

# WARREN COUNTY TREASURER

**Michael R. Swan**  
County Treasurer

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Deputy Treasurer

To: All Supervisors  
From: Michael R. Swan, Treasurer  
Date: February 26, 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 January 31, 2016. Please note that we have not closed the year as of this date and we will provide final 2015 numbers near the end of April, 2016. We have noted the following items Supervisors should be aware of:

## **Revenues**

### **County Clerk**

**County Clerk Fees** – As of January 31, the department has received \$88,554 in County Clerk Fees in 2015 and \$87,089 in 2016 which is a decrease of 1.7%. It should be noted that the 2016 amount is at 7.3% of the budget for this account, so the actual revenue received is lagging slightly behind the budget.

**Mortgage Tax** – As of January 31, the department has received \$93,704 in Mortgage Tax in 2015 and \$132,852 in 2016 which is an increase of 41.8%. It should be noted that the 2016 amount is at 9.2% of the budget for this account, so the actual revenue amount received is on target with the budget.

**Automobile Use Tax** – As of January 31, the department has received \$31,513 in Automobile Use Tax in 2015 and \$31,436 in 2016 which is a decrease of 0.2%. It should be noted that the 2016 amount is at 6.6% of the budget for this account, so the actual revenue amount received is lagging behind the budget.

### **Tourism**

**Occupancy Tax** – The department has collected \$340,870 more in occupancy taxes as of December 31, 2015 than we did as of December 31, 2014 which is an 8.3% increase. This amount represents collections for each year through February 22. 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 \$56,022 more in sales taxes through January, 2016 than we did through January, 2015 which is a 1.6% increase. In order to meet the 2016 budget, we need a 0.15% increase over 2015 actual.

### **Saratoga & North Creek Railway**

We have not received the County's share of December, 2015 gross revenue from the railway which was due January 10, 2016.

### **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.

## **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.

### **Siemens Co-Gen Contract**

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.

In January, 2016 we paid Siemens \$45,407.56 which is comprised of \$32,033.56 for January lease principal and interest and \$1,578.16 for January and February performance and assurance and \$11,795.84 for January and February maintenance services. Warren Operating Associates, LLC has been billed for reimbursement of these costs and we have not received payment as of the date of this report. We are concerned about receiving reimbursement from Warren Operating Associates, LLC for the performance assurance and maintenance services portion of the billing from Siemens since the Asset Purchase Agreement is unclear on these costs. We have requested multiple times for a written confirmation that the County will be reimbursed for these costs without success. We understand that outside legal counsel is working with Warren Operating Associates, LLC to determine if they want to continue with the maintenance services contract with reimbursements to the County. We have been directed not to pay any more of the performance assurance portion of the contract.

The Co-gen lease, performance assurance and maintenance service costs are all part of the same contract with Siemens and if we elect not to pay any of these costs, this could be considered a breach of contract so the County should take this into consideration before any decisions are made about what to pay or not to pay with this contract.

## Union Contracts

A few years ago a plan was developed to control payroll costs by eliminating sick leave payouts and changing how vacation time is accrued for new employees. This plan was implemented for the CSEA, CSA and SEA union contracts as well as for out of unit employees. Based on these facts it would seem that the County would have been in a strong position to negotiate these changes into the PBA contract, which for whatever reason did not occur. Sick leave payouts can cost the County up to \$25,000 for one patrol officer. We recommend that these items be given high priority and be included for negotiation in the next PBA contract.

We also recommend that the current union contracts be closely reviewed to identify any areas within the contract that need further clarification, need to be changed or eliminated. We have noted several areas within the contracts that leave too much room for interpretation. Input from County departments should be considered and managerial oversight should be in place to ensure that issues of concern are properly addressed during the contract negotiations.

## Insurance Reserve/Surplus

Resolution number 594 of 2011 authorized the creation of an insurance reserve in the amount of \$550,000 to offset potential costs if the County decides to terminate coverage with BSNENY and Resolution number 624 of 2014 increased the reserve to \$1,000,000. The reserve is funded by a factor added to the monthly health insurance cost charged to each County department and employee. The County's health insurance advisor determined the amount of monthly health insurance that is charged. A surplus is created when more funding is collected for the County and employee portions of health insurance than what is needed to pay health insurance administrative costs and claims.

As noted below, the authorized reserve of \$1,000,000 was fully funded at the end of 2015 with a surplus balance of \$4,375,037. The County has implemented a plan to use some of this reserve to control health insurance costs over the next few years. This balance needs to be evaluated each year to determine if additional funds can be used.

	<u>Reserve</u>	<u>Surplus</u>	<u>Total</u>
12/31/2012	550,000	74,487	624,487
12/31/2013	550,000	1,053,283	1,603,283
12/31/2014	1,000,000	2,737,445	3,737,445
12/31/2015	1,000,000	4,375,037	5,375,037

## 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</u> <u>2016</u>	<u>Debt Service</u> <u>2017</u>	<u>Unfunded</u> <u>Debt Service</u> <u>2017</u>	<u>Unfunded</u> <u>Debt Service</u> <u>2018</u>	<u>Unfunded</u> <u>Debt Service</u> <u>2018</u>	<u>Unfunded</u> <u>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
	<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 January, 2016 along with ending debt balances for future years:

	Current	End of 2016				2020-	2025-	2030-
	Balance	Balance	2017	2018	2019	2024	2029	2034
<b>Bonds</b>								
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
<b>Capital Leases</b>								
Westmount Co-Generation Plant	587,123	221,019	-	-	-	-	-	-
Municipal Center Energy Project	1,570,826	1,397,703	1,209,177	1,003,899	781,029	-	-	-
Countryside Adult Home Energy Proj	165,663	141,209	115,818	88,084	59,553	-	-	-
<b>Bond Anticipation Notes</b>								
Abatement & Demolition #1	-	-	-	-	-	-	-	-
Abatement & Demolition #2	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-
<b>Total Outstanding</b>	<b>38,199,033</b>	<b>35,442,642</b>	<b>32,479,995</b>	<b>30,111,983</b>	<b>27,715,581</b>	<b>16,665,000</b>	<b>9,400,000</b>	<b>530,000</b>

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