

# WARREN COUNTY TREASURER

**Michael R. Swan**  
County Treasurer

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Deputy Treasurer

To: All Supervisors  
From: Michael R. Swan, Treasurer  
Date: November 20, 2015  
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 October 31, 2015 and have noted the following items Supervisors should be aware of:

### **2015 Revenues**

#### **County Clerk**

**County Clerk Fees** – As of October 31, the department has received \$864,815 in County Clerk Fees in 2014 and \$891,445 in 2015 which is an increase of 3.1%. It should be noted that the 2015 amount is through September and is at 74% of the budget for this account, so the actual revenue amount received is on target with the budget.

**Mortgage Tax** – As of October 31, the department has received \$1,216,446 in Mortgage Tax in 2014 and \$1,310,433 in 2015 which is an increase of 7.7%. It should be noted that the 2015 amount is through September and is at 94% of the budget for this account, so the actual revenue amount received is on target to exceed the budget.

**Automobile Use Tax** – As of October 31, the department has received \$364,340 in Automobile Use Tax in 2014 and \$368,783 in 2015 which is an increase of 1.2%. It should be noted that the 2015 amount is through September and is at 79% of the budget for this account, so the actual revenue amount received is on target to exceed the budget.

#### **Sheriff's Correction Division**

**Jail Services, Other Government** – As of October 31, the department has received \$498,537 in Jail Services, Other Government in 2014 and \$372,000 in 2015 which is a decrease of 25%. It should be noted that the 2015 amount is through September and is at 62% of the budget for this account, so the actual revenue amount received is lagging significantly behind the budget.

#### **Tourism**

**Occupancy Tax** – The department has collected \$159,289 more in occupancy taxes as of October 31, 2015 than we did as of October 31, 2014 which is a 4.9% increase

## **County Treasurer**

**Sales Tax** – It has been noted that we have collected \$376,455 more in sales taxes through October, 2015 than we did through October, 2014 which is a 0.9% increase. In order to meet the 2015 budget, sales tax revenues will need to increase by 2.5%.

**VL/Tribal Compact Moneys (Casino)** – As of October 31, the department has received \$225,914 in casino money in 2014 and \$206,914 in 2015 which is a decrease of 8.4%. It should be noted that the 2014 and 2015 amounts are through June. If this trend continues, it is projected that the 2015 revenue will be \$74,000 under the 2015 budgeted amount of \$500,000.

## **2015 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**

**Performance Assurance** - The Treasurer's Office had previously recommended in the November 30, 2010 Budget Analysis Report that instead of paying Siemens for preparing Performance Assurance reports, we instead hire an independent company to provide the same level performance assessment on an annual basis. The total annual average cost for the Performance Assurance in accordance to the contracts for the Countryside and Municipal Center energy projects is \$13,000. The County did recently end the Performance Assurance reports from Siemens but did not use the savings to pay for an independent performance evaluation. The Countryside energy project cost \$327,000 with guaranteed annual savings of \$21,297 and the Municipal Center energy project cost \$2.5 million with average guaranteed annual savings of \$289,000. Currently, no one is monitoring these two projects and we strongly recommend that the County hire an independent engineer to periodically prepare a performance evaluation on these two projects. Siemens will most likely be inclined to still prepare their own Performance Assurance Report in response to an independent report. A determination is still needed to be made on whether or not the County is receiving the annual savings guaranteed in each contract.

**Maintenance Services** – The Treasurer's Office had also previously recommended in the November 30, 2010 Budget Analysis Report that the County take a closer look at the maintenance service costs associated with the Countryside and Municipal Center energy projects. We are averaging \$9,400 a year in maintenance costs for the Countryside energy project for windows, lighting and a kitchen conversion which seems excessive for the work performed. The Countryside contracted maintenance services are through May 31, 2022 with a remaining balance of \$67,945 as of January 1, 2016. We are averaging \$41,300 a year in maintenance costs for the Municipal Center energy project for lighting improvements, geothermal heat pump system, vending machine control and a hot water boiler replacement. The Municipal Center contracted maintenance services are through September 30, 2023 with a remaining balance of \$354,019 as of January 1, 2016. We strongly recommend once again that the County look at these maintenance agreements to see if there are any cost savings by terminating them and funding maintenance costs as needed.

### **Road Projects**

The DPW department requested a transfer of \$76,300 out of the road project budget for another purpose which was approved through Board resolution. With the documented issue of lack of funding for road projects, it would seem that it would be important that all road project funding be used as originally intended. We suggest that this funding be returned to the road projects and another source of funding be identified. No action has been taken on this recommendation.

## Future County Debt Service

The following shows the future County debt service including estimated Court Expansion and SUNY Adirondack NSTEM Project debt service costs. The SUNY Adirondack NSTEM Project debt service was calculated under the assumption of a May, 2016 start date and an interest rate of 3%. Please note that the County debt service costs are not less than the 2016 costs with the Court Expansion until 2023 and the costs are not less than the 2016 costs with the SUNY Adirondack NSTEM until 2024.

Year	Current County		Total	Estimated	
	Debt Without Court Expansion	Estimated Court Expansion		SUNY Adirondack NSTEM Project	Total
2016	3,703,288	205,788	3,909,076	93,853	4,002,929
2017	3,657,362	533,513	4,190,875	420,561	4,611,436
2018	3,206,431	1,087,750	4,294,181	420,561	4,714,742
2019	3,168,667	1,084,788	4,253,455	420,561	4,674,016
2020	3,133,810	1,090,188	4,223,998	420,561	4,644,559
2021	3,103,599	1,095,188	4,198,787	420,561	4,619,348
2022	3,038,440	1,089,888	4,128,328	420,561	4,548,889
2023	2,695,639	1,094,288	3,789,927	420,561	4,210,488
2024	1,588,210	1,093,338	2,681,548	420,561	3,102,109
2025	1,522,731	1,096,788	2,619,519	420,561	3,040,080
2026	1,555,208	1,104,269	2,659,477	420,561	3,080,038
2027	1,555,130	1,100,794	2,655,924	420,561	3,076,485
2028	1,552,497	1,100,838	2,653,335	420,561	3,073,896
2029	1,548,109	1,103,413	2,651,522	420,561	3,072,083
2030	1,550,677	1,098,713	2,649,390	420,561	3,069,951
2031	1,531,157	1,101,538	2,632,695	420,561	3,053,256
2032	1,513,619	1,107,213	2,620,832	420,561	3,041,393
2033	1,502,832	1,106,913	2,609,745	420,561	3,030,306
2034	1,483,215	1,105,056	2,588,271	420,561	3,008,832
2035	-	1,091,788	1,091,788	420,561	1,512,349
2036	-	-	-	420,561	420,561

It is not recommended to commit to long term capital projects without identifying a permanent funding source to pay the debt associated with the project. A permanent funding source has not been identified for the Court Expansion project debt service and the SUNY Adirondack NSTEM project debt service. The options are to identify an additional permanent revenue source, a permanent reduction of a department or program, tax increase or use of fund balance. It is not recommended to use fund balance to fund debt service for a long term capital project. The projected unreserved fund balance for the General Fund in the most recent Multi-Year Plan for 2019 is \$9.1 million which includes the funding of the Court Expansion. If you include the SUNY Adirondack NSTEM project this amount falls to \$7.9 million for 2019 which is \$2.1 million below the recommended minimum balance for the General Fund unreserved fund balance. This downward trend will continue in future years if nothing is done until no fund balance exists. The sooner a permanent funding source is identified and implemented, the less of an impact the additional debt service costs will have on future years. We strongly recommend that permanent funding sources be identified and implemented in 2016 for the debt service costs relating to these two projects. The average debt service deficit for 2017 to 2019 is \$664,000. The following tables show how delaying the permanent funding of the debt service deficit affects fund balance.

Permanently Fund Debt Service Deficit in 2017

	2017	2018	2019
Beginning Estimated Unreserved Fund Balance	15,653,467	14,271,214	12,287,146
Estimated Surplus (Deficit)	(1,625,792)	(2,227,607)	(2,666,778)
Ending Estimated Unreserved Fund Balance	14,027,675	12,043,607	9,620,368
NSTEM Project	(420,461)	(420,461)	(420,461)
Funded Debt Service Deficit	664,000	664,000	664,000
Ending Estimated Unreserved Fund Balance - Adjusted	14,271,214	12,287,146	9,863,907

Permanently Fund Debt Service Deficit in 2019

	2017	2018	2019
Beginning Estimated Unreserved Fund Balance	15,653,467	13,607,214	10,959,146
Estimated Surplus (Deficit)	(1,625,792)	(2,227,607)	(2,666,778)
Ending Estimated Unreserved Fund Balance	14,027,675	11,379,607	8,292,368
NSTEM Project	(420,461)	(420,461)	(420,461)
Funded Debt Service Deficit	-	-	664,000
Ending Estimated Unreserved Fund Balance - Adjusted	13,607,214	10,959,146	8,535,907

It is important to understand that even with permanently funding the \$664,000 debt service deficit in 2017, there still is a downward trend in fund balance which needs to be addressed. The bottom line is that the County cannot afford the NSTEM project unless permanent funding in excess of the \$664,000 is identified and implemented.

**County Debt Balances**

The following shows the County's current debt outstanding as of October 31, 2015 along with ending debt balances for future years:

	Current Balance	End of 2015 Balance	2016	2017	2018	2019	2020- 2024	2025- 2029	2030- 2034
<b>Bonds</b>									
Pub Safety Bldg & Com Upgrade	8,860,000	8,860,000	7,695,000	6,555,000	5,430,000	4,325,000	-	-	-
Recovery Act Bonds, Various Proj	18,785,000	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	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	646,611	587,123	221,019	-	-	-	-	-	-
Municipal Center Energy Project	1,730,060	1,570,826	1,397,703	1,209,177	1,003,899	781,029	-	-	-
Countryside Adult Home Energy Pr	171,461	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	60,336	30,168	-	-	-	-	-	-
Harrington Road Bridge	23,913	23,913	11,957	-	-	-	-	-	-
Beach Road Bridge	239,972	239,972	119,986	-	-	-	-	-	-
2011 Storm Damage	440,000	440,000	220,000	-	-	-	-	-	-
West Brook Parking Lot	61,200	61,200	30,600	-	-	-	-	-	-
<b>Total Outstanding</b>	<b>39,018,553</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.