

WARREN COUNTY TREASURER

Michael R. Swan
County Treasurer

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To: All Supervisors

From: Michael R. Swan, Treasurer

Date: April 24, 2018

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 March 31, 2018 and have noted certain items Supervisors should be aware of. Please note that we have finalized the 2017 numbers and have provided the following analysis:

2017 Unassigned Fund Balance

The following shows the Unassigned Fund Balances for the General, County Road and Road Machinery Funds covering the period of 2013 to 2017. Please note that the General Fund Unassigned Fund Balance increased from \$14.7 million in 2014 to \$22.0 million in 2015 which included \$4.5 million being transferred in from the sale of Westmount. This amount was transferred to a reserve account in 2016.

<u>Unassigned Fund Balance/Surplus(Deficit)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund	14,968,671	14,715,499	17,511,449	17,967,773	19,470,218
Operating Transfer From Westmount	-	-	4,477,509	-	-
General Fund Total	14,968,671	14,715,499	21,988,958	17,967,773	19,470,218
County Road	1,163,800	1,132,673	1,516,667	1,228,533	1,053,393
Road Machinery	319,922	379,214	669,959	626,222	438,053

General Fund 2017 Budget Results

The following shows an analysis of the General Fund adopted budget and actual balances. As noted below, the amended budget produced a \$3.7 million deficit while the actual for the year was a \$1.4 million surplus. This produced a \$5.1 million favorable budget variance.

	<u>Adopted</u>	<u>Amended</u>	<u>Actual</u>	<u>Variance</u>
<u>General Fund (Excluding Tourism)</u>	<u>Budget</u>	<u>Budget</u>	<u>Balances</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues	125,937,169	128,285,491	127,204,876	(1,080,615)
Expenditures	127,342,022	131,982,771	125,834,735	6,148,036
Surplus/(Deficit)	<u>(1,404,853)</u>	<u>(3,697,280)</u>	<u>1,370,141</u>	<u>5,067,421</u>

The following shows some noteworthy variances between 2017 amended budget and actual balances.

	Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenues			
Sales Tax	50,197,467	52,154,551	1,957,084
Siemens Settlement	-	500,000	500,000
Mortgage Tax	1,550,000	1,922,485	372,485
Jail Services, Other Govt	400,000	175,615	(224,385)
Expenditures			
Distribution of Sales Tax	23,592,810	24,548,078	(955,268)
Salaries	37,060,778	36,022,622	1,038,156
Retirement	5,747,151	5,474,500	272,651
Health	11,736,921	11,214,723	522,198

2017 Restricted Fund Balance

The following shows the Restricted Fund Balances for the General, Debt Service, County Road and Road Machinery Funds as of December 31, 2017.

General Fund	Purpose	Balance End of Year
Capital		
Rehabilitation of County Buildings	Future building capital costs	\$ 282
Bridge Replacement & Repair	Future bridge capital costs	1,484
Up Yonda Repairs & Improvements	Future Up Yonda capital costs	28,866
Railroad Repairs	Future railroad capital costs	273,735
Equipment, Storage & Vehicle	Future equipment capital costs	7,566
Computers	Future computer capital costs	173,751
Vehicles	Future vehicle capital costs	122,881
Airport Repair & Projects	Future airport capital costs	375,505
Total		<u>\$ 984,070</u>
Other Restricted		
Occupancy Tax	Future costs relating to tourism	\$ 2,707,699
Probation	Future probation program costs	3,202
Forfeitures Crime	Future Sheriff and DA crime fighting costs	624,226
Environmental Testing Fund	Future costs relating to environmental testing	224,258
Stop DWI	Future costs of the Special Traffic program	93,936
Westmount Legacy Costs	Future costs relating to Westmount retirees	5,231,022
Total		<u>\$ 8,884,343</u>
Debt Service Fund		
Debt		
Bonded Debt	Future debt service costs	\$ 547,073
Total		<u>\$ 547,073</u>
County Road Fund		
Capital		
Highway Road Projects	Future highway road capital costs	\$ 1,554,401
Total		<u>\$ 1,554,401</u>
Road Machinery Fund		
Capital		
Motor Fuel Farms	Future motor fuel farm capital costs	\$ 38,694
Total		<u>\$ 38,694</u>

Revenues

County Clerk

County Clerk Fees – As of March 31, the department has received \$277,008 in County Clerk Fees in 2017 and \$282,899 in 2018 which is an increase of 2.1%. It should be noted that the 2018 amount is at 24% of the budget for this account so the actual revenue received is on target with the budget.

Mortgage Tax – As of March 31, the department has received \$379,850 in Mortgage Tax in 2017 and \$484,716 in 2018 which is an increase of 28%. It should be noted that the 2018 amount is at 30% of the budget for this account so the actual revenue received is on target to exceed the budget.

Automobile Use Tax – As of March 31, the department has received \$67,260 in Automobile Use Tax in 2017 and \$73,107 in 2018 which is an increase of 9%. It should be noted that the 2017 amount is through February and is at 15% of the budget for this account, so the actual revenue amount received is lagging slightly behind the budget.

County Treasurer

Sales Tax – It has been noted that we have collected \$240,432 more in sales taxes through March, 2018 than we did through March, 2017 which is a 2.2% increase.

Tourism

Occupancy Tax – The department has collected \$159,913 more in occupancy taxes as of December 31, 2017 than we did as of December 31, 2016 which is a 3.8% increase. These amounts represent final collections for each year.

The department has collected \$9,168 more in occupancy taxes as of March 31, 2018 than we did as of March 31, 2017 which is a 4.3% increase.

Saratoga & North Creek Railway

The railroad has not paid the County's share of October, November and December, 2017 gross revenues as of the date of this report which was due by the 10th of the following month. We received a revenue report which notes that the County is owed \$27,211 for these three months. We have also not received payment for January and February of 2018. We received a revenue report which notes that the County is owed \$1,672 for these two months. We have also not received a revenue report for March, 2018. This has been a recurring problem with the railroad.

Westmount Receivables

Medicaid – The County is currently owed \$552,683 in patient Medicaid claims.

The Board has elected to pursue collection of the receivables. On January 22, 2018, the County contracted with a third party for the purpose of determining whether or not the County can rebill for the outstanding claims. If it is determined that the County can rebill, then we will have to hire someone to do the rebilling. As of the date of this report, we have not received any information on whether or not we can rebill for these claims.

We need a timely conclusion to this issue as we cannot keep these outstanding claims on our books indefinitely. A deadline needs to be established for this third party so that the County can either write off these receivables or hire someone to do the rebilling.

Universal Settlement - \$327,093 was recorded as a receivable for a universal settlement prior to the sale of Westmount. This amount is to be paid over a five year period. The first payment is being held up because the new owners of Westmount are contesting that they are entitled to receive a portion of this settlement. **We have not received any information as to the status of this payment.**

Sheriff's Correction Division

Jail Services, Other Government – As of March 31, the department has received \$31,707 in Jail Services, Other Government in 2017 and \$42,168 in 2018 which is an increase of 33%. It should be noted that the 2018 amount is through February and is at 21% of the budget for this account so the actual revenue amount received is on target to exceed the budget.

Building & Fire Code

Building Permits – As of March 31, the department received \$24,936 in building permits in 2017 and \$29,575 in 2018 which is an increase of 19%. It should be noted that the 2018 amount is at 16% of the budget for this account so that actual revenue received 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 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 \$72,500 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 grant administrator handling this project for the County has been charged with a felony and everything is currently under investigation so it is uncertain when and if the County will receive payment. Based upon information provided by the Town of Queensbury, the Town fully paid their \$100,000 share of the project to the grant administrator who was acting on behalf of the Lake George Watershed Conference. The County only received \$50,000 of this money. We have recorded an allowance for doubtful accounts in the County Road fund for this other \$50,000 because it is questionable if the County is going to be able to collect these funds and it is likely that we will have to write this balance off.

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.

Lake Champlain Lake George Regional Planning Board

The County currently has an arrangement with the Lake Champlain Lake George Regional Planning Board to pay their payroll, payroll taxes, retirement, health insurance and retiree's health insurance and the LCLG Planning Board then reimburses the County. The organization is currently late in reimbursing the County for February, 2018 health insurance in the amount of \$5,726.

The organization is routinely one payroll behind in reimbursing the County for wages, taxes and retirement. They should be reimbursing the County each pay week for that particular payroll so that the County isn't advancing funds.

This was reported in the October, November, December, 2017, January and February, 2018 budget analysis reports.

County Administrator

The department has a 2018 estimated budget shortfall for salaries and fringe in the amount of \$56,000. This is the result of the County Administrator position being under budgeted, the Special Counsel to the Board position not being funded and the estimated sick leave payout in relation to the anticipated retirement of the Assistant to the County Administrator. Funding will be needed to be identified for this budget shortfall at some point during this year.

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.

The County implemented a self-insurance program starting December 1, 2017. As a result, \$918,922 was paid to BSNENY to terminate coverage. As noted below, the balance of the reserve and surplus as of December 31, 2017 is \$5,522,486.

	Reserve	Surplus	Total
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
12/31/2016	1,000,000	4,867,898	5,867,898
12/31/2017	81,078	5,441,408	5,522,486

County Debt Balances

The following shows the County’s current debt outstanding as of March, 2018 along with ending debt balances for future years:

	Current	End of 2018				2022-	2027-	2032-	
	Balance	Balance	2019	2020	2021	2026	2031	2036	
Bonds									
Pub Safety Bldg & Com Upgrade	6,555,000	5,430,000	4,325,000	3,240,000	2,165,000	-	-	-	-
Recovery Act Bonds, Various Proj	16,935,000	16,265,000	15,570,000	14,845,000	14,080,000	9,635,000	4,015,000	-	-
Court Expansion - 2015	7,665,000	7,325,000	6,980,000	6,625,000	6,260,000	4,305,000	2,060,000	-	-
Court Expansion - 2017	8,085,000	8,085,000	7,740,000	7,390,000	7,030,000	5,120,000	2,975,000	535,000	-
SUNY Adirondack NSTEM - 2017	5,485,000	5,485,000	5,250,000	5,010,000	4,765,000	3,465,000	2,015,000	360,000	-
Capital Leases									
Municipal Center Energy Project	1,209,177	1,003,899	781,029	539,915	279,884	-	-	-	-
Countryside Adult Home Energy Proj	115,818	95,092	66,762	37,616	7,630	-	-	-	-
Total Outstanding	46,049,995	43,688,991	40,712,790	37,687,531	34,587,515	22,525,000	11,065,000	895,000	-

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