

WARREN COUNTY TREASURER

Michael R. Swan
County Treasurer

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To: All Supervisors

From: Michael R. Swan, Treasurer

Date: April 19, 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 March 31, 2017 and have noted certain items Supervisors should be aware of. Please note that we have finalized 2016 numbers and have provided the following analysis.

2016 Unassigned Fund Balance

The following shows the Unassigned Fund Balances for the General, County Road and Road Machinery Funds covering the period of 2012 to 2016. 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>	2012	2013	2014	2015	2016
General Fund	14,042,523	14,968,671	14,715,499	17,511,449	17,967,773
Operating Transfer From Westmount	-	-	-	4,477,509	-
General Fund Total	14,042,523	14,968,671	14,715,499	21,988,958	17,967,773
County Road	1,815,957	1,163,800	1,132,673	1,516,667	1,228,533
Road Machinery	438,028	319,922	379,214	669,959	626,222

General Fund 2016 Budget Results

The following shows an analysis of the General Fund adopted budget, amended budget and actual balances. As noted below, the amended budget produced a \$1.9 million deficit while the actual for the year was a \$2.9 million surplus. This produced a \$4.8 million favorable budget variance.

Listed below are significant department variances exceeding \$100,000. On a department-wide basis for the General Fund, salaries-regular were \$440,023 under budget, salaries - overtime were \$124,356 under budget, salaries-part time were \$245,246 under budget, Social Security was \$104,075 under budget and hospitalization was \$148,705 under budget.

	Adopted	Amended	Actual	Variance
General Fund (Excluding Tourism)	Budget	Budget	Balances	Favorable (Unfavorable)
Revenues	125,920,566	126,975,512	128,177,528	1,202,016
Expenditures	126,476,106	128,844,527	125,285,844	3,558,683
Surplus/(Deficit)	(555,540)	(1,869,015)	2,891,684	4,760,699

Significant Department Variances (> \$100,000) - Actual to Amended Budget

	Amended Budget	Actual Balances	Variance Favorable (Unfavorable)	Comments
Legislative Board				
Revenues	30,495,060	30,710,533	215,473	Decrease in Deferred Taxes
County Treasurer				
Revenues	54,606,367	56,231,409	1,625,042	\$0.8 million increase in sales tax, \$0.2 million increase in gain on sale of property, \$0.2 million increase in interest & penalty - property tax, \$0.4 million increase in Tobacco Settlement
County Clerk				
Revenues	3,155,000	4,108,123	953,123	Increase Mortgage Tax
County Attorney				
Expenditures	715,126	566,589	148,537	Overbudgeted Consulting
Buildings				
Expenditures	1,706,282	1,423,703	282,579	Overbudgeted Repair & Maint
Distribution of Sales Tax				
Expenditures	23,592,810	24,019,094	(426,284)	Increase in sales tax
Sheriff's Correction Division				
Expenditures	9,542,136	9,345,906	196,230	Overbudgeted Salaries Reg and PT Reduction in Retirement
Homeland Security				
Revenues	383,546	231,216	(152,330)	Unspent grant
Expenditures	424,446	231,216	193,230	Unspent grant
Health Services				
Revenues	4,264,203	4,011,679	(252,524)	Decrease in Home Nursing Charges
Expenditures	4,588,446	4,404,546	183,900	Decrease Salaries-Reg, Overtime and Unneeded PT
WIC				
Revenues	1,355,953	1,200,289	(155,664)	Reduction in antipated Food Vouchers
Expenditures	1,356,253	1,175,519	180,734	Reduction in antipated Food Vouchers
Long Term Home Health Care				
Revenues	168,000	67,496	(100,504)	Program Decline, Program ended for 2017
Education Physically Handicapped				
Revenues	2,102,644	1,890,844	(211,800)	Program Decline, 2017 Budget Adjusted
Expenditures	3,535,604	3,415,070	120,534	Program Decline, 2017 Budget Adjusted
Public Nursing Home				
Revenues	1,987,696	2,214,536	226,840	Increase in expected IGT Funding
Expenditures	626,701	843,352	(216,651)	Increase in expected Retirement and Retiree Health Ins
Social Services				
Revenues	7,643,371	7,336,379	(306,992)	Decline in Soc Serv Admin and Flexible Fund for Family Svc
Expenditures	9,452,099	9,129,323	322,776	Overbudgeted Salaries Reg, Declines in Retirement and Retirees Hospitalization
Countryside Adult Home				
Expenditures	1,828,459	1,661,388	167,071	Overbudgeted Salaries Reg and Foods
Daycare				
Revenues	1,515,000	1,365,893	(149,107)	Less revenue due to decline in expenses
Expenditures	1,515,000	1,208,301	306,699	Less program expenditures than expected
Services for Recipients				
Revenues	225,000	937,018	712,018	Increase due to State settlement for 2011-15
Medicaid				
Expenditures	12,372,184	13,047,477	(675,293)	Unexpected IGT Local Match Payment
Child Care				
Revenues	3,240,000	2,646,885	(593,115)	Overestimation of reimbursement percentage
Home Relief				
Expenditures	1,175,000	984,603	190,397	Decline in number of program cases
			<u>2,594,522</u>	

2016 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, 2016.

General Fund	Purpose	Balance End of Year
Capital		
Rehabilitation of County Buildings	Future building capital costs	\$ 6,482
Bridge Replacement & Repair	Future bridge capital costs	1,484
Up Yonda Repairs & Improvements	Future Up Yonda capital costs	20,754
Railroad Repairs	Future railroad capital costs	259,919
Equipment, Storage & Vehicle	Future equipment capital costs	7,566
Computers	Future computer capital costs	107,904
Vehicles	Future vehicle capital costs	102,582
Airport Repair & Projects	Future airport capital costs	20,203
Total		<u>\$ 526,894</u>
Other Restricted		
Occupancy Tax	Future costs relating to tourism	\$ 3,014,323
Probation	Future probation program costs	3,302
Forfeitures Crime	Future Sheriff and DA crime fighting costs	709,844
Environmental Testing Fund	Future costs relating to environmental testing	230,219
Stop DWI	Future costs of the Special Traffic program	84,208
Westmount Legacy Costs	Future costs relating to Westmount retirees	5,848,693
Total		<u>\$ 9,890,589</u>
Debt Service Fund		
Debt		
Bonded Debt	Future debt service costs	\$ 647,612
Total		<u>\$ 647,612</u>
County Road Fund		
Capital		
Highway Road Projects	Future highway road capital costs	\$ 595,331
Total		<u>\$ 595,331</u>
Road Machinery Fund		
Capital		
Motor Fuel Farms	Future motor fuel farm capital costs	\$ 156,797
Total		<u>\$ 156,797</u>

Revenues

County Clerk

County Clerk Fees – As of March 31, the department has received \$275,017 in County Clerk Fees in 2016 and \$277,008 in 2017 which is an increase of 0.7%. It should be noted that the 2017 amount is at 23% of the budget for this account so the actual revenue received is lagging slightly behind the budget.

Mortgage Tax – As of March 31, the department has received \$428,313 in Mortgage Tax in 2016 (minus \$463,377 for one-time overpayment) and \$379,850 in 2017 which is a decrease of 11.3%. It should be noted that the 2017 amount is at 24.5% of the budget for this account so the actual revenue received is on target with the budget.

Automobile Use Tax – As of March 31, the department has received \$68,385 in Automobile Use Tax in 2016 and \$67,260 in 2017 which is a decrease of 1.6%. It should be noted that the 2017 amount is through February and is at 14% of the budget for this account, so the actual revenue amount received is lagging behind the budget.

County Treasurer

Sales Tax – It has been noted that we have collected \$460,131 more in sales taxes through March, 2017 than we did through March, 2016 which is a 4.4% increase.

Saratoga & North Creek Railway

We have not received the County's share of December, 2016, January, February and March, 2017 gross revenues from the railway which were due the 10th 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.

Tourism

Occupancy Tax – The department has collected \$23,054 more in occupancy taxes as of March 31, 2017 than we did as of March 31, 2016 which is a 12% increase.

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 1st to April 30th, and with minimum hours of 8:00 am to 3:00 pm, seven days per week from May 1st to September 30th. 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. We have not been provided with a copy of an amended contract as of the date of this report.

Sheriff's Correction Division

Jail Services, Other Government – As of March 31, the department has received \$91,374 in Jail Services, Other Government in 2016 and \$31,707 in 2017 which is a decrease of 65%. It should be noted that the 2017 amount is through February and is 8% 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.

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.

General Municipal Law Section 207-C – Health Insurance

General Municipal Law Section 207-C pertains to law enforcement and correctional personnel injured in the line of duty and provides benefits such as payment of 100% of employee salary tax free during the period of time the employee is out of work. In 2011 a directive from the former County Administrator was issued indicating that employees out on section 207-C for more than 90 days must start paying the full cost of health insurance while they continue to be out of work. The Director of Human Resources at the time was requested to write the union presidents and advise them that effective July 15, 2011 the County would no longer pay for health insurance costs after the 90 day period. We are not aware that any letter was sent out and no action had been taken to implement this directive by Human Resources. The current County Human Resources Director was notified of this directive in 2015, but no action has been taken to implement it.

For 2016, we calculated that it cost the County \$47,173 in health insurance benefits that should have been paid by the employees but was not because the directive was not implemented. The County Human Resources Director should implement this directive as soon as possible to minimize future unnecessary County costs.

We had removed this issue from the previous budget analysis report because we thought that it was resolved. It was previously decided to implement the directive effective for May, 2017 by the Acting County Administrator. We have since learned that it was decided to negotiate this issue with the unions because of complaints from the affected employees out on Section 207-C. This will continue to cost the County significant amounts of money for 2017.

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.

The Purchasing Agent had indicated that this will be handled at the end of March, 2017, but this was tabled because the Superintendent of Public Works was unable to attend the committee meeting. DPW and the Treasurer's Office will be meeting in the future to further discuss and come to an agreement and then request a change to the purchasing policy at a future committee meeting.

County Debt Balances

The following shows the County's current debt outstanding as of March, 2017 along with ending debt balances for future years:

	Current	End of 2017				2021-	2026-	2031-
	Balance	Balance	2018	2019	2020	2025	2030	2035
Bonds								
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	8,000,000	7,665,000	7,325,000	6,980,000	6,625,000	4,720,000	2,535,000	-
Capital Leases								
Westmount Co-Generation Plant	126,982	-	-	-	-	-	-	-
Municipal Center Energy Project	1,397,703	1,209,177	1,003,899	781,029	539,915	-	-	-
Countryside Adult Home Energy Proj	141,209	122,233	95,092	66,762	37,616	-	-	-
Bond Anticipation Notes								
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	-	-	-	-	-	-	-
Total Outstanding	38,626,605	32,486,410	30,118,991	27,722,790	25,287,531	15,335,000	7,770,000	-

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.