



Ulster County

Analysis and Review of the 2019 Executive Budget Recommendations

November 2018



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Ulster County Legislature * Ways and Means Committee

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Contents

Introduction	1
Verification.....	2
Ulster County – Diminished Size of Government.....	2
Fund Balance	3
Debt Service	6
The Sales Tax	7
Overview	7
Methodology	7
Sales Tax Projections	12
Internet Sales Tax Collection Unknown.....	12
Other Local Source Revenues.....	12
County Clerk.....	13
Jail.....	14
Local Levies for General Use.....	14
Real Property Related Items	15
Gaming Revenues.....	15
Hotel/Motel Tax.....	15
Shared Services	16
State and Federal Aid.....	16
Public Defender.....	17
County Attorney.....	18
Emergency Communication.....	18
UCAT Bus Service.....	18
Public Health.....	18
Social Services	19
Aging	20
Probation.....	20
Job Training.....	20
Environmental Protection	21
Tax Stabilization Fund.....	21
The Property Tax.....	21
Spending.....	23
Selected Countywide Expenditures	24
Salaries and Wages	24

Employees.....	25
Overtime.....	26
Health Insurance.....	30
Employee Retirement Benefits	30
Selected Utility Costs.....	31
Tax Expenditures and the Budget	33
Community College Chargebacks	33
New initiatives	33
Appendix A: Expenditure Patterns and Trends.....	35
Appendix B: Form of the County Budget.....	38
Types of Municipal Budgets	39
The County’s Line-Item Budget	40
Alternatives to the Line-Item Budget Format	41
Program-Based Budgets	41
The Performance-Based Budget (PBB)	42
GFOA Recommended Best Practices in Budgeting.....	43
Ulster County Budget as Financial Forecast and Plan.....	44
Ulster County Budget as a Financial Policy Document.....	45
Ulster County Budget as Management Tool and Operations Guide	46
Ulster County Budget as Communication Device	47
Conclusion	48
Recommendation.....	48

Introduction

The Benjamin Center at SUNY New Paltz presents this review of the County Executives' proposed budget for 2019 to the Ulster County Legislature in accord with its obligation under Contract 2018-00000444. It provides an analytic overview of this budget, a consideration of significant changes in revenue and expenditure estimates, and a review of the form of the budget. Additionally it considers the budget presentation with respect to professional best practice in budgeting and generally accepted accounting principles.

For comparative purposes the proposed 2019 Ulster County budget is examined in this report with reference to earlier adopted Ulster County budgets archived on the county website. Additionally, five New York counties were selected for within-year and longitudinal comparative analysis: Dutchess, Rensselaer, Chautauqua, Schenectady, and Oneida.

Though considerably larger in population and size of budget, Dutchess is a sister-county with which Ulster is commonly compared by media, citizens, and elected officials in the Hudson Valley region. The other four governments were selected because of their relative similarity to Ulster in population size and geographic expanse. All are charter counties. Four of the five have an elected executive; Schenectady has a county manager. Additionally, each has at least one city. The number of towns in Chautauqua (27), Dutchess (20) and Oneida (26) is similar to that in Ulster (20). Rensselaer County has fourteen towns, Schenectady five. With regard to villages, Ulster has three. This compares to three for Schenectady and six for Rensselaer, but a larger number for Chautauqua (sixteen), Dutchess (eight), and Oneida (seventeen).

In addition to county budgets and audited financial statements, to assure consistent comparability, financial statistics regarding Ulster County and jurisdictions used for this report were obtained from the New York State Comptroller. These may be found here:

https://www.osc.state.ny.us/localgov/datanstat/findata/index_choice.htm

Under powers provided in the New York State constitution the Comptroller specifies the form of local government accounts in New York and audits and oversees their financial practices. The most recent available comparative data available from the State Comptroller is for 2017. Though earlier available data from this source dates to 1996, the base year for materials from this source used in this report is 2010. Secondary sources and state government reports were consulted as necessary and possible to inform this report. Additionally we consulted materials prepared and published by county departments and agencies, and previous Benjamin Center work on Ulster County.

Benjamin Center researchers consulted regularly with the county legislature's leadership, and most particularly the Way and Means Chairman, Richard A. Gerentine, during the course of the development of this report. Guidance regarding focus was sought from members of the Ways and Means Committee. Liaison with the legislature, the committee and county's executive leadership was through the legislature's Fiscal Analyst Amber Feaster. This report could not have been prepared without the energetic, informed professional support of Ms. Feaster. We are appreciative of the responsiveness of Ulster County Commissioner of Finance Burt Gulnick and his staff in responding to queries and making available the data necessary to prepare this report.

The Benjamin Center is grateful for the opportunity to support and inform the work of the Ulster County Legislature.

Verification

To verify the integrity (completeness) of the budget, we traced the most recent actual amounts reported (2017) in the 2019 executive budget book to the county's audited 2017 financial statements. We found that they agreed. This assures us that there are no omissions or differences in fund classifications or 2017 actuals versus the audited financials.

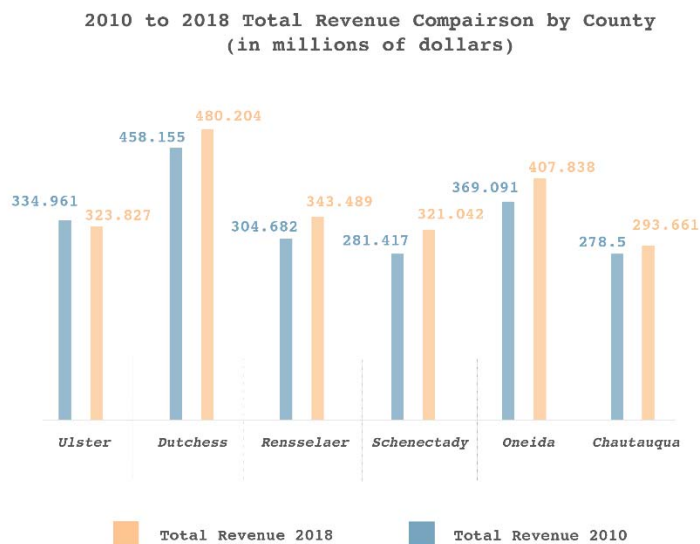
Ulster County – Diminished Size of Government

Ulster County's total projected revenues for 2019 are \$328.9 million. County revenues ten years ago, in 2010, totaled \$335 million. That is, in nominal dollars (not adjusted for inflation) the County government today costs \$6.1 million (1.8%) **less** this year than it did a decade ago.

Looked at differently, if no changes were made in the range and scope of county services and how they were delivered, Ulster County government in the current year would have cost \$385.4 million to run in 2010 dollars. As noted, budgeted revenue is \$328.9 million. The difference in constant (2010) dollars is substantial: \$56.6 million (15.8%).

The county adopted an executive form of government in 2006, which was implemented in 2009. This budget outcome was the result of major administrative and policy choices made or recommended by the County Executive year after year, and adopted by the County Legislature. As noted, four counties similar

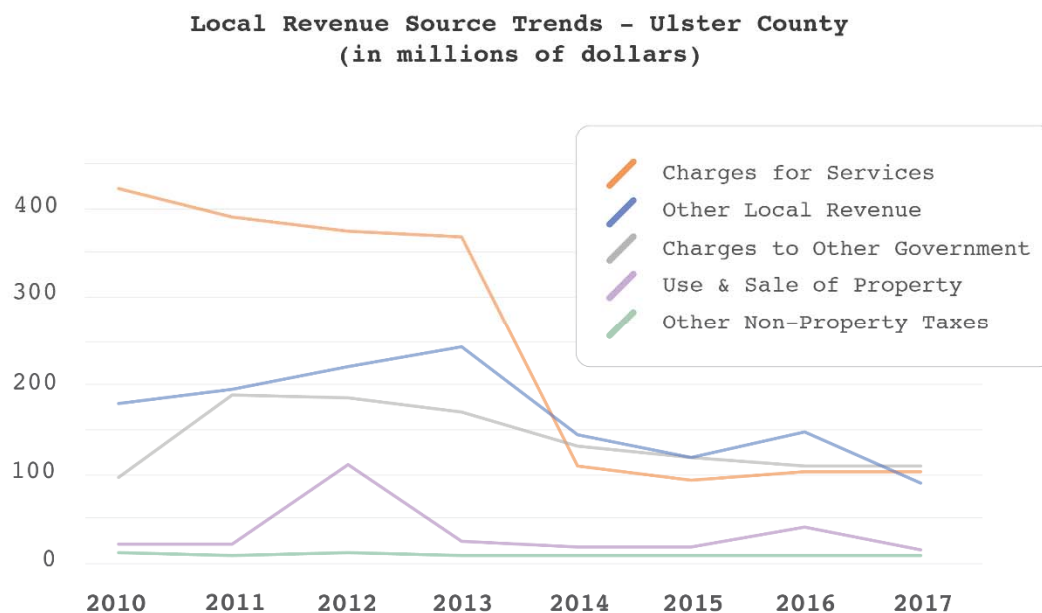
Figure 1



in population size, geographic expanse, size of budget and form of government were chosen for comparative purposes for this report: Rensselaer, Chautauqua, Schenectady and Oneida. Though it is more populous than Ulster and has a bigger budget, Dutchess was added to this group because of its proximity and familiarity to county residents and leaders. The budgets of all of these **grew** not only inflation adjusted but current dollars between 2010 and 2018. (Figure 1)

Data from the New York State Comptroller, available through 2017 and organized in categories of revenues, dramatically demonstrates the effects of this downsizing, which included selling the county nursing center and contracting for mental health services rather than delivering them through a county department. Most dramatically, charges for services dropped from \$42.4 million in 2010 to 10.5 million in 2017.

Figure 2



Fund Balance

The County Executive proposes appropriation of \$8.73 million from the fund balance. This comprises 2.67% of revenues for 2019. In 2018, \$12.75 million was budgeted to be appropriated from the fund balance. This continues a trend of diminished reliance upon this revenue source, notwithstanding a pattern of regular year to year increases in the size of the fund balance. (Though note that the level of the fund balance in **Figure 3** for 2018 and 2019 reflects an unaudited estimate by the county.) This growth means, in effect, that the County more than replaced its fund balance appropriation with savings from current operations in 2017, expects to do so in 2018, and did so in each recent preceding year.

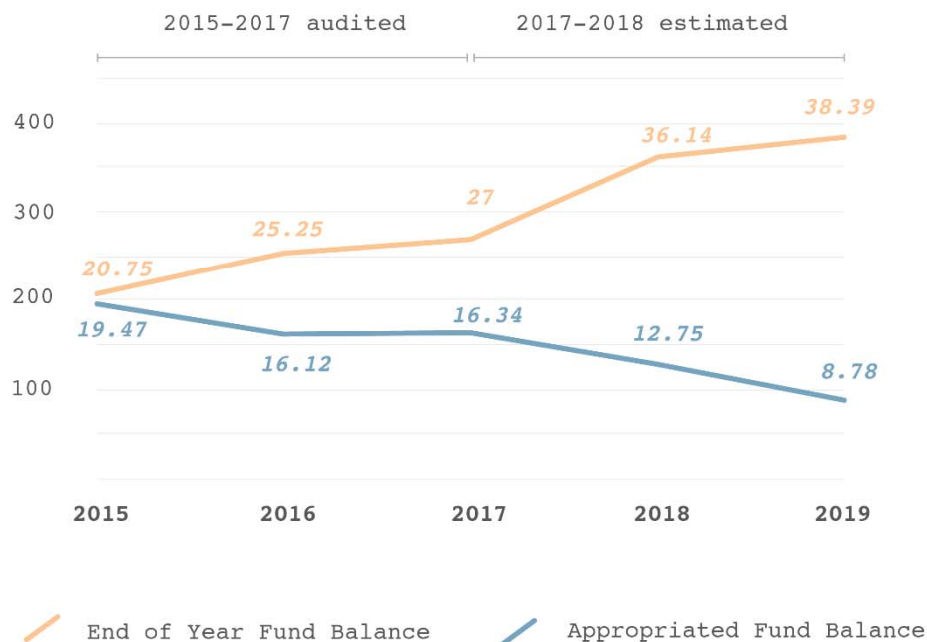
Fund balance growth arises when appropriated funds are left unspent and/or when revenues exceed expectations. The pattern shifts from year to year. In 2017, the last year from which complete audited data is available, Ulster County spent \$5,613,350.84 less than appropriated on personnel costs and \$6,563,575.23 less on non-personnel costs, for a total of 12,176,926.07. This was 3.8% of the annual budget in that year. In contrast, in the previous year, spending on personnel exceeded appropriations by

less than a million dollars (\$712,000) while savings of \$16,525,908 against budget in non-personnel costs were realized.

All budgets are informed estimates. Fully funding budgets is best practice. Attrition in the workforce creates transitional savings in personnel lines. Circumstances may arise that cause planned spending to be unwise, or unnecessary. Specific estimated spending requirements may be inaccurately projected.

Figure 3

Ulster County Appropriated and End of Year Fund Balance



Moreover, budgeting is dynamic; each year's estimates are considered and adjusted, in a changing environment, in reaction to shortfalls and higher numbers than planned. On the personnel side, we identified eleven units or departments that had significantly higher estimates against actual spending in both 2016 and 2017. (**Table 1**) The total for 2017 was \$2,468,536, or 45.7% of savings in personnel lines for the year. For 2016 the total was \$2,368,243; much of this was offset by spending above budget in other departments and programs in that year.

On the non-personnel side, savings occurred through the budget, with concentration in such functional areas as fees for professional service, fuel and utility costs, building maintenance, road materials and vehicle repair, and deferred equipment purchases. In **Table 1** we specify eleven departments or programs that had significant personnel savings in 2016 and 2017. Note that costs in excess of budgeted elsewhere might offset these savings, as was clearly the case in 2016.

Table 1

Departments with Significant Personnel Savings in both 2016 and 2017

	2017	2018
Assessment	\$ 81,513.00	\$ 42,204.00
Information. Services.	\$ 169,878.00	\$ 305,318.00
Safety Insurance	\$ 97,555.00	\$ 52,780.00
PH admin.	\$ 87,861.00	\$ 131,294.00
PH STD	\$ 28,091.00	\$ 36,514.00
MH Admin.	\$ 185,190.00	\$ 165,821.00
UCAT Bus	\$ 277,232.00	\$ 117,010.00
Med. Asst.	\$ 247,432.00	\$ 697,276.00
Unemployment	\$ 45,196.00	\$ 146,307.00
Road Maint.	\$ 589,652.00	\$ 430,957.00
Road Mat.	\$ 658,936.00	\$ 242,762.00
	\$ 2,468,536.00	\$ 2,368,243.00
Total Reported	\$ 5,614,000.00	\$ 712,000.00

The county has adopted a fund balance policy. 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 with the succeeding year.”¹ Ten percent of general fund spending for 2019 is \$32.8 million. 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.”² In assessing fiscal stress, the New York State Comptroller gives its highest score to municipalities with fund balances greater than or equal to 20% of the previous fiscal year’s general fund total.

County policy also requires that “An unrestricted fund balance below the minimum should be replenished with the succeeding year.” Accordingly, the county 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. However, there is no formal written policy concerning reporting to the legislature annually on the methods used to maintain the fund balance, or its condition relative to policy requirements. In the past, the county has included a fund balance report in its budget presentation.³ Resumption of required annual reporting is recommended.

¹ Adopted by the county legislature by Resolution 36 of 2013.

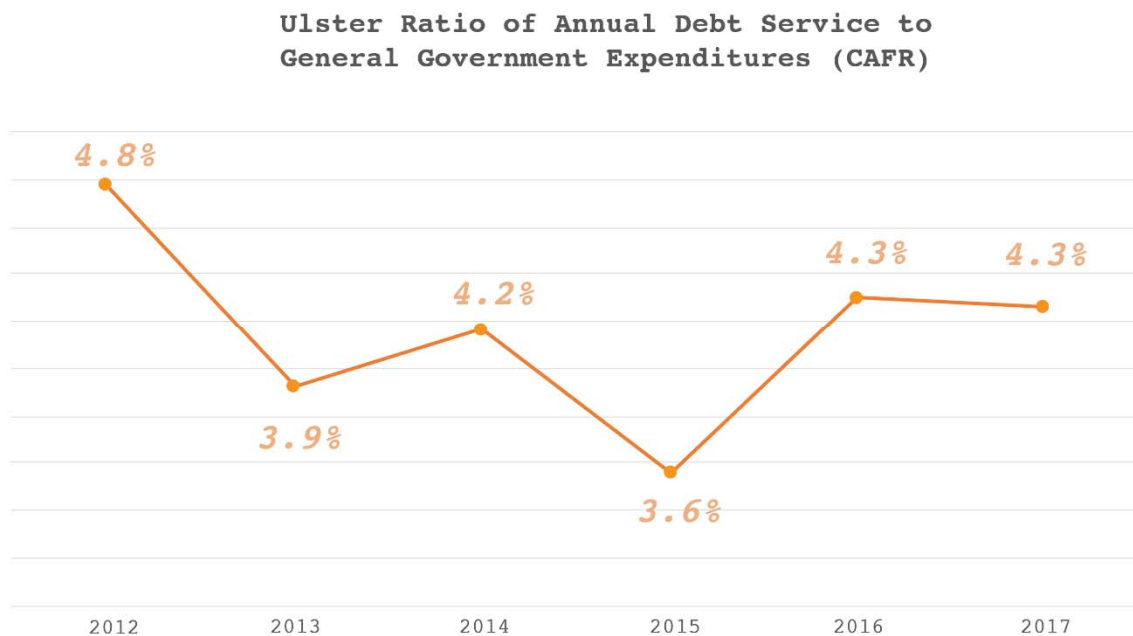
² <http://www.gfoa.org/fund-balance-guidelines-general-fund>

³ https://ulstercountyny.gov/sites/default/files/documents/2012_Adopted_Budget.pdf p.3.

Debt Service

Statutory and/or constitutional debt limitations continue to have little effect on Ulster County's borrowing strategy as financing needs are managed in accord with the market's judgment regarding the county's ability to make interest payments and either retire or refinance debt as it matures. Persistent prudent financial management is reflected in the improvement of Ulster's bond rating by Fitch Rating to AA in December of 2017. Debt service required 4.26% of general government expenditures in 2017. For 2019 it is projected to be 3.7%. For 2018 capital outlays were \$25.9 million. Total debt authorized and unissued as of September 2018 is \$98.5 million, including \$15 million Revenue Anticipation Notes and Tax Anticipation Notes of \$20 million. According to the Commissioner of Finance that the County's borrowing rate will be slightly higher in 2019, reflecting changing market conditions. The market increase in rates should be partially offset by the recently higher credit rating enjoyed by the County.

Figure 4



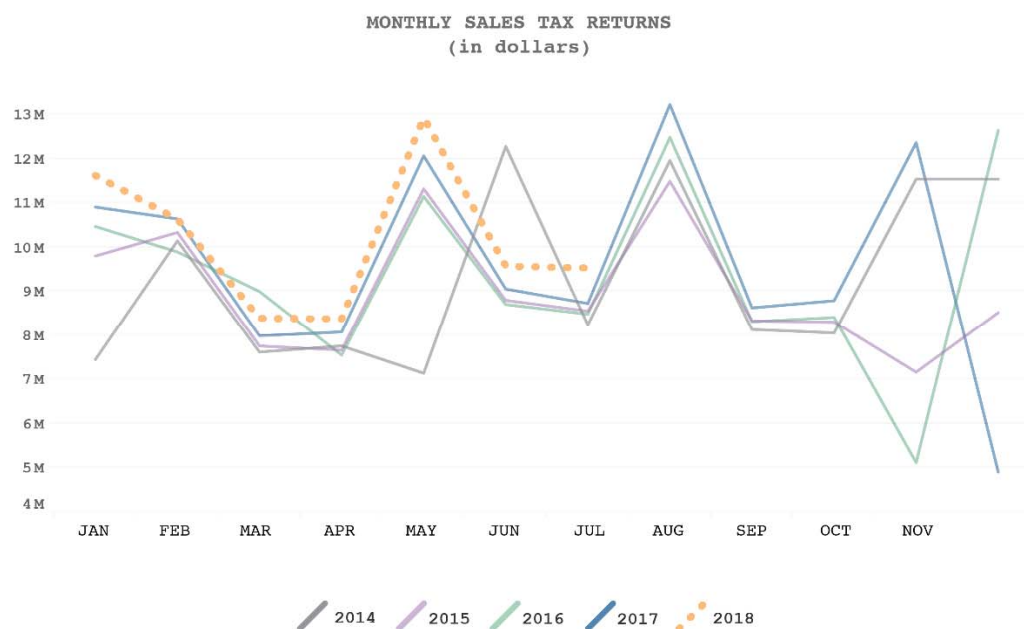
The Sales Tax

Overview

As of 9/21/2018 the sales tax returns for 2018 have exceeded the 2017 returns by an average of 5.3%.

(Figure 4) The 2018 sales tax prediction was 1.9% above the 2017 actual returns. Barring a catastrophic decline in consumer spending in the 2018 holiday season, the 2018 sales tax returns will exceed the prediction by as much as \$3.8 million. The National Retail Federation is projecting a 4.3-4.8% increase in holiday sales this year over last years, and since consumer confidence remains high, a poor holiday season is extremely unlikely.

Figure 5



Methodology

In order to evaluate the 2019 Executive Budget Sales Tax Revenue Estimate, two sets of forecasting models were used. The first is based on the 2017 actual sales tax revenues; and the second on the 2018 YTD Sales tax returns (under the assumption that they will continue to come in 5.3% higher than last year). Each set of projections has eight calculations: a ten- year average annual increase projection, a 2014 to 2017 or 2018 YTD average annual growth projection, a projection based on the rate of increase from August 2017 to August 2018 of US Consumer Spending (2.6%), one based on the New York Governor's statewide sales and use tax estimate (2018: 4.6%, 2019: 5.2%), a polynomial projection, a linear trend projection, a logarithmic projection, and an average of the seven projections previously mentioned. It should be noted that the Sales and Use Tax revenue projection from the New York State Governor's Executive budget is an outlier and is well above the other projections in this analysis. This is in part because the state sales and use taxes includes taxes other than the sales tax. It may also be affected by the inclusion of New York City which has historically seen more growth and had a more vibrant economy than the rest of the state.

Table 2: Sales Tax Revenue Projections Based on 2017 Actuals

	2014	2015	2016	2017	2018	2019
Actual	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913		
Budgeted	\$104,059,402	\$108,002,757	\$109,966,041	\$111,672,331	\$117,631,568	\$122,435,116
10yr Avg. Growth (1.9%)	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$117,531,371	\$119,764,467
2014-2017 Average Growth (3.18%)	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$119,007,722	\$122,792,168
2018 US CS Growth (2.6%)	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$118,338,751	\$120,689,989
2019 Governor's State Estimate (4.6% & 5.2%)	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$120,645,549	\$127,401,700
Polynomial	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$118,881,819	\$122,242,600
Linear	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$119,098,220	\$122,718,680
Logarithmic	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$116,258,553	\$117,648,237
Average	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$118,570,539	\$121,893,977

Figure 6

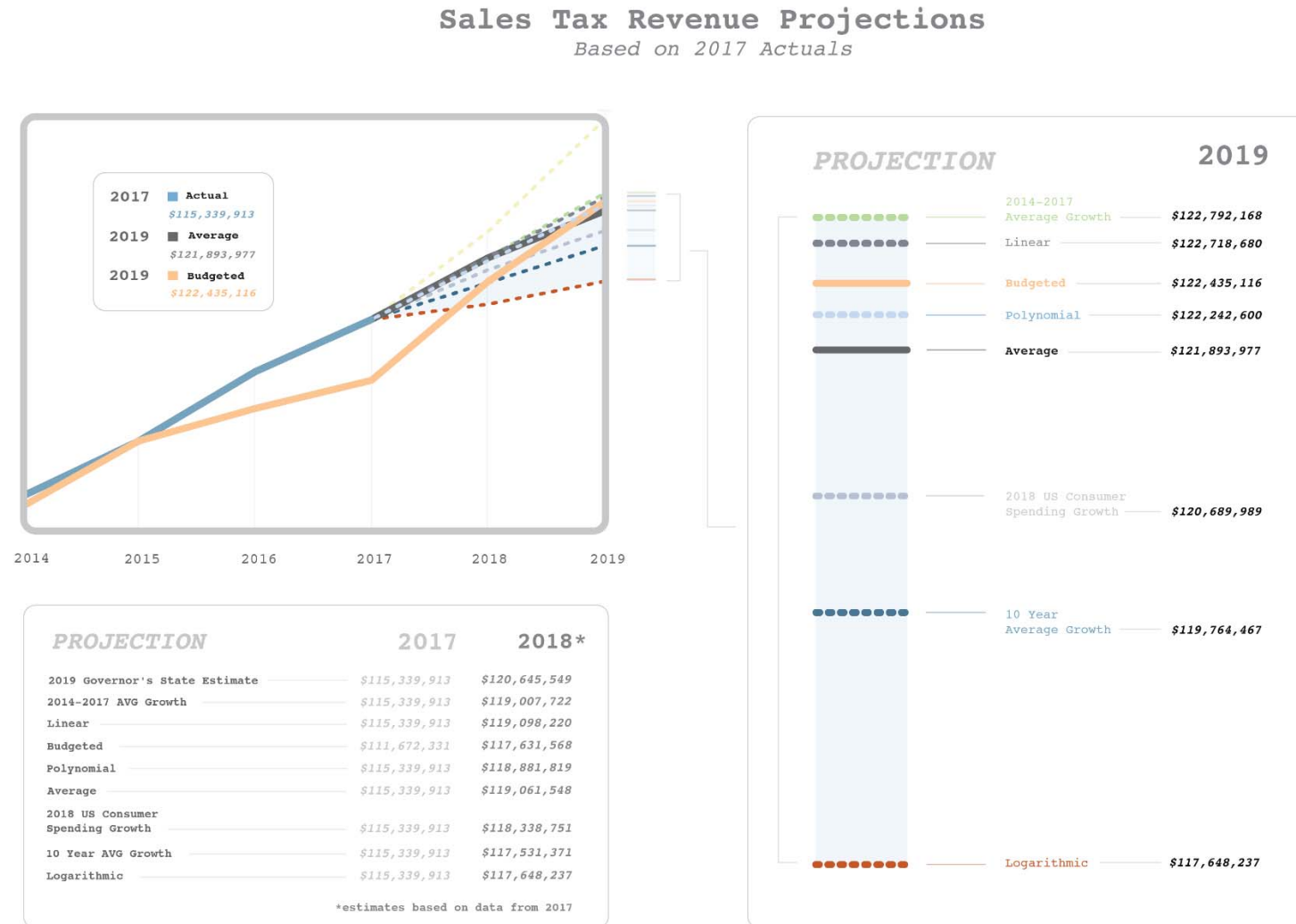
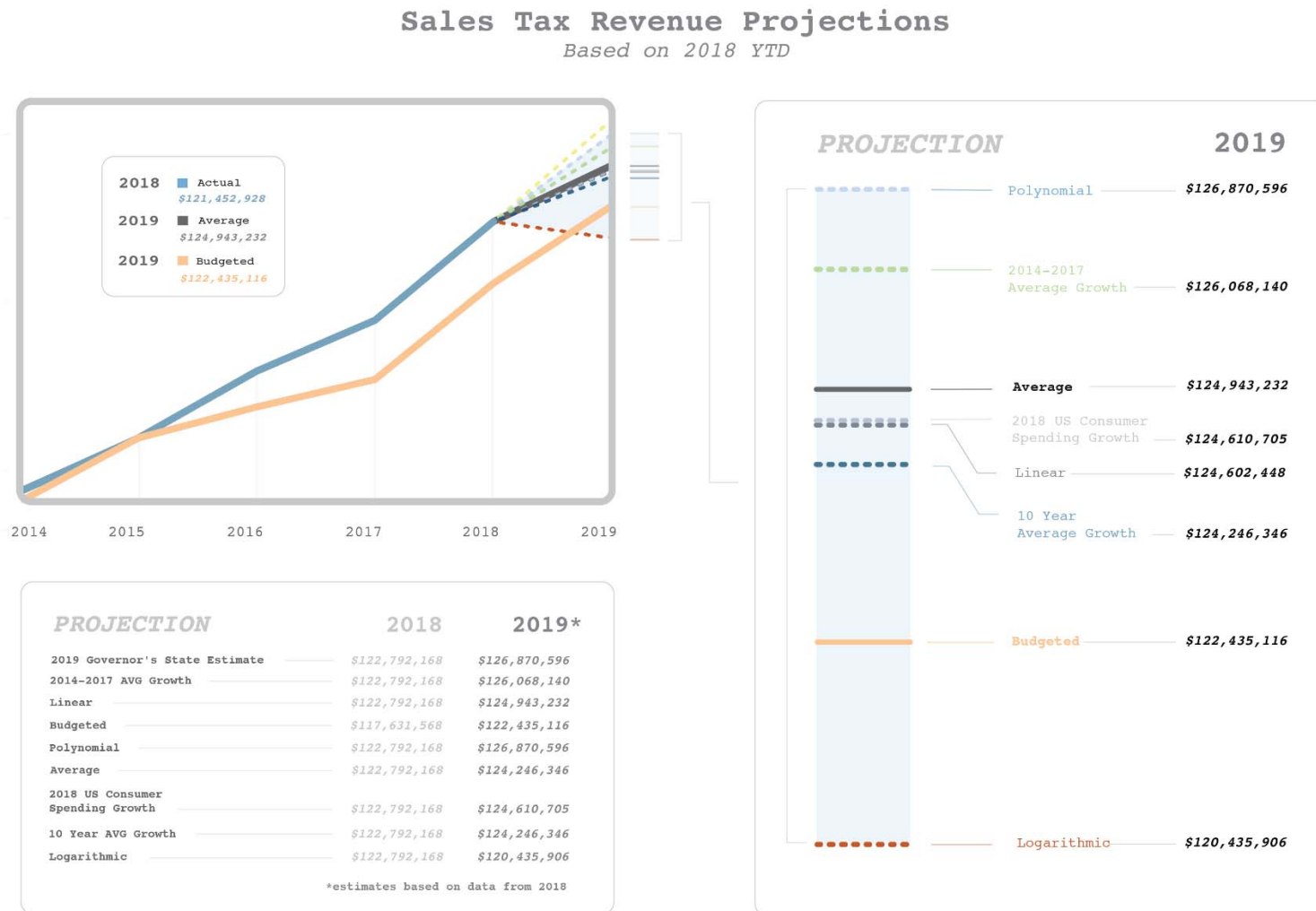


Table 3: Sales Tax Revenue Projections Based on 2018 YTD Assumptions

	2014	2015	2016	2017	2018	2019
Actual	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$121,452,928	
Budgeted	\$104,059,402	\$108,002,757	\$109,966,041	\$111,672,331	\$117,631,568	\$122,435,116
10yr Average growth (2.3%)	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$121,452,928	\$124,246,346
2014-2017 Average Growth (3.8%)	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$121,452,928	\$126,068,140
2018 US CS Growth (2.6%)	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$121,452,928	\$124,610,705
2019 Governor's State Estimate (5.2%)	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$121,452,928	\$127,768,481
Polynomial	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$121,452,928	\$126,870,596
Linear	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$121,452,928	\$124,602,448
Logarithmic	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$121,452,928	\$120,435,906
Average	\$104,667,661	\$107,996,420	\$112,184,274	\$115,339,913	\$121,452,928	\$124,943,232

Figure 7



Sales Tax Projections

The sales tax revenue prediction in the 2019 proposed executive budget falls within the predicted range in both sets of projections. If the 2018 YTD data is not used, then the 2019 proposed budgeted sales tax revenues are toward the top of the range of projections. If the 2018 YTD returns are used (under the assumption that they will continue to come in 5.3% over 2017 for the rest of 2018), then the proposed budgeted sales tax revenues are toward the bottom of the range of projections. This indicates that the revenue projection is prudent.

Looking forward to 2019, the growth rate of real disposable income has slowed and job growth has slowed as well. Additionally there has been a precipitous drop in the personal savings rate since the beginning of 2018.⁴ Consumer confidence remains strong. The Federal Reserve has hiked interest rates 3 times in 2018 in order to cool the economy. As the Prime Rate rises, the availability of consumer credit tightens. This paints the picture of a tightening economy, and ultimately slowing growth of consumer spending. The Congressional Budget Office predicts a 2.4% increase in the Gross Domestic Product for 2019 as well as a 0.7% decrease in the real GDP as fiscal stimulus phases out. Taking this in to account, it is reasonable to expect that: the 2018 sales tax revenues will come in around \$120 million and the slowing U.S. economy in 2019 will slow the growth of consumer spending in Ulster County, resulting in roughly \$124 million in sales tax revenues. The \$122,435,116 prediction in the Executive Budget, while on the conservative side, is reasonable.

Internet Sales Tax Collection Unknown

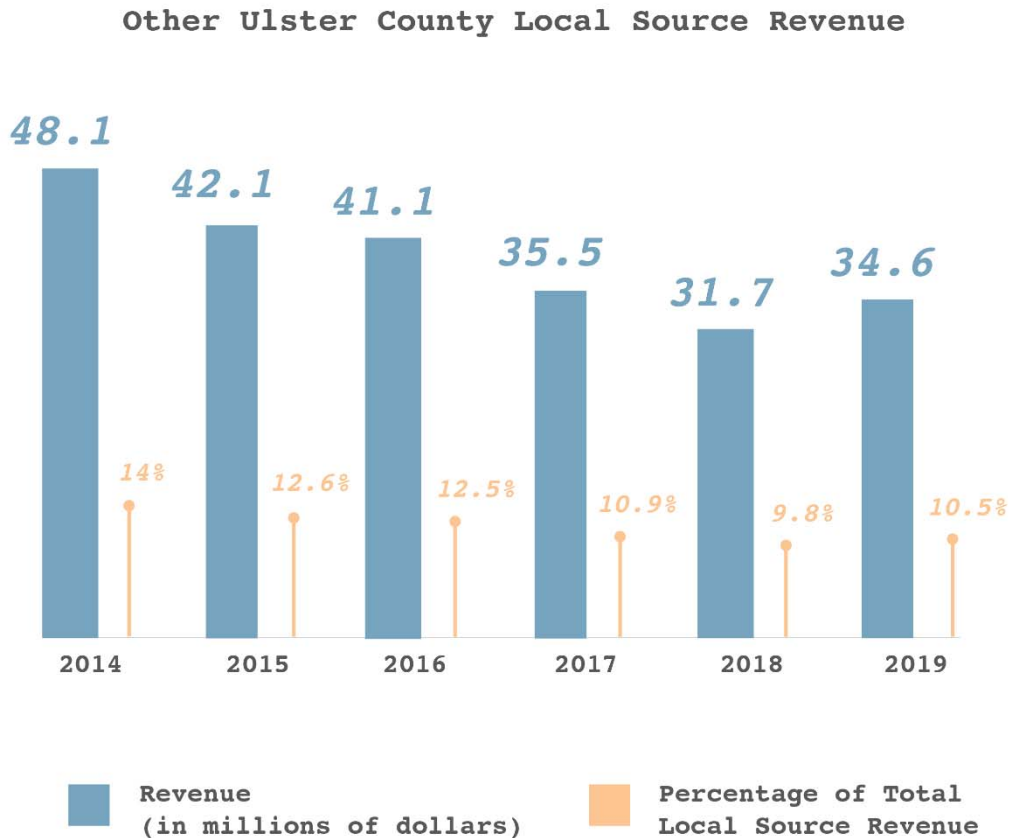
One final element of the sales tax revenue that is unknown is the effect of the Supreme Court's decision in *South Dakota vs. Wayfair*. In this case, recognizing the growing importance of e-commerce, the court removed the requirement that a company have a physical location in a state for its internet sales to be taxed in that state. This opens the doors to state legislation to charge sales tax on all internet purchases. The Government Accountability Office (GAO) reports that currently internet sellers collect no more than 14-35% of potential taxes on their sales. If New York State were to enact legislation to collect from remote sellers, the state could collect an additional \$510 to \$880 million annually. Presumably Ulster County would be entitled to its share of that increased revenue. While this possibility should not in any way influence the current budget cycle, it is something that the county should keep their eye on in the upcoming budget year.

Other Local Source Revenues

State law authorizes county government to collect a great variety of taxes, fees, charges and payments in connection with its operations. Optimizing revenues from these other local sources diminishes the need to call upon the real property tax to support delivery of county government services. The executive budget projects a 9.1% increase in revenue from these sources, from a total of \$31.7 million (9.8% of revenues) in the 2018 adopted budget to \$34.6 million (10.5% of revenues) in the proposed 2019 executive budget. This reverses a decline in the level and percentage of other source revenue in recent years.

⁴ Source: Federal Reserve Bank of St. Louis: Real Disposable Personal Income

Figure 8



Many of these revenues are specific to departmental operations, collected with regularity in connection with service delivery, and are therefore reasonably predictable. For some departments, or programs within departments, fees and charges cover most operating costs.

County Clerk

In the County Clerk's office, for example, fees for driver licenses, vehicle registration, and recording legal documents exceed the costs of delivering these functions and help cover the expense of agency administration and the records management function. In 2019, that agency's revenues are budgeted to cover almost two-thirds (65.2%) percent of its costs. Budget history shows that the County Clerk exercises strong spending discipline, but revenues are constrained by state specified fees and rates. This coverage percentage is down slightly from previous years.

Table 4: County Clerk Revenues Cover Most Expenses

	2016	2017	2018	2019
Expenditures				
Admin.	1.68	1.63	1.79	1.81
Recording	0.86	0.84	0.87	0.92
Motor Vehicles	0.78	0.78	0.87	0.91
Records Mgt.	0.61	0.62	0.7	0.73
Total	3.93	3.87	4.23	4.37
Revenues				
Admin.	0	0	0	0
Recording	1.8	1.8	1.8	1.8
Motor Vehicles	0.86	0.98	0.95	1
Records Mgt.	0.05	0.04	0.06	0.05
Total	2.71	2.82	2.81	2.85
Net	1.22	1.05	1.42	1.52
Percent Covered	69.0%	72.9%	66.4%	65.2%

Jail

Others of these departmental revenue sources are more variable, linked, for example, to unique opportunities or altered economic conditions. This year's county jail budget offers an example. The county projects an increase in jail revenue in 2019 of \$942,900, largely as a result of a contract to board in prisoners from Greene County while a new jail is being constructed there. Total Ulster County jail operating costs budgeted for 2018 were \$22,137,195. These were offset by expected revenues of \$313,600. This meant that \$21,987,395 of local revenue was needed to support this function. This is almost exactly the amount proposed in the Executive Budget for running the jail in 2019 (\$21,987,882), reflecting a budget cut of \$149,313, mostly in personnel costs. With a total offset of \$1,140,000 in projected revenues, the result is a net local resource requirement of \$20,847,883. This combination of cuts and new departmental revenue provides \$1,139,512 property tax savings, equivalent to 1.5% of the proposed property tax levy.

Local Levies for General Use

Others of these additional local revenue sources are not department specific, but are available to support general government operations. We considered the 2019 executive budget to identify and highlight areas where there appear to be change worthy of note, or consideration:

Real Property Related Items

The county projects an increase from 800,000 to 900,000 in proceeds from the sale of properties acquired from taxes, but a decrease from 4,650,000 to 4,275,000 in interests and penalties from property taxes in arrears.

Gaming Revenues

The Upstate New York Gaming Economic Development Act of 2013 (UNYGEDA) authorized the establishment of four destination resort casinos in New York State; the local share of resulting governmental revenue was designated for education and real property tax relief. Because it is within a region with a destination gaming resort, Ulster is one of twenty-two counties that receives a portion of this revenue determined on the basis of a population-driven formula.⁵

Budgeting conservatively relative to state Division of Budget (DOB) guidelines, Ulster County anticipated \$1.5 million in receipts from this source for 2018. As of October 25, 2018 actual reported receipts were \$270,404.22.

In August of 2018, Resort World reported a \$37 million quarterly loss for its casino operation in Sullivan County. This followed a \$22.4 million loss in the second quarter. Revenues are improving slightly but lag behind other casinos in the state, which themselves are underperforming. New York has not yet acted in response to a recent Supreme Court ruling permitting sports betting. The company anticipates improvement with the further development of its facilities but acknowledges that its capacity to meet its debt obligations for this project is in question. Its credit rating has been downgraded by Moody's Investor Service.⁶

Based upon annualizing this year's revenues, the county estimates \$625,000 in gaming revenues for the coming year. However, the state Gaming Commission reported providing a total of \$374,111 in gaming revenues to Ulster County for the six months between April and September of 2018, with the monthly amount trending upward. Averaged and annualized, project annual revenue based upon these figures would be \$748,000.

Hotel/Motel Tax

In January of 2005 Ulster County re-imposed a two percent tax on hotel and motel rooms, first enacted in 1991.⁷ Additionally, earlier this year, in August, the county began to administer a tax on rooms rented for short terms through Airbnb and other similar services. Beginning in August of 2008, the Finance Director identified and contacted about 1,100 short term renters about their tax obligation to the county; in October he estimated that \$40G had thus far been generated from this source.

The hotel and motel occupancy tax yielded \$1,530,160 in 2017, and was budgeted at \$1,415,000 this year. Collections to date have been \$1,276,148. \$1.675 million, an increase of 16.6%, is budgeted for this revenue source for 2019, based largely on growth in hotel- and motel-based revenues. Estimates of potential revenue from a county occupancy tax on short term home room rentals varied when it was enacted. One, based upon data obtained from Airbnb in 2017, exceeded \$300,000 per year. In appears,

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

⁶ <https://www.recordonline.com/news/20180810/sullivan-casino-owner-reports-37m-quarterly-loss> .
https://www.moodys.com/research/Moodys-downgrades-Montreign-Operating-Company-LLCs-CFR-to-Caa3-negative--PR_388637

⁷ Local Law Number 5 of 1991.

§C-33 Departmental, agency, office or unit estimates.

based upon available information, that estimates of income from the county Hotel Motel tax might be prudently increased by \$50,000 - \$100,000.

Shared Services

In accord with the requirements of state law, in September of 2017 Ulster County proposed \$1.7 million in savings to the county and its constituent municipalities in both 2018 and 2019 from potential shared services, including a unified UCAT/City of Kingston Transit system advanced in the 2019 proposed executive budget. Certified savings from shared services eligible for state matching funds. It does not appear that the county anticipates any revenues from this source for 2019.

State and Federal Aid

Revenue from state aid is budgeted at \$47.6 million in 2019. This is 14.5% percent of county revenues, an increase of \$1.7 million (3.6%) from the level budgeted for 2018. State aid has recently been a relatively consistent portion of county revenues, at a level higher than earlier in the decade. **(Figure 8)** Federal aid of \$37.5 million is expected, an amount unchanged from that budgeted for the current year. This comprises 10.9% of propose 2019 budget. Federal aid has been a declining portion of total county revenues over the last three years.

Ulster County's local revenues are a lesser proportion, and state and federal revenues therefore a greater proportion, of total revenues than those of three of the five counties considered for this report for comparative purposes. **(Figure 9)** That is, county government in Ulster is paid for to a greater degree from resources generated from outside the county than in Rensselaer, Chautauqua and Schenectady counties.

Figure 9

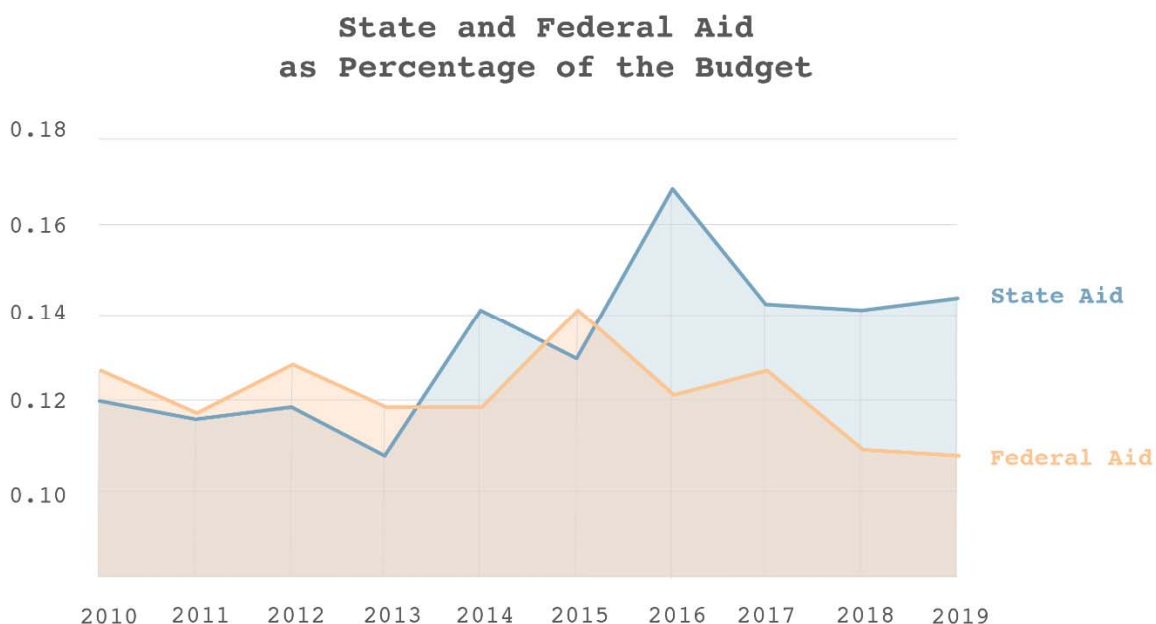
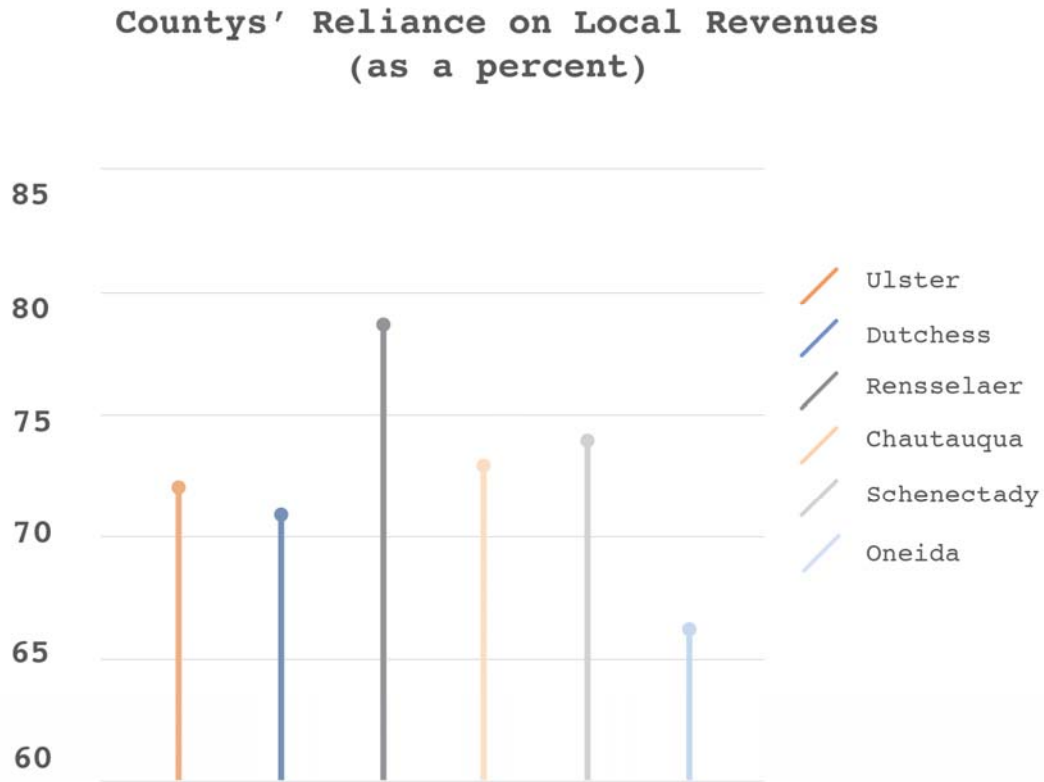


Figure 10



Significant budgetary changes in state and federal aid were identified in several departments. In general, they reflect an expected reduction in federal aid for many social programs. County budgeting clearly prioritizes avoidance of local share increases that might impact the property tax. The current form of the budget does not provide a means of determining the potential impact of cuts on service levels. Additionally, the county's budgeting of new or growing fully state funded programs allows it to selectively cut demands on local resources.

Public Defender

State aid to the public defender's office increased by \$177,836 in connection with implementing a fully state-funded program to effect compliance with a court decision requiring more effective representation of indigent defendants at all stages of litigation (Hurrell-Harring). Among the county's stated objectives are to lower caseloads, develop a conflict defender office, and phase out the assigned counsel program. Concomitant with its final objective, there is a proposed reduction in contractual services in the agency budget of \$202,467. The total budget for the public defender's office in 2018 was \$2,591,542; this year \$2,944,694 is proposed. But as a result of selected cuts and increased state aid, the amount funded from local resources is reduced by \$443,374.

County Attorney

The county attorney is scheduled to receive an additional \$130,150 in state aid to for personnel and other costs for the Raise the Age program.

Emergency Communication

The amount of federal support for emergency communication diminished by \$119,125 from \$373,247 to \$254,122. This is to be partly offset by a proposed increase of the emergency telephone system surcharge of \$85,000.

UCAT Bus Service

The proposed 2019 budget for UCAT Bus services reflects a decrease of \$178,430, from \$5,166,434 to \$4,988,004, largely resulting from planned reductions in maintenance costs and contractual expenses. State aid is expected to rise by \$184,436 and federal aid by \$14,622. In net terms, the program shows a reduction of \$286,483 in its requirement for support from local resources. The separately budgeted Regional Links Program shows a small cost increase of \$11,110 and expected decrease in state aid of \$100,000. Thus the local cost for this program will rise by \$42,938.

Public Health

The assessment of grant funding for public health is challenging because of the large number and diversity of programs and the great disparity between spending and revenues in some program budgets. In net terms, as shown in **Table 5**, Federal aid for public health is level compared to that for 2018, while proposed state aid is expected to increase by a total of \$90,541, though it is expected to fall in five program areas. Overall increases in state aid are expected to cover 30% of the annual increases in department's expenses. (Note that this analysis does not include departmental revenues from fees or charges in some programs)

Table 5: Health Department - Public health

	Total	Total	Change	Fed Aid	Fed Aid	change	state aid	state aid	change
	2018	2019		2018	2019		2018	2019	
Administration	2370952	2271798	-99154				315189	259579	-55610
Patient Services	952614	971245	18631				210881	253609	42728
TB	13755	13921	166				13921	24002	10081
Health Education	284654	425272	140618				20357	20897	540
Disease Control	13706	13673	-33				351223	357896	6673
Lead	11712	10464	-1248	28663	28663	0	50746	44701	-6045
Lead Prevention	110520	203890	93370				281722	281722	0
Grant	17166	12750	-4416	26462	25988	-474	64785	63625	-1160
ICHAP	254	125	-129						0
PHC	50216	52905	2689	28863	26769	-2094	32973	29427	-3546
Water	243419	252814	9395				376082	394002	17920
Environmental Health	1244259	1306078	61819				152964	141873	-11091
Rabies	63651	63651	0				67625	82916	15291
Environmental Grants	14275	14492	217				63620	63765	145
Preparedness	149523	228502	78979	115472	115472	0	90603	165128	74525
	5540676	5841580	300904	199460	196892	-2568	2092691	2183142	90451

Social Services

“The Safety Net Assistance Program is a State-mandated program that provides assistance to single adults, childless couples and other individuals and families who do not qualify for Family Assistance or other Federally-funded Temporary Assistance programs. New York State Law requires that Safety Net Assistance be funded through a State and a local share. Since 1946, New York State has required towns and cities to fund the local share of the Safety Net Assistance Program, unless the county legislature adopts a resolution directing that all or a part of the cost be charged to the county.”⁸ In 2015 Ulster County fully implemented a \$12 million takeover of the safety net costs from the towns and city.

The administrative budget for the Department of Social Service is slated to increase this year from \$10,120,707 to \$11,530,977, a total of \$1,410,270. State aid for social service administration is projected to rise \$1,268,694, while federal aid is expected to drop \$279,997. Net aid increases of \$988,697 will cover 70% of the projected increase in administrative costs. Note that additional administrative costs for specific social service department programs are shown elsewhere in the department budget, without offsetting revenues budgeted.

The proposed budget for family assistance shows a projected rise of \$200,000 from \$10,650,000 to \$10,850,000. Federal aid is projected to be up from 2018 budgeted levels by \$834,049 and state aid down

⁸ <http://www.hvinsider.com/articles/ulster-county-moving-forward-with-safety-net-takeover/>

by \$229,736 for a net increase of \$608,313. Even with a \$15,000 decline in departmental income, year to year net local costs are therefore projected to drop \$393,928.

A \$3,200,000 budget for the day care block grant is proposed, down from \$3,600,000 budgeted for 2018. Federal and state aid are projected to drop, but, overall, in this program a higher proportion of costs is expected to be realized from federal, state, and departmental income (2018 – 93.4%, 2019 – 98.1%).

The budget for service to participants is down \$150,000 while federal aid is projected to increase by \$126,000. This will leave \$32,611 to be covered from local resources, down \$281,226.

A reduction of \$526,000 in aid for medical assistance is budgeted, a total of \$260,000 each from the state and the federal governments. These reductions are regularly budgeted, and offset elsewhere in the budget. This year a \$600,000 increase in recovered costs from MMIS is budgeted. MMIS is the weekly Medicaid share that the county sends to NYS to cover the county's portion of the Medicaid expenses. For the MMIS program the county has budgeted \$34,898,035 down \$761,025 from \$35,659,830 budgeted for 2018 but approximately equal to actual 2017 spending of \$34,941,569.

Federal aid is scheduled to drop \$244,969 for child care and an additional \$250,000 for pre-school programming. State aid is projected to rise \$99,240 for contractual expenses and \$349,250 for pre-school programming. However state aid will drop \$234,798 for work of the Committee on Special Education. Budgeted amounts for contractual services (\$7,300,000) are below actual expenditures in 2017 (\$7,673,442). Those budgeted for the Committee on Special Education (\$5,150,000) are below actual spending for 2016 and 2017 (\$5,448,815, \$5,454,720). In net terms the Social Service Department's budget for children's service will decline by almost half a million (\$460,815), reflecting an overall drop in state and federal aid of \$306,277 and a reduction of \$154,538 in local share.

Aging

While its budget is proposed to increase by \$69,419, federal aid for the Office for the Aging is expected to increase \$140,647. This will allow the office to accommodate increased personnel costs without requiring significantly increased local taxpayer support.

Probation

In the Probation Department, state aid grew \$69,767 in connection with the health grant and \$665,000 to fund the Raise the Age initiative. Grant funding displaced \$53,681 in costs formerly supported with local resources. A total of \$537,889 is proposed in Raise the Age spending, an increase of \$248,961 over the current year appropriation. Grant funds exceed program appropriation by \$127,304, which may be directed to indirect costs. Overall, despite the growth in the department budget from \$6,679,462 to \$7,300,353, the costs of this program to the county property tax payers dropped by \$67,586.

Job Training

A year to year reduction of \$46,125 in federal aid for job training administration is projected, from \$901,702 to \$855,577. State aid is expected to rise by \$1,757. This program is almost entirely federally funded. The executive proposes to cut its budget by \$53,943. Elsewhere in the budget there are expected state and federal aid increases for job training purposes. \$23,813 and \$57,476. There is an \$84,014 increase proposed here.

Environmental Protection

State aid for the Environmental Department is budgeted to decline by \$35,221. However, because of a reduction in \$237,000 from the projected need for professional services, even with some offsetting increases, the department's budget is projected to decline by \$175,886. Therefore a third (33.6%) of its 2019 budget will require support from local resources, up from just under 29.4% in the 2018 budget year.

Tax Stabilization Fund

According to the state Comptroller, this restricted fund is authorized to finance unanticipated revenue losses of general fund expenditures, or to "lessen or prevent projected increases in excess of 2.5 percent of the real property tax levy." It generally may be used "only upon recommendation of the chief executive officer and a resolution adopted by at least two-thirds of vote of the governing board." A tax stabilization fund in the amount of \$1,500,000 was created in Ulster County in 2014.⁹ According to the county's audited financial statement it held \$2,023,201 in 2017. There is no proposed appropriation to this fund in 2009. The tax stabilization fund might be considered in the context of the size of the general fund balance and its potential use to meet needs that might arise in emergency situations.

The Property Tax

According to the Tax Foundation, New York State on average has the fourth highest property taxes on a per capita basis in the nation. That is why controlling its burden is shared as an objective of elected leaders of both major parties in the county and all across the state. For the counties with which it was compared for this study in 2017, Ulster ranked second lowest in its property tax rate for \$1000 of full value, but fourth of six in its per capita property tax burden. For 2019, the county executive's proposed property tax levy for county purposes is \$76.5 million. If adopted as proposed, this will be the seventh year in a row in which such a reduction has been achieved in the county.

The property tax is a "gap filler." It provides the necessary resources to balance the county budget after all other sources have been estimated and aggregated. Controlling this levy, therefore, requires responsibly maximizing potential income from alternative revenue sources, spending discipline and skilled programmatic and fiscal management.

⁹ Resolution 405 of November 18, 2104

Figure 11

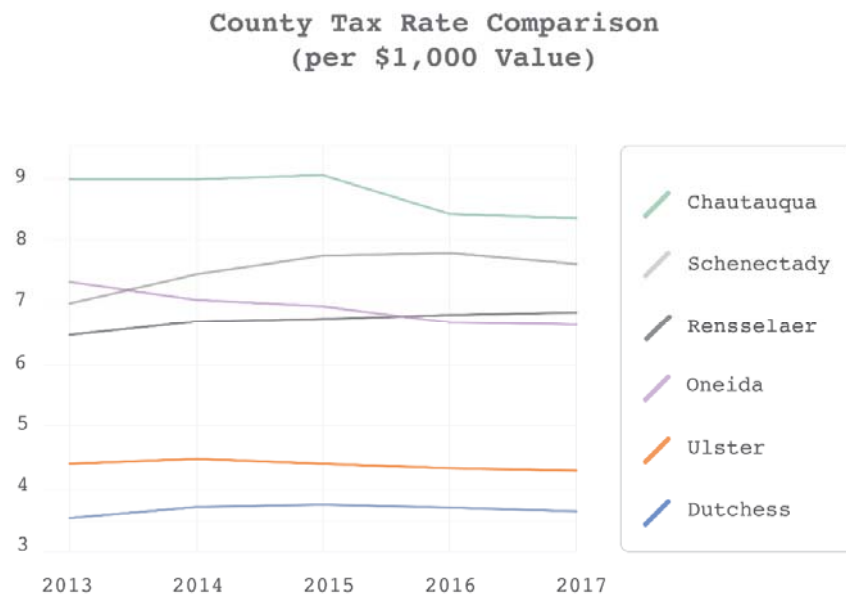
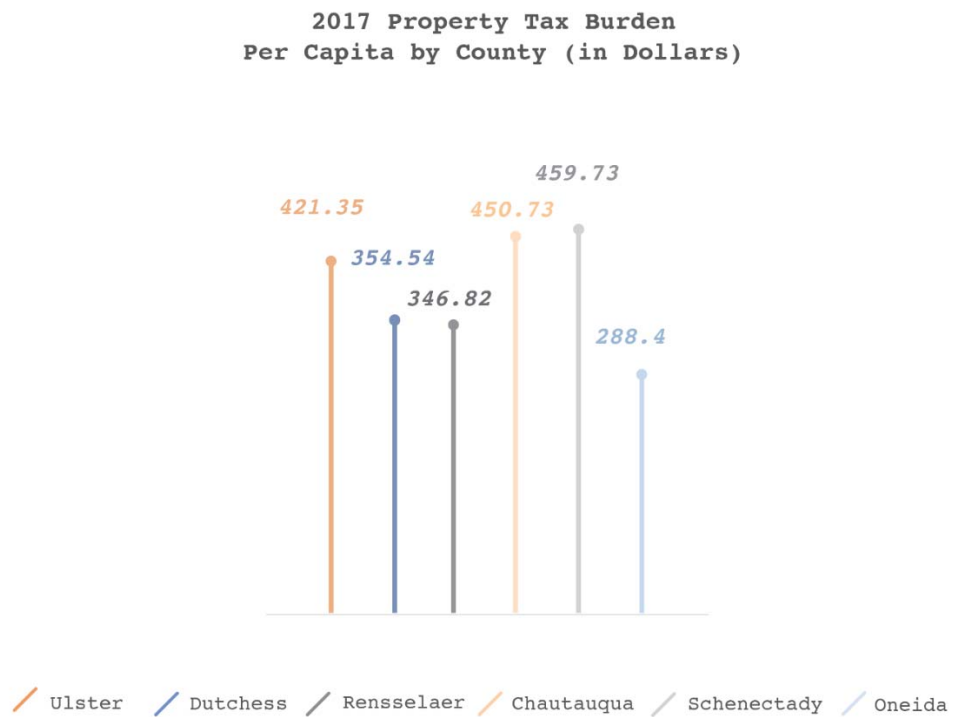


Figure 12



Spending

Ulster County evidences extraordinary spending discipline compared to the other counties considered in this report. As illustrated in **Figures 12 & 13**, since 2014 total spending has declined year- to-year, producing a negative rate of change. Spending relative to revenues is discussed above for many departments and programs that rely heavily on state and/or federal assistance or generate resources in the costs of delivering services. Appendix A visually presents patterns of spending by major area to guide the legislature in deciding specific points of focus it wishes to pursue further.

Figure 13

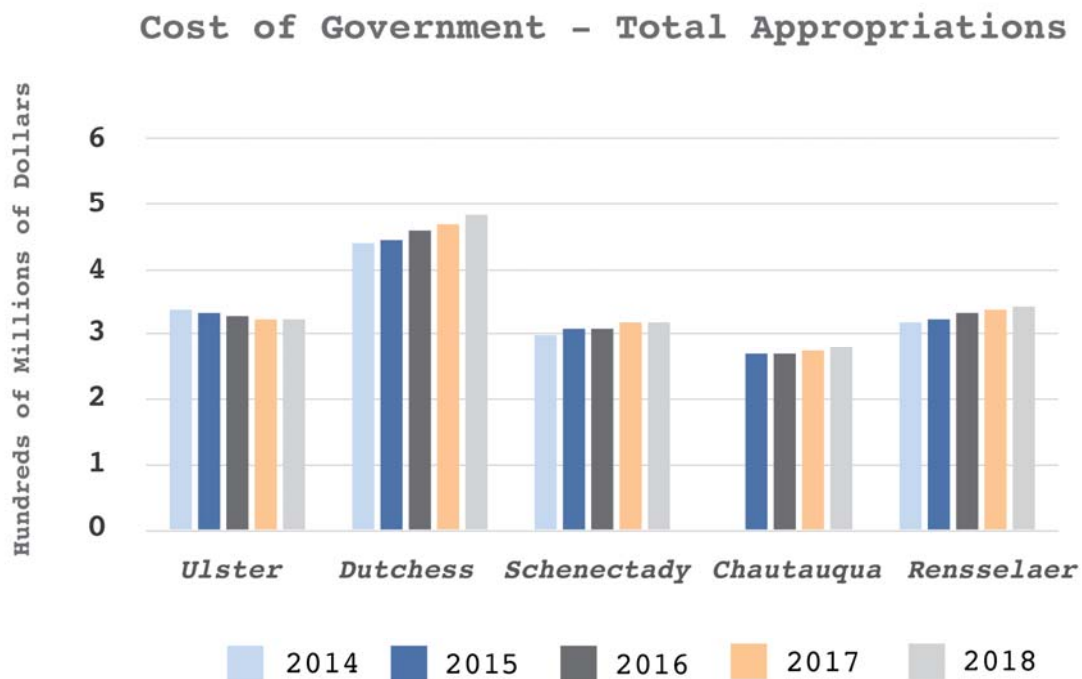
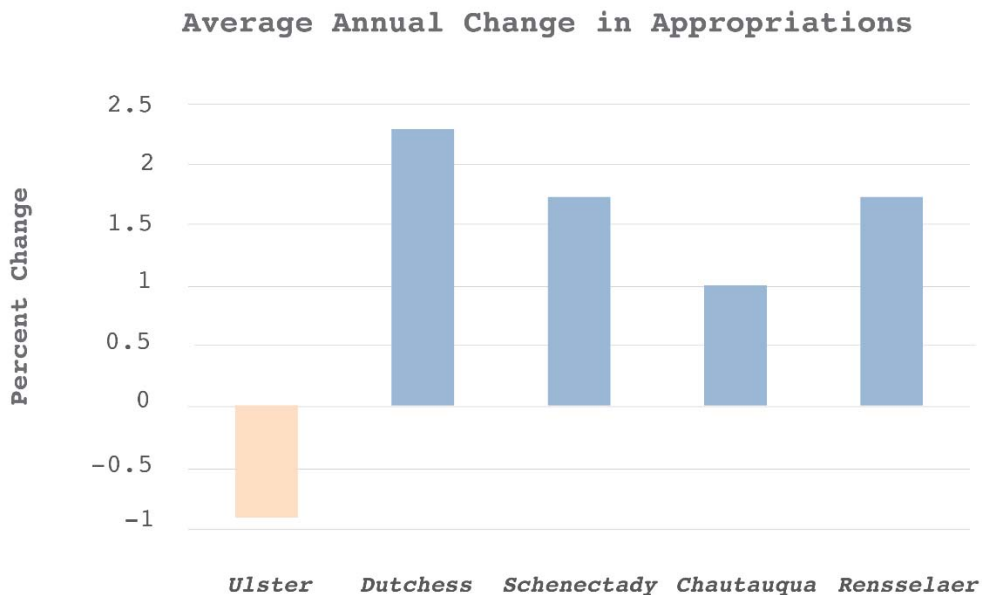


Figure 14



Selected Countywide Expenditures

The Ulster County Charter provides that department estimates “shall be organized with proposed grand totals of expenses and revenues for personnel services and other than personnel services for the department, agency, office or unit and proposed subtotal appropriations for personnel services and other than personnel services for each program within each department, agency, office or unit.”¹⁰ In accord with this mandate, the county budget is organized by department, and within departments most usually (but not always) by program. Countywide costs are allocated to departments and programs. (This is essential for proper cost accounting.) There is some supplementary aggregate reporting on countywide spending by object. For example, the budget presentation details total personnel costs within eleven categories. But aggregated costs for such benefits as health insurance, pension contributions and social security are not reported, nor are aggregated costs for expenses common to all or most departments, such as heating oil, utilities, building maintenance and motor vehicle related expenses. Interestingly, previous year budgets did report aggregated benefit costs.¹¹

Salaries and Wages

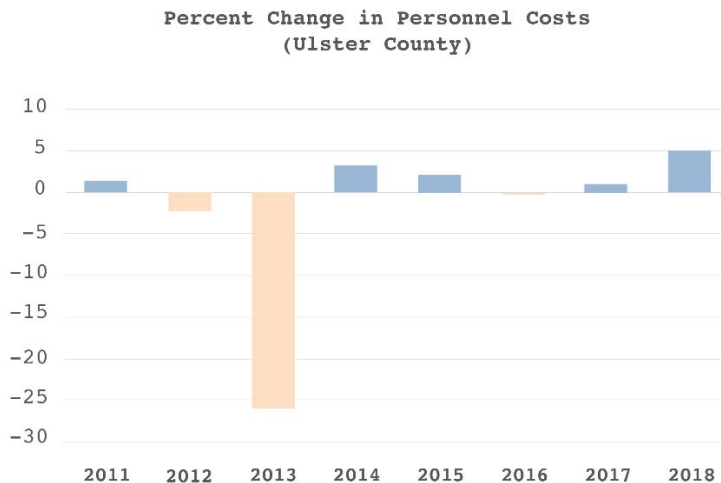
The county proposes to spend \$74,300,282 on regular pay in 2019. Reflecting the results of labor negotiations with the organized workforce and parallel increases for managerial personnel. This is \$3,492,928 (4.9%) more than budgeted for 2018. With the other categories of pay added, total payroll costs for 2019 are estimated at \$866,266,801 (53.5%). The greatest expected percent increases were in overtime (8.8%), separation pay (26.7%), on call pay (11.5%) and pay for injured public safety officers (36.8%). Stipend pay was flat year-to-year; differential pay dropped 4.2%. **Figure 14** illustrates change

¹⁰ §C33 <https://www.ecode360.com/9670206#9670207>

¹¹ See for example the adopted budget for 2014, page 5.

over time in the county payroll. Negotiations are under way or pending with Ulster County PBA, Ulster County Staff Association, and the Ulster County Superior Officers' Union. It is county policy, and in accord with widespread practice, not to budget for potential outcomes of labor negotiations.

Figure 15

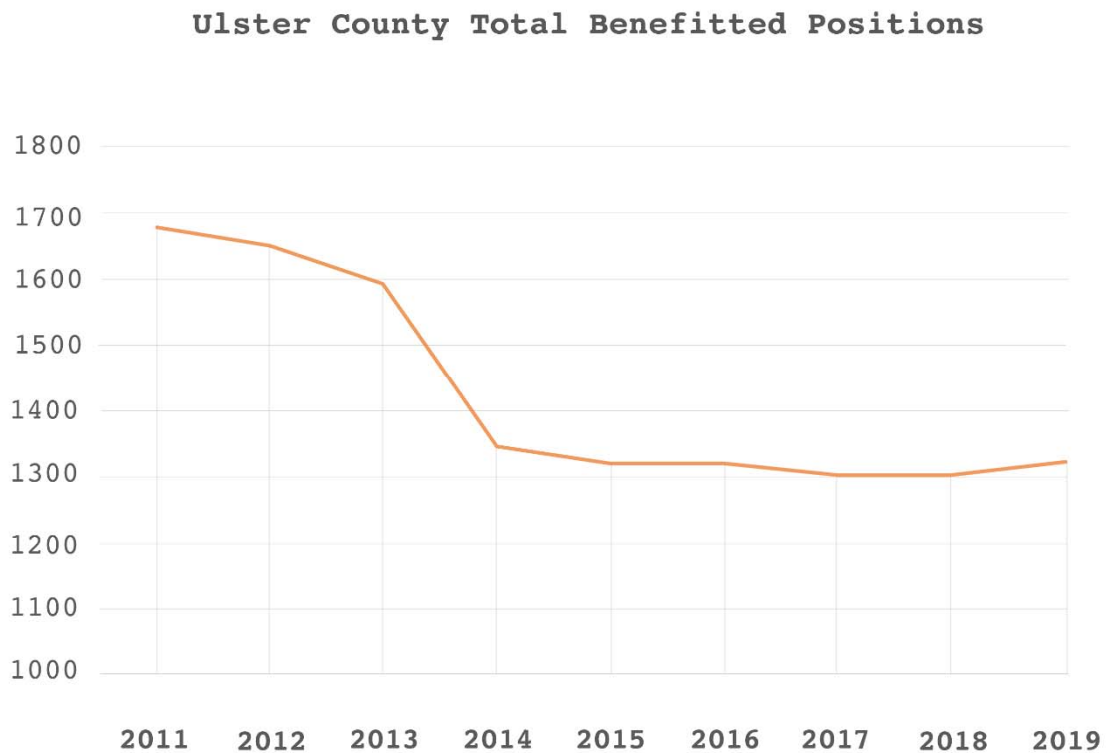


Employees

The County proposes to add thirty-three new positions, more than half in the Social Services Department. Of these, 27 are fully funded and will begin at the outset of the fiscal year. Six are partly funded, two to begin in April and two in July. Eight positions are proposed for elimination in the 2019 executive budget.

An analysis of data gathered by the county legislature revealed that there were 140 vacant positions in county government at some time in the December of 2017 and the first three quarters of 2018. In aggregate, jobs were vacant for a total of 421 months, the equivalent of 35 vacant positions in the workforce for the year. Filling civil service positions is time consuming. Department heads take care to select and hire capable employees. Of these 140 vacancies, ninety-three (66.4%) were filled within three months. A total of eighteen (12.9%) were vacant for at least six months. Of these, five remained unfilled for the entire period. In some larger departments (for example, Social Services, Public Health) it appears that new vacancies arose while others were filled; overlapping resulted in the equivalence of one or more continuing vacancies, thus absence of complete staffing for the full year. As previously discussed, unpaid compensation for funded but vacant positions may be a major source of accruals to the county's fund balance.

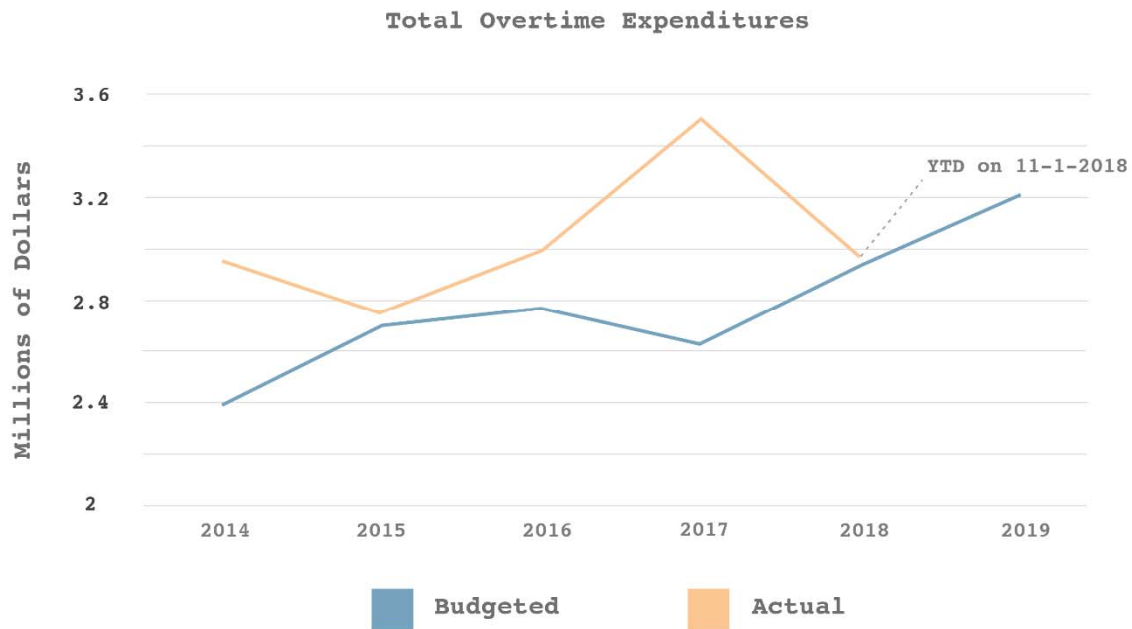
Figure 16



Overtime

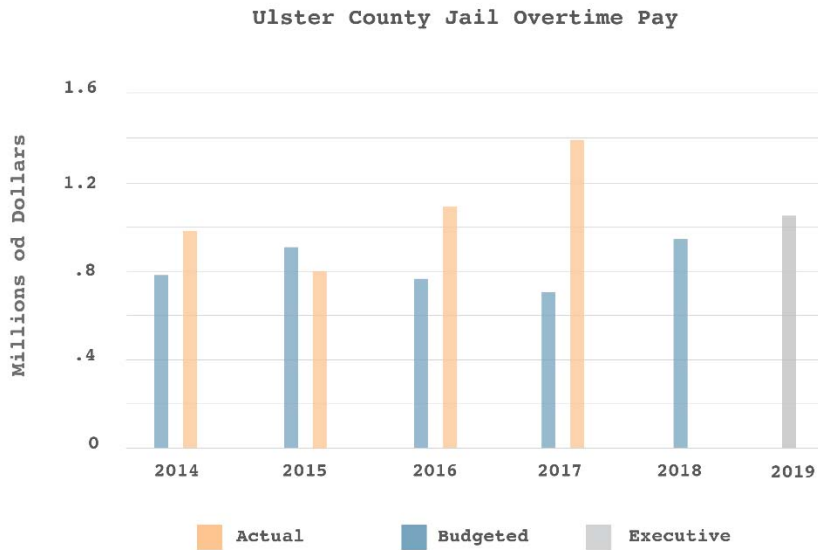
Since 2014, budgeted overtime has increased in every year except 2017 when the budgeted overtime decreased slightly. As can be seen in **Figure 16** the actual expenditures on overtime from 2014 to 2018 always exceed the budgets. In fact, in 2018 the County has already exceeded the total budget for overtime. The top four drivers of overtime in the county are: the Jail, the Sheriff's Office, Maintenance of Roads and Bridges, and Snow Removal.

Figure 17



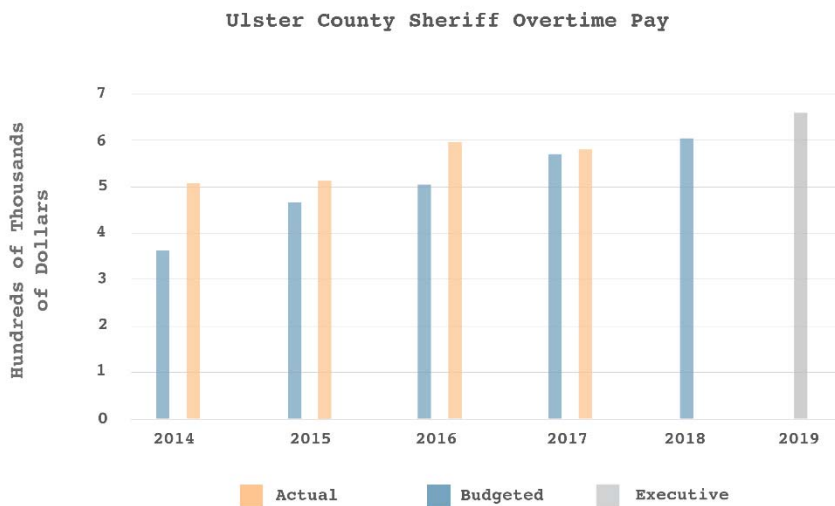
The Jail: Since the jail is staffed to the minimum staffing requirement established by the state, and the jail does not largely utilize part-time corrections officers, any time one officer is sick or injured, goes on vacation, etc. another officer covers that shift on overtime. In every year except 2015, the department expenditures on overtime exceeded the budgeted amount, in 2017 by \$680,551 (**Figure 17**). The 2019 executive recommendation is a \$100,000 increase in the jail's budget for overtime, \$86,780 less than the department requested.

Figure 18



The Sheriff (Criminal Division): The Sheriff's Office is the second largest driver of overtime costs. Looking at the trend of overtime expenditures (**Figure 18**), it seems like the county used to budget far less for overtime for the Sheriff, and in more recent years has been budgeting much closer to what is actually expended. In 2019 the Sheriff requested \$450,000 for overtime, and the executive recommendation is for \$425,000.

Figure 19



Road and Bridge Maintenance and Snow Removal are the other two large drivers of overtime. In both of these Divisions, overtime appears to be fairly well estimated (**Figures 19 & 20**). Snow Removal is seasonal and weather dependent, and it is notable that the only year with a large deviation was 2016. In this year the winter was unusually mild and brief, and understandably the Snow Removal Division requirement for overtime pay was minimal when compared to other years.

Figure 20

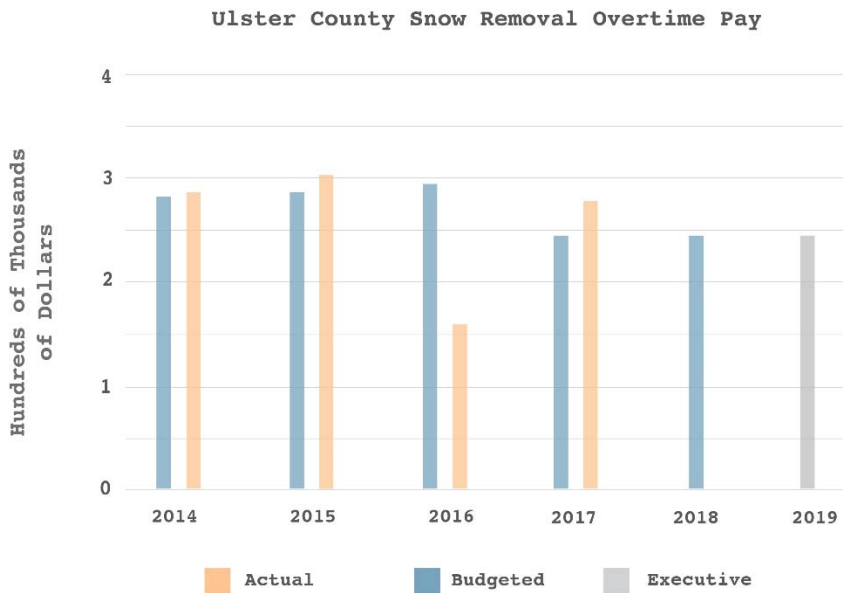
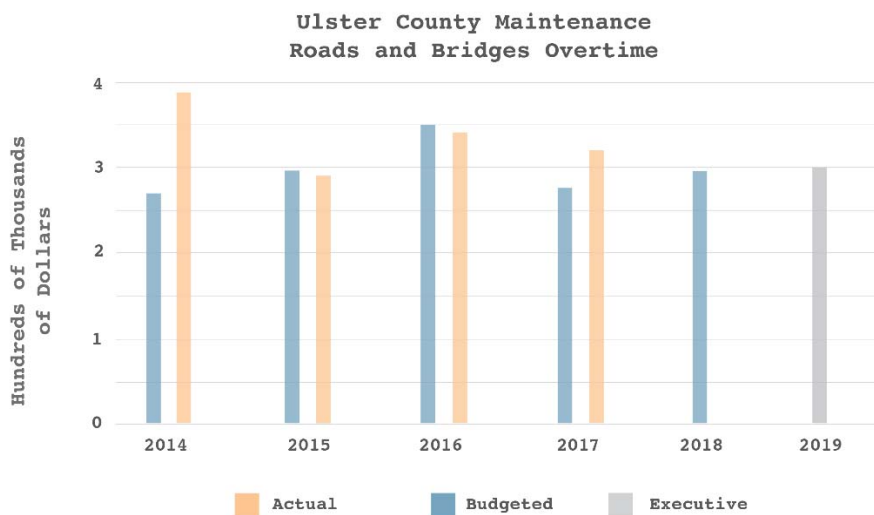


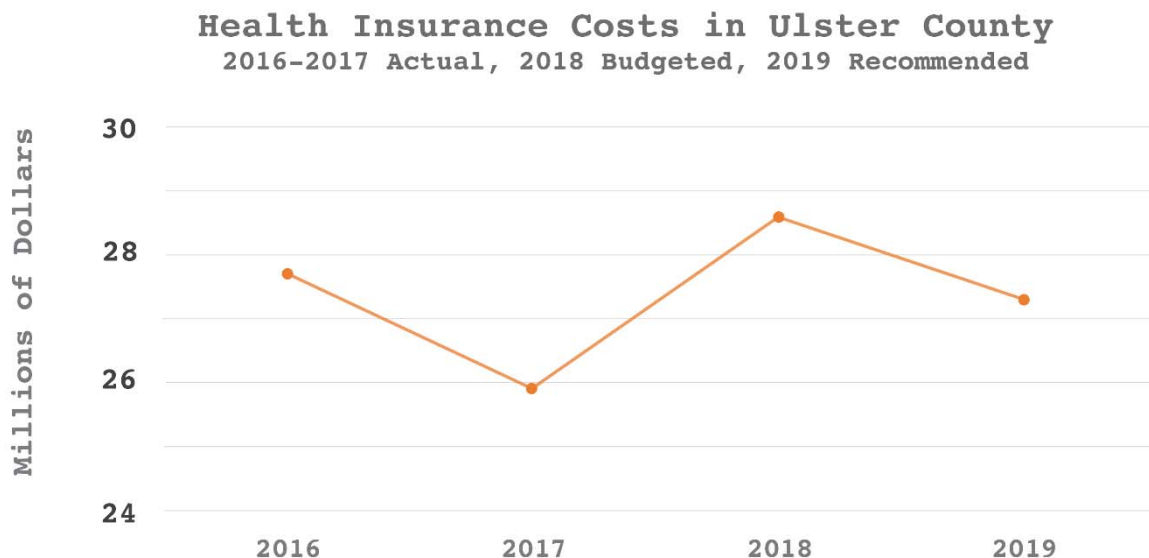
Figure 21



Health Insurance

Costs for medical care in the United States grew 4.3% between 2016 and 2018. As a result of collaboration with efforts under the auspices of the New York State Association of Counties to create a new stop loss consortium, careful prescription management and offering additional insurance options, the executive projects 2019 costs for employee health insurance at \$27,294,263; this is \$1,282,494 (4.5%) below those budgeted for the current year and \$394,574 (1.4%) below actual costs in 2016, though \$1,360,624 higher than actual costs in 2017. **(Figure 21)** There is widespread interest among New York counties in creating consortiums among their constituent municipalities for purchasing health care insurance, but there are significant statutory and regulatory barriers to doing this. Reforms are under consideration by the state Finance Department. Ulster County is not pursuing this option because of these barriers.

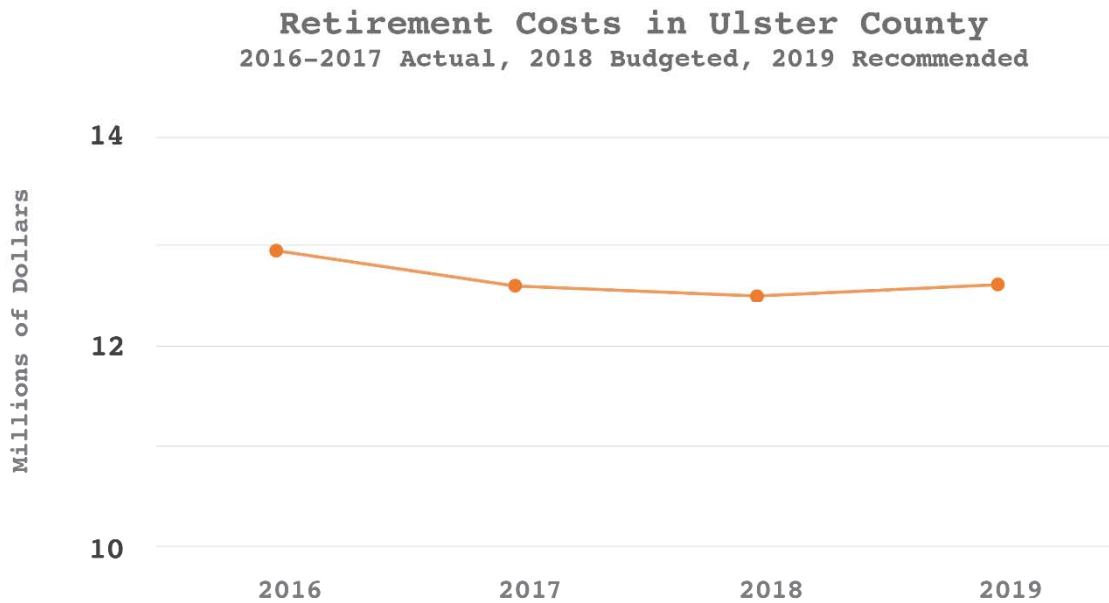
Figure 22



Employee Retirement Benefits

This mandate cost is projected to totals \$12,522,999, very close to the estimate for 2018 of \$12,478,005 and actual for 2017 of \$12,543,389. Again this year, the county apparently does not plan to employ the pension system's "contribution stabilization plan," which would amortize a portion of current costs but require repayment with interest over a decade. This is cost effective. The continued stability of this cost is contingent on the investment performance of retirement funds held by the NY State Comptroller.

Figure 23



Selected Utility Costs

As a first step, we looked at electric and gas costs across the government and heating fuel costs for the building department. **(Figures 23 & 24)** These, of course, are responsive to weather and changing cost due to market conditions. For electric and gas actual expenses were exceeded by budgetary estimates by \$311,830 in 2016 but only \$27,587 in 2017. The budgeted number for 2018 and that proposed for 2019 were adjusted to reflect this experience. For heating fuel the budget was \$351,594 (62.4.6%) higher in 2016 and \$264,915 (54.1%) higher in 2017. Reflecting this experience, the county has recently sharply reduced this aggregate budget estimate. The proposed budget for 2019 is actually lower than the amount left unspent in 2016 from the budgeted level.

Figure 24

Ulster County Gas and Electricity Costs

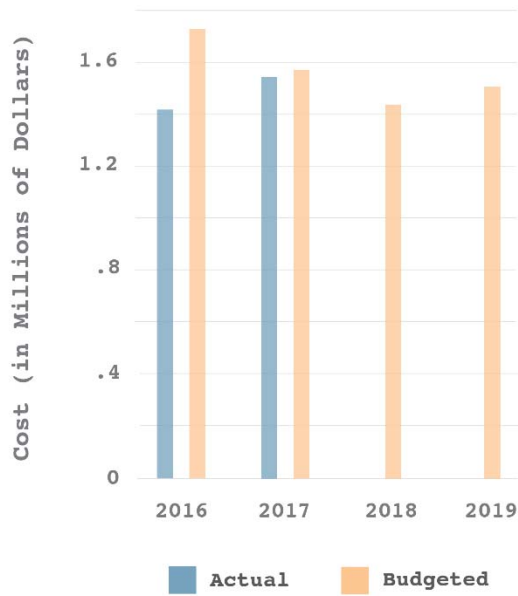
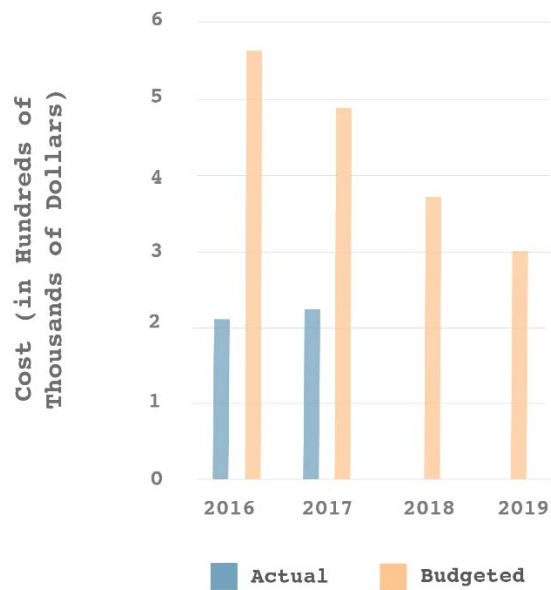


Figure 25

Ulster County Heating Fuel Costs



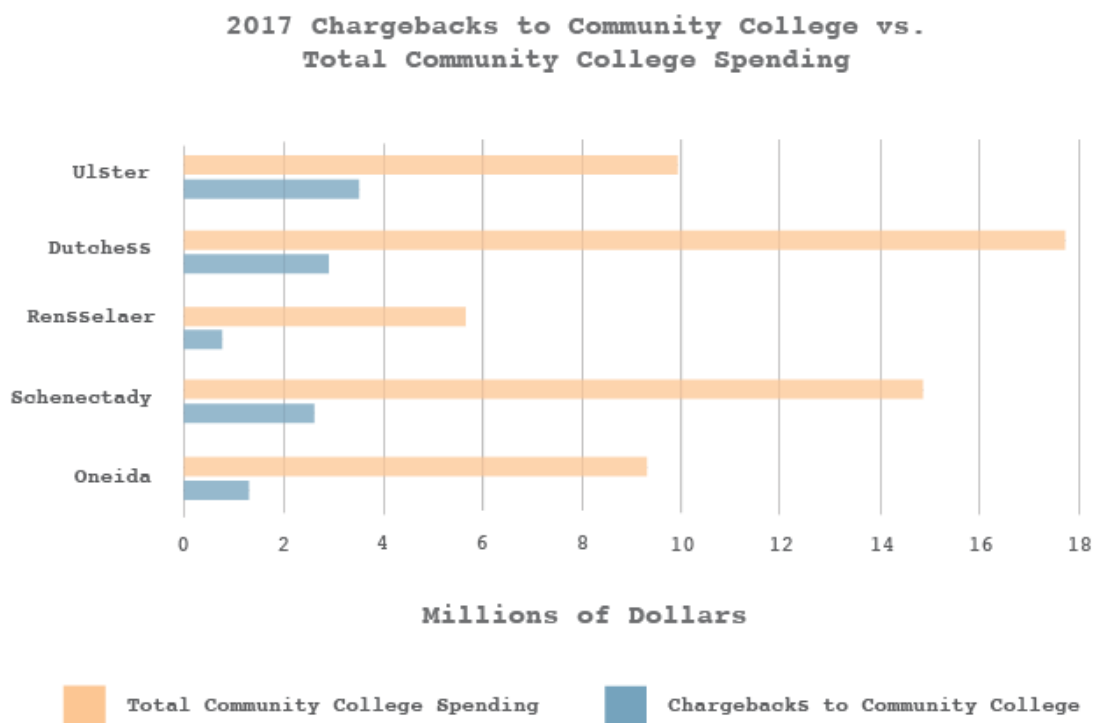
Tax Expenditures and the Budget

The “Assessor’s Report,” required by state law, shows the equalized assessed value of the Ulster County property tax base to be \$21,687,424,890, of which \$3,215,412,976 (14.83%) of value is tax exempt. Some full and partial exemptions are mandated by the state constitution and state law; others result from local policy choice. The budget presentation of this information does not make clear the proportion of the increased tax burden imposed by the state, nor does it show the benefits that accrue to some county residents as a result of local policy choice. For example, the value of property tax exemptions for senior citizens is \$10,727,928; this is more than three times the budget for the Office for the Aging (\$3,205,863).

Community College Chargebacks

New York State community college chargeback policy establishes a charge to be paid by the home county to the county receiving a student when he or she attends a community college outside that home county. Because of the size of Ulster County, the location of Ulster County Community College, and population concentrations in Ulster closer to the community colleges of Orange and Dutchess counties than to it, this cost has long been more significant here than elsewhere. **(Figure 25)** UCCC leadership persists in seeking to maximize attendance by high school graduates and other potential students living in the county. Policy approaches to mitigate this problem have had limited success.

Figure 26



New initiatives

The county proposes a \$200,000 fund for the arts, administered through the Department of Planning in a new “Creative Economic Development Division.” Previous year’s appropriations for UPAC (\$18,750)

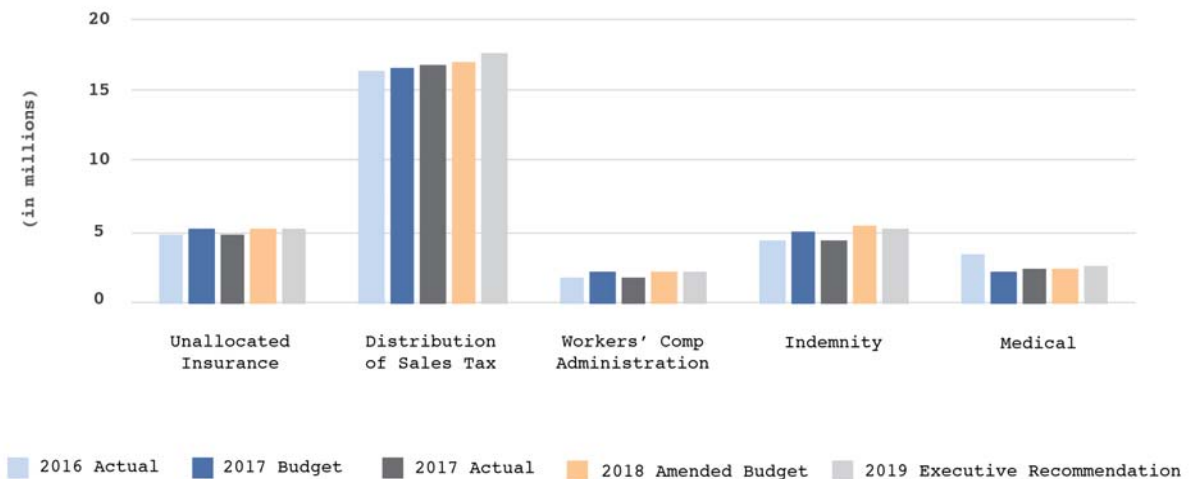
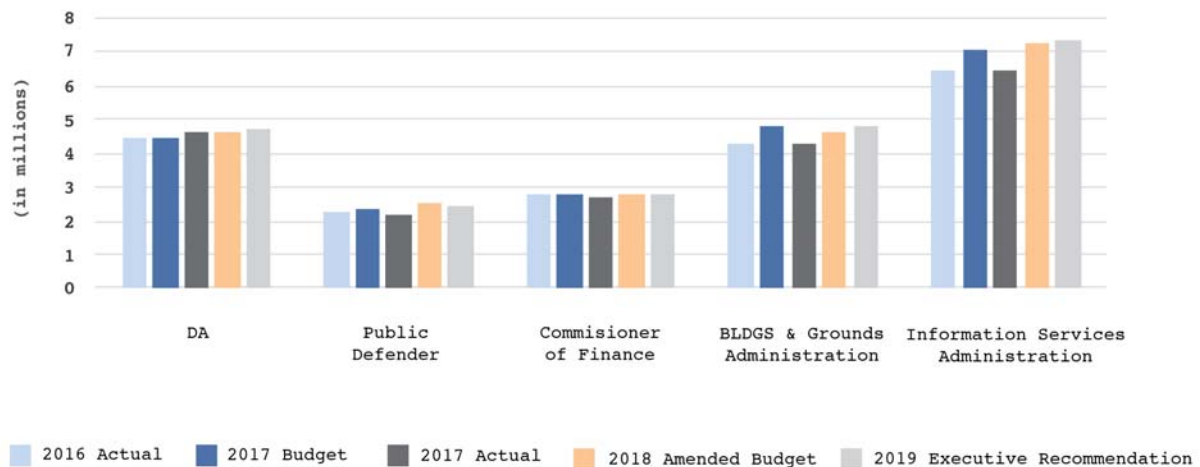
and Arts Mid-Hudson (\$77,500) do not appear in the proposed 2019 Executive Budget. No process for allocating the proposed \$200,000 fund is specified.

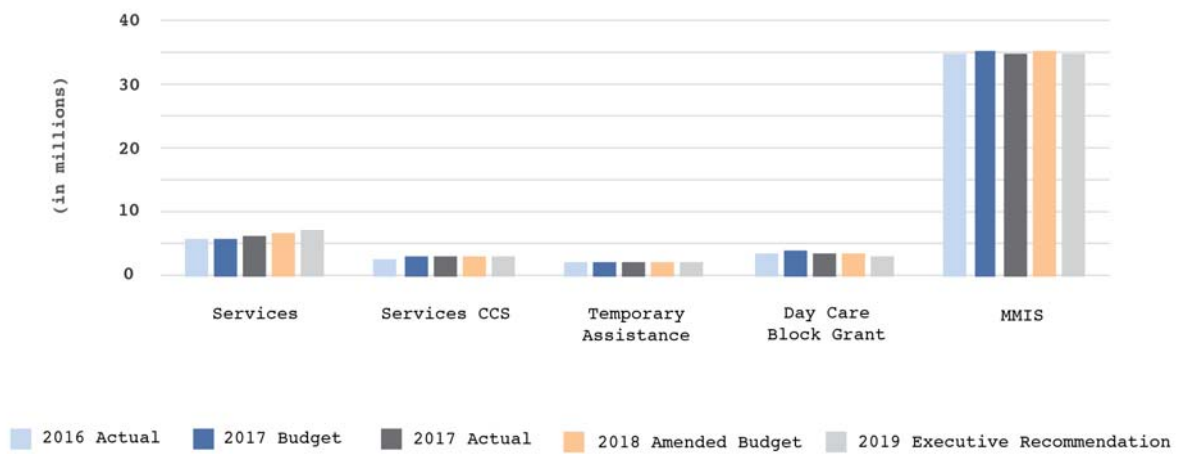
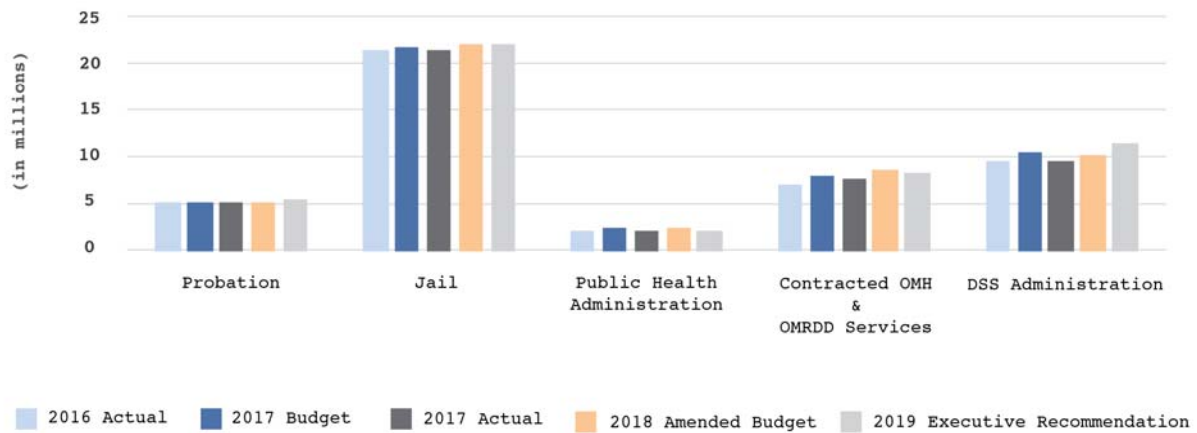
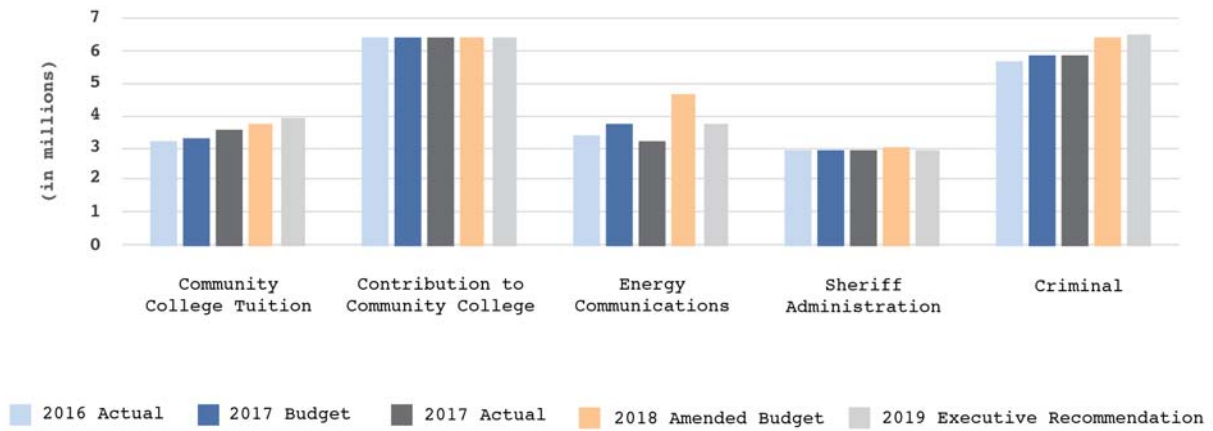
The executive budget includes \$200,000 for aid to municipalities within the county. The method for distribution of these funds was unspecified. One model might be the competitive grant program for its municipalities in Dutchess County.

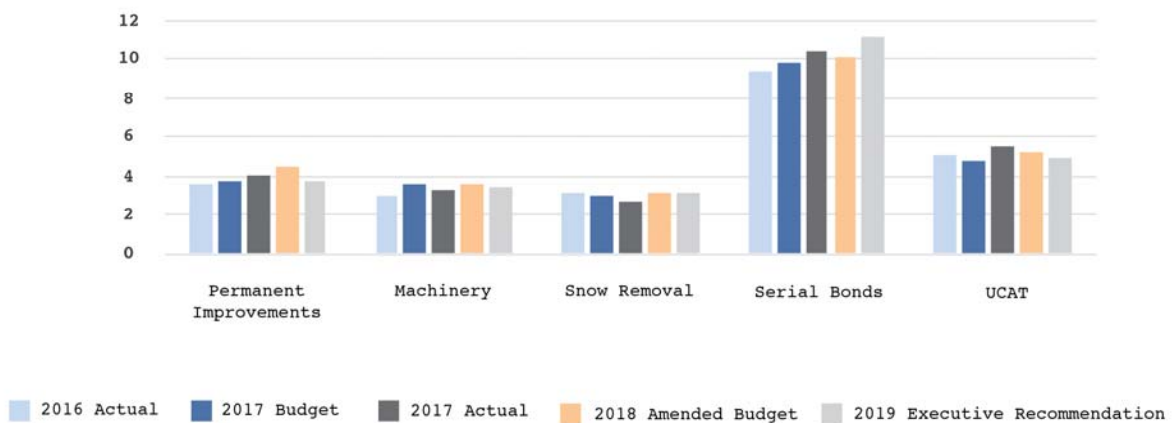
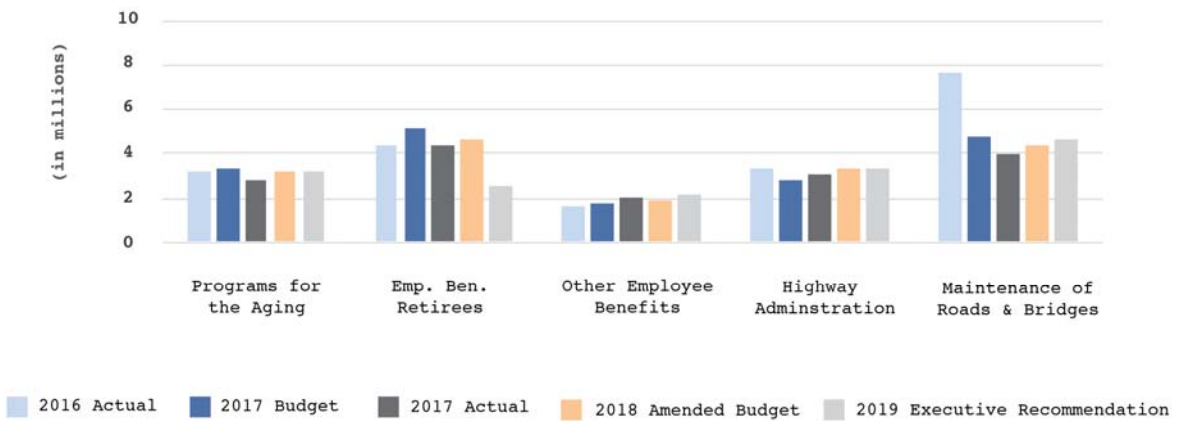
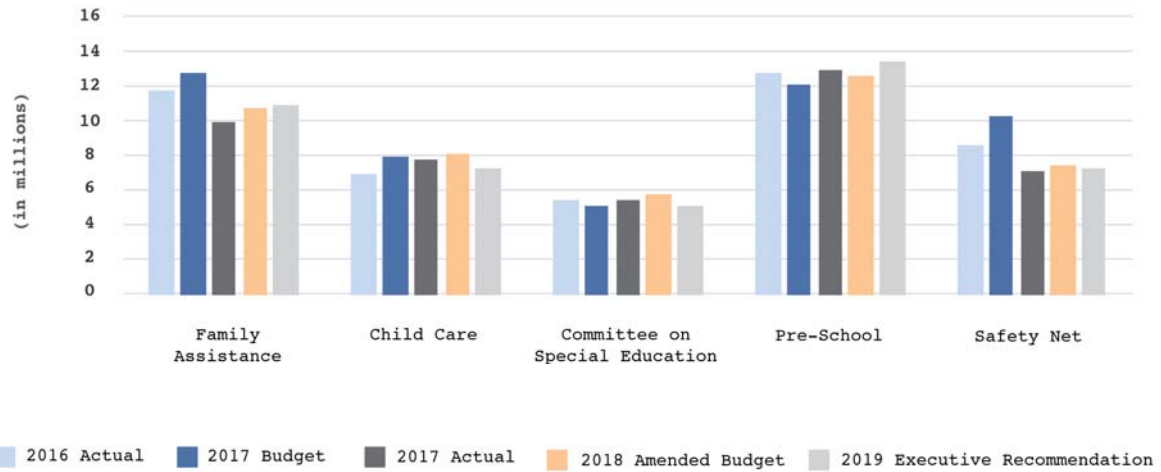
As noted, additional funding is proposed this year for the innovative restorative justice initiative and assuring the right to counsel of indigent defendants. Because of the interdepartmental nature of these programs, spending is located in a single place in the budget. This will make future assessment of their performance challenging relative to specified goals.

Appendix A: Expenditure Patterns and Trends

The following are provided to demonstrate short term budgeting trends for the divisions that are identified as cost centers for the county, and to assist the legislature in determining the three areas for which more detailed analysis will be performed and reported. In the context of the pattern of overall decline in spending, departments or programs with consistently upward trending costs that have previously not been discussed in this report may be worthy of additional attention.







Appendix B: Form of the County Budget

Budgets are forward-looking expressions of policy in dollars and cents, reflecting community values and priorities. The numbers in them are best estimates of how much money the government will have and how much it will need to accomplish what it desires to do, or must do. The form of the budget should therefore support the policy process at every stage: assuring that the county's policymaking institutions make informed choices; supporting management's efforts to deliver programs efficiently and effectively; helping the legislature achieve essential oversight; checking that the money it appropriated is spent in accord with its intentions; and informing the public about how its government is performing.

In summary, a budget is at once a **financial forecast and plan**, a **policy document**, a **guide to operations** and a **management tool** and a **device that communicates** all of these elements to all of us in the county.

Consider one example. In both the public and private sectors, practical considerations encourage shorter term thinking: this year's quarterly report, the annual tax burden, the proximity of the next election. In Ulster County, as in most jurisdictions, budgets are annual documents, but they are best if prepared within the framework of some longer-term thinking, asking such questions as:

- What decisions do we need to make now to keep demands down on property tax payers not only this year, but in future years?
- What equipment will we need, and how can we get it over time without too much burdensome spending or borrowing in any one year?
- What systematic plan should we have to regularly maintain roads and bridges, so we don't end up always responding to the loudest demands, rather than the greatest needs?
- What investments might we make this year, even if we have to borrow, to lower our costs and improve our performance over many years in the future?

The Albany County budget offers an example of how the form of the budget can encourage attention to these sorts of questions.

Table 6: Albany County Budget Example

	2018 Adopted	2019	2020	2021
Revenues				
Sales Tax	\$ 268,564,800	\$ 273,936,096	\$ 279,414,818	\$ 285,003,114
Dept/Misc Income	\$ 170,347,448	\$ 173,754,397	\$ 177,229,485	\$ 180,774,075
State Revenues	\$ 73,594,642	\$ 75,066,535	\$ 76,567,866	\$ 78,099,223
Federal Revenues	\$ 74,177,484	\$ 75,661,034	\$ 77,174,254	\$ 78,717,739
Property Tax Levy	\$ 92,496,319	\$ 94,346,245	\$ 96,233,170	\$ 98,157,834
TOTAL REVENUES	\$ 679,180,693	\$ 692,764,307	\$ 706,619,593	\$ 720,751,985
Expenses				
Personnel and FICA	\$ 148,129,991	\$ 151,092,591	\$ 154,114,443	\$ 157,196,731
NYS Retirement	\$ 21,572,228	\$ 21,787,950	\$ 22,005,830	\$ 22,225,888
Health Care	\$ 49,945,375	\$ 52,942,098	\$ 56,118,623	\$ 59,485,741
Sales Tax Distribution	\$ 107,425,920	\$ 109,574,438	\$ 111,765,927	\$ 114,001,246
Medicaid	\$ 66,424,143	\$ 68,084,747	\$ 69,786,865	\$ 71,531,537
Debt Service	\$ 32,979,998	\$ 33,969,398	\$ 34,988,480	\$ 36,038,134
Community College	\$ 10,500,000	\$ 10,500,000	\$ 10,500,000	\$ 10,500,000
Other	\$ 242,203,038	\$ 244,625,068	\$ 247,071,319	\$ 249,542,032
TOTAL EXPENSES	\$ 679,180,693	\$ 692,576,290	\$ 706,351,487	\$ 720,521,309
Surplus/(Deficit)	\$ 0	\$ (188,017)	\$ (268,106)	\$ (230,675)

In 2010, The Benjamin Center (then The Center for Research, Regional Engagement, and Outreach) wrote a report entitled “A Better Budget for Ulster County.” Since that time, the Ulster County budget format has been adjusted, reflecting some of the recommendations outlined in that report. Most prominent is the juxtaposition of revenues and expenditures within departments and divisions, a transition that occurred in 2015, and the inclusion of personnel titles, number of positions, and salaries within each department. Absent in the new format, introduced in 2019 is the column for departments requests. Since 2015, this column only appears in department overseen by elected officials. In addition, the current form of the budget excludes actuals to date as mandated by section C-33 of the County Charter.

Building upon this earlier work, we ask here whether the content of the Ulster County budget, and its format – the way it is organized and presented – achieves the range of goals or purposes set out above, and therefore best serves all the people who need to use or understand it.

Types of Municipal Budgets

It was only in the 20th century that the idea took hold in the United States that it should be the responsibility of governmental chief executives to prepare a comprehensive account of revenues and expenditures for consideration of the legislative branch (which retained final say on taxing and spending under constitutions and charters). This alteration in the separation of powers system was controversial; in

New York State, for example, there were major fights over the form of the first executive budgets that had to be resolved in the Court of Appeals.

Controversy arises because the different forms that a budget may take leaves discretion for controlling spending in different hands after the budget is passed. Large lump sums leave more leeway to the chief executive, and often to department heads; very specific, itemized budgets help the legislature better control the objects of spending, and by doing so limit executive discretion. Also, as experience with budgeting grew, practitioners and experts developed different processes for budgeting, different formats for the budget, and new requirements for information in budgets beyond straightforward dollars and cents – concerning mission, plans, goals, objects and performance. Budget documents in contemporary governments are often hybrids, drawing upon selected elements of a range of budget processes and formats developed over time to reflect changing uses and/or expectations of governmental budgets.

The County's Line-Item Budget

The Ulster County budget format is traditional. It is a single year, line-item budget of almost 300 pages that presents expenditures and revenues for the coming fiscal year within departments. The budget summary employs ten functional areas to present spending, but the budget document is not organized on this basis. Within departments, the presentation is sometimes, but not always, made by program. Interdepartmental programs are not presented in an integrated fashion.

The budget succeeds as a financial plan for the county in that it explains where revenues that pay for county programs and services come from and how the money will be spent. The budget also details what the county owes in debt service and for what purpose it borrowed funds. Its current form is dictated by the county charter, adopted in 2006 and implemented in 2009.

Section C-33 of the charter specifies that the budget present “A statement of actual expenses and actual revenues for the immediately preceding completed fiscal year, budgeted expenditures and revenues for the current fiscal year, and expenditures and revenues to date for the current fiscal year” and that “Each departmental estimate of expenses and revenue by program shall be supported by such other detail and other supporting information concerning the economy, efficiency and effectiveness of departmental performance as the County Executive shall require.”

Line-item budgets like Ulster County's generally show information to allow comparison of spending over time. Provision of previous year information encourages people who prepare budgets and others who use them to think incrementally. This sort of budget presentation does not encourage asking questions like: “Do we need this department or program at all?” Or “Are we getting the most for our money from this department or program?” Or “Does this department or program act in accord with a long-range plan?”

A line-item budget shows very clearly what the municipality is buying, the inputs, but not what it is getting – the outputs, or outcomes. Nor does it encourage year-to-year comparisons of these results, whether we are improving, staying the same or doing less well. And with a line item budget we cannot tell how well a program is doing or, if there is more than one program or activity within a department or division, we cannot see how much is spent on each one. And, of course, if we do not have this information for ourselves, we cannot compare it to similar information for other counties, to see how we are doing in relative terms.

Output oriented budgets, usually called program budgets, are organized within department by function or clients served (e.g., road resurfacing, consumer complaint response, drug dependency reduction).

Outcome oriented budgets, often called performance-based budgets (PBB), add mission statements, mission-related goals, plans to accomplish them and results-oriented performance measures to the equation. Short-term performance targets are meant to produce long-term outcomes that reflect the values of the community.

Of the 62 counties in New York State, a number outside of New York City (itself performance-based), use some form of performance measurement in their budget including: Albany, Dutchess, Erie, Monroe, Nassau, Onondaga, Orange, Rockland, Schenectady, Schuyler, Sullivan, and Tompkins.

Some output, or outcome-oriented, budgets are developed with alternatives for consideration of the executive and the legislature. One focus may be upon “current services.” Developing this budget starts with the question: “How much would it cost to do for the budget year exactly what we are doing in this program area this year?” A following question may be, “What will happen to this program’s performance if we cut spending on it by 10%?” or “What more can we do if we increase spending by 10%?” With the answers to these questions, alternative program budgets, usually three, are then developed for consideration of decision makers.

Another approach is for budget makers to overtly make the availability of revenues (and not an expenditure level, however defined) drive the budgetary process. This is called Target-Based Budgeting. A desire to minimize the demand upon revenues from one major source – the real property tax – is in fact an omnipresent reality in Ulster County, and all local government in New York.

Alternatives to the Line-Item Budget Format

Budget formats developed as alternatives to the line item budget all have one shared characteristic: they are client- or function-centered. That is they focus to a greater degree on the task to be performed or service to be delivered (outputs, or outcomes) than on the resources required to do the task, or perform the function (inputs).

Program-Based Budgets

Output oriented budgets, usually called program budgets, are organized within department by function or clients served (e.g. road resurfacing, consumer complaint response, drug dependency reduction). Often they include a brief statement of the goals or objectives of the department and each of its programs. Of course, all a department’s costs are not involved in direct service delivery; some are incurred in providing support or direction for all its activities. These may be organized separately as programs (office of the department head, accounting, public relations) or distributed on a cost-accounting basis to determine the “true cost” of each program.

Schenectady County employs a program-based budget:

Table 7: Schenectady County Budget Example

Table of Contents	
PROGRAM	PAGE(S)
EDUCATION PROGRAM (CONTINUED)	
Education of Children with Disabilities	71-72
Special Needs Parking Education Program	73-74
PUBLIC SAFETY PROGRAM	
Program Summary	75-76
Mobile Radio District (MRD)	77-78
Unified Communications Center	79-81
Sheriff	82-86
Probation	87-91
Probation – Adolescent Unit	92-95
Jail	96-100
Targeted Street Crime Unit	101-102
Alternatives to Incarceration Services	103-105
Special Traffic Options Program (DWT)	106-107
Emergency Management	108-112
HEALTH PROGRAM	
Program Summary	113-114
Public Health – Administration	115-116
Public Health – Patient and Prevention Services	117-123
Public Health – Children with Special Needs	124-127
Public Health – Environmental Health	128-131
Community Services	132-140
TRANSPORTATION PROGRAM	
Program Summary	141-142
Aviation	143-145
Mass Transit	146
Roads and Highways – County Road Fund	147-156
Roads and Highways – Road Machinery Fund	157-161

Program budgets often include performance targets in narrative form but are not addressed as quantitative outcomes as is the case in performance-based budgets.

The Performance-Based Budget (PBB)

Outcome oriented budgets, often called performance-based budgets, add mission statements, mission-related goals, plans to accomplish them and results-oriented performance measures to the equation. Short-term performance targets are meant to produce long-term outcomes that reflect the values of the community. This approach allows determination of units costs, year-to-year performance comparisons, and comparisons with other similar jurisdictions. In order to maximize effectiveness, the measures used in a performance-based budget work best when they are developed by the departments that must deliver the programs. Such a budget can be useful in all of the most of the critical areas of governance touched upon by budgeting: informing decision-making, achieving greater efficiency and effectiveness in service delivery, promoting accountability, improving public information and access, and therefore, ultimately, improving the quality of life for residents.

Dutchess County's budget is performance-based.

Goals and Workload Measures

Goal	Workload Measure	2016 Actual	2017 Estimate	2018 Plan	Change	% Change
Collect the maximum amount of restitution possible as ordered by the courts in order to make victims whole. Note: Collections depend on amount ordered by the court.						
	Restitution Collected	\$353,472	\$350,000	\$350,000	-	0.0%
	Fees Collected	\$92,171	\$96,000	\$96,000	-	0.0%
Family Court Assess risks and needs using actuarial assessments. Apply effective supervision practices to reduce unnecessary detention and placement and promote public safety by reducing recidivism and promoting positive outcomes. *						
	Family Court Diversion / Supervision Cases Received	333	400	425	25	6.3%
* Indicator: 75% of mandated preventative cases will close successfully and not result in placement. Outcome: 81% of mandated preventative cases did not require placement. Strategy: Continue evidence based practices.						
Investigation Provide a timely and accurate legal and social report to courts in Dutchess County. *						
	Investigations received (Juvenile and Adult)**	1,578	1,600	1,600	-	0.0%
* Indicator: All investigations will contain mandated information and risk assessment. Outcome: All cases met standards. Strategy: Monitor through quality assurance.						
** Adult investigations increased; juveniles decreased. Successful diversion initiatives appear to have reduced investigation requests.						
Pretrial Release Provide pretrial release investigations and recommendations to courts and supervise individuals released to pretrial programs for compliance with court orders. *						
	Pretrial Investigations Completed	2,414	2,400	2,400	-	0.0%
	Pretrial Cases Received	1,007	1,000	1,000	-	0.0%
* Indicator: 75% of cases will close successfully. Outcome: 84% of cases were successfully closed. Strategy: Continue evidence based pretrial practices.						
Supervision Supervise adults sentenced to probation according to criminogenic risks and needs in order to promote public safety and reduce recidivism.						
	Probation Supervision Cases Received	837	1,000	1,000	-	0.0%
* Indicator: 80% of cases will not be re-arrested for a felony within 1 year of completing sentence. Outcome: 92% of probationers were not arrested for a felony within 1 year of sentence. Strategy: Continue to apply evidence based practices. (2015 Data)						

GFOA Recommended Best Practices in Budgeting

In 1998, the Government Finance Officers Association (GFOA) adopted and published the National Advisory Council on State and Local Budgeting (NACSLB) recommended budgetary practices that followed the following principles:

- Incorporate a long-term perspective
- Establish linkages to broad organizational goals
- Focus budget decisions on results and outcomes
- Involve and promote effective communication with stakeholders
- Provide incentives to government management and employees

Though admittedly somewhat subjective, as an exercise to determine areas in which the Ulster County budget process might be strengthened – as a **Financial Forecast and Plan**, a **Financial Policy Document**, a **Management Tool and Operations Guide**, and a **Communications Device** – we scored it against GFOA standards: “Included” indicates that the budget contains the best practice while “Not Included” indicates that the recommended best practice is not in the budget document. For our purposes, items scoring “Not included” could be incorporated either into the Budget or the Budget Summary. A score of “Partially Included” indicates that the item is in the budget but not to the recommended extent of GFOA best practices. For example, a chart may summarize an aspect of the budget but lack analysis to fully explain it.

Ulster County Budget as Financial Forecast and Plan

The Ulster County budget, like all budgets, encompasses a series of projections about future economic and social developments. It is the culmination of a process that, at its best, produce a reasonable estimate – often a negotiated compromise – between the executive and legislative branches regarding how much money the government will have and how much it will need to accomplish what it desires to do, or must do. The Ulster County budget accomplishes this purpose of budgeting on an annual basis and, as a result of the process used, the budget also likely reflects longer-range thinking regarding the impact of current decisions on future years.

Budget as Financial Forecast and Plan: GFOA Recommended Best Practices	
Document describes all funds subject to appropriation	Not included
Document includes a summary of major revenues and expenditures and other financing sources and uses	Included
Document includes summary of revenues and expenditures for the prior year actual, current year budgeted and/or estimated current year actual, and proposed budget year	Partly included
Document explains assumptions for revenue estimates and discusses significant revenue trends	Partly included
Document includes projected changes in fund balances	Not included
Document includes budgeted capital expenditures	Included
Document includes information and financial data on current debt obligations and legal debt limits	Included
Documents explains the basis of budgeting	Not included

The GFOA recommends descriptions of fund structure and specification of the basis for budgeting or accounting – such as accrual, modified accrual, or cash – for greater understanding of the document and its process by users. The Ulster County budget does present revenue estimates and relevant trends. But because the budget summary has no narrative component, a description of the assumptions upon which revenue estimates are based and projected into the next fiscal year is not included in the Ulster County

budget presentation. Assumption descriptions might include long-term trend analyses in all major revenue and expenditure areas, state and local government economic indicators, and any consultant review of the budget that helped shape decision making.

Ulster County Budget as a Financial Policy Document

All municipal budgets are prepared with financial policies in mind, although these are not always formal. For example, as mentioned previously in this report, the county has adopted a fund balance policy. It specifies that “The generally accepted operating fund balance is 5%-10% of current operating expenditures”. Such policies reduce risks and produce potential benefits. Another example is a debt service policy that limits debt service to a specified percentage of budget or borrowing to a per capita amount helps to produce a stronger credit rating.

Policies run the gamut. They may include: budget amendment procedures; budget status reporting requirements; revenue policies regarding tax rate stability and the use of one-time revenues; annual reviews of service fees; investment standards; and debt policies that limit borrowing to a percentage of operating revenue. Ulster County’s budget process policies are outlined in the county charter. Informally, the county adheres to a policy that minimizes real property tax rate increases. The county also presents a balanced budget and maintains reserve and contingency funds. However, these formal and informal policies are not specified in the final budget document, though they guide the budget preparation process.

Informal policies that are adhered to by custom and tradition rather than resolution are subject to situational manipulation. Formally adopted financial policies that are endorsed by both the executive and the legislature set the standard for budget deliberations and therefore have the effect of diminishing politics in the budget process. Once formally adopted, any attempt to override a policy would require deliberation and action by the legislature.

Budget as a Financial Policy Document: GFOA Recommended Best Practices	
Document includes a coherent statement of entity-wide long-term financial policies	Not included
Document includes entity-wide mission statements and long-term strategic goals and objectives	Not included
Document includes short-term initiatives in budget development including changes in staffing levels	Not included
Document includes a budget message	Included

Document includes clearly stated goals and objectives for organizational units	Not included
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Although Ulster County adheres to financial policies in budget preparation, they are not articulated in the Budget Summary. The county provides a complete personnel listing as part of the budget but does not include staffing trends, or year-to-year changes in the document. Ulster County departments do have mission statements. Departments already provide narrative descriptions and objectives as part of the budget review process. These could be included in the departmental budgets.

Ulster County Budget as Management Tool and Operations Guide

The budget process can help the county government identify redundancies in service delivery, help prepare for continuity in a changing fiscal and operational environment and target potential areas for interdepartmental collaboration. As one of the two major cost centers in the county budget, and the primary spending-driver open to executive and legislative discretion, personnel expenses are an obvious target for cost-cutting measures. Reducing the county workforce while maintaining service delivery levels often requires organizational restructuring; the budget is a guide to this process.

UC Budget as Management Tool and Operations Guide: GFOA Recommended Best Practices	
Document describes activities, services or functions of organizational units	Not included
Document provides objective measures of progress toward goals and objectives	Not included
Document includes an organizational chart for the entire entity	Not included
Document includes a summary table of personnel or positions for prior, current and budgeted years	Partly included

As mentioned previously, the budget templates now distributed to department heads in the budget development process include a narrative section that asks the respondent to “describe the program (division) with as much detail as possible including the benefits of the service, who and how many people are served and what the cost/benefit is to the County. To the department head, this information represents an argument for maintenance or increase of funding. For the executive branch, this information must be used in determining the relative level of priority of a particular county department, including its personnel needs. It also provides the administration with a broad overview of potential inter-departmental collaborations that can support managerial intervention, or suggest an opportunity for restructuring. An

organizational chart for the entire county government and each individual program is essential to understanding collaborative and restructuring potential. This vital narrative information in the budget can explain the hard decisions made in workforce expansion or reduction and organizational restructuring.

Ulster County Budget as Communication Device

A noted authority on municipal budgeting, Robert L. Bland, in his *Budgeting: A Guide for Local Government*, put it aptly and succinctly: “Public managers are educators.” A government is accountable to the interests of the community it serves. In recent decades, with burgeoning deficits, divided partisanship, and a general mistrust of government, particularly at the state and federal level, citizens in all jurisdictions have called for greater transparency and accountability from government(s). The “Citizens of the County” should top all county organizational charts. County elected officials serve at the pleasure of the voters. The county budget is the primary means by which the executive and legislative branches communicate what services are provided in meeting community needs and how and at what cost to the taxpayer needs are fulfilled.

Budget as Communication Device: GFOA Recommended Best Practices	
Document provides summary information on significant budgetary issues, trends and resource choices.	Partly included
Document explains the effect of strategic, long-range financial and capital improvement plans upon the budget and budget process	Partly included
Document describes the process for preparing, reviewing, adopting and amending the budget	Not included
Document includes charts and graphs and narrative information to highlight financial and statistical information	Partly Included
Document includes a table of contents	Included
Document includes a glossary of terms	Not included
Document includes statistical and supplemental data that describe the community and its population and economy	Not included
Document is produced and formatted in such a way as to enhance understanding by the average reader	Partly included

The county budget format has improved over the past few years with the exception of the elimination of department requests and year-to-date actuals. Much of the county line-item budget is specified in the charter, though the format may be supplemented within a line-item framework to be far more program and performance-focused. Moreover, the County Executive is granted broad leeway in the accompanying budget summary document by Section C-35 of the County Charter. An expanded budget summary would better communicate the budget to all constituencies. For example, Tompkins County refers to its budget summary as “A Citizen’s Guide to the Budget.”

Conclusion

The Budget Summary may demystify the line-item budget by presenting summary information in clear, graphic terms. It could be improved with the inclusion of the Budget Message, short and long-range financial plans and the assumptions underlying them, listings of financial strategies and policies, organizational charts, and the presentation of departments by program and the introduction of performance measures and results.

Although updated and improved since 2015, the Ulster County budget in its current form falls short of GFOA best practices. The budget’s shortcomings, in the context of GFOA recommended best practices, could be addressed by adopting performance measures and additional formal financial policies, and an expanded Budget Summary.

Recommendation

It is long past time for Ulster County to move away from traditional line-item budgeting to performance-based budgeting. The county should also implement multi-year forecasting. Such a step will bring the county budget document into far closer conformance with GFOA best practices, specified, above, and result in a better tool for all the governance purposes highlighted in this report: **financial forecast and plan, policy document, operations guide organization and management tool and communication device.**