

WARREN COUNTY TREASURER

Michael R. Swan
County Treasurer

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To: All Supervisors
From: Michael R. Swan, Treasurer
Date: June 20, 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 May 31, 2016 and have noted certain items Supervisors should be aware of.

Revenues

Westmount Transfer

It was previously reported that \$4.5 million was transferred from Westmount to the General Fund as a result of the sale of the nursing home at the end of 2015. It is important to understand that this amount is made up of receivables which may not be fully paid in the future and may not be paid this year which means that the full amount of the \$4.5 million is not currently available to spend. We have currently received \$624,885 from the Westmount receivables. The following are significant components of the \$4.5 receivable amount where the amount and timing of receipt are uncertain:

Intergovernmental Transfer (IGT)	2,500,000	Uncertainty of receiving in 2016
2009-13 Capital Appeals	795,463	Uncertainty of payment
Universal Settlement	<u>327,093</u>	Uncertainty of amount and payable over 5 years
	<u>3,622,556</u>	

As previously stated, we recommend recording the \$4.5 million operating transfer in a reserve account to fund future Westmount retiree health insurance costs and any other legacy costs that should arise. The reserve balance would be adjusted by any adjustments to receivable balances so the actual final reserve balance could be substantially less than the \$4.5 million amount.

County Clerk

County Clerk Fees – As of May 31, the department has received \$465,333 in County Clerk Fees in 2015 and \$475,498 in 2016 which is an increase of 2.2%. It should be noted that the 2016 amount is at 39.6% of the budget for this account, so the actual revenue received is lagging behind the budget.

Mortgage Tax – As of May 31, the department has received \$560,536 in Mortgage Tax in 2015 and \$1,191,166 in 2016 which is an increase of 119%. 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 30% over prior year and is at 50% of the budget.

Automobile Use Tax – As of April 30, the department has received \$154,192 in Automobile Use Tax in 2015 and \$155,269 in 2016 which is an increase of 0.7%. It should be noted that the 2016 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. We did not receive the May payment as of the date of this report.

Tourism

Occupancy Tax – The department has collected \$100,149 less in occupancy taxes as of May 31, 2016 than we did as of May 31, 2015 which is a 25% decrease.

County Treasurer

Sales Tax – It has been noted that we have collected \$333,900 more in sales taxes through the second payment for May, 2016 than we did through the second payment for May, 2015 which is a 1.9% increase. In order to meet the 2016 budget, we need a 0.15% increase over 2015 actual.

Sheriff's Correction Division

Jail Services, Other Government – As of May 31, the department has received \$168,315 in Jail Services, Other Government in 2015 and \$190,662 in 2016 which is an increase of 13%. It should be noted that the 2016 amount is through April and is at 48% 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 May 31, the department has received \$1,466,000 in Home Nursing Charges in 2015 and \$1,173,557 in 2016 which is a decrease of 20%. It should be noted that the 2016 amount is through April and is at 28% of the budget for this account, so the actual revenue amount is 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 within one month.

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 not received any claims to review and sign and we have not received any State funding for these expenditures incurred in 2014. We have not been provided with a signed grant agreement.

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.

Employee College Education

Section 15 – Training Programs of the CSEA contract states that County employees shall be allowed to take job related courses with the prior approval of the County Board of Supervisors and upon satisfactory completion of the course, the County shall reimburse the employee for 50% of the cost for tuition and fees incidental to taking the course (a similar benefit exists for out of unit employees). In our opinion, this means that each course must relate specifically to the employee’s job and be for the purpose of training. This section of the contract does not mention that the County will fund a portion of an entire college degree program which includes non-job related courses.

There have been recent approvals to reimburse employees 50% of the entire cost of their college degree program which includes non-job related courses and degree program fees. None of the current positions for employees currently receiving reimbursement require these college degrees.

This could be a substantial cost to the County if more employees start enrolling in college degree programs. A two year degree at SUNY Adirondack is estimated to be \$11,200 including tuition, books and fees. This would cost the County \$5,600 at a 50% reimbursement rate. A four year degree at SUNY Albany is estimated to be \$40,500 including tuition, books and fees. This would cost the County \$20,250. We suggest that this current practice be re-evaluated since it does not appear that the County is contractually obligated to provide this benefit.

Airport Costs

The following shows a ten year history of Airport operating and capital costs. The airport has averaged an annual \$622,000 operating deficit during this time period and an annual total deficit including capital costs of \$794,000. 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.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Revenues	48,669	88,034	128,574	141,331	134,919	119,562	287,130	137,363	123,924	125,883	1,335,388
Expenditures	646,428	673,698	701,532	656,386	646,241	789,875	983,457	845,725	817,233	789,850	7,550,425
Operating Deficit	(597,759)	(585,664)	(572,958)	(515,055)	(511,323)	(670,313)	(696,327)	(708,362)	(693,310)	(663,967)	(6,215,037)
<u>Capital Costs</u>											
Local Share	16,087	5,549	94,944	55,777	42,821	30,738	7,545	96,566	56,772	117,015	523,815
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	(613,847)	(630,503)	(705,393)	(789,779)	(569,700)	(893,198)	(887,872)	(982,928)	(922,082)	(946,981)	(7,942,283)

Future County Debt Service

This was reported on in previous Budget Analysis reports. Please note that the estimated annual debt service costs for the SUNY Adirondack NSTEM project were adjusted to reflect current estimates. The following table shows that the unfunded debt service that needs to be funded for 2017 is \$620,334 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. As of the date of this report, we are not aware of the identification of a permanent funding source.

Project	Funded 2016	Debt Service 2017	Unfunded 2017	Debt Service 2018	Unfunded 2018	Unfunded Total
Court Expansion	205,788	533,513	327,725	1,087,750	554,237	881,962
SUNY Adirondack NSTEM	93,853	386,462	292,609	386,462	-	292,609
	299,641	919,975	620,334	1,474,212	554,237	1,174,571

County Debt Balances

The following shows the County's current debt outstanding as of May, 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	8,860,000	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	436,510	221,019	-	-	-	-	-	-
Municipal Center Energy Project	1,570,826	1,397,703	1,209,177	1,003,899	781,029	-	-	-
Countryside Adult Home Energy Pr	159,489	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	41,320,246	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.