact financial accounting upon which you, the Council, will deliberate and adopt a final 2023 City budget.

Tentative Budget Summary

The City's budget challenges are great and our opportunities for improving how we manage City funds are many. The tentative budget submitted here is a course correction to deficit spending and unordered budgeting.

The tax rate increases 2 percent, or .21 cents per \$1,000 in assessed value in the tentative budget. That equates to a \$21 tax increase for the owner of a home valued at \$100,000.

Total spending rises 2.8%; increasing \$838,943 from \$29,175,748 in 2022 to \$30,014,691.92 in the tentative 2023 budget.

The total tax levy is increased by \$263,148, from \$9,297,300 in 2022 to \$9,560,448 in 2023.

The tentative budget's revenues include conservative sales tax projections of \$6.5 million in 2023, which is a \$544,629 increase from the 2022 projection of \$5.95 million. This anticipated revenue is based on County and State projections which take into account economy and inflation factors.

Addressing Budget Challenges

The City had a \$1.36 million deficit in 2021 and has a \$729,081 projected deficit in 2022 which contributed to the State Comptroller giving Cortland a fiscally distressed rating. The tentative 2023 budget resolves these deficits.

The 2022 deficit of \$729,081 would have been much higher without mitigating cost controls and efficiencies implemented this year. The basis of this deficit was underestimated personnel costs totaling approximately \$750,000. Known increases in wages, workers compensation and health insurance were not fully budgeted for. These expenditures are significant in that personnel services accounts for 40 percent of the budget. Adding to the deficit was \$125,000 in non-budgeted costs associated with the Parker School building.

The 2023 tentative budget fully accounts for personnel costs including a 6.5 percent increase in health insurance.

Improvements and cost savings in the tentative budget include:

- Creating an accurate chart of accounts reflecting actual purposes of expenditures;
- Increased transparency and understanding of how City funds are spent and accounted for;
- More control and accountability in managing accounts and allocations given to department heads and their account clerks;
- Infrastructure improvements which reduce reoccurring costs;
- Operating efficiencies such as reduced over-time costs.

Key Budget Policy Considerations for the Common Council

While many cost reduction measures have been implemented in 2022 and are accounted for in the tentative 2023 budget, there are additional budget policy decisions for the Common Council including:

- Reducing health insurance costs by \$1.5 million by making administrative changes in retiree health insurance that would give better benefits to retirees and save them out-of-pocket costs;
- Using American Rescue Plan (ARP) funds to upgrade facilities, vehicles and equipment. Maintenance and repair of aging and neglected assets are reaching levels that exceed replacement costs;
- The future use and costs of owning and maintaining the Parker School building;
- Review water and sewer rates and create a balance between rate increases and the costs of ongoing repair and operational costs.

Budget Process and Schedule

The requirements and schedule for adopting a budget are described in a resolution on the November 1, 2022 Common Council Agenda (Agenda Item No. 3). The meeting and public hearing schedule is outlined below.

Budget Review Sessions

The Common Council will hold budget review meetings, which shall be open to the public, in the Mayor's Conference Room on the third floor of City Hall, 25 Court Street, Cortland NY 13045. The meetings will be streamed via Zoom at: <https://us02web.zoom.us/j/9235664700> (Meeting Room: 923 566 4700).

- November 2, 2022 at 6:00 p.m.
 - 6:00 p.m. Youth Bureau
 - 6:30 p.m. Waste Water Treatment
 - 7:00 p.m. Fire Department
 - 7:30 p.m. Code
- November 3, 2022 at 6:00 p.m.
 - 6:00 p.m. Police
 - 6:30 p.m. DPW
 - 7:00 p.m. Water Department
- November 9, 2022 at 6:00 p.m.
 - Review and discuss proposed modifications
- November 10, 2022 at 6:00 p.m. (if needed)
 - Review and discuss proposed modifications

Modifications to the Tentative Budget and Approval of a Proposed Budget

- Modifications to the tentative budget shall be made by the Common Council on or before November 15, 2022.
- November 15, 2022 at 6:00 p.m. - The Common Council will approve a proposed 2023 City budget during its scheduled regular meeting.

Public Hearing

- December 6, 2022 at 6:00 p.m. - The Common Council shall hold a public hearing on the proposed City budget prior to its scheduled regular meeting.

Adoption of a Final City Budget

- December 20, 2022 at 6:00 p.m. - The Common Council will adopt a final 2023 City budget during its scheduled regular meeting.