

# WARREN COUNTY TREASURER

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County Treasurer

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To: All Supervisors

From: Michael R. Swan, Treasurer

Date: March 23, 2020

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, 2020 and have noted the following items Supervisors should be aware of. Please note that we have finalized the 2019 numbers and have provided the following analysis:

### **2019 Unassigned Fund Balance**

The following shows the Unassigned Fund Balances for the General, County Road and Road Machinery Funds covering the period of 2015 to 2019. Please note that the General Fund Unassigned Fund Balance for 2015 includes \$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> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---|-------------|-------------|-------------|-------------|-------------|
| General Fund                                    | 17,511,449  | 17,967,773  | 19,470,218  | 22,960,849  | 22,995,787  |
| Operating Transfer From Westmount               | 4,477,509   | -           | -           | -           | -           |
| General Fund Total                              | 21,988,958  | 17,967,773  | 19,470,218  | 22,960,849  | 22,995,787  |
| County Road                                     | 1,516,667   | 1,228,533   | 1,053,393   | 982,348     | 797,513     |
| Road Machinery                                  | 669,959     | 626,222     | 438,053     | 464,020     | 169,122     |

### **General Fund 2019 Budget Results**

The following shows an analysis of the General Fund adopted budget and actual balances. As noted below, the amended budget produced a \$4.4 million deficit while the actual for the year was a \$0.4 million surplus. This produced a \$4.8 million favorable budget variance.

|                                  | <u>Adopted</u>     | <u>Amended</u>     | <u>Actual</u>   | <u>Variance</u>      |
|----------------------------------|--------------------|--------------------|-----------------|----------------------|
| General Fund (Excluding Tourism) | <u>Budget</u>      | <u>Budget</u>      | <u>Balances</u> | <u>Favorable</u>     |
|                                  |                    |                    |                 | <u>(Unfavorable)</u> |
| Revenues                         | 131,634,288        | 135,209,689        | 136,532,942     | 1,323,253            |
| Expenditures                     | 133,220,563        | 139,594,615        | 136,157,046     | 3,437,569            |
| Surplus/(Deficit)                | <u>(1,586,275)</u> | <u>(4,384,926)</u> | <u>375,896</u>  | <u>4,760,822</u>     |

The following shows some noteworthy variances between 2019 amended budget and actual balances.

|                           | Amended<br>Budget | Actual<br>Balances | Variance<br>Favorable<br>(Unfavorable) |
|---------------------------|-------------------|--------------------|--|
| <b>Revenues</b>           |                   |                    |  |
| Gain-Sale of Tax Acq Prop | 150,000           | 448,455            | 298,455                                |
| Int and Pen on RPT        | 1,850,000         | 2,165,526          | 315,526                                |
| Sales Tax                 | 52,154,551        | 56,051,782         | 3,897,231                              |
| Child Care                | 3,159,000         | 2,874,618          | (284,382)                              |
| <b>Expenditures</b>       |                   |                    |  |
| Distribution of Sales Tax | 24,548,078        | 26,278,799         | (1,730,721)                            |
| Salaries                  | 36,723,793        | 35,454,008         | 1,269,785                              |
| Retirement                | 5,260,885         | 4,969,763          | 291,122                                |
| Health                    | 9,953,767         | 9,383,224          | 570,543                                |
| Child Care                | 4,428,000         | 5,260,122          | (832,122)                              |

## 2019 Restricted/Assigned Fund Balance

The following shows the Restricted/Assigned Fund Balances for the General, Debt Service, County Road and Road Machinery Funds as of December 31, 2019.

### Restricted

| <b>General Fund</b>                | <b>Purpose</b>                                     | <b>Balance End<br/>of Year</b> |
|------------------------------------|--|--------------------------------|
| <b>Capital</b>                     |  |                                |
| Rehabilitation of County Buildings | Future building capital costs                      | \$ 218,282                     |
| Bridge Replacement & Repair        | Future bridge capital costs                        | 1,484                          |
| Up Yonda Repairs & Improvements    | Future Up Yonda capital costs                      | 75,888                         |
| Railroad Repairs                   | Future railroad capital costs                      | 9,580                          |
| County Railroad Repairs            | Future County railroad capital costs               | 131,161                        |
| Equipment, Storage & Vehicle       | Future equipment capital costs                     | 7,566                          |
| Computers                          | Future computer capital costs                      | 205,230                        |
| Vehicles                           | Future vehicle capital costs                       | 21,218                         |
| Airport Repair & Projects          | Future airport capital costs                       | 221,680                        |
| SUNY Adirondack Cap Imp            | Future SUNY Adirondack capital costs               | 100,000                        |
| Countryside Rehabilitation         | Future Countryside capital costs                   | 238,000                        |
| Election Equipment                 | Future election equipment costs                    | 264,501                        |
| Total                              |  | <u>\$ 1,494,590</u>            |
| <b>Other Restricted</b>            |  |                                |
| Occupancy Tax                      | Future costs relating to tourism                   | \$ 2,350,233                   |
| Probation                          | Future probation program costs                     | 2,902                          |
| Forfeitures Crime                  | Future Sheriff and DA crime fighting costs         | 608,208                        |
| Environmental Testing Fund         | Future costs relating to environmental testing     | 240,197                        |
| Stop DWI                           | Future costs of the Special Traffic program        | 173,853                        |
| Westmount Legacy Costs             | Future costs relating to Westmount retirees        | 4,527,910                      |
| Insurance                          | Future costs relating to uninsured losses          | 50,000                         |
| Employee Benefit Accrued Liability | Future costs relating to accrued employee benefits | 50,000                         |
| Total                              |  | <u>\$ 8,003,303</u>            |
| <b>Debt Service Fund</b>           |  |                                |
| <b>Debt</b>                        |  |                                |
| Bonded Debt                        | Future debt service costs                          | \$ 29,921                      |
| Total                              |  | <u>\$ 29,921</u>               |
| <b>County Road Fund</b>            |  |                                |
| <b>Capital</b>                     |  |                                |
| Highway Road Projects              | Future highway road capital costs                  | \$ 1,155,480                   |
| Total                              |  | <u>\$ 1,155,480</u>            |
| <b>Road Machinery Fund</b>         |  |                                |
| <b>Capital</b>                     |  |                                |
| Motor Fuel Farms                   | Future motor fuel farm capital costs               | \$ 15,467                      |
| Total                              |  | <u>\$ 15,467</u>               |
| <b>Assigned</b>                    |  |                                |
| <b>General Fund</b>                |  |                                |
| Project Assessments                | Future costs for project feasibility analysis      | \$ 50,000                      |
| Total                              |  | <u>\$ 50,000</u>               |

## Revenues

### Occupancy Tax

When the occupancy tax was adopted in 2003, the intent was that Tourism department operating expenses and tourism promotional expenses would be fully covered by this tax so that Warren County taxpayers would not be burdened by these costs. Resolution #558 of 2014 established a minimum balance of \$1,000,000 for the Occupancy Tax Reserve account for unexpected contingencies. This balance is also important for cash flow purposes so that the General Fund would not have to subsidize the cash flow needs of the Tourism department. The following is a history of the Occupancy Tax Reserve account from 2004 to 2018 with projected amounts obtained from the **2019 Warren County Financial Management Plan** for 2019 to 2023. We are very concerned about the projected trend which projects 2022 and 2023 being under the minimum Occupancy Tax Reserve balance of \$1,000,000. We feel that this trend should be addressed immediately and are concerned that no action had been taken with the 2020 budget to address this issue. Use of \$590,030 of the Occupancy Tax Reserve balance is included in the adopted 2020 budget.

| <u>Year</u>    | <u>Balance</u> |
|----------------|----------------|
| 2004           | 2,049,475      |
| 2005           | 2,280,971      |
| 2006           | 2,247,400      |
| 2007           | 2,481,415      |
| 2008           | 2,542,772      |
| 2009           | 2,408,098      |
| 2010           | 2,656,100      |
| 2011           | 2,714,786      |
| 2012           | 2,496,472      |
| 2013           | 2,713,244      |
| 2014           | 3,018,439      |
| 2015           | 3,068,105      |
| 2016           | 3,014,323      |
| 2017           | 2,707,699      |
| 2018           | 2,543,935      |
| 2019 Projected | 2,319,823      |
| 2020 Projected | 1,733,241      |
| 2021 Projected | 1,221,305      |
| 2022 Projected | 780,484        |
| 2023 Projected | 422,507        |

We reviewed the Tourism costs and the Occupancy Tax costs from 2015 to 2019 (amended budget) and noted that costs for the Tourism department increased by \$204,182 (9% total increase, 2.3% average per year) during this period while Occupancy Tax costs increased by \$930,468 (50% total increase, 12.5% average per year) during this period so it appears that Occupancy Tax costs are having a significant impact on the use of the occupancy tax reserve balance.

**The County Administrator has proposed reducing the supplemental spending plan, County awarded special events, freezing CVB payments and freezing Tourism promotion in response to the Treasurer Office concerns. This seems to be a short term fix as it appears that this will result in the County being under the minimum Occupancy Tax Reserve balance in 2024 instead of 2022. It is very important to revisit the projection in the near future as Occupancy Tax revenue will likely decline as the result of the Coronavirus situation causing the need to evaluate the current year budget for possible reductions.**

### Public Defender/Legal Defense- Indigents

**State Aid Claims** – The Public Defender and Legal Defense – Indigents departments did not submit any State Aid reimbursement claims for 2019 until March, 2020. It is important that State Aid claims be submitted on a quarterly basis for cash flow and financial reporting purposes. These late submissions also affect when we can complete and file the New York State Office of Indigent Legal Services 2019 Annual Expenditure Report. **This was also an issue for 2018 as well. We have not received any corrective action plan from County administration as of the date of this report.**

## Airport

**Airport Restaurant Concessions** – It has been noted that the Aviator restaurant has closed for the winter starting January 20, 2020 and will reopen Memorial Day of 2020. The County collects five percent of the gross annual revenue generated by the restaurant in accordance to the lease agreement. Based on monthly restaurant gross revenue for 2019, we estimate that the County will lose \$10,300 in restaurant revenue and \$6,200 in sales tax revenue for 2020 during this closure period and the County most likely will not meet our 2020 restaurant revenue budget. **This was first reported in the December, 2019 budget analysis report and we have not received any written corrective action plan from County administration on this matter as of the date of this report.**

## County Clerk

**County Clerk Fees** – As of March 31, the department has received \$302,391 in County Clerk Fees in 2019 and \$302,881 in 2020 which is an increase of 0.2%. It should be noted that the 2020 amount is at 24% of the budget for this account so the actual revenue received is on target with the budget.

**Mortgage Tax** – As of March 31, the department has received \$197,779 in Mortgage Tax in 2019 and \$439,036 in 2020 which is an increase of 122%. It should be noted that the 2020 amount is at 23% of the budget for this account so the actual revenue received is slightly behind the budget. This variance was caused by the State Legislature failing to authorize a portion of the County's mortgage recording tax which expired on December 1<sup>st</sup>, 2018. The State Legislature approved the additional mortgage tax in 2019 and it was imposed with an effective date of April 1, 2019.

**Automobile Use Tax** – As of March 31, the department has received \$68,603 in Automobile Use Tax in 2019 and \$67,645 in 2020 which is a decrease of 1.4%. It should be noted that the 2020 amount is through February is at 14% of the budget for this account, so the actual revenue amount received is below the budget.

## County Treasurer

**Sales Tax** – It has been noted that we have collected \$793,948 more in sales taxes through March, 2020 than we did through March, 2019 which is a 7.3% increase. Please note that we are expected to see a significant decline in sales tax in the upcoming months due to COVID 19.

## Tourism

**Occupancy Tax** – The department has collected \$353,383 more in occupancy taxes as of December 31, 2019 than we did as of December 31, 2018 which is an 8% increase. These amounts represent final collections for each year.

The department has collected \$53,404 more in occupancy taxes as of March 31, 2020 than we did as of March 31, 2019 which is a 25% increase. Please note that we are expected to see a significant decline in occupancy tax in the upcoming months due to COVID 19.

## Sheriff's Correction Division

**Jail Services, Other Government** – As of March 31, the department has received \$58,185 in Jail Services, Other Government in 2019 and \$6,414 in 2020 which is a decrease of 89%. It should be noted that the 2019 amount is through February and is at 3% of the budget for this account, so the actual revenue amount received is below the budget.

## Building & Fire Code

**Building Permits** – As of March 31, the department received \$34,077 in building permits in 2019 and \$32,612 in 2020 which is a decrease of 4%. It should be noted that the 2020 amount is at 16% of the budget for this account so that actual revenue received is below the budget.

## Health Services

**Home Nursing Charges** – As of March 31, the department has received \$581,749 in Home Nursing Charges in 2019 and \$461,123 in 2020 which is a decrease of 21%. It should be noted that the 2019 amount is through February and is at 11% of the budget for this account, so the actual revenue amount received is below 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.

### Employee Hazard Compensation

Some municipalities and local businesses are compensating their employees that are required to work onsite during the COVID-19 pandemic with additional pay. We recognize that this could create a financial hardship for Warren County if we did the same. In lieu of additional pay, we propose compensating our County employees that are required to work onsite during the pandemic with additional vacation days with a cap of five days. These days would be earned on the ratio of hours worked onsite over total hours paid during the State ordered shut down period. These employees are risking their health and the health of their families by leaving the safety of their homes and working for the County onsite and should be compensated.

### Capital Projects

Departments should be reviewing their capital projects to make sure that they are closed soon after completion of the project. The following are capital projects where there has not been any recent activity and a determination should be made by the responsible department whether or not the project should be closed. Responsible departments should also determine if any outstanding State/Federal receivables associated with their projects are collectable and if not they will have to be written off and a funding source will have to be identified for the costs not reimbursed by State/Federal government. **DPW closed three projects that were on this list, H214, H323 and H357, but we haven't seen any action taken on the current list below.**

| Department of Public Works                | Date of Last Activity | Cash    | State/Federal Receivable | Deposit with Other Govt |
|---|-----------------------|---------|--------------------------|-------------------------|
| H199 - Corinth Road                       | 5/2016                | 100,508 | 22,119                   | -                       |
| H200 - Quaker Road Signal Imp             | 12/2013               | -       | 11,283                   | -                       |
| H219 - RR Track Restoration               | 5/2009                | -       | 534                      | 125,000                 |
| H258 - Tannery Bridge over Stony Creek    | 8/2010                | -       | 63,791                   | -                       |
| H291 - Elevator Repair - Municipal Center | No Activity           | -       | -                        | -                       |
| H346 - Env Assess - Airport Obstruct Rem  | 12/2015               | -       | -                        | -                       |
| H348 - Airport Equipment Building Repair  | 8/2016                | 1,758   | 301                      | -                       |
| H355 - Municipal Cntr Security Renovation | 10/2016               | -       | -                        | -                       |
| H361 - Brant Lake Lower Dam               | 12/2015               | -       | -                        | -                       |

#### Notes:

1. H200 – Quaker Road Signal Imp – There is a liability back to the General Fund that is not funded for \$136,647 which will need funding before it can be repaid and the project closed.
2. H219 – RR Track Restoration – The Treasurer’s Office has made numerous requests to DPW over the years to obtain an accounting from the State for the \$125,000 deposit that was made to the State without any success. We need some sort of documentation from the State showing that they spent the County’s money on this project.
3. H291 – Elevator Repair – Municipal Center – This project was opened in August, 2008 for \$41,800 and has had no activity. This project was funded with reserve money and if there is no expectation to expend this money in the near future then it must be returned to the Reserve, Rehab County Buildings (A 871.00) in the General Fund.

### 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.

The County implemented a self-insurance program starting December 1, 2017. As a result, \$918,922 was paid to BSNENY to terminate coverage. As noted below, the balance of the reserve and surplus as of December 31, 2019 is \$6,658,948. Consideration should be given to using some of this reserve to lower employee and County health insurance costs in light of anticipated reductions of revenue due to COVID 19.

|            | <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    |
| 12/31/2016 | 1,000,000      | 4,867,898      | 5,867,898    |
| 12/31/2017 | 81,078         | 5,441,408      | 5,522,486    |
| 12/31/2018 | 81,078         | 5,426,650      | 5,507,728    |
| 12/31/2019 | 81,078         | 6,577,870      | 6,658,948    |

### County Debt Balances

The following shows the County's current debt outstanding as of March 31, 2020 along with ending debt balances for future years:

|                                    | <u>Current</u>    | <u>End of 2020</u> |                   |                   |                   | <u>2024-</u>      | <u>2029-</u>     | <u>2034-</u> |
|------------------------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|------------------|--------------|
|                                    | <u>Balance</u>    | <u>Balance</u>     | <u>2021</u>       | <u>2022</u>       | <u>2023</u>       | <u>2028</u>       | <u>2033</u>      | <u>2038</u>  |
| <b>Bonds</b>                       |                   |                    |                   |                   |                   |                   |                  |              |
| Pub Safety Bldg & Com Upgrade      | 4,325,000         | 3,240,000          | 2,165,000         | 1,085,000         | -                 | -                 | -                | -            |
| Recovery Act Bonds, Various Proj   | 13,070,000        | 12,305,000         | 11,630,000        | 10,935,000        | 10,205,000        | 6,110,000         | 1,140,000        | -            |
| Court Expansion - 2015             | 6,980,000         | 6,625,000          | 6,260,000         | 5,890,000         | 5,510,000         | 3,445,000         | 1,055,000        | -            |
| Court Expansion - 2017             | 7,390,000         | 7,390,000          | 7,030,000         | 6,665,000         | 6,290,000         | 4,295,000         | 2,040,000        | -            |
| SUNY Adirondack NSTEM - 2017       | 5,010,000         | 5,010,000          | 4,765,000         | 4,515,000         | 4,260,000         | 2,905,000         | 1,380,000        | -            |
| <b>Capital Leases</b>              |                   |                    |                   |                   |                   |                   |                  |              |
| Municipal Center Energy Project    | 781,028           | 539,914            | 279,884           | -                 | -                 | -                 | -                | -            |
| Countryside Adult Home Energy Proj | 59,552            | 37,615             | 7,630             | -                 | -                 | -                 | -                | -            |
| <b>Total Outstanding</b>           | <b>37,615,580</b> | <b>35,147,529</b>  | <b>32,137,515</b> | <b>29,090,000</b> | <b>26,265,000</b> | <b>16,755,000</b> | <b>5,615,000</b> | <b>-</b>     |

Please note that the Recovery Act Bonds, Various Projects were refunded on February 26, 2020 and the refunding bonds are now reflected in the schedule above. The aggregate budgetary savings for this refunding is \$4,123,747 with an average annual savings of \$275,000 over a fifteen year period. The annual savings was not reflected in the 2020 budget and will help offset some of the expected losses in 2020 due to COVID 19.

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