



# ULSTER COUNTY, NEW YORK

## ANALYSIS & REVIEW 2024 EXECUTIVE BUDGET



**CMA**  
Capital Markets Advisors, LLC

Strategic Consulting Group

November 8, 2023

# OVERVIEW

---



- **ENGAGEMENT**
  - Analysis & Review of 2024 Proposed Budget
  
- **CAPITAL MARKETS ADVISORS, LLC -  
STRATEGIC CONSULTING GROUP**
  
- **WORKING TEAM**
  - CMA Team Members – Margaret Guarino, Tom Vouzakis, Jack Annitto, Len Bernard and James Nytko
  - County Officials – Amber Feaster and Natalie Kelder



# BUDGETARY FOCAL POINTS

---

## ■ PRIMARY

- Status of Prior Recommendations
- Budget Practices and Processes
- Revenues
- Expenditures
- Budgetary Variances
- Fund Balance and Reserves
- Indebtedness
- Capital Improvement Planning
- Fiscal Policies and Internal Controls

## ■ SECONDARY

- Department Level Operations (In-Person)
- Demographic and Socioeconomic Environment

# APPROACH & METHODOLOGY

## (WHAT WE LOOK AT ...)

---



- **PHYSICAL DOCUMENTS (FINANCIAL & OPERATIONAL)**
  - Prior Year Budgets - (*The Projections*)
  - Audited and Unaudited Financial Statements – (*The Results*)
  - County Resolutions & Press Releases
  - Financial Documents of Other Governments (*Benchmarking*)
  - Documents of State and Industry Associations (*Best Practices & Forecasting*)
  
- **NONTANGIBLE (*THE STORY BEHIND THE INK...*)**
  - Targeted Departmental Interviews
    - *To Fully Understand the Budget, You Must Understand the Operation(s) and What's Driving the Decision-Making Process*
  - Conversations with Peer Jurisdictions
  - Literature Review and Research
  - Best Practices

# APPROACH & METHODOLOGY

## (THE PRIMARY CONSTRAINTS...)

---



### ■ ECONOMIC CONDITIONS

- Reductions in Federal COVID Dollars
- Student Loan Repayments Commence
- Supply Chain Disruptions – Somewhat Resolved, Still There
- Employment Concerns (Attract & Retain)
- Real Estate Uncertainty

*The Forecasting Methodology Must Continue to Be Comprehensive & Multidimensional*

# APPROACH & METHODOLOGY

## (THE TACTICS...)

---



### ■ 1. TREND ANALYSIS

- Historic Data Provides Constructive Information To Identify Structural Imbalances and Predict Future Risks

### ■ 2. BENCHMARK ANALYSIS

- Benchmarks Compare the County to its Peers

### ■ 3. BUDGET VARIANCE ANALYSIS

- Identifies Trends of Forecast Accuracy

# REVENUES

---



## ■ REVENUES – ECONOMIC RISK

- Revenue Risk Will Continue in the 2024 Budget.... *Why?*
- Significant & Unknown Factors Outside of the Direct Control of the County Could Impact Key 2024 Revenue Sources
- To Limit the Risk of Developing Structurally Imbalanced Finances, Revenues Should Remain as Conservative as Possible for 2024

# REVENUES

---



## ■ REVENUES – SALES TAX

- Largest Source of Revenue, Consistent from 2023
- Extremely Sensitive to Economic Fluctuations
- **Assuming the County does not experience reductions in the fourth quarter of 2023 and collects the same amount as 2022, the County should end 2023 with about \$167.8 million in sales tax collection for 2023**
- *CMA cautions the County of the projection of \$167 million for sales tax revenue in the 2024 Proposed Budget in light of current economic forecasts. The County should consider projecting sales tax at a level not above what will be collected this year. If the decision is made to lower the sales tax amount the reduction will have to be offset by alternative revenues.*



# REVENUES

---



## ■ REVENUES – REAL PROPERTY TAXES

- Formulation of Real Property Tax Levy
  - *In the future, the County should first budget all non-property tax revenues and all expenses and then fill the gap, as needed, with the Real property Tax Levy.*
- The County Is Responsible For Uncollected Taxes To Certain Jurisdictions
  - *Override the 2% real property tax cap even when not planning to exceed*
    - *2 Step process: 1. Pass a Resolution 2. Adopt a budget that exceeds the limit*
    - *Credit positive*

# REVENUES

---



## ■ REVENUES – STATE & FEDERAL AID

- The County is Heavily Reliant Upon State/Federal Aid
- Historically - State and Federal Aid (Combined) = 25% to 30% of Total Revenues
- State / Federal Aid Are Not Reliable Revenue Sources in Uncertain Times
- *The Projection for State/Federal Aid in the 2024 Proposed Budget was Deemed to be Appropriate But Should Be Monitored Throughout The Year*

# REVENUES

---



## ■ REVENUES – HOTEL OCCUPANCY TAX

- Expected Increase of 100%
- *Home Rule Legislation is awaiting the Governor's signature that would allow for the County to double its Hotel Occupancy Tax Rate from 2% to 4%. Although it is expected that the Governor will sign the Bill soon, there is no indication of when that will occur. The budget now shows an increase in Hotel Occupancy tax revenues of 100%. Depending on the date on which it becomes effective, the budget should be amended accordingly.*

# REVENUES

---



## ■ REVENUES – DEPARTMENT REVENUES

- A Possible Economic Recession Could Impact Several Departmental Charges and Fees – Thus, Risk Is Present
- Most departments have accounted for this.
- *CMA has concluded that the County has been careful and conservative in developing departmental income projections. Should other revenue sources not materialize to the extent budgeted, fees may need to be adjusted to make up the shortfall.*

# EXPENDITURES

---



## ■ EXPENDITURES - ECONOMIC RISK

- Compared To Revenues, Expenditures Are More Easily Controllable
- Expenditures Can Be Strategically Increased To Match Revenues During 2024

# EXPENDITURES

---



## ■ EXPENDITURES – EXPENSE LINE

- *Overall, CMA believes the 2024 Proposed Budget does take into consideration current and predicted economic conditions in budgeting expense lines. However, there are some line items that we believe are being under/over budgeted. (i.e., Computer Equipment and Overtime Pay Lines)*
- *CMA believes that the Budget department should review the lines discussed in the Report, to confirm they are appropriate.*

# EXPENDITURES

---



- **EXPENDITURES – PAYROLL REDUCTION/ATTRITION SAVINGS**
  - The Proposed 2024 Budget introduced a new line item this year, “Payroll Reduction – Attrition Savings”. The line item does not provide the level of detail necessary to show what the value represents
  - *Negative expenditures are uncommon in a municipal budget*
  - *CMA recommends either two options:*
    - *Maintain the line item but include an explanation of the corresponding number of positions to be filled in the 2024 Proposed Budget.*
    - *Conversion of the negative expense number to a contingency line/account*

# EXPENDITURES

---



## ■ EXPENDITURES – RECURRING COSTS

- The 2024 Proposed Budget includes several proposals to create programs and services that will be financed through outside funding, creating the potential establishment of additional and/or recurring costs.
- *CMA recommends the County review the proposals and determine what, if any, additional and/or recurring costs may be created.*





# EXPENDITURES

## ■ EXPENDITURES – PURCHASE ORDERS

- CMA's review of encumbrance use in monitoring and administering the 2023 adopted budget indicates that purchase orders and encumbrances should be used more often and improve the budget monitoring process by (as UC-Irvine states) "avoiding budget overspending by showing open commitments as part of projected expenses." Use of encumbrances remains important for the remainder of 2023 and moving forward in administering the 2024 County budget, especially during a period of time when the economy is in flux.*

### **Use of Encumbrances in Budgeting and Monitoring of Spending**

2023 Adopted Expense Budget	2023 Year-to-Date Encumbrances	% Budget Encumbered	% of Budget Lines Encumbered <sup>(1)</sup>
\$381,342,516	\$14,417,746	3.78%	14.06%

(1) The expense budget contains 1,487 budget lines, of which 209 have some funds encumbered

Source: Year-to-date budget information provided by County staff.

# EXPENDITURES

---



## ■ BUDGET TO ACTUAL VARIANCE

- Expenditures Budget Variance Findings Sharply Contrasted That of Revenues
- *Although A Small Annual Variance Would Be Appropriate, The Disproportionate Positive Expenditure Variances Are Suggestive Of Excessiveness In The Budget.*

# FUND BALANCE - GENERAL

---



## ■ FUND BALANCE - UNRESTRICTED

Based on the values contained within the 2024 Proposed Budget the estimated year-end unrestricted fund balance is \$71.7MM.

- *The presentation of the County's fund balance estimate should be expanded. CMA recommends the fund balance estimate include projected unrestricted fund balance for the fiscal year end of 2024 and then be compared to the County's fund balance policy.*

# FUND BALANCE - GENERAL

---



## ■ FUND BALANCE – RESERVE FUNDS

- The County has \$36 million in undedicated surpluses
- *CMA recommends the County take a portion of the surplus in the amount of \$2 million to \$4 million and create reserves that can be used for unanticipated events in yearly operations*

# DEBT– CASH FLOW

---



## ■ DEBT– CASH FLOW BORROWINGS

- The County Has Not Issued Debt For Cash Flow Purposes In Several Years
- As A Precaution, Cash Flow Resolutions Are Annually Adopted
- *Not Having To Issue Cash Flow Notes Is Deemed A Credit Positive Event.*



# DEBT— NOVEMBER DEBT ISSUANCE

---

## ■ ISSUANCE OF DEBT

- As of the Date of this Review, the County recently was in the Process of Issuing Bonds and Notes
- *The sale date for the issuance was November 2, 2023, with tentative closings scheduled for November 15, 2023. Since the November issuance will be sold prior to the adoption of the budget, the Legislature should confirm with the Commissioner of Finance that the debt service appropriations have been revised to reflect payments correlating to the issuance of debt in November 2023.*

# CAPITAL IMPROVEMENT PLAN

---



## ■ LAGGING CAPITAL PROJECTS

- Concerns about projects not being completed in a timely manner. CMA recommends the implementation of the following:
- *Establishment of a Capital Plan/Project Committee*
- *Reaffirm all funding sources*
- *Establish the position of Capital Project Manager*

# CONCLUSION

---



- The findings and initiatives identified in the 2024 Review will assist the County to develop sustainable financial operations.
- Mid-year report.
- Ongoing dialogue.
- Throughout the Report, we have made several recommendations that CMA believes the County should further consider for implementation.



# THANK YOU

---



# QUESTIONS