

WARREN COUNTY TREASURER

Michael R. Swan
County Treasurer

Robert V. Lynch II, CPA
Deputy Treasurer

To: All Supervisors
From: Michael R. Swan, Treasurer
Date: May 31, 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 April 30, 2016 and have noted certain items Supervisors should be aware of. Please note that we have finalized 2015 numbers and have provided the following analysis.

2015 Fund Balance

The following shows the Unassigned Fund Balances for the General, County Road and Road Machinery Funds covering the period of 2011 to 2015. Please note that the General Fund Unassigned Fund Balance increased from \$14.7 million in 2014 to \$22.0 million in 2015. \$4.5 million of this increase is an operating transfer from Westmount which represents the net amount of assets and liabilities that were transferred to the General Fund as of December 31, 2015. The majority of this balance is from receivables, most notably \$2.5 million from the State for IGT funding. As of December 31, 2015, the postemployment benefit for Westmount retiree health insurance was actuarially determined to be \$6.1 million. The County currently contributes enough money to cover current Westmount retiree health insurance obligations which are approximately \$265,000 a year. We recommend recording the \$4.5 million operating transfer in a reserve account to fund future Westmount retiree health insurance costs and any other legacy costs that should arise.

<u>Unassigned Fund Balance/Surplus(Deficit)</u>	2011	2012	2013	2014	2015
General Fund	9,243,743	14,042,523	14,968,671	14,715,499	17,511,449
Operating Transfer From Westmount	-	-	-	-	4,477,509
General Fund Total	9,243,743	14,042,523	14,968,671	14,715,499	21,988,958
County Road	1,052,547	1,815,957	1,163,800	1,132,673	1,516,667
Road Machinery	176,163	438,028	319,922	379,214	669,959

Projected Fund Balance 2016 to 2019

The following shows the projected Unassigned Fund Balance for the General Fund from 2016 to 2019. Please note that after excluding the \$4.5 million transfer from Westmount the projected Unassigned Fund Balance steadily decreases from \$17.8 million in 2016 to \$9.6 million in 2019. The approved Unassigned Fund Balance range is \$9.0 million to \$16 million so the 2019 projected amount is close to the minimum balance amount.

	2016	2017	2018	2019
Beginning Unassigned Fund Balance	22,544,499	22,309,742	19,678,013	17,003,334
Projected Surplus/(Deficit)	<u>(234,757)</u>	<u>(2,631,729)</u>	<u>(2,674,679)</u>	<u>(2,880,784)</u>
Ending Unassigned Fund Balance	22,309,742	19,678,013	17,003,334	14,122,550
Exclude Transfer from Westmount	<u>(4,477,509)</u>	<u>(4,477,509)</u>	<u>(4,477,509)</u>	<u>(4,477,509)</u>
Ending Fund Balance Excluding Westmount	<u>17,832,233</u>	<u>15,200,504</u>	<u>12,525,825</u>	<u>9,645,041</u>

The above projections do not include the full funding of the future debt service for the Court Expansion and SUNY Adirondack NSTEM capital projects. The steady decline of the fund balance each year signifies the importance of finding a permanent source of funding for this debt so that fund balance does not dip below the minimum balance requirements. If no source of funding is found for the period covering 2017 to 2019 we will have a total of \$3.0 million in unfunded debt.

General Fund 2015 Budget Results

The following shows an analysis of the General Fund adopted budget, amended budget and actual balances. As noted below, the amended budget produced a \$3.9 million deficit while the actual for the year was a \$5.1 million surplus (which includes the \$4.5 operating transfer from Westmount). This produced a \$9.0 million favorable budget variance.

	Adopted	Amended	Actual	Variance
General Fund (Excluding Tourism)	Budget	Budget	Balances	Favorable (Unfavorable)
Revenues	124,366,008	126,463,859	128,463,216	1,999,357
Expenditures	<u>126,607,749</u>	<u>130,315,889</u>	<u>123,344,269</u>	<u>6,971,620</u>
Surplus/(Deficit)	<u>(2,241,741)</u>	<u>(3,852,030)</u>	<u>5,118,947</u>	<u>8,970,977</u>

Listed on the next page are significant department variances exceeding \$100,000. On a department-wide basis for the General Fund, salaries-regular were \$315,533 under budget, salaries-part time were \$365,736 under budget, retirement was \$405,119 under budget, hospitalization was \$392,448 under budget, retirees hospitalization was \$123,477 under budget and Social Security was \$109,303 under budget. These favorable variances are most likely the result of employee turnover during the year where more experienced employees are being replaced with less experienced employees at a lower salary and an increased employee contribution for hospitalization and lower retirement costs.

Significant Department Variances (> \$100,000) - Actual to Amended Budget

	Adopted Budget	Amended Budget	Actual Balances	Variance Favorable (Unfavorable)	Comments
Legislative Board					
Revenues	30,039,671	30,039,671	30,335,492	295,821	Decrease in Deferred Taxes
County Treasurer					
Revenues	55,241,828	55,483,498	60,085,508	4,602,010	\$4.5 Westmount Operating Transfer Decrease sales tax, increase Refund PY Exp
County Clerk					
Revenues	3,085,000	3,085,000	3,602,950	517,950	Mortgage Tax increase
County Attorney					
Expenditures	592,268	631,168	482,582	148,586	Unneeded PT wages and Consulting
Board of Elections					
Expenditures	725,127	725,127	554,968	170,159	Unneeded budget-ballots and inspectors
Buildings					
Expenditures	1,626,576	1,627,732	1,444,985	182,747	Decrease Gas and unneeded Contract
Distribution of Sales Tax					
Expenditures	23,804,795	23,804,795	23,628,349	176,446	Decrease in sales tax
Sheriff's 911 Center					
Revenues	395,000	395,000	577,953	182,953	NYS Local Efficiency Grant
Expenditures	2,123,313	2,123,313	2,006,612	116,701	Reduction in Contract
Sheriff's Correction Division					
Expenditures	9,599,686	9,465,521	8,949,946	515,576	Unneeded Salaries Reg and PT, Contract Reduction in Retirement & Hospitalization
Health Services					
Revenues	4,339,705	4,339,705	4,480,498	140,793	Increase in Home Nursing Charges
Expenditures	4,552,091	4,718,421	4,533,102	185,319	Decrease Salaries-Reg, Hospitalization, Auto-Gas
Long Term Home Health Care					
Revenues	674,883	674,883	246,820	(428,063)	Program Decline, 2016 Budget Reduced
Expenditures	690,134	519,553	408,794	110,759	Program Decline, 2016 Budget Reduced
Social Services					
Expenditures	9,725,769	9,740,556	9,116,693	623,863	Unneeded Salaries Reg, Declines in Contract, Retirement, Hospitalization and Retirees Hosp
Countryside Adult Home					
Revenues	1,315,490	1,315,490	993,386	(322,104)	State and Private Revenue are down
Expenditures	1,836,417	1,836,417	1,634,988	201,429	Program Exp down, Decline in Hospitalization
Daycare					
Expenditures	1,515,000	1,515,000	1,289,592	225,408	Unneeded budget for program expenses
Services for Recipients					
Revenues	236,250	236,250	364,049	127,799	Received more State Aid than expected
Child Care					
Revenues	3,420,000	3,420,000	2,814,640	(605,360)	Overbudgeted, 2016 Budget Reduced
Expenditures	3,600,000	3,600,000	3,454,892	145,108	Overbudgeted, 2016 Budget Reduced
				<u>7,313,901</u>	

2016 Revenues

County Clerk

County Clerk Fees – As of April 30, the department has received \$360,522 in County Clerk Fees in 2015 and \$369,419 in 2016 which is an increase of 2.5%. It should be noted that the 2016 amount is at 30.8% of the budget for this account, so the actual revenue received is lagging behind the budget.

Mortgage Tax – As of April 30, the department has received \$406,173 in Mortgage Tax in 2015 and \$1,039,630 in 2016 which is an increase of 156%. 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 42% over prior year and is at 39.7% of the budget.

Automobile Use Tax – As of April 30, the department has received \$154,192 in Automobile Use Tax in 2015 and \$155,269 in 2016 which is an increase of 0.7%. It should be noted that the 2016 amount is at 32.7% of the budget for this account, so the actual revenue amount received is on target with the budget.

Tourism

Occupancy Tax – The department has collected \$68,459 less in occupancy taxes as of April 30, 2016 than we did as of April 30, 2015 which is a 21% decrease.

County Treasurer

Sales Tax – It has been noted that we have collected \$337,564 more in sales taxes through April, 2016 than we did through April, 2015 which is a 2.5% increase. In order to meet the 2016 budget, we need a 0.15% increase over 2015 actual.

Tobacco Settlement – The County received an additional tobacco settlement payment in May, 2016 in the amount of \$373,188. This represents the County's share of payments from tobacco companies that were deposited into a disputed payments account as a result of their claim to a non participating manufacturing adjustment for years 2004 to 2015. The release of these funds was part of the settlement New York reached with the tobacco companies in October of 2015.

Sheriff's Correction Division

Jail Services, Other Government – As of April 30, the department has received \$121,200 in Jail Services, Other Government in 2015 and \$148,715 in 2016 which is an increase of 23%. It should be noted that the 2016 amount is through March and is at 37% 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 April 30, the department has received \$1,052,321 in Home Nursing Charges in 2015 and \$898,685 in 2016 which is a decrease of 15%. It should be noted that the 2016 amount is through March and is at 21% of the budget for this account, so the actual revenue amount is 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) and \$22,000 within two months.

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.

2016 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.

Medicaid

In April, 2016 the weekly Medicaid payment amount increased from \$227,542 to \$231,918 which will result in a projected over budgeted amount of \$170,664 for the Social Services Medicaid contractual account code.

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.

Project	Funded 2016	Debt Service 2017	Unfunded 2017	Debt Service 2018	Unfunded 2018	Unfunded Total
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
	<u>299,641</u>	<u>919,975</u>	<u>620,334</u>	<u>1,474,212</u>	<u>554,237</u>	<u>1,174,571</u>

County Debt Balances

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

	Current Balance	End of 2016 Balance	2017	2018	2019	2020- 2024	2025- 2029	2030- 2034
Bonds								
Pub Safety Bldg & Com Upgrade	8,860,000	7,695,000	6,555,000	5,430,000	4,325,000	-	-	-
Recovery Act Bonds, Various Proj	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	7,665,000	7,325,000	6,980,000	5,120,000	2,995,000	530,000
Capital Leases								
Westmount Co-Generation Plant	466,851	221,019	-	-	-	-	-	-
Municipal Center Energy Project	1,570,826	1,397,703	1,209,177	1,003,899	781,029	-	-	-
Countryside Adult Home Energy Pr	159,489	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	60,336	30,168	-	-	-	-	-	-
Harrington Road Bridge	23,913	11,957	-	-	-	-	-	-
Beach Road Bridge	239,972	119,986	-	-	-	-	-	-
2011 Storm Damage	440,000	220,000	-	-	-	-	-	-
West Brook Parking Lot	61,200	30,600	-	-	-	-	-	-
Total Outstanding	<u>41,350,587</u>	<u>38,720,642</u>	<u>32,479,995</u>	<u>30,111,983</u>	<u>27,715,581</u>	<u>16,665,000</u>	<u>9,400,000</u>	<u>530,000</u>

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.