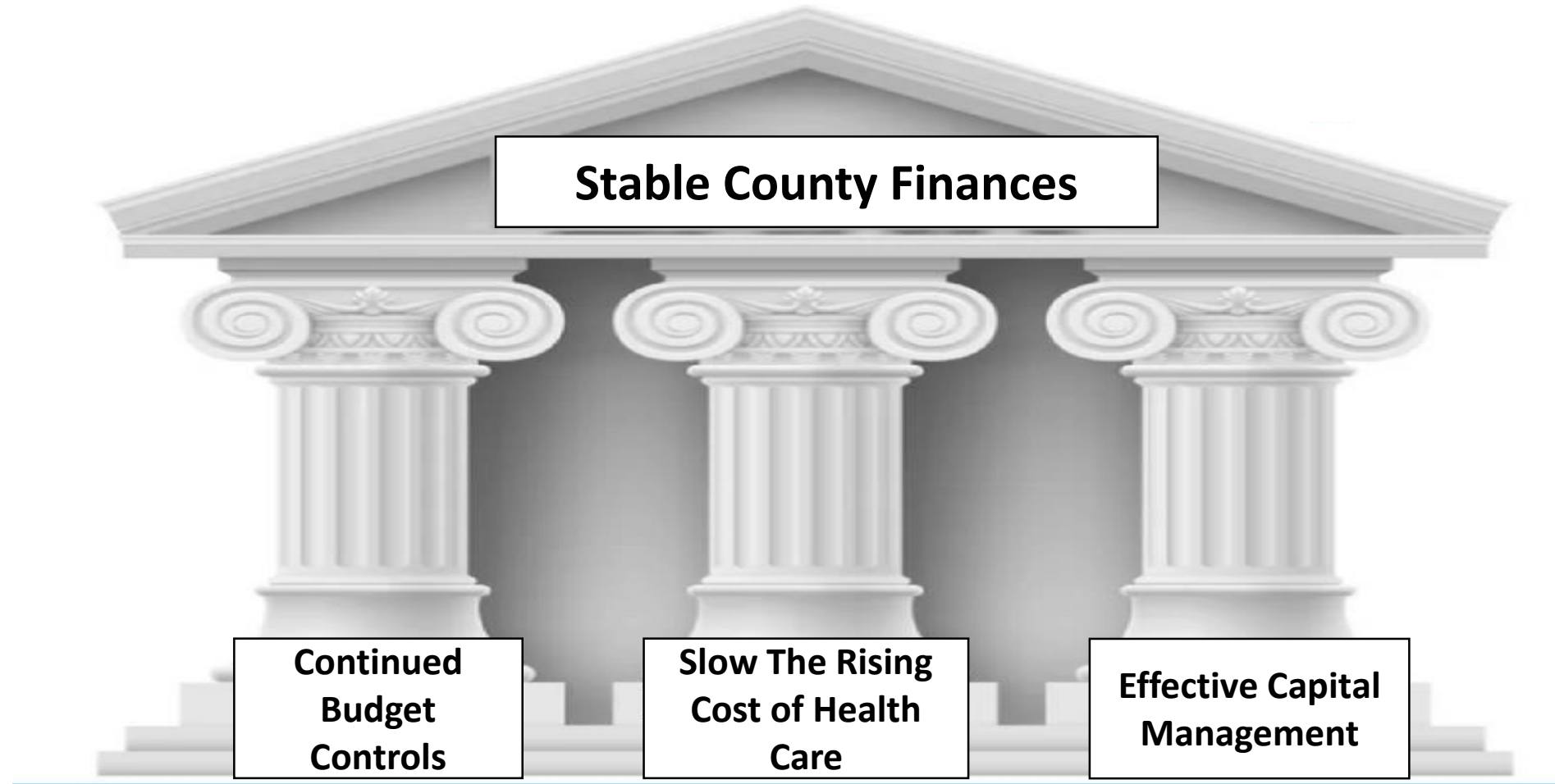




Fiscal State of the County

**Presented by Steve Wilson
County Administrator
Board of Supervisors Meeting
March 16, 2018**

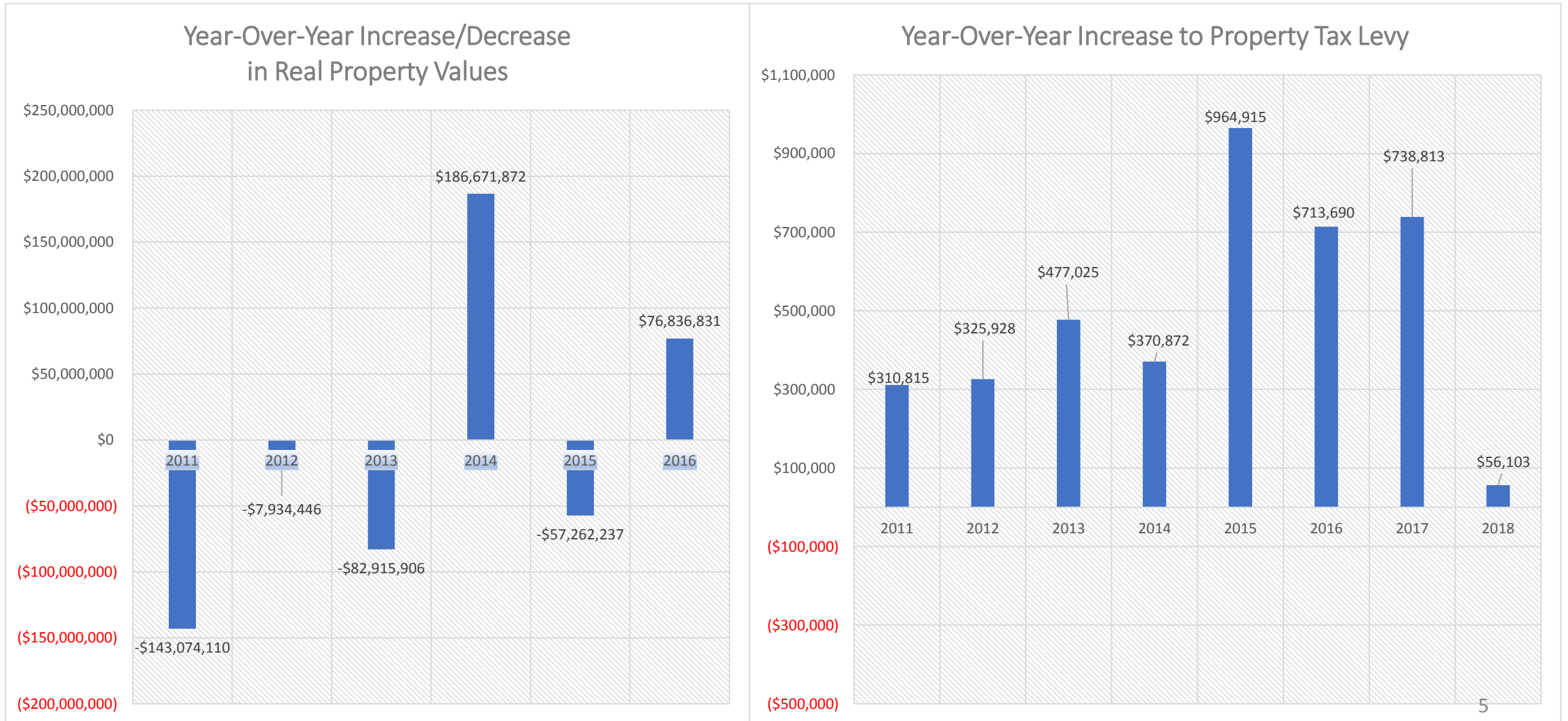
County Fiscal Stability Rests on 3 Pillars



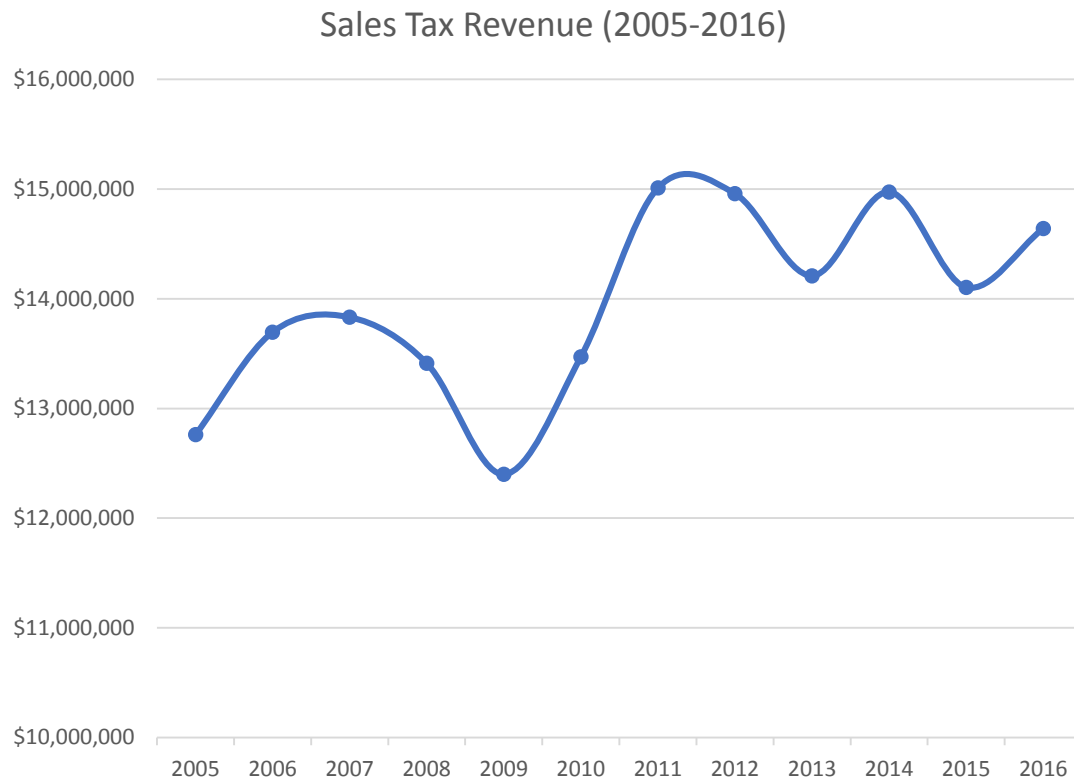
County Finances: Not in Crisis, But

NOT IN CRISIS: CURRENT SITUATION	SHORT-TERM OUTLOOK: POTENTIAL FISCAL DANGER
<p>Levy increase for 2018 was .26% and under tax cap.</p>	<ul style="list-style-type: none"> PT Levy is increasing, while property's full value is flat-to-decreasing overall.
<p>Sales tax for 2017 is up over \$800,000 from 2016. That is a two-year trend increase. The county should be able to count on this revenue source more.</p>	<ul style="list-style-type: none"> Historically, sales tax revenue is inconsistent from year-to-year, so counting on consistent increases to fund budget needs is not supported by past results.
<p>Fund balance is strong. The county should be able to use quite a bit to lower the levy or provide more services to residents.</p>	<ul style="list-style-type: none"> Estimated general fund balance for the end of 2018 is \$11M, but only \$2M is realistically available for a one-time use. Responsible fiscal policy will keep 10% of expenditures in reserve (\$9M) to avoid "fiscal stress" designation
<p>2018 budget was able to balance a small tax increase with expenditure increases.</p>	<ul style="list-style-type: none"> In subsequent years, the county budget has \$857K in recurring structural costs. That represents a 4% levy increase every year. Jail operation costs will probably add to costs in 2021.

Property Tax Levy Increases Faster Than The Full Value of Real Property



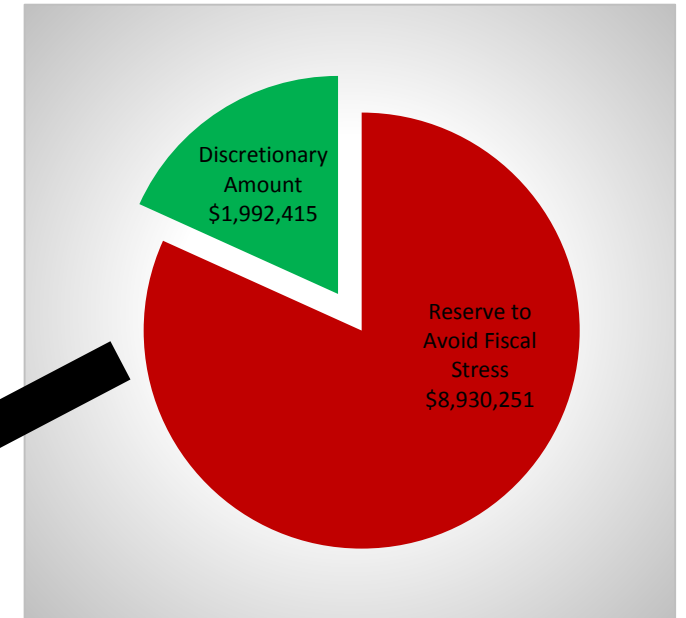
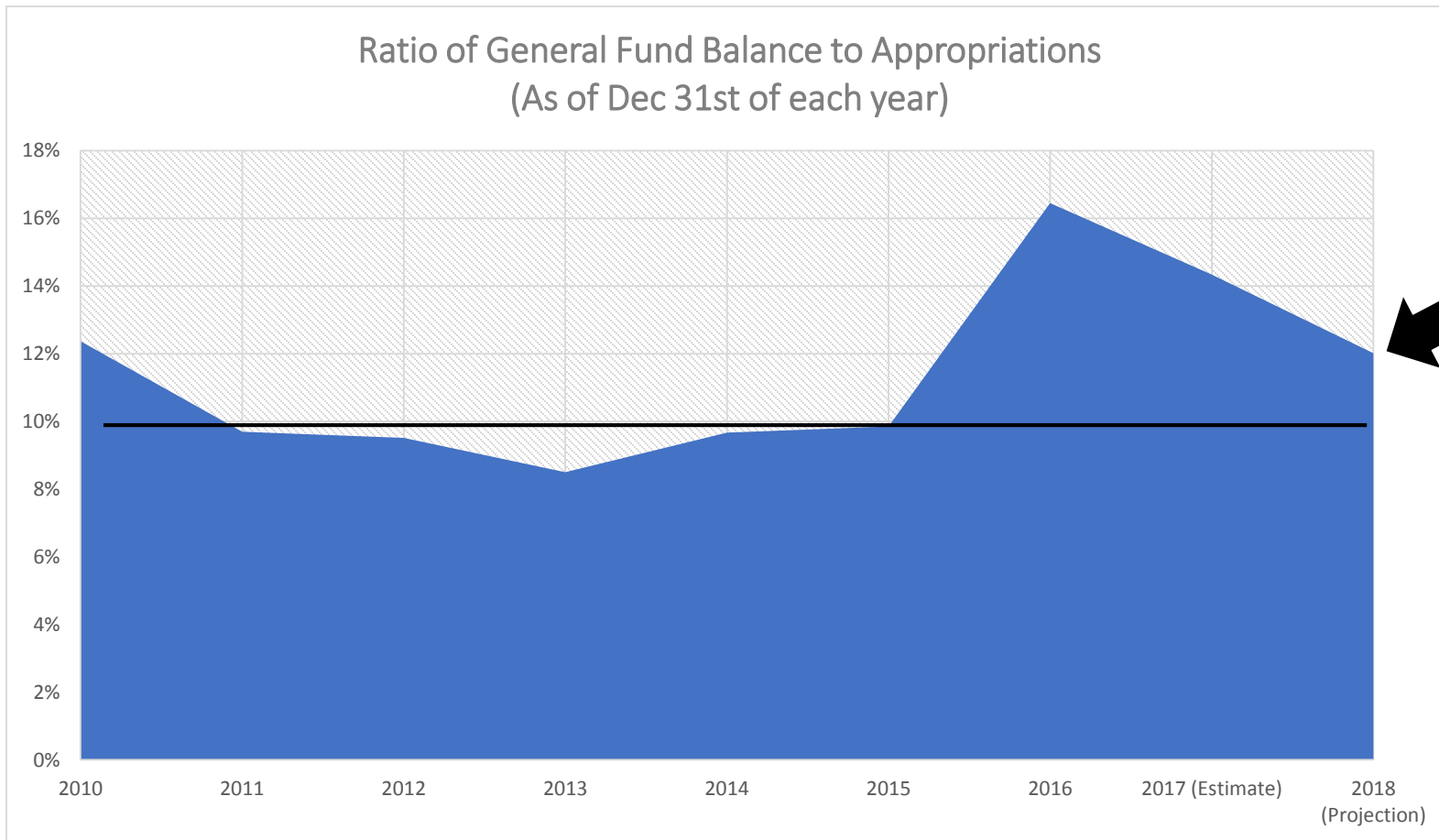
Inconsistent Sales Tax Revenues



Ideally, we want the sales tax to grow, but in Schoharie County, sales tax revenues are inconsistent. Even the rate of change from one year to the next is volatile. Given past performance of the sales tax, a conservative approach is prudent.

2018 Estimated Unassigned Fund Balance

General + Road Fund Balance Estimate = \$10,922,666



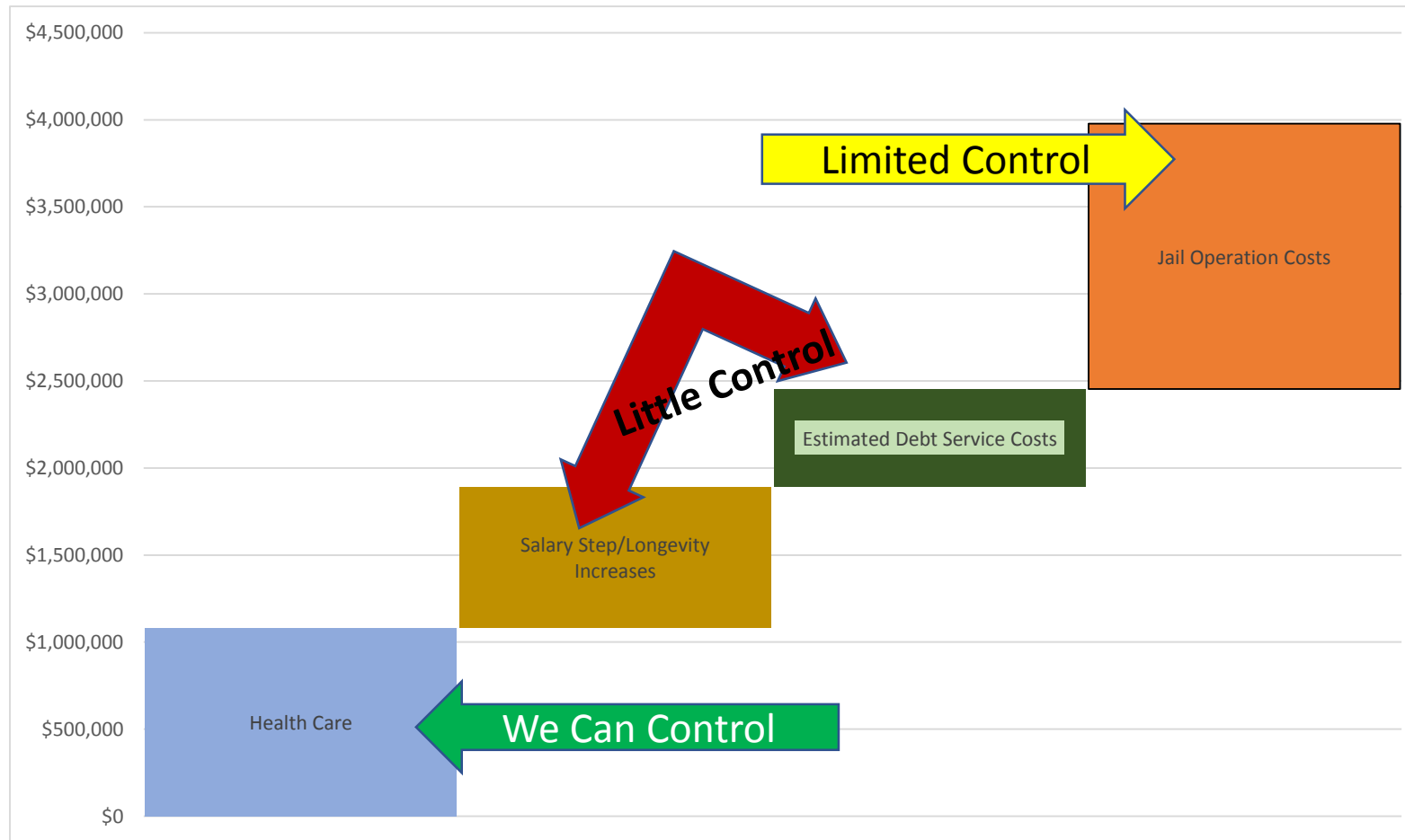
NOTE: Treasurer's Summary of 2016 AUD results (5/11/2017):
"It is important that the Board of Supervisors be aware that essentially the entire Unassigned General Fund Balance of \$13,225,527 consists of accounts receivable due to the county based upon pending reimbursement claims from USDA/NRCS for the unfinished Streambank Stabilization Project."

Annual Structural Cost Increases (2019-2021)

Health Care Increases		\$361,097
Debt Service Increases		\$187,117
Salary Step/Longevity Increase		\$308,877
		
	TOTAL:	\$857,091

**FY 2021 Jail Operations:
Additional Operations Cost Estimates \$752,588 - \$2,293,772**

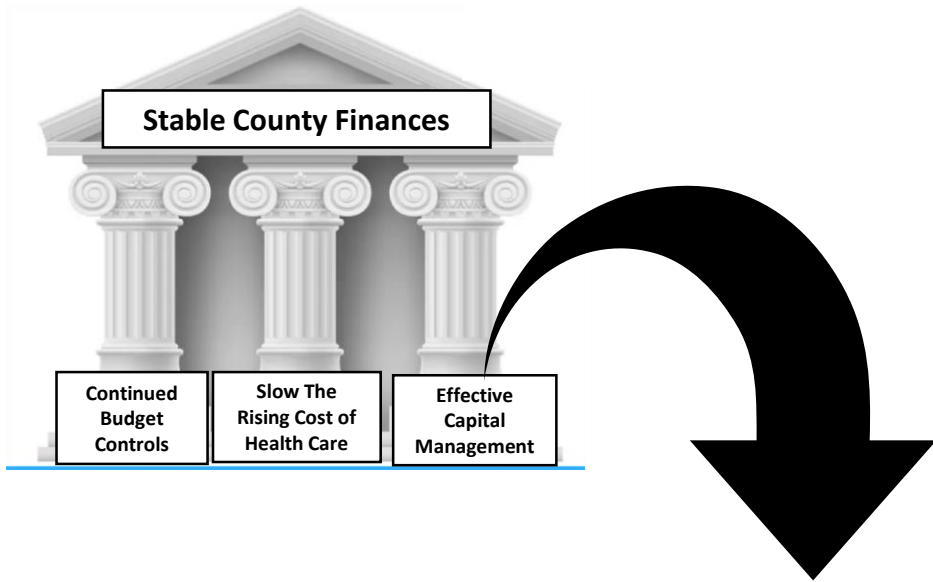
Structural Budget Increases (2019-2021)



Levy will need to increase by \$3,977,443 by 2021 to cover structural cost increases.

Levy growth from 2019-2021 will be 18.5%

NOTE: These increases do not include any potential costs for a county-wide EMT service, other county initiatives or unfunded state mandates.



Maintaining Fiscal Stability in the Face of Mounting Challenges

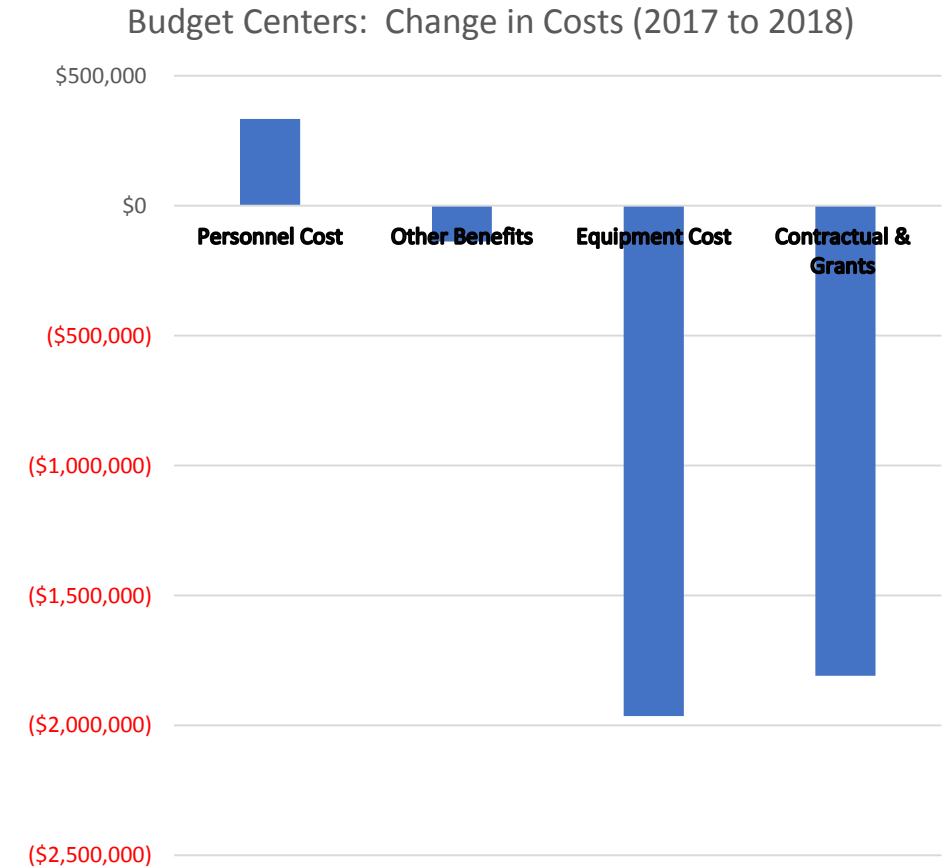
Fiscal Stability Strategy (2018-2020)

1. Use 2018-2020 budget processes to hold down workforce, equipment and contract/grant costs
2. Slow increasing health care costs by changing health care providers
3. Effectively manage capital costs of storm recovery projects

Financial Stability Strategy #1: Continued

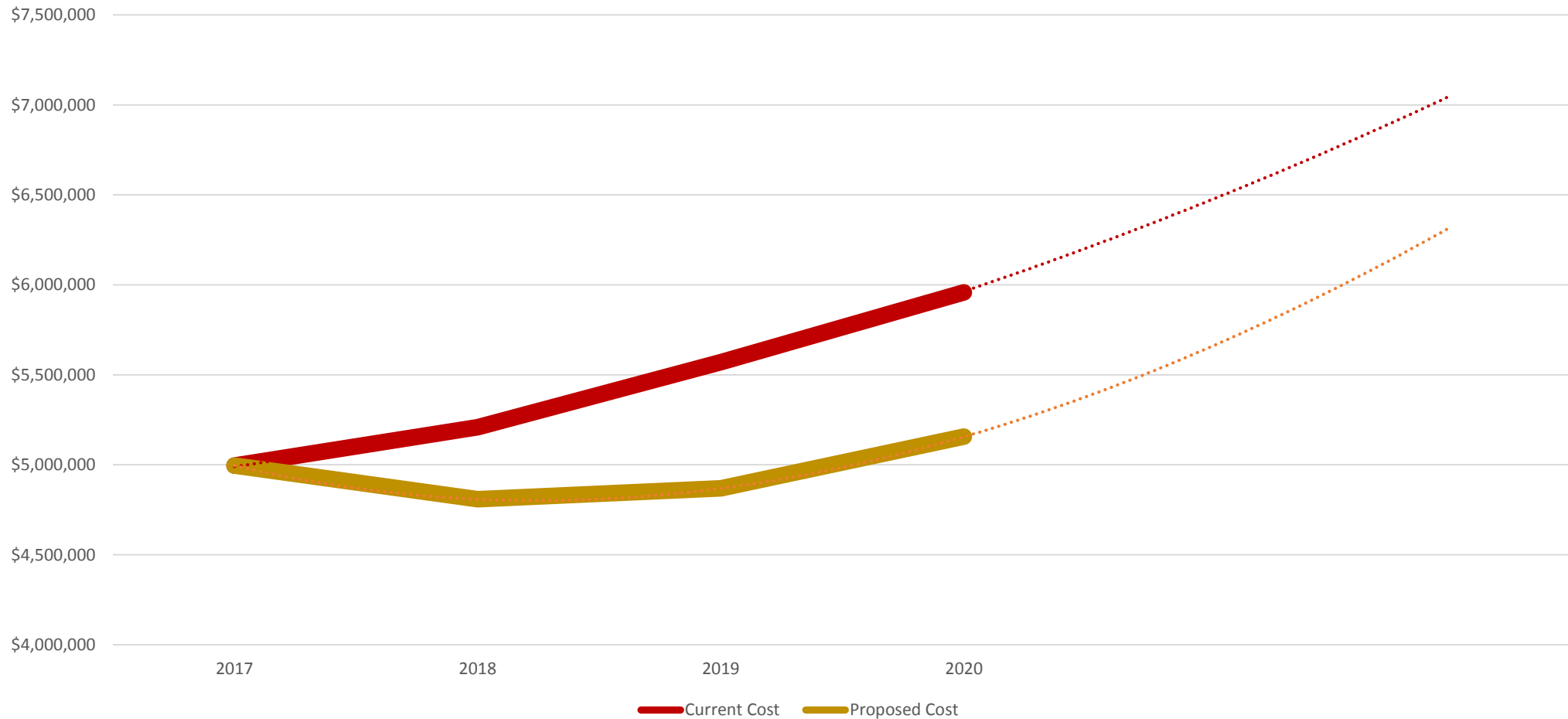
Budget Controls

Budget Category Comparison				
	<u>2018 Adopted Budget</u>	<u>2017 Revised Budget</u>	<u>Difference</u>	<u>% Inc/Dec</u>
Personnel Cost	\$18,758,748	\$18,416,552	\$334,462	1.82%
Other Benefits	\$4,629,930	\$4,767,280	(\$137,350)	-2.88%
Equipment Cost	\$10,454,491	\$12,418,725	(\$1,964,234)	-15.82%
Contractual & Grants	\$36,525,378	\$38,337,205	(\$1,808,408)	-4.71%



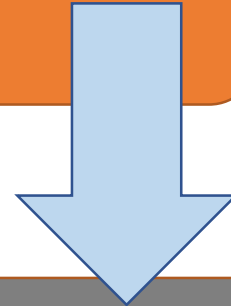
Financial Stability Strategy #2: Slow the Cost Increases in Health Care with a Premium Reset

Health Care Cost Trend Analysis



Financial Stability Strategy #3: Capital Cost Controls

Retire Short-Term Debt



Minimize Long-Term Debt

- EWP “Streambank Project”
- Gap Funding for Jail Build

Key Points: Financial Outlook

- **The county's finances are not in crisis, BUT:**
 - Costs are increasing faster than property values, meaning levies must increase.
 - Historically, sales tax revenue has been inconsistent.
 - Although the county has a healthy fund balance, the county should keep 10% of expenses in reserve to avoid fiscal stress, making the county's discretionary fund balance roughly \$2M, not \$11M.
 - Annual structural county costs of an additional \$857,000 per year exist, mostly from health care, debt service and step/longevity increases.
 - Structural costs and jail operations coming online will add roughly \$4M in recurring costs over the time period 2019-2021.
 - Without addressing these issues, PT levy would grow 18.5% by 2021.
- **The county looks to mitigate these fiscal hazards by instituting tight budgetary controls, adopting health care changes, and limiting capital costs.**