

# WARREN COUNTY TREASURER

**Michael R. Swan**  
County Treasurer

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Deputy Treasurer

To: All Supervisors

From: Michael R. Swan, Treasurer

Date: June 22, 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 May 31, 2017 and have noted certain items Supervisors should be aware of.

## **Revenues**

### **County Clerk**

**County Clerk Fees** – As of May 31, the department has received \$475,498 in County Clerk Fees in 2016 and \$486,179 in 2017 which is an increase of 2.2%. It should be noted that the 2017 amount is at 41% of the budget for this account so the actual revenue received is lagging slightly behind the budget.

**Mortgage Tax** – As of May 31, the department has received \$727,789 in Mortgage Tax in 2016 (minus \$463,377 for one-time overpayment) and \$724,082 in 2017 which is a decrease of 0.5%. It should be noted that the 2017 amount is at 47% of the budget for this account so the actual revenue received is on target to exceed the budget.

**Automobile Use Tax** – As of May 31, the department has received \$155,269 in Automobile Use Tax in 2016 and \$155,719 in 2017 which is an increase of 0.3%. It should be noted that the 2017 amount is through April and is at 33% of the budget for this account, so the actual revenue amount received is on target with the budget.

### **County Treasurer**

**Sales Tax** – It has been noted that we have collected \$512,380 more in sales taxes through the first two payments for May, 2017 than we did through the first two payments for May, 2016 which is a 2.9% increase. We are expecting one more payment for May at the end of this month.

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

We have not received the County's share of December, 2016, January, February, March, April and May, 2017 gross revenues from the railway which were due the 10<sup>th</sup> of the following month. The railway did provide the monthly revenue reports through February, 2017, but we have not received payment as of the date of this report.

**This has been reported to the Acting County Administrator and the County Attorney so that corrective action could be taken. The County Attorney is currently working on collecting this money. We still have not received payment.**

### **Tourism**

**Occupancy Tax** – The department has collected \$64,999 more in occupancy taxes as of May 31, 2017 than we did as of May 31, 2016 which is a 21% increase.

## Westmount Receivables

**Medicaid** – The County is currently owed \$552,683 in patient Medicaid claims. Since the nursing home was sold on December 31, 2015, we have collected \$131,733 in claims which were mostly received in 2016 through the assistance of a County employee who handled the re-billing while working extra hours. This employee was no longer interested in doing this and ended the arrangement at the end of 2016. Since then, attempts have been made to find someone to take over the billing without success. It is most likely that a substantial balance of the Medicaid receivable will not be able to be re-billed due to the age of the receivable. A decision is needed to try and find someone else to handle the re-billing or to write-off the outstanding balance.

**The Board has elected to pursue collection of the receivables. The Treasurer's Office had suggested several months ago to ask the current operator of the nursing home if they would be willing to pursue the billing and was subsequently told that they were not interested. It is our understanding that these claims may be past the re-billing time period allowed by Medicaid so we may not be able to collect on them. Any contract with a collection company should be based on a percentage of collection since there is a low probability of collection.**

**Private Pay** – The County is currently owed \$684,213 in private pay billing. Since the nursing home was sold on December 31, 2015, we have collected only \$15,510 in billings. The Board approved a settlement at the May Board meeting to accept a \$26,000 payment in full satisfaction of \$103,532 owed from one resident. A local attorney is currently handling the larger outstanding billings which total approximately \$230,000 which are still pending. No one is currently handling the collections on the balance owed. There has been discussion about hiring another local attorney to handle the collections for these amounts but nothing has been finalized yet.

**The Support Services Committee has approved a contract with a local attorney to pursue collections for the balance of the receivables.**

## 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. The County Attorney has been directed to work with the FBO to amend the contract.**

## Sheriff's Correction Division

**Jail Services, Other Government** – As of May 31, the department has received \$190,662 in Jail Services, Other Government in 2016 and \$48,125 in 2017 which is a decrease of 75%. It should be noted that the 2017 amount is through April and is 12% of the budget for this account, so the actual amount is lagging significantly 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.

**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.**

## **Building & Fire Code**

**Building Permits** – As of May 31, the department received \$76,659 in building permits in 2016 and \$59,984 in 2017 which is a decrease of 22%. It should be noted that the 2017 amount is at 34% of the budget for this account so that actual revenue received is lagging behind the budget.

## **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.

The following departments had deficit balances in some of their appropriation codes as of May 31, 2017 which need to be addressed as soon as possible. **As noted below, several departments did not address this issue as reported in the April, 2017 Budget Analysis Report:**

### General Fund

Legislative Board (**same issue in April, 2017**)

Forfeited Crime Proceeds – DA (**same issue in April, 2017**)

Public Defender

Budget Officer (**same issue in April, 2017**)

County Clerk

Civil Service (**same issue in April, 2017**)

Buildings

Health & Human Services Building (**same issue in April, 2017**)

Information Technology (**same issue in April, 2017**)

Traffic Safety Board (**same issue in April, 2017**)

Stop DWI Program (**same issue in April, 2017**)

WIC

Long Term Home Health Care (**same issue in April, 2017**)

Emergency Medical Service (**same issue in April, 2017**)

Mental Health Admin (**same issue in April, 2017**)

Public Nursing Home (**same issue in April, 2017**)

Social Services (**same issue in April, 2017**)

Office for the Aging (**same issue in April, 2017**)

Long Term Care Ombudsman

Comm. Serv. Elderly – Warren – OFA (**same issue in April, 2017**)

Home Energy Assist Program – OFA (**same issue in April, 2017**)

Balancing Incentive Program – OFA (**same issue in April, 2017**)

E.I.S.E.P. – Hamilton – OFA (**same issue in April, 2017**)

Title VII Elder Abuse Prev – OFA (**same issue in April, 2017**)

OFA HIICAP (**same issue in April, 2017**)

Parks & Recreation

### County Road

Maintenance of Roads

Snow Removal – County (**same issue in April, 2017**)

Services to Other Govts (**same issue in April, 2017**)

## **County Road Projects**

We have noted that the Riverbank Road CR11 project which was completed in 2016 for \$152,391 by our DPW staff needs to be redone in 2017. The Superintendent of Public Works indicated at the May 2017 Public Works Committee meeting that there was an issue with the material. If that is the case, then the County needs to seek compensation from the vendor who supplied the defective material. The County has contracted with an outside contractor to redo the road in 2017 for \$116,060 which was transferred into the County Road fund from the General Fund unreserved fund balance as part of the \$577,255 transfer approved at the June Board meeting.

### Airport Costs

The following shows a ten year history of Airport operating and capital costs. The airport has averaged an annual \$616,078 operating deficit during this time period and an annual total deficit including capital costs of \$792,083. The debt costs relates to the construction of an airport hangar which was authorized in 2006 and funded with \$1.0 million in debt. The local share costs represent the County's portion of capital project costs. The Local Share capital costs are expected to significantly increase in 2017 and over the next few years with the Runway Extension project.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Revenues	88,034	128,574	141,331	134,919	119,562	287,130	137,363	123,924	125,883	161,099	1,447,818
Expenditures	673,698	701,532	656,386	646,241	789,875	983,457	845,725	817,233	789,850	704,605	7,608,602
Operating Deficit	(585,664)	(572,958)	(515,055)	(511,323)	(670,313)	(696,327)	(708,362)	(693,310)	(663,967)	(543,506)	(6,160,784)
<u>Capital Costs</u>											
Local Share	5,549	94,944	55,777	42,821	30,738	7,545	96,566	56,772	117,015	48,889	556,617
Debt Principal	-	-	200,000	-	160,000	160,000	160,000	160,000	160,000	-	1,000,000
Debt Interest	39,291	37,491	18,947	15,557	32,146	24,000	18,000	12,000	6,000	-	203,431
Total Deficit	<u>(630,503)</u>	<u>(705,393)</u>	<u>(789,779)</u>	<u>(569,700)</u>	<u>(893,198)</u>	<u>(887,872)</u>	<u>(982,928)</u>	<u>(922,082)</u>	<u>(946,981)</u>	<u>(592,395)</u>	<u>(7,920,832)</u>

### 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.

**DPW and the Treasurer's Office have come to an agreement on a retainage policy and have requested a change to the purchasing policy for the July Support Services Committee meeting.**

**County Debt Balances**

The following shows the County's current debt outstanding as of May, 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	7,665,000	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	63,721	-	-	-	-	-	-	-
Municipal Center Energy Project	1,397,703	1,209,177	1,003,899	781,029	539,915	-	-	-
Countryside Adult Home Energy Pr	134,928	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>38,222,064</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 and the SUNY Adirondack NSTEM BAN will be rolled into a \$5.8 million bond in 2017. These bonds were issued in June, 2017.

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