

2022 Executive Budget Message

Presented January 18, 2022

Good afternoon Board of Commissioners and guests. I join you today to present the 2022 Executive Budget Message. Keep in mind this is not our budget introduction, so the information I share may be subject to change, pending state action. Today's presentation provides an overview of where we find ourselves at this time.

We are nearly two years into the COVID-19 pandemic and sadly, after having dealt with the Delta variant, we are now dealing with the Omicron variant. Omicron appears to be much less virulent, but unfortunately, far more transmissible. For the past several weeks the daily number of new cases in the county has been in the triple digits, consistently higher than at any previous time during this pandemic.

The pandemic has impacted all our lives and changed the way we live, More than 825 Atlantic County residents have succumbed to COVID-19. It's hard to imagine anyone who does not know someone who has died as a result of COVID.

Atlantic County government has been vigilant in our efforts to address this deadly disease. Long before any vaccines were available, we implemented a drive-thru test site in partnership with AtlantiCare. Once the vaccines were approved, we established free vaccination clinics and also supported the state's mega site in Atlantic City. We also provided vaccinations to our homebound residents.

When the Delta variant began to spread and cases surged in the fall, we re-opened weekly vaccination clinics in Northfield and Hammonton for primary COVID-19 vaccinations and later booster shots in addition to annual flu shots. Those clinics remain open now.

And earlier this month, we re-opened our free drive-thru test site in Northfield in collaboration with AtlantiCare to help meet the extraordinary demand that is overwhelming local emergency rooms, urgent care centers, healthcare providers and pharmacies. We are also working with the CDC and NJ Department of Health to provide additional testing at Stockton University in Galloway and the Carnegie Center in Atlantic City.

I could not be more proud of all those who have been involved in planning, implementing, staffing and supporting these activities. They have worked tirelessly and their efforts have helped to make a difference in many lives. They have our utmost gratitude.

Another challenge facing us is the recently signed legislation that amends what is commonly referred to as the casino PILOT. The PILOT was enacted into law to allow Atlantic City casinos to make payments in lieu of taxes.

For the past five years, the county's revenues have included these payments in lieu of taxes. In a 2021 lame duck session, just four days before Christmas, and without any discussion or input from Atlantic County, the governor signed a bill to amend the original PILOT with the removal of sports betting and Internet gaming. The amended

PILOT also changes the funding formula calculations for the benefit of the Atlantic City casinos at the expense of the non-casino taxpayers.

In 2022, the county's share based upon the current PILOT would be \$22.275 million compared to only \$17.55 million based upon the amended PILOT, a loss of nearly \$5 million. From 2022 through the end of the PILOT in 2026, the county's lost revenue is projected to be as much as \$30 million. Meanwhile, the casinos are projected to gain \$55 million in savings.

The amended PILOT clearly violates the Consent Order of Settlement that was reached in 2018 with Governor Murphy's approval, guaranteeing Atlantic County its 13.5% share of casino payments based on specific gross gaming revenue benchmarks.

Atlantic County is prepared to once again fight for what was promised and agreed to in open court. An Order to Show Cause was filed in Superior Court on December 22, 2021. The judge encouraged both parties to engage in mediation to settle the matter. The State of New Jersey notified the judge on January 12, 2022 that it is declining mediation. The court is now scheduled to hear legal arguments on February 8, 2022.

Astoundingly, there were never any discussions or requests for input from the county, a major stakeholder in the PILOT, when the PILOT amendment legislation was written. There was no response to letters to the governor from me or our counsel, and there has been no discussion about finding a resolution that serves the best interests of taxpayers in ALL 23 Atlantic County municipalities. The state continues to stonewall us. This is a mistake. The state should know, as demonstrated by past actions, that we will

fight for what is right and fair. We will fight for the taxpayers of Atlantic County. Why should Atlantic County taxpayers be the only taxpayers in the state on the hook for this legislation that will allow the casinos to keep more profits for themselves, especially at a time when the casinos are breaking revenue records each month. The casinos seem to be making a faster and stronger comeback from the pandemic than a majority of Atlantic County residents and businesses.

Now for more positive news. Over a year ago we set out to establish a centralized regional court as a shared services initiative to reduce duplication and save our towns and taxpayers money. After a great deal of hard work and collaboration, the Central Municipal Court of Atlantic County has opened. In addition to hearing municipal court issues from participating towns, the Central Municipal Court will also adjudicate all state-issued violations throughout the county, including those issued by the New Jersey Division of Gaming Enforcement.

This is the first regional court of its kind in the State of New Jersey and it is expected to become a model for the entire state. In addition to cost savings, the court offers an opportunity to provide social service outreach in the areas of drug addiction, mental illness and domestic violence.

The county, in cooperation with County Sheriff Eric Scheffler, has agreed to cover security costs of \$680,000 for the first year and to provide \$175,000 in funding for social services provided by JFS.

I applaud the municipal officials who were willing to put the traditional notions of home rule aside that are so common to New Jersey.

The American Rescue Plan Act of 2021 provided \$350 billion to state and local governments for fiscal recovery based on a formula that considers the state share of the nation's unemployment. Atlantic County received its first installment last May. A second installment is scheduled for May 2022. Funds must be incurred and obligated by December 31, 2024 and liquidated by December 31, 2026. Funding may be obligated for projects where county tax dollars would otherwise be expended, thus helping local governments control taxes.

The county plans to use ARP funding in the 2022 budget to continue our COVID-19 response. In addition to providing medical supplies such as masks, gowns and gloves, there is also a need to continue to clean and sanitize facilities such as the county jail, Meadowview Nursing and Rehabilitation Center and Harborfields Youth Detention Center, any time an employee, visitor, inmate or resident tests positive for COVID-19. The cost for cleaning and sanitizing is \$1.6 million.

To address new stormwater regulations, we have designated a crew assigned to review the county's 30 drainage compounds. ARP funding will be used to offset that cost of approximately \$759,000 as well as \$294,000 for the repair of a sinkhole at the Shoreview Building in Northfield.

The county has also undertaken the replacement of HVAC systems in several buildings at a cost of \$7 million to meet the federal CDC air quality standards which can be funded with ARP funds.

At least \$1 million in 2022 stormwater drainage work is also eligible for ARP funding in addition to \$4.8 million to assist with the replacement of the Ventnor/Margate and Pleasantville pump stations that support 14 Atlantic County towns.

With the information available to us at this time, the Atlantic County tax levy for 2022 is \$160,439,729. This will translate into a tax decrease of approximately 1.5 cents per \$100 of assessed value. For a property assessed at \$400,000, this equates to a \$60 tax decrease. The increase to the county budget is approximately 1% less than the Consumer Price Index of nearly 5%.

Increases to the 2022 budget result from a variety of issues that impact all county governments in the state. The cost of elections, for one, will increase again in 2022. The state mandates for vote-by-mail and 9-day pre-election day/early voting require additional staff, increased mailings, enhanced technology, security and more. Our estimates for these costs are approximately \$300,000. However, work on the election budgets is ongoing.

A number of general line items have also increased such as the Public Employees and Police and Firefighter Retirement Systems (\$330,881), the county excess Joint Insurance Fund (\$1.5 million), Social Security (\$267,885), utilities (\$515,239), fuel (\$231,500), the county's capital improvement plan (\$1.9 million) and real estate rentals (\$250,200). These costs alone are estimated at more than \$4.8 million.

But despite these increases, our conservative fiscal management helps us to maintain our top tier bond ratings and keep Atlantic County one of the lowest taxed counties in the state.

Atlantic County has had the same staffing issues as many agencies across the country with a lack of applicants, absences due to COVID-19 related symptoms, salary ranges that are often below the competition, lack of interest from those receiving federal and state payments, an increase in the use of federal and state medical leave, and vacancies due to retirement. To promote a more attractive workplace environment, the county has tried to meet the Consumer Price Index of 5% for its employees in the 2022 budget. We believe this is reasonable since our budget will meet the 2% CAP and the efforts of staff during COVID-19 have been more than admirable.

My thanks again to the Board of Commissioners for its dedication and support. This past year has been difficult and challenging, but together we have continued to provide important programs and services on which so many individuals have come to expect and depend. And the quality of those programs and services is a reflection of the talented, resourceful and caring men and women who comprise Atlantic County government. Without each of you, we could not accomplish all that we do. I am extremely proud to serve as your Atlantic County Executive.

