



ULSTER COUNTY, NEW YORK

ANALYSIS & REVIEW 2026 EXECUTIVE BUDGET



CMA
Capital Markets Advisors, LLC
Strategic Consulting Group

November 5, 2025

OVERVIEW



■ **ENGAGEMENT**

- Analysis & Review of 2026 Proposed Budget

■ **CAPITAL MARKETS ADVISORS, LLC** **STRATEGIC CONSULTING GROUP**

■ **WORKING TEAM**

- CMA Team Members – Margaret Guarino, Tom Vouzakis, James Nytko, Len Bernard and Evan Tortora
- County Officials – Amber Feaster and Natalie Kelder

BUDGETARY FOCAL POINTS



■ PRIMARY

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

■ SECONDARY

- Department Level Analysis
- 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...*)**
 - Departmental Interviews by Legislative Committees
 - Conversations with Peer Jurisdictions
 - Literature Review and Research
 - Industry Recognized Best Practices

APPROACH & METHODOLOGY

(THE PRIMARY CONSTRAINTS...)



■ ECONOMIC CONDITIONS

- Inflation / Tariff Impacts
- Political Environment
- Interest Rates
- Employment Concerns (Attract & Retain)

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 2026 Budget.... *Why?*
- Significant & Unknown Factors Outside of the Direct Control of the County Could Impact Key 2026 Revenue Sources
- To Limit the Risk of Developing Structurally Imbalanced Finances, Revenues Should Remain as Conservative as Possible for 2026

SALES TAX



- Largest source of revenue – 2026 Proposed Budget includes short-term rental tax, which went into effect March 2025.
- **CMA projects that the County will collect approximately \$178.5 million in sales tax revenue in 2025, slightly above the \$175.5 million budgeted amount.**
- *While sales tax continues to serve as the cornerstone of the County's revenue base, projections for 2026 appear optimistic in light of recent collection trends and a plateau in several key economic sectors. The addition of the short-term rental tax and higher occupancy tax rates has provided a welcome boost, but these revenues remain subject to volatility tied to tourism and consumer spending patterns. A cautious approach to forecasting and continued monitoring of monthly receipts will be essential to avoid mid-year adjustments or unexpected shortfalls.*

REAL PROPERTY TAXES



- The County's sustained commitment to maintaining a flat property tax levy for four consecutive years underscores its efforts to limit the tax burden on residents.
 - This strategy also introduces a potential structural imbalance - With over \$34 million in fund balance appropriations used to close the gap between revenues and expenditures, the County risks diminishing its financial flexibility if revenues underperform or if unanticipated spending pressures arise. Overreliance on one-time resources to support recurring operations should be minimized to preserve fiscal stability and maintain compliance with the County's fund balance policy.
- Property Tax Cap
 - *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*

STATE & FEDERAL AID



- The County is Heavily Reliant Upon State/Federal Aid – 24% for 2026
- Historically, State and Federal Aid (Combined) accounted for ~27% in 2025 and ~26% in 2024.
- *Future fiscal pressures are likely to intensify as reductions in State and Federal aid materialize, particularly under the pending federal cost-shift legislation. Aid reductions will force difficult policy decisions regarding service levels, staffing, and program prioritization. Should these reductions coincide with stagnant sales tax growth, the County may need to consider targeted expenditure reductions, new revenue streams, or modest property tax adjustments to maintain structural balance and service continuity.*

HOTEL OCCUPANCY TAX



- Effective February 2024, the tax went from 2% to 4%
- *The County's collections in 2025 should be substantial – approaching \$8 million – as it was in 2024 (\$8.3 million). The 2026 Proposed Budget includes collections of almost \$8.7 million. CMA recommends that the County review the proposed amount of \$8.7 million and use a number closer to the projected amount for 2025. A 5% increase and a projected number of \$8.4 million for the budget would reduce the risk of a revenue shortfall in 2026.*

AMERICAN RESCUE PLAN ACT



- Spending Deadline – December 31, 2026 * *SPEND, SPEND, SPEND* *
- *It is recommended that the County continue to closely monitor all remaining ARPA projects and expenditures to ensure that all obligated funds are fully expended by the federal deadline. Any unspent funds after this date are subject to repayment to the federal government. To mitigate this risk, the County should maintain regular financial tracking, conduct periodic reviews of project progress, and ensure timely completion of procurement and reimbursement processes. Proactive oversight and coordination with project managers will be essential to avoid potential forfeiture of ARPA funds and to maximize the long-term community benefits of these investments.*

REVENUES



■ REVENUES – CONCLUSION

- *In summary, the 2026 Proposed Budget represents a thoughtful but high-risk balancing act—one that relies on continued economic stability, strong revenue performance, and prudent management of reserves. Maintaining fiscal health in the coming years will depend on proactive monitoring, mid-year responsiveness to emerging trends, and a willingness to make structural adjustments that support long-term sustainability.*

EXPENDITURES



■ EXPENDITURES - ECONOMIC RISK

- Compared To Revenues, Expenditures Are More Easily Controllable
- Expenditures Can Be Better Controlled To Match Revenues During 2026

FUND SUMMARIES



- CMA reviewed the presentation of each fund in the 2026 Proposed Budget for reasonableness and thoroughness.
- *The 2026 Proposed Budget includes no increase in real property taxes which means the spending increase relies on a combination of appropriated fund balance, new non-property tax revenue, and cuts in certain 2025 budgeted expenditures. The primary source of the revenue needed to pay for the 2026 proposed spending increase comes from appropriated fund balance. Since the County Executive's budget message expressed caution and concern regarding potential cuts in Federal and State aid moving forward, the County should carefully review any alternative revenue sources or spending cuts that might be needed.*

LINE REVIEW AND ANALYSIS



- CMA reviewed budget lines to determine if line amounts were reasonable in the 2026 Proposed Budget based on actual and budgeted amounts in previous years.
- *Overall, the County has budgeted expense and revenue lines prudently in the proposed 2026 Proposed Budget. CMA found about 25 lines that should be reviewed to ensure they are not under or overstated. Expense lines for the most part are reasonable and reflect past performance and modest future spending estimates. Several lines should be reviewed to ensure the projected costs are consistent with needs.*

STAFFING



- The 2026 proposed Executive Budget contains 1,476 authorized positions of which 1,139 employees are union represented.
- *CMA believes budgeting for staffing in the proposed 2026 Proposed Budget is reasonable and represents slow growth in an area that represents a large portion of the County's spending (over 40% of the General Fund budget is for staffing related expenses). Slow growth in staffing is a positive step at a time when future spending increases will be heavily scrutinized, and future staff increases may be required to secure continued Federal aid revenues.*

RECURRING COSTS



- A continuing concern for any municipality is the creation of budget items that have specific revenue sources that are subject to change or could be cancelled in the future. New services and staff are often funded by outside aid (Federal and State) or other one-time revenues. In the case of the County the reliance on State and Federal aid is significant.
- *The County should be vigilant in evaluating aid and financial assistance and the ability to sustain and pay for the programs and services if and when the aid ceases. Creating the possibility of unfunded, recurring costs should be avoided.*

ENCUMBRANCES



- Encumbrances are most effective in dedicating (and essentially freezing) funds for specific items and services with a high probability of being purchased (and for which purchase orders can be created). Encumbrances are most appropriate for items such as building supplies, communication equipment, leases/rentals, office equipment, contractual obligations, professional services, vehicles, and maintenance materials.
- *The use of encumbrances is an important tool in budget management. The use of encumbrances assists in providing a more accurate picture of total spending requirements for the current year. As a result, encumbrances provide more information on spending that can be used when assessing future needs and developing future budgets. A better knowledge of what has been, and will be, spent in the current fiscal year (2025) will result in a better understanding of what is needed when formulating any new budget. Spending in the last quarter of 2025 should be taken into consideration when making spending decisions for 2026 – the use of encumbrances enhances this process.*

FUND BALANCE



- **FUND BALANCE - UNRESTRICTED**

CMA found that the County, although using a substantial amount of unrestricted fund balance to balance the 2026 Proposed Budget, would stay within the surplus parameters established in the County's fund balance policy. By using all the fund balance budgeted for appropriation in 2026, the County would need to either appropriate more fund balance in 2027 (potentially putting it in the position of getting closer to violate its own Fund Balance Policy), or have to find more revenue sources and/or places to cut expenditures.

- *CMA recommends that the County carefully review the need to appropriate \$34.2 million of fund balance in the 2026 Proposed Budget.*

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.*

NOVEMBER DEBT ISSUANCE



■ ISSUANCE OF DEBT

- As of the date of this Review, the County is in the process of issuing Bonds and Notes.
- *The sale date for the issuance was October 30, 2025, with tentative closings scheduled for November 13, 2025. 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 actual payments resulting from the issuance.*

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 2026 Review will assist the County to develop sustainable financial operations.
- Mid-year report.
- Ongoing dialogue.
- Throughout the Review, we have made several recommendations that CMA believes the County should further consider for implementation.

THANK YOU



QUESTIONS