

# August Financial Update

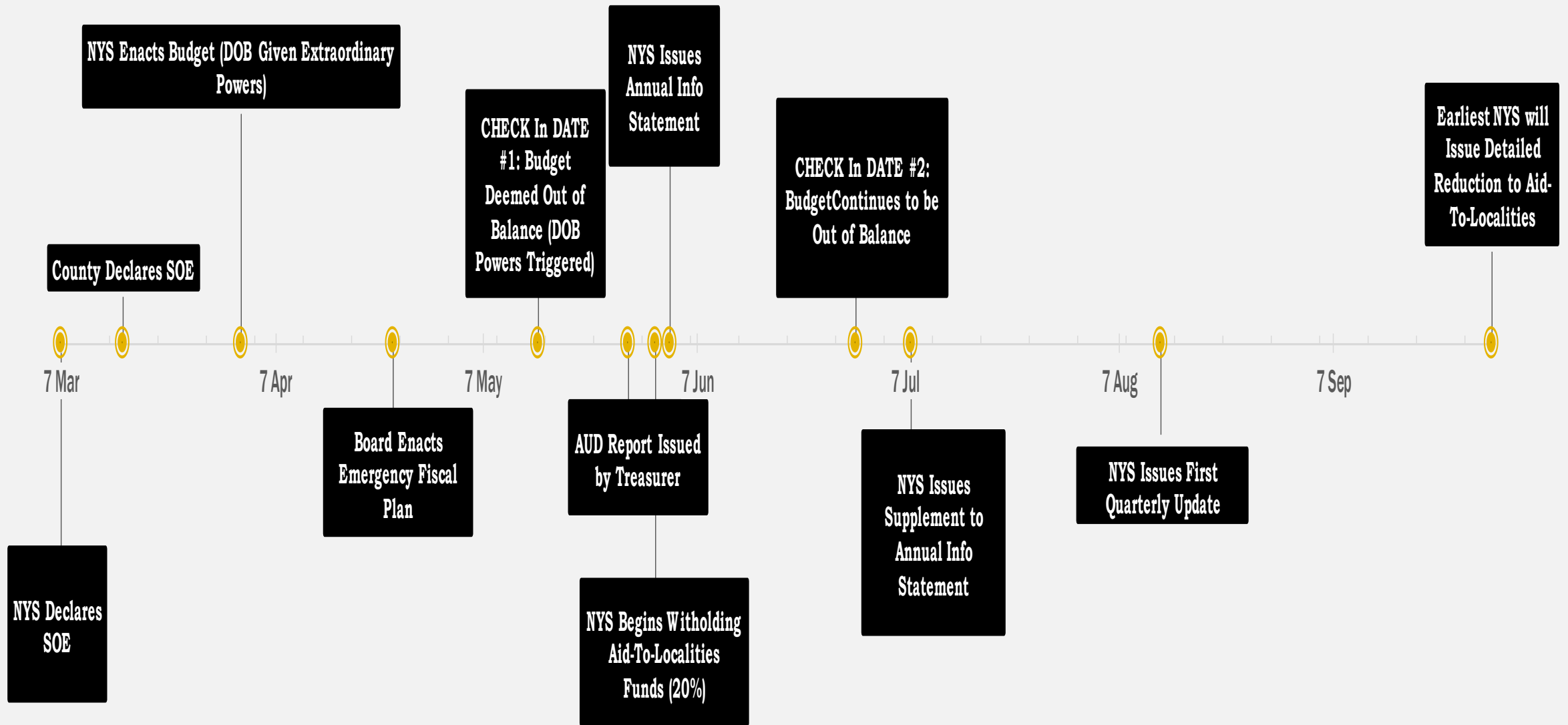
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BOARD OF SUPERVISORS

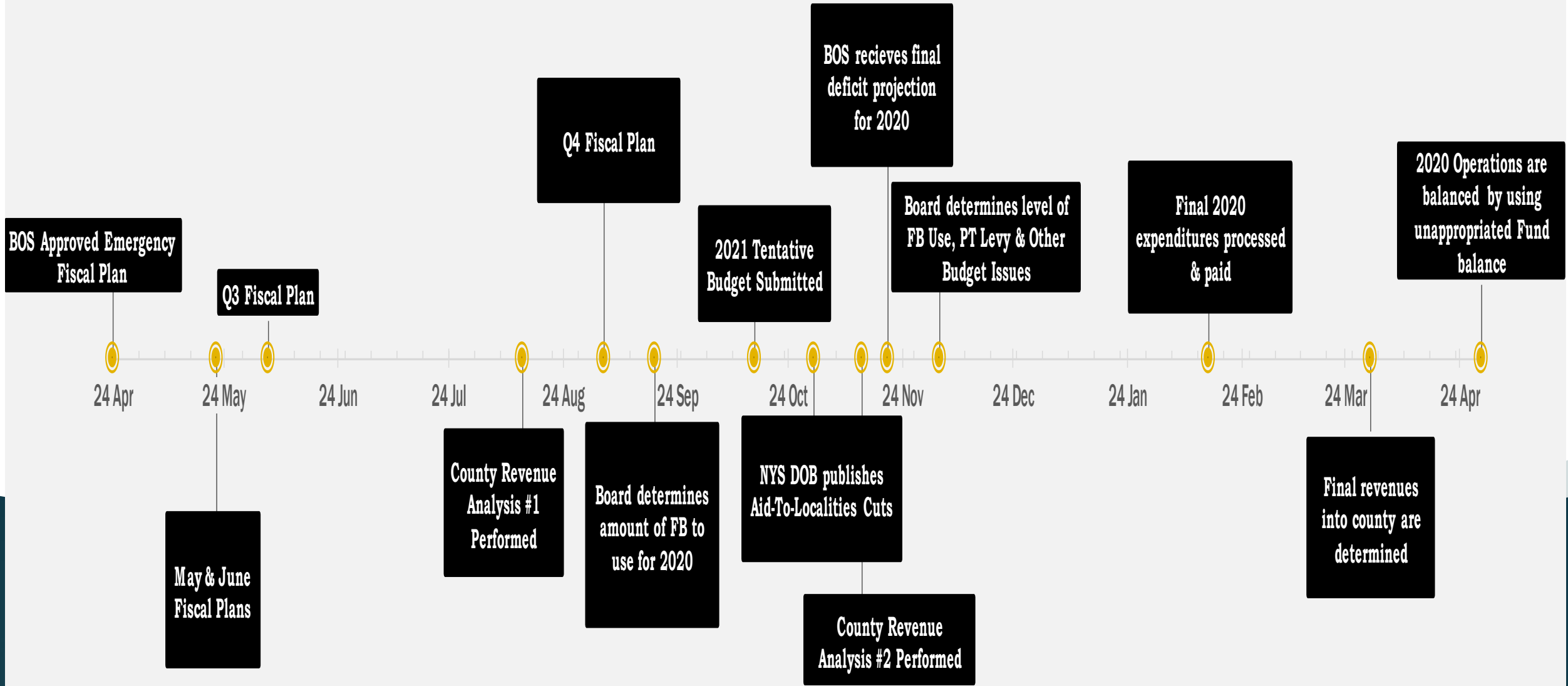
AUGUST 21, 2020

# Agenda

- ▶ Timetables: How We Got To Fiscal Crisis and How We are Addressing It
- ▶ Latest Revenue Projections given the Division of Budget's First Quarterly Update of the NYS Budget Situation
- ▶ Updated Spending Through Q3 & Projections on Q4 Spending
- ▶ Possible Solutions to the Fiscal Crisis
- ▶ Appendices That Go Into Deeper Detail



# How the Fiscal Crisis Developed



# County Plan to Address Fiscal Crisis

# Revenue Projections Given State Q1 Budget Update

# Finally .... NYS DOB Gives An Update



## FY 2021 First Quarterly Update

Andrew M. Cuomo, Governor  
Robert F. Mujica Jr., Budget Director

- ▶ Last week, DOB issued its Q1 Financial Update on budget status.
- ▶ This Quarterly Update:
  - ▶ Confirms the state's budget plan to **cut \$8B** from Aid-To-Localities
  - ▶ Affirms **withholding of 20%** of most Aid-To-Localities programs
  - ▶ Does **NOT** identify specific programs that will be cut.
  - ▶ Reiterates that restoring these funds is **contingent on** federal support
- ▶ We've been waiting for this info from NYS in order to start projecting 2020 state revenues.
- ▶ With this and more local revenue data, we are in a position to begin projecting revenues to the end of 2020.

# Latest Revenue Projections

	<u>2020 Budget</u>	<u>2020 Revised</u>	<u>2020 Projected</u>	<u>Diff</u>	<u>% Diff</u>
Property Tax	\$22,606,005	\$22,606,005	\$17,488,005	-\$5,118,000	-22.64%
Sales Tax	\$16,000,000	\$16,000,000	\$15,239,330	-\$760,670	-4.75%
Other Local Revenues (1000s)	\$7,786,610	\$7,788,669	\$6,778,700	-\$1,009,969	-12.97%
Intra-Government (2000s)	\$2,448,799	\$2,448,799	\$2,073,665	-\$375,134	-15.32%
State Revenues (3000s)	\$16,574,547	\$16,919,815	\$13,636,468	-\$3,283,347	-19.41%
Federal Revenues (4000s)	\$8,653,182	\$9,072,710	\$9,368,548	\$295,838	3.26%
	<b>\$74,069,143</b>	<b>\$74,835,998</b>	<b>\$64,584,715</b>	<b>-\$10,251,282</b>	<b>-13.70%</b>
** One-Time State Grants, Pass-Thru Grants, and Interfund Transfers Removed from Calculation					

- ▶ **After NYS DOB published its first update of the states Fiscal Plan**, my office produced a line-by-line revenue review with projections through end of year. Currently we estimate a 13.7% overall reduction in county revenues through the end of 2020.
- ▶ Property Tax revenue line is adjusted by the 2020 delinquency rate for accuracy.
- ▶ This assumes NO federal stimulus support, as there is no agreement in Washington.
- ▶ State One-Time grants & interfund transfers removed to allow for a more accurate comparison.

# Revenue Shortfalls Increase from Last Month

- ▶ Property Tax revenues removed
- ▶ Q2 Sales Tax down by 5%, down 16% for July
- ▶ Other Local Revenues (1000s) are down 21%, led by:
  - ▶ \$293k less due to Postponed County Auction
  - ▶ \$290k less in back tax payments
  - ▶ \$333k less in overall MH program fees
  - ▶ \$148k less in Public Transportation fees
  - ▶ \$97k less in DMV/Clerk Fees
- ▶ Intra-Government Revenues (2000s) are lower by 26%, led by:
  - ▶ \$171k fewer refunds
  - ▶ \$136k less interest on deposits
  - ▶ \$99k less in state snow removal monies

<u>Cumulative Revenues Through July (2020 vs. 2019)</u>				
	<u>2020</u>	<u>2019</u>	<u>Diff</u>	<u>% Diff</u>
Sales Tax (1110)	\$8,651,646	\$8,743,665	-\$92,019	-1.1%
Other Local Rev (1000s)	\$3,361,438	\$4,282,825	-\$921,387	-21.5%
Intra-Govt (2000s)	\$1,443,514	\$1,956,005	-\$512,492	-26.2%
State (3000s)	\$4,767,366	\$4,833,509	-\$66,143	-1.4%
Federal (4000s)	\$3,714,524	\$3,707,867	\$6,657	0.2%
	\$21,940,508	\$23,525,891	-\$1,585,383	-6.7%
<b>** Property Tax &amp; State 1-Time Grants Removed from Both Years</b>				
<b>** June shortfall was only 5.3% vs. 6.7% through July</b>				



# Q3 Spending Plan Update in Detail

# Steps Taken To Manage the Financial Crisis

- ▶ **Preliminary calculations** of the Emergency Fiscal Plan has yielded the following **estimated savings**:
  - ▶ Temporary Furlough & Hiring Freeze -\$1.4M
  - ▶ Equipment -\$1.6M
  - ▶ Contractual -\$900K
  - ▶ NET TOTAL SPENDING -\$3.8M (After Unemployment Increases Factored In)
- ▶ County has done its best to plan and cope with the financial crisis, but uncertainties and difficulties will still need to be addressed

# Committed Spending

<u>Expenses</u>	
Jan - May	\$29,199,486
June Spending (Adjusted to Include After-Deadline Items)	\$5,194,342
Q3 Adjusted Spending Plan	\$11,832,893
Q3 Proposed Increases (Net of Reimbursement)	\$122,812
2020 Encumbrances (Jan - May)	\$451,831
June & July Payrolls	\$2,605,595
Aug & Sept Payroll Estimate	\$3,265,122
<b><u>TOTAL SPEND Jan - Sept</u></b>	<b><u>\$52,672,081</u></b>
Q4 Payroll Estimate	\$5,704,481
Q4 Benefits Estimate (69.9%)	\$3,987,432
<b><u>Q1-Q3 Spend + Payroll/Benefits Thru End of 2020</u></b>	<b><u>\$62,363,994</u></b>

- ▶ Jan – June spending is updated.
- ▶ Q3 additional spending items are factored in.
- ▶ Actual payrolls through July and estimated payrolls and benefits for the rest of the year have been calculated.
- ▶ Committed spending for Q1-Q3 plus workforce commitments through end of year: \$62.36M

# Projecting Q4 Spending & Analysis of FB Utilization

# What Revenue Estimates Mean for Q4 Spending

Total Revenues (13.7% Revenue Reduction)	\$64,584,715
Total Spend Jan - Sept	<b>-\$52,672,081</b>
<b>Balance Remaining</b>	<b>\$11,912,634</b>
Q4 Payroll/Benefits (Est)	<b>-\$9,691,913</b>
<b>Balance Remaining</b>	<b>\$2,220,721</b>
Use Approp FB/Reserves	<b>\$2,885,000</b>
<b>Total to Spend:</b>	<b>\$5,105,721</b>

- ▶ Latest revenue projects a likely cut in revenues of 13.7% (see previous slide #6 for details).
- ▶ Actual & Projected expenditures are estimated to be \$52.6M + \$9.7M in payroll/benefit costs in Q4
- ▶ Utilizing the already appropriated FB of \$2.885M gives us **\$5.1M to spend in Q4.**

# Estimating Q4 Expenditures

Jan - May Expenditures (w/out payroll)	\$25,099,486
June Expenditures (w/out payroll)	\$5,194,342
	\$30,293,828
<b><u>Avg Spending Per Month</u></b>	<b><u>\$5,048,971</u></b>
<b><u>Q4 Projection (Average x 3 Months)</u></b>	<b><u>\$15,146,914</u></b>

- ▶ Costs are complete for Jan-June time period.
- ▶ Average spending per month is \$5.1M.
- ▶ If we extend the average monthly spending to Q4, that translates into spending of \$15.1M.

# Estimated Revenues and Projected Q4 Spending

Total Revenues (13.7% Revenue Reduction)	\$64,584,715
Total Spend Jan - Sept	<b>-\$52,672,081</b>
<b>Balance Remaining</b>	<b>\$11,912,634</b>
Q4 Payroll/Benefits (Est)	<b>-\$9,691,913</b>
<b>Balance Remaining</b>	<b>\$2,220,721</b>
Use Approp FB/Reserves	\$2,885,000
<b>Total to Spend:</b>	<b>\$5,105,721</b>
Projected Q4 Ops Spending*	<b>-\$15,146,914</b>
<b><u>Deficit</u></b>	<b><u>-\$10,041,193</u></b>

- ▶ If county operations were to spend this monthly average in Q4, that would mean \$15.1M in Q4 spending with only \$5.1M in remaining revenues
- ▶ **The additional spending would create a \$10M deficit.**

# Increase in Fund Balance in 2019

<u>TOTAL FUND BALANCE</u>	<u>2018</u>	<u>2019</u>	<u>Increase</u>
General Fund	\$22,305,108	\$24,075,711	\$1,770,603
Road Fund	\$4,144,849	\$6,004,724	\$1,859,875
Machinery Fund	\$97,884	\$82,188	-\$15,696
<b><u>TOTAL (All Funds)</u></b>	<b><u>\$26,549,859</u></b>	<b><u>\$30,164,642</u></b>	<b><u>\$3,614,782</u></b>

<u>UNAPPROPRIATED FUND BALANCE</u>	<u>2018</u>	<u>2019</u>	<u>Increase</u>
General Fund	\$16,281,004	\$18,259,925	\$1,978,921
Road Fund	\$3,515,420	\$5,201,194	\$1,685,774
Machinery Fund	\$97,884	\$82,188	-\$15,696
<b><u>TOTAL (All Funds)</u></b>	<b><u>\$19,896,326</u></b>	<b><u>\$23,545,326</u></b>	<b><u>\$3,648,999</u></b>

<u>General</u> <u>Unassigned FB</u>	<u>"10% Rule" for</u> <u>Reserves</u>	<u>Discretionary</u> <u>Amt</u>
\$18,259,925	\$9,100,000	\$9,159,925

- ▶ Combined FB grew by \$3.6M as reported on 12/31/2019
- ▶ Unassigned & Unappropriated General Fund Balance was \$18.2M on 12/31/2019
- ▶ 39% of total fund balances are restricted for use in some way



# Understanding Highway Fund Balance

## Highway (Road) Fund Review Only

<b><u>TOTAL FUND BALANCE</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>Increase</u></b>
Road Fund	\$4,144,849	\$6,004,724	\$1,859,875
Non-Spendable, Restricted & Assigned	\$629,429	\$803,530	\$174,101
<b><u>Unappropriated Highway (Road) FB</u></b>	<b><u>\$3,515,420</u></b>	<b><u>\$5,201,194</u></b>	<b><u>\$1,685,774</u></b>

- ▶ Highway Fund Balance is \$5.2M, growing by almost \$1.7M in 2019
- ▶ That amount is restricted for use on Highway expenditures only and cannot be accessed for general county operations
- ▶ However, the Board can decide to utilize these funds for several uses:
  - ▶ To balance 2020 operations should there be a deficit in Highway Fund for this year
  - ▶ For 2021 recurring operational expenditures such as salaries
  - ▶ To reduce the interfund transfer from the General Fund
  - ▶ To fund additional capital projects in 2021 and beyond

# Strategies to Address \$10M Deficit

# Strategy: Cut 10% from Q4 Spending & Remaining Deficit Covered by FB

<u>10% Cut in Q4 Spending</u>	
Projected 2020 Deficit	\$10,041,193
Est. Savings from Cuts	-\$1,514,691
<b>"New" Deficit</b>	<b>\$8,526,501</b>
<b>Remaining FB</b>	<b>\$9,733,424</b>
<b>% of Appropriations (Goal 10%)</b>	<b>10.7%</b>
Appropriate FB for 2021 Budget	<b>-\$3,000,000</b>
<b>"Final" Fund Balance 12/31/2020</b>	<b>\$6,733,424</b>
<b>% of Appropriations (Goal 10%)</b>	<b>7.4%</b>

- ▶ 10% cut would save \$1.5M and lower the projected deficit to \$8.5M.
- ▶ This strategy leaves 7.4% of appropriations in the Fund Balance and **eliminates the "Discretionary" FB.**
- ▶ There is a need to appropriate some amount of FB to reduce the 2021 levy. Failure to do so would **increase the levy by 13.3%.**
- ▶ Doing so would **reduce** the available FB to \$6.7M, or **7.4%** of appropriations.

# Strategy: Workforce Reductions & Remaining Deficit Covered by FB

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<u>Workforce Reduction in Q4 Spending</u>	
Projected 2020 Deficit	\$10,041,193
Est. Savings from Workforce Reductions	-\$501,300
<b>"New" Deficit</b>	<b>\$9,539,893</b>
<b>Remaining FB</b>	<b>\$8,720,032</b>
<b>% of Appropriations (Goal 10%)</b>	<b>9.6%</b>
Appropriate FB for 2021 Budget	<b>-\$3,000,000</b>
<b>"Final" Fund Balance 12/31/2020</b>	<b>\$5,720,032</b>
<b>% of Appropriations (Goal 10%)</b>	<b>6.3%</b>

- ▶ Reducing the workforce by 40-50 FTE would save \$500,000 in Q4. The bulk of savings from this strategy comes in a reduced workforce for the whole 2021 fiscal year.
- ▶ This strategy leaves 9.6% of appropriations in the Fund Balance and **eliminates the "Discretionary" FB.**
- ▶ There is a need to appropriate some amount of FB to reduce the 2021 levy. Failure to do so would **increase the levy by 13.3%.**
- ▶ Doing so would **reduce** the available FB to \$5.7M, or **6.3%** of appropriations.

# Strategy: Cut 10% from Q4 Spending, Workforce Reduction & Remaining Deficit Covered by FB

<u>10% Cuts &amp; Workforce Reduction in Q4 Spending</u>	
Projected 2020 Deficit	\$10,041,193
Est. Savings from Workforce Reductions	-\$2,015,991
<b>"New" Deficit</b>	<b>\$8,025,201</b>
<b>Remaining FB</b>	<b>\$10,234,724</b>
<b>% of Appropriations (Goal 10%)</b>	<b>11.2%</b>
Appropriate FB for 2021 Budget	<b>-\$3,000,000</b>
<b>"Final" Fund Balance 12/31/2020</b>	<b>\$7,234,724</b>
<b>% of Appropriations (Goal 10%)</b>	<b>8.0%</b>

- ▶ 10% cut & workforce reductions would save \$2M and lower the projected deficit to \$8M.
- ▶ This strategy leaves 11.2% of appropriations in the Fund Balance and **reduces the "Discretionary" FB to \$1.1M from \$9.1M.**
- ▶ There is a need to appropriate some amount of FB to reduce the 2021 levy. Failure to do so would **increase the levy by 13.3%.**
- ▶ Doing so would **reduce** the available FB to \$7.2M, or **8%** of appropriations.

# Strategy: Cover all Expenditures Above Revenues with Fund Balance

<u>Utilize Fund Balance Only to Cover Spending</u>	
Projected 2020 Deficit	\$10,041,193
Est. Savings from Actions Taken	\$0
"New" Deficit	\$10,041,193
<i>Remaining FB</i>	<i>\$8,218,732</i>
<i>% of Appropriations (Goal 10%)</i>	<i>9.0%</i>
Appropriate FB for 2021 Budget	<b>-\$3,000,000</b>
<i>"Final" Fund Balance 12/31/2020</i>	<i>\$5,218,732</i>
<i>% of Appropriations (Goal 10%)</i>	<i>5.7%</i>

- ▶ There would be no actions taken to reduce spending in this scenario.
- ▶ This strategy leaves 9% of appropriations in the Fund Balance and **eliminates the "Discretionary" FB.**
- ▶ There is a need to appropriate some amount of FB to reduce the 2021 levy. Failure to do so would **increase the levy by 13.3%.**
- ▶ Doing so would **reduce** the available FB to \$5.2M, or **5.7%** of appropriations.

# Strategy's Effects

<b>Scenario Analysis: Effect on FB, Operations &amp; 2021 Budget</b>			
	<b><u>2020 FB Available</u></b>	<b><u>Effect on Operations</u></b>	<b><u>Effect on 2021 Budget</u></b>
<b>10% Cut in Q4 Spending</b>	\$6.7M	Reduced Service Delivery	Costs similar; less FB to Use
<b>Workforce Reductions in Q4 and 2021</b>	\$5.7M	Reduced Service Delivery	Costs lower; less FB to Use
<b>Both Cuts &amp; Workforce Reductions</b>	\$7.2M	Reduced Service Delivery	Costs lower; less FB to Use
<b>Utilize Only Fund Balance for 2020</b>	\$5.2M	No Reductions in Service	Lowest Remaining FB to Use

- ▶ Q4 10% cuts helps reduce the need to use fund balance, but **not enough** to preserve the entire FB Reserve of \$9.1M.
- ▶ Workforce reductions are **most effective** to cost cutting in 2021 when an entire year's savings can be leveraged.
- ▶ Both cuts and workforce reductions preserve the most fund balance.
- ▶ Balancing 2020 Operations with Fund Balance **ALONE** preserves service delivery but cuts the FB Reserve to 5.7%, or \$3.9M under the recommended amount.

ANY  
QUESTIONS  
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# Appendices & Additional Detail

# Best & Worst Case Revenue Scenarios

# Best-Case Revenue Reduction: Only 8.7% Revenue Cut

	<u>8.7% Revenue Reduction</u>	<u>13.7% Revenue Reduction</u>
Revenue at Reduction Level	\$67,813,951	\$64,584,715
Projected 2020 Deficit	\$7,022,047	\$10,041,396
<b>FB After Covering 2020 Deficit</b>	<b>\$11,237,878</b>	<b>\$8,218,529</b>
Appropriate FB for 2021 Budget	<b>-\$3,000,000</b>	<b>-\$3,000,000</b>
<b>"Final" Fund Balance 12/31/2020</b>	<b>\$8,237,878</b>	<b>\$5,218,529</b>
<b>% of Appropriations (Goal 10%)</b>	<b>9.1%</b>	<b>5.7%</b>

- ▶ Without actions to cut spending in Q4, the **best-case** revenue scenario would reduce available fund balance to 9.1% of appropriations.
- ▶ Without an appropriation of fund balance to reduce the 2021 levy, property taxes would increase by 13.3%.

# Worst-Case Revenue Reduction: 18.7% Revenue Cut

	<u>18.7% Revenue Reduction</u>	<u>13.7% Revenue Reduction</u>
Revenue at Reduction Level	\$61,355,479	\$64,584,715
Projected 2020 Deficit	\$13,480,519	\$10,041,396
<b>FB After Covering 2020 Deficit</b>	<b>\$4,779,406</b>	<b>\$8,218,529</b>
Appropriate FB for 2021 Budget	<b>-\$3,000,000</b>	<b>-\$3,000,000</b>
<b>"Final" Fund Balance 12/31/2020</b>	<b>\$1,779,406</b>	<b>\$5,218,529</b>
<b>% of Appropriations (Goal 10%)</b>	<b>2.0%</b>	<b>5.7%</b>

- ▶ Without actions to cut spending in Q4, the **worst-case** revenue scenario would reduce available fund balance to 2% of appropriations.
- ▶ Without an appropriation of fund balance to reduce the 2021 levy, property taxes would increase by 13.3%.

# Key Dates of Fiscal Crisis

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4/2/2020	NYS Enacts Budget with Extraordinary Authority to Budget Director to Make Cuts to Aid-To-Localities
5/15/2020	NYS Deemed “Out of Balance”, triggering automatic cuts
5/28/2020	AUD for 2019 showed a FB increases of \$3.X million (all funds)
6/1/2020	NYS begins withholding Aid-To-Localities
July-Oct	Tentative Budget Formulation
11/9/2020	Annual Meeting: Finance Committee Budget for BOS
Nov-Dec	Board Adopts 2021 Budget (considering cuts & FB utilization)
2/15/2021	2020 Expenditures Finalized
4/1/2021	NYS Budget Enacted (we will know better about revenues)
4/30/2020	AUD for 2020

# Key Dates in Addressing Fiscal Crisis

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10/15/2020	County Budget Officer issues 2021 Tentative Budget
Oct & Nov	Finance Committee makes budget recommendations
Nov & Dec	Board debates fiscal issues (fund balance use, property tax increase, lay-offs) & adopts 2021 budget
12/11/2020	2021 Q1 Spending Plan Due
12/16/2020	Finance Committee approves Q1 Spending Plan
Feb 2021	Initial Assessment of Surplus/Deficit for FY 2020
Nov-Dec	Board Adopts 2021 Budget (considering cuts & FB utilization)
Mar 2021	Q2 Spending Plan Assessment (if applicable)
May 2021	2020 AUD results published
June 2021	Mid-Year Budget Assessment; possible continuation of quarterly spending plans