

**ERIE COUNTY FISCAL STABILITY AUTHORITY  
ANALYSIS OF THE ERIE COUNTY  
SEPTEMBER 2019 BUDGET MONITORING REPORT  
November 20, 2019**

**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.

The ECFSA will report on major 2019 items from the county's over \$1.58 billion budget that can have a material impact in the county's finances, such as:

- **Sales Tax Revenues** – At just over \$478.8 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 2019 the county has appropriated \$3 million from its accumulated fund balance to be used as revenue to offset anticipated county spending – down from \$13.66 million in 2018.
- **Salaries** – The county has budgeted \$239.6 million in salaries for 2019, including a \$1,400,000 reduction for the value of positions kept vacant during the year. The corresponding 2018 salary figure was \$225.2 million. The corresponding vacancy figure for 2018 was \$1,800,000.
- **Fringe Benefits** – The county has budgeted over \$138.1 million in fringe benefits for 2019. Up from \$133.4 million in 2018.
- **Overtime** – The county has budgeted \$18.4 million for overtime expense in 2019. Overtime spending has been problematic for the county for a number of years. The 2018 overtime budget was \$17.36 million.
- **Contractual Services** – The county has budgeted \$537.3 million for contractual services in 2019, up from \$503.1 million in 2018. The largest

portion of this spending is \$364.7 million in sales tax transfers to local governments.

- **Program Specific** - The county has budgeted \$516.9 million in program expenses for 2019, up from \$512.6 million in 2018. The largest item in this category is \$199.5 million for Medicaid Local Share payments, down from \$201.7 million in 2018. This expense group also includes \$50.6 million in Disproportionate Share (DSH) payments to ECMC (\$38.5 million in 2018) and Upper Payment Limit expenses of \$10.5 million for ECMC, up from \$7.7 million in 2018.

### **Specific Items**

1. **Sales Tax Revenues** – County expectations of sales tax revenues are being met at this point. The county budgeted \$355.11 million in revenues through September of 2019 and received \$360.69 million in sales tax revenues. The \$5.58 million positive variance represents 1.57% of the year to date budget. Subsequent ECFSA analyses of payments received through the first part of November 2019 indicates county sales tax receipts for the current year are running 4.16% above 2018 actuals. At that rate, the county would have an \$12.3 million budget surplus in this account. County Y/E projections are for a \$7.59 million surplus in this account.
2. **Appropriated Fund Balance** – Through September of 2019, the county has not used any of the appropriated \$3 million fund balance as a revenue to balance its finances.
3. **Salaries** - Salary expenses through September are running \$5.1 million 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 2019, the levels have consistently been in the 240 to 290 range. Consequent net savings (after allowing for lost reimbursements) are in the \$6 million range. The County’s turnover budget for 2019 is \$1.4 million, down from \$1.8 million in 2018.
4. **Fringe Benefits** - The county is showing a \$9.4 million positive variance, which is 9.93% of the period budget. The county does not sufficiently break out individual components to allow a reasonable analysis of this set of accounts.
5. **Overtime** – Through September of 2019, the county is running a deficit of \$1,271,523 in this account, representing a negative variance of 9.67% of budget. At the same time last year, the county was running a \$710,275 deficit in this account which translates to a 5.69% variance. Maintaining a

deficit in this account, after the county significantly increased its overtime budget from \$14 million in 2017 to \$17.3 million in 2018, then again to \$18.3 million in 2019 is of concern.

If this trend continues, the county would end the year with a \$1.77 million deficit in this account.

6. **Contractual Services** – Through September of 2019, the county is running a negative variance of \$1,906,114 in this account, representing 0.48% of budget. This year's figures are better than last years at this time – \$4,612,051 negative variance, equating to 1.23% of budget.

The 2019 negative variance is driven by a \$4.1 million deficit in the Sales Tax Transfers to Local governments line. The County has received approximately that amount in additional sales tax revenues that it must transfer to local governments and districts within its jurisdiction. The net affect of the revenue in and transfers out is zero dollars, or close to it.

7. **Program Specific** – For the first nine months of 2019, the county is running a surplus of \$6.3 million in this account. For the same period last year, the county had a surplus of \$9.5 million. There appear to be no major issues with this account through September of 2019.

However, the County is forecasting a \$7.2 million budget deficit in this account for Y/E 2019. The account deficit includes an ECMC related DSH payment of \$26,423,020 in November and a UPL payment of \$6,911,307 in December.

## **Summary**

Through September there appear to be no significant fiscal issues for the County related to the 2019 budget. However, there are several items to watch:

- Sales tax revenues, which, until last year, have been problematic for a number of years are running ahead of budget at this point.
- ECMC related expenses, which have been problematic for the county in the past, are showing no negative variance through September. However, the account group that includes Hospital related expenses is forecasted to have a \$7.2 million budget deficit at Y/E 2019.
- Overtime, despite a significant increase in the budget over the last two fiscal years, is running over County forecasts and bears watching for the remainder of the year.

- The County has revised its 2019 Y/E estimates. The county is forecasting \$7.9 million in Net Projected Y/E Balance for this year. With current data, that estimate appears reasonable.

At this point, the 2019 budget appears balanced, but these items bear watching to provide reasonable assurance that the County's budget will remain in balance.