

**NYSAC LEGISLATIVE
FALL SEMINAR 2019**

Introduction to County Budget & Finance Issues

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Budget Officer

COUNTY BUDGET CYCLE

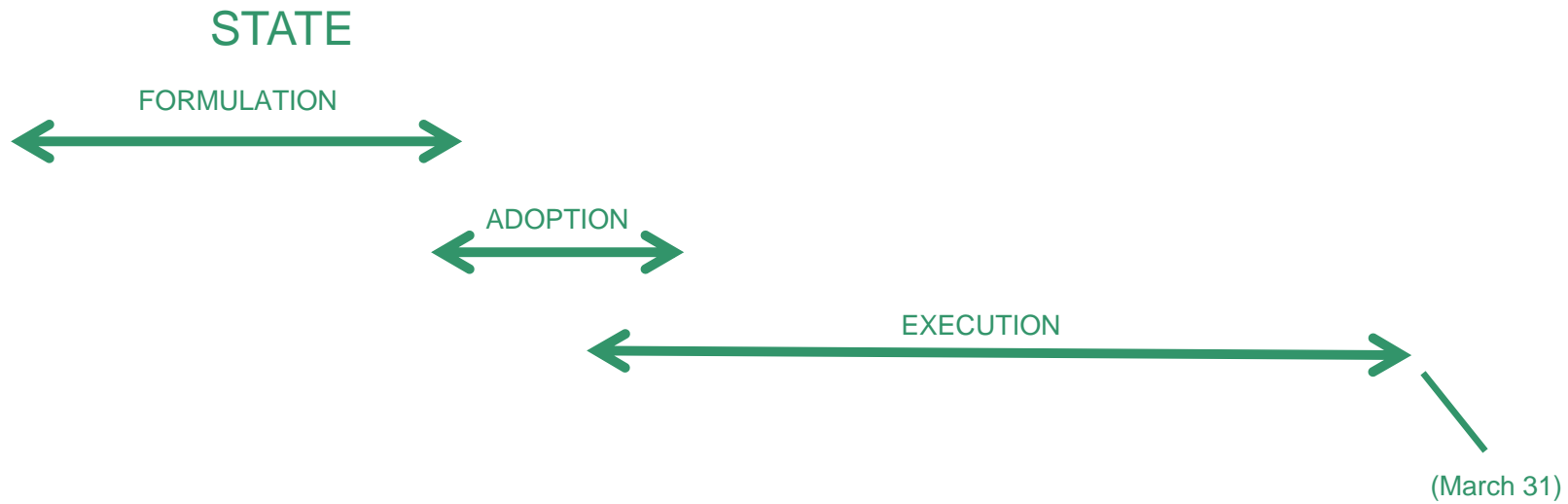
JULY '13 SEPT '13 DEC '13/JAN '14 APR '14 SEPT '14 DEC '14 JAN '15 SEPT '15

COUNTY

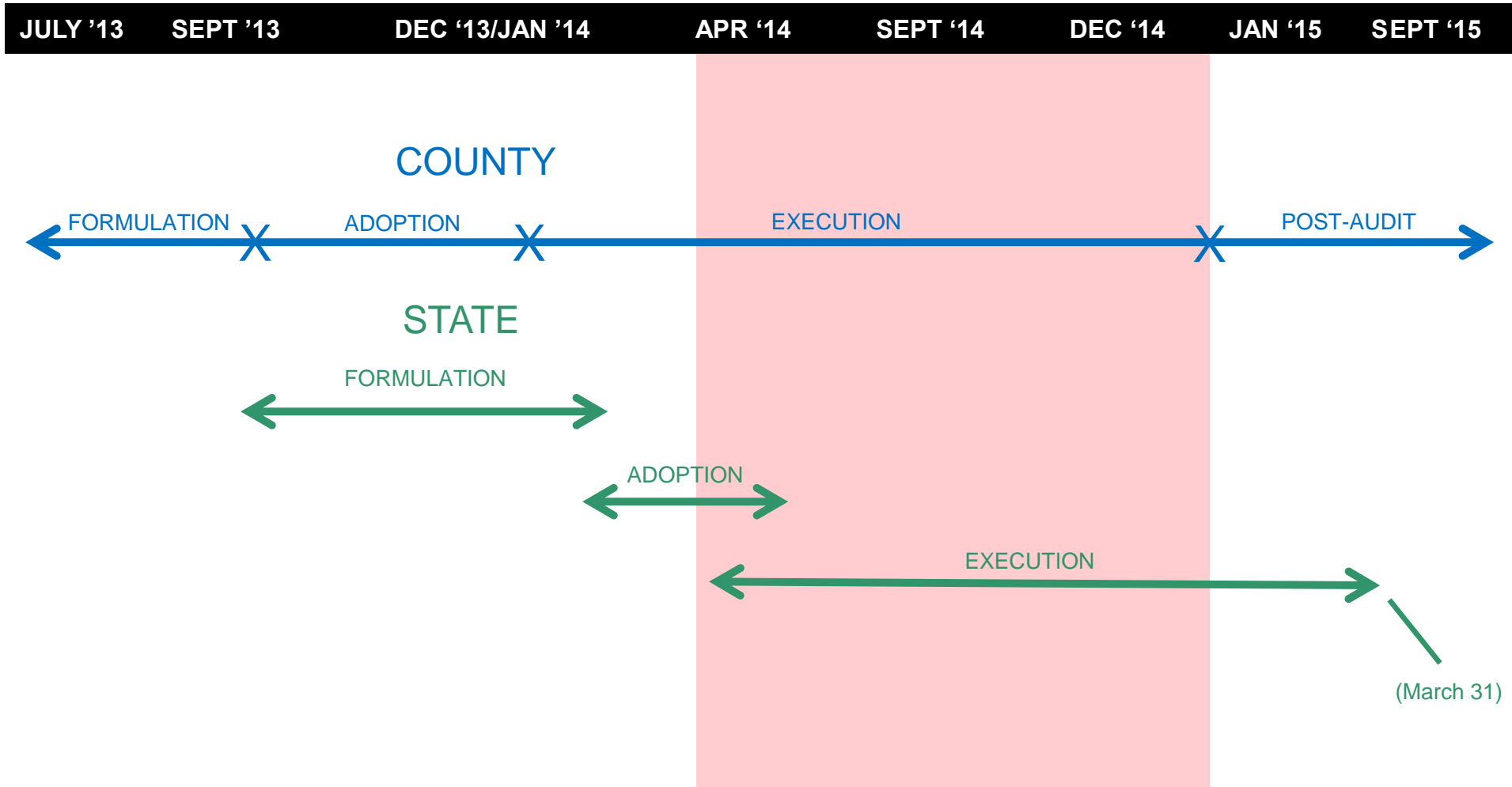


STATE BUDGET CYCLE

JULY '13 SEPT '13 DEC '13/JAN '14 APR '14 SEPT '14 DEC '14 JAN '15 SEPT '15



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

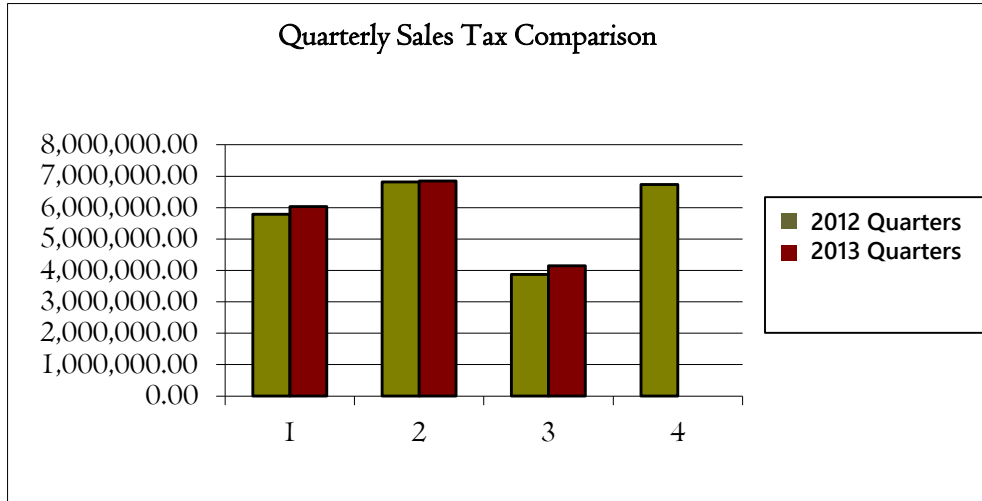
Unified Budget

Sample Budget Summary Document

Fund	Appropriations	Revenue	Appropriated Fund Balance	2014 Tax Levy	2013 Tax Levy
General - Operations	\$96,463,543	\$76,248,969	\$2,425,000	\$17,789,574	\$16,674,353
General - Capital	\$500,000		\$500,000	\$0	\$0
County Road & Machinery	\$11,936,717	\$4,577,357	\$350,000	\$7,009,360	\$7,058,963
Center for Nursing & Rehabilitation	\$28,354,011	\$28,005,355	\$348,656	\$0	\$862,592
Risk Retention	\$165,000	\$165,000	\$0	\$0	\$0
Workforce Development	\$866,325	\$866,325	\$0	\$0	\$0
Water & Sewer Funds	\$376,803	\$376,803	\$0	\$0	\$0
Worker's Compensation	\$3,347,000	\$3,347,000	\$0	\$0	\$0
2012 Grand Total	\$142,009,399	\$113,586,809	\$3,623,656	\$24,798,934	\$24,595,908

	Assessed Value	Tax Rate	% change tax rate	% change tax levy
2013	\$3,203,919,363	\$7.68		
2014	\$3,229,904,662	\$7.68	0.01%	0.8254%

Sales Tax – Major Revenue Center

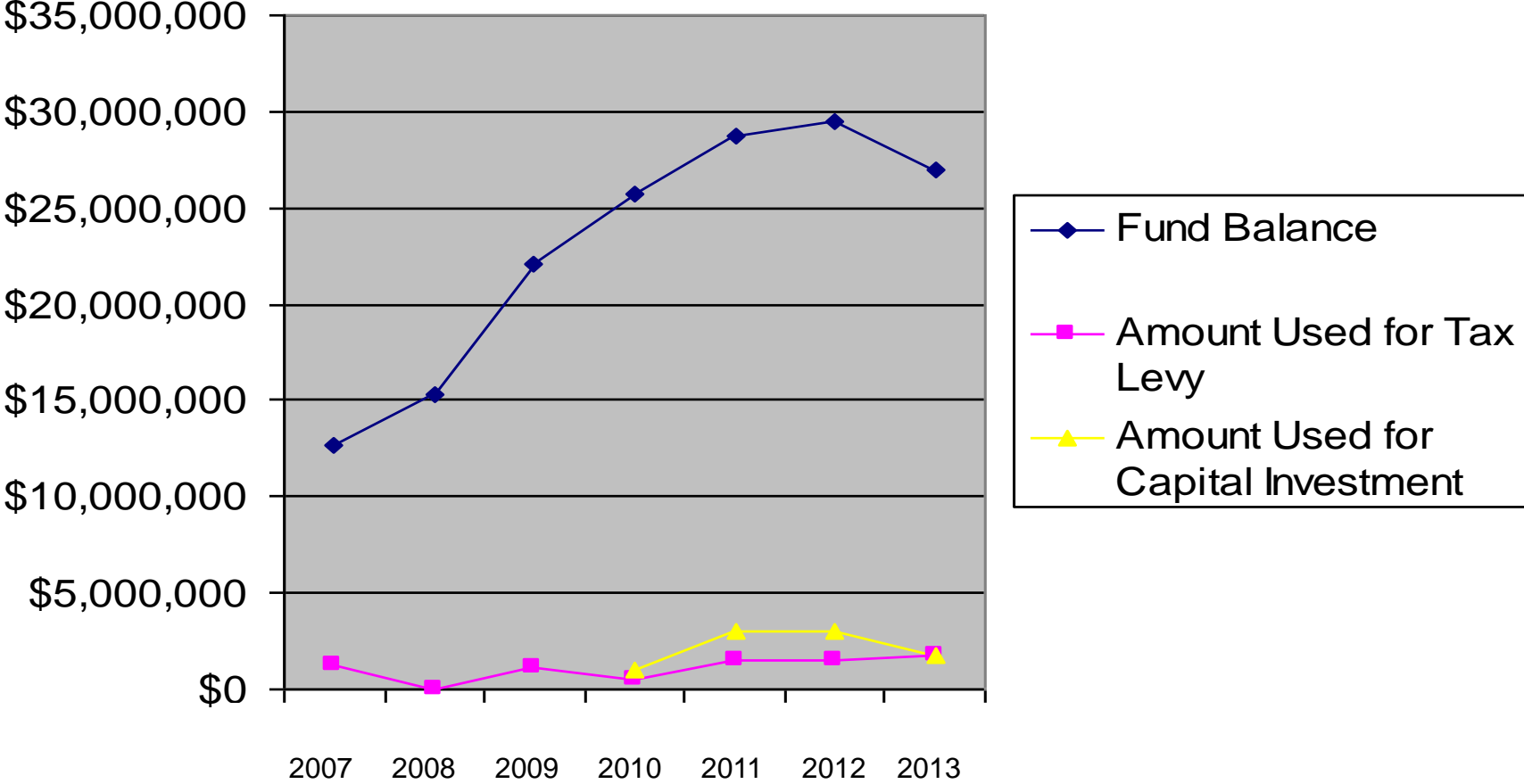


	COUNTY	EXTRA 1%	T/V
<u>2011</u>			
1st Quarter	\$4,306,469	\$1,531,527	\$307,604
2nd Quarter	\$4,513,214	\$1,599,831	\$322,372
3rd Quarter	\$5,043,647	\$1,801,406	\$360,260
4th Quarter	\$4,280,337	\$1,541,543	\$305,738
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	\$18,143,667	\$6,474,307	\$1,295,974
<u>2012</u>			
1st Quarter	\$4,111,416	\$1,440,402	\$293,673
2nd Quarter	\$4,290,858	\$1,534,816	\$306,490
3rd Quarter	\$4,604,529	\$1,641,522	\$328,895
4th Quarter	\$3,952,791	\$1,412,072	\$282,342
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	\$16,959,594	\$6,028,812	\$1,211,400
<u>2013</u>			
1st Quarter	\$4,059,341	\$1,441,941	\$289,953
2nd Quarter	\$4,773,731	\$1,700,613	\$340,981
3rd Quarter	\$4,803,054	\$1,712,801	\$343,075
4th Quarter	\$4,730,264	\$1,668,467	\$337,876
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	\$18,366,390	\$6,523,822	\$1,311,885

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 (Plan Cost + Member Cost + Other Carrier)	\$3,103	\$3,660	↑ 18%

General Fund Balance Analysis



2013/2014 Fiscal Year-End Surplus Estimates

	<u>General Fund</u>
Unappropriated - 01/01/2013	\$24,447,000
Estimated Fund Balance 12/31/2013	\$26,879,000
Appropriations From Fund Balance 2014 Budget	\$3,650,000
Estimated Fund Balance 12/31/2014	\$24,662,000

**Sources: 2013 Financial Statements
2012 External Audit**

Mandated Programs

	<u>2013</u>	<u>2012</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

Collected Real Property Taxes

□ 2014 Real Property Tax Levy	\$23,017,475
- NYS Portion of Real Property Tax Levy	\$18,642,835
- County Portion of Real Property Tax Levy	\$4,374,640
□ 2014 Real Property Tax Rate	\$7.69
- State Mandated Purposes	\$6.23 - 81%
- County Purposes	\$1.46 - 19%
□ 81¢ out of every Real Property Tax Dollar collected by County goes to pay the NYS Real Property Tax	

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 Legislator's Role in the Budget Process

The Legislator'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 (FMAP/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

Accelerate Revenue

Capitalize Operating Costs

Use Reserves

Temporarily Cut Costs

Temporarily Increase Revenue

Multi-Year Budget Plan: Goal Setting Exercise

Goals

- 1) Limit annual expense growth to 3%
- 2) Assume an annual growth in revenues of 1%
- 3) Keep budgets tight and balanced-NO FAT
- 4) Limit property tax levy increases to no more than 2% annually

General Fund Surplus Available - \$25 Million

Year 1

Expenses \$140M

Revenues \$95M

Fund Balance
Appropriated \$5M

Tax Levy \$40M

	<u>Year 1</u>	<u>Year 2</u>
Expenses	\$140M	\$144M
Revenues	\$95M	\$96M
Fund Balance Appropriated	\$5M	\$7M
Tax Levy	\$40M	\$41M

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Expenses	\$140M	\$144M	\$148M
Revenues	\$95M	\$96M	\$97M
Fund Balance Appropriated	\$5M	\$7M	\$9M
Tax Levy	\$40M	\$41M	\$42M

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
Expenses	\$140M	\$144M	\$148M	\$152M
Revenues	\$95M	\$96M	\$97M	\$98M
Fund Balance Appropriated	\$5M	\$7M	\$9M	\$4M
Tax Levy	\$40M	\$41M	\$42M	\$50M

Year 4 Outcomes

- \$12 Million over Tax Levy Goal of \$43 Million
- 19% Increase in Year 3 to Year 4 Tax Levy
- Fund Balance or Surplus at Zero

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.