Newly Elected & Appointed Officials Workshop

Principles of County Budgeting & Finance

STC, SPRING SEMINAR

March 31, 2016

Steven Hoover, CPA.
Chemung County Budget Director
Shoover@co.Chemung.ny.us
607-737-2041
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<td>Evidence</td>
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<td>Pitfalls</td>
</tr>
<tr>
<td>VIII. Plain English Budget</td>
<td>Terminology</td>
</tr>
</tbody>
</table>
How Our Budget Process Helped Us Take Action
In May of 2013 we projected significant budget deficits for 2014, 2015, 2016, 2017, 2018 because of plummeting sales tax revenue.
Action Step 1
2013

• Implemented an Early Retirement Incentive as a means to reduce payroll costs. 79 Employees retired.

• Negotiated a New CSEA New Hire Plan the agreement eliminated steps and reduced the entry level salaries by 7.5%.
Action Step 2

- New Sales Tax Formula implemented beginning of 2015.
- County share increased from 62.5% to 75% from 2015 to 2018.
# New Budget Relief

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Payroll Savings</td>
<td>$1,238,869</td>
<td>$1,238,869</td>
<td>$1,238,869</td>
<td>$1,238,869</td>
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<tr>
<td>New Sales Tax</td>
<td>$3,188,905</td>
<td>$1,148,006</td>
<td>$1,318,081</td>
<td>$977,931</td>
</tr>
<tr>
<td>Revenue</td>
<td>$4,427,774</td>
<td>$2,386,875</td>
<td>$2,556,950</td>
<td>$2,216,800</td>
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</table>
Operating Results


Act/Proj  What if
Look Into The Future
Multiyear Financial Planning

<table>
<thead>
<tr>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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</thead>
<tbody>
<tr>
<td>Beg Fund Balance</td>
<td>27,438,939</td>
<td>26,672,662</td>
<td>25,019,999</td>
<td>23,653,033</td>
<td>21,631,905</td>
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<tr>
<td>Revenue</td>
<td>153,726,934</td>
<td>152,894,830</td>
<td>154,250,465</td>
<td>155,674,255</td>
<td>157,508,001</td>
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<td>Expenses</td>
<td>154,493,211</td>
<td>154,547,043</td>
<td>155,617,430</td>
<td>157,695,384</td>
<td>159,138,965</td>
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<tr>
<td>Deficit</td>
<td>-766,2777</td>
<td>-1,652,663</td>
<td>-1,366,966</td>
<td>-2,021,129</td>
<td>-1,630,964</td>
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<tr>
<td>End Fund Balance</td>
<td>26,672,662</td>
<td>25,019,999</td>
<td>23,653,033</td>
<td>21,631,905</td>
<td>20,000,941</td>
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## Looking Into The Future Again

### Multiyear Capital Planning

<table>
<thead>
<tr>
<th>Department</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and Grounds</td>
<td>3,115,000</td>
<td>1,055,000</td>
<td>871,000</td>
<td>300,000</td>
<td>160,000</td>
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<tr>
<td>Public Works</td>
<td>5,450,000</td>
<td>5,405,000</td>
<td>9,735,000</td>
<td>6,675,000</td>
<td>5,112,000</td>
</tr>
<tr>
<td>IT</td>
<td>500,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Airport</td>
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<td>471,250</td>
<td>65,000</td>
<td>890,650</td>
<td>1,130,375</td>
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<tr>
<td>Transit</td>
<td>282,300</td>
<td>100,000</td>
<td>45,000</td>
<td>50,000</td>
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<tr>
<td>Jail</td>
<td>166,037</td>
<td>0</td>
<td>0</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>EMO</td>
<td>0</td>
<td>0</td>
<td>800,000</td>
<td>100,000</td>
<td>0</td>
</tr>
<tr>
<td>Sewer</td>
<td>1,910,000</td>
<td>3,673,000</td>
<td>2,035,000</td>
<td>2,720,000</td>
<td>0</td>
</tr>
<tr>
<td>Nursing Fac.</td>
<td>36,480</td>
<td>50,000</td>
<td>65,000</td>
<td>65,000</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>11,759,817</td>
<td>10,754,250</td>
<td>13,616,000</td>
<td>11,300,650</td>
<td>6,902,375</td>
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</tbody>
</table>
Our Budget Process
Elements In Our Budget Process

• Develop a Time Line
• Know what things cost
• Show financial trends
• Benchmark with others
• Look into the future
• Measure outcomes and results
• Involve stakeholders when possible
• Be Transparent
Our Time Line

- Budget Kick Off Party-June 29th
- Meetings between agencies and departments- July 1st
- Negotiations and discussions begin-July 1st
- Payroll Rosters are due-August 3rd
- Unified Budget Requests due in Law Dept.-Aug 3rd
- Electronic New World Budget Requests due-Aug 3rd
- Capital Project Request Forms due-Aug 3rd
- New IT project due Computer Committee-Aug 3rd
- Negotiations and Discussions end-Sept 4th
- Budget gap reported to County Executive-Sept 21st.
- County Executive reports pay raises to Budget-Oct 2
Our Time Line-continued

- Each department receives draft copy for review-Oct-19
- Final Date corrections can be made-Oct 26th
- Budget is printed-Nov 2nd
- Budget is sent to Legislature-Nov 5th
- Legislature holds workshops-Nov 9 to 11th.
- Legislature Holds Public Hearing-Nov 16th
- Legislature adopts budget-Nov 23rd.
Chemung County Pension Costs - All Funds

- $0
- $1,000,000
- $2,000,000
- $3,000,000
- $4,000,000
- $5,000,000
- $6,000,000
- $7,000,000
- $8,000,000
- $9,000,000

Chemung County Burial Costs

- 2013: $300,000
- 2014: $375,000
- 2015: $500,000

The graph shows the increase in burial costs from 2013 to 2015, with a significant rise from $300,000 to $500,000.
Cost To Assume City Of Elmira’s DPW & BG Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>DPW</th>
<th>BG</th>
<th>Total</th>
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</thead>
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<tr>
<td>2015</td>
<td></td>
<td></td>
<td>$0</td>
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<tr>
<td>2016</td>
<td></td>
<td></td>
<td>$500,000</td>
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<tr>
<td>2017</td>
<td></td>
<td></td>
<td>$1,000,000</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td>$1,500,000</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td>$1,500,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td>$2,000,000</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td>$2,500,000</td>
<td>$3,500,000</td>
</tr>
<tr>
<td>2022</td>
<td>$3,000,000</td>
<td>$5,000,000</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>2023</td>
<td>$3,500,000</td>
<td>$5,500,000</td>
<td>$9,000,000</td>
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</table>
Chemung County Full Value Growth

Billions


$0.00 $0.50 $1.00 $1.50 $2.00 $2.50 $3.00 $3.50 $4.00 $4.50 $5.00
2016 Regional Full Value Tax Rates

- Monroe: $8.99
- Wayne: $7.97
- Yates: $6.75
- Steuben: $8.59
- Allegany: $16.29
- Allegany: $16.29
- Ontario: $6.30
- Seneca: $5.38
- Schuyler: $8.15
- Cayuga: $8.40
- Tioga: $8.49
- Tompkins: $6.73
- Chemung: $6.86
- Cortland: $14.95
- Onondaga: $5.10
- Broome: $7.42

15 County Average: $8.42
Debt Per Resident

Monroe $1013
Wayne $314
Cayuga $859
Onondaga $1145
Cortland $630
Broome $690
Ontario $302
Seneca $392
Schuyler $172
Tompkins $602
Tioga $373
Yates $628
Steuben $190
Allegany $666

Chemung $566

15 County Average $570
Foster Care Cost

The graph illustrates the cost of foster care from 2004 to 2015. The cost fluctuates over the years, reaching a peak in 2009. The cost drops significantly in 2010 and continues to decline through 2015.
Our Weaknesses

• Closing our books takes too long.
• Quarterly Reporting Actual vs Budget
• Budgeting DSS Local Share Accurately

• Staffing of the financial function at Airport.
• Above average borrowing
• What is status of City of Elmira?
DiNapoli: Executive Budget short on answers for multi-year funding

How will the NY Pay for marquee multiyear projects?

Cannot count on extraordinary one time windfalls.
With Only 76 Jobs Created Cuomo's Start-Up NY Is A Bust -- With The Cost Of $697,368 Per Job

“Move here, expand here, or start a new business here and pay no taxes for 10 years.”
http://www.nytimes.com/
N.Y. / Region

• U. S. Attorney Criticizes Albany’s ‘Three Men in a Room’ Culture.
  By MARC SANTORA JAN. 23, 2015
Tardiness of NY State Budget

Days New York State budget is passed late

1984 — 2009
Walking into The Wind
Number of Seats in US House of Representatives:
1910 to 2010

- California
- Florida
- Illinois
- New York
- Texas
% Distribution of Seats House of Representatives by Region

NYSAC
New York’s Southern Tier, Once a Home for Big Business, Is Struggling
By SUSANNE CRAIG, NY Times, SEPT. 29, 2015

COUNTY BUDGET CYCLE

JAN '11  JULY '11  SEPT '11  DEC '11/JAN '12  APR '12  SEPT '12  DEC '12

Count

FORMULATION  ADOPTION  EXECUTION
STATE BUDGET CYCLE

JAN '11 JULY '11 SEPT '11 DEC '11/JAN '12 APR '12 SEPT '12 DEC '12

STATE

FORMULATION

ADOPTION

EXECUTION
State Fiscal Years

- Ends June 30
- Ends August 31
- Ends September 30
- Ends March 31
Thomas E. Dewey
Three Term Governor of NY State
Basics
<table>
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<tr>
<td>General-Operations</td>
<td>158,601,900</td>
<td>128,035,318</td>
<td>1,818,146</td>
<td>28,748,436</td>
<td>28,628,363</td>
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<td>Public Works</td>
<td>9,391,976</td>
<td>9,391,976</td>
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<tr>
<td>Sewer Districts</td>
<td>5,302,297</td>
<td>2,842,700</td>
<td>408,082</td>
<td>2,051,515</td>
<td>2,051,515</td>
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<td>Solid Waste</td>
<td>1,559,299</td>
<td>1,559,299</td>
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<td>Worker Compensation</td>
<td>1,981,530</td>
<td>1,981,530</td>
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<td>Medical Insurance</td>
<td>20,018,382</td>
<td>20,018,382</td>
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<td>Nursing Facility</td>
<td>22,721,905</td>
<td>22,721,905</td>
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<td>Airport</td>
<td>5,123,410</td>
<td>5,123,410</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>224,700,699</strong></td>
<td><strong>191,674,520</strong></td>
<td><strong>2,226,228</strong></td>
<td><strong>30,799,951</strong></td>
<td><strong>30,679,878</strong></td>
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Revenues – How Are You Paying For it?

- Sales Taxes
- Fees for services (Clerks Fees, Parks)
- Charges to other governments (City of Elmira)
- State reimbursement
- Federal reimbursement
- Debt
- Reserves/Fund Balance (i.e., One-time sources)
- Property Taxes
Chemung County Sales Tax

County Wide Gross Collections (4 Pennies)

Year | Dollar Amount
--- | ---
2010 | $54,000,000
2011 | $55,000,000
2012 | $56,000,000
2013 | $57,000,000
2014 | $58,000,000
2015 | $59,000,000
2016 | $60,000,000

Y-axis: Dollars

X-axis: Years 2010-2016

Dollar Amounts:
- $54,000,000
- $55,000,000
- $56,000,000
- $57,000,000
- $58,000,000
- $59,000,000
- $60,000,000

Graph shows a steady increase in collections from 2010 to 2016.
Chemung County Sales Tax Revenue

Gross
Tns/Vill/City
County
Chemung County
Sales Tax % Increase/Decrease
Sales Tax Can Be Volatile

- Be cautious
- Do not fall into the trap of “hoping” sales tax revenues might come in higher so you can spend more or not pursue certain budget savings actions
- In 2015 more than half of the counties saw their sales tax collections drop from the prior year (30). The breadth and depth in the fall of energy prices took a lot of people by surprise. Every county, except one, taxes gasoline on the price per gallon, many also tax residential energy as well.
Chemung County
Total Debt

Bonds & BAN's

<table>
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<tr>
<th>Year</th>
<th>Debt Level</th>
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<tbody>
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<td>1999</td>
<td>$0</td>
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<tr>
<td>2000</td>
<td>$10,000,000</td>
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<td>2010</td>
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<tr>
<td>2011</td>
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<td>2012</td>
<td>$40,000,000</td>
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<tr>
<td>2013</td>
<td>$50,000,000</td>
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<tr>
<td>2014</td>
<td>$60,000,000</td>
</tr>
<tr>
<td>2015</td>
<td>$50,000,000</td>
</tr>
<tr>
<td>2016</td>
<td>$60,000,000</td>
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</table>
Chemung County
General Fund
Fund Balance

Dollars

$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0

**Fund Balance**

**What is it?**
- **Reserved** - Represents assets set aside for specific purposes (such as snow removal equipment replacement and other specific capital expenditures) that are unavailable for any other use.
- **Unreserved** - The amount left over after subtracting the reserved fund balance is the unreserved fund balance.

**Why is it important?**
Fund balance is the bottom-line indicator of fiscal health: if it dips below zero for any year, that means you do not have enough unreserved fund balance to cover all necessary expenses – even if your fund equity (including dedicated reserves) for that year is still positive.

**What is appropriate percent/number to have?**
The New York State Government Finance Officers' Association recommends that municipalities maintain an unreserved fund balance of at least two months of annual total expenditures as insurance against unanticipated expenditures or revenue shortfalls.
Chemung County General Fund

Fund Balance

Dollars

$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0

## 2015 & 2016 Year-End Surplus Estimates

<table>
<thead>
<tr>
<th>General Fund</th>
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<tbody>
<tr>
<td>Unappropriated - 01/01/2015</td>
<td>$27,438,939</td>
</tr>
<tr>
<td>Estimated Fund Balance 12/31/2015</td>
<td>$26,672,662</td>
</tr>
<tr>
<td>Appropriations From Fund Balance 2016 Budget</td>
<td>-$1,652,663</td>
</tr>
<tr>
<td>Estimated Fund Balance 12/31/2016</td>
<td>$25,019,999</td>
</tr>
</tbody>
</table>
The “Kitchen Table Math” Behind the County Property Tax Levy

The County Budget is:

The amount necessary to operate county government, including the total cost of locally defined services, plus those mandated by the State and Federal government.

Minus all revenues collected by the county including state and federal reimbursements (or direct aid), local fees, mortgage and sales tax, etc.

This Equals the TAX LEVY, the amount that will be collected by property taxes largely to make up the shortfall in other revenue sources, including reimbursement from the State/Federal government.
Property Tax Cap Calculation

Tax Cap Calculation — Section 3 (c) (i through vii)

Ascertain total property taxes levied for the prior fiscal year (a), multiplied by

- Tax base growth factor (quantity change factor)(b)
  \[ = \text{Total Prior Year Tax with Economic Growth (TPYG)} = (a + b), \text{ then add} \]

+ PILOT payments receivable in prior fiscal year (c), then subtract

— Amount of court orders/judgments in excess of 5 percent of the total tax levied in the prior year (d)
  \[ = \text{Tax base before inflation (TPYG + c – d), multiplied by} \]

x 1.02 (Allowable levy growth factor for 2012)
  \[ = \text{Total Prior Year Tax with Inflation (TPYI), then subtract} \]

— PILOT payments receivable in coming year (f), then add

+ Available Carryover, if any (g)
  \[ = \text{TAX LEVY LIMITATION FOR THE COMING YEAR (TPYI – f + g)} \]
NYSAC projects the Tax Cap for counties in 2017 will be in the range of .2% to .5%
# Chemung County Tax Cap Calculation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>2015 Real Property Tax Levy</td>
<td>$34,709,253</td>
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<tr>
<td>Tax Base Growth Factor</td>
<td>1.0068%</td>
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<tr>
<td>Modified Levy</td>
<td>34,945,276</td>
</tr>
<tr>
<td>Add: Prior year PILOTS</td>
<td>$800,935</td>
</tr>
<tr>
<td>Adjusted Levy</td>
<td>$35,746,211</td>
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<tr>
<td>Allowable Levy Growth Factor</td>
<td>1.0073</td>
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<tr>
<td>Modified Levy</td>
<td>$36,007,158</td>
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<tr>
<td>Subtract: current year Pilots</td>
<td>-$804,682</td>
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<tr>
<td>Add: Carryover prior yr.</td>
<td>$0</td>
</tr>
<tr>
<td>2016 Total Levy Limit after Adjustments</td>
<td>$35,202,476</td>
</tr>
<tr>
<td>2016 Tax Levy</td>
<td>$31,131,832</td>
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<tr>
<td>2016 Community College Levy</td>
<td>$3,800,000</td>
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<tr>
<td>2016 Adjustments</td>
<td>$0</td>
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<tr>
<td>2016 Actual Tax Levy</td>
<td>$34,931,832</td>
</tr>
<tr>
<td>Amount of Levy below the Limit</td>
<td>$270,644</td>
</tr>
<tr>
<td>% of Limit/Cap Exhausted</td>
<td>99.2%</td>
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</table>
How Counties Have Responded to The Tax Cap

<table>
<thead>
<tr>
<th>Year</th>
<th>County Adopted Property Tax Levy**</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$4.437B</td>
<td>2.97%</td>
</tr>
<tr>
<td>2010</td>
<td>$4.517B</td>
<td>1.80%</td>
</tr>
<tr>
<td>2011</td>
<td>$4.529B</td>
<td>0.27%</td>
</tr>
<tr>
<td>2012 (Revenue Cap Begins)</td>
<td>$4.637B</td>
<td>2.41%</td>
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<tr>
<td>2013</td>
<td>$4.702B</td>
<td>1.39%</td>
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<tr>
<td>2014</td>
<td>$4.745B</td>
<td>0.86%</td>
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<tr>
<td>2015</td>
<td>$4.833B</td>
<td>1.89%</td>
</tr>
<tr>
<td>Ave. Annual Change Last 7 Years --&gt;</td>
<td>1.66%</td>
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</tr>
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</table>

*The Great Recession began in December of 2007 and lasted through June of 2009.*
Mandates and the County Budget

• There was a time when locally raised revenues were used for local purposes
• This is not true today
• Much of the county budget is set by State law requirements
  • Beyond direct program mandates counties must adhere to state and federal labor laws, environmental laws, procurements rules, etc.
Defining the term...”Mandate”

• A mandate occurs when the State or Federal government directs a county to:
  - Implement a program or provide a service (Medicaid, welfare, child support collections, etc.) created and defined by the State/Federal,
  - Meet an environmental or labor standard,
  - Construct/upgrade a facility (courthouse, jail, etc.) subject to prevailing wage and Wick’s Law requirements,
  - Provide a tax break or exemption, etc. In a typical county anywhere from 15% to 30% of the value of all property is exempt from property taxes.

• A mandate usually requires a county to strictly adhere to rules set by the Federal/State government that defines the scope, eligibility, frequency of service, amount of benefit, etc. Counties have virtually no ability to control the costs of these mandates.
Mandates Make us Slaves
**Mandated Programs**

-NYSAC’s “9 for 90” campaign highlights mandated expenses as the major driver of county property taxes.

-In 2011, nine (9) select mandates made up over ninety percent (90%) of total county tax levies in NY.

**Tax Levy Allocation**

- In 2015, these same 9 mandates will equal about 99 percent of the statewide county property tax levy.
## Impact of Mandates to 57 NY Counties

<table>
<thead>
<tr>
<th>Program</th>
<th>2010</th>
<th>9 for 90 2011</th>
<th>9 for 99 2015</th>
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</thead>
<tbody>
<tr>
<td>Medicaid**</td>
<td>$2,081,000,000</td>
<td>$2,135,000,000</td>
<td>$2,255,650,783</td>
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<tr>
<td>TANF - Family Assistance</td>
<td>$92,000,000</td>
<td>$91,000,000</td>
<td>-</td>
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<tr>
<td>Safety Net/TANF</td>
<td>$204,000,000</td>
<td>$215,000,000</td>
<td>$373,294,006</td>
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<td>Child Welfare</td>
<td>$270,000,000</td>
<td>$270,000,000</td>
<td>$291,832,200</td>
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<tr>
<td>Special Education Pre-K²</td>
<td>$193,900,000</td>
<td>$207,240,882</td>
<td>$250,744,099</td>
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<tr>
<td>Early Intervention¹</td>
<td>$60,000,000</td>
<td>$64,600,000</td>
<td>$75,708,792</td>
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<td>Indigent Defense</td>
<td>$125,000,000</td>
<td>$131,900,000</td>
<td>$157,100,400</td>
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<td>Probation</td>
<td>$116,000,000</td>
<td>$123,200,000</td>
<td>$156,668,359</td>
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<td>Youth Detention</td>
<td>$29,000,000</td>
<td>$31,000,000</td>
<td>$38,581,897</td>
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<tr>
<td>Pensions*</td>
<td>$461,978,835</td>
<td>$687,481,228</td>
<td>$1,162,903,116</td>
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</table>

**9 for 90 Estimated Costs** $3,632,878,835 | $3,956,422,110 | $4,762,483,652

**Statewide Levy (w/o NYC)*** $4,516,741,102 | $4,528,799,053 | $4,832,672,795

9 for 90 % 80% | 87% | 99%

* There are more than 40 State programs Counties are mandated to provide and fund.

* Table does not include NYC costs or tax levy data. Does not “net-out impact of ACA federal savings.
# How Mandates Impact Chemung County

<table>
<thead>
<tr>
<th>Program</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Medicaid</td>
<td>$19,873,095</td>
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<tr>
<td>Welfare (TANF/Safety Net)</td>
<td>$1,917,000</td>
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<td>Child Welfare</td>
<td>$3,385,016</td>
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<tr>
<td>Special Education (Pre K)</td>
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<td>Early Intervention</td>
<td>$87,500</td>
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<tr>
<td>Indigent Defense</td>
<td>$1,872,604</td>
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<td>Probation</td>
<td>$1,877,497</td>
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<td>Youth Detention</td>
<td>$300,000</td>
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<td>Pension</td>
<td>$7,725,468</td>
</tr>
<tr>
<td>Total Cost of 9 Mandates</td>
<td>$37,882,605</td>
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</table>

- County Levy Revenue $29,012,588
- County Sales Tax Revenue $8,870,017

County Levy Revenue: $29,012,588
County Sales Tax Revenue: $8,870,017

Comparison:
- County Levy Revenue: $29,012,588
- County Sales Tax Revenue: $8,870,017
### Percent of State Revenue by Source, FY 2013

<table>
<thead>
<tr>
<th>State</th>
<th>Taxes</th>
<th>Federal Funds</th>
<th>Service Charges</th>
<th>Miscellaneous</th>
<th>Local Funds</th>
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</tr>
</tbody>
</table>

"Tax cap and mandates put counties between a rock and a hard place." (John De Rosier)
State of New York
2002-2005
County Real Property Tax Levy Increase Totals

New York State Counties with Sales Tax Increases from 2002-2005

*Note: Genesee County is the only county that increased a sales tax rate increase in their 2005 budgets, but have rejected the increase at this time. Other Counties are expected to have sales tax rate increases in 2006.*

Source: NYS Association of Counties
Maine Ends Dependence On Food Stamps: How Did It Happen?

A food stamp card is of no use to some in Maine, if they don’t have a job.
County Supervisor/ 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
State Comptroller Recommendations to Broome County

• Adopt budgets that include financing recurring expenditures with recurring revenues and not rely on one-time revenue sources.
State Comptroller Recommendations to Sullivan County

• The Legislature should develop a comprehensive multi-year financial plan to establish objectives for funding long-term needs.
State Comptroller Recommendation to Franklin County

- Adopt budgets for the general fund that include realistic estimates for revenues and expenditures and that are structurally balanced.
State Comptroller recommendation to Rockland County

• Pass a local law overriding the tax levy limit before adopting the proposed budget.
Important Questions

• Will there be state/local impact of continued Federal budget cutbacks?
• Will unemployment decrease/stabilize?
• Will DSS caseloads stabilize?
• What will NYS do in SFY 2016-17?
• What is long-term impact of property tax cap?
• Will we see more cost-shifts and unfunded mandates?
• What is real impact of Medicaid related Executive budget proposals?
• Will sales tax collections continue to show improvement, lack thereof?
• When will counties receive NYS authorization for “home rule” revenues?
• What are retirement and health insurance trends?
Fiscal Futures/Sample Action Plan

• NYS budget gaps?
• How is the State Economy?
• Your regional economy?
• Continued fiscal uncertainty?

• A responsible action plan to this fiscal uncertainty includes:
  – “Don’t spend the allocated Fund Balance”
  – Commit to in-year budget oversight and containment
  – Press strongly for Home Rule approval
  – Look ahead to next year & beyond / Multi-year budgeting
  – Adequately fund priority economic development efforts
  – Contain health insurance expenses
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).
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”.

NYSAC®
Short Term “Fixes”

- Use unspent funds (surpluses) to balance next year’s 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?
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
Practical Applications
Guarding The Public Checkbook or Budgeting “Best Practices”

- Raising taxes or fees when necessary.
- Protecting the agency’s 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
• Spend surpluses and one-time monies for ongoing programs
• Tip-toe around powerful departments
• Fail to ask questions & demand clear answers
• Micro-manage departments
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 the operating expense increase for major capital improvements
Cutback Pitfalls

- Deplete reserves
- Freeze vacant positions (not always)
- 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 satisfactorily answer is not obtained.
- Accepting bold, unsubstantiated statements.
- Being obviously supportive in contrast to the treatment of other departments.
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.

Operating 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.
Operating 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 for a particular purpose, most often 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.
Mandates/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 OR 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.
Question & Answer