

**ERIE COUNTY FISCAL STABILITY AUTHORITY  
ANALYSIS OF THE ERIE COUNTY  
APRIL 2018 BUDGET MONITORING REPORT  
June 7, 2018**

**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 2018 items from the county's over \$1.49 billion budget that can have a material impact in the county's finances, such as:

- **Sales Tax Revenues** – At just over \$459 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 2018 the county has appropriated \$13,260,000 from its accumulated fund balance to be used as revenue to offset anticipated county spending – up from \$6 million in 2017.
- **Salaries** – The county has budgeted over \$224 million in salaries for 2018, including a \$1,800,000 reduction for the value of positions kept vacant during the year. The corresponding vacancy figure for 2017 was \$1,100,000.
- **Fringe Benefits** – The county has budgeted over \$133 million in fringe benefits for 2018. Down from \$134 million in 2017.
- **Overtime** – The county has budgeted \$17.1 million for overtime expense in 2018. Overtime spending has been problematic for the county for a number of years. The 2017 overtime budget was \$14 million.
- **Contractual Services** – The county has budgeted over \$500 million for contractual services in 2018, up from \$487 million in 2017. The largest

portion of this spending is for just over \$350 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 \$512.7 million in program expenses for 2018, up from \$485 million in 2017. The largest item in this category is over \$202.3 million for Medicaid Local Share payments, down from \$203.8 million in 2017. This expense group also includes \$38.5 million in Disproportionate Share (DSH) payments (\$16.2 million in 2017) and ECMC Upper Payment Limit expenses of \$7.7 million for ECMCC.

### **Specific Items**

1. **Sales Tax Revenues** – County expectations of sales tax revenues are being met. The county budgeted \$139.49 million in revenues for the first third of 2018 and received \$141.30 million in sales tax revenues. The \$1,809,926 positive variance represents 1.3% of the first third budget. Subsequent ECFSA analyses of payments received through the first part of June of 2018 indicates county sales tax receipts for the current year are running 5.45% above 2017 actuals.
2. **Appropriated Fund Balance** – Through the first third of 2018, the county has not used any of the appropriated \$13.26 million fund balance as a revenue to balance its finances.
3. **Salaries** - Salary expenses for the first third are running \$2,128,202 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 2018, the levels have consistently been in the 200 to 240 range. Consequent net savings (after allowing for lost reimbursements) are in the \$6 million range. The County's turnover budget for 2018 is \$1.8 million, up from \$1.1 million in 2017.
4. **Fringe Benefits** - The county is showing a \$2.5 million positive variance, which is 6.37% of the period budget. The county does not sufficiently break out individual components to allow a reasonable analysis of this set of accounts. However, a portion of the savings can be attributed to an elevated vacancy level for the first quarter of 2018, impacting associated employee benefits.
5. **Overtime** – For the first third of 2018, the county is running a deficit of \$255,307 in this account, representing a negative variance of 5.45 % of budget. In the March Budget Monitoring Report, the county had a \$41,453 deficit in this account, representing 1.13% of budget. At this time last year,

the county was running a \$702,908 deficit in this account which translates to a 17.98% variance. The county is still maintaining a negative variance in this account despite increasing its overtime budget from \$14 million in 2017 to \$17.1 million in 2018.

If this trend continues, the county would end the year with a \$938,000 deficit in this account.

6. **Contractual Services** – For the first third of 2018, the county is running a positive variance of \$80,602 in this account, representing 0.05% of budget. Last year at this time, the figures were slightly better – \$936,668 positive variance, equating to 0.57% of budget. There appear to be no major issues with this account for the first third of 2018.
7. **Program Specific** – For the first 4 months of 2018, the county is running a surplus of \$5.4 million in this account. For the same period last year, the county had a deficit of \$9.1 million. The primary difference in going from an account deficit to a surplus is the change in the budget lines related to ECMC. The County had no budgeted dollars for UPL expense at this time last year, yet had recorded a \$7.9 million expense. In addition, the County budgeted \$16.2 million for DSH expense in 2017, which was increased to \$38.5 million in 2018.

## **Summary**

In the first third of 2018 the only emerging issue for the county relates to overtime expenses:

- Sales tax revenues, which have been problematic for a number of years, are running ahead of budget at this point.
- ECMCC related expenses, which have been problematic for the county in the past, are showing an overall positive variance through the first third of the year.
- Overtime, despite a significant increase in the budget, is currently running over County forecasts and bears watching for the remainder of the year.

At this point, the 2018 budget appears balanced, but these items bear watching to provide reasonable assurance that the County's budget will remain in balance.