

**ERIE COUNTY FISCAL STABILITY AUTHORITY
ANALYSIS OF THE ERIE COUNTY
MARCH 2019 BUDGET MONITORING REPORT
May 10, 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 \$1.57 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 \$13.26 million in 2018.
- **Salaries** – The county has budgeted \$239.3 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 just over \$223 million. The corresponding vacancy figure for 2018 was \$1,800,000.
- **Fringe Benefits** – The county has budgeted over \$137.9 million in fringe benefits for 2019. Up from \$132.9 million in 2018.
- **Overtime** – The county has budgeted \$18.2 million for overtime expense in 2019. Overtime spending has been problematic for the county for a number of years. The 2018 overtime budget was \$17.1 million.
- **Contractual Services** – The county has budgeted over \$522.7 million for contractual services in 2019, up from \$498.8 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 \$500.5 million in 2018. The largest item in this category is \$199.5 million for Medicaid Local Share payments, down from \$202.3 million in 2018. This expense group also includes \$50.6 million in Disproportionate Share (DSH) payments to ECMC (\$25.7 million in 2018) and Upper Payment Limit expenses of \$10.5 for ECMC, up from \$7.7 million in 2018.

Specific Items

1. **Sales Tax Revenues** – County expectations of sales tax revenues are not being met at this point. The county budgeted \$109.4 million in revenues for the first quarter of 2019 and received \$109.3 million in sales tax revenues. The \$149,149 negative variance represents 0.14% of the first quarter budget. Subsequent ECFSA analyses of payments received through May of 2019 indicates county sales tax receipts for the current year are running 0.74% above 2018 actuals.
2. **Appropriated Fund Balance** – Through the first quarter 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 for the first quarter are running \$2.69 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 200 to 240 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, up from \$1.8 million in 2017.
4. **Fringe Benefits** - The county is showing a \$2.18 million positive variance, which is 7.32% 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** – For the first quarter of 2019, the county is running a deficit of \$486,444 in this account, representing a negative variance of 12.59 % of budget. At the same time last year, the county was running a \$41,453 deficit in this account which translates to a 1.13% variance. Maintaining a deficit in this account, after the county significantly increased its overtime

budget from \$14 million in 2017 to \$17.1 million in 2018, then again to \$18.2 million in 2019 is of concern.

If this trend continues, the county would end the year with a \$2.3 deficit in this account.

6. **Contractual Services** – For the first quarter of 2019, the county is running a positive variance of \$1.2 million in this account, representing 0.98% of budget. Last year at this time, the figures were similar – \$790,351 positive variance, equating to 0.65% of budget. There appear to be no major issues with this account for the first quarter of 2019.
7. **Program Specific** – For the first 3 months of 2019, the county is running a surplus of \$5.77 million in this account. For the same period last year, the county had a surplus of \$3.66 million. There appear to be no major issues with this account for the first quarter of 2019

Summary

In the first quarter there appear to be no significant fiscal issues for the County related to the 2019 budget. However, there are a number of items to watch:

- Sales tax revenues, which, until last year, have been problematic for a number of years are running behind budget at this point.
- ECMC related expenses, which have been problematic for the county in the past, are showing no negative variance through the first quarter of the year.
- 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.

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.