

**ERIE COUNTY FISCAL STABILITY AUTHORITY
ANALYSIS OF THE ERIE COUNTY
JULY 2017 BUDGET MONITORING REPORT
September 17, 2017**

Overview

Starting in May of each year, Erie County publishes its Budget Monitoring Report (BMR). The document delineates county revenues and spending vs its budget spread, generally on a monthly basis. The ECFSA uses the BMR and associated comparisons to review the county's financial condition and report on potential fiscal bright spots and issues that may require attention/action for the current fiscal year.

In its analysis, the ECFSA will report on major 2017 items from the county's over \$1.45 billion budget that can have a material impact in the county's finances, such as:

- ***Sales Tax Revenues*** – At just over \$447 million, sales tax revenues are the largest single source of income for the county, encompassing 31% of the operating budget. There are twenty six individual sales tax transfers each year, that are processed analyzed separate of this report, by the ECFSA.
- ***Appropriated Fund Balance*** - For 2017 the county has appropriated \$7.2 million from its accumulated fund balance to be used as revenue to offset anticipated county spending.
- ***Salaries*** – The county has budgeted over \$209 million in salaries for 2017, including a \$1,100,000 reduction for the value of positions kept vacant during the year. The corresponding vacancy figure for 2016 was \$2,000,000.
- ***Fringe Benefits*** – The county has budgeted over \$134 million in fringe benefits for 2017.
- ***Overtime*** – The county has budgeted \$14 million for overtime expense in 2017. Overtime spending has been problematic for the county for a number of years. The 2016 overtime budget was \$13.95 million.
- ***Contractual Services*** – The county has budgeted over \$490 million for contractual services in 2017, up from \$482 million in 2016. The largest

portion of this spending is for just over \$341 million in sales tax transfers to local governments. This expense category includes some of the transfers to the Erie County Medical Center Corporation (ECMCC).

- **Program Specific** - The county has budgeted \$487 million in program expenses for 2017, up from \$486 million in 2016. The largest item in this category is over \$203.8 million for Medicaid Local Share payments, down from \$206 million in 2016. This expense group also includes \$16.2 million in Disproportionate Share (DSH) payments and indigent care of \$6.85 million for ECMCC.

Specific Items

1. **Sales Tax Revenues** – At this point, county expectations of sales tax revenues are being met. The county budgeted \$250,542,376 in revenues through July and received \$252,911,630 in sales tax revenues. The \$2,369,254 positive variance represents 0.94% of the year-to-date budget. ECFSA analyses of payments received through early September of 2017 indicates county sales tax receipts for the current year are running 2.75% above 2016 actuals. If current trends continue, sales tax revenues would come in at \$4.25 million above budget for 2017.
2. **Appropriated fund Balance** – Through the first seven months of 2017, the county has not used any of the appropriated \$7.23 million fund balance as a revenue to balance its finances.
3. **Gaming Facilities Aid** – Through July of 2017, the county has not received any Gaming Facilities revenue due to a legal dispute between casinos in the region and the state. The current budget shortfall is \$2.06 million. The annual budget is \$3.53 million.
4. **Salaries** - Salary expenses through July are running \$3,848,706 below budget. The county has done a good job in keeping a significant number of full-time positions vacant, while not negatively impacting overtime expense (more on this in the “overtime” section of the report). In 2017, the levels have consistently been in the 180 to 200 range. Consequent net savings (after allowing for lost reimbursements) are in the \$4.4-\$5.2 million range. Significantly larger than the county’s \$1.1 million turnover budget.
5. **Fringe Benefits** - The county is showing a \$4.51 million positive variance, which is 6.08% of the period budget. What this positive variance is attributed to at this point is unclear. The county does not sufficiently break out individual components to allow a reasonable analysis of this set of accounts.

6. **Overtime** – For the first seven months of 2017, the county is running a deficit of \$1,106,050 in this account, representing a negative variance of 14.63 % of the budget. At the same time last year, the county was running a \$585,996 deficit in this account which translates to a 7.49% negative variance.

If this trend continues, the county would end the year with a \$2.05 million deficit in this account.

7. **Contractual Services** – Through July, 2017, the county is running a positive variance of \$256,472 in this account, representing 0.09% of budget. Last year at this time, the figures were slightly better – \$4,312,310 positive variance, equating to 1.53% of budget. There appear to be no major issues with this account thus far in 2017.

8. **Program Specific** – Through July of 2017, the county is running a deficit of \$3.66 million in this account. For the same period last year, the county had a deficit of \$8.6 million. For the period, the county has recorded a \$27.3 million expense against an annual budget of \$17.7 million for ECMCC related Disproportionate Share (DSH) spending – a \$9.6 million deficit and \$7.9 million in spending for ECMC related UPL costs. There are no funds budgeted against this expense line. The impact of these negative variances is being mitigated by positive variances in other program areas, including Medicaid - \$7.6 million, Family Assistance - \$1.6 million and Child Care of \$2.6 million.

Recently, the county and ECMC have agreed to the county receiving \$17 million in points related to the hospital borrowing that may be used to alleviate the negative variance in this account for 2017 and going forward.

Summary

Through July of 2017, there are a number of concerns for the county:

- Overtime, is once again problematic for the county and bears watching.
- No Gaming Facilities Aid has been received whatsoever. Due to a dispute between regional casinos and the state. The entire budget of \$3.53 million may be unfulfilled.
- ECMC related expenses are problematic for the county. There is currently a \$9.6 million shortfall in the DSH account and a \$7.9 million expense in IGT expenses the county is attempting to address.

At this point, the 2017 budget appears balanced, but these items bear watching to provide reasonable assurance that the county's budget will remain in balance.