

# WARREN COUNTY TREASURER

**Michael R. Swan**  
County Treasurer

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To: All Supervisors  
From: Michael R. Swan, Treasurer  
Date: February 21, 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 January 31, 2017. Please note that we have not closed the year as of this date and 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 January 31, the department has received \$87,089 in County Clerk Fees in 2016 and \$92,109 in 2017 which is an increase of 5.8%. It should be noted that the 2017 amount is at 7.7% 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 \$132,852 in Mortgage Tax in 2016 and \$139,004 in 2017 which is an increase of 4.6%. It should be noted that the 2017 amount is at 9.0% of the budget for this account so the actual revenue received is on target with the budget.

**Automobile Use Tax** – As of December 31, the department has received \$474,095 in Automobile Use Tax in 2015 and \$471,915 in 2016 which is decrease of 0.5%. It should be noted that the 2016 amount is the final amount and is at 99% of the budget for this account, so the actual revenue amount received is slightly below the budget. The January, 2017 collection amount was unavailable as of the date of this report.

#### **County Treasurer**

**Sales Tax** – It has been noted that we have collected \$245,837 more in sales taxes through January, 2017 than we did through January, 2015 which is a 6.8% increase.

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

We have not received the County's share of December, 2016 and January, 2017 gross revenue from the railway which was due January 10, 2017 and February 10, 2017 respectively.

#### **Tourism**

**Occupancy Tax** – The department has collected \$8,146 more in occupancy taxes as of December 31, 2016 than we did as of December 31, 2015 which is a 0.2% increase. This amount represents collections for each year through February 21, 2017. 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 1<sup>st</sup> to April 30<sup>th</sup>, and with minimum hours of 8:00 am to 3:00 pm, seven days per week from May 1<sup>st</sup> to September 30<sup>th</sup>. 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.

**The acting County Administrator has indicated that the FBO is willing to amend the existing contract regarding hours of operation. We have not been provided with a copy of an amended contract as of the date of this report.**

## Sheriff's Correction Division

**Jail Services, Other Government** – As of December 31, the department has received \$498,106 in Jail Services, Other Government in 2015 and \$450,609 in 2016 which is a decrease of 9.5%. It should be noted that the 2016 amount is the final amount for 2016 and exceeded the budget for this account by \$50,609.

## Health Services

**Home Nursing Charges** – As of December 31, the department has received \$4,476,623 in Home Nursing Charges in 2015 and \$3,945,831 in 2016 which is a decrease of 12%. It should be noted that the 2016 amount is the final balance through December and is at 93% of the budget for this account, so the actual revenue amount finished the year at \$530,792 under 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.

**The acting County Administrator has indicated that the State is closing out the grant and is in the process of making the final payment to the towns and the County is expected to be made whole in March 2017. We were previously informed by the grant administrator that the towns had already received the State payment.**

## **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.

### **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.

**The acting County Administrator has indicated that the Purchasing Agent will be addressing this issue when presenting the 2017 Purchasing Policy in the near future. The Purchasing Agent has indicated that this will be handled at the end of March, 2017.**

### **General Municipal Law Section 207-C – Health Insurance**

General Municipal Law Section 207-C pertains to law enforcement and correctional personnel injured in the line of duty and provides benefits such as payment of 100% of employee salary tax free during the period of time the employee is out of work. In 2011 a directive from the former County Administrator was issued indicating that employees out on section 207-C for more than 90 days must start paying the full cost of health insurance while they continue to be out of work. The Director of Human Resources at the time was requested to write the union presidents and advise them that effective July 15, 2011 the County would no longer pay for health insurance costs after the 90 day period. We are not aware that any letter was sent out and no action had been taken to implement this directive by Human Resources. The current County Human Resources Director was notified of this directive in 2015, but no action has been taken to implement it.

For 2016, we calculated that it cost the County \$47,173 in health insurance benefits that should have been paid by the employees but was not because the directive was not implemented. The County Human Resources Director should implement this directive as soon as possible to minimize future unnecessary County costs.

### **General Municipal Law Section 207-C – Vacation Accrual**

The General Municipal Law Section 207-C, the directive mentioned above from the former County Administrator and the SEA Union Contract clearly state that vacation time is not to accrue while an employee is out on section 207-C. It has been noted that approximately 169 days of vacation was improperly credited to 9 employees for time that they were out on section 207-C. Corrections have since been made to 8 of the employees for the error. One employee retired in 2016 and was cashed out on vacation time which included 9.5 days of vacation which was erroneously credited to his account while out on section 207-C. This resulted in an overpayment to the employee of \$1,816 and employee benefit costs of \$471 for a total cost of \$2,287 to the County.

The Human Resources department is responsible for overseeing and ensuring the accuracy of the leave time accruals for the entire County including the Sheriff department. The Sheriff department is currently using their own in-house time keeping system instead of the system that is used by the rest of the County. The Sheriff's system improperly allows employees out on section 207-C leave to accrue vacation time during their leave. The Sheriff department needs to modify their existing time keeping system so that it does not accrue vacation time while an employee is out on section 207-C. The Sheriff and Human Resources departments need to more closely review the leave time accruals for accuracy so that the County does not end up overpaying employees when they leave or providing more leave time than an employee is entitled.

**Siemens Co-Generation Lease**

In accordance to the contract for the sale of the nursing home, Warren Operations is required to reimburse the County for the principal and interest paid on the Co-Generation lease with Siemens. The County billed Warren Operations for the December, 2016 lease payment on December 8, 2016, but we did not receive payment until February 17, 2017. We have not received reimbursement yet for the January, 2017 lease payment made on January 13, 2017, but this wasn't billed to Warren Operations until February 1, 2017.

Warren Operations needs to pay the County on a timely basis and the County Administrator's Office needs to bill Warren Operations as soon as payment is made on the lease.

**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 \$595,330 of the 2016 amended budget for the road projects.

	2012	2013	2014	2015	2016
Amended Budget	2,411,553	1,852,377	3,446,729	2,760,988	3,304,044
Amount Expended	2,187,847	1,548,327	2,787,119	2,495,668	2,708,714
Amount Unexpended	223,706	304,050	659,610	265,320	595,330
CHIPs Funding included in Amended Budget	1,384,882	1,650,176	1,792,175	1,827,675	2,026,128

The following shows the breakout of the DPW road crew's regular salary spent on road maintenance (D.5110), County road paving projects (D.5112) and Town road paving projects (D.5148) during 2016 paving season. As noted below, DPW personnel only spent 19% of their time on County road paving projects and as noted above, the department was not able to spend \$595,330 of the 2016 road paving budget. It is our understanding that it is important that a certain number of miles of road be paved each year in order to properly maintain the County roads at an acceptable level. If the DPW department is unable to complete the number of miles allotted in the adopted budget, then consideration needs to be given to contract out the work that will not be completed by County staff.

	Maintenance of Roads D.5110	County Roads D.5112	Svcs to Other Govt D.5148	Total
May	145,596.00	32,381.00	-	177,977.00
June	86,853.00	31,954.00	-	118,807.00
July	90,918.00	27,618.00	1,422.00	119,958.00
August	85,855.00	32,513.00	939.00	119,307.00
September	102,675.00	17,621.00	-	120,296.00
October	164,276.00	15,631.00	4,440.00	184,347.00
	676,173.00	157,718.00	6,801.00	840,692.00
Percent of Total	80%	19%	1%	

## County Debt Balances

The following shows the County's current debt outstanding as of January, 2017 along with ending debt balances for future years:

	Current	End of 2017				2021-	2026-	2031-
	Balance	Balance	2018	2019	2020	2025	2030	2035
<b>Bonds</b>								
Pub Safety Bldg & Com Upgrade	7,695,000	6,555,000	5,430,000	4,325,000	3,240,000	-	-	-
Recovery Act Bonds, Various Proj	17,575,000	16,935,000	16,265,000	15,570,000	14,845,000	10,615,000	5,235,000	-
Court Expansion	8,000,000	7,665,000	7,325,000	6,980,000	6,625,000	4,720,000	2,535,000	-
<b>Capital Leases</b>								
Westmount Co-Generation Plant	221,019	-	-	-	-	-	-	-
Municipal Center Energy Project	1,397,703	1,209,177	1,003,899	781,029	539,915	-	-	-
Countryside Adult Home Energy Prt	147,345	122,233	95,092	66,762	37,616	-	-	-
<b>Bond Anticipation Notes</b>								
SUNY Adirondack NSTEM	3,278,000	-	-	-	-	-	-	-
Alder Brook Brdg over Trout Brdg	30,168	-	-	-	-	-	-	-
Harrington Road Bridge	11,957	-	-	-	-	-	-	-
Beach Road Bridge	119,986	-	-	-	-	-	-	-
2011 Storm Damage	220,000	-	-	-	-	-	-	-
West Brook Parking Lot	30,600	-	-	-	-	-	-	-
<b>Total Outstanding</b>	<b>38,726,778</b>	<b>32,486,410</b>	<b>30,118,991</b>	<b>27,722,790</b>	<b>25,287,531</b>	<b>15,335,000</b>	<b>7,770,000</b>	<b>-</b>

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.