

WARREN COUNTY TREASURER

Michael R. Swan
County Treasurer

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To: All Supervisors

From: Michael R. Swan, Treasurer

Date: January 20, 2017

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, 2016 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 2016 numbers near the end of April, 2017. We have noted the following items Supervisors should be aware of:

Revenues

County Clerk

County Clerk Fees – As of December 31, the department has received \$1,198,167 in County Clerk Fees in 2015 and \$1,203,286 in 2016 which is an increase of 0.4%. It should be noted that the 2016 amount is the final balance and is at 100.3% of the budget for this account.

Mortgage Tax – As of December 31, the department has received \$1,890,723 in Mortgage Tax in 2015 and \$2,386,082 in 2016 which is an increase of 26%. It should be noted that the 2016 amount includes \$463,377 which relates to an unclaimed mortgage tax overpayment in 2014 which was not claimed by the borrower within two years of the recording date. The County can now keep this money. If you factor this payment out, the 2016 amount shows an increase of 2% over prior year and is at 133% of the budget.

Automobile Use Tax – As of December 31, the department has received \$439,678 in Automobile Use Tax in 2015 and \$439,972 in 2016 which is an increase of 0.07%. It should be noted that the 2016 amount is through November and is at 93% of the budget for this account, so the actual revenue amount received is on target with the budget. The December collection amount was unavailable as of the date of this report.

County Treasurer

Sales Tax – It has been noted that we have collected \$900,192 more in sales taxes through December, 2016 than we did through December, 2015 which is a 1.8% increase. We finished the year \$826,946 over budget for this revenue code.

VL/Tribal Compact Moneys (Casino) – As of December 31, the department has received \$323,757 in casino money in 2015 and \$325,139 in 2016 which is an increase of 0.4%. It should be noted that the 2015 and 2016 amounts are through September. If this trend continues, it is projected that the 2016 revenue will be \$26,000 under the 2016 budgeted amount of \$450,000.

Tourism

Occupancy Tax – The department has collected \$47,564 more in occupancy taxes as of December 31, 2016 than we did as of December 31, 2015 which is a 1.2% increase. This amount represents collections for each year through January 18. We have not finalized 2016 figures yet and expect to receive payments for 2016 through March 31, 2017.

Airport

Restaurant – In accordance to the FBO contract, a restaurant is required to be operated with minimum hours of 8:00 am to 3:00 pm, five days per week, Wednesday through Sunday from October 1st to April 30th, and with minimum hours of 8:00 am to 3:00 pm, seven days per week from May 1st to September 30th. The restaurant that is operating at the airport is currently open Tuesday through Thursday 5:00 pm to 9:00 pm and Friday and Saturday 5:00 pm to 10:00 pm which is not in compliance with the current contract.

Since the County receives a percentage of the gross restaurant revenue, the County is losing money during the minimum required hours that the restaurant is not in operation. The restaurant certainly has the right to exceed the minimum hours but must at least be open for the minimum hours required. The County needs to either enforce the existing contract or amend it regarding minimum hours of operation.

We have not received a corrective action on this issue.

Sheriff's Correction Division

Jail Services, Other Government – As of November 30, the department has received \$417,486 in Jail Services, Other Government in 2015 and \$390,724 in 2016 which is a decrease of 6%. It should be noted that the 2016 amount is through October and is at 98% of the budget for this account, so the actual revenue amount received is on target to exceed the budget.

Health Services

Home Nursing Charges – As of December 31, the department has received \$4,254,759 in Home Nursing Charges in 2015 and \$3,644,297 in 2016 which is a decrease of 14%. It should be noted that the 2016 amount is through November and is at 86% of the budget for this account, so the actual revenue amount is lagging behind the budget. It should be noted that a \$55,646 adjustment was made in March to reduce 2016 revenue in order to align the Home Nursing Charges and the Long Term Care programs. If you factor out this adjustment, then the 2016 actual amount through November for Home Nursing Charges is at 87% of the budget, so the unadjusted revenue amount is still lagging behind the budget.

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 received \$30,000 in March and were notified that we should expect to receive \$50,000 during the second week in May (we have not received this payment as of the date of this report which was to be paid by the Town of Queensbury) and \$22,000 which was expected to be received in June (we have not received this payment as of the date of this report which was to be paid by the Town of Bolton).

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.

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. Please note that the 2016 figures are not finalized so the budget exceptions could change. A year end budget transfer for the fringe benefit accounts has not been completed yet, so many of the exceptions will be taken care of with the transfer.

Contract Retainage

Retainage is a form of security for proper completion of the work under construction contracts. Under General Municipal Law section 106-b(1) a local government may retain not more than five percent of each progress payment to the contractor if the contractor is required to provide a performance bond and a labor and material bond in the full amount of the contract. In all other cases, the local government may retain up to ten percent of each progress payment. The County's prior procedure was to properly withhold retainage on construction contracts until recent years when the current Superintendent of Public Works decided to no longer follow this procedure. The County's independent auditors issued a comment in the Management Letter that accompanied the 2015 audit report suggesting that the County review its policy and procedures surrounding the withholding of retainage on construction contracts. The State Comptroller's Office noted that contract retainage should be implemented. It should be noted that most local governments are currently following the practice of contract retainage.

For reasons noted above, the County should reinstate the past procedure of contract retainage and amend the Purchasing Policy to require retainage on construction contracts.

County Debt Balances

The following shows the County's current debt outstanding as of December, 2016 along with ending debt balances for future years:

	Current	End of 2016				2020-	2025-	2030-
Bonds	Balance	Balance	2017	2018	2019	2024	2029	2034
Pub Safety Bldg & Com Upgrade	7,695,000	7,695,000	6,555,000	5,430,000	4,325,000	-	-	-
Recovery Act Bonds, Various Proj	17,575,000	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	7,665,000	7,325,000	6,980,000	5,120,000	2,995,000	530,000
Capital Leases								
Westmount Co-Generation Plant	221,019	221,019	-	-	-	-	-	-
Municipal Center Energy Project	1,397,703	1,397,703	1,209,177	1,003,899	781,029	-	-	-
Countryside Adult Home Energy Pr	141,209	141,209	115,818	88,084	59,553	-	-	-
Bond Anticipation Notes								
SUNY Adirondack NSTEM	3,278,000	3,278,000	-	-	-	-	-	-
Alder Brook Brdg over Trout Brdg	30,168	30,168	-	-	-	-	-	-
Harrington Road Bridge	11,957	11,957	-	-	-	-	-	-
Beach Road Bridge	119,986	119,986	-	-	-	-	-	-
2011 Storm Damage	220,000	220,000	-	-	-	-	-	-
West Brook Parking Lot	30,600	30,600	-	-	-	-	-	-
Total Outstanding	38,720,642	38,720,642	32,479,995	30,111,983	27,715,581	16,665,000	9,400,000	530,000

Please note that an estimated additional \$8.5 million will be issued for the Court Expansion project in bonds in 2017 and the SUNY Adirondack NSTEM BAN will be rolled into a \$5.8 million bond in 2017.

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