ERIE COUNTY FISCAL STABILITY AUTHORITY
ANALYSIS OF THE ERIE COUNTY
MARCH 2017 BUDGET MONITORING REPORT
May 18, 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 $6,000,000 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 $487 million for contractual services in 2017, up from $479 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 $485 million in program expenses for 2017, down 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 $103.6 million in revenues for the first quarter of 2017 and received $103.8 million in sales tax revenues. The $209,504 positive variance represents 0.2% of the first quarter budget. ECFSA analyses of payments received through May of 2017 indicates county sales tax receipts for the current year are running 2.3% above 2016 actuals.

2. ***Appropriated fund Balance*** – Through the first quarter of 2017, the county has not used any of the appropriated $6 million fund balance as a revenue to balance its finances.

3. ***Salaries*** - Salary expenses for the first quarter are running $924,830 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 190 range. Consequent net savings (after allowing for lost reimbursements) are in the $4.4-$8 million range. Greater than the county's budgeted $1.1 million turnover budget.

4. ***Fringe Benefits*** - The county is showing a $2.58 million positive variance, which is about 8.34% 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.

5. ***Overtime*** – For the first quarter of 2017, the county is running a deficit of $580,000 in this account, representing a negative variance of 19.9 % of budget. At the same time last year, the county was running a $162,000 surplus in this account which translates to a 4.79% variance.

If this trend continues, the county would end the year with a $2.8 million deficit in this account.

6. ***Contractual Services*** – For the first quarter of 2017, the county is running a positive variance of $971,511 in this account, representing 0.8% of budget. Last year at this time, the figures were slightly better – $1.7 million positive variance, equating to 1.39% of budget. There appear to be no major issues with this account for the first quarter of 2017.

7. ***Program Specific*** – For the first 3 months of 2017, the county is running a deficit of $14.2 million in this account. For the same period last year, the county had a deficit of $5.4 million. For the quarter, the county has recorded a $25.2 million expense against an annual budget of $16.2 million for ECMCC related Disproportionate Share (DSH) spending – a $9 million deficit and $7.9 million in spending for ECMC related UPL costs. There are no funds budgeted against this expense line.

Summary

In the first quarter of 2017, there are a number of concerns for the county:

- Overtime, is once again problematic for the county and bears watching.

- ECMCC related expenses are problematic for the county. There is currently a $9 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.