

WARREN COUNTY TREASURER

Michael R. Swan
County Treasurer

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To: All Supervisors
From: Michael R. Swan, Treasurer
Date: January 21, 2016
Subject: Budget Analysis Report

Budget Analysis Report

The purpose of the monthly budget analysis report is to make the County Supervisors and Administration aware of certain issues that may present a problem in the near future or are currently a problem. It is important that appropriate action be taken to address these issues or concerns before they become a problem.

We have analyzed the revenue and expenditure budgets for the County departments as of December 31, 2015 on a preliminary basis. Please note that we have not closed the year as of this date and there will be significant additional revenues and expenditures posted until we officially close the books over the next few months. We will provide final 2015 numbers near the end of April, 2016. We have noted the following items Supervisors should be aware of:

2015 Revenues

Westmount Sale

On December 31, 2015, the County completed the sale of Westmount to Warren Operations Associates, LLC and received \$2,425,535 from the sale. This entire balance was used to pay the majority of the \$2.6 million owed by Westmount to the General Fund. It is important to note that even with the sale, the lease for the Co-Generation Plant with Siemens is still in the County's name which is why we are still including this in the County debt balances below with an outstanding balance of \$587,123 not including interest. We were directed to continue paying the Siemens' lease principal and interest payments in addition to paying the monthly maintenance service fees and then bill Warren Operations Associates, LLC for these payments pursuant to the Asset Purchase Agreement dated December 31, 2014 until further notice. The remaining Maintenance Services contract with Siemens has a total balance of \$342,057 through May, 2020. Section 3.8 of the Asset Purchase Agreement notes that the Buyer and Seller agree to seek Siemens' consent to the assignment of the lease from the Seller to the Buyer. It is our understanding that these negotiations are currently taking place.

County Clerk

County Clerk Fees – As of December 31, the department has received \$1,150,691 in County Clerk Fees in 2014 and \$1,194,901 in 2015 which is an increase of 3.8%. It should be noted that the 2015 amount is the final balance and is at 100% of the budget for this account.

Mortgage Tax – As of December 31, the department has received \$1,746,755 in Mortgage Tax in 2014 and \$1,890,723 in 2015 which is an increase of 8.2%. It should be noted that the 2015 amount is the final balance and is at 135% of the budget for this account.

Automobile Use Tax – As of December 31, the department has received \$428,635 in Automobile Use Tax in 2014 and \$439,678 in 2015 which is an increase of 2.6%. It should be noted that the 2015 amount is through November and is at 95% of the budget for this account, so the actual revenue amount received is on target to exceed the budget.

Sheriff's Correction Division

Jail Services, Other Government – As of December 31, the department has received \$589,413 in Jail Services, Other Government in 2014 and \$456,777 in 2015 which is a decrease of 23%. It should be noted that the 2015 amount is through November and is at 76% of the budget for this account, so the actual revenue amount received is lagging significantly behind the budget.

Tourism

Occupancy Tax – The department has collected \$309,398 more in occupancy taxes as of December 31, 2015 than we did as of December 31, 2014 which is a 7.7% increase. This amount represents collections for each year through January 20. We have not finalized 2015 figures yet and expect to receive payments for 2015 through March 31, 2016.

County Treasurer

Sales Tax – It has been noted that we have collected \$720,182 more in sales taxes through December, 2015 than we did through December, 2014 which is a 1.5% increase. We finished the year \$524,279 under budget for this revenue code.

VL/Tribal Compact Moneys (Casino) – As of December 31, the department has received \$357,353 in casino money in 2014 and \$323,757 in 2015 which is a decrease of 9.4%. It should be noted that the 2014 and 2015 amounts are through September. If this trend continues, it is projected that the 2015 revenue will be \$78,000 under the 2015 budgeted amount of \$500,000.

Lake George Watershed Conference

This issue was previously reported in prior 2013, 2014 and 2015 budget analysis reports and it has been reported that an application for payment has been submitted to the State. We have not received any funding to date from the Lake George Watershed Conference.

We currently have an outstanding receivable from the Lake George Watershed Conference for \$102,500 dating back to 2007 relating to a Valley Woods Road Project. It is unclear whether or not we have a contract with the Lake George Watershed Conference for this project, but it is our understanding that they are to pay us when they receive State Aid reimbursement. If we do not collect on this receivable soon we will have to write it off and it will then have to be taken out of the County Road surplus.

Invasive Species Boat Washing

This issue was previously reported in prior 2015 budget analysis reports. We have not received any claims to review and sign and we have not received any State funding for these expenditures incurred in 2014. We have not been provided with a signed grant agreement.

The Invasive Species Boat Washing capital project was approved in January of 2014 and as of June, 2014; the County has incurred \$362,731 in expenditures. We are not aware of any claims have been filed with the State for reimbursement and it has been our understanding that this is because we do not even have a contract yet with the State. The same individual who administered the funding for the Valley Woods Road Project with the Lake George Watershed Conference is also administering the State grant for the Invasive Species Boat Washing which has caused us great concern that we will not have timely filing of documents and State Aid claims.

2015 Expenditures

Please see the attached Budget Exception report which summarizes budgeted expenditure line items where there is currently a problem or there may be a problem in the future. We are reporting on an exception basis only.

Airport Capital Projects

We have noted some issues relating to Airport capital projects where proper procurement procedures were not being followed as noted below:

1. H364 – Runway 30 Obstruction Removal. The creation of this project was authorized by the Board of Supervisors during the December, 2015 board meeting. Costs in the amount of \$2,200 relating to this project were incurred in April, 2015 and were charged to the Airport operating budget in the General Fund.
2. H325 – Avigation Easement – Runway 30. The budget for this project was not amended by the Board of Supervisors to cover additional project costs until December, 2015. Additional costs in the amount of \$2,200 relating to this project were incurred in April, 2015 and were charged to the Airport operating budget in the General Fund.
3. H362 – Airport – Natural Gas Conversion. The budget for this project was not amended by the Board of Supervisors to cover additional project costs until December, 2015. Additional costs in the amount of \$349.57 relating to this project were incurred in October, 2015 and were charged to the Airport operating budget in the General Fund.

Costs relating to capital projects should not be incurred prior to the authorization of the Board of Supervisors to create the project nor should they be incurred prior to the project budget being amended by the Board to cover the costs. Costs should also not be charged to incorrect budget codes just because there is money available in them. We will need board approval to transfer these costs to the respective capital projects.

Outside Legal Counsel

For 2015, the County had an agreement to retain a local law firm to provide legal services for several items of County business including the sale of Westmount at a monthly charge of \$4,000. This firm is paid the \$4,000 regardless of whether any time is spent on County business during the month. It was also noted that in addition to the \$4,000 monthly payment, invoices for 2015 in the amounts of \$2,205.83 and \$3,502.51 relating to the sale of Westmount legal services were also submitted to the County for payment. It would seem that these legal services would be covered by the \$4,000 monthly payment. In addition, there is no accounting of time spent on County business submitted with the \$4,000 monthly invoices in order to track what the law firm worked on and how long they worked on it. It would seem that this type of retainer fee arrangement would be better suited for an organization that does not have its own legal department.

This same type of arrangement was approved by the Board of Supervisors in Resolution number 625 of 2015 covering the period of January 1, 2016 to December 31, 2017 for a monthly amount of \$3,750. We recommend that this be re-examined with the new County Attorney to see if this is a better arrangement than paying an hourly rate for actual work performed prior to the signing of a new contract. If it is decided to continue, then the law firm should be instructed to provide an accounting of their time spent on County business with each monthly invoice.

Future County Debt Service

This was reported on in previous Budget Analysis reports. Please note that the estimated annual debt service costs for the SUNY Adirondack NSTEM project were adjusted to reflect current estimates. The following table shows that the unfunded debt service that needs to be funded for 2017 is \$620,334 and assuming that a funding source will be identified for 2017 there will be an additional \$554,237 that will need to be funded for 2018. This totals \$1.2 million for the two year period. Significant reductions in County costs or permanent increases in County revenues will need to be identified in order for these two projects to be properly funded. As of the date of this report, we are not aware of the identification of a permanent funding source.

<u>Project</u>	<u>Funded 2016</u>	<u>Debt Service 2017</u>	<u>Unfunded 2017</u>	<u>Debt Service 2018</u>	<u>Unfunded 2018</u>	<u>Unfunded Total</u>
Court Expansion	205,788	533,513	327,725	1,087,750	554,237	881,962
SUNY Adirondack NSTEM	93,853	386,462	292,609	386,462	-	292,609
	299,641	919,975	620,334	1,474,212	554,237	1,174,571

County Debt Balances

The following shows the County's current debt outstanding as of December, 2015 along with ending debt balances for future years:

	Current Balance	End of 2015 Balance	2016	2017	2018	2019	2020- 2024	2025- 2029	2030- 2034
Bonds									
Pub Safety Bldg & Com Upgrade	8,860,000	8,860,000	7,695,000	6,555,000	5,430,000	4,325,000	-	-	-
Recovery Act Bonds, Various Proj	18,190,000	18,190,000	17,575,000	16,935,000	16,265,000	15,570,000	11,545,000	6,405,000	-
Court Expansion	8,000,000	8,000,000	8,000,000	7,665,000	7,325,000	6,980,000	5,120,000	2,995,000	530,000
Capital Leases									
Westmount Co-Generation Plant	587,123	587,123	221,019	-	-	-	-	-	-
Municipal Center Energy Project	1,570,826	1,570,826	1,397,703	1,209,177	1,003,899	781,029	-	-	-
Countryside Adult Home Energy Prt	165,663	165,663	141,209	115,818	88,084	59,553	-	-	-
Bond Anticipation Notes									
Abatement & Demolition #1	-	-	-	-	-	-	-	-	-
Abatement & Demolition #2	-	-	-	-	-	-	-	-	-
Alder Brook Brdg over Trout Brdg	60,336	60,336	30,168	-	-	-	-	-	-
Harrington Road Bridge	23,913	23,913	11,957	-	-	-	-	-	-
Beach Road Bridge	239,972	239,972	119,986	-	-	-	-	-	-
2011 Storm Damage	440,000	440,000	220,000	-	-	-	-	-	-
West Brook Parking Lot	61,200	61,200	30,600	-	-	-	-	-	-
Total Outstanding	38,199,033	38,199,033	35,442,642	32,479,995	30,111,983	27,715,581	16,665,000	9,400,000	530,000

Again, we invite comments from Supervisors and department heads to expand this into a more useful management tool in these critical financial times.