

NYSAC Training for County Officials

Introduction to County Budget and Finance

March 22, 2024



NYSAC
— NEW YORK STATE —
ASSOCIATION OF COUNTIES

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NYSAC Training for Finger Lakes Counties

I. Introduction & Background

II. New York State County Budgets

- Budget Officer – Process
- Budget Cycle

III. A Good Budget Process

IV. Unified Budget

- Budget Message
- All Funds
- Revenue Estimates
- Expense Estimates
- Surpluses & Reserves
- Discretionary vs. Mandated Spending

V. Practical Applications

- Guarding the Public Checkbook
- Seven Deadly Financial Sins
- Cutback Pitfalls
- "Doing the Dance"

VI. County Board Members' Role in the Budget Process

VII. Budgeting in Tough Times Multi-Year Exercise

VIII. Plain English Budget Terminology

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Budget Officer

COUNTY BUDGET CYCLE

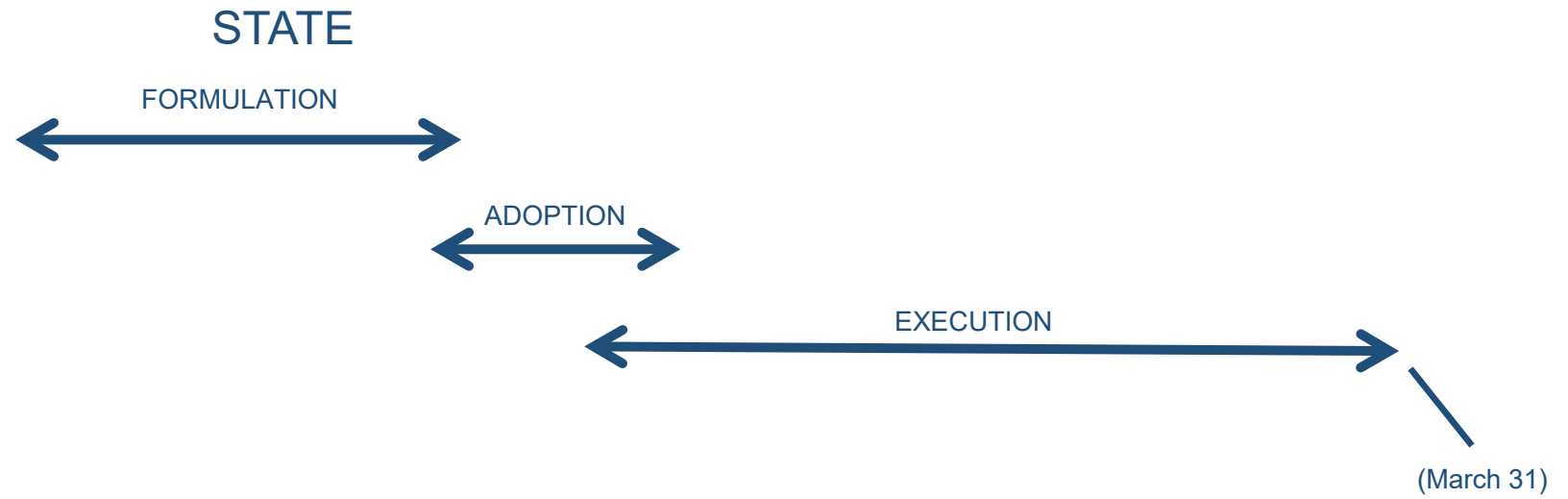
JULY '19 SEPT '19 DEC '13/JAN '20 APR '20 SEPT '20 DEC '20 JAN '21 SEPT '21



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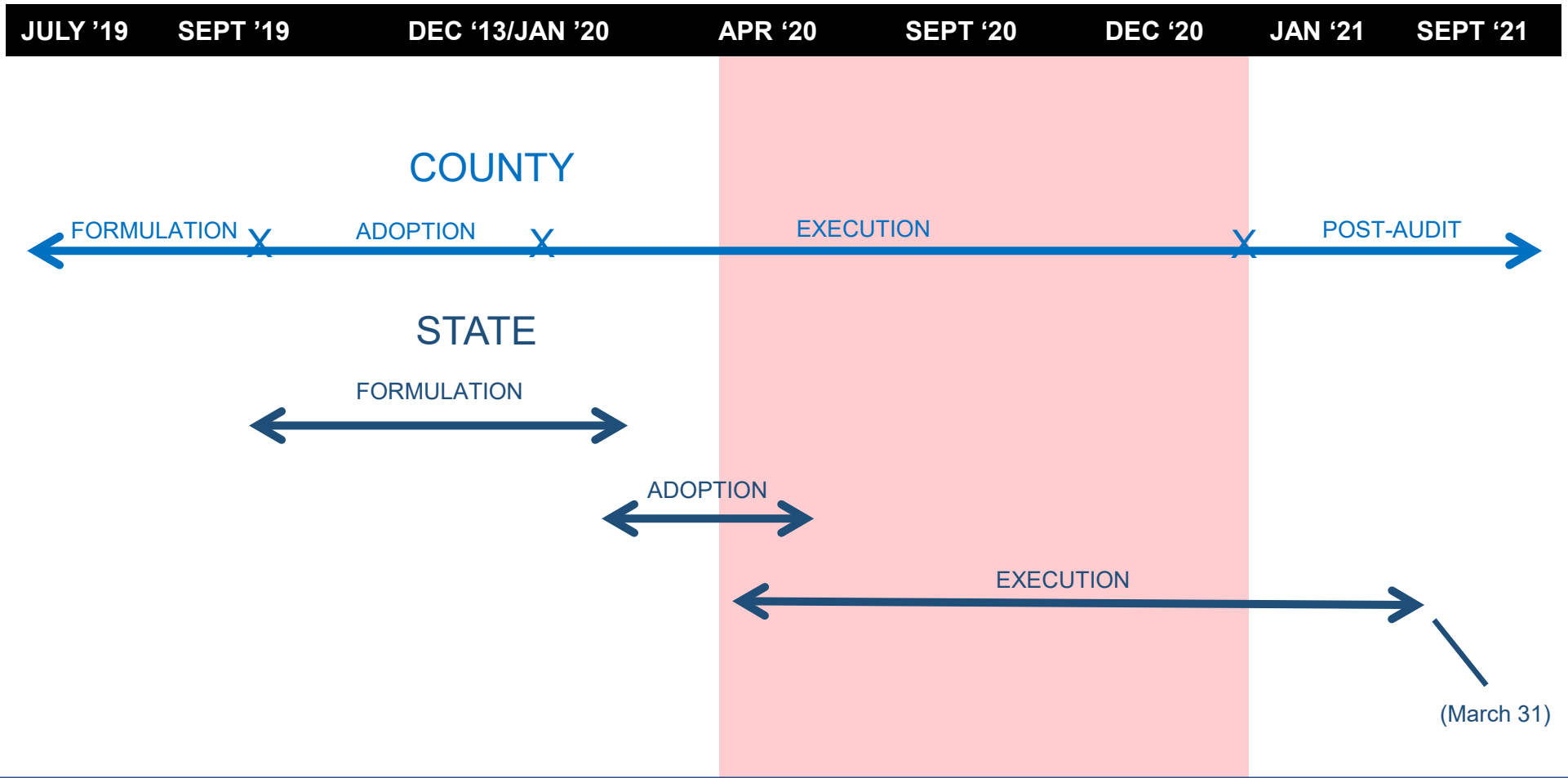
STATE BUDGET CYCLE

JULY '19 SEPT '19 DEC '13/JAN '20 APR '20 SEPT '20 DEC '20 JAN '21 SEPT '21



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COUNTY/STATE BUDGET CYCLE



A Good Budget Process

- Incorporates a long-term perspective
- Establishes linkages to broad organizational goals
- Focuses budget decisions on results and outcomes
- Involves and promotes effective communication with stakeholders
- Provides incentives to government management and employees
- Stresses evaluation of results

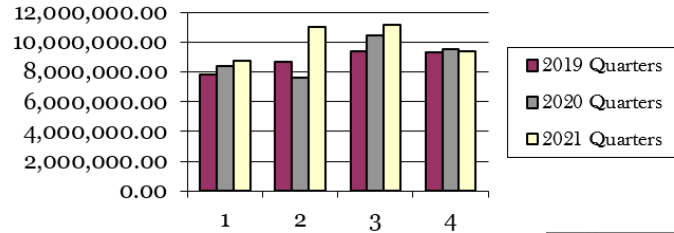
Unified Budget

Sample Budget Summary Document

Fund	Appropriations	Revenue	Appropriated Fund Balance	2022	2021
General - Operations	\$111,802,496	\$89,812,049	\$2,485,000	\$19,505,447	\$20,875,258
General - Capital Transfer	\$950,000		\$0	\$950,000	\$575,000
County Road & Machinery	\$16,934,274	\$7,190,758	\$750,000	\$8,993,516	\$8,548,807
Center for Nursing & Rehabilitation	\$32,197,011	\$27,777,293	\$4,419,718		
Risk Retention & CD	\$165,000	\$165,000			
Workforce Development	\$3,130,585	\$3,115,000	\$15,585		
Water & Sewer Funds	\$278,000	\$198,220	\$79,780		
Worker's Compensation	\$2,973,100	\$2,973,100	\$0		
2022 Grand Total	\$168,430,466	\$131,231,420	\$7,750,083	\$29,448,963	\$29,999,065
	Assessed Value	Tax Rate	% change tax rate		% change tax levy
2021	\$3,756,283,006	\$7.9864			
2022	\$3,788,236,735	\$7.7738	-2.66%		-1.8337%

Sales Tax – Major Revenue Center

Quarterly Sales Tax Comparison



Sales Tax Receipts

	2019	Amount	2020	Amount	2021	Amount	2020/2021 Comparison	2020/2021 % Change
1st	2/6/2019	2,015,536.29	2/7/2020	2,206,827.03	2/5/2021	1,900,809.49	-306,017.54	-13.867%
Quarter	2/13/2019	458,091.25	2/13/2020	481,479.05	2/16/2021	468,284.64	-13,194.41	-2.740%
	3/6/2019	1,708,045.33	3/6/2020	1,817,586.25	3/5/2021	1,829,860.57	12,274.32	0.675%
	3/13/2019	331,148.58	3/16/2020	358,346.18	3/15/2021	328,201.56	-30,144.62	-8.412%
	4/8/2019	2,685,027.33	4/7/2020	2,898,547.57	4/7/2021	3,421,361.90	522,814.33	18.037%
	4/15/2019	598,839.77	4/13/2020	591,602.81	4/13/2021	795,709.29	204,106.48	34.501%
	Subtotal	7,796,688.55	Subtotal	8,354,388.89	Subtotal	8,744,227.45	389,838.56	4.666%
2nd	5/6/2019	2,118,079.38	5/7/2020	1,252,869.99	5/7/2021	2,019,539.34	766,669.35	61.193%
Quarter	5/13/2019	458,203.41	5/13/2020	328,004.87	5/13/2021	556,172.11	228,167.24	69.562%
	6/6/2019	2,157,872.67	6/5/2020	1,389,271.18	6/7/2021	2,339,606.04	950,334.86	68.405%
	6/13/2019	453,909.72	6/15/2020	214,941.33	6/14/2021	501,214.22	286,272.89	133.187%
	6/28/2019	1,268,062.47	6/30/2020	2,606,963.92	6/30/2021	2,901,366.02	294,402.10	11.293%
	7/1/2019	1,348,400.70	7/1/1930	1,034,001.74	7/1/1930	1,488,616.39	454,614.65	43.967%
	7/15/2019	897,029.19	7/13/2020	768,250.30	7/13/2021	1,234,129.76	465,879.46	60.642%
		8,701,557.54		7,594,303.33		11,040,643.88	3,446,340.55	45.381%
3rd	8/6/2019	2,385,690.68	8/7/2020	2,017,384.04	8/6/2021	2,688,105.51	670,721.47	33.247%
Quarter	8/13/2019	567,045.56	8/13/2020	446,000.85	8/13/2021	560,942.61	114,941.76	25.772%
	9/6/2019	2,385,298.65	9/8/2020	1,988,507.92	9/8/2021	2,669,660.29	681,152.37	34.254%
	9/13/2019	475,453.90	9/14/2020	432,449.40	9/13/2021	540,006.53	107,557.13	24.872%
	10/7/2019	2,806,192.97	10/7/2020	4,728,837.78	10/7/2021	3,880,394.82	-848,442.96	-17.942%
	10/15/2019	792,909.75	10/13/2020	810,069.41	10/13/2021	847,635.43	37,566.02	4.637%
		9,412,591.51		10,423,249.40		11,186,745.19	763,495.79	7.32%
	11/6/2019	2,598,265.90	11/6/2020	2,201,245.23	11/5/2021	2,447,288.09	246,042.86	11.177%
	11/13/2019	431,064.26	11/16/2020	468,097.93	11/15/2021	485,451.97	17,354.04	3.707%
4th	12/6/2019	2,005,198.39	12/7/2020	1,870,464.20	12/7/2021	2,208,659.00	338,194.80	18.081%
Quarter	12/13/2019	444,868.75	12/14/2020	432,898.86	12/13/2021	522,363.18	89,464.32	20.666%
	12/31/2019	1,695,521.61	12/31/2020	2,274,929.75	12/31/2021	2,268,215.86	-6,713.89	-0.295%
	1/2/2020	1,238,901.83	1/4/2021	1,190,845.07	1/3/2022	1,439,262.33	248,417.26	20.861%
	1/13/2020	930,513.15	1/13/2020	1,062,327.49			-1,062,327.49	-100.000%
		9,344,333.89		9,500,808.53		9,371,240.43	-129,568.10	-1.36%
		35,255,171.49		35,872,750.15		40,342,856.95	4,470,106.80	0.560%

Health Insurance = Expensive

	Prior	Current	Change
Average Contracts	652	675	↑ 4%
Average Members	1,547	1,608	↑ 4%
Plan Costs	\$4,346,420	\$5,378,747	↑ 24%
Plan Cost per Contract	\$6,671	\$7,970	↑ 19%
Total Cost per Member <small>(Plan Cost + Member Cost + Other Carrier)</small>	\$3,103	\$3,660	↑ 18%

2019/2020 Fiscal Year-End Surplus Estimates

		12/31/2020	12/31/2019
0914	Assigned Fund Balance		
0914.08210	Assigned Fund Balance Purchases	345,821.02	8,244.73
0914.11140	Assigned Fund Balance Sheriff Local Asset Forf	3,540.33	25.40
0914.11150	Assigned Fund Balance Sheriff Fed Asset Forf	70,230.05	67,212.69
0914.19910	Assigned Fund Balance Special Projects	73,436.60	92,536.60
0914.26250	Assigned Fund Balance DA Forfeiture Crime Proceeds	107,686.62	.00
0914.26260	Assigned Fund Balance DA Sale of Illegal Knives	587.19	.00
0914.31510	Assigned Fund Balance Inmate Commissary	56,687.46	.00
0914.59900	Assigned Fund Balance Next Years Budget	2,860,000.00	2,935,000.00
	0914 - Assigned Fund Balance Totals	\$3,517,989.27	\$3,103,019.42
0917	Unassigned Fund Balance	40,216,614.84	33,539,383.07
	FUND EQUITY TOTALS Prior to Current Year Changes	\$63,172,703.15	\$54,755,974.52

Mandated Programs

	<u>2019</u>	<u>2020</u>
Tax Levy Local Share	\$23,017,475	\$21,531,448
Mandated Programs		
Social Services	\$13,964,777	\$13,289,383
Preschool Special Ed	\$1,391,150	\$1,332,750
Early Intervention	\$235,093	\$232,147
Community College	\$1,575,000	\$1,750,000
Public Defender	\$619,262	\$575,902
Probation	\$857,553	\$746,215
SUBTOTAL:	\$18,642,835	\$17,926,397
State Revenue Sharing	\$0	\$0
	\$18,642,835	\$17,926,397
Tax Levy w/o Co. Rd	\$0	\$0

Practical Applications

Guarding The Public Checkbook on Budgeting “Best Practices”

- Raising taxes or fees when necessary.
- Protecting the municipalities investment in its equipment and infrastructure.
- Building adequate fund balances.
- Using debt prudently.
- Evaluating issues on a cost-benefit basis.
- Rejecting popular yet unaffordable programs.
- Avoiding giving away the farm.
- Educating the public about fiscal issues.

Seven Deadly Financial Sins

- Fail to develop meaningful goals
- Fail to evaluate programs and results
- Accept grants that are not affordable with unclear long-term obligations
- Spend surpluses and one-time money for ongoing programs
- Tip-toe around powerful departments
- Fail to ask questions and demand clear answers
- Micro-manage at the expense of policy determination

More Deadly Financial Sins

- Fail to meaningfully involve and educate the public
- Accept the CPI as an indicator of costs
- Fail to determine the impact of salary and benefit increases
- Spend a disproportionate amount of time on trivial items
- Fail to develop and enforce financial policies
- Fail to budget operating expenses for major capital improvements

Cutback Pitfalls

- Deplete reserves
- Freeze vacant positions
- Launch blue ribbon committees without parameters
- Direct staff where to cut
- Cut across the board
- Defer equipment purchases
- Eliminate training expenditures
- Revert to detailed line item control
- Ignore blue ribbon committee recommendations
- Defer maintenance of capital assets

Doing the Dance – Powerful Departments

- Diverting attention to inconsequential items.
- Using rhetorical questions or questions that flatter the department.
- Being reluctant to ask penetrating questions.
- Failing to press when a satisfactory answer is not obtained.
- Accepting bold, unsubstantiated statements.
- Being obviously supportive in contrast to the treatment of other departments.

County Board Member's Role in the Budget Process

The Board Member's Role Varies, but often involved in:

- Big picture policy plans (with budget implications).
- Goal setting and strategic planning (with budget implications).
- Macroeconomic review of financial data.
- Review and comment on the budget officer's submitted, unified (all-funds) budget.
- Committee meeting input.
- Conducting of budget workshop(s).
- Amending, approving and adopting of the budget.
- Oversight/audit process during the year of budget execution.

Budgeting in Tough Times

Get a Grip on the Problem:

- How you address your budget problem depends on how you define it – Long vs. Short term.
- Decide whether your budget problem is short term or long term i.e. debt service.
- Using one-time money to balance next years' budget only postpones the reckoning and likely makes things worse. “Give me three threes instead of a nine”.

Short Term “Fixes”:

- Use unspent funds (surpluses) to balance next years’ budget.
- Fund wage settlements from State and Federal funds (Stimulus).
- Use money from the sale of an asset (building/ equipment) for ongoing expenses.
- Delay equipment purchases.
- Cut the maintenance budget.
- Cut the office supply budget.

What problems may these actions cause in the future?

How to Get a Grip on the Problem:

- Develop a credible forecast of revenues both short and long term.
- Develop a credible forecast of current expenses both short and long term.
- Determine whether revenues will be adequate to meet forecasted expenses in the long term (3-5 Year Financial Plan).

Budget Balancing Actions:

Long Term

Cut Spending Permanently

Increase Revenue Permanently

Short Term

Use Surplus Funds

Delay Spending

Furloughs

Accelerate Revenue

Capitalize Operating Costs

Use Reserves

Temporarily Cut Costs

Temporarily Increase Revenue

2022 Challenges & Opportunities

- Use of ARPA Dollars
- Inflation Pressures
- “Great Resignation” / Attract and Retain Top Talent and Budget impacts thereof
- Sales Tax changes at the State level
- Assessed values / House Prices

Plain English Budget Terminology

Budget

Plan for projected income and expenditures, estimate of future costs and plan for the use of employees, supplies, and related resources.

Budget Officer

The individual or office responsible for preparing the proposed budget, including development of revenue and expenditure estimates and role varies in accordance with county organizational structure.

Budget Cycle

Routine steps in the budget process involving the preparation, adoption, execution and post-audit of the budget.

Budget Process

Governmental decisions on spending needs and how to pay for them.

Expenses

Outflows of cash, the using up of assets, or incurrence of liabilities from the delivering or producing goods, rendering services, or carrying out other activities that make up the governments major or central operations.

Debt Service

The annual payments of principal and interest on borrowed funds. Usually for long term capital projects or cash flow purposes.

Revenues

The income of a governmental organization. Revenues take the form of taxes, fees and charges for services, state and federal aid, refunds and reimbursements, interest income, etc.

Deficit

When the amount of money a government spends in a given fiscal year exceeds what it collects from all revenue sources in the same period.

Surplus

The amount of money a government retains in a given fiscal year above what it spends from all revenue sources in the same period.

Fund Balance

The amount of annual budgetary outcomes, either surplus or deficits, carried forward from fiscal year to fiscal year.

Appropriated Fund Balance

The amount of fund balance used to offset or reduce the property tax levy.

Reserves

Budget appropriations made or set aside for specific purposes, i.e. capital projects, tax stabilization, future debt service, etc.

Entitlements

Legal obligation created through legislation that requires the payment of benefits to any person or unit or government that meets eligibility requirements set in law. Often referred to in a more generalized fashion as a mandate.

Mandates

Financial programmatic and/or regulatory requirement of a local government imposed by state or federal law, the courts or regulatory agency.

Encumbrances

Commitments related to unperformed or unpaid contracts for goods and services. In budgeting, encumbrances represent the estimated amount of expenditures ultimately to result from unperformed contracts in process of being completed.

Accrued Revenues

The recording of revenues in the time period of which they're earned, rather than only in the period in which cash is received or paid.

A professional portrait of Dave Lucas, a middle-aged man with glasses, wearing a dark suit, light blue shirt, and red patterned tie. He is standing outdoors in front of a stone building. The text is overlaid on the left side of the image.

Dave Lucas

Director, Finance and
Intergovernmental Affairs

NYSAC

County Budgets are Linked to the State Budget

- The State monitors their budget situation all year, but budget development begins in the Summer and builds through the Fall to be ready for the January release of the Executive Budget Recommendation
- NYSAC maintains regular contact with Executive Agencies and State Legislature throughout the year, but we meet with the Executive in the Fall to highlight county priorities for the coming state budget year
- County budget priorities stem from NYSAC's standing committee structure where county officials bring forward their concerns



County Budgets are Linked to the State Budget

- The State requires counties to pay for a portion of many state and federal programs
 - Counties also have limitations on their ability to raise property and sales tax to support these state-imposed costs
- NYS requirements on counties to fund and administer state programs is not unique nationally, but NYS fiscal mandates on its local governments, particularly counties, are very high compared to other states
- When the state budget is stressed, this directly impacts counties and other municipalities



County Budgets are Linked to the State Budget

- The COVID pandemic created unknown fiscal risk
- This “risk” became the foundation of budget negotiations and the state cut reimbursements to counties by 20% (about \$360M), later reduced to 5% as the fiscal situation improved (but in the next county budget year)
- The budget also increased the amount of local sales tax withheld from counties to pay for state programs from \$59M to \$109M, including NYC the total withheld was \$309M



Questions?

