

WARREN COUNTY TREASURER

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County Treasurer

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To: All Supervisors
From: Michael R. Swan, Treasurer
Date: February 20, 2020
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, 2020. 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 2019 numbers near the end of April, 2020. We have noted the following items Supervisors should be aware of:

Revenues

Occupancy Tax

When the occupancy tax was adopted in 2003, the intent was that Tourism department operating expenses and tourism promotional expenses would be fully covered by this tax so that Warren County taxpayers would not be burdened by these costs. Resolution #558 of 2014 established a minimum balance of \$1,000,000 for the Occupancy Tax Reserve account for unexpected contingencies. This balance is also important for cash flow purposes so that the General Fund would not have to subsidize the cash flow needs of the Tourism department. The following is a history of the Occupancy Tax Reserve account from 2004 to 2018 with projected amounts obtained from the **2019 Warren County Financial Management Plan** for 2019 to 2023. We are very concerned about the projected trend which projects 2022 and 2023 being under the minimum Occupancy Tax Reserve balance of \$1,000,000. We feel that this trend should be addressed immediately and are concerned that no action had been taken with the 2020 budget to address this issue. Use of \$590,030 of the Occupancy Tax Reserve balance is included in the adopted 2020 budget.

| <u>Year</u> | <u>Balance</u> |
|----------------|----------------|
| 2004 | 2,049,475 |
| 2005 | 2,280,971 |
| 2006 | 2,247,400 |
| 2007 | 2,481,415 |
| 2008 | 2,542,772 |
| 2009 | 2,408,098 |
| 2010 | 2,656,100 |
| 2011 | 2,714,786 |
| 2012 | 2,496,472 |
| 2013 | 2,713,244 |
| 2014 | 3,018,439 |
| 2015 | 3,068,105 |
| 2016 | 3,014,323 |
| 2017 | 2,707,699 |
| 2018 | 2,543,935 |
| 2019 Projected | 2,319,823 |
| 2020 Projected | 1,733,241 |
| 2021 Projected | 1,221,305 |
| 2022 Projected | 780,484 |
| 2023 Projected | 422,507 |

We reviewed the Tourism costs and the Occupancy Tax costs from 2015 to 2019 (amended budget) and noted that costs for the Tourism department increased by \$204,182 (9% total increase, 2.3% average per year) during this period while Occupancy Tax costs increased by \$930,468 (50% total increase, 12.5% average per year) during this period so it appears that Occupancy Tax costs are having a significant impact on the use of the occupancy tax reserve balance. **This was first reported in the September, 2019 budget analysis report and we have not received any written corrective action plan from County administration on this matter as of the date of this report.**

Airport

Airport Restaurant Concessions – It has been noted that the Aviator restaurant has closed for the winter starting January 20, 2020 and will reopen Memorial Day of 2020. The County collects five percent of the gross annual revenue generated by the restaurant in accordance to the lease agreement. Based on monthly restaurant gross revenue for 2019, we estimate that the County will lose \$10,300 in restaurant revenue and \$6,200 in sales tax revenue for 2020 during this closure period and the County most likely will not meet our 2020 restaurant revenue budget. **This was first reported in the December, 2019 budget analysis report and we have not received any written corrective action plan from County administration on this matter as of the date of this report.**

County Clerk

County Clerk Fees – As of January 31, the department has received \$108,205 in County Clerk Fees in 2019 and \$115,680 in 2020 which is an increase of 7%. It should be noted that the 2019 amount is at 9% of the budget for this account so the actual revenue received is on target with the budget.

Mortgage Tax – As of January 31, the department has received \$72,910 in Mortgage Tax in 2019 and \$142,057 in 2020 which is an increase of 95%. It should be noted that the 2019 amount is at 7% of the budget for this account so the actual revenue received is below the budgeted amount. This variance was caused by the State Legislature failing to authorize a portion of the County's mortgage recording tax which expired on December 1st, 2018. The State Legislature approved the additional mortgage tax in 2019 and it was imposed with an effective date of April 1, 2019.

Automobile Use Tax – As of December 31, the department has received \$483,781 in Automobile Use Tax in 2018 and \$472,373 in 2019 which is a decrease of 2%. It should be noted that the 2019 amount is at 98% of the budget for this account, so the actual revenue amount received is slightly below the budget.

County Treasurer

Sales Tax – It has been noted that we have collected \$250,355 more in sales taxes through January, 2020 than we did through January, 2019 which is a 6.5% increase.

Tourism

Occupancy Tax – The department has collected \$369,326 more in occupancy taxes as of December 31, 2019 than we did as of December 31, 2018 which is an 8% increase. This amount represents collections for each year through February 12, 2020. We have not finalized 2019 figures yet and expect to receive payments for 2019 through March 31, 2020.

Sheriff's Correction Division

Jail Services, Other Government – As of December 31, the department has received \$127,213 in Jail Services, Other Government in 2018 and \$240,619 in 2019 which is an increase of 89%. It should be noted that the 2019 amount is the final amount for 2019 and exceeded the budgeted amount by \$65,619.

Building & Fire Code

Building Permits – As of January 31, the department received \$7,468 in building permits in 2019 and \$13,152 in 2020 which is an increase of 76%. It should be noted that the 2020 amount is at 7% of the budget for this account so that actual revenue received is slightly below the budget.

Health Services

Home Nursing Charges – As of December 31, the department has received \$3,987,707 in Home Nursing Charges in 2018 and \$3,570,673 in 2019 which is a decrease of 10%. It should be noted that the 2019 amount is the final amount and is \$629,327 below the budget.

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.

County Road Projects

The following shows the County Road project amended budget and costs for the past five years along with the amount of CHIPs funding included in the budget. Please note that any unexpended balance gets carried over to the subsequent year and is added to that year's budget for road projects. As noted below, DPW was unable to expend \$1,155,480 of the 2019 amended budget for the road projects.

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|-----------|-----------|-----------|-----------|-----------|
| Amended Budget | 2,760,988 | 3,304,044 | 4,377,877 | 4,478,293 | 5,275,182 |
| Amount Expended | 2,495,668 | 2,708,714 | 3,035,064 | 2,636,713 | 4,119,702 |
| Amount Unexpended | 265,320 | 595,330 | 1,342,813 | 1,841,580 | 1,155,480 |
| CHIPs Funding included in Amended Budget | 1,827,675 | 2,026,128 | 2,255,870 | 2,255,783 | 2,254,603 |

It is our understanding that DPW will be contracting out all of its paving for 2020 so we would expect less amount of unexpended budget for this year.

Capital Projects

Departments should be reviewing their capital projects to make sure that they are closed soon after completion of the project. The following are capital projects where there has not been any recent activity and a determination should be made by the responsible department whether or not the project should be closed. Responsible departments should also determine if any outstanding State/Federal receivables associated with their projects are collectable and if not they will have to be written off and a funding source will have to be identified for the costs not reimbursed by State/Federal government. **DPW closed three projects that were on this list, H214, H323 and H357, but we haven't seen any action taken on the current list below.**

| Department of Public Works | Date of Last Activity | Cash | State/Federal Receivable | Deposit with Other Govt |
|---|--------------------------|---------|-----------------------------|----------------------------|
| H199 - Corinth Road | 5/2016 | 100,508 | 22,119 | - |
| H200 - Quaker Road Signal Imp | 12/2013 | - | 11,283 | - |
| H219 - RR Track Restoration | 5/2009 | - | 534 | 125,000 |
| H258 - Tannery Bridge over Stony Creek | 8/2010 | - | 63,791 | - |
| H291 - Elevator Repair - Municipal Center | No Activity | - | - | - |
| H346 - Env Assess - Airport Obstruct Rem | 12/2015 | - | - | - |
| H348 - Airport Equipment Building Repair | 8/2016 | 1,758 | 301 | - |
| H355 - Municipal Cntr Security Renovation | 10/2016 | - | - | - |
| H361 - Brant Lake Lower Dam | 12/2015 | - | - | - |

Notes:

1. H200 – Quaker Road Signal Imp – There is a liability back to the General Fund that is not funded for \$136,647 which will need funding before it can be repaid and the project closed.
2. H219 – RR Track Restoration – The Treasurer's Office has made numerous requests to DPW over the years to obtain an accounting from the State for the \$125,000 deposit that was made to the State without any success. We need some sort of documentation from the State showing that they spent the County's money on this project.
3. H291 – Elevator Repair – Municipal Center – This project was opened in August, 2008 for \$41,800 and has had no activity. This project was funded with reserve money and if there is no expectation to expend this money in the near future then it must be returned to the Reserve, Rehab County Buildings (A 871.00) in the General Fund.

Sheriff Payroll Policies

Resolution No. 412 of 2019, approved at the September 20, 2019 Board meeting, resolved that the Warren County Sheriff's Department will implement a written paid time off accrual policy to be formally adopted by Warren County in its capacity as co-employer. As of the date of this report, this has not been completed. **This was first reported in the November, 2019 budget analysis report and we have not received any written corrective action plan from County administration on this matter as of the date of this report.**

County Debt Balances

The following shows the County's current debt outstanding as of January 31, 2020 along with ending debt balances for future years:

| | Current | End of 2020 | | | | 2024- | 2029- | 2034- |
|------------------------------------|------------|-------------|------------|------------|------------|------------|-----------|-------|
| | Balance | Balance | 2021 | 2022 | 2023 | 2028 | 2033 | 2038 |
| Bonds | | | | | | | | |
| Pub Safety Bldg & Com Upgrade | 4,325,000 | 3,240,000 | 2,165,000 | 1,085,000 | - | - | - | - |
| Recovery Act Bonds, Various Proj | 15,570,000 | 14,845,000 | 14,080,000 | 13,280,000 | 12,435,000 | 7,525,000 | 1,400,000 | - |
| Court Expansion - 2015 | 6,980,000 | 6,625,000 | 6,260,000 | 5,890,000 | 5,510,000 | 3,445,000 | 1,055,000 | - |
| Court Expansion - 2017 | 7,740,000 | 7,390,000 | 7,030,000 | 6,665,000 | 6,290,000 | 4,295,000 | 2,040,000 | - |
| SUNY Adirondack NSTEM - 2017 | 5,250,000 | 5,010,000 | 4,765,000 | 4,515,000 | 4,260,000 | 2,905,000 | 1,380,000 | - |
| Capital Leases | | | | | | | | |
| Municipal Center Energy Project | 781,028 | 539,914 | 279,884 | - | - | - | - | - |
| Countryside Adult Home Energy Proj | 59,552 | 37,615 | 7,630 | - | - | - | - | - |
| Total Outstanding | 40,705,580 | 37,687,529 | 34,587,515 | 31,435,000 | 28,495,000 | 18,170,000 | 5,875,000 | - |

Please note that the Recovery Act Bonds are being refunded with a closing date of February 26, 2020 and an estimated savings of \$3.7 million.

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