



# ULSTER COUNTY

Analysis & Review of the  
2020 Executive Budget Recommendations

**NOVEMBER 2019**



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## ULSTER COUNTY 2020 EXECUTIVE BUDGET ANALYSIS

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In accord with the requirements of §C-34,35 of the County Charter, on October 3, 2019 County Executive Patrick Ryan delivered an annual message summarizing a proposed \$342.28 million budget for the coming 2020 fiscal year, and detailing related policy initiatives. As in previous years the budget was organized in six funds, all of them presented as balanced. The General Fund, the largest of the six funds with proposed total spending of \$297.4 million, comprised 86.9% of the budget. The Special Grant Fund totaled \$2.2 million (.6%), the County Road Fund \$15.4 million 4.5%, the Road Machinery Fund \$3.8 million (1.1%), the Self Insurance Fund \$10.7 million (3.1%) and the Debt Service Fund \$12.8 million (3.7%).

The Executive's operating and capital budget documents were made publicly available on the county website the following day. This report is prepared under contract with the county legislature to assist it in meeting its responsibility (Charter §C-36) to "prepare a written analysis and review of the County Executive's proposed budget and make it publicly available."

This report bases its comparisons on data in the executive budget as published. Comparisons are to the 2019 enacted budget, not the amended budget. Part year actuals for 2019 are not provided, although the finance director has provided additional information, including his projections of expected actual results for current year (2019).

### POLICY INITIATIVES

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The highlighted initiatives in the county Executive's budget message are organized in five broad categories: a "Green New Deal" for Ulster county; combatting the opioid crisis; growing and diversifying the local economy; ensuring justice for all residents; and, a more responsive and responsible county government. We consider the budget implications of these here.

#### A. The County Green New Deal Initiative

1. Green Careers Academy: Working with Ulster County Community College in a public-private partnership, the county will offer "... free or reduced tuition to train Ulster County's youth, active volunteer firefighters, veterans, low-income and long term unemployed people in entry-level Clean Tech courses enabling them to apply for work in one of the many clean technology companies in Ulster County."

This program will be federally funded through the Office of Employment and Training. Targeted groups are served by several county agencies. *Is there a program structure that would include this office's expertise? There is no explicit goal for number of people to be trained or placed in employment.*

2. Additional funding for the Department of the Environment to implement the county's climate action plan: The department's authorized spending was increased in the revised 2019 budget to include spending for professional and contractual services. Without these one-year funds, it is proposed to drop from \$937,304 to \$721,084 for 2020. But there will be an increase of

- \$53,669 from the amount initially budgeted for 2019, accompanying an added full-time position. There was a \$50,000 amendment to the department's professional services line this year to allow hiring an outside contractor as a "Green Business Liaison." Not yet filled, this position appears to be retained for 2020. *Particular elements for implementation in the plan are not specified.*
3. 100% Renewable Energy by 3030: The specific step identified for movement toward this goal is the purchase of three electric buses and construction of a charging station. State funding, not budgeted, is pending. Some electric charging stations have historically been expensed within the Department of the Environment with offsetting revenues housed there as well. *Details of progress toward this goal thus far, and expected further progress during the budget year, are not given.*

## **B. Tackling the Opioid Epidemic**

1. Strategic planning and implementation: The position of Director of Opioid Prevention Strategy is proposed within the county health department to drive strategic planning. An existing broad-based task force created to develop a plan is prioritized and given added visibility. There is a specific goal and time frame: the reduction by half of overdose deaths in the county within two years of initial plan implementation. However, *a deadline for plan completion is not clearly established.*
2. Sheriff's Department initiatives: The sheriff's department will create an interdepartmental team for expanded treatment and overdose prevention, through introduction of "Medication Assisted Treatment" to the Ulster county jail. Additionally, the sheriff will expand the work of the Ulster Regional Gang Enforcement Narcotics Team (URGENT) to include outreach to addicts through an "Overdose Response Team." This team, which will include a plain-clothes officer, a mental health professional, a peer advocate, and a rehabilitation planner/specialist will respond within seventy-two hours of a nonfatal overdose to offer treatment options to addicts and families. *No goals are specified for numbers of interventions in the jail or for outreach during the first year of this program.*
3. "Nearly \$3 million" in grant money is identified by the county executive as available for implementing these anti-opioid abuse efforts, but this is not further specified. One source is a \$2.5 million three-year federal grant (in collaboration with the Columbia University School of Social Work) to the county Department of Health<sup>1</sup>; first installments include \$72,000 in the department's special grants fund and \$191,300 in environmental grants. *Two additional deputies are proposed to the sheriff's department budget, at county expense.*
4. There is no increase in staffing planned for the health department. Additional staffing is budgeted for the sheriff's department, mental health, probation and social services, but *a link (if any) in the budget between these new positions to these anti-opioid initiatives is not indicated.*

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<sup>1</sup> <https://socialwork.columbia.edu/news/school-awarded-86m-nida-grant-to-reduce-nys-opioid-deaths/>

5. Interdepartmental efforts in the county government require clear lines of authority, specific goals and an inclusive program budget to assure efficient operation and accountability. In specific, *assuring organizational compatibility between the quite different objectives of existing intergovernmental antidrug enforcement efforts and new preventive interventions requires careful planning.*

### C. Grow and Diversify the Economy

1. Planning by the Ulster 2040 working group continues. *There is no budget clearly specified for this effort.*
2. Reorganization: After a major study, the economic development activities of Ulster county were brought into county government in 2013.<sup>2</sup> The executive now proposes that a new freestanding economic development department be created out of the former business services division of the planning department to emphasize refocusing economic development efforts in accord with the county executive's priorities. Increased spending on economic development of 25% is described. *This added spending is budgeted from professional services in the department.*
3. A CDBG grant to be administered through RUPCO for affordable housing is identified by the county executive. *\$300,000 is budgeted in the Special Grants Fund for housing rehabilitation loans and grants.*

### D. Ensuring Justice for All Residents

1. Additional staff for the public defender's office: In accord with the settlement of a case before the New York State Court of Appeals regarding required indigent defense, seven positions are recommended for addition to the Ulster county public defender's office including attorneys, investigators, and support staff. These are supported by increased state aid. *Though special attention to the legal defense needs of veterans is a focus of this initiative, there is no mention of collaboration with or evidence that additional funds are planned for county veterans affairs toward this end.*
2. Full time status for Youth Bureau Director and Human Rights Commissioner: Local Law #4 of 2018 defined and authorized the creation of a full-time Human Rights Commissioner position. These jobs are upgraded from part-time, with an expectation of additional advocacy for the constituencies served. The already larger budget for the youth bureau will increase marginally, while that for the human rights commission will more than triple from \$42,119 to \$132,414. *No performance goals or metrics are indicated to measure the value or effects of this increased allocation of resources.*

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<sup>2</sup> [https://www.newpaltz.edu/media/the-benjamin-center/intergovernmental\\_summary\\_report.pdf](https://www.newpaltz.edu/media/the-benjamin-center/intergovernmental_summary_report.pdf)



3. Chief Diversity Officer: This position, to be created within the county's human resources office, will seek to make the "Ulster County workforce ... representative of the population it serves through distribution of information about civil service opportunities and other outreach efforts among members of communities in Ulster County that are demographically underrepresented in county government." In addition to outreach, duties specified in further detail in the job description for this position, will be personnel policy development for the county government to advance workforce diversity, internally advising the hiring practices of county departments and agencies, and statistical analysis and reporting to track progress.

#### **E. More Responsive and Responsible County Government**

1. Creation of an innovation team "... to utilize data, research and best practices to help drive improved outcomes related to County services." Three positions are created to staff this team, within a newly-created innovation division. This replaces the ACE division. ACE formerly had four positions. The fourth position (Financial Analyst) will be moved to finance.

Internal research and consulting units are not uncommon in local governments with a large workforce and substantial budgets, and may be valuable. Because of the recent problematic experience in Ulster county with the ACE program, *this unit must have a clear mission, objectives, and performance standards and proceed in a manner that recognizes the legitimacy of the independent oversight responsibilities of the legislature and the county comptroller.*

2. Added \$175,000 in funding for Office for Aging: State aid expected for this office is up by \$361,945 while projected federal aid is reduced by \$164,382. *An additional staff member and enhanced services for senior citizens is funded through the net increase in aid.*
3. Mobile county government: The county executive proposes to work along with other county staff from time-to-time in "... town offices to meet residents where they are and provide resources."

## BUDGET GROWTH

The proposed Ulster county budget is \$13 million (3.9%) larger than that adopted for the current fiscal year (Table 1), and \$6.6 million (1.9%) larger than the revised budget for this year. Notably, it *includes a net addition of thirty-seven benefitted positions across the county government, with seventeen departments or programs gaining, and four losing, staff.*

As detailed in the 2018 Benjamin Center budget review, Ulster county has been unusual in the decline in the size of its budget in both nominal and real terms over the past decade. The proposed budget increase therefore constitutes a major change in direction. Its *size* is more than two and a third times as big as the \$5.5 million proposed for 2018-2019. The proposed *rate of increase* in county spending is more than twice as great as that for the budget proposed by the previous executive in 2019 (1.5%).

**Table 1—Annual Budget (\$ Millions)**

	Executive	Previous Year Adopted	Change	% Change
<b>2020</b>	342.28	329.26	13.02	3.9%
<b>2019</b>	328.90	323.83	5.07	1.5%
<b>2018</b>	323.97	324.82	(0.85)	-0.3%
<b>2017</b>	324.82	330.37	(5.55)	-1.7%
<b>2016</b>	330.00	334.52	(4.52)	-1.4%
<b>2015</b>	334.52	336.20	(1.68)	-0.5%

## REVENUES

Balance is achieved in the proposed executive budget by a projected increase in revenues of \$9.42 million: sales taxes and state aid each up over \$6 million, a drop of \$2.6 million in federal aid, small gains in other local revenue sources and transfers, and a \$3.8 million increase taken from the current year unappropriated general fund balance (Table 2).

**Table 2—Major Revenue Sources 2019-2020 (proposed)**

	2020	2019	
<b>Property</b>	76,317,758	76,539,031	(221,273)
<b>Sales</b>	128,561,423	122,435,116	6,126,307
<b>State Aid</b>	53,649,193	47,607,118	6,042,075
<b>Federal Aid</b>	33,091,619	35,680,138	(2,588,519)
<b>Other Revs</b>	34,862,851	34,601,781	261,070
<b>Transfers</b>	3,216,316	3,283,435	(67,119)
<b>Fund Balance</b>	12,581,507	8,782,711	3,798,796
	<b>342,280,667</b>	<b>328,929,330</b>	<b>13,351,337</b>

## Property Tax

Notwithstanding the budget's increase in spending, the county executive proposes a small decrease in the property tax levy (\$200,000). *This marks the eighth successive year of proposed property tax decreases to support Ulster county government.* Though the 2020 change is more important symbolically than substantively, this reduction affirms the priority of property tax containment as a county policy under Ulster's new executive leadership (Table 3).

**Table 3—Property Tax Levy History**

	2014	2015	2016	2017	2018	2019	2020
<b>Tax Levy</b> (\$ Millions)	78.73	77.94	77.09	76.89	76.7	76.51	76.31
<b>Equalized Full Taxable Value</b> (\$ Billions)	17.97	17.88	17.92	18.01	18.2	18.69	19.48
<b>Tax Rate \$ per 1,000</b>	4.38	4.36	4.30	4.26	4.21	4.09	3.91

The 2020 proposed property tax decrease was partly achieved this year by shifting payment for some costs in the road machinery and county road funds from property tax proceeds to alternative local source revenues (see below). Steady growth in the equalized real property base since 2015 added to the value for taxpayers of the consistent priority placed by county government upon constraining the size of the property tax levy.

As shown in the executive's budget presentation, the county collects a lesser proportion of property tax in Ulster (\$76 million, 13.6%) than do the towns (\$82 million, 14.1%) or the school districts (\$385 million, 66.8%). About three quarters of the \$76.3 million raised from the property tax (73.5%) will be used to meet expenses in the general fund, with the rest devoted to help balance the budget's other funds. Sales taxes (projected at \$128.6 million in 2020, 37% of all revenues) comprise 70% of revenues for the general fund (see below). Revenues from the sales tax are shared with the City of Kingston, and the county's towns and the villages. The portion shared with the towns, discretionary for the county, is a persistent issue. Property taxes are a more stable resource than sales taxes in turbulent economic times, but are now constrained by a state property tax cap and a persistent focus on their burden by both the public and government decision makers.

The Tax Foundation ranks New York State 4<sup>th</sup> in the nation on property taxes per capita<sup>3</sup> (\$2,782 in 2016) and 14<sup>th</sup> when the measure is property taxes as a percentage of owner-occupied housing value. *Ulster's property tax burden in comparison to peer counties ranges from fairly typical, when measured in per capita terms, to fairly low when measured in tax rate per \$1,000 of value. These metrics may improve further as Ulster continues to successfully hold down and reduce county property taxes.*

<sup>3</sup> Tax Foundations 2019 Facts and Figures publication (<https://taxfoundation.org/facts-figures-2019/>)

## Sales Tax

Sales tax estimation is not an exact science. As shown in Table 4, *the county has consistently been very conservative in projecting sales tax revenues: Actual receipts have exceeded budgeted amounts for four of the past five years, and are expected to do so again for 2019.*

A model developed by The Benjamin Center and detailed in our report to the legislature in 2018 presented an alternative methodology for projecting these revenues.<sup>4</sup> When tested for 2017, a year for which the actual outcome was known, the model's application showed a result \$2.6 million closer to that outcome than that of the budgeted county estimate. For 2019, the estimate adopted in the county budget was \$122,435,116; the Benjamin Center estimate was \$124,000,000. Based on available part-year data, we continue to project total revenue of \$124,000,000 from the sales tax in Ulster county for 2019.

The executive budget estimates sales tax receipts of \$128,561,423 for 2020. Averaging applications of our model employing a variety of assumptions about economic growth, we project a lower, but quite close number: \$127,802,111. (Because its manner of implementation is still unclear, neither included additional estimated revenues from then newly-authorized tax on internet sales, projected in the state budget to produce \$160 million in the first year for upstate counties.) The small size of the difference (.6%), and the fact that the county estimate is within the range of results when our model is run with alternative economic assumptions, suggests that *the county estimate is quite defensible.*

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<sup>4</sup> "Ulster County Analysis and Reviews of the 2019 Executive Budget Recommendations," pp. 7-12.

**Table 4—Ulster County Sales Tax Projection 2020**

	2015	2016	2017	2018	2019	2020
<b>Actual</b>	\$107,996,420	\$112,184,274	\$115,339,913	\$120,049,605	\$124,000,000	
<b>Budgeted</b>	\$108,002,757	\$109,966,041	\$111,672,331	\$117,631,568	\$122,435,116	\$128,561,423
<b>Benjamin Center Projection</b>			\$114,628,150		\$124,000,000	\$127,802,111
<b>10 yr Average growth (3.1%)</b>						\$127,844,000
<b>2015-2018 Average Growth (3.8%)</b>						\$128,712,000
<b>2019 YTD US CS Growth (2.53%)</b>						\$127,137,200
<b>2020 Governor's State Estimate (5.4%)</b>						\$130,696,000
					Polynomial	\$128,415,357
					Linear	\$127,875,790
					Logarithmic	\$123,934,432
					<b>Average</b>	<b>\$127,802,111</b>

## Hotel/Motel and Short-Term Rental Taxes

The county projects revenue from this source of \$2,185,000, 90% of which is estimated by the finance department to be from hotels and motels with the balance from short-term rentals. Total receipts for 2018 were \$1,805,747. Ten months of actual revenues for 2019 allowed us to make two projections for the current year. The first, based upon the 18.2% 2017-18 annual year-to-year growth rate, projects an annual total of \$2,083,339. The second, taking into account the pattern of a greater revenue growth rate in the last two months of the year is \$2,126,097. This would make the rates of increase represented by the county estimate for 2020, 9.5% and 2.7%, respectively, both well below the actual 2017-2018 growth rate. The county collects short-term rental taxes directly. Its database includes 1500 owners, an estimated 80% of whom are active renters. A developing pattern of intergovernmental information sharing regarding short-term rentals with town governments seeking to enforce housing regulations suggests that compliance with tax requirements will likely improve. A recent report by Airbnb is that the short-term rental market in Ulster county is robust. *The county's estimate for this revenue source appears to be conservative.*

## Gaming Revenues

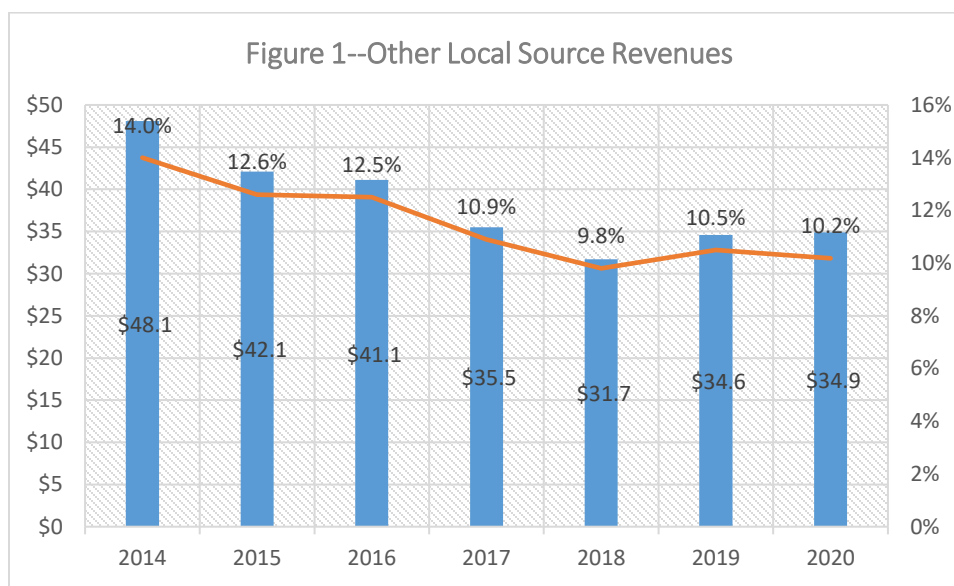
Because it is within a region with a destination gaming resort, Ulster is one of twenty-two counties that receives a portion of the revenue from those sources designated by the state for education and real property tax relief.<sup>5</sup> On-site sports betting is now available at upstate casinos, somewhat improving their business prospects. The county budget anticipated \$625,000 in receipts from this source for 2019. As of October 24, 2019, actual reported receipts were \$795,183. The estimate for the 2020 budget is \$825,000. However, the state gaming commission reported providing a total of \$547,351 in gaming revenues to Ulster county for the six months between April and September of 2019, with the monthly amount trending upward. *With monthly growth averaged (at 47%) and annualized, projected annual revenue based upon these figures would be \$1,168,919. A conservative estimate, based on the lowest monthly percent change in 2019 to date (19%) yields a \$946,268 total for 2019 (Table 5).*

Table 5—Gaming Revenue Estimate					
	18-19	19-20	% Change	Estimated Change Avg. (47%)	Estimated Change Lowest (19%)
April	53,599	78,206	46%		
May	55,497	84,506	52%		
June	59,957	98,854	65%		
July	62,259	99,046	59%		
August	68,914	98,987	44%		
September	73,884	87,751	19%		
October	57,680	84,790		84,790	68,639
November	67,461	99,168		99,168	80,279
December	71,751	105,474		105,474	85,383
January	63,344	93,116		93,116	75,380
February	71,235	104,716		104,716	84,770
March	89,600	131,712		131,712	106,624
Total	795,183	1,166,327		1,168,919	946,268

<sup>5</sup> <https://osc.state.ny.us/localgov/pubs/releases/files/gamingrevenues.pdf>

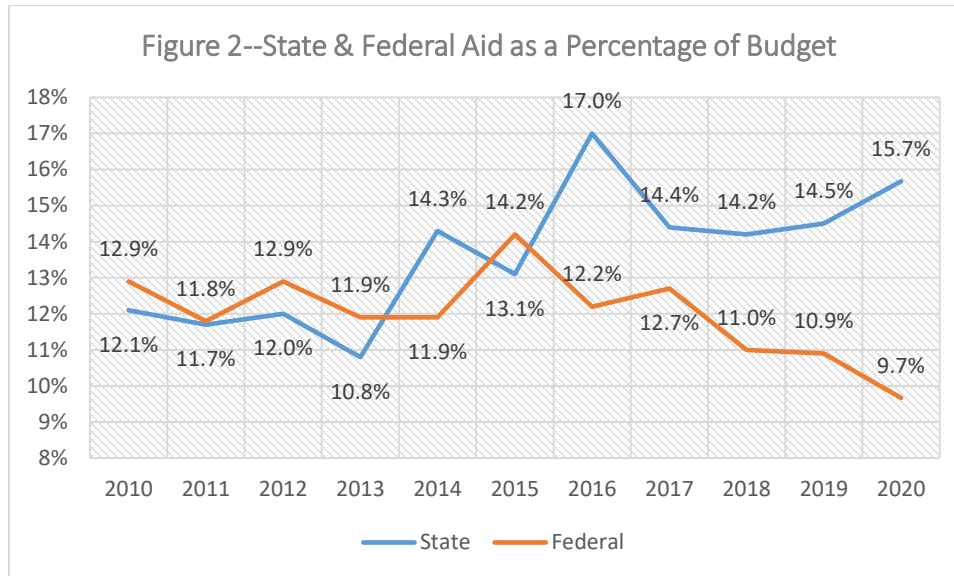
## Other Local Source Revenues

In addition to those already discussed, state law authorizes county government to collect a significant number of taxes, fees, charges, and payments in connection with its operations. These may be subject to changing economic conditions—e.g., interest and employment rates in the broader economy—but estimating them is largely based upon recent experience. For example, the county, which guarantees the property tax levy for towns and school districts, is budgeted in 2020 to collect \$4.2 million in property tax penalties and interest and to realize \$925,000 from the tax sale. It also expects \$825,000 to accrue from interest for its deposited funds. *Based upon recent experience, these estimates appear reasonable.* The executive budget projects a modest 1% aggregated increase in revenue from these sources, from a total of \$34.6 million (10.5% of revenues) in the 2019 adopted budget to \$34.9 million (10.2% of revenues) in the proposed 2020 executive budget. This maintains the level and percentage of other source revenue in recent years (Figure 1).



## State and Federal Aid

*Projected state aid to Ulster county is up and federal aid down in the 2020 executive budget, with the differences in trend largely attributed by the county finance office, not to policy change but to altered practices at the state level regarding the flow of programmatic support.* Revenue from state aid is budgeted at \$53.65 million in 2020. This is 15.7% percent of county revenues, an increase of \$6.05 million (11.3%) from the level budgeted for 2019. State aid has recently been a relatively consistent portion of county revenues, at a level higher than earlier in the decade (Figure 2). Federal aid of \$33.09 million is expected, a \$2.6 million drop from that budgeted for 2019. This comprises 9.7% of the proposed 2020 budget. The county's job training office is fully aid funded. Most aid from federal and state sources is demand sensitive and formula driven (within specified caps or limits) and reflects the role of the county as an agent of the state for delivering social programs. More than half of state aid (55.7%) is spent for social services. The bulk of federal aid received by the county is spent in the social services and health and mental health departments. The probation department is also heavily reliant on federal aid.



### State Incentive Aid for Shared Services

New York's County-Wide Shared Services Initiative (CWSSI) seeks to generate property tax savings by incentivizing collaboration between local governments across the state. Several counties have received state incentive aid in 2019 for documented savings from implementing shared services plans filed in 2017. *No provision indicating expected receipt of such aid appears in the 2020 Ulster county budget.* In accord with a second opportunity made available through revision of state law, the county has in preparation a 2019 CWSSI draft plan, for submission and implementation in 2020.

## **EXPENSES**

New York has one of the most decentralized systems for the delivery of state services in the nation. Ulster's budget, like those of all counties in the state, thus reflects both costs incurred by its elected officials as autonomous decision makers and those resulting from services it must deliver for or in collaboration with state government. We first look here at overall spending with particular attention to personnel costs, and then consider budget changes or questions in specific departments and programs.

### Overall Spending Estimates

All budgets are informed judgements about the future. To avoid serious negative consequences, prudent care with an eye toward longer term impacts is crucial in estimating spending. However, excess caution can squeeze out other budgetary choices. *Over the past four years, Ulster county operating results show significant amounts of unspent appropriations* (Table 6). There are numerous reasons for this. For example, fully funding personnel positions in budgets is common practice, although it is well known that attrition in the workforce creates transitional savings in personnel lines. To determine the magnitude of savings in personnel lines, we compared actual and budgeted spending for salary and benefits for 2018, the last year for which complete data is available. *We found that the total unspent was \$5,432,924, or*



1.7% of the adopted budget for that year (Appendix A). Also, specific estimated spending requirements may be inaccurately projected due to unforeseen developments, as was the case for the medical examiner's office in 2019.<sup>6</sup> Or grant opportunities may generate revenues, as can attendant costs that exceed them, as was the case for emergency communications in 2019.

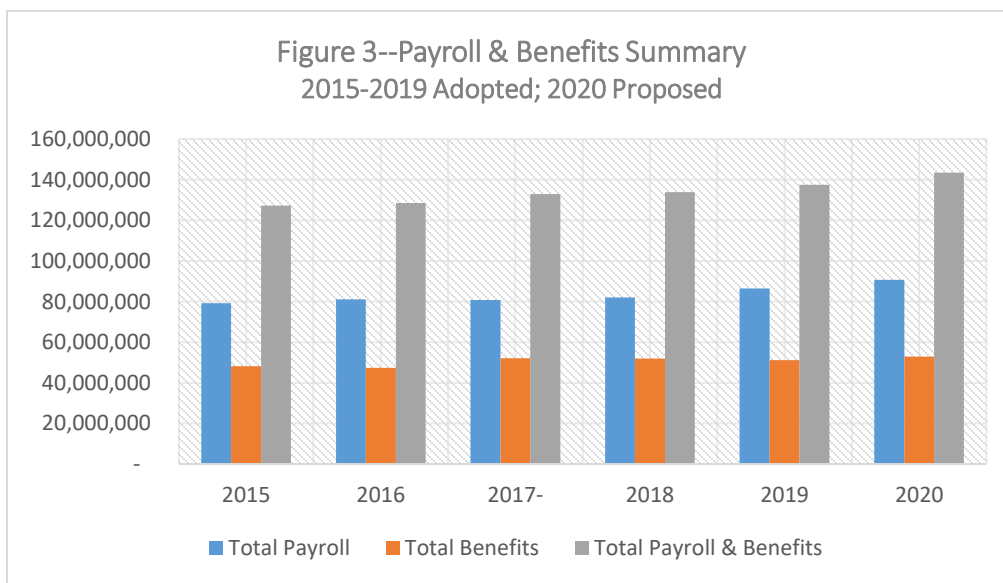
On the revenue side, discussed further elsewhere in this report, estimates of income from particular sources may be exceeded by actual collections.

### Personnel Costs

County government is labor intensive. The 2020 executive budget proposes \$143.48 million (41.9% of budgeted spending) for employee pay and benefits (Figure 3). The total of all categories of pay is projected to rise by \$4.2 million to \$90.61 million (4.6%). Most of this (\$2.95 million) is for regular pay. But as shown in Table 7, increases are projected for every category of pay except longevity. Part-time costs are budgeted to rise by \$726,000 to \$5.249 million (16.1%): the biggest increases are in the Board of Elections (\$367,000), Indigent Defense (\$56,453) and Social Services (\$213,881), all state-aided areas. Overtime is budgeted for \$3,403,846, a total increase of \$206,000 (6.5%) with growth concentrated in the County Clerk's Office, the Sheriff's Office, Social Services, and Public Works.

**Table 6—Funds Budgeted But Not Spent**  
(\$ Millions)

	Adopted	Actual	Unspent
<b>2019</b>	329.3		
<b>2018</b>	323.8	319.5	4.3
<b>2017</b>	324.9	311.7	13.2
<b>2016</b>	330.4	313.4	17.0
<b>2015</b>	334.5	314.5	20.0
<b>2014</b>	336.2	310.7	25.5



A year earlier, the proposed year-to-year increase in appropriation for the regular payroll was \$3.65 million. But the numbers are not comparable. Three years of a contract settlement at 2% per year reached with the CSEA, the county's largest union, was fully funded and paid out in the 2019 budget. In the years

<sup>6</sup> The Benjamin Center. *Review of Medical Examiner Division Cost and Performance*  
Ulster County Department of Health (July, 2019) Prepared for the Ulster County Legislature.

immediately prior, yearly increases in budgeted payroll were far smaller, or there were declines. The county finance director confirms that the proposed budget reflects not only the effect of increases in legally-mandated or contractually-obligated costs, but also this executive budget's proposed growth in the county workforce.

As reflected in Table 7, total benefit costs are expected to increase at a lesser rate than that for direct compensation. The proposed increase is \$1.65 million (3.2%) from \$51.22 million to \$52.87 (3.2%) million. Here again, *a significant driver of increased county obligation for medical benefits, retirement, and social security was a growth in the number of benefited employees.*

**Table 7—Payroll & Benefits Summary 2015-2020**

	2015-Adopted	2016-Adopted	2017-Adopted	2018-Adopted	2019-Adopted	2020-Executive
<b>Regular Pay</b>	68,810,041	70,205,960	70,124,003	70,807,354	74,452,620	77,407,981
<b>Part-Time Pay</b>	4,064,578	4,418,983	4,458,582	4,358,399	4,522,810	5,248,920
<b>Overtime</b>	2,706,305	2,766,906	2,635,522	2,944,027	3,196,790	3,403,846
<b>Separation Pay</b>	922,000	990,820	913,500	1,073,500	1,360,000	1,364,000
<b>Holiday Pay</b>	778,677	809,905	834,281	866,175	894,094	918,781
<b>Longevity</b>	558,179	600,288	643,075	632,036	637,441	620,256
<b>Differential Pay</b>	448,255	467,536	493,424	502,199	481,077	546,503
<b>On Call Pay</b>	335,655	327,090	323,138	324,407	361,675	500,675
<b>207C Pay</b>	207,904	230,146	90,000	125,000	171,000	252,000
<b>Line Up Pay</b>	225,570	232,338	239,308	246,487	253,882	266,500
<b>Stipend Pay</b>	81,750	82,750	82,750	82,750	82,750	83,000
<b>Total Payroll</b>	<b>79,138,914</b>	<b>81,132,722</b>	<b>80,837,583</b>	<b>81,962,334</b>	<b>86,414,139</b>	<b>90,612,462</b>
<b>Medical Benefits</b>	22,972,826	23,511,663	28,431,594	28,576,747	27,332,360	28,550,630
<b>Retirement</b>	14,568,567	12,891,677	12,899,551	12,478,005	12,541,917	12,920,353
<b>Social Security/FICA</b>	6,098,402	6,256,749	6,252,650	6,360,150	6,704,165	7,038,848
<b>Unemployment</b>	201,000	186,600	75,000	75,000	65,000	50,000
<b>Vacation/Sick Buyback</b>	754,564	776,500	752,500	772,846	769,500	728,500
<b>Worker's Comp</b>	3,123,860	3,303,242	3,226,161	3,255,734	3,263,928	3,157,850
<b>Other</b>	446,428	427,361	428,625	417,375	411,210	424,740
<b>Total Benefits</b>	<b>48,165,647</b>	<b>47,353,792</b>	<b>52,066,081</b>	<b>51,935,857</b>	<b>51,088,080</b>	<b>52,870,921</b>
<b>Total Payroll &amp; Benefits</b>	<b>127,304,561</b>	<b>128,486,514</b>	<b>132,903,664</b>	<b>133,898,191</b>	<b>137,502,219</b>	<b>143,483,383</b>

## DEPARTMENT AND PROGRAM LEVEL ANALYSIS

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Reflecting this confluence of roles and responsibilities, county departments and programs are funded from a diversity of sources. To identify and analyze proposed cost increases for 2020, we regrouped departments and programs listed on pages 14 and 15 of the 2020 budget into three large categories, ordering them by degree to which they were reliant on local own-source revenues available for discretionary use (e.g., sales tax, property tax, bed tax, gaming revenues). The groups range from activities for which the county share was 100% to those for which the share was zero. (Full county funding might be because of local priorities, or because of failure of the state or national government to provide resources commensurate with their requirements of the county (mandated costs). Within these categories, we then looked at programs or activities that reflected significant spending increases not yet discussed in this report from the revised budget of 2019 to the budget proposed for 2020.

### Departments and Programs Fully Funded From County Sources

There were forty departments or programs that were (97% or more) funded by county funds; these comprise about a quarter of the county budget.

- Jail operational costs, mostly for personnel pay and benefits, are increased by \$759,831. State regulation specifies jail staffing regardless of occupancy rates. Furthermore, there is no expected revenue for the coming year for boarding in prisoners from Greene county; income from this source was budgeted at \$1,140,000 for 2019. *Net additional cost to county government for operating the jail will thus be \$1,899,831.*
- Information services: A net increase of \$116,824 from the 2019 adopted budget is largely due to *greater costs for internet and telephone services.*
- County Comptroller: The comptroller sought an increased salary for a vacant Director of Internal Audit due to salary compression, restoration of hours for two auditors, and a reclassification of one other position, for a total cost of \$48,505. No additional staffing was sought. *This request was denied, bringing into question the comptroller office's capacity to fully perform its charter-required program auditing responsibilities.*
- County Attorney: *The use of state aid to cover the salary of a deputy county attorney working on the criminal victims program was not allowed,* resulting in loss of \$130,000 of aid to this department.
- Personnel: Increases in personnel and professional service costs and a decline in projected revenue of \$25,000 led to a proposed budget increase of \$203,205. *This in part reflects the cost of the county executive's diversity initiative.*
- Public Works Administration: The \$1,200,000 budgeted from non-property tax items, a county own-source revenue, exceeds budgeted expenses by \$178,254. *The rationale for this is unclear.*

### Substantially County Funded Programs

There are 40 departments or programs that are funded largely but not entirely from county own-source funds.

- Sheriff, Criminal Division: The executive proposes to increase the budget for the sheriff's criminal division by \$683,111 from \$6,630,739 to \$7,313,850. Two new deputies will be hired in accord with the anti-opioids initiative. *\$149,000 additional is appropriated for contractual pay.*
- District Attorney: Two full time benefited positions were added to the District Attorney's office. *The proposed increase in its budget is \$106,326. An increase of \$149,938 was requested.*
- Parks: *Cost increases for maintenance and operation of rails and trails in 2020 will more than double to \$119,913 without offsetting revenue increases.* An additional \$36,000 is budgeted for Sojourner Truth/Ulster Landing Park to facilitate recruitment of qualified part-time summer staff.
- County Clerk: The county clerk gained additional staff to deal with the workload in the motor vehicle division, contributing to a proposed personnel cost increase \$172,305; one position was added and one upgraded to full-time by the executive, along with a cut in budgeted funds for part-time pay of \$15,254. The division's proposed cost for full-time personnel is up by \$100,962. *Revenues from recording fees are budgeted to drop \$100,000 from those projected for the current year amended budget, to \$1,710,000.* A total \$1,741,716 was generated from this source 2018.
- E911: The amended budget in 2019 showed increased expenditure for E911 for equipment of \$267,976, partly offset by federal aid of \$191,921. The 2020 proposed budget for E911 is up by another \$77,088 with total costs for the new fiscal year—mostly for personnel and equipment increases—up by \$175,973.
- Buildings and Grounds: Buildings and grounds costs are budgeted to increase \$360,000 net of revenue, largely because of the need to maintain two new facilities for restorative justice and family court.

### State Mandated Programs Requiring County Share

Of the eleven departments and programs in this cohort, there are a number of large changes in social programs that will result in added county costs, described by the finance director as demand or formula driven.

- Expenses for childcare are budgeted to increase by \$800,000 while state aid is expected to drop by \$191,147 for *a net increase in expense of \$991,147.*
- Preschool services are budgeted to increase \$2,505,000 while *offsetting revenues are expected to rise by more than one million dollars less (\$1,411,750).*
- Family assistance programs will cost \$590,000 less, but *federal aid will drop \$1,027,976 leaving a \$437,976 gap between cost and external support.*

- Social Service Administration expense is up \$184,438 while revenue for this purpose is down by \$897,647, for a *negative net difference of \$1,082,085*.
- Juvenile Delinquency: The amended budget for 2019 reflects within-year spending growth for programs addressing juvenile delinquency from \$415,000 to \$715,000, without offsetting revenues. *For 2020 the proposed budget is \$700,000, with the growth from this year largely covered by a state aid revenue increase of \$262,286.*
- Probation: The cost of the Criminal Victims Assistance (CVAP) program is increased almost a quarter of a million dollars (\$240,430) to cover increased personnel; *almost all of this amount (\$212,587) will be paid for from growth in state and federal aid.*
- Public Health: This is the county department with the most program-oriented budget organization. Its proposed overall budget totals for 2020 are little changed, with expenses increasing \$44,949 to \$6,050,000 and offsetting revenues up by \$121,909. However, *there are some significant program by program imbalances, with the rationale for the allocation of expenses and revenues not always clear (e.g. ICAP grant, rabies program), and distinctions between categories puzzling (e.g. lead and lead prevention).*

## DEBT & CAPITAL

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Constitutional debt limitations have little effect on Ulster county's borrowing strategy, as the county is at only 8.1% of the limit for the budget and has been at a low share of the limit for at least several decades. Ulster's financing needs are managed in accord with decision makers' judgements of need and the public interest, as well as the market's judgment regarding the county's creditworthiness. Persistent prudent financial management is reflected in the improvement of Ulster's bond rating by Fitch to AA in December of 2017; this rating has been maintained through 2019.

Total principal on long-term debt (serial bonds) outstanding as of September 30, 2019 is \$116.5 million; additionally \$32.1 million in bond anticipation notes (BANS) is outstanding. Authorized but unissued debt totals \$102.6 million. It is not clear that all authorized but unissued debt still reflects county needs or priorities. *A review is recommended.*

To meet capital repayment and interest payment obligations, \$13.77 million is appropriated for 2020, representing 4% of total appropriations and \$1.67 million more this year than last. No debt obligations will be fully retired this year. There is \$10.5 million in debt that carries an interest rate of 4.29% and \$27.7 million outstanding at 4.4%. *The county finance director reports regular contact with financial advisors to consider the potential of refinancing to lower the annual cost of carrying this debt.*

Ulster county does not have to borrow, as all other New York counties except Westchester do, to meet cash flow demands linked to the requirement that it guarantee the tax levy of its towns and school

districts. There is an additional appropriation of \$950,000 in the general fund to cover short-term borrowing linked to capital projects.

### **2020-2025 Capital Improvement Program**

Capital spending, also referred to as outlays, can be paid out of operating funds, covered by state, federal, or other grant funds financed through the issuance of debt or from capital reserves. In 2019 capital outlays are estimated to total \$21 million.

The budget is accompanied by a six-year capital improvement program which lists 72 major projects, requiring \$207 million in outlays. The projects are grouped in five program areas: general government; education; public safety; transportation; and economic development, cultural and recreation. Estimated outlays are spread out over the years 2020 to 2022, totaling \$61.2 million in 2020, and declining in each year thereafter. The plan lists capital outlays and debt service from 2010 to 2019 (estimated), debt outstanding as of September 30, 2019 and authorized but unissued debt. For each of the 72 projects, there is a one-page description including total estimated cost, estimated start and completion dates, outlays by year, and whether federal or state funds are expected, or serial bonds are to be used. *Although no total of the funding sources from the individual project sheets is provided, it appears that roughly half of project costs are listed as “unfunded county share.” This essentially means that there is no specific plan for funding the project, and debt may need to be authorized.*

*Ulster county’s capital improvement plan is probably better than many other jurisdictions, but it does not meet all of the best practices described by the NYS Comptroller’s Office.* Those best practices include development of a capital assets inventory and a capital needs assessment (using factors determined by the local government). Most importantly, costs must then be fully estimated, including debt service, and year-by-year budgetary impacts itemized. Capital plans that meet these criteria are much more than “wish lists”—they provide a financial road map to implementation of vital capital projects. Although it is difficult to precisely estimate capital costs, and estimates—needs and opportunities all change over time—it is nevertheless very important to at least roughly quantify the financing needed to implement desired projects. *A capital plan without a financial plan does not allow a locality to truly weigh the costs of its capital aspirations.*

Following is the format recommended by the New York State Comptroller’s Office to facilitate incorporating a capital plan within a multiyear financial plan. Spreadsheet templates are also provided for estimating debt cost, completing a capital inventory, a prioritization process, and other aspects of a complete capital planning process.

## NYS Comptroller's Format for Itemizing Future Capital Costs

Capital Improvement Plan		2020-2025						
		Beginning	Current Year 2020	Future Plan Years				
				2021	2022	2023	2024	2025
Debt Service								
Current Projects								
Planned Projects			\$0	\$0	\$0	\$0	\$0	\$0
Cash Capital and Fund Balance			\$0	\$0	\$0	\$0	\$0	\$0
Operating/ Utilization								
Costs			\$0	\$0	\$0	\$0	\$0	\$0
Savings			\$0	\$0	\$0	\$0	\$0	\$0
Deposits to Reserve Fund								
COST TO OPERATING FUNDS			\$0	\$0	\$0	\$0	\$0	\$0
Added Costs			\$0	\$0	\$0	\$0	\$0	\$0
Dedicated Fees or Taxes								
Additional Operating Fund Revenues			\$0	\$0	\$0	\$0	\$0	\$0
Use of Reserve Funds			\$0	\$0	\$0	\$0	\$0	\$0
RESERVE FUNDS BALANCE			\$0	\$0	\$0	\$0	\$0	\$0

## Tax Stabilization Reserve Fund

Ulster county created this reserve fund as authorized by state law<sup>7</sup> in November of 2014, with an initial deposit of \$1.5 million. Additional deposits were made in December 2016 (\$506,889) and in December 2018 (\$524,626); the audited value of the fund at the end of 2018, with interest earnings, was \$2,547,827. Although called a tax stabilization fund, these monies can also be used to cover budget contingencies such as revenue shortfalls or unanticipated expenditures. Funds may also be transferred to a Retirement Contribution Reserve Fund. The fund's provisions allowing it to be used prospectively to avoid property tax increases greater than 2.5%—contained in the state authorizing statute enacted prior to the property tax cap—are of little use today, particularly in Ulster county's situation, where property tax reductions have been the mode for several years. The fund's use as reserve fund, however, could be very useful, and viewing it in this light would support reducing or eliminating appropriation of available fund balance for use annually, as well as the use of other approaches to cover budgetary variances (for example the contingent account described below). *It would be a good idea to review and discuss this fund's current purpose, vis-a-vis the use of fund balance. As the county has been choosing to make additional deposits to this reserve fund it has also been choosing to draw down fund balances. These policy choices should be evaluated and reconciled.*

## Contingent Account

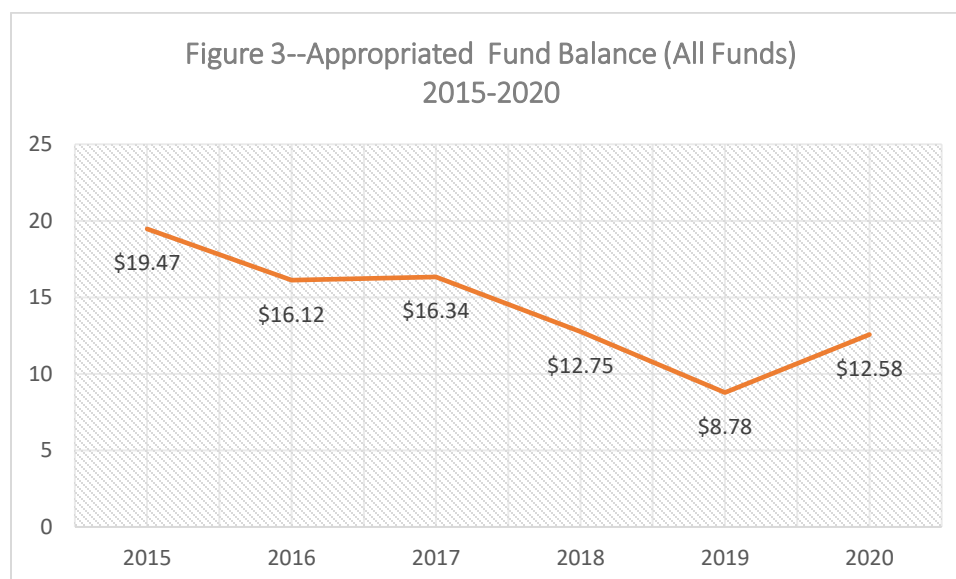
As in previous years, the Ulster county budget contains an appropriation to a “contingent account” – \$700,000 for 2020. This miscellaneous expense account is used to cover expenditure needs that arise during the fiscal year; the account has been allocated in its entirety in recent years. This appropriation, without any planned expenditure at time of enactment, is an additional element of conservatism in the county’s budgeting practices. Conservatism in budgeting is prudent. However, this “belt and suspenders approach” could also be seen to be beyond what is reasonable, particularly in light of the county’s record of unspent appropriations greatly exceeding this amount (Table 6, above). *Careful deliberation should be*

<sup>7</sup> General Municipal Law Section 6-e allows for the creation of a “Contingency and Tax Stabilization Reserve Fund,” a description is available from the NYS State Comptroller in their local government management guide on reserve funds:  
<https://www.osc.state.ny.us/localgov/pubs/lgmng/reservefunds.pdf>

given to the combined utility of these practices, which should include a reevaluation of policies on fund balances and their use.

## FUND BALANCE – USE, BEST PRACTICES & POLICY

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### 2020 Budget's Increased Use of Fund Balance For Operating Expenses

The executive budget appropriates \$12.58 from the 2019 fund balance for use in 2020—a \$3.8 million increase compared last year's appropriated use (\$8.78 million). For many years, the county has relied upon fund balance use and renewal to support spending. However, until this year's recommendation the county had been steadily and significantly reducing its reliance on fund balance to support regular operating expenditures (Figure 3). *This increased drawdown of long-term resources should be evaluated in the context of fund balance history and policy.*

### Context

Fund balance accumulation and use is an important component of county finance, often regarded as a key indicator of fiscal health or stress. Each year's operating results, surplus or deficit, add to (or subtract from) the fund balance, which is a net accumulation over many years of annual results averaging positive.

Just as individuals are advised to maintain savings, governments are advised to maintain fund balances. They may be thought of as long-term savings accounts, or safety valves for periods when revenues are short or when urgent expenditure needs arise.



Fund balances may also be “drawn down” or “appropriated” routinely, together with other choices, like determining the property tax levy and the overall level of appropriation, to achieve budget balance. This is the practice in Ulster county.

It is generally not viewed as fiscally positive when a government (or an individual for that matter) cannot maintain usual spending without dipping into accumulated savings. Fiscal monitors, such as the rating agencies and the state comptroller’s office, generally penalize overdependence on fund balance or other forms of deficit spending. It is always preferred to pay for current needs within current revenues.

A couple of terms need to be understood. The available, or unrestricted fund balance is the difference between a fund’s assets and liabilities as of a certain point in time. Available fund balance is always less than the total accumulated balance, because some of the funds will be restricted for particular uses or otherwise unavailable or unspendable. For example, payments already committed to purchases, or funds are held in reserve accounts, or money is otherwise committed or assigned to particular uses. The available fund balance can only be determined precisely after year-end audited financial statements are finalized, although government finance managers continue to track emerging operating deficits which might reduce a fund balance below a comfort level.

<b>Table 8—Available Fund Balance at Year End</b>					
<b>(General Fund, \$ Millions)</b>					
<b>Year</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Fund Balance</b>	\$21.0	\$25.5	\$27.0	\$34.5	\$31.5
<b>% of GF Spending</b>	7.3%	9.4%	10.0%	12.6%	11.0%
Source: Audited figures for available, unrestricted/unassigned fund balance 2015-2018; 2019 estimate reflects restricted/assigned estimates from the Ulster County finance office and the impact of executive budget’s appropriated use of fund balance.					

As shown above (Table 8), Ulster county’s unrestricted fund balance has gone up in recent years, as has the percentage of spending it represents—a key measure in fund balance policy, described below. These increases result from a variety of factors, including that the ‘assigned’ portions of fund balance have been going down. This has occurred in large part because *the county was reducing its use of fund balances to support current operations. Note that these results have occurred even as additional funds from current revenues have been placed into reserves, meaning that they are then no longer included as part of part of the available, or “unrestricted/unassigned” fund balance.*<sup>8</sup> *The 2020 executive budget proposal would reverse this trend.*

Ulster’s current audited fund balance in 2018, and its expected level in 2019, are both above the level prescribed in the county policy (described below). From a fiscal perspective, Ulster county’s fund balance record indicates a healthy position, as has been reflected in bond ratings and the NYS Comptroller’s positive fiscal stress statistics, showing that Ulster does not appear to be susceptible to fiscal stress. However, *dependent upon operating results in 2019 and 2020, the proposed increased use of fund*

<sup>8</sup> Fund balance reporting is subject to standards of accounting promulgated by the Governmental Accounting Standards Board; its 2009 Statement No. 54 (GASB 54) established clearer and more consistent fund balance classifications specifying which portions of fund balance could be considered available for meeting emergent needs or financial shortfalls, now referred to as “unrestricted/unassigned.” Further information on the standards for fund balance reporting are available from GASB: <https://www.gasb.org/st/summary/gstsm54.html>

*balance in 2020 will cause Ulster county's available accumulated fund balance to decline. This outcome, and the use of an increased amount of fund balance to support appropriated spending in the 2020 budget, should be evaluated.*

### **Fund Balance Policy**

Ulster county adopted a fund balance policy in 2013. It specifies that “The generally accepted operating fund balance is 5%-10% of current operating expenditures. The county will strive to maintain an unrestricted fund balance in this range at all times. An unrestricted fund balance below the minimum should be replenished within the succeeding year.”<sup>9</sup> Presumably the minimum that triggers replenishment in the succeeding year is the lower level expressed in the policy (i.e., 5%). Although the county has been above this level in recent years, as shown above, the finance director indicated that his practice is to seek to restore the amount appropriated from the fund balance from operations during the course of the year.

*It is very positive that Ulster county has adopted a formal policy; many counties have not. However, when reviewed in the context of best practices, the Ulster policy has several shortcomings. Most importantly, the policy does not address when or how much spending should be supported via appropriation of fund balance, and thus provides no goal or guidance for this critical question. In addition, there is vagueness in the current policy, and the target percentage of operating expenditures it expresses may be low. Also, there is no requirement for reporting on fund balance condition and use.*

### **Best Practices**

There is no universal, generally accepted way to set a target fund balance level or percentage, although 10% of current expenditures is often used as a guideline. The Government Finance Officers Association (GFOA) “...recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.”<sup>10</sup> The GFOA fund balance guidelines cover a range of topics, including fund balance replacement and proper policy guidance, and acknowledge that a variety of local conditions and preferences will factor in to the decision. However, it should be noted that two months of a twelve-month period equates to 16.6% of expenditures. While the New York State Comptroller's Office avoids a set rule for fund balance levels, in assessing fiscal stress the highest score is given to municipalities with fund balances greater than or equal to 20% of the previous fiscal year's general fund spending. This is a complex topic, and this report does not intend to recommend a specific target level for fund balance, although a policy review is recommended.

Unfortunately, no information is presented in the budget explaining the rationale for its recommendation to increase use of fund balance in the 2020 budget. *The choice as to whether and how much fund balance to appropriate for use is worthy of public and legislative consideration and should receive more discussion. Moreover, there is no formal policy on reporting to the legislature annually on the methods used to maintain the fund balance, or its condition relative to the fund balance policy.*

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<sup>9</sup> Resolution 36 of 2013.

<sup>10</sup> <https://www.gfoa.org/fund-balance-guidelines-general-fund>

## An Alternative Policy Approach: The Dutchess County Example

Dutchess county offers a good example of an alternative fund balance policy:<sup>11</sup>

Fund Balance reflects the County's reserve, which can be used to address the needs of Dutchess County Government in the event of unanticipated and unavoidable occurrences, which would adversely affect the financial condition of the County, jeopardizing the continuation of necessary or mandated public services.

The County will strive to maintain an undesignated/general fund balance of 1-2 months of general fund operating expenditures in the general fund as a means of maintaining financial stability. To the extent general fund balance exceeds 2 months of operating expenditures, the County will use general fund balance to pay down or avoid indebtedness and or provide property tax relief through offsetting current year operating expenses.

Note that this policy expresses: (1) the level of available fund balance the county will strive to maintain; (2) the circumstances under which the fund balance will be used, and; (3) the uses to which fund balance should be put if it accumulates beyond the target level. In contrast, Ulster county's current policy only addresses a target range for fund balance, and the general practice has been to regularly appropriate fund balance for use without any demonstrated shortfall or exigency. While the Dutchess policy does allow for fund balance use to support current expenditures, its explicit goals may have the effect of minimizing such use. Dutchess also strives to use the fund balance drawdowns for debt service or to cover capital needs. In 2019, fund balance appropriations in Dutchess represented only 2.2% of revenues (versus 3.7% in Ulster's 2020 proposal). Moreover, Dutchess county reports extensively on the use of fund balance in each annual budget, describing the purposes to which such funds were directed in the previous year, and tracks the overall value of the general fund balance as a percentage of the budget.

*Ulster county should undertake a review of its fund balance policy with the goal of developing a more comprehensive approach that describes a target level or range of available fund balance to maintain, the conditions under which fund balance should be used to support operating costs, and uses to which balances should be put if funds accumulate significantly beyond a specified level. This review should be done in the context of annual fund balance and operating results, other reserve funds and contingency accounts, the current best practices and accounting standards as promulgated by GFOA, best practices among other counties, and the advice and review practices of fiscal monitors.*

## MULTIYEAR FINANCIAL PLANNING

The New York State Comptroller's Office has long advocated for improved long-term planning at the local level, including multiyear financial planning and comprehensive capital planning (described above). That office has a management guide, a tutorial and a spreadsheet template to support local multiyear financial planning efforts, and also runs training sessions on the subject. As described in their materials,

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<sup>11</sup> Excerpted from Dutchess County 2019 Budget, page 21

multiyear planning can be a vital tool for local governments, allowing decision-makers to set long-term priorities and work toward those goals, rather than making choices based only on the needs and politics of the moment. A plan can help residents and elected local government officials see the impact of fiscal decisions over time, allowing them to more robustly consider program funding choices and to avoid sudden tax increases or being driven toward unwanted budget cuts in future years.<sup>12</sup>

To help understand Ulster county's long-term financial condition, and to illustrate how the fund balance and budget estimation issues tie into program choices, this report provides a specimen multiyear financial plan for the county. Should the county choose to adopt this planning approach, along with improvements in its current capital planning process, it will greatly increase transparency and enhance the executive's, legislature's, and public's ability to consider and make strategic choices.

This report presents an initial application of the model and shows how it can be used to consider long term decision paths. However, this type of planning can only be successful if carried out locally, supported by local expertise. If Ulster county chooses to take this path, the multiyear planning process should be built into the budget development process. This work would require some level of resources and could be carried out by the county department of finance and/or the county comptroller's office.

Multiyear planning, like year-to-year budgeting, is based upon assumptions about future economic and social developments. But planning assumptions must be even more cautious, for they are longer term. Economists do their very best to project employment, income growth or consumer behavior several years in advance, but these estimates can often be very far off, especially when trends reverse, as often happens.

With these limitations, it's still very useful to project a budget several years into the future. Multiyear planning requires decision makers to consider the long-term impacts of budget decisions which all too often are viewed only one year at a time, with questions like: "Are property taxes up or down this year? Do we like these new initiatives? Are employees getting a cost-of-living increase?"

Certainly the immediate impact is important, but when looking at all of these questions in a multiyear context the view can be very different. For example, property tax cuts are always welcome, but will the county be able to sustain them in future years? Will it be able to compensate the workforce that delivers programs?

Thus even though future projections are far from perfect, it's vitally important to put together a real plan however rough. Think of a homeowner weighing choices. "I know we need a new roof before this one starts to leak, but I don't have the \$8,000 it will likely cost, maybe I'll have to borrow but I don't want to, perhaps I should only take one vacation this year." A government version is much more complex, but involves essentially some of the same tradeoffs.

Regarding Ulster county, the focus on lowering property taxes is important, but will it be possible to sustain it in the future? How much will the new initiatives in this year's budget cost next year and into the future? Will we be able to implement a \$207 capital plan (the current estimate) over five years, what kind of borrowing will that drive, and what will the impact be on taxpayers and county resources?

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<sup>12</sup> (See Planning Resources, Office of the NYS Comptroller, Division of Local Government and School Accountability – <https://www.osc.state.ny.us/localgov/planbudget/index.htm> )

## Projection Model

This report illustrates a multiyear financial projection model using the NYS Comptroller's methodology and templates. Our purpose is to show the utility of such a projection, test some assumptions, and to demonstrate how this discipline can be used to help improve decision making. This effort has obviously been limited by resources and time, and is done primarily to provide an example, to allow Ulster county to consider applying this approach to its budget process on a continuing basis, taking advantage of in-house expertise.

The comptroller's model calls for estimating revenues by source (e.g., property and sales taxes, state and federal aid) expenditures by major object (e.g., personal service, contractual, employee benefits). Each major fund must be estimated separately, but we are presenting a projection only for the general fund, as a matter of practicality (we don't have debt service estimates or capital spending input for those funds) and because the general fund is the largest (\$297.4 million, representing 86.9% of the all funds budget) and its condition and fund balance are a primary focus in fiscal condition analytics employed by rating agencies and others.

The model results for a "baseline" projection are based on the major assumptions described below. Assumptions can be easily changed, and financial analysts from the legislative staff, the executive's offices, and the county comptroller's office are encouraged to experiment. The spreadsheet templates (for all funds) are shared with these offices to facilitate their evaluation and use on the New York State Comptroller's multiyear projection methodology.

## Assumptions

We begin with the assumption that property taxes will remain flat, at the level proposed by the executive for 2020, for the three years of the projection (2021 through 2023). Sales and use tax is projected to grow at 3% per year. The 4-year average is 3.8% and the 10-year is 3.1% (including fallout from the housing market crash); 3% is therefore a relatively conservative estimate. Intergovernmental charges are held roughly constant at the reduced level anticipated in the executive budget, owing to the falloff in jail revenues. Other sources are also held constant: use of money and property, fines and forfeitures, sale of property, compensation for loss miscellaneous local sources, and interfund revenues. State and federal aid is simply held at roughly current levels; if new trends are discernable, these assumptions are easy enough to change.

For expenditures, we are assuming constant staffing from the executive budget level, and increasing costs for personal service by 3% annually in each of the projection years. This is intended to both cover COLAs (assumed to be 2%, the modal negotiated increase in the current period), and also the effect of performance advances, longevity increases, position upgrades, etc. Employee benefits are increased at 2%; growth since 2016 has been very low—1.15% average annual—whereas for the budget year it is 3.8%. Ideally, a better approach to personal service and benefits could be based on salaries for employees by bargaining unit, and more precise estimates on increases driven other than by COLAs. Employee benefit information as well could be estimated using a more granular approach. For contractual services, we are increasing the overall amount by 1.8% for each year of the projection, which is the average annual increase observed between 2016 and 2020 (budget estimate). This is a large category of expense and could also benefit from a more refined and robust analysis, which county staff may be able to provide.

Lacking any projection for debt service in the capital plan, general fund debt service costs are increased by \$50,000 annually, roughly the increase from 2018 to 2019. Note that the preponderance of debt service costs (\$12.8 million) are in the debt service fund.

Available fund balance calculations flow from the model's projection of either surplus or deficit, as well as current amounts in restricted funds and current encumbrances (which reduce the available fund balance). Lastly, the 2020 budget recommendations for appropriated use of fund balance are held constant over the projection period.

## **Results**

The results of the model show expenditures growing by 2.2% in each of the projection years, with revenues growing by about half that much, between 1.08 and 1.39% overall (Table 9 below and Appendix B). This pattern produces deficits over the three years, rising from \$3.2 million in 2021 to 8.3 million by 2023. These operating deficits reduce the available fund balance each year, going from a level currently above 10% to below 5% of expenditures.

Overall, this is not a bad result, as long term projections often reveal a general pattern of expenditures growing faster than revenues. Each year's annual budget process will consider ways to address gaps, should they appear; this in turn reduces the problem in ensuing years. However, with more refined projections, for personal service, benefits, and a fully costed out capital plan, the projected deficits might worsen. Additionally, if there were a downturn in the economy, and consumer spending plummeted, the results could foreshadow serious difficulties, and give added time to address it. As an example, if the sales tax growth simply stopped (held at the 2020 budget level), operating deficits would be much larger, and the current fund balance would be exhausted by 2023. This scenario highlights how sensitive the county's budgetary situation is to factors beyond its control, such as sales tax growth and increased state mandates. It also demonstrates the importance of preparing ahead for budget contingencies and capital commitments.

**Table 9—Multiyear Financial Projection (2021 - 2023)**

Ulster County - General Fund									
		Adopted Budget	Executive Budget	Projection Years			Projected % Change		
		2019	2020	2021	2022	2023	2021	2022	2023
<b>Revenues</b>									
	Real Property Taxes	56,383,308	56,100,137	56,100,137	56,100,137	56,100,137	0.0%	0.0%	0.0%
	Sales and Use Tax	126,226,458	132,751,423	136,733,966	140,835,985	145,061,064	3.0%	3.0%	3.0%
	Departmental Income	10,388,551	10,319,225	10,319,225	10,319,225	10,319,225	0.0%	0.0%	0.0%
	Intergovernmental Charges	2,451,476	1,492,368	1,500,000	1,500,000	1,500,000	0.5%	0.0%	0.0%
	Use of Money and Property	1,330,470	1,700,789	1,700,000	1,700,000	1,700,000	0.0%	0.0%	0.0%
	Fines and Forfeitures	493,968	548,894	500,000	500,000	500,000	-8.9%	0.0%	0.0%
	Sale of Property/Compensation for Loss	1,390,500	1,130,250	1,300,000	1,300,000	1,300,000	15.0%	0.0%	0.0%
	Miscellaneous Local Sources	402,100	419,400	420,000	420,000	420,000	0.1%	0.0%	0.0%
	Interfund Revenues	1,948,617	2,021,432	2,000,000	2,000,000	2,000,000	-1.1%	0.0%	0.0%
	State Aid	43,643,381	49,628,968	48,000,000	48,000,000	48,000,000	-3.3%	0.0%	0.0%
	Federal Aid	34,679,734	31,263,312	32,000,000	32,000,000	32,000,000	2.4%	0.0%	0.0%
	Use of Fund Balance & Reserves	7,360,561	10,010,242	10,010,242	10,010,242	10,010,242			
	Interfund Transfers	-	-	-	-	-			
	<b>Total Revenues</b>	<b>286,699,124</b>	<b>297,386,440</b>	<b>300,583,570</b>	<b>304,685,589</b>	<b>308,910,668</b>	<b>1.1%</b>	<b>1.4%</b>	<b>1.4%</b>
<b>Expenditures</b>									
	Personal Services	78,452,747	82,591,396	85,069,138	87,621,212	90,249,848	3.0%	3.0%	3.0%
	Equipment and Capital Outlay	2,159,549	2,806,499	2,862,629	2,919,882	2,978,279	2.0%	2.0%	2.0%
	Contractual	158,399,050	162,485,867	165,394,364	168,354,923	171,368,476	1.8%	1.8%	1.8%
	Debt Service (Principal and Interest)	950,000	950,000	1,000,000	1,050,000	1,100,000	5.3%	5.0%	4.8%
	Interfund Transfers	-	-	-	-	-			
	Employee Benefits	46,737,778	48,552,678	49,523,732	50,514,206	51,524,490	2.0%	2.0%	2.0%
	<b>Total Expenditures</b>	<b>286,699,124</b>	<b>297,386,440</b>	<b>303,849,862</b>	<b>310,460,223</b>	<b>317,221,094</b>	<b>2.2%</b>	<b>2.2%</b>	<b>2.2%</b>
<b>Surplus (Deficit)</b>		-	-	(3,266,293)	(5,774,634)	(8,310,426)			
<b>Fund Balance</b>									
	Total Fund Balance, Beg. of Year	57,990,008	57,990,008	57,990,008	54,723,715	48,949,081			
	Total Fund Balance, End of Year	57,990,008	57,990,008	54,723,715	48,949,081	40,638,655			
	Less:								
	Restricted and Assigned	17,013,188	17,013,188	17,013,188	17,013,188	17,013,188			
	Use of Fund Balance	9,431,507	9,431,507	9,431,507	9,431,507	9,431,507			
	<b>Available Fund Balance</b>	<b>31,545,313</b>	<b>31,545,313</b>	<b>28,279,020</b>	<b>23,504,386</b>	<b>14,193,960</b>			
	% of Expenditures	11.0%	10.6%	9.3%	7.2%	4.5%			

# **APPENDICES**



**APPENDIX A—NUMBER OF BENEFITTED EMPLOYEES**

Department/Program	2019 Adopted Budget	2020 Proposed Budget	Employees Added	Employees Removed
Legislative Board	23	23		
Clerk of Legislative Board	10	10		
Court Security	0	0		
District Attorney	37	39	2	
Public Defender	32	39	7	
Medical Examiner	3	3		
County Executive	7	7		
Department of Finance	27	28	1	
Comptroller	8	8		
Budget	3	3		
Purchasing	10	10		
Real Property	5	5		
County Clerk	51	53	2	
County Attorney	14	14		
Personnel	12	13	1	
Board of Elections	12	12		
Public Works Administration	11	11		
Buildings and Grounds	56	57	1	
Central Garage	6	6		
Information Services	28	29	1	
Unallocated Insurance	1	2	1	
Contingent Account	1	0		1
Emergency Communications - E911	27	28	1	
Sheriff	79	81	2	
Probation	59	63	4	
Jail	160	161	1	
Rehabilitation	3	3		
Fire Coordinator	0	0		
Arson Task Force	0	0		
Safety	4	4		
URGENT	3	3		
Department of Health	51	51		
WIC Program	10	10		
Mental Health Administration	11	11		
Mental Health Programs	14	13		1
UCAT	50	60	10	
Off Street Parking	0	0		

Department/Program	2019 Adopted Budget	2020 Proposed Budget	Employees Added	Employees Removed
Tourism	4	4		
Veterans Services	8	7		1
Weights and Measures	2	2		
Office for the Aging	15	16	1	
Parks	0	0		
Youth Programs	1	1		
Planning	11	7		4
Economic Development	0	4	4	
Human Rights	0	1	1	
Environment	4	5	1	
Hospital & Medical Insurance	2	2		
Office of Employment & Training	9	9		
Highway Administration	1	1		
Engineering	5	5		
Maintenance of Roads and Bridges	97	96		1
Machinery	21	21		
Workers' Compensation Administration	2	2		
	<b>1323</b>	<b>1360</b>	<b>45</b>	<b>8</b>

# APPENDIX C--ULSTER COUNTY BUDGET REVIEW

## Four Year Financial Plan, Fiscal Years General Fund

NYS OSC format, minor alterations to accommodate more detail												
	Actual			Adopted Budget	Executive Budget	Projections			Assumptions			
	2016	2017	2018	2019	2020	2021	2022	2023	2021	2022	2023	Description
Revenues												
Real Property Taxes	57,667,989	56,702,311	56,670,752	56,383,308	56,100,137	56,100,137	56,100,137	56,100,137	0.0%	0.0%	0.0%	Freeze
Real Property Taxes	51,619,725	51,419,587	51,046,118	50,943,308	50,665,137	50,665,137	50,665,137	50,665,137	0.0%	0.0%	0.0%	Hold constant
Other Real Property Tax Items	6,048,264	5,282,724	5,624,634	5,440,000	5,435,000	5,435,000	5,435,000	5,435,000	0.0%	0.0%	0.0%	Hold constant
Sales and Use Tax	115,503,609	118,828,943	123,991,301	126,226,458	132,751,423	136,733,966	140,835,985	145,061,064	3.0%	3.0%	3.0%	3% average growth
Departmental Income	10,372,626	10,479,770	10,136,162	10,388,551	10,319,225	10,319,225	10,319,225	10,319,225	0.0%	0.0%	0.0%	Hold constant
Intergovernmental Charges	1,693,433	1,459,609	2,367,475	2,451,476	1,492,368	1,500,000	1,500,000	1,500,000	0.5%	0.0%	0.0%	Rough Assumptions Largely straightlined from 2020
Use of Money and Property	888,529	1,012,101	1,365,373	1,330,470	1,700,789	1,700,000	1,700,000	1,700,000	0.0%	0.0%	0.0%	
Fines and Forfeitures	489,428	442,512	485,298	493,968	548,894	500,000	500,000	500,000	-8.9%	0.0%	0.0%	
Sale of Property and Compensation for Loss	3,864,580	1,957,590	2,714,976	1,390,500	1,130,250	1,300,000	1,300,000	1,300,000	15.0%	0.0%	0.0%	
Miscellaneous Local Sources	692,616	1,320,811	692,518	402,100	419,400	420,000	420,000	420,000	0.1%	0.0%	0.0%	
Interfund Revenues	1,663,990	1,524,593	1,471,059	1,948,617	2,021,432	2,000,000	2,000,000	2,000,000	-1.1%	0.0%	0.0%	Assumes appropriated use of fund balance at 2020 executive budget levels
State Aid	49,079,730	39,664,837	45,173,063	43,643,381	49,628,968	48,000,000	48,000,000	48,000,000	-3.3%	0.0%	0.0%	
Federal Aid	33,309,005	34,562,886	30,666,128	34,679,734	31,263,312	32,000,000	32,000,000	32,000,000	2.4%	0.0%	0.0%	
Proceeds of Obligations	-	-	-	-	-	-	-	-				
Other Financing Sources	-	-	-	7,360,561	10,010,242	10,010,242	10,010,242	10,010,242				
Interfund Transfers	-	-	73,727	-	-	-	-	-				
Other												
Total Revenues and Other Sources	275,225,536	267,955,963	275,807,832	286,699,124	297,386,440	300,583,570	304,685,589	308,910,668	1.1%	1.4%	1.4%	
Expenditures												
Personal Services	70,039,151	71,496,892	74,283,596	78,452,747	82,591,396	85,069,138	87,621,212	90,249,848	3.0%	3.0%	3.0%	2% COLA + 1% general growth
Equipment and Capital Outlay	2,039,182	2,850,212	2,059,032	2,159,549	2,806,499	2,862,629	2,919,882	2,978,279	2.0%	2.0%	2.0%	
Contractual	151,337,131	150,012,657	152,679,787	158,399,050	162,485,867	165,394,364	168,354,923	171,368,476	1.8%	1.8%	1.8%	+\$50K each year
Debt Service (Principal and Interest)	543,225	1,354,765	883,364	950,000	950,000	1,000,000	1,050,000	1,100,000	5.3%	5.0%	4.8%	
Interfund Transfers	-	1,000,000	-	-	-	-	-	-				
Employee Benefits	46,382,819	44,614,766	43,713,286	46,737,778	48,552,678	49,523,732	50,514,206	51,524,490	2.0%	2.0%	2.0%	
Total Expenditures and Other Uses	270,341,508	271,329,293	273,619,065	286,699,124	297,386,440	303,849,862	310,460,223	317,221,094	2.2%	2.2%	2.2%	
Surplus (Deficit)	4,884,027	(3,373,329)	2,188,768	-	-	(3,266,293)	(5,774,634)	(8,310,426)				
Budgetary Reserves												
Fund Equity, Beg. of Year	54,290,541	59,174,568	55,801,240	57,990,008	57,990,008	57,990,008	54,723,715	48,949,081				Nonspendable, restricted and assigned poritions of fund balance based on 2019 estimates from U.C. finance
Fund Equity, End of Year	59,174,568	55,801,240	57,990,008	57,990,008	57,990,008	54,723,715	48,949,081	40,638,655				
Nonspendable	5,941,493	5,942,611	5,910,604	6,035,604	6,035,604	6,035,604	6,035,604	6,035,604				
Restricted	7,296,312	7,271,880	7,558,995	7,358,995	7,358,995	7,358,995	7,358,995	7,358,995				
Assigned to Encumbrances	4,344,669	-	2,365,074	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000				
Assigned for other Purposes	747,681	692,132	618,589	618,589	618,589	618,589	618,589	618,589				
Assigned to Subsequent Years Expenditures*	15,344,341	11,946,784	7,082,711	9,431,507	9,431,507	9,431,507	9,431,507	9,431,507				
Unrestricted/Unassigned Fund Balance	25,500,072	29,947,833	34,454,035	31,545,313	31,545,313	28,279,020	22,504,386	14,193,960				
Unrestricted/Unassigned as % of Expenditures	9.4%	11.0%	12.6%	11.0%	10.6%	9.3%	7.2%	4.5%				

\*GF appropriated use of fund balance in forward  
year; estimates of nondisposable, restricted &  
assigned amounts for 2019 provided by executive

