

# WARREN COUNTY TREASURER

**Michael R. Swan**  
County Treasurer

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Deputy Treasurer

To: All Supervisors  
From: Michael R. Swan, Treasurer  
Date: December 28, 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 November 30, 2015 and have noted the following items Supervisors should be aware of:

### **2015 Revenues**

#### **County Clerk**

**County Clerk Fees** – As of November 30, the department has received \$960,732 in County Clerk Fees in 2014 and \$992,733 in 2015 which is an increase of 3.3%. It should be noted that the 2015 amount is through October and is at 83% of the budget for this account, so the actual revenue amount received is on target with the budget.

**Mortgage Tax** – As of November 30, the department has received \$1,363,856 in Mortgage Tax in 2014 and \$1,455,688 in 2015 which is an increase of 6.7%. It should be noted that the 2015 amount is through October and is at 104% of the budget for this account, so the actual revenue amount received has exceeded the budget.

**Automobile Use Tax** – As of November 30, the department has received \$402,093 in Automobile Use Tax in 2014 and \$408,469 in 2015 which is an increase of 1.6%. It should be noted that the 2015 amount is through October and is at 88% 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 November 30, the department has received \$540,578 in Jail Services, Other Government in 2014 and \$417,486 in 2015 which is a decrease of 23%. It should be noted that the 2015 amount is through October and is at 70% 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 \$229,804 more in occupancy taxes as of November 30, 2015 than we did as of November 30, 2014 which is a 6.8% increase.

#### **County Treasurer**

**Sales Tax** – It has been noted that we have collected \$276,120 more in sales taxes through November, 2015 for the first two payments than we did through November, 2014 for the first two payments which is a 0.6% increase. In order to meet the 2015 budget, sales tax revenues will need to increase by 2.5%.

## 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.

### Future County Debt Service

**This was reported on in the Budget Analysis Report for October, 2015 and the SUNY Adirondack NSTEM Project has since been approved by the Board of Supervisors without identifying a permanent source of funding for the debt service requirements.** 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.

**The following table shows that the unfunded debt service that needs to be funded for 2017 is \$654,433 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.**

| Project               | Funded<br>2016 | Debt Service<br>2017 | Unfunded<br>2017 | Debt Service<br>2018 | Unfunded<br>2018 | Unfunded<br>Total |
|-----------------------|----------------|----------------------|------------------|----------------------|------------------|-------------------|
| Court Expansion       | 205,788        | 533,513              | 327,725          | 1,087,750            | 554,237          | 881,962           |
| SUNY Adirondact NSTEM | 93,853         | 420,561              | 326,708          | 420,561              | -                | 326,708           |
|                       | 299,641        | 954,074              | 654,433          | 1,508,311            | 554,237          | 1,208,670         |

## County Debt Balances

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

|                                  | Current<br>Balance | End of 2015<br>Balance | 2016              | 2017              | 2018              | 2019              | 2020-<br>2024     | 2025-<br>2029    | 2030-<br>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    | 616,921            | 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>38,988,864</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.