

WARREN COUNTY TREASURER

Michael R. Swan
County Treasurer

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To: All Supervisors
From: Michael R. Swan, Treasurer
Date: September 19, 2016
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 August 31, 2016 and have noted certain items Supervisors should be aware of.

Revenues

County Clerk

County Clerk Fees – As of August 31, the department has received \$789,076 in County Clerk Fees in 2015 and \$792,701 in 2016 which is an increase of 0.5%. It should be noted that the 2016 amount is at 66% of the budget for this account, so the actual revenue received is on target with the budget.

Mortgage Tax – As of August 31, the department has received \$1,088,546 in Mortgage Tax in 2015 and \$1,665,763 in 2016 which is an increase of 53%. It should be noted that the 2016 amount includes \$463,377 which relates to an unclaimed mortgage tax overpayment in 2014 which was not claimed by the borrower within two years of the recording date. The County can now keep this money. If you factor this payment out, the 2016 amount shows an increase of 10% over prior year and is at 83% of the budget.

Automobile Use Tax – As of August 31, the department has received \$289,333 in Automobile Use Tax in 2015 and \$282,577 in 2016 which is a decrease of 2.3%. It should be noted that the 2016 amount is through July and is at 59% of the budget for this account, so the actual revenue amount received is on target with the budget. The August collection amount was unavailable as of the date of this report.

County Treasurer

Sales Tax – It has been noted that we have collected \$264,255 more in sales taxes through August, 2016 than we did through August, 2015 which is a 0.8% increase. In order to meet the 2016 budget, we need a 0.15% increase over 2015 actual.

Tourism

Occupancy Tax – The department has collected \$41,246 more in occupancy taxes as of August 31, 2016 than we did as of August 31, 2015 which is a 3% increase.

Occupancy Tax Reserve - The following is a projection of the Occupancy Tax Reserve balance through 2017. A previous analysis was performed in 2012 on the cash flow requirements of the department which is how the \$1 million minimum balance was determined. An updated cash flow analysis was performed for 2015 and 2016 through August and the highest operational deficit for this time period reached \$1.6 million. This means that we needed to have \$1.6 million in cash on hand to fund the Tourism operations during this period. A large portion of this increased operational deficit can be attributed to the enhanced spending plans implemented for 2015 and 2016 which will most likely have to be re-evaluated after 2017. The \$841,000 Departmental request to appropriate the reserve in the 2017 budget includes a \$113,000 reduction in anticipated occupancy tax revenue for 2017 which may be adjusted based on the fact that occupancy tax revenues are now showing an increase over prior year. This will reduce the amount appropriated from the reserve.

Balance as of 1/1/16	3,068,105
Appropriation of Reserve - 2016 Adopted Budget	(76,526)
2016 Additional Appropriations	
Resolution #47 (A.6417 480.04)	(7,440)
Resolution #80 (A.6417 480.04, 480.03, 469)	(176,713)
Resolution #81 (A.6417 480)	(58,500)
Resolution #82 (A.6417 480.04)	(150,000)
Resolution #123 (A.6417 470)	(27,600)
Resolution #228 (A.6417 470)	(25,000)
Resolution #355 (A.6417 469)	<u>(83,393)</u>
Projected Reserve - 12/31/16	2,462,933
Appropriation of Reserve - 2017 Budget - Dept Request	<u>(841,000)</u>
Projected Reserve - 2017	1,621,933
Minimum Balance for Cash Flow	<u>(1,000,000)</u>
Projected Available Reserve Balance - 2017	<u><u>621,933</u></u>

Sheriff's Correction Division

Jail Services, Other Government – As of August 31, the department has received \$295,928 in Jail Services, Other Government in 2015 and \$276,890 in 2016 which is a decrease of 6%. It should be noted that the 2016 amount is through July and is at 69% of the budget for this account, so the actual revenue amount received is on target to exceed the budget.

Health Services

Home Nursing Charges – As of August 31, the department has received \$2,642,352 in Home Nursing Charges in 2015 and \$2,286,354 in 2016 which is a decrease of 13%. It should be noted that the 2016 amount is through July and is at 54% of the budget for this account, so the actual revenue amount is lagging behind the budget. It should be noted that a \$55,646 adjustment was made in March to reduce 2016 revenue in order to align the Home Nursing Charges and the Long Term Care programs. If you factor out this adjustment, then the 2016 actual amount through July for Home Nursing Charges is at 55% of the budget, so the unadjusted revenue amount is still 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 \$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.

Invasive Species Boat Washing

This issue was previously reported in prior 2015 budget analysis reports. We have received a copy of the signed agreement and a State Aid claim to review.

The Invasive Species Boat Washing capital project was approved in January of 2014 and as of June, 2014; the County has incurred \$362,731 in expenditures. We are not aware of any claims have been filed with the State for reimbursement and it has been our understanding that this is because we do not even have a contract yet with the State. The same individual who administered the funding for the Valley Woods Road Project with the Lake George Watershed Conference is also administering the State grant for the Invasive Species Boat Washing which has caused us great concern that we will not have timely filing of documents and State Aid claims.

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.

Courthouse Expansion Project

It is important that our office be provided with specific information related to the Courthouse Expansion Project and be provided with monthly budget reports for each phase of the project so that we can properly monitor the project finances and more importantly not borrow more money than we need to. We have made several requests for the following information from the Superintendent of DPW and have not received anything:

1. Description of the work that is being done for each phase of the project.
2. Explanation as to why the original project estimate of \$16 million has been increased to \$16.5 million.
3. Explanation as to why the total project estimated cost did not decrease given the fact that the construction bids came in at approximately \$2 million less than the original estimate.
4. A breakdown of what makes up the \$2.6 million in "soft costs" reported in the most recent cost estimate. There should be a detail of what constitutes this amount.
5. Monthly reports showing Courthouse Expansion project budget and what was expended to date for each phase of the project. We also need an expenditure timeline for each phase of the project.

We will be unable to issue the next bond for this project until we receive the information requested above.

Unassigned Fund Balance

The following shows the General Fund Unassigned Fund Balance projected 2016 amounts and the additional amounts appropriated to date. Please note that the adopted policy for Unassigned Fund Balance approves a range of \$9 million to \$16 million. Multi-year projections show that we could use \$8 million of this unassigned balance by the end of 2019 unless we identify a source of funding for these additional costs. This would put us dangerously close to the bottom threshold amount.

2016 Beginning Balance	21,988,813
2016 Projected Surplus	636,413
Transfer to Reserve, Westmount Legacy Costs	(4,477,509)
<u>Additional Appropriations During 2016</u>	
County Attorney Data Processing & Legal Costs	(43,400)
NSTEM Debt Service	(292,000)
Employee Parking Lot/Jail Kitchen Renovation	(120,000)
Roll-Off Containers	(50,740)
Public Defender New Position	<u>(18,410)</u>
2016 Current Projected Balance	<u>17,623,167</u>

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.

As noted below, the authorized reserve of \$1,000,000 was fully funded at the end of 2014 with a current surplus balance of \$4,335,190 as of August 31, 2016. The County has implemented a plan to use some of this reserve to control health insurance costs over the next few years. As noted in previous Budget Analysis Reports, we had concerns over the amount and rapid growth of the insurance surplus. It appears that as of August 31, 2016 this growth has leveled off. This balance needs to be evaluated to determine if additional funds can be used to offset costs for the 2017 budget.

	<u>Reserve</u>	<u>Surplus</u>	<u>Total</u>
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
8/31/2016	1,000,000	4,335,190	5,335,190

County Debt Balances

The following shows the County's current debt outstanding as of August, 2016 along with ending debt balances for future years:

	Current	End of 2016				2020-	2025-	2030-
	Balance	Balance	2017	2018	2019	2024	2029	2034
Bonds								
Pub Safety Bldg & Com Upgrade	7,695,000	7,695,000	6,555,000	5,430,000	4,325,000	-	-	-
Recovery Act Bonds, Various Proj	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	7,665,000	7,325,000	6,980,000	5,120,000	2,995,000	530,000
Capital Leases								
Westmount Co-Generation Plant	344,825	221,019	-	-	-	-	-	-
Municipal Center Energy Project	1,570,826	1,397,703	1,209,177	1,003,899	781,029	-	-	-
Countryside Adult Home Energy Proj	153,439	141,209	115,818	88,084	59,553	-	-	-
Bond Anticipation Notes								
SUNY Adirondack NSTEM	3,278,000	3,278,000	-	-	-	-	-	-
Alder Brook Brdg over Trout Brdg	60,336	30,168	-	-	-	-	-	-
Harrington Road Bridge	23,913	11,957	-	-	-	-	-	-
Beach Road Bridge	239,972	119,986	-	-	-	-	-	-
2011 Storm Damage	440,000	220,000	-	-	-	-	-	-
West Brook Parking Lot	61,200	30,600	-	-	-	-	-	-
Total Outstanding	40,057,510	38,720,642	32,479,995	30,111,983	27,715,581	16,665,000	9,400,000	530,000

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.