

# **COUNTY OF WESTCHESTER**

## **Analysis and Review of the Proposed 2017 Budget**



December 9, 2016

The Honorable Sheila Marcotte, Chairperson  
Committee on Budget and Appropriations  
County of Westchester  
County Office Building  
148 Martine Avenue  
White Plains, New York 10601

Dear Honorable Marcotte:

The County Executive's proposed 2017 budget has been submitted to the Board of Legislators for its review and deliberation. The proposed budget provides for an aggregate appropriation of \$1.81 billion with 4,191 allowed (funded) positions. This budget is \$7.69 million greater than the 2016 budget adopted by the Board of Legislators in December 2015. Included in this budget is \$60 million of Intergovernmental Transfers to and related revenues from the Westchester County Health Care Corporation (WCHCC).

The proposed budget for the County continues to rely upon major sources of revenue derived from sales and use taxes \$517.6 million or 29% of total revenues, federal and state aid \$433.4 million or 24% of total revenues, departmental income \$151 million or 8.4%, various other revenues \$159.9 million or 8.8% and the remaining source of financing the spending plan – property taxes \$548.4 million or 30% of the revenues. The property tax levy amount is consistent with the tax levy adopted in the current budget.

The major components of this net increase in appropriations detailed in the Operating Budget Comparative Analysis – Expenditures Summary Exhibit 1a are as follows:

<u>Appropriations</u>	<u>In Thousands</u>
Board of Elections	\$ (1,457)
Contribution - Workers' Compensation Fund	1,500
Corrections	242
Debt Service	193
Employee Health Insurance	17,652
Fica/Medicare	465
Health	(12,457)
Information Technology	90
Laboratories & Research	(14)
Miscellaneous Budgets	(6,570)
Parks, Rec & Conservation	1,349
Probation	(70)
Public Works	(1,276)
Retirement	260
Sales Tax Distributed	(1,776)
Social Services inclusive of \$60 million IGT	7,400
Transportation	1,877
Other	281
Total Appropriations	<u>\$ 7,690</u>

The key factors causing the departmental changes are discussed, briefly, below.

The \$7.4 million increase in the Department of Social Services 2017 budget is due in part to the transfer of responsibility to DSS from the Health Department for the Committee on Special Education's (CSE), Education and Transportation program, the E&T program plus \$15 million annual expense which was offset by reduction in other programs such as a \$5 million reduction in IGT from \$65 million to \$60 million. The appropriation for Employee Health Insurance is \$17.652 million greater than the 2016 adopted budget due to increases in the cost of health care. The cost of participation in the New York State Retirement System is \$260,000 greater than the amount budgeted in the 2016 adopted budget which is due to the amortization of the prior years' deferred amounts. The Department of Corrections' 2017 budget increase of \$242,000 from 2016 is due to overtime. The increase in the Department of Parks, Recreation and

Conservation of \$1.349 million of which \$900,000 is related to salaries and fringe benefits and the remaining balance is due to material and supplies. Miscellaneous Budgets decreased by an aggregate of \$6.57 million over the 2016 budget inclusive of the following areas: Property/Casualty/Workers Comp Ins. increased \$1.505 million, Certiorari proceedings decreased \$2 million, Legal Aid Society increased \$749,000, Municipal Sales Tax Distribution decreased \$1.776 million, and Community Based Organization with a budget of \$1.218 million in 2016 was consistent. A decrease in New York State Court Facilities of \$3.886 million was a result of the reclassification of the debt service historically included in NYS Court Facilities to debt service.

The \$7.69 million net increase in appropriations is offset by the following revenue sources as detailed in the Operating Budget Comparative Analysis – Revenues – Summary Exhibit 1a:

Revenue	In Thousands
Departmental Revenue:	
Consumer Protection	\$ (604)
Correction	185
County Clerk	(244)
Public Safety	318
Engineering	(350)
Finance	34
Information Technology	(83)
Laboratories and Research	179
Leased and Owned Property	(5,498)
Parks, Recreation & Conservation	(943)
Public Health	178
Social Services	200
Transportation	995
Other Departments	(1,321)
Sub-total	(6,954)
Bond Proceeds	(2,000)
Federal and State Aid	9,518
Hotel Tax	251
Inter-Fund Transfers	20,877
Miscellaneous inclusive of \$60 million IGT	(4,471)
Mortgage Tax	200
Payments in Lieu of Taxes	(21)
Sales Tax Revenue	(8,210)
Use of Restricted General Fund Balance - E911 Reserve	50
Other, Net	(1,550)
Total Revenue	\$ 7,690

The County anticipates a decrease of \$6.954 million in departmental income in the 2017 proposed budget. Leased and Owned Property's decrease from 2016 Adopted budget to 2017 Proposed budget of \$5.498 million is due to the 2016 anticipation of the sale of 375 Executive Boulevard in Elmsford for about \$2.9 million; approximately \$2.7 million transferred to the debt service from the Department of Public Works in order to pay prior debt and the anticipation of \$200,000 in closing costs associated with the sale.

The Department of Parks, Recreation, and Conservation's 2017 budget decreased by \$943,000 due the County not receiving the Algonquin Gas Transmission payment of \$1.66 million and the County receiving revenue from the Children's Summer Ecology Trust and the Muscoot Trust Fund. In addition, the County plans to receive revenue from the re-opening of the Sprain Ridge Pool.

The decrease in budgeted tax certiorari bond proceeds of \$2 million is in anticipation of the reduction of the County's issuance of serial bonds to finance tax certiorari judgments in 2017. Federal and State Aid increase in this budget by approximately \$9.518 million. The increase is due to additional aid in the Department of Transportation for approximately \$6.1 million and Indigent Defendants Reimbursement for \$3.4 million. Mortgage tax is anticipated to increase by \$200,000 due to the increased activity in the housing market. The 2017 proposed budget for Miscellaneous Revenue is \$4.471 million less than the Adopted 2016 budget is due to the inclusion of a decrease in Services to Westchester Medical Center of \$1.57 million, an increase in Closed Capital Projects of \$489,000, intergovernmental transfers decrease of \$5 million, capital revenues decreased \$600,000, and Austin Ave increased \$2.2 million due to proceeds from the initial sale and additional money from building permits.

Included in Other is a \$20.877 million increase in inter-fund transfers is primarily due to the County's proposed \$15 million Airport lease proceeds transfer to the General Fund. Additionally there are budget transfers for \$5.8 million from the Westchester Community College debt service and approximately \$87,000 from District interest.

Our charge from the Board of Legislators is to gain an understanding of the budget structure, the assumptions employed and the new or modified policy decisions incorporated. The evaluation of policy initiatives is not within our capabilities inasmuch as that is a legislative prerogative. Our goal is to inform and quantify the amounts provided. We are aware that the limited timeframe to perform an in-depth review of the budget document places additional pressures on the Board. Consequently, a comprehensive analysis is not an option. We must call upon our expertise garnered from our many years of service to the County and to the knowledge gained from our recently completed reviews of budgets of three of the neighboring counties. We have directed our efforts to those areas that, upon preliminary review represent modification from previous budgets, have exhibited opportunity for savings in the past or would be influenced by the economic conditions.

We have advised the Board of our recommendations for increases to the budget on December 5<sup>th</sup>. Our suggestions were presented in brevity. The detailed factors which caused us to make these recommendations and the underlying justification have been included in this report. Our complete report is detailed in the pages that follow.

We look forward to meeting with the Board of Legislators to discuss our findings and to review any other aspect of the proposed budget review.

Very truly yours,

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies, LLP**

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# REVENUES

## **Airport Privatization**

The County is currently deliberating the County Executive's proposal to privatize airport operations in the form of a long-term lease. The proposed budget includes \$15 million of revenue in the General Fund comprised of various components relating to this proposed transaction.

It is our understanding that this transaction requires Legislative approval as well as approval by the Federal Aviation Administration ("FAA"). We have discussed in a separate communication in response to an inquiry by the Chairman of the Legislature the accounting requirements for revenue recognition. In that communication, we indicated that in accordance with GAAP, revenue recognition in governmental funds is reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, amounts must be earned, measurable and available to qualify for recognition as revenue. The receipt of cash is never, of itself, a sufficient basis for recognizing revenue. A government must obtain a claim to resources ("earning") before revenue recognition can occur. Measurable refers to the ability to quantify in monetary terms the amount of the revenue and receivable. The term available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" provides standards on recognizing and displaying sales of future revenues. Statement No. 48 discusses exchanges by governments of interests in their expected cash flows from collecting specific future revenues for immediate cash payments. In a sale of future revenues, rather than being reported as revenue at the time of the sale, the proceeds should be reported as a deferred inflow of resources. Revenue should be recognized over the life of the agreement. In each year of the agreement, a portion of the deferred inflow of resources would be recognized as revenue.

In the event that the County adopts a budget reliant upon the \$15 million from this transaction, we would urge that the County identify budgetary actions in the event the transaction does not receive all of the necessary approvals or meet the criteria referenced for revenue recognition.

## **Sales Tax**

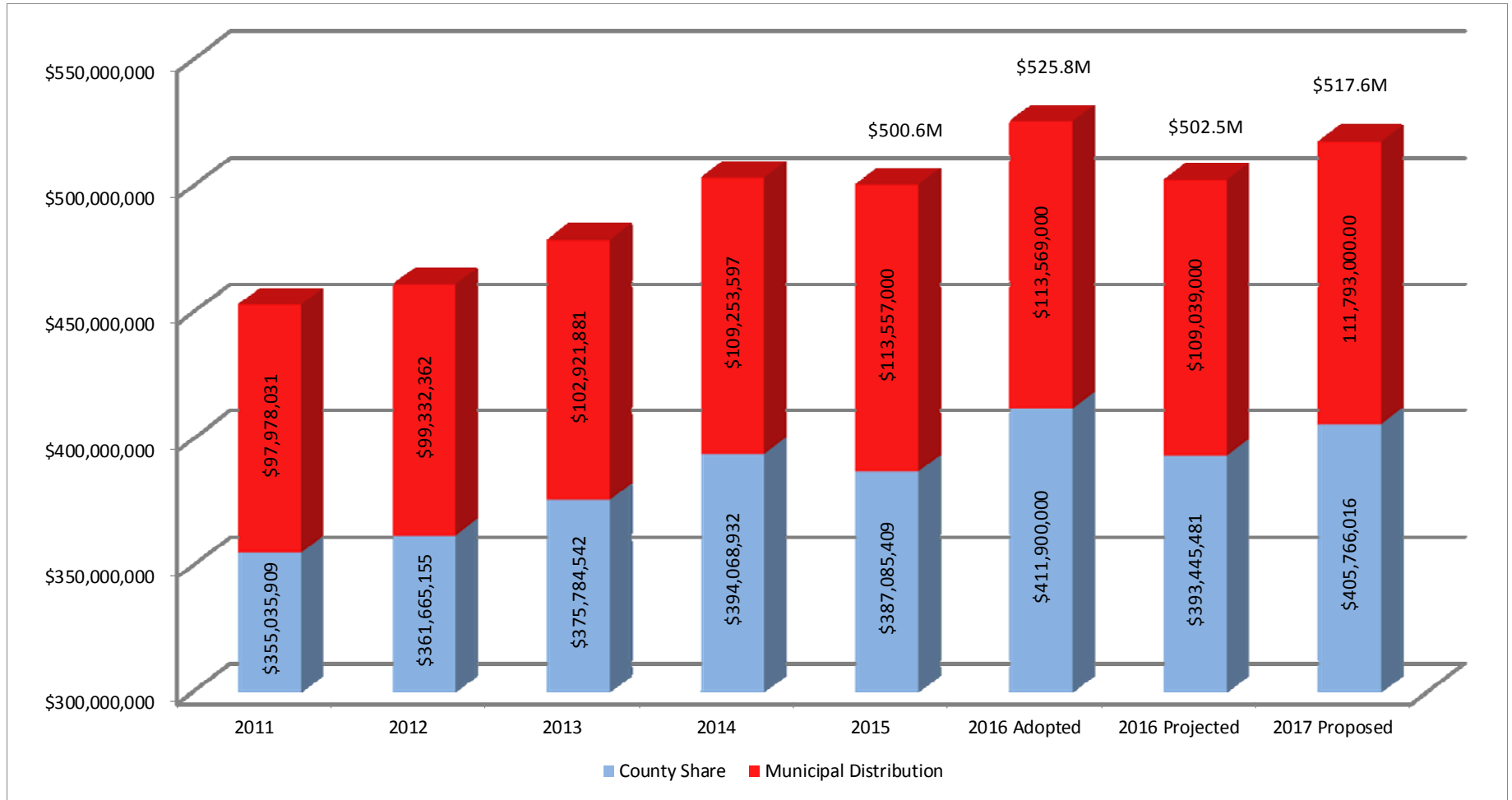
Sales tax revenues comprise the largest single component of the revenue segment of the budget other than real property taxes. The proposed 2017 budget anticipates sales tax revenues of \$517.6 million, of which \$405.8 million represents the County's share. The 2016 for budgeted Sale Tax revenue was \$525.8 million, of which \$411.9 million represents the County share. The remaining \$111.8 million in 2017 and \$113.9 million in 2016 represent the sales tax revenue collected by the County that will be remitted to the cities, towns, villages and school districts. The County's share of sales tax revenue is comprised of the following components: a local sales tax of 3% inclusive of sales tax of "1½%" retained by the County, sales tax of "1%", of which the County retains "1/3" and a "1/2%" sales tax, of which the County retains "70%".

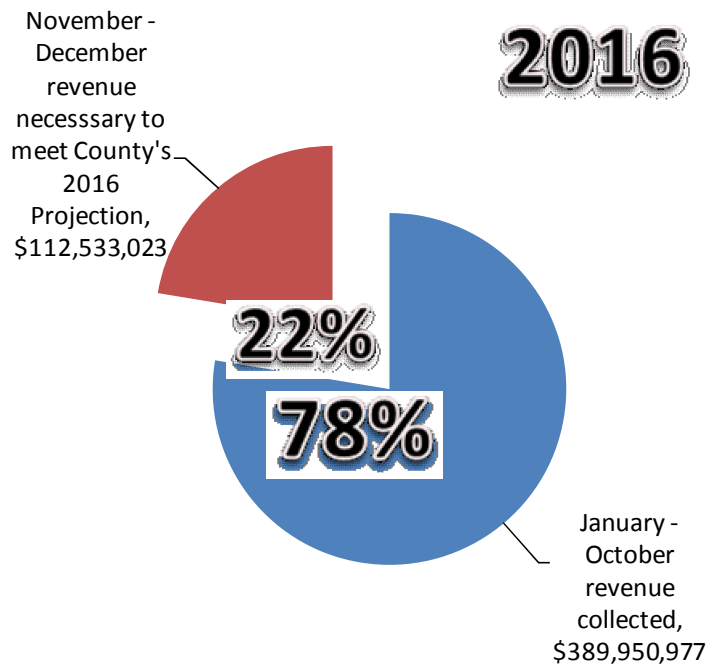
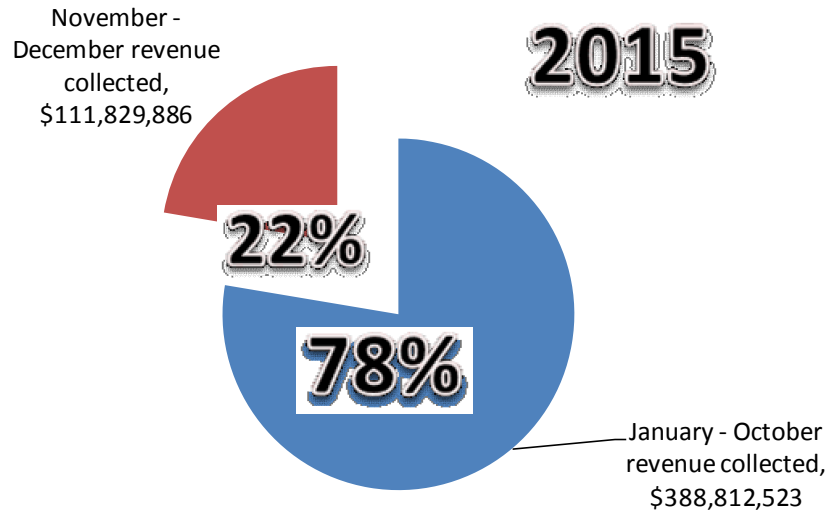
The County projects 2016 actual gross revenue to be \$502.5 million which is \$23.3 million less than the 2016 adopted budget and is \$1.9 million greater than 2015 actual gross sales tax revenue of \$500.6 million. Sales tax collections for the first ten months of 2016 were \$390.0 million. To attain the County's 2016 projection amount of \$502.5 million, the County collections for the months of November and December must aggregate to \$112.5 million which is less than the amount actually collected from November through December of 2015.

The County used the 2016 projected sales tax revenue amount of \$502.5 million and applied a 3% growth rate to arrive at the 2017 budget forecast of \$517.6 million or approximately \$15.1 million of increased gross sales tax revenue. Included in the 2016 adopted and 2017 proposed budget is an amount to be shared and remitted to the various municipalities which is presented as an expenditure in this budget. The 2017 proposed budget includes the expenditure for the portion due to the various municipalities actual expenditure of \$111.8 million which equates to 21.6% of the gross collections. We estimate this percentage to be 21% for 2017. Based on this analysis we recommend a \$415,000 increase to the municipal sales tax distribution 2017 proposed budget resulting in an overall net decrease in sales tax revenues.

There are many factors, both positive and negative, which influence the potential sales tax growth rate recognized in 2017 and beyond. The ongoing deficit problems faced by the Federal and State Governments may very well result in government actions that will reduce consumers' disposable income from 2016 levels (increased tax rates).

### Actual Sales and Use Tax 2011 through Present



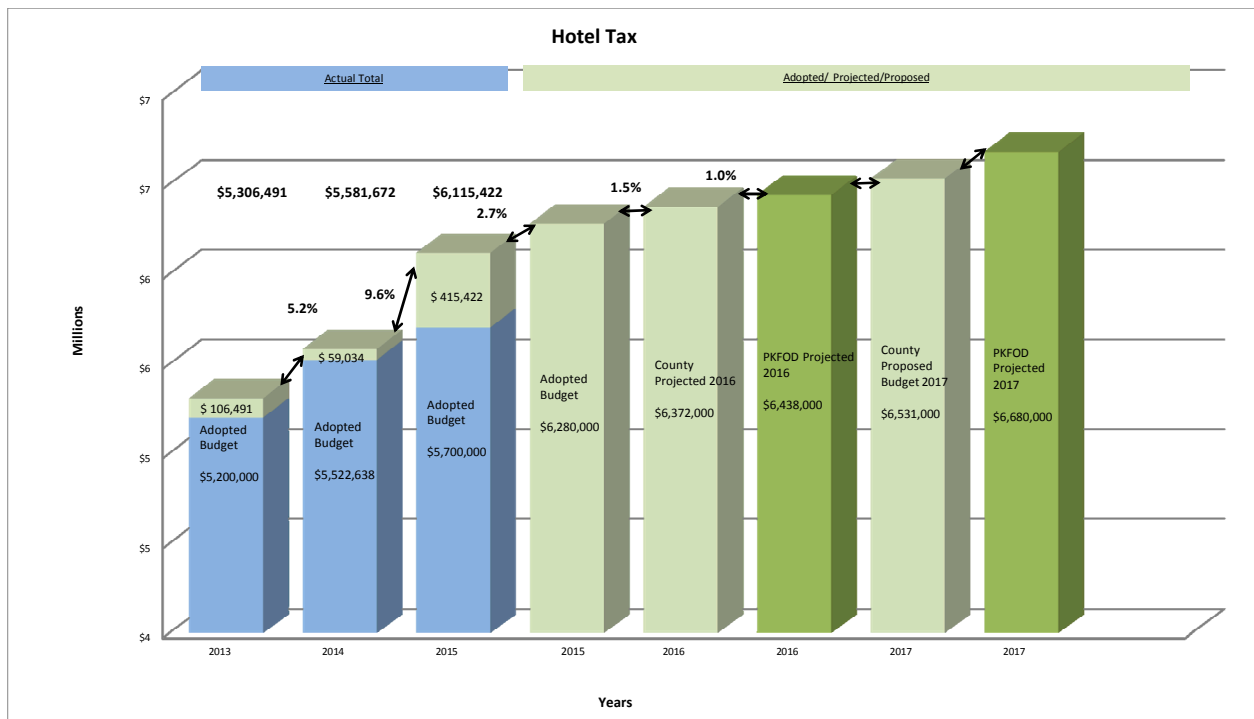


Although the year to date change in the amount of sales tax collected in comparison to 2015 is increased by (.3%), we believe that the County's overall budget of \$1.8 billion should be able to react in sufficient time to absorb any shortfall in growth. In order to ensure this, we recommend that sales tax revenue be monitored on a monthly basis against 2016 receipts, applying the projected growth rate of 3% and any cumulative shortfall on a quarterly basis should be addressed by an equivalent reduction in expenditures.

## Hotel Tax

The County imposes a 3% tax on the revenues derived from hotel occupancy. Revenue collections of the Hotel Sales Tax have grown significantly in recent years. Our analysis of growth for the years 2011 through 2016 represent an average annual growth of 3%. Hotel tax revenues in 2015 totaled \$6.22 million, approximately \$420,000 more than the 2015 budget of \$5.70 million. Through the first three quarters of 2016 the County had experienced approximately 5% growth in Hotel Sales Tax collections from the first three quarters of 2015. Our analysis of this revenue item estimates the 2016 hotel tax revenue to be \$6.44 million which is approximately \$70,000 more than the County's 2016 projection for \$6.37 million.

The 2017 proposed budget anticipates \$6.53 million in revenue collection from this source, which is \$250,000 more than the 2016 adopted budget of \$6.28 million. Although there is increasing revenue growth in 2016 over 2015 due to regional conditions, our projections show that hotel tax revenue will yield modest growth in 2017. We applied a conservative increase to the projected 2016 revenue, which brings our 2017 projected revenues to \$6.68 million. Based on the projected opening dates of the Courtyard, located in Yonkers, and the Hilton Garden, located in Dobbs Ferry, we increased our projection by \$50,000 for future hotels. Based on this analysis we recommend a \$150,000 increase to the 2017 proposed budget and a corresponding 15% or \$22,500 increase to appropriations for tourism.



## **Auto Use Tax**

The County has imposed a tax of \$30 (small cars) and \$60 (large cars) on its residents for vehicles registered with the New York State Department of Motor Vehicles. The motor vehicle tax is payable every two years. County officials estimate that approximately 50% of the population registers their vehicles in the odd years and the remaining 50% in the even years. Our analysis includes projecting 2016 and 2017 revenues. We compared actual revenues collected through September 2016 against revenues collected through September 2014, due to the alternating cycle. The percent change in collections from 2014 to 2016 through September grew at the rate of 2.60%. The total revenues collected through September 2016 were approximately \$12.17 million. We projected the fourth quarter 2016 revenues to be \$3.63 million based on fourth quarter collections in 2014 with a conservative increase. Our 2016 projection is \$15.8 million which represents a \$140,000 decrease compared to the County's 2016 adopted budget of \$15.94 million.

The County's 2017 proposed budget for auto use tax of \$16.31 million is approximately \$370,000 greater than the 2016 adopted budget. Our projection of \$16.45 million is approximately \$140,000 more than the 2017 proposed budget of \$16.31 million. We recommend that the proposed budget for 2017 be increased by \$140,000, arrived at when comparing the actual percentage change increase of 3.4% pertaining to the odd years 2013 and 2015 and then added to the actual 2015.

## **Payments in Lieu of Taxes**

The County has forecasted that payments in lieu of taxes ("PILOT") revenues for 2016 will be \$10.6 million which is approximately \$100,000 less than the revenue budgeted for 2016 in the amount of \$10.7 million. In part, we utilized the PILOT payment schedules provided by the County's Department of Finance to build our projection. Based on our analysis of actual receipts through November 2016, anticipated PILOT revenues in December 2016 and anticipated billings at year end we project the 2016 PILOT revenues will approximate \$10.8 million which is slightly more than the County's projection of \$10.6 million.

The County's 2017 proposed budget projects PILOT revenue to be \$10.7 million; an increase of approximately \$100,000 compared to the County's 2016 projection of \$10.6 million. Based on our analysis, we project the County's 2017 revenue to approximate the County's projection of \$10.7 million. We did note that the budget does not take into consideration any adjustments for potential over paid PILOT revenue, if any, due to duplications on the tax rolls. In addition, PILOT agreements may fluctuate from year to year due to assessed property values and any appropriate adjustments for new, expired, or modified agreements. Based on our analysis, we do not suggest a change to the Payment in Lieu of Taxes 2017 proposed budget.

## **NYS Court Facilities**

The NYS Court Facilities budget consists entirely of inter-departmental charges from the Department of Public Works. We have reviewed these allocations for reasonableness compared to prior years. We also ensured that the charges in the Court Facilities budget corresponded to inter-departmental revenues within the Department of Public Works since a change in the Court Facilities budget would be met with corresponding change in the Department of Public Works revenues. The 2017 proposed budget for NYS Court Facilities is \$15.6 million, which is approximately \$3.9 million less than the 2016 adopted budget. During 2016 the county refinanced its Dormitory Authority of the State of New York (DASNY) bonds. This saved the County approximately \$4.0 million in DASNY bond payments. We concur with the budget of \$15.6 million and suggest no changes.

### *NYS Court Facilities State Aid*

The County has proposed a budget of \$2.0 million in 2017 for NYS reimbursements for certain costs associated with the Court Facilities. Within this figure, \$1.6 million represents reimbursement for court cleaning and minor repairs. Based on information obtained regarding the court cleaning, minor repairs and appellate court reimbursed expense estimates for the year we project \$2.2 million in court facilities state aid. Due to changes within the program we project an increase in the claims for reimbursement of expenditures from New York State. Therefore, we recommend an increase of approximately \$200,000.



### *DASNY Bond Interest Reimbursement*

The County has proposed a budget of \$345,000 in 2017 for Dormitory Authority of the State of New York (DASNY) bond interest reimbursement pertaining to bonds in which the proceeds were used to build the Courthouse Annex. Since 2011 the amount has been decreasing as the debt service payments decrease by an average of 19% annually. We project the 2017 DASNY reimbursement amount to approximate the proposed budget of \$345,000. Based on our analysis, we recommend no changes to the 2017 proposed budget.

### **Department of Corrections**

Revenues related to the Jail are estimated at \$7.9 million in the 2016 adopted budget. The proposed 2017 Jail revenue is \$8.1 million. The largest components are as follows:

	<b>2016 Adopted</b>	<b>2017 Proposed</b>
Housing Federal Inmates	\$ 5,856,000	\$ 5,900,000
Pay Phone	800,000	800,000
Federal State Criminal Alien Assistance Program	999,000	1,200,000
Miscellaneous	204,000	240,000
	<u>\$ 7,859,000</u>	<u>\$ 8,140,000</u>

### *Housing Federal Inmates*

The billing rate to the U.S. Marshall Service to house a Federal inmate is \$160 per day. This equates to \$58,400 to house one Federal inmate on an annual basis. Through the first ten months of 2016, revenues totaled \$4.5 million and the average Federal inmate population was 93. The Federal inmate population ranged from 90 to its peak of 102 inmates during 2016. Based on the actual October 2016 Federal inmate population, we project 2016 revenues to total approximately \$5.4 million, as compared to \$5.6 million in the prior year. Our projection of \$5.4 million is \$500,000 less than the County's 2016 budget of \$5.9 million.

The 2017 proposed budget of \$5.9 million is based on an average population of 100 Federal inmates. Based on our review the presumption of 100 federal inmates appears reasonable and we recommend no changes to the 2017 budget.

#### *Pay Phone*

This revenue is the result of the County receiving a percentage of all pay telephone calls made by inmates. In 2002, the County entered into a contract with AT&T who is the sole provider of this service. For 2016, revenues for the first eight months of the year totaled approximately \$520,000. On an annualized basis, we project that 2016 revenues will be \$700,000, or \$100,000 less than the 2016 adopted budget. The 2017 proposed budget is based on anticipated payments from AT&T totaling \$800,000, which approximates our projections. Therefore we recommend no changes to the 2017 proposed budget.

#### *Federal State Criminal Alien Assistance Program*

The Jail, under the Federal Government's State Criminal Alien Assistance Program (SCAAP), receives reimbursement for housing inmates that are not U.S. citizens. The Jail is required to submit data on inmates and once the data for all municipalities is submitted, allocations are made based upon the funds set aside. For the 2014 and 2015 fiscal years, the County received reimbursements of \$695,736 and \$1,040,275, respectively. The 2016 allocation has been received and the County has been allocated \$1 million which approximates the County's projection. Our projection is based on the 2016 allocation held flat therefore we concur with the budget estimate for 2017 of \$1.2 million.

#### **Department of Parks, Recreation and Conservation**

The Department of Parks, Recreation and Conservation anticipates total departmental revenues of \$35.9 million in 2017. This represents an increase of approximately \$500,000 or 1.41% greater than the County's 2016 projection of \$35.4 million and approximately \$900,000 less than the 2016 adopted budget of \$36.8 million. Our projection for 2016 is \$35.4 million.

A summary of the 2016 adopted budget, and 2016 County projections, compared to the 2016 adopted budget and 2017 proposed budget is as follows:

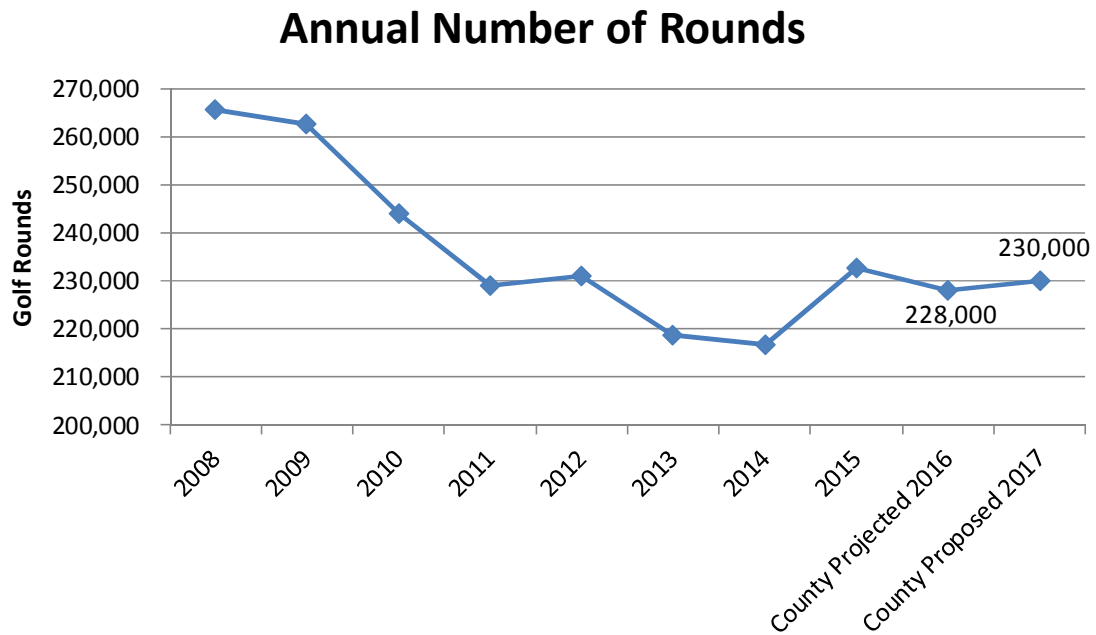
Division	County		PKF O'Connor Davies		County
	Adopted Budget 2016	Projected 2016	Projected 2016	Projected Surplus (Deficiency)	Proposed Budget 2017
Golf	\$ 9,700,298	\$ 9,305,298	\$ 8,900,000	\$ (800,298)	\$ 9,420,298
Parks	6,530,090	6,760,484	6,800,000	269,910	7,361,040
Playland	11,423,072	10,195,352	10,300,000	(1,123,072)	11,433,424
County Center	5,350,000	5,375,000	5,330,000	(20,000)	5,425,000
Ice Casino	791,000	747,275	720,000	(71,000)	755,000
Other	3,015,483	3,007,393	3,367,323	351,840	1,472,116
	<u>\$ 36,809,943</u>	<u>\$ 35,390,802</u>	<u>\$ 35,417,323</u>	<u>\$ (1,392,620)</u>	<u>\$ 35,866,878</u>

### *Golf Fees*

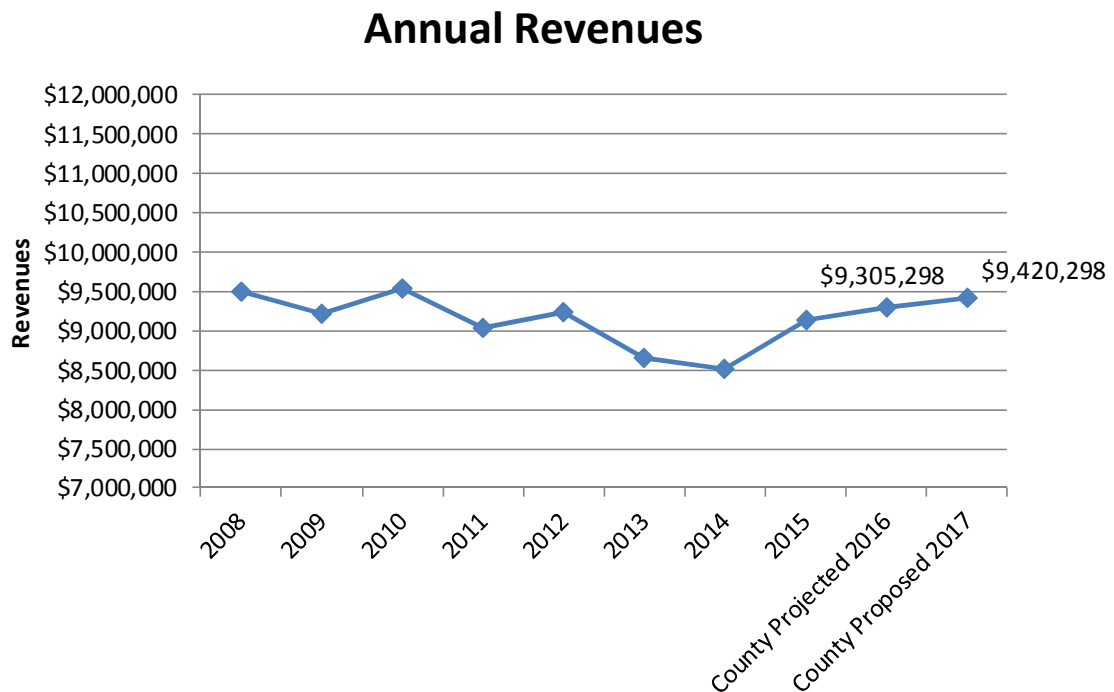
The County has projected 2016 golf course revenues to be \$9.3 million, which is \$400,000 less than the adopted budget of \$9.7 million and \$400,000 more than our 2016 projection of \$8.9 million. Our projections take into account the average of the previous three years latest golf fee revenue data through October representing 90% of the golf revenues, the remaining 10% is the golf fee revenue from November through December. Our unfavorable variance of \$800,000 in comparison to the County's 2016 adopted budget of \$9.7 million is the result of less than anticipated rounds.

The 2017 proposed budget of \$9.4 million assumes 230,000 rounds of golf throughout the seven golf courses. Our multi-year analysis of the total rounds played County wide indicates a high of 265,575 rounds in 2008, a low of 216,611 rounds in 2014, a County projection of 228,000 rounds for 2016 and a proposed 230,000 rounds in 2017. The County's increase for 2017 is inclusive of the "GolfNow", an online leading provider of Tee Times which was implemented in March 2016 which is the start of the Gold Season.

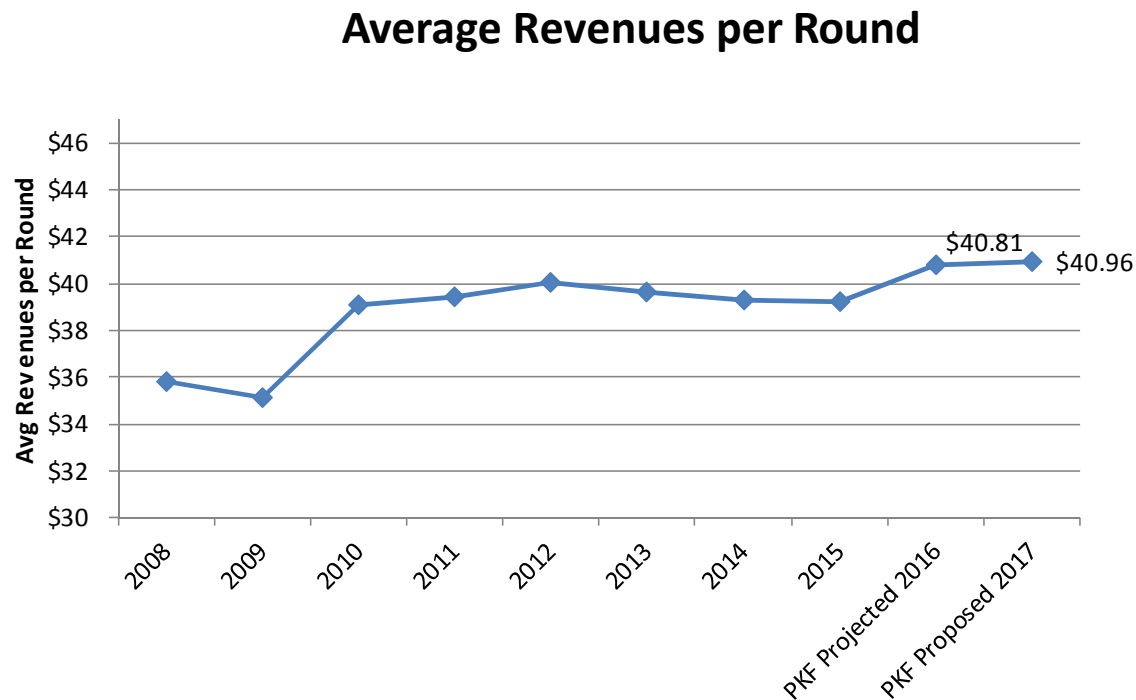
The following is a summary of the actual rounds played in the last eight years as well as the 2016 projected and 2017 proposed rounds:



The following is a summary of the actual annual revenues earned, projected and proposed revenues over the same time period:



Using the rounds per year and the revenues derived from them, we prepared an analysis of the actual, projected and proposed average revenues per round of golf as follows:



The following is a summary of the current greens (golf) fees for 18 holes and 9 holes:

Greens Fees			
	With		Without
18 Holes	Park Pass		Park Pass
Weekends and Holidays	\$	36	\$ 46
Weekdays		32	42
Senior Citizens (weekdays only)		25	42
Juniors (all day)		25	42
9 Holes			
Weekends and Holidays		30	32
Weekdays		27	32
Senior Citizens (weekdays only)		23	32
Juniors		23	32

The County's proposed number of rounds played of 230,000 appears to be at the high end of the range when compared to recent actual results. The total revenue in the 2017 proposed budget of \$9.4 million assumes that the County will collect an average of \$40.96 per round of golf played. The 2015 average revenue per round of golf was \$39.22 and the 2016 County projected amount is \$40.81 per round. Our 2017 projection for golf course revenues is \$9.0 million, which is based on the most recent rounds and revenue information. The County has projected 2017 golf course revenues to be \$9.4 million, therefore we recommend a \$400,000 reduction to the 2017 proposed budget.

### *Parks*

Each park derives revenues from fees charged to patrons for parking, camping, picnics and rentals. The County has projected park revenues for 2016 to be approximately \$6.8 million which is \$300,000 more than the 2016 adopted budget of \$6.5 million. We agree with the County's 2016 projection. The 2017 proposed budget for park revenues is \$7.4 million, which is \$900,000 higher than the adopted 2016 budget.

In 2017 the County budgeted \$255,000 of revenue in the County's general fund pertaining to the day camps which historically were included in the Children's Summer Ecology Trust and the Muscote Trust Fund.

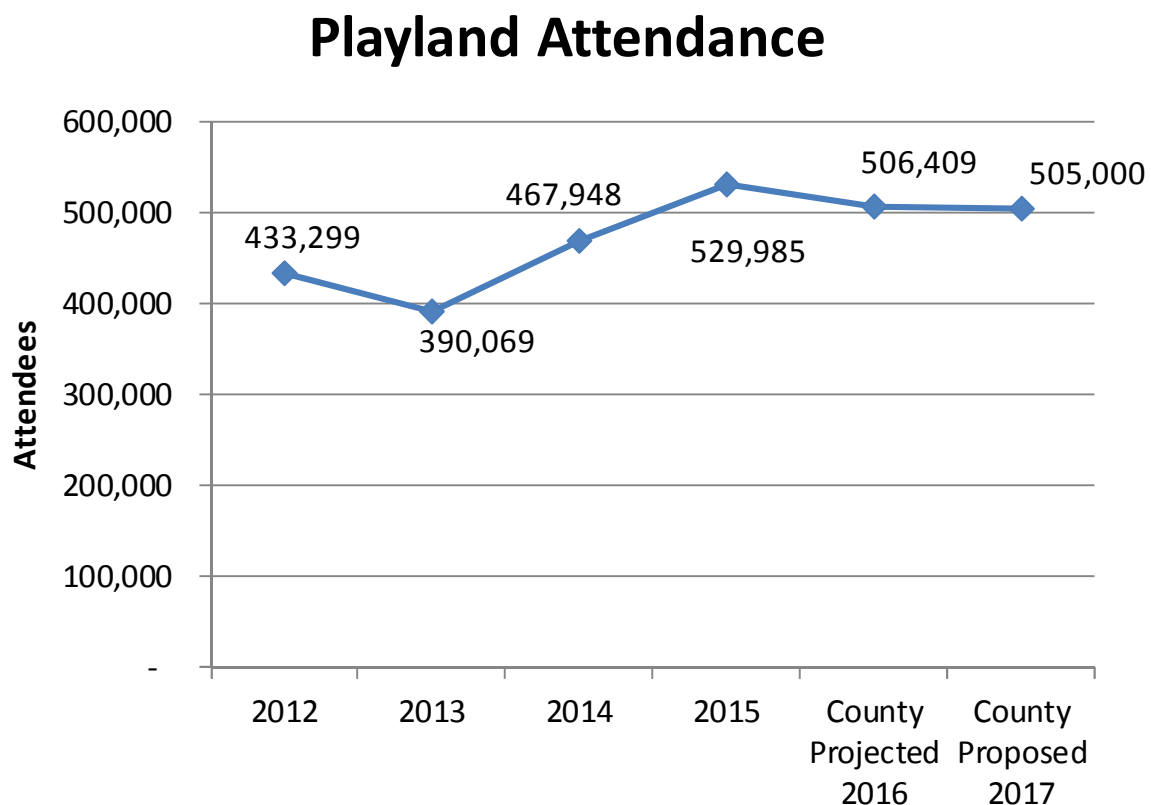
In 2017 the County plans to re-open the Sprain Ridge pool that has been closed since 2010. The County projects approximately \$381,000 in revenue for 2017, which is \$143,000 more than the 2010 actual revenue of \$238,000. The reason for this increase is due to fee increases in the season swim pass for family and adult. The family swim pass increased to \$300 from \$200 and the adult pass increased to \$125 from \$100.

We project 2017 revenues to approximate the County's proposed budget of \$7.4 million which is contingent upon the Sprain Ridge Pool opening.

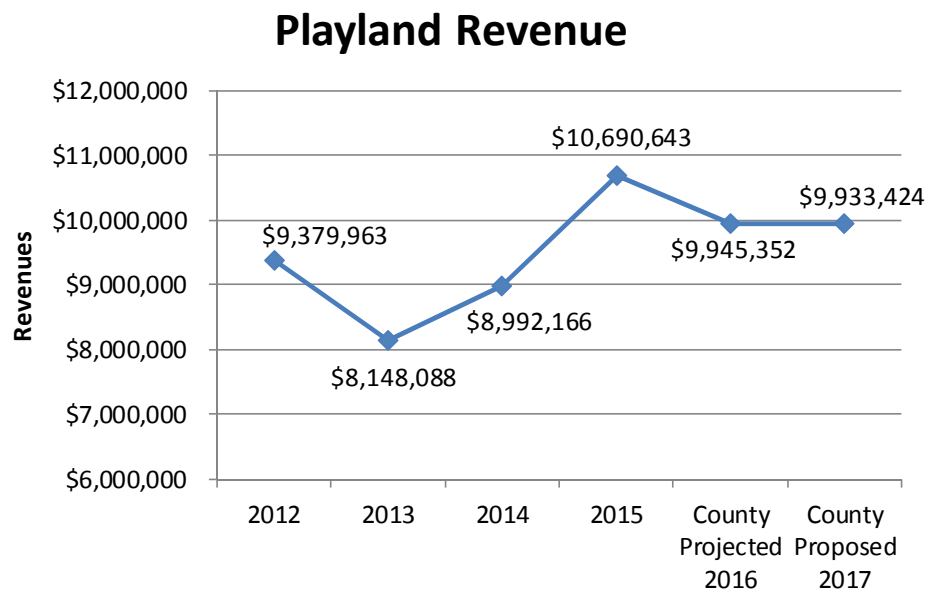
## Playland

The County has projected 2016 Playland revenues to be \$10.2 million which is \$1.2 million less than the adopted budget of \$11.4 million. Our 2016 projected revenues for Playland is \$10.3 million, which is \$100,000 more than the County's projection. Approximately \$250,000 of the total revenue is related to a non-recurring payment made by Standard Amusement in 2016 related to the option to co-manage Playland Park with the County.

The following summary chart shows actual Playland attendance for 2012-2015, projected attendance for 2016 and the proposed attendance for 2017:



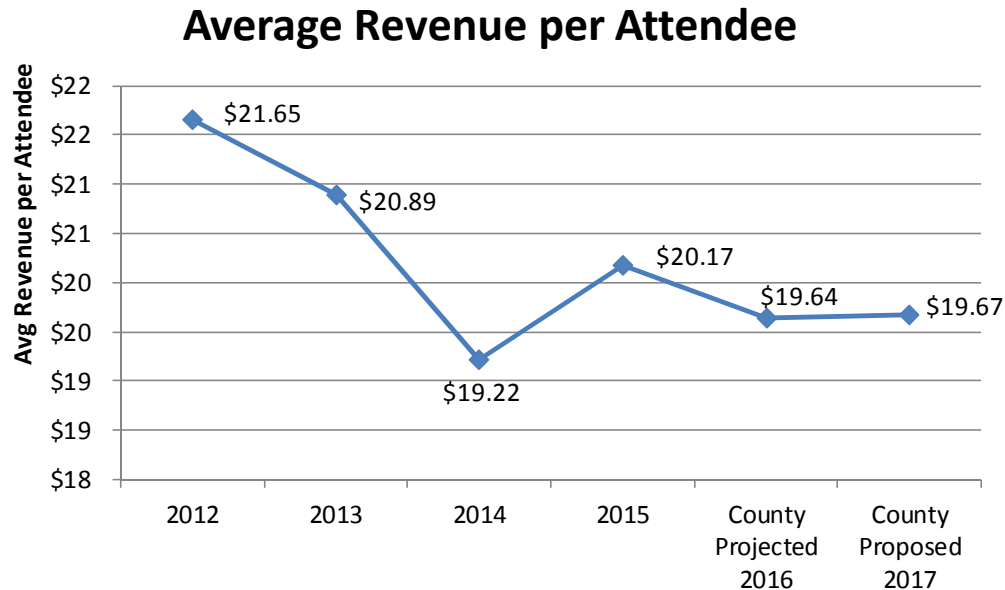
The following summary chart shows actual Playland revenue for the years 2012 through 2015, projected revenue for 2016 and proposed revenue in the budget for 2017:



- 2016 includes a non-recurring and non-refundable payment of \$250,000 received from Standard Amusement which has been deducted/adjusted to isolate recurring revenue
- 2017 includes a non-recurring payment of \$1.5 million received from Standard Amusement which has been deducted/adjusted to isolate recurring revenue
- As per the Standard Amusement agreement, if \$1.5 million is not executed within the time periods specified, the County will need to refund the \$1.5 million held in the special reserve account to the Manager.



The following summary chart shows the trend of Playland's average revenue generated per attendee, using actual data for the years 2012 through 2015, projected for 2016 and proposed for 2017:



The 2017 budget anticipates no fee increases at Playland and that revenue will be slightly better than the 2016 level of attendance. The County's estimate for 2017 is \$11.4 million including the \$1.5 million dollar budgeted payment from the Standard Amusement, which is an 11.76% increase above the \$10.2 million estimate for 2016. In formulating our estimate for 2017, we used an average of 2015 actual dollars and our 2016 projected to arrive at an estimate of \$11.2 million which is \$200,000 below the proposed budget of \$11.4 million. It should be noted that the second initial payment shall be in the amount of \$1.75 million, of which \$250,000 shall be paid to the County as a non-refundable payment, and \$1.5 million shall be held by the County in a special reserve account established by the County. Although this agreement was to have terminated on June 15, 2016, a later date was mutually agreed upon the county and the manager.

### *County Center*

The 2016 adopted budget reflects \$5.4 million in revenues relating to the County Center. The County has projected 2016 revenues to be similar to the amount in the adopted

budget. Our estimate for 2016 is \$5.3 million, which is approximately \$100,000 less than the 2016 adopted budget. This projection is based on actual data through October and based on discussions with the department; events were performing better than expected. The 2017 budget projects County Center revenues to be \$5.4 million. This includes an increase in parking fees of \$53,880. The County proposed parking permit increases of \$60 for annual, \$30 for semi-annual, \$15 for quarterly, and \$5 for monthly and corp. Our projection for 2017 is approximately \$5.4 million, which approximates the proposed 2017 budget; therefore, we recommend no changes to the budget.

### *Ice Casino*

As of August 2014, the County signed a management agreement with American Skating Entertainment Centers, LLC (“Ice Casino Manager”), which includes payments for 2016 as follows:

Management fee ( <i>Base Fee \$250,000 with 2% increases annually starting in 2016</i> )	\$ 255,000
Utility charges	400,000
CAM charges	25,000
Revenue sharing ( <i>25% of Gross Revenue exceeding \$1.6 Million</i> )	40,000
	<u>\$ 720,000</u>

The County’s 2016 revenue projection is \$747,000, which is \$44,000 less than the adopted 2016 budget of \$791,000. Our 2016 projected revenues approximate the County’s 2016 projection of \$747,000. The proposed 2016 budget includes the contractual increase in management fees as well as department of public works reimbursement from the Ice Casino Manager. Our 2017 projection of \$725,000 is \$30,000 less than the County’s proposed 2017 budget of \$755,000. Therefore we recommend a \$30,000 reduction to the 2017 proposed budget.

### *Other*

During 2016, the County entered into a license agreement with Algonquin Gas Transmission, LLC (“Licensee”) on November 1, 2015 through October 31, 2016 regarding the Algonquin

Pipeline to provide a Licensee access to and use of certain property in Blue Mountain Reservation for a term of one year commencing for a license fee of \$2,000,000. The proposed License Agreement grants Licensee access to the licensed area for the purposes of: (a) clearing of trees and other vegetation to allow for pipeline construction activity; (b) constructing a new 42-inch diameter natural gas pipeline that will replace the existing 26-inch diameter natural gas pipeline in compliance with the FERC Certificate, the Easement, and all other governmental approvals for the AIM Project and (c) restoring the licensed area after pipeline construction is complete in accordance with the requirements of the FERC Certificate, the Easement and other governmental approvals for the AIM Project.

## **Department of Transportation**

### *State Aid*

The Department of Transportation's proposed budget is \$57.8 million for 2017 Statewide Mass Transportation Operating Assistance (STOA). This includes \$1.4 million for a local preventative maintenance match. The 2017 proposed budget is \$4.6 million more than the 2016 adopted budget of \$53.2 million. As a specified recipient in the New York State Department of Transportation budget, the County is allocated STOA based on direct annual legislative appropriation. The County receives its base aid payments in May, August, November and December. The County projects 2016 actual revenue to be \$56.3 million and has received three installments totaling \$41.3 million as of November 2016. The County expects a \$1.5 million increase in the 2017 proposed revenue as compared to 2016 due to increased STOA and State Share Preventive Maintenance effective May 2017. Based upon the information provided to us, we concur with the 2017 State Aid estimate of \$57.8 million and, therefore, recommend no adjustment to the 2017 proposed budget.

## *Federal Aid*

The Department of Transportation's 2017 proposed budget is \$13.3 million and is comprised of the following:

Route 77	\$	248,000
Shuttle Wrap		600,000
Job Access and Reverse Commute		1,054,084
Paratransit Grant		446,347
5307 Preventive Maintenance		11,000,000
Total	\$	<u>13,348,431</u>

A material component to balance the Department's 2017 budget is \$11 million anticipated for 5307 *Preventive Maintenance* funding. The County has historically used these funds for the purchase of buses. However, the County has the option of using it to offset maintenance and operational costs within the Department of Transportation. This Aid is allocated to the County annually based on a Federal formula. If the County does not drawdown all of its allocation in a given grant year, it may accumulate and carry forward to future years. The department expects to drawdown the accessible \$8 million in 2016 and have access to \$11 million in 2017 for preventive maintenance (operating) costs. Based on information provided to us from the department, the 2017 proposed amount of \$11 million is reasonable. We recommend no adjustment to the 2017 proposed budget.

The County expects to receive Federal Aid for Route 77 and the Shuttle Wrap in the amount of \$848,000 in 2017. The amount of 2017 Shuttle Wrap Federal Aid is equal to the 2016 adopted budget. The County also expects to receive approximately \$446,000 from the Federal Transit Administration (FTA) for a Paratransit Grant which was initially received in 2016. We recommend no adjustment to the 2017 proposed budget.

## *Fare Box Revenues and MetroCard Revenues*

MetroCard offers Westchester residents the convenience and same discounts that are being enjoyed by millions of people in the New York metropolitan area. With a MetroCard, transit riders are able to buy a card with a fixed number of rides or buy one with unlimited rides for a specific time period, both at discounted fares. Riders also have the ability to pay with coins,

known as fare box revenues. Fare box revenue is utilized to offset the bus operation expense to arrive at a net expense for bus subsidies, known as Bus Operating Assistance (BOA). Our projections for BOA is included in the expenditure section of this report.

The MetroCard revenue is accounted for as departmental income within the budget. The County receives these revenues directly from the New York City Transportation Authority. These revenues have been on an increasing trend since the inception of this program due to the advantages of convenience and discounts to riders. The County projects a 2.2% increase in revenues from \$31.2 million in 2015 to \$31.9 million projected for 2016, an amount which is \$38,000 more than the 2016 adopted budget.

There were no subway or bus fare increases enacted during the 2016 year. However, the Metropolitan Transit Authority (MTA) has proposed two plans for an increase in fares, which will take effect on March 19, 2017. The decision on which plan to use will be the subject of public hearings across the MTA region in December. The two plans being considered are as follows:

<b><u>Fare Type</u></b>	<b><u>Current</u></b>	<b><u>Plan A</u></b>	<b><u>Plan B</u></b>
Base MetroCard Fare/ Local Bus Cash Fare	\$2.75	\$2.75	\$3.00
Bonus	11% with \$5.50 purchase	5% with \$5.50 purchase	16% with \$6.00 purchase
Effective Fare with Bonus	\$2.48	\$2.62	\$2.59
Single Ride Ticket	\$3.00	\$3.00	\$3.25

The 2017 proposed budget for Metro Card revenue is \$33 million, a 3.4% increase compared to the 2016 adopted budget and 2016 revenue forecast. The County estimated their 2017 budgeted revenue on the 4% effective increase included in both plan A and plan B. We anticipate that plan A will be selected due to its 0% price increase in single rides, which provides a more progressive fare structure. Metro Card revenue for 2017 is 85% of the departmental income requested in the amount of \$38.7 million. The 2017 increase is due primarily to the County's projected fare increase effective as of mid-March. We concur with the County's ridership forecast for 2017 based on the slight increase in ridership from 2015 to 2016. Therefore, we concur with the County's estimate of \$33 million and recommend no adjustment to the 2017 proposed budget.

## *Student Metrocards*

School metro card rates increased from \$50 to \$58 per month in September 2015. The County's 2016 forecasted revenue for student metro cards is equal to the County's adopted budget of \$2.5 million. The County estimates that 2016 student metro card revenue will be \$2.5 million and proposes the same amount for 2017. Student fares will be exempt from the anticipated 2017 rate increase. We recommend a decrease of \$100,000 to \$2.4 million based on a 1.2% decline in student ridership from 2014 to 2015 and estimated 6.8% decline in student ridership from 2015 to 2016.

## **County Clerk**

The revenues of the County Clerk are derived from several primary areas. They are as follows:

	<u>2017 Proposed</u>	<u>2016 Adopted</u>	<u>Increase (Decrease)</u>
Land Records and other items	\$ 7,823,146	\$ 7,763,012	\$ 60,134
Legal Division	920,250	1,254,250	(334,000)
Licensing	253,929	230,380	23,549
Pistol Renewals	34,400	27,640	6,760
	<u>\$ 9,031,725</u>	<u>\$ 9,275,282</u>	<u>\$ (243,557)</u>

The largest segment, land records, consists of fees for the processing of various documents required by the State. The Land Records Division of the Office of the Westchester County Clerk is home to the County's Map Division and records all documents pertaining to real property transactions occurring in the County, including New York State Mortgage Tax and New York State Transfer Gains Tax. The public can visit the Land Records Division to search for a current mortgage or deed, even those documents dating back to the colonial days of Westchester. The County is entitled to a portion of these fees. We have analyzed the various segments of revenues separately and in the aggregate.

The County budgeted \$9.3 million for County Clerk fees in 2016; through October 2016 \$7.6 million was collected. Our projection for November and December of 2016 is approximately

\$1.4 million bringing our total projection to \$9.0 million which is lower than the adopted budget for 2016 by \$400,000.

The 2017 proposed budget includes \$9.0 million for County Clerk fees. Year to date revenues indicate a slight decrease in real estate activity and related revenues (2% increase over 2015). The continuation of this trend is difficult to predict with the anticipation of an increase in interest rates and the modest growth rate in the regional economy. Using our 2016 projection as a base and assuming no growth, we project revenues to approximate \$9.0 million which is equal to the 2017 proposed amount; therefore, we recommend no change to the 2017 proposed budget.

### **Mortgage Tax**

The housing market over the last decade has been extremely turbulent with annual mortgage tax receipts ranging from a high of \$36.5 million in 2006 to a low of \$12.4 million in 2009. Mortgage tax revenue continued to recover from the decline experienced in 2014 showing a projected 3.3% increase from 2015 as detailed below:

<u>Year</u>	<u>Amount</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
2013	\$ 17.0 million	\$ 3,200,000	24.4 %
2014	15.0 million	(2,000,000)	(11.8)
2015	18.4 million	3,400,000	22.7
2016 PKF O'Connor Davies Projected	18.9 million	500,000	2.7
2016 County Projected	19.3 million	900,000	4.9

We project revenue from mortgage tax to be \$19.0 million in 2016, \$100,000 or 0.5% less than the adopted 2016 budget of \$19.1 million. Our projection is \$300,000 less than the County's projection of \$19.3 million through the end of 2016.

This 2016 estimate is based on a projection of the number of mortgage documents to be processed in 2016 and the revenue collected to date. We obtained the number of mortgages processed through October 2016 and compared them to the same period for fiscal years 2011 through 2015. We took an average percentage of mortgage documents processed through October for a five year period, a four year period and a three year period. In all three

calculations, the percentage of documents for the ten month period equaled approximately 85% of the annual total.

The remaining percentage of mortgage documents expected to be processed was applied to actual documents through October 2016 of 16,840 to obtain an annualized 2016 amount of 19,742. We then multiplied that amount by the adjusted average tax earned per mortgage document in 2016, \$891, to arrive at the 2016 projection of \$17.6 million. During 2016 there was a larger than normal recording of \$1.25 million which overstated the average recording per mortgage document. After adding the \$1.25 million recording to our adjusted 2016 projection of \$17.6 million we project 2016 revenues to be \$18.85 million.

<u>Period/Method</u>	<u>Average Processed Through October</u>	<u>Actual Documents Processed Through October 2015</u>	<u>Annualized Mortgage Documents to be Processed in 2015</u>
2011 to 2015	85.05 %	16,840	19,801
2012 to 2015	85.21	16,840	19,764
2013 to 2015	85.66	16,840	19,660

The County's 2017 proposed budget includes mortgage tax revenue of \$19.3 million. This figure is equal to the County's 2016 projected amount and \$450,000 greater than our 2016 projected amount. Considering the historical volatility with mortgage tax revenue, we feel it is prudent to use the County's proposed modest growth rate applied to our 2016 adjusted projected amount or \$18.85 million; therefore, we recommend a decrease to mortgage tax revenues in the amount of \$450,000.

## **Tobacco Settlement**

The Tobacco Master Settlement Agreement ("MSA") was agreed to in November 1998 between the attorneys general of 46 states and the four largest tobacco manufacturers in the United States. The lawsuit was brought against the industry for recovery of Medicaid costs attributed to the increased health care costs from cigarette smokers. Under the MSA, a percentage of all tobacco revenues derived from the United States would be distributed to all 50 states on a prorated basis to offset medical costs.



On December 1, 1999, the County entered into an agreement with the Westchester Tobacco Asset Securitization Corporation, ("WTASC") to purchase all of the rights, title and interest of the tobacco settlement revenues under the MSA. The WTASC issued approximately \$103 million in Tobacco Settlement Asset-Backed Bonds in which all of the payments under the MSA flow to a trustee.

In 2005, the WTASC issued \$216.6 million in Tobacco Settlement Asset-Backed Bonds to refund 100% of the 1999 bonds issued prior. In addition, as a result of this 2005 bond issuance, the "trapping account" that was established by the bond indenture and held by The Bank of New York as Trustee was satisfied and released.

The indenture under which the WTASC bonds were issued provides for the annual payment to the County of a residual basis generally consisting of 13.85% of the balance of net pledged tobacco settlement payments in excess of those needed for certain operating and trustee expenses. In 2016, the County is expecting to recognize \$2.0 million in residual payments and the 2017 adopted budget included \$2.0 million from this source.

In addition, the County is currently negotiating the refunding of its current outstanding Tobacco Bonds. Based upon discussions with legal counsel, Westchester County finance officials and a representative of the Government Accounting Standards Board, it appears that based upon the structure of the refunding the County will realize \$4-10 million. This is based upon a number of factors; a lower rate of interest on the refunded bonds, the timing in the payment of the principle payment and a recalculation of the funds set aside for the payment of administrative expenses.

As of the date of this report, the refunding has not occurred. If not completed prior to December 31<sup>st</sup> then the revenues will not be applicable to 2016.

The County's 2017 proposed budget anticipates WTASC tobacco settlement revenue to be \$14.4 million which produces a residual payment to the County of \$2.8 million. This is comparable to our expectations; therefore, we recommend no change to the 2017 proposed budget.

## Laboratories and Research

### Revenue

The following schedule summarizes the Department of Laboratories and Research revenues:

Revenue	2015 Actual	2016		2017 Proposed Budget
		Projected	Adopted	
Departmental	\$ 2,856,633	\$ 2,828,000	\$ 2,678,000	\$ 2,857,000
Inter-Departmental	20,977	30,000	30,000	21,000
State Aid	937,942	1,018,411	1,268,411	1,053,000
	<u>\$ 3,815,552</u>	<u>\$ 3,876,411</u>	<u>\$ 3,976,411</u>	<u>\$ 3,931,000</u>

The 2017 proposed budget includes \$2.86 million in departmental revenue as compared to the County's 2016 adopted budget of \$2.68 million, an increase of 6.7%. The County projects revenue for 2016 to approximate \$2.83 million and we concur with that estimate.

Fees for services for 2017 are primarily flat for microbiology, forensic, toxicology and environmental testing from 2016. Labs and Research's fee schedule is reviewed on an annual basis by its advisory board with comparisons made to other labs' fees for reference. Historically the fees have remained relatively consistent while improving technology helps reduce costs and increase efficiency.

The 2017 proposed budget includes \$1.05 million in State aid as compared to the County's 2016 projection of \$1.02 million, an increase of approximately 2.9%. State aid is calculated based upon qualified expenditures less departmental revenue received and is based on the same percentage formula as in 2016. We concur with the County's proposed revenue budget for 2017.

## Expenditures

The following schedule summarizes the Department of Laboratories and Research expenditures:

Expenditures	2015 Actual	2016		2017 Proposed Budget
		Projected	Adopted	
Salaries	\$ 8,095,318	\$ 8,058,550	\$ 7,986,550	\$ 8,144,128
Materials & Supplies	1,102,346	1,080,969	1,080,969	1,085,500
Contractual	765,922	796,654	796,654	809,250
Other	151,951	147,700	137,700	146,500
Inter-Departmental	3,247,210	3,307,634	3,307,634	3,101,480
	<u>\$ 13,362,747</u>	<u>\$ 13,391,507</u>	<u>\$ 13,309,507</u>	<u>\$ 13,286,858</u>

The County projects 2016 expenditures to approximate \$13.4 million, or \$100,000 over the adopted budget. Based on our analysis of expenditures to date and past trends, the County should realize a savings of approximately \$500,000 or 12% due in part to the allocation of lower than anticipated utility costs at the Valhalla campus and in part to fewer HVAC repairs in 2016.

The County's 2017 proposed budget for Laboratories and Research salaries reflects no addition or elimination of positions and calls for an increase of 2% over the 2016 adopted budget. The County's 2017 proposed budget for materials and supplies, contractual services and other personal services (hourly employees, overtime) approximates the 2016 adopted budget. We reviewed the 2017 proposed amounts in comparison to the County's 2016 projections, as well as 2015 actuals, and concur with the County's proposed budget of \$13.3 million.

## Appropriation/Use of Restricted General Fund Balance - E911

### *E911 Program/Reserve for E911*

Westchester County's 911 system enables emergency dispatchers to quickly identify the origin of a call for help and which emergency services cover that location. The Department of Information Technology (DoIT) is responsible for the County's telecommunications infrastructure, including the technical and fiscal administration of the 911 system. DoIT's GIS

division also provides daily support for the system's mapping component. The County handled 545,000 calls in 2015, and are expecting to handle approximately 550,000 E911 calls for the remainder of 2016 as well as 2017.

The County generates revenue through a surcharge on wireless and landline based telephone connections. The County's 2016 adopted budget includes revenue totalling \$4.7 million from these sources; which was based on revenues from 2015. Due to certain constraints imposed, the use of funds are restricted and can only be utilized to fund the costs of designing, constructing, operating, maintaining and administering public safety communication networks to serve the Westchester County.

Therefore, the County has set aside as "restricted fund balance" the unexpended funds, which have been accumulating over a number of years as detailed in the following chart.

Year Ended December 31	Revenue	Appropriated Fund Balance	Expenditures	Variance	Fund Balance	
					Assigned for Subsequent Years	Ending Balance
2008	\$ 6,307,911	\$ -	\$ 4,031,134	\$ 2,276,777	\$ -	\$ 2,836,985
2009	4,208,016	-	4,799,498	(591,482)	-	2,245,503
2010	4,682,035	-	3,452,829	1,229,206	-	3,474,709
2011	4,693,532	-	4,265,126	428,406	-	3,903,115
2012	4,647,855	-	3,297,390	1,350,465	-	5,253,580
2013	4,841,497	-	3,979,363	862,134	-	6,115,714
2014	4,664,691	-	3,713,834	950,857	6,109,801	956,770
2015	4,664,691	6,109,801	8,854,963	1,919,529	1,735,103	1,141,196
2016*	4,700,000	1,735,103	9,994,186	(3,559,083)	-	-

\* - Projected Amount

Note: The large jump in expenditures from 2014 to 2015 is due to the inclusion of the program called Wireless Cellphone that was not included in the previous year's expenditure line item.

In 2016, the County is projected to utilize appropriated fund balance of \$1.7 million which was restricted for E-911 services. The 2017 proposed budget includes \$4.7 million which is in line with the 2016 revenue. With the expenses for 2017 in line with 2016 expected expenses, E-911 used up the entire reserve of fund balance. During 2016 the County is planning to utilize the entire remaining fund balance which means that the Information Technology Department will

have to fund the remaining balance of E-911. Based on our analysis, we propose no change to the 2017 proposed budget.

### **Proceeds from Serial Bonds – Tax Certiorari**

Included in the 2017 proposed budget is \$9 million for the proceeds of serial bonds (“bonds”). It is anticipated that the bonds will be issued in 2017 for the purpose of paying County tax certiorari judgments in the amount of \$9 million. Our findings over this area are included in the tax certiorari expenditure section of our report.

### **Miscellaneous Revenue**

The proposed 2017 budget for Miscellaneous Revenue of \$72.7 million is comprised of the following:

	Budget	
	Adopted 2016	Proposed 2017
Services to WMC	\$ 9,506,315	\$ 7,933,480
Closed Capital Projects	1,253,000	1,741,748
Intergovernmental Transfers (IGT Payments)	65,000,000	60,000,000
Capital Revenues	600,000	-
Harness Racing Admission	6,000	6,000
Austin Ave	787,000	3,000,000
	<u>\$ 77,152,315</u>	<u>\$ 72,681,228</u>

### ***Closed Capital Projects***

Unspent bond proceeds in the amount of \$1.7 million are included in Miscellaneous Revenue within the County’s 2017 budget. During each budget cycle, the County adopts a capital budget. This budget includes not only new requests for capital projects but also modifications to existing capital projects and recommendations to close those projects deemed to be completed. When a project is closed, an analysis is prepared to determine if any unspent cash exists and from which revenue source it was derived (fund transfers and/or debt proceeds). Cash derived from

unspent bond proceeds in a closed capital project can be amortized over the remaining life of the bond and transferred annually to the Debt Service account to pay for any principal and interest that may be due on that outstanding issue. If the cash was transferred into the capital project from operating funds then it may be returned to that fund and used for operating purposes.

The 2016 adopted budget contained miscellaneous revenue of \$1.3 million for capital projects that were closed in 2015 and prior. Based on the capital project close out report, we estimate that the County will recognize \$1.6 million which is \$300,000 more than the 2016 adopted budget. The 2017 proposed budget includes miscellaneous revenue of \$1.7 million for capital project that in its majority have been closed in 2016. All of the unspent bond proceeds have been planned to pay down existing debt service on their original project. Based on the fact that our projection approximates the proposed budget, we concur with the \$1.7 million for the 2017 projected budget. Finally, the capital revenues are \$100,000 in TAN premium and \$500,000 of additional bond proceeds in planning for expenses related to the housing settlement that the County ended up booking to the capital fund.

#### *Intergovernmental Transfers (IGT Payments)*

The 2017 proposed miscellaneous revenue includes \$60 million due to the estimation of the IGT payments expected from the Westchester County Health Care Corporation (WCHCC). These payments are detailed further in the Section Intergovernmental Transfers (IGT Payments).

#### *Austin Ave*

The 2017 proposed miscellaneous revenue includes \$3 million due to the approval of building permits from the City of Yonkers. The Westchester County Industrial Development Agency ("WIDA") agreed to sell Austin Ave in Yonkers to Morris Builders, L.P in which they will build a Target Corporation or a similar retailer. According to the terms of the agreement, Morris has agreed to pay a purchase price of \$32 million for the land, in which \$19 million will be paid to Westchester County and \$13 million will be paid to Yonkers. The \$32 million will be paid as follows: Westchester County receives \$15 million of first \$25 million with the City of Yonkers receiving the remaining \$10 million; Westchester County receiving \$3 million of the \$5 million with the City of Yonkers receiving the remaining \$2 million; the Westchester County receiving

the first \$1 million payable on opening of the new store Improvements and the City of Yonkers receiving the \$1 million on the first anniversary of the new store improvements.

### **Legal Aid Society of Westchester and Indigent Legal Services**

Recently the New York State Senate submitted Bill Number S8114, an act to amend the county law, the executive law and the state finance law, in relation to indigent deference services which is presented to take effect in April, 2017.

This bill is to ensure that all persons accused of crimes in New York are able to receive effective legal representation whether or not they have the ability to pay for a lawyer by establishing a system of direct state funding at the requisite adequate level to eliminate the geographic disparity in representation.

New York State has chosen to fulfill its obligation to provide representation to indigent persons accused of crime by requiring each county outside New York City and New York City to implement and fund a plan to provide such representation. In 2006 the Commission on the Future of Indigent Legal Services concluded that a system of county operated and funded indigent defense services failed to satisfy the constitutional obligation to protect the rights of indigent persons accused of crime. Such Commission recommended that funding for indigent legal services come from the State's general fund rather than from the counties.

If the legislation becomes law it would require that the State reimburse, over a seven year phase, counties and cities in which a county is wholly located the full amount of expenses of counsel services for indigent legal defendants.

The State has recently settled a lawsuit with five counties – Suffolk, Washington, Ontario, Onondaga, and Schuyler – in which the settlement calls for the Office of Indigent Legal Services to be in charge of the public defense operations in the five counties. This would be the first time in New York that a statewide entity will be responsible for legal representation of all indigent criminal defendants.

This legislation would amend the law to provide the State to take over a full funding of the program in 2022, and relieve all counties this financial strain. As this has not been approved by the State, we suggest a reduction of \$2.9 million of proposed State aid.

# EXPENDITURES



## **Federal Insurance Contribution Act (FICA) Taxes**

FICA taxes are comprised of two components: a Social Security rate of 6.2% and a Medicare rate of 1.45%, for a combined rate of 7.65%. These rates have remained unchanged. For 2017, the Social Security rate of 6.2% will be applied to the first \$127,200 of each employee's wages (an increase to the cap applied to 2016 wages of \$8,700), while the Medicare rate has no wage base limitation.

We recalculated the County's 2017 budgeted payroll costs (exclusive of Department of Environmental Facilities) on which FICA taxes are based; this calculation resulted in a wage base of \$354.6 million. This amount is the same wage base used by the County to compute the total FICA costs charged to the Miscellaneous Budget. The wage base includes estimated step increases to the base salaries for employees in conformity with the associated collective bargaining agreements and does not include any salary increase for 2016 on unsettled contracts.

We calculated an estimate of the percentage of the County's total wages in excess of the Social Security wage ceiling of \$118,500 for 2016 and total wages subject to the tax, which approximated 94.71% which is 1.09% lower than the ratio applied by the Budget Department of 95.8%. Our estimate is based on the quarterly payroll tax filings obtained from the Department of Finance. This percentage was then utilized for our 2017 budget projection.

Our calculations as well as the County's included the reduction in the Social Security provision for the exemptions granted by Section 125 of the Internal Revenue Code. These code exemptions exclude from the Social Security and the Medicare wages the payroll withholdings for dependent care, certain health care expenses and transportation reimbursements.

Based upon the amounts budgeted for personnel services and the wage base limitations in effect for 2017, we calculate the amount of Social Security and Medicare costs to approximate the County's estimate of \$25.7 million.

## Retirement Costs

The 2016 adopted budget for retirement costs aggregates to \$77.7 million for all County funds of which \$66.4 million remains in the unallocated Miscellaneous Budget. The Government Accounting Standards Board (GASB) has stated that pension expenditures should be recorded in the period incurred, not when paid. The New York State and Local Retirement System (NYSRS) fiscal year ends on March 31st, therefore the County (fiscal year ended December 31st) must apportion the invoices of two separate fiscal years to record the proper expenditure. Specifically, the County uses the last three months of the fiscal year ending March 31, 2016 and the first nine months of the fiscal year ending March 31, 2017 in apportioning the payment of the NYSRS invoice to be applied to the County's 2016 calendar year. The retirement invoice is due on February 1st of the subsequent calendar year; historically the County has submitted payment on December 15th or prior to take advantage of a discount of approximately 1%. NYSRS also offers a program to help relieve the increasing burden of retirement costs to the County.

### *New York State Employer Contribution Stabilization Program ("Stabilization Program")*

New York State developed this program to enable expenditure relief and allow municipalities to defer fast rising pension costs. This program allows pension costs to be paid for on an amortized basis, as opposed to the year they are incurred. This program offers the County to elect the option to pay a portion of the annual retirement contribution (for both the ERS and the PFRS) over a ten year period. The County (employer) is able to "opt in" (participate) into the program by December 15th of each year independent of the County's previous years' participation. The calculation of the maximum amount of payments that can be deferred is formula based and utilizes the normal annual contribution rate and a graded contribution rate.

The 2016 adopted budget of \$77.7 million assumed the County's participation (subject to Legislative approval) in the Stabilization Program on the March 31, 2016 (which was deferred) and 2017 invoices which are apportioned accordingly to 2016 as described above. The 2016 adopted budget of \$77.7 million includes required amortization payments of \$13.1 million, which were deferred in prior years.

We concur with the County's 2016 budget projection of \$76.7 million. NYSRS modified its billing methodology beginning with the State fiscal year ending March 31, 2016. Instead of NYSRS estimating the salaries for the period and then providing reconciliations to the actual salaries on the subsequent years invoice, the March 31, 2016 NYSRS invoice is based on actual reported salaries for the State fiscal year end of March 31, 2016. The salaries that the County pays for the period April 1, 2016 through March 31, 2017 will be used on the NYSRS invoice for March 31, 2018. Nine months of that invoice will need to be apportioned to the County's 2017 fiscal year. Our projection and the County's both assume the County's participation in the New York State Employer Contribution Stabilization Program and the required amortization payments. We project the County's participation in the stabilization program on the March 31, 2017 invoice will defer an amount of approximately \$4.3 million in retirement cost in 2016.

The 2017 proposed budget for retirement costs aggregates to \$77.2 million for all County funds of which \$66.7 million remains in the unallocated Miscellaneous Budget. Our budget projection assumptions are as follows:

- 25% of state fiscal year 2017 invoice at the New York State Stabilization Program rates of 15.1 % and 23.5% for ERS and PFRS, respectively.
- 75% of state fiscal year 2018 invoice at New York State Stabilization Program rates of 14.9% and 24.3% for ERS and PFRS, respectively.
- The County will make the payments on the amortized pension costs from previous retirement invoices.

Participation in the program on the March 31, 2018 invoice is estimated to defer approximately \$4.2 million in retirement costs in the County's 2017 fiscal year.

We concur with the County's projected budget of \$77.2 million, based on the assumptions mentioned above.

## Multi-year Retirement Amortization

State Fiscal Year Ending	Retirement Bill without Amortization		Maximum amount allowed to be Deferred		Net Retirement Bill with Amortization		Annual Amortization payment on 2013 Deferral		Annual Amortization payment on 2014 Deferral		Annual Amortization payment on 2015 Deferral		Annual Amortization payment on 2016 Deferral	
	ERS	PFRS	ERS	PFRS	ERS	PFRS	ERS	PFRS	ERS	PFRS	ERS	PFRS	ERS	PFRS
2016	\$ 75,387,876	\$ 8,235,548	\$ 14,087,528	\$ 109,163	\$ 61,300,348	\$ 8,126,385	\$ 2,753,925	\$ 218,889	\$ 4,957,415	\$ 332,519	\$ 2,259,966	\$ 890,591	\$ -	\$ -
2017	71,305,083	11,347,900	4,153,406	179,223	67,151,677	11,168,677	2,753,925	218,890	4,957,415	332,520	2,259,965	890,591	1,669,236	12,935
2018	71,544,745	11,577,073	4,159,743	-	67,385,002	11,577,073	2,753,925	218,890	4,957,415	332,518	2,259,965	890,593	1,669,236	12,934

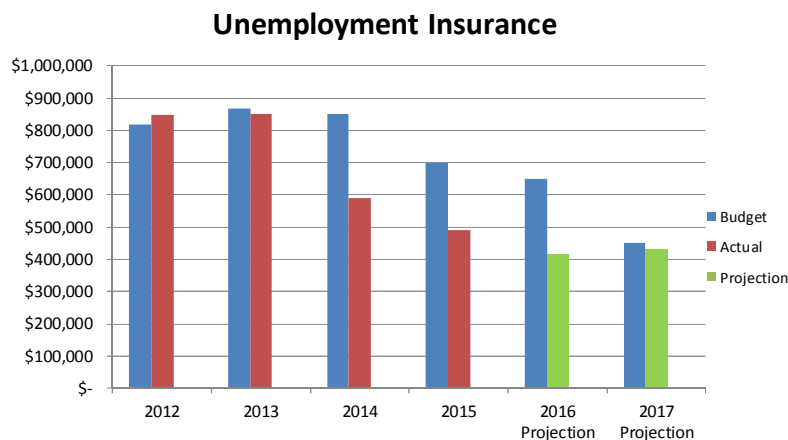
### Westchester County Weighted Rates Comparison with Amortization Rates

State Fiscal Years Ending March 31,	ERS		(1)	PFRS		(1)
	Stabilization Rate	Blended Rate		Stabilization Rate	Blended Rate	
2016	14.50%	19.00%		22.50%	24.60%	
2017	15.10%	16.60%		23.50%	23.90%	
2018	14.90%	16.60%		24.30%	24.50%	

(1) Blended rates are calculated by using the weighted average of the various retirement Tiers and plans assuming the County does not elect the option to defer amounts.

## Unemployment Insurance

The County self-insures its unemployment insurance. Management of the monies set aside for this program are outsourced to the third party vendor, Corporate Cost Control, Inc. Each calendar year, the company monitors payroll reports and severances and sends the County an estimated bill based on claims received by New York State.



The 2016 adopted budget provides for \$650,000 in unemployment expenditures. We project that expenses will approximate \$413,000 at year end, which is \$237,000 less than the adopted budget. Based on our analysis of prior year actuals, we concur with the County's 2017 proposed budget of \$450,000.

## Health Benefits

The following table includes summarized information on the costs of health benefits in the proposed budget as well as our projections for 2016 and 2017.

*In Thousands*

	Projections					
	2015 Actual	2016 Adopted Budget	2016		2017	
			County	PKF O'Connor Davies	County	PKF O'Connor Davies
Medical costs	\$ 116,884	\$ 124,791	\$ 133,506	\$ 134,317	\$ 138,407	\$ 138,407
Prescription Drug costs	41,300	41,289	42,289	42,290	44,827	44,827
HMO	6,042	6,601	6,852	6,862	6,852	6,852
Dental	3,141	3,908	3,774	3,983	3,993	4,067
Part B Medicare	4,834	4,858	5,055	5,053	5,122	5,122
Direct Payments	(16,760)	(16,619)	(17,236)	(17,732)	(18,446)	(18,248)
Other	(2,482)	(2,704)	(2,693)	(2,814)	(2,785)	(2,814)
Net Healthcare Costs	152,959	162,124	171,547	171,959	177,973	178,213
Use of Fund Balance	(769)	(2,404)	(2,529)	(2,529)	-	-
Less: Chargebacks	(22,837)	(24,650)	(24,400)	(24,400)	(25,251)	(25,251)
Total Health Benefits	<u>\$ 129,353</u>	<u>\$ 135,070</u>	<u>\$ 144,618</u>	<u>\$ 145,030</u>	<u>\$ 152,722</u>	<u>\$ 152,962</u>

## Health Benefits Overview

The County has established an Internal Service Fund ("Fund") to account for self-insured health benefits. Health benefits consist of medical and dental benefits. The medical benefits include payments to providers, HMO premiums, prescription drugs, Medicare reimbursements and administrative fees. The Fund, at December 31, 2015, reflected a net position of \$2.50 million. The total net healthcare costs appropriation contained in the proposed 2017 operating budget is \$177.97 million, which is accounted for in the miscellaneous budget. CSEA employees and County retirees do not contribute to the cost of their healthcare benefits. All other unions have

agreed to contribute to their cost of health insurance. The County has estimated that contributions towards health insurance from these unions will approximate \$5 million in 2017, which is \$200,000 greater than the amount contained in the 2016 budget.

An analysis of the more significant components of the health benefits budget along with our recommendations is set forth below. Our analysis indicates projected total health benefit expenditures through 2016 will be \$171.96 million versus the County's projection of \$171.25 million, an unfavorable variance of \$710,000. Our projection is \$9.84 million and the County's projection is \$9.13 million more than the adopted 2016 budget of \$162.12 million. For 2017, the County is proposing a budget of \$177.97 million with no appropriation of fund balance and without regard to chargebacks to other funds. We concur with the County's projection and do not propose any modifications to the health benefits budget for 2017.

### *Medical*

The largest component of health benefit costs are payments to health providers which includes major medical, hospital and outpatient services. These payments have historically represented approximately 75% of all expenditures in the health benefits category. Based on actual year to date expenditures through October 2016, our projection for medical cost payments to health providers is \$134.3 million for 2016, an amount that is \$800,000 more than the County's projection of \$133.5 million and is approximately \$9.5 million greater than the 2016 adopted budget of \$124.8 million. Since the County is self-insured with no stop loss coverage, the entire risk of any claim falls on the County. The medical costs per case increased 9.8% year to date in 2016 from the same time period in 2015 (\$127.89 per case in 2016 versus \$116.50 per case in 2015).

The County's growth rate of approximately 4% for medical costs for 2017 is based upon estimates from POMCO, the company which administers the County's health claims. Costs have varied widely the past few years and are difficult to predict. Therefore, we will concur with the County's proposed budget for 2017 of \$138.41 million for medical costs.

## *Prescription Drugs*

Prescription drug costs comprise the second largest component of the health benefits category. Based on the average monthly expenditures through the first ten months of 2016, we project current year prescription drug costs to be approximately \$42.29 million, which is equivalent to the County's projection. Our analysis indicates that prescription drug costs have increased by 2.4% in 2016 over 2015 as compared to a 10.8% increase between 2015 versus 2014. The County has provided for a growth rate in 2016 of 6% over their 2016 projection, resulting in a proposed budget of \$44.83 million. We believe the 6% increase to be a conservative growth rate given recent trends and concur with the County's projection. We do not recommend any modification to the budget for prescription drugs for the 2017 proposed budget.

## *Dental*

The 2017 proposed budget contains an estimate for dental claims of \$3.99 million, an amount that would provide an increase of 5.8% or \$220,000 from the County's 2016 projection of \$3.77 million. Based upon the latest available data, our projection for dental claims is \$3.98 million through the end of 2016, which is \$210,000 more than the amount included in the proposed budget. However, because this is a self-insured plan that can fluctuate, we recommend no change to the dental benefits proposed budget for 2017.

## *Part B Medicare*

The proposed budget for 2017 includes an estimate of Part B Medicare expenditures of \$5.12 million as compared to our estimate for 2016 of \$5.05 million. Such costs represent reimbursements made by the County to retirees for their Part B Medicare costs. The County reimburses the retirees for such costs in order to induce them to enroll in the program which, on an overall basis, reduces the County's physician and outpatient costs. Based on our analysis we believe that the proposed budget for Part B Medicare reimbursements is reasonable and we propose no changes.

### *Direct Payments*

Direct payments made by participants, retirees and drug rebates totaled \$16.76 million in 2015. Our projection for 2016 is \$17.73 million based on current year figures, which is \$1.11 million greater than the adopted budget of \$16.62 million. Our projection for 2017 is \$18.25 million, which is \$200,000 less than the proposed budget of \$18.45 million. However, due to the County being self-insured and potential fluctuations, we are not proposing any modification to the proposed 2017 budget.

### *Health Benefits Fund Balance*

The financial statements of the Health Benefits Fund reflect net position of \$2.50 million at December 31, 2015. Based on the County's 2016 projections, the County will expend \$144.62 million, which is \$9.55 million greater than the 2016 adopted budget of \$135.07 million. Based on these projections, the County will utilize all \$2.50 million of the fund balance during the 2016 year.

### *Health Benefits Summary*

Our total net healthcare projected expenditures utilizing the County's estimated growth rate of between 4% and 6% for 2017 approximate the County's proposed budget of \$177.97 million. Because the County is self-insured for health benefits, the actual costs could exceed this amount. Furthermore, it was noted that the State-wide Empire Plan is anticipating an increase of 7.8% which may be a proxy for the overall trends in government provided health costs. We further caution that actual costs year to date have exceeded 6% and may continue to do so in 2017.

In addition, based on the County's projections for 2016, the County will deplete the \$2.5 million of the Health Benefit's fund balance during 2016. Any overage in 2017 would result in a deficit.



## **Casualty Reserve Fund (6N)**

Pursuant to Section 6-N of General Municipal Law, the County has established a self-insurance fund to account for the activities of its general liability program. The County, as in prior years, has engaged the services of an actuary to compute the liability and required contribution to the Fund. As of September 30, 2016 the actuary has estimated, a liability for incurred claims and incurred but not reported claims of \$39.6 million for which the County has previously funded the 6-N fund with \$60.7 million. Consequently, the 6-N fund is estimated to be overfunded by \$21.1 million at September 30, 2016. Based upon the trend of general liability losses, the actuary is not recommending a contribution to this fund in 2017. The actuary has estimated general liability losses for the 2016 calendar year to approximate \$10.1 million. We projected the 2016 loss trend using information from the actuarial report through December 31, 2017 and absent any catastrophic loss between September 30, 2016 and December 31, 2017, it appears as though the 6-N fund will remain overfunded as of December 31, 2017. Consequently, we do not recommend that the 2017 budget include any funding for the 6-N general liability fund.

## **Workers' Compensation Reserve Fund (6J)**

Pursuant to Section 6-J of General Municipal Law, the County has established a self-insurance fund to account for the activities of its workers' compensation program. As in prior years, the County has engaged the services of an actuary to compute the liability and required contribution to the Fund. The actuary has estimated that the liability for workers' compensation claims at September 30, 2016, approximates \$43.3 million which exceeds the value of the investments available for the payment of such claims, causing a deficit status of \$40.9 million within the fund.

Due to the fact that the deficit was less than the amount of the long-term liability, an advance to the Workers' Compensation Reserve Fund from the General Fund was not required to be recorded. However, if this is not funded appropriately, an advance would need to be recorded in the future.

The 2017 proposed budget includes \$10.3 million for workers' compensation claims. The budget provision is included within the Miscellaneous Budget for \$9.5 million with an additional \$824,000 that has been included within various operational departmental and special district budgets.

The actuary recommended funding the current year obligations of \$8.6 million in the 2017 proposed budget. The County's actuary also recommended an additional \$3 million annually to satisfy the deficit in the Fund. The County's contribution of deficit funding in the 2017 proposed budget is \$1.3 million less than the amount recommended by the actuary. Based on the actuary's projection for both the current year funding and the prior years' deficit funding, we recommend the County increase the 2017 budget by \$1.3 million to \$11.6 million.

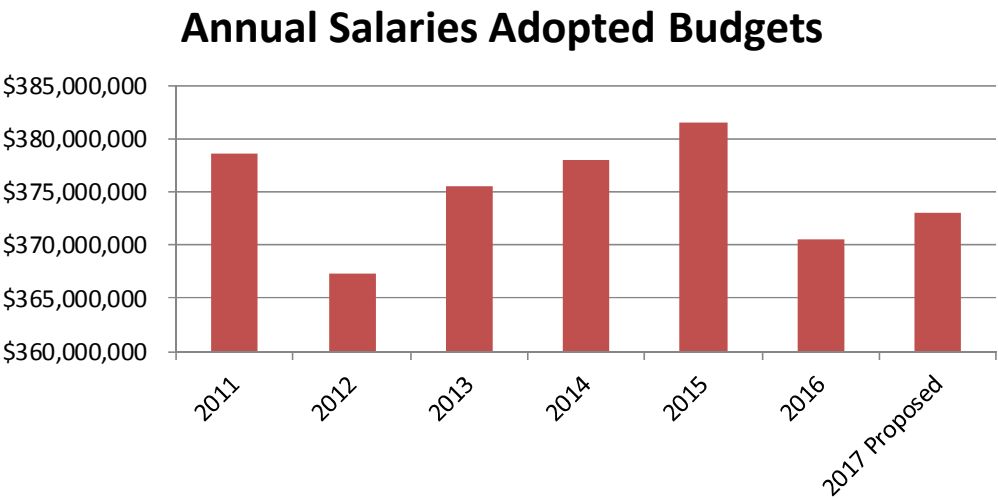
The following table presents contributions into the Internal Service Fund and Claims Paid:

	2017 Projected	2016 Estimates	2015 Actual
Actuarial Determined			
Recommended Contribution:			
Claims	\$ 8,584,000	\$ 7,956,000	\$ 7,950,000
Deficit Funding	3,000,000	3,000,000	3,000,000
	<u>11,584,000</u>	<u>10,956,000</u>	<u>10,950,000</u>
County Actual Contribution:			
Claims	10,330,042	8,670,731	7,644,842
Deficit Funding	-	-	-
	<u>10,330,042</u>	<u>8,670,731</u>	<u>7,644,842</u>
Claims over Contributions	<u>\$ (1,253,958)</u>	<u>\$ (2,285,269)</u>	<u>\$ (3,305,158)</u>
Operating Budgets:			
Miscellaneous	\$ 9,500,000	\$ 8,000,000	\$ 7,000,000
Other Operating Departments:	144,595	122,373	171,770
	<u>9,644,595</u>	<u>8,122,373</u>	<u>7,171,770</u>
Special District Budgets:			
Environmental Facilities	619,776	495,821	428,168
County Water District No 1	8,209	6,567	5,358
County Water District No 3	6,156	4,925	3,645
Refuse Disposal District Admin	51,306	41,045	35,901
	<u>685,447</u>	<u>548,358</u>	<u>473,072</u>
	<u>\$ 10,330,042</u>	<u>\$ 8,670,731</u>	<u>\$ 7,644,842</u>

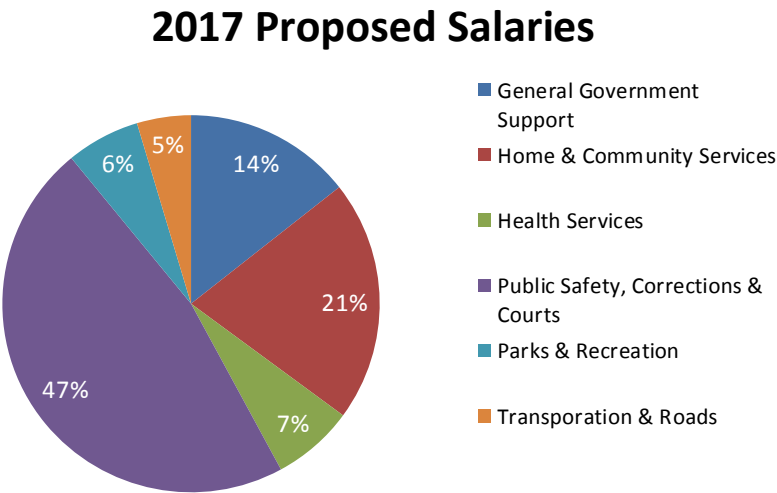
**Personnel Services**

The primary purpose of government is the delivery of mandated and discretionary services. Many of the services provided are furnished directly by County employees. As a result, personnel service expenditures comprise the largest single component of the County’s operating budget. Personnel service costs in the year 2017 are budgeted to be approximately \$330 million to fund 4,191 positions in the General Fund. In addition to salaries, other personnel services (OPS) are budgeted at \$42.7 million.

As demonstrated in the following graph, historical personnel costs are the following:



The following is a summary of the 2017 proposed salaries by functional category.



The personnel service categories provide County administrators with the greatest opportunity for flexibility. This flexibility results from the timing and control of filling vacant positions. Savings created from the personnel service categories generate savings in the employee benefit categories as well.

The County's 2017 proposed budget includes 4,191 positions compared to 4,160 in the 2016 budget resulting in a net increase of 31 positions. The change from 2016 to 2017 is as follows:

<b>Description</b>	<b>Positions</b>
2016 Adopted Positions	4,160
2016 Added Starters	12
2017 Abolishments (vacant in PP#22)	(7)
2017 Net Transfers to Other Funds	25
2017 New Positions	1
Total Position Included in 2017 Proposed Budget	<u>4,191</u>

The first step in our approach to an analysis of the personnel services is directed at determining savings that will be achieved in the 2016 budget. To accomplish this objective, we considered personnel service costs related to salaries through September 30, 2016, and then used 2016 third quarter salaries only, to annualize costs for the remainder of the year in order to project total 2016 personnel service costs for the following departments; Information Technology, Department of Social Services, Department of Corrections, District Attorney, Public Safety Services, Department of Probation, Parks & Recreation and the Department of Public Works. We focused our analysis only on these departments because either they are very significant in relation to the proposed budget or they are funded almost entirely by the County. Our analysis indicates that total salaries for these eight departments for 2016 will aggregate approximately \$291.7 million, which is approximately \$4.8 million less than the County's 2016 Adopted Budget of \$296.5 million.

The second step in our approach is to use the 2016 projected actual salaries, plus or minus any adjustments for contract settlements, step increases and layoffs to project 2017 salaries. The proposed 2017 budget for the above mentioned departments total \$299 million. Based on the number of positions in the budget, this amount appears reasonable.

## Labor Contracts

The County's workforce is represented by twelve bargaining units. The following chart details the segregation of the County's employees and the projected amount of vacancies within each bargaining unit:

Bargaining Unit	Proposed Position Count		Current Vacancies after abolishment and layoffs	Commencement Date	Expiration Date
	2016	2017	2017		
<b><i>Union</i></b>					
Civil Service Employees Association (CSEA)	2,554	2,591	185	January 1, 2011	December 31, 2011
Teamsters – Managerial (MGMT)	104	105	6	January 1, 2009	December 31, 2015
Westchester County Police Benevolent Association (PBA)	235	236	10	January 1, 2009	December 31, 2014
Westchester County Police Superior Officers Police Benevolent Association (SPBA)	24	25	-	January 1, 2009	December 31, 2014
District Attorney Criminal Investigators	30	31	1	January 1, 2009	December 31, 2015
New York State Nurses Association (NURSE)	26	25	4	January 1, 2012	December 31, 2015
Westchester County Corrections Officers Benevolent Association (COBA)	718	718	31	January 1, 2009	December 31, 2015
Westchester County Correction Superior Officers Unit (SOA)	117	117	1	January 1, 2009	December 31, 2015
<b><i>Subtotal</i></b>	<b><i>3,808</i></b>	<b><i>3,848</i></b>	<b><i>238</i></b>		
<b><i>Non- Represented</i></b>					
Executive (EXEC)	189	190	17	N/A	N/A
District Attorney's Dept. (DA)	93	112	4	N/A	N/A
Board of Legislators (BOL)	41	41	2	N/A	N/A
<b><i>Subtotal</i></b>	<b><i>323</i></b>	<b><i>343</i></b>	<b><i>23</i></b>		
<b><i>Total</i></b>	<b><i>4,131</i></b>	<b><i>4,191</i></b>	<b><i>261</i></b>		

\* N/A Not applicable

It is important to note that all labor contracts expired on December 31, 2015. The total wages paid to the union members and non-represented employees in 2015 was approximately \$377 million. If a 1% increase were to be given to all the above employees, the County cost would be

approximately \$3.7 million. It has been a prior practice of management to provide current year salary increases from funds contained within each department budget.

The 2017 Proposed Budget includes a raise for Non Represented Employees (Non Union) who have not received a raise since 2007. The County budgeted for a 3% raise across all of the Non Union Members. This consisted of approximately \$600,000 over 160 various positions including 28 Commissioners. Included in the \$600,000 is a raise given directly to the Director of Consumer Protection of about \$50,000, as well as the chairperson of the County Taxi and Limousine. The \$600,000 also includes raises given to Budget, Finance, and Law that consisted of approximately \$200,000 which consists of the majority of the raise based on the number of employees and positions that will be given promotions in 2017. The remaining budget for other employees evenly spread out will approximate \$2,200-\$2,600 per employee.

### **Department of Social Services**

The Department of Social Services (“DSS”) provides mandated services to those residents who are unable to fully provide for themselves. DSS provides these services under three broad categories: Medical Assistance; Public Assistance and Children’s Services.

The 2017 proposed budget of \$601.7 million for DSS which includes the Medicaid Disproportionate Share / IGT of \$60 million is 33.23% of the total proposed County operating budget. Since New York State mandates the majority of these services, the County’s only control over many of these programs is to continue to screen eligibility and to encourage participants to use the most cost effective of the services offered. The 2017 proposed budget represents a 1.25% increase from the adopted 2016 budget and a 1.29% increase from the Department’s 2016 projected expenditures of \$594.00 million, also inclusive of the Medicaid Disproportionate Share / IGT for \$60 million.

The \$7.4 million net increase from the 2016 adopted budget for \$594.3 million to the 2017 adopted budget for \$601.7 million is due to in part to the transfer of responsibility to DSS from the Health Department for the Committee on Special Education’s (CSE) Education and

Transportation program. The E&T program has a \$15 million annual expense which was offset by reductions in other programs.

The methodology we used to evaluate the proposed 2017 budget consisted of analyzing both financial and participant information. Utilizing this information, we identified trends, projected costs and reviewed the assumptions made in preparation of the budget.

### *Revenues*

Each service category has a distinct reimbursement rate based upon rules and regulations promulgated by both the Federal and State governments. In addition, the Federal and State governments have created block grants to fund the operations of certain programs.

The following schedule summarizes total DSS revenues (in thousands):

Type	2015 Actual		2016 Adopted Budget		2016 County Projection		2017 Proposed Budget		
Federal	\$	170,707	29%	\$	168,985	28%	\$	163,704	28%
State		86,953	15%		92,965	16%		89,871	15%
Other		4,440	1%		4,100	1%		4,100	1%
County Taxation (1)		332,122	56%		328,214	55%		336,329	57%
Total	\$	594,222	100%	\$	594,264	100%	\$	594,004	100%
								601,664	100%

*(1) Includes the Medicaid Disproportionate Share / IGT*

### *Use of Fund Balance*

The adopted 2016 and proposed budget for 2017 do not include an appropriation of fund balance and therefore county taxation is 55.25% and 54.77% of total revenues.

## Expenditures

The Department of Social Services budget includes both programmatic expenses and administrative overhead. Each major program has an individual budget line within the Social Service Relief category. This disclosure enables the department to monitor budgets and claim expenditures more efficiently.

The following schedule summarizes total DSS appropriations (in thousands):

Type	2015 Actual		2016 Adopted Budget		2016 County Projection		2017 County Proposed Budget (1)					
Salaries & Administration	\$	109,821	18.48 %	\$	115,562	19.45 %	\$	112,836	19.00 %	\$	128,864	21.42 %
EAF												
Non-Homeless		6,903	1.16		6,418	1.08		7,244	1.22		8,764	1.46
Foster Care		15,964	2.69		16,578	2.79		16,175	2.72		16,141	2.68
EAA		1,107	0.19		986	0.17		1,025	0.17		1,037	0.17
Medical Assistance:												
Old Age Assistance		3,309	0.56		4,304	0.72		3,498	0.59		3,950	0.66
Aid to Disabled		4	0.00		-	0.00		-	-		-	0.00
Family Assistance		97	0.02		-	0.00		-	-		-	0.00
Medicaid Regular		207,813	34.97		207,292	34.89		210,976	40.00		209,570	34.83
Medicaid (MMIS) - IGT		77,994	13.13		65,000	10.94		65,000	10.94		60,000	9.97
Family Assistance		38,248	6.44		43,916	7.39		38,497	6.48		38,501	6.40
Safety Net		52,071	8.76		51,091	8.60		52,129	8.78		52,873	8.79
Child Welfare:												
Foster Care		30,875	5.20		32,389	5.45		30,906	5.20		31,122	5.17
Independent Living		1,147	0.18		1,277	0.21		1,266	0.21		1,277	0.21
Adoption Subsidies		8,572	1.44		9,225	1.55		8,854	1.49		8,907	1.48
Social Svcs - Special Items		254	0.04		305	0.05		255	0.04		255	0.04
Indirect Social Service		38,495	6.48		38,519	6.48		43,517	7.33		39,000	6.48
Day Care - Title XX		1,548	0.26		1,402	0.24		1,826	0.31		1,403	0.23
Total	\$	594,222	100.00 %	\$	594,264	100.00 %	\$	594,004	100.00 %	\$	601,664	100.00 %

(1) Education and Transportation Program moved from Department of Health Proposed Budget is \$15.1M.



A summary of the potential changes in the proposed budget and overall effect on County taxation is based on our analysis as follows:

Category	2017 Proposed Budget		
	Expenditure Favorable (Unfavorable)	Revenue Favorable (Unfavorable)	Net County Increase (Decrease) in Taxation
Child Welfare	\$ (420,000)	\$ -	\$ 420,000 (1)
EAF (JD/PINS)	240,000	(170,000)	(70,000)
Total	<u>\$ (180,000)</u>	<u>\$ (170,000)</u>	<u>\$ 350,000</u>

(1) Reimbursement is capped

### *Administration*

The Department of Social Services provides the administrative support for the Medicaid, Family Assistance, Safety Net, Day Care and many other programs. There are approximately 1,032 County employees in the department, their associated fringe benefits, charges from the County, supplies and contractual expenses are eligible for reimbursement by the State and Federal government. Each expense is reimbursed at the rate that is applicable to the program that is being administered, for example: Family Assistance 100%, Medicaid Administration 100% (now capped at 2012 levels) and Safety Net is 29% reimbursed. Historically the State & Federal share combined has been 71% of the total eligible expenditures.

The 2017 proposed budget for administrative expenditures is approximately \$167.9 million inclusive of fringe benefits included in the miscellaneous budget. This is comprised of \$71.0 million for personnel costs, supplies of approximately \$818,550, contractual expenses of \$20.1 million, (excludes the CSE budget for \$15.1 million for contracts) inter-departmental charges of \$36.9 million and fringe benefits of approximately \$39.05 million. The State caps out fringe benefit reimbursement at 55%. The County's fringe benefits costs are higher, approximately 70% and must be covered by the County.

Based on an analysis of the various programmatic components, we expect the State and Federal administrative aid will amount to \$107 million. The proposed 2017 budget includes an estimate of \$107 million. We concur with the County's projection.

### *Medical Assistance - MMIS*

Medical assistance is composed of two categories: Medicaid Management Information System ("MMIS") and Medical Assistance. MMIS is a mandated program that is 100% funded with County taxation. The proposed MMIS budget for 2017 of \$209.56 million represents 34.83% of the total DSS budget.

Counties are charged a level weekly share amount established by the New York State under Chapter 56 of the laws of 2012. New York State has determined the base amount, the CAP to be \$223.03 million. The County has used its current weekly shares to calculate the amount necessary to fund the 2017 MMIS. The current weekly share to be charged in 2017 is \$4,030,189, on an annual basis this is \$209.56 million, and we concur with this amount.

It is important to emphasize that the County is expected to receive Medicaid relief in the form of reduced "weekly shares" payments due to the implementation of the Affordable Care Act. ("ACA"). If there are any changes to the program in the upcoming year, the County could see an increase in their Medicaid Costs. The total exposure to the County could be as high as \$13.47 million depending upon amendments to the ACA and the timing of the amendments.

### *Safety Net*

Safety Net is a mandated program utilized by New York State to provide services to single adults as well as continuing services to family assistance recipients who have reached the end of their eligibility for that program (the Federal time limit of five years) while still needing aid. The Safety Net proposed budget for 2017 is \$52.87 million as compared to the adopted 2016 budget of \$51.09 million and the department's estimated costs for 2016 of \$52.13 million. The proposed budget for 2017 includes funding for Non-Homeless, both for families and singles, of \$31.57 million and Homeless, both for families and singles, of \$21.29 million. It should be noted

that the category for Safety Net Families is an exception to the overall downward trend in other Temporary Assistance caseloads. Our assumptions were based on trends for both case loads and cost per case.

#### *Safety Net - Non-Homeless*

The department projects the “Non-Homeless” 2016 expenditure category to be \$31.46 million which is approximately \$130,000 more than the 2016 adopted budget of \$31.33 million. The 2017 proposed budget of \$31.57 million represents a less than 1% increase from the 2016 adopted budget and a negligible increase (0.38%) in costs compared to the 2016 department projected expenditures for \$31.45 million. Based on both the current cost per case and caseload our projection for 2016 is \$31 million for this category which is a 1% decrease from the projected expenditures for 2016. Our 2017 projection approximates the proposed 2017 budget for \$31.57.

#### *Safety Net - Homeless*

The “Homeless” category includes shelter costs which are calculated on days of service. The department is anticipating an increase in the number of homeless cases, especially in the Homeless Family category. The department estimates 2016 costs to be \$20.67 million, which is approximately \$900,000 more than the 2016 adopted budget of \$19.76 million. The 2017 proposed budget of \$21.29 million anticipates an increase when compared to the 2016 department projected costs. The proposed budget for 2017 is based on an increase in monthly caseloads from the 2016 estimate and includes an increase in the estimated cost per case. It also includes \$1 million for a new singles shelter in Yonkers. Based on both the current cost per case, excluding the shelter costs since they are fixed costs, and caseload our 2017 projection approximates the 2017 proposed budget.

### *Combined Categories*

Our estimated total expense for 2017 for the four combined categories (Singles: Non-Homeless and Homeless; Families: Non-Homeless and Homeless), approximates the County's proposed 2017 budget for \$52.87 million.

The following schedule summarizes the Department's actual and projected Safety Net Caseloads:

	Year	Non-Homeless		Homeless	
		Monthly Caseload	Cost per Case	Monthly Caseload	Cost per Case
Proposed	2017	2,993	\$ 875	343	\$ 5,174
Department projection	2016	2,970	881	326	5,284
Adopted	2016	2,956	883	280	5,881
Actual	2015	3,086	824	302	5,946
Actual	2014	3,205	837	407	4,775
Actual	2013	3,153	785	436	4,228

### *Family Assistance*

Family Assistance ("FA") provides financial assistance to eligible families with children deprived of parental support due to health, illness or other reasons. FA is divided into two types; non-homeless and homeless.

#### *Family Assistance - Non-Homeless*

For the Non-Homeless, the County estimates that average monthly caseloads will continue to decline to 2181 projected for 2016, a decrease of approximately 11% from 2015. The 2017 proposed budget projects the number of cases to drop 10% from the department projected caseload of 2181 to 1945 as it anticipates many more families to reach the end of their unemployment benefits. It also provides for an increase of \$17 in the average cost per case from \$897 to \$914 which translates into the County's proposed budget of \$21.33 million compared to the 2016 adopted budget of \$29.41 million and department projected actual expenditures of \$23.56 million in 2016.

The 2017 proposed budget for Non-Homeless cases of \$21.34 million results in a decrease of \$2.23 million or 9% over the department's 2016 projection. We agree with the department's projections and proposed 2017 budget for \$21.34 million.

#### *Family Assistance - Homeless*

For Homeless the population caseload projected for 2016 has decreased and the average cost per case has decreased. The department is projecting 2016 expenditures of \$14.93 million as compared to the adopted budget of \$14.50 million. However, the 2017 proposed budget projects a caseload of 296 per month compared to 276 and 272 in 2015 and 2016; cost per case projections fluctuate from \$4,600 in 2015 and \$4,584 projected for 2016 to a budget of \$4,828 for 2017. The 2017 budget also includes \$1,750,000 for a new tier II shelter in Yonkers. Per the administration this shelter would benefit both recipients of Family Assistance and Safety Net Families as the programs share shelter expense. This new shelter accounts for the increase in the 2017 budget for \$17.16 million compared with the 2016 projection for \$14.93 million. This entire program is approximately 100% reimbursed through Federal aid. We do not recommend a change to the 2017 proposed budget.

The following schedule summarizes the Family Assistance Caseloads:

	<u>Year</u>	<u>Homeless</u>		<u>Non-Homeless</u>	
		<u>Monthly Caseload</u>	<u>Cost per Case</u>	<u>Monthly Caseload</u>	<u>Cost per Case</u>
Proposed	2017	296	\$ 4,828	1,945	\$ 914
Department Projection	2016	272	4,584	2,181	897
Adopted	2016	285	4,872	2,679	913
Actual	2015	276	4,600	2,460	780
Actual	2014	301	4,082	2,603	792
Actual	2013	311	3,937	2,780	802

#### *Child Welfare*

This is a broad category that encompasses Foster Care, Adoption Services, State Training Schools and Children in Institutions. The County's 2016 projected expenditures \$41.02 million is

\$1.87 million less as compared to the 2016 adopted budget of \$42.89 million. Our analysis which is more in line with DSS's request projects \$41.72 million for 2017, which is \$420,000 more than the proposed budget of \$41.30 million. In summary, we propose an increase of \$420,000 to the Child Welfare budget for 2017 and a correlating increase in local aid since it is expected that the federal and state reimbursement for 59% has met the cap for this program.

### *Emergency Assistance to Families and Children*

Emergency Assistance to Families ("EAF") provides non-homeless emergency assistance such as rent assistance, security deposits, daycare and other costs. The homeless component includes transportation and housing costs for those families that do not qualify under Family Assistance. The Child Care component provides for room and board, tuition and other costs for those children meeting the eligibility criteria defined by New York State. The EAF Homeless has a mandated transportation component as if every eligible child is to be provided transportation to the home school district. The projected 2016 expenditures and the proposed 2017 budget include changes in the transportation contracts. Transportation services exceeded the budget at mid-year. Through Board resolution an additional \$1 million was added for 2016 to support the rest of the year services and \$5 million was budgeted for 2017. This increase in costs was due to the additional routes needed to transport the children. These transportation costs are 100% federally funded.

We have analyzed the caseloads and cost trends and project 2016 expenditures to be approximately \$22.82 million, which is approximately \$170,000 less than the \$22.99 million adopted budget. Based on a stabilizing of the homeless population in Westchester and a decrease in expenditures for JD/PINS, we project expenditures for 2017 at \$24.66 million. Our analysis indicates a favorable variance for \$240,000. This is less than the proposed budget of \$24.90 million. We recommend a decrease to the JD/PINS for this amount. This would decrease federal and state revenue by \$170,000 (30% Federal/41% State which is capped) and decrease County Taxation by \$70,000.

### *Emergency Assistance to Adults*

Emergency Assistance to Adults (“EAA”) provides aid to adults who need emergency assistance pending the receipt of their Social Security payments, and to those whose monthly benefits are already allotted.

Based on year to date costs, expenditures in 2016 are expected to total about \$1.03 million. Using the expenditures up to October 31, 2016 and averaging the three quarters of the year we project that by year end the total expenditures will be approximately \$1.04 million. Based on our approximation we concur with the 2016 projection of about \$1.03 million.

The 2017 allowed budget is \$1.04 million. We project 2017 to be approximately \$1.04 million. As a result we concur with the 2017 allowed budget.

### *Indirect Social Service*

Indirect Social Service includes the various contracts which the department maintains to provide the following services:

	County				
	Actual 2014	Actual 2015	Adopted 2016	Forecast 2016	Allowed 2017
Homemaker/HouseKeeper					
Non-Medical	\$ 1,269,019	\$ 1,184,739	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000
Housing	1,461,946	1,135,141	1,175,440	1,175,440	625,440
Preventative/Protective Services	7,600,353	8,619,003	9,540,089	9,520,089	9,661,394
Child Protective Services	1,352,888	485,220	485,611	485,608	485,608
Indirect Other	1,349,382	644,234	1,169,234	2,580,106	2,080,106
Day Care non Title XX Low Income	24,448,050	26,426,254	24,898,185	28,506,000	24,898,000
	<u>\$ 37,481,638</u>	<u>\$ 38,494,591</u>	<u>\$ 38,518,559</u>	<u>\$ 43,517,243</u>	<u>\$ 39,000,548</u>

The 2016 adopted budget contained \$38.51 million for these services and contracts. The department is currently projecting 2016 expenditures to be \$43.51 million or \$5 million more than the adopted budget. The 2017 proposed budget is \$39.00 million which is approximately \$490,000 more than the 2016 adopted budget and approximately \$4.51 million less than the projected 2016 expenses.

### *Indirect Social Service - Day Care – Low Income*

By far the largest program included in the Indirect Social Service category is low income day care which serves children not eligible for Title XX services. Expenditures totaled \$26.42 million in 2015 and budgeted for \$24.89 million in 2016. The County projects expenditures for 2016 will be \$28.50 million this is \$3.6 million more than budgeted. The average monthly number of day care slots has ranged from 2703 in 2015, 2776 projected for 2016 to 2407 in 2017. The County anticipates an increase in the cost per slots from \$856 projected for 2016 to \$862 in 2017. The parents' share of day care costs remains stable at 27%, which is based on a formula with regard to their earnings. The administration indicates that the number of children participating will decline in 2017, however if the case load stays the same it will be difficult not to exceed the proposed budget by approximately \$3.5 million to \$4 million.

### *Education and Transportation Program*

As noted previously, the proposed 2017 budget includes DSS's responsibility for the Committee on Special Education (CSE) from the Health Department and its \$15 million annual expense.

The County is responsible for the maintenance costs of children who are housed in institutions. Expenditures for the past five years have ranged from \$11.5 million in 2011 to \$14.2 million in 2015. The Department has projected expenditures for 2016 at \$14.5 million. We project expenditures for 2016 at \$14.4 million which is \$100,000 less than the Department's estimate of \$14.5 million. We estimate that 2017 expenditures will range from \$15.2 million to \$15.3 million. Because no amount within our estimated range is believed to be a better estimate than the proposed budget of \$15.1 million, we concur with the proposed budget and propose no adjustment.

### **Intergovernmental Transfers (IGT Payments)**

In accordance with State Law (Section 6 of Part B of Chapter 1 of the Laws of 2002 as amended by Section 12 of Part B of Chapter 58 of the Laws of 2009) the Department of Health is authorized to make additional disproportionate share (DSH) medical assistance payments to public general hospitals such as the Westchester County Health Care Corporation (WCHCC) operated by the counties. These additional payments are made initially upon each eligible



hospital's remaining medical assistance and uninsured inpatient and outpatient losses after all other medical assistance payments, inclusive of DSH payments. The County is required to reimburse 50% of these payments and therefore this amount is added to the County's local share EFT transfer requirement for MMIS. These IGT payments are exempt from the County's Medicaid local share cap statute and are in addition to the County's normal capped weekly share transfer amount.

A summary of IGT payments made by the County and the reimbursement of expenses by WCHCC is detailed on Schedule A.

# SCHEDULE A

<b>Fiscal Year 2006</b>	<b>Revenue</b>	<b>County's Share of IGT Contribution</b>
September 2006:		
Billings to Westchester County Health Care Corporation (WCHCC):		
Services related to 2004 and prior	\$ 19,187,516	
Services related to 2005	9,144,277	
Prior 2005 funded 6N payments	2,249,212	\$ 30,581,005
County's Share of IGT:		
Total Fiscal year 2006	\$ 30,581,005	\$ 30,581,005
<b>Fiscal Year 2007</b>		
March 2007:		
6N receivable previously written off	\$ 9,801,308	
Unbilled overhead charges 2001-05 to WCHCC:	8,092,132	
2006 indirect charges to WCHCC	115,171	
Collection of note receivable and release of reserve (fund balance).		
Appropriation of Fund Balance (Release of Designation for Medicaid Claims)	22,041,488	\$ 40,050,099
County's Share of IGT	40,050,099	40,050,099
September 2007:		
Reimbursement of tuition expenses 2003-2006 billing to WCHCC		
County's Share of IGT	540,816	540,816
County's Share of IGT:		
Total Fiscal Year 2007	\$ 40,590,915	\$ 40,590,915
<b>Fiscal Year 2008</b>		
December 2008:	\$ 11,700,000	
September 2008:	6,801,100	
March 2008	8,012,395	
February 2008	15,600,000	
	42,113,495	\$ 42,276,032
Appropriated Fund Balance (MMIS)	162,537	-
County's Share of IGT:		
Total Fiscal Year 2008	\$ 42,276,032	\$ 42,276,032
<b>Fiscal Year 2009</b>		
July 2009	\$ 3,130,000	
May 2009	20,500,000	
February 2009	8,050,000	
September 2009	20,000,000	
October 2009	22,146,000	
	73,826,000	\$ 73,973,254
Appropriated Fund Balance (MMIS)	147,254	-
County's Share of IGT:		
Total Fiscal year 2009	\$ 73,973,254	\$ 73,973,254

**SCHEDULE A**  
(Continued)

	<b>Revenue</b>	<b>County's Share of IGT Contribution</b>
<b>Fiscal Year 2010</b>		
April 2010	\$ 15,700,000	
October 2010	<u>42,670,000</u>	
	58,370,000	\$ 58,424,123
Appropriated Fund Balance (MMIS)	<u>54,123</u>	<u>-</u>
County's Share of IGT:		
Total Fiscal Year 2010	<u>\$ 58,424,123</u>	<u>\$ 58,424,123</u>
<b>Fiscal Year 2011</b>		
September 2011	\$ 7,875,000	
October 2011	47,940,000	
November 2011	<u>17,030,000</u>	
	72,845,000	\$ 72,852,616
Appropriated Fund Balance (MMIS)	<u>7,616</u>	<u>-</u>
County's Share of IGT:		
Total Fiscal Year 2011	<u>\$ 72,852,616</u>	<u>\$ 72,852,616</u>
<b>Fiscal Year 2012</b>		
September 2012	\$ 59,355,000	\$ 59,358,129
Appropriated Fund Balance (MMIS)	<u>3,129</u>	<u>-</u>
County's Share of IGT:		
Total Fiscal Year 2012	<u>\$ 59,358,129</u>	<u>\$ 59,358,129</u>
<b>Fiscal Year 2013</b>		
September 2013	\$ 49,630,000	\$ 49,632,796
November 2013	<u>22,000</u>	<u>22,393</u>
County's Share of IGT:		
Total Fiscal Year 2013	<u>\$ 49,652,000</u>	<u>\$ 49,655,189</u>
<b>Fiscal Year 2014</b>		
December 2014	<u>\$ 67,553,000</u>	<u>\$ 67,553,241</u>
County's Share of IGT:		
Total Fiscal Year 2014	<u>\$ 67,553,000</u>	<u>\$ 67,553,241</u>

**SCHEDULE A**  
(Continued)

	<u>Revenue</u>	<u>County's Share of IGT Contribution</u>
<b>Fiscal Year 2015</b>		
September 2015	\$ 7,891,600	\$ 7,891,600
December 2015	<u>70,102,000</u>	<u>70,102,000</u>
County's Share of IGT: Total Fiscal Year 2015	<u>\$ 77,993,600</u>	<u>\$ 77,993,600</u>
<b>Fiscal Year 2016</b>		
March 2016	\$ 3,097,000	\$ 3,097,000
May 2016	3,097,300	3,097,300
June 2016	10,838,000	10,838,000
July 2016	3,097,000	3,097,000
October 2016	3,097,300	3,097,300
Balance of 2016 Budgeted Amount *	<u>41,773,400</u>	<u>41,773,400</u>
County's Share of IGT: Total Fiscal Year 2016	<u>\$ 65,000,000</u>	<u>\$ 65,000,000</u>

***\*Budget Department noted an IGT is expected in Mid-December 2016. In 2016, the County has budgeted \$65 million as miscellaneous revenue and as DSS expenditure. Once state fiscal year 2016 is reconciled, the Budget department anticipates an additional \$40 million of Medicaid-Disproportionate Share to the medical center.***

## Services for Children with Special Needs

The Services for Children with Special Needs ("CSN") is a program of mandated services by the State Education Department ("SED") for children with various developmental disabilities, which is administered by the County Department of Health (the "Department"). The CSN early intervention program services children from birth to three years of age. The Pre-school program services children ages three through five as follows: Special Education Itinerant Teachers ("SEIT") and Related Services. The Tuition and Transportation program services school age children. The Maintenance Program places severely handicapped and/or emotionally disturbed school age children in residential educational facilities. Tuition for this program is paid by the school district and the County is responsible for the payment of room and board. Substantially all of the services provided by CSN are mandated services by New York State for which the County receives varying degrees of aid.

The adopted budget for 2016 is \$123.0 million, a 0.5% decrease from \$123.6 million expended in 2015. Our analysis indicates that expenditures for 2016 will aggregate \$125.6 million, a 1.6% increase from the 2015 expenditures, which is \$2.6 million; or 2.1% more than the 2016 adopted budget. The proposed budget for 2017 totals \$110.7 million, \$12.3 million less than the \$123.0 million currently appropriated for 2016 and \$14.9 million less than our 2016 projection. The large difference is primarily due to the transfer of \$15.1 million in maintenance program expenditures to the Department of Social Services Casework Services 2017 proposed budget.

The table below summarizes the various components of the CSN program along with our projection of 2016 expenditures and 2017 budget:

	Expended 2015	Adopted 2016	PKF O'Connor Davies		Proposed Budget 2017
			Projected 2016 <i>(in thousands)</i>	Projected 2017	
Expenditures					
Administrative costs, including salaries	\$ 3,328	\$ 3,395	\$ 3,225	\$ 3,332	\$ 3,332
Early intervention	25,494	25,513	25,173	25,263	25,113
SEIT	10,519	10,213	11,267	11,157	11,097
Related services	14,173	14,199	14,540	14,312	14,344
Evaluations	2,600	2,550	2,550	2,550	2,550
Tuition	39,807	39,244	40,666	41,194	41,160
Transportation	10,339	10,700	10,370	10,389	10,450
CPSE Administration	2,666	2,666	2,666	2,666	2,666
Maintenance -Education and Transportation Prgm	14,634	14,472	15,104	-	-
Gross Expenditures	123,560	122,952	125,561	110,863	110,712
Revenue	70,781	70,297	71,832	63,542	63,542
Net Cost to County	<u>\$ 52,779</u>	<u>\$ 52,655</u>	<u>\$ 53,729</u>	<u>\$ 47,321</u>	<u>\$ 47,170</u>
Net cost as % of gross expenditures	42.7%	42.8%	42.8%	42.7%	42.6%
Revenue as % of Expense	57.3%	57.2%	57.2%	57.3%	57.4%
Gross Expenditures as per above	\$ 123,560	\$ 122,952	\$ 125,561	\$ 110,863	\$ 110,712
Add back private insurance and Medicaid revenue netted against expenses in 2014 and 2015 due to change of fiscal agent	-	-	10,231	10,294	10,294
Adjusted gross expenditures to exclude impact of fiscal agent	<u>\$ 123,560</u>	<u>\$ 122,952</u>	<u>\$ 135,792</u>	<u>\$ 121,157</u>	<u>\$ 121,006</u>
Revenue as per above	\$ 70,781	\$ 70,297	\$ 71,832	\$ 63,542	\$ 63,542
Add back fiscal agent revenue netted against expenditures	-	-	10,231	10,294	10,294
Adjusted revenue	<u>\$ 70,781</u>	<u>\$ 70,297</u>	<u>\$ 82,063</u>	<u>\$ 73,836</u>	<u>\$ 73,836</u>
Revenue as a % of expenditures	57.3%	57.2%	60.4%	60.9%	61.0%

## Services for Children Under 3 Years of Age

### *Early Intervention*

Our projection of expenditures for early intervention for 2016, based on the Department's methodology of using a percentage of services authorized, indicates that approximately \$25.1 million will be spent for this program in 2016. This is approximately \$100,000 less than our 2016 projection of \$25.2 million. We estimate expenditures for 2017 to approximate \$25.2 million to \$25.3 million. Since, no amount within our estimated range it is believed to be a better estimate than the proposed budget, we concur with the proposed budget and propose no adjustment.

## Services for Preschool Aged Children

Preschool children between three and five years of age are served by three groups of providers: center-based programs, special education itinerant teachers and related services.

### *Special Education Itinerant Teachers (SEIT)*

The Department has projected expenditures for 2016 to approximately \$11.1 million, which is an increase of \$900,000 from the 2016 adopted budget of \$10.2 million. The average number of children being served by SEIT over the three semesters (Fall, Spring and Summer), is 670 in 2016, an increase of 29 or 4.4% from 2015. Based on current service authorizations the Department estimates that the number of children receiving SEIT services in 2017 will remain in-line with 2016. However, on July 1, 2015 the method of calculating the projected expenditures changed from by enrollment to services rendered. We project in 2016 a total of \$11.3 million in expenditures, an increase of \$200,000 or (1.8%) from the 2016 budgeted projection of \$11.1 million. Based upon CSN authorizations and the change in reimbursement for the 2016-2017 school year, we project that the expenditures in 2017 will be approximately \$11.2 million which is in line with the 2017 budget projection of \$11.1 million. We concur with the proposed budget and propose no adjustment.

### *Related Services*

Related services are provided by therapists rather than by teachers. These services are provided in the classroom, the child's daycare center or in their home. We project expenditures for 2016 to total \$14.5 million, which is a \$327,000 increase from 2015 expenditures. Our estimate of costs for 2016 is \$13.0 million to \$14.8 million and we consider the most likely amount within this range to be \$14.3 million. Our estimate was based upon the trend in authorizations and utilization rates experienced in recent years. We recommend no change to the proposed budget.

### *Evaluations*

Every child in the preschool program must be evaluated upon entrance and at least once during the year. Based on expenditures through October 2016, we project that the full year will total \$2.6 million, which is the same as the 2016 adopted budget. The Department's estimate for evaluations for 2017 totals \$2.6 million, which is the same as the proposed budget, and is based on the fact that there will be approximately the same number of children and evaluations. In recent years, the Department has been accurate in forecasting and budgeting evaluation costs; consequently, we recommend no change to the proposed budget of \$2.6 million for 2017.

### Services for School Aged Children

#### *Center Based Programs - Tuition*

The average number of children participating in center-based programs is estimated to approximate 1,180 in 2016, a decrease of 14 children or 1.1% from 2015. The average number of children forecasted to be serviced by this program in 2017 is expected to stay in line with 2016 estimates. The County estimates that the cost of this program will approximate \$40.9 million in 2016 as compared to \$39.8 million in 2015 and \$41.2 million in 2017.

Our analysis indicates that 2016 expenditures will approximate \$40.7 million; a 2.3% increase from 2015 and \$1.5 million more than the 2016 adopted budget. The tuition rate for pre-school

tuition increased by 2% beginning in the 2015-16 school year, which was not reflected in the 2016 adopted budget. Our analysis of the 2017 budgeted expenditures estimates tuition costs ranging from \$40.6 million to \$41.2 million as compared to the 2017 proposed budget of \$41.2 million. We consider the most likely amount within our range to be \$41.2 million based on our three full year trend analysis; we recommend no adjustment to the 2017 proposed budget.

### *Transportation for Center Based Programs*

Children who attend center-based programs are generally bused to the centers. Based on expenditures through October and in consideration of the CSN Department's latest forecast estimates, we project expenditures for 2016 to total \$10.4 million, which is approximately \$60,000 more than expenditures in 2015. During 2016 the Department continued its efforts to create more efficient transportation routes and maximize the number of children on the same route/program as well as provide for parental travel reimbursement, distribution of metro and taxi cards as an alternative to transporting children by bus.

We estimated 2017 expenditures by assuming a 0% growth in the number of children being transported from 2016 levels, which is consistent with the tuition based program negative growth assumption. We took into consideration that many of the transportation contracts will be renewed next year, which could potentially result in a slight increase in expenses. Based on our analysis, we project that the expenditures in 2017 will be approximately \$10.3 million to \$10.5 million. We consider the most likely amount within this range to be \$10.4 million, which is consistent with the proposed budget; consequently we do not recommend any adjustment to the proposed budget.

### Overall Administration

#### *CPSE Administration*

CPSE administration costs represent costs of administering the CSN program that are billed to the County by the school districts. Based upon historical trends we believe that the 2017



proposed budget of \$2.7 million for CPSE administration is reasonable. We recommend no change to the 2017 proposed budget.

### Total Revenue

The County receives revenues from New York State, Medicaid and private insurance carriers at varying rates based upon the nature of the program expenditure made by CSN. The 2017 proposed budget includes revenues of \$63.5 million on gross expenditures of \$110.7 million. The aforementioned revenue represents 57.4% of gross expenditures, as compared to 57.2% projected for 2016.

The 2017 revenue included in the proposed budget has been calculated using reimbursement rates in effect for the various portions of the CSN program. Consistent with prior years, aid on the transportation program has been capped by the State. Consequently, the County does not receive any aid on transportation expenditures in excess of the cap of \$9.5 million. We reviewed the Department's revenue methodology and found it to be reasonable. We recommend no changes to the revenue budget for 2017.

### **Department of Corrections**

The Department of Corrections is comprised of three divisions:

Division	Budget		Increase (Decrease) in Budget
	Adopted 2016	Proposed 2017	
Administration	\$ 32,151,558	\$ 32,220,369	\$ 68,811
Jail	70,240,301	67,649,648	(2,590,653)
Penitentiary	20,072,324	22,836,626	2,764,302
	<u>\$ 122,464,183</u>	<u>\$ 122,706,643</u>	<u>\$ 242,460</u>

The proposed budget for 2017 is structured upon the premise that the daily inmate census will average 1,200 per day, 1,100 County inmates and 100 Federal inmates. Table A provides a comparison of the average monthly inmate census from 2010 through 2016. The department experienced an average inmate census of 1,044 for the first ten months of this year, which is lower than the 2015 actual census of 1,111. The projected census for the remainder of 2016 is lower than the actual census over the last six years.

### *Positions and Overtime*

The projected inmate population for 2017 indicates a need for 431 uniformed posts requiring 829 uniformed correction officers and superior officers. The 2016 appropriated budget currently provides for 829 correction officers and superior officers which is the same as the proposed 2017 budget. The 2016 Adopted Budget also estimated 431 uniformed posts. Table B provides comparative posts data for the years 2010 through 2017. The 2017 proposed budget provides for the same number of uniformed positions and posts as 2016.

Our 2016 projection for regular salaries is \$74.7 million which is less than the adopted budget by \$600,000. This variance is mainly achieved through the hiring of new officers. As experienced officers retire, generally at the highest wage base, they are replaced with new officers at the lowest wage base. The difference between the highest paid correction officer and the lowest paid correction officer is approximately \$39,000. The department has assumed approximately 60 retirees in 2017 staggered throughout the year in order to save approximately \$1.3 million as compared to the 2016 adopted budget.

Table C provides comparative data for uniformed staffing and overtime costs for the years 2010 through 2017. The shift relief factor ("SRF") for 2016 has remained constant with multipliers of 2.02 officers for a 7 day post and 1.31 officers for a 5 day post.

The 2016 adopted budget for overtime is \$6.9 million. Trends over the past six years indicate that the average for 2010 through 2015 of annual expenditures was \$10 million. A review of 2016 expenditures indicates that through November 23, 2016 overtime costs totaled \$7.3 million as compared with \$8.3 million through the same time period in 2015, a decrease of \$1.0

million or 13.7%. We noted that overtime has decreased in 2016 due to the retirement of 60 corrections officers and their immediate replacement with officers at a lower rate.

Based on year to date expenditures of \$7.3 million, we project overtime (excluding holiday overtime) for 2016 to be \$8.2 million which is \$1.3 million more than the 2016 adopted budget. Our approach projects overtime for 2016 by using actual dollars for 23 pay periods as of November 23, 2016 and projecting the 3 additional pay periods remaining in the year.

The department's proposed budget request for 2017 is \$7.5 million or \$600,000 more than the 2016 adopted budget. The anticipated hiring of correction officers in excess of the authorized budget level so that the excess can begin training and be available for duty when vacancies occur due to retirement of positions in 2017 may allow for this increase in overtime.

### *Contractual Services*

#### Food Costs

The County entered into a contract in 2013 with Aramark Food Services for food preparation services for 2014 and 2015. This contract has the option for three one year extensions. The County has elected to exercise this option for 2017. The contract provides for a cost not to exceed \$5.2 million. The department assumes that the base price per meal for an inmate population of 1,200 is \$1.71 per meal. Utilizing the department's projected inmate census plus a minimal allowance for spoilage and an average cost per meal of \$1.71, we calculate an annual cost of approximately \$2.4 million which approximates the 2017 proposed budget. We therefore recommend no changes to this expenditure item.

#### Medical Services

The County entered into a contract with New York Correct Care Solutions Medical Services, P.C., for medical services commencing on July 26, 2015 and terminating on July 25, 2018. The contract provides for a cost not to exceed \$14.6 million annually. This contract has the option for three one-year extensions. This agreement is a fixed contract with no out of pocket costs for

catastrophic claims or otherwise. If the average daily population at the department's facilities, determined on a quarterly basis, increases by more than ten percent above 1,300 inmates, the parties shall negotiate in good faith for an adjustment to that pricing, subject to any necessary County approvals. The County has budgeted \$14.6 million for the 2017 budget which is equal to the contract.

**TABLE A**  
**POPULATION STATISTICS - CORRECTION FACILITIES**  
**\* MONTHLY AVERAGES - 2016 THROUGH 2010**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
January	1062	1105	1229	1364	1491	1377	1357
February	1041	1125	1214	1385	1495	1425	1373
March	1030	1115	1223	1386	1486	1433	1372
April	1014	1118	1243	1361	1498	1440	1369
May	1007	1117	1281	1354	1466	1435	1391
June	1034	1085	1280	1337	1444	1421	1367
July	1055	1090	1249	1319	1494	1471	1382
August	1052	1125	1230	1308	1503	1497	1393
September	1074	1150	1198	1299	1477	1511	1472
October	1067	1116	1163	1309	1490	1537	1498
November ***	1067	1109	1153	1324	1441	1546	1488
December ***	1067	1075	1112	1244	1367	1513	1420
Annual Average	1044 **	1111 **	1215 **	1333 **	1471 **	1467 **	1407 **

\* *Average census calculation provided by the Budget Department.*

\*\* *Includes Federal inmate average population of 93, 96, 93, 142, 201, 205, and 176 for 2016, 2015, 2014, 2013, 2012, 2011, and 2010 respectively.*

\*\*\* *For 2016 estimated based on 10 month average through October*

**TABLE B**  
**COMPARATIVE POSTS**

	Variance 2017 vs. 2016	2017	2016	2015	2014	2013	2012	2011	2010
Administration	-	21	21	21	21	21	19	19	20
Jail	-	319	319	319	321	325	318	321	299
Penitentiary	-	91	91	91	103	103	115	124	142
Security Ward	-	-	-	-	3	3	10	10	10
Totals	-	431	431	431	448	452	462	474	471

**TABLE C  
REGULAR OVERTIME ANALYSIS**

	Variance Projected 2016 vs. Proposed 2017	County Proposed 2017	County Projected 2016	Appropriated Budget 2016	Actual					
					2015	2014	2013	2012	2011	2010
<b>Administration</b>										
Uniformed Positions*	(1)	15	16	16	14	14	17	15	13	19
Overtime	\$ 459,117	\$ 936,558	\$ 477,441	\$ 436,558	\$ 388,415	\$ 344,508	\$ 406,756	\$ 420,442	\$ 217,126	\$ 359,715
<b>Penitentiary</b>										
Uniformed Positions*	24	204	180	180	189	195	228	217	229	251
Overtime	\$ (178,434)	\$ 1,942,248	\$ 2,120,682	\$ 1,942,248	\$ 1,609,731	\$ 1,250,719	\$ 1,867,558	\$ 2,268,111	\$ 2,456,441	\$ 2,758,910
<b>Jail</b>										
Uniformed Positions*	(23)	609	632	632	625	609	573	591	581	563
Overtime	\$ (306,355)	\$ 4,661,336	\$ 4,967,691	\$ 4,531,911	\$ 7,882,540	\$ 5,150,758	\$ 7,339,481	\$ 9,939,476	\$ 6,252,288	\$ 7,511,792
<b>Security Ward</b>										
Uniformed Positions*	-	-	-	-	-	11	11	6	6	9
Overtime	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267,636	\$ 358,494	\$ 339,311	\$ 235,392	\$ 301,302
<b>Uniformed Totals</b>										
Uniformed Positions*	-	828	828	828	828	829	829	829	829	842
Overtime	\$ (25,672)	\$ 7,540,142	\$ 7,565,814	\$ 6,910,717	\$ 9,880,686	\$ 7,013,621	\$ 9,972,289	\$ 12,967,340	\$ 9,161,247	\$ 10,931,719

\* Uniformed Positions include Captains, Sergeants and Correction Officers and does not include Wardens, Assistant Wardens or Associate Wardens

TABLE D

**POPULATION STATISTICS - FEDERAL INMATES**  
**\* MONTHLY AVERAGES - 2016 THROUGH 2010**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
January	90	94	95	198	213	208	155
February	92	97	94	188	198	215	149
March	95	94	87	174	203	214	153
April	88	98	86	170	201	199	165
May	85	99	94	163	200	198	186
June	90	93	95	157	198	196	194
July	89	93	97	138	202	187	193
August	93	99	101	129	195	195	173
September	104	98	98	95	193	206	183
October	102	93	86	100	198	212	184
November**	96	94	93	96	208	215	189
December **	<u>96</u>	<u>95</u>	<u>93</u>	<u>97</u>	<u>205</u>	<u>213</u>	<u>192</u>
Annual Average	<u><u>93</u></u>	<u><u>96</u></u>	<u><u>93</u></u>	<u><u>142</u></u>	<u><u>201</u></u>	<u><u>205</u></u>	<u><u>176</u></u>

\* Average census calculation provided by the Budget Department.

\*\* Based on 10 month average through October.

## Department of Transportation

The Department of Transportation (DOT) provides transportation services for travelers in the County through its management of the Bee Line Bus System and specialized transportation services for the Departments of Health and Social Services. The 2017 proposed budget includes expenditures of \$158.2 million, an increase of \$1.9 million which is 1% more than the 2016 adopted budget for \$156.3 million. The major components of the DOT budget are as follows: Bus Operating Assistance (BOA), MTA Station Maintenance, MTA Operating Assistance and ParaTransit services.

### *Bus Operating Assistance (BOA)*

Bus Operating Assistance anticipated expenditures for 2017 represent approximately 70% of the requested DOT budget, or \$110.3 million of the total DOT budget. The County contracts with Liberty Lines Transit, Inc. and P.T.L.A. Enterprise, Inc. (PTLA) to provide services throughout Westchester County. The County's bus operating assistance program subsidizes

these companies by covering the excess of their expenditures over the revenues derived from fare box fees.

The County and Liberty Lines negotiated a contract effective January 2014 through December 31, 2018, with an option to renew for five additional years. The contract sets fixed fees over the term of the contract with potential adjustments to the fixed fee base amount for any new additionally requested services. Liberty Lines' annual fixed fee for 2016 and the next 2 years, which includes the cost of diesel fuel and excludes fare box fees is as follows:

	2016	2017	2018
Fixed Fee*	\$ 119,408,599	\$ 121,723,412	\$ 124,784,480
\$ over prior year	1,932,460	2,314,813	3,061,068
% over prior year	2%	2%	2%

The County forecasts that the 2016 net expenditures for both companies will be \$109.6 million which is net of estimated fare box fees of \$13.2 million, which is \$200,000 lower than our 2016 projection of \$109.8. The County's 2017 proposed net BOA expenditures of \$110.3 million as compared to the projected 2016 total of \$109.6 million is as follows:

	2017			2016		
Liberty Lines and PTLA estimated	PKFOD Proposed	County Proposed	Increase (Decrease)	PKFOD Projected	County Projected	Increase (Decrease)
Annual fixed fee	\$ 124,390,255	\$ 124,390,255	\$ -	\$ 121,972,872	\$ 121,972,872	\$ -
Fuel contract savings	(5,722,421)	(5,722,421)	-	(4,157,824)	(4,157,824)	-
Injury, Loss & Damage Claims for 2016	(700,000)	(700,000)	-	(500,000)	(500,000)	-
Insurance cost	3,920,823	3,920,823	-	3,449,300	3,449,300	-
PY Insurance claims and settlements	-	-	-	-	-	-
and related legal fees	1,829,023	1,412,240	416,783	1,766,300	1,663,957	102,343
Union Settlement	714,059	714,059	-	(163,715)	(163,715)	-
Additional services/routes from 2013	220,769	220,769	-	603,442	586,690	16,752
PTLA TWI Settlement Adjustments	-	-	-	60,048	60,048	-
Miscellaneous Recoveries	-	-	-	(42,000)	(41,124)	(876)
PTLA Rent Increase	6,000	6,000	-	6,000	6,000	-
	124,658,508	124,241,725	416,783	122,994,423	122,876,204	118,219
Estimated fare box fees	\$ (13,192,886)	\$ (13,986,250)	\$ 793,364	\$ (13,193,185)	\$ (13,233,799)	\$ 40,614
Net Bus Operating Assistance	<u>\$ 111,465,622</u>	<u>\$ 110,255,475</u>	<u>\$ 1,210,147</u>	<u>\$ 109,801,238</u>	<u>\$ 109,642,405</u>	<u>\$ 158,833</u>



There are five additional components that affect the BOA; fare box revenue, fuel price, service changes, transit workers protections and future insurance claims as explained below.

### *Fare Box Revenue*

The collection of cash (fare box fees) is a major determining factor as to whether the cost of BOA will increase or decrease. The County estimated that fare box revenues within the 2017 proposed budget would amount to \$14 million, which is \$800,000 higher than our projection of \$13.2 million. The Metropolitan Transit Authority (MTA) has proposed two plans for an increase in fares, which is expected to take effect on March 19, 2017. The County's estimated fare box revenue was based on Plan B, which would increase single ride fares from \$2.75 to \$3.00. We project that Plan A will be utilized due to its 0% increase in single rides, and more progressive fare structure. Our projection for 2017 takes into consideration the 3% decrease in ridership levels over the past three years as well. Further details on the MTA plans are included in the revenue section of this report.

### *Fuel Price*

The County is required to use ultra-low sulfur diesel fuel (ULSD). ULSD is subject to higher production and distribution costs and availability as demand increases. Recently, fuel prices have dropped which locks the County into a rate of \$1.65 for 2017; a \$0.54 decrease when compared to the 2016 rate of \$2.19.

### *Changes in Routes and Route Schedules and Service Hours*

The fluctuations in ridership levels, increases or decreases in service hours or miles may result in more or less additional services. In 2016 there were no major additional service changes, although these services are ongoing and may fluctuate from year to year.

### *Future Insurance Claims*

The contract specifies the required insurance coverage for bus liability, general liability and property insurance. We concur with the County's projection for the cost of insurance premiums

in the amount of \$3.4 million and \$3.9 million, for the 2016 adopted and 2017 projected budget, respectively.

We reviewed actual and projected costs for the adjustments that increase the fixed fee. The County is billed monthly for the base fee along with add-ons for service hours and miles, injury, loss and damage claims, legal fees, and miscellaneous additional work such as a workers compensation audit. These additional charges are projected to become permanent increases to the fixed fee and will increase over time due to CPI adjustments and price increases. Based on 2015 and 2016 trends, we anticipate prior year insurance claims and settlements for 2017 to be \$1.8 million or \$400,000 higher than the County's projection of \$1.4 million.

#### *MTA Station Maintenance and Operating Assistance*

The County is mandated to pay the MTA for a share of the cost of maintenance and operations of the railroad stations within the County. The County's payment for station maintenance, derived from a base amount of \$12.2 million established in 1995, is calculated utilizing the prior year payment plus an adjustment for the consumer price index. The MTA uses a CPI index based on wage earners and clerical workers for New York State. The County's year ending December 31, 2016 payment is \$19.9 million based on a consumer price index increase of 0.99% over the 2015 payment of \$19.7 million. The proposed 2017 budget of \$19.9 was derived using a CPI rate of 0.99% based on prior year trends. We concur with the department's proposed 2017 budget for operating assistance.

#### *ParaTransit*

Transportation costs for the ParaTransit services are included in the DOT proposed 2017 budget for \$13.3 million which increased by \$2.1 million from the 2016 adopted budget of \$11.2 million.

The 2016 expenditures are forecasted to come in at \$12 million, which is \$800,000 higher than the 2016 Adopted Budget of \$11.2 million. The County purchases fuel under New York State contracts where the price is variable and changes from month to month.

The increase of \$2.1 million in 2017 is primarily due to the costs associated with a three year contract renewal the County entered into for the period January 1, 2015 to December 31, 2017 with Suburban ParaTransit Services. Included in the 2017 proposed budget are contracts with several local taxi cab companies in the amount of \$377,000 and the cost of fuel for approximately \$600,000. The estimated average cost per trip utilizing information for van, taxi services and fuel costs is expected to increase to \$42.27 from the 2016 cost per trip of \$40.70. Based on the information we received, we concur with the County's 2017 proposed budget for \$13.3 million.

## **Department of Public Works**

The primary objective of the Department of Public Works is to provide and maintain an extensive infrastructure system for the County. The 2017 proposed budget is \$53.3 million, a decrease of \$16.3 million from the 2016 adopted budget. Our review of the Department's budget focused on two major areas; utilities and rental and taxes (including the lease payments to the Dormitory Authority of the State of New York (DASNY)).

### *Utilities*

The utilities appropriation provides resources for the payment of electric, natural gas and fuel oil. In our review of these expenditures, we focused on the largest areas, electricity and natural gas charges for the White Plains and Valhalla locations.

### *White Plains*

The 2017 proposed budget for utilities for the White Plains location is \$3.25 million including \$3.0 million for electricity and \$250,000 for natural gas.

Utilizing the actual electricity consumption for the first nine months of 2016, we project that usage for the year will be 16.8 million kilowatt hours ("KWHR"). Applying the applicable peak, off-peak, demand, and delivery rates per KWHR or kilowatts ("KW") respectively, we project that the actual expenses will fall below the budget by approximately \$300,000. Applying the average consumption to the applicable rates, we project the 2017 electricity charges to fall below the

budget by approximately \$100,000. Based upon our analysis, we noted that consumption is down but for 2017 we project an 8% increase in rates.

Based upon natural gas consumption patterns at the White Plains location through the first nine months of 2016, we project that total thermal usage will be approximately 450,000 units which is about 6,000 units higher than the County's budget. Utilizing a monthly average rate per unit provided by the County's budget analyst and confirmed by the U.S. Energy Information Administration, the total projected cost for 2016 at a rate of \$0.571 (which is about \$0.253 lower than the county budget rate) equates to \$245,000. This total is about \$120,000 lower than the County's adopted budget of \$375,000. Applying the average price of \$0.617 per unit and an increase of 8% on rates, we project the 2017 cost to approximate the proposed budget of \$256,000. Based upon our analysis, we recommend no changes to the 2017 proposed budget.

### *Valhalla*

The 2017 proposed budget for utilities for the Valhalla location is \$8.4 million including \$6.4 million for electricity and \$2 million for natural gas.

Utilizing the actual electricity consumption for the first nine months of 2016, we project that usage for the year will be \$71.9 million KWHR. Applying the applicable peak, off-peak, demand, and delivery rates per KWHR or kilowatts ("KW") respectively, we anticipate total expenditure for 2016 to be \$5.5 million, which is about \$1.4 million lower than the 2016 budget. Applying the average consumption and the applicable rates, we project the 2017 electric charges to be \$6.1 million, \$200,000 lower than the County's proposed budget of \$6.3 million.

Utilizing natural gas consumption patterns at the Valhalla location through the first nine months of 2016, we project that total thermal usage will approximate 4.9 million units. By applying an average rate to this projected thermal usage, we calculate the cost to be \$1.8 million for 2016, which is approximately \$1.2 million lower than the County's projection of \$3 million. Based upon these average consumption patterns, and applying an average applicable rate, we project these costs will be \$2 million in 2017, an amount that approximates the County's projection; therefore we recommend no change to the 2017 budget.

## Resident Tuition-Other Colleges

The County is charged a fee for each Westchester County resident student attending a community college outside of Westchester County. The rate set by the State is based on the comparison of the provider's tuition rate with the rates of Westchester Community College. Each college (provider) calculates this charge on each semester and invoices Westchester County.

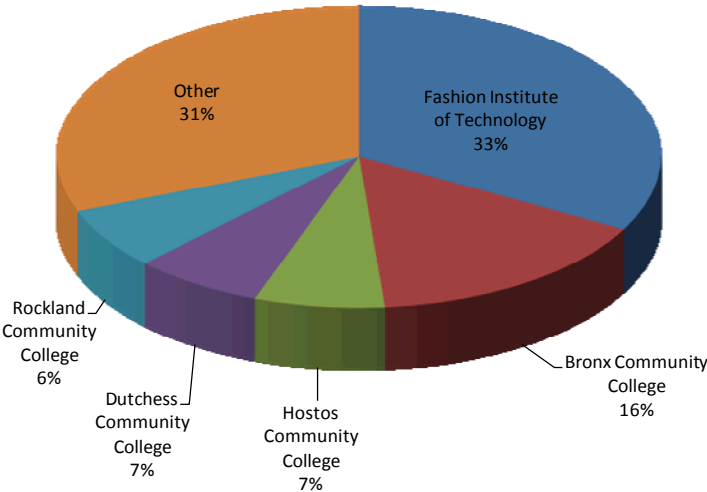
The average expenditures for 2015 and 2014 were approximately \$5.70 million. Approximately 49% of these charges represent fees paid on behalf of Westchester students attending the Fashion Institute of Technology (FIT). We project expenditures in 2016 to be \$5.90 million; this represents a \$250,000 increase as compared to the County's 2016 adopted budget of \$5.65 million.

The 2017 proposed budget includes an appropriation of \$5.75 million which is \$100,000 more than the 2016 adopted budget. Based on our analysis, we estimate 2017 expenditures will amount to \$5.90 million. This amount is \$150,000 greater than the proposed budget. As follows is a schedule of payments to the top five college's year to date and our projection for 2016.

Community College	2015		2016			
	County Actual	Percent	County Year to Date	Percent	PKF O'Connor Davies Projected	Percent
Fashion Institute of Technology	\$ 2,775,978	48%	\$ 1,491,648	33%	\$ 2,809,503	48%
Bronx Community College	647,790	11%	705,525	16%	712,580	12%
Hostos Community College	287,396	5%	315,298	7%	318,451	5%
Dutchess Community College	274,303	5%	313,839	7%	316,977	5%
Rockland Community College	315,450	5%	295,223	7%	298,175	5%
Other	1,438,900	25%	1,396,847	31%	1,453,795	25%
Total Year to Date 2016	<u>\$ 5,739,816</u>	<u>100%</u>	<u>\$ 4,518,380</u>	<u>100%</u>	<u>\$ 5,879,450</u>	<u>100%</u>

The following chart represents the payments to the top five college's year to date:

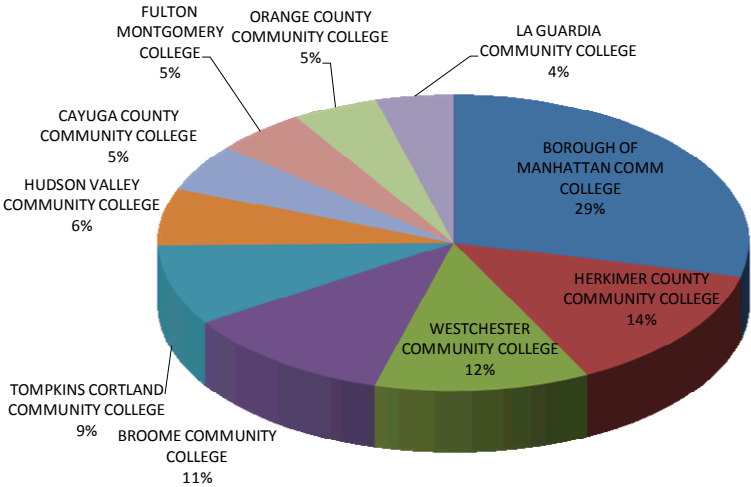
**Community College Top Paid YTD 2016**



The top 5 paid community colleges year to date approximated \$3.1 million which is 69% of the total community college payments made year to date for 2016.

The following chart represents the remaining 22% of the remaining 31% of the population for the top 10 paid colleges' year to date:

**Other Top Paid Community College's 2016**



## Board of Elections

The Board of Elections is New York State's government agent for the administration and execution of the State Election Law. Under New York State Election Law, the Board of Elections goal is to facilitate the registration of every qualified voter in the County and execute the laws pertaining to designation and nomination petitions for public office and party positions as well as to assist in school board and village elections in Westchester County.

The County has projected that the Board of Elections estimated net departmental total (expenditures net of departmental income) will aggregate approximately \$16.1 million in 2016, an amount which is roughly \$3.9 million more than the fiscal 2015 expended amount. The 2017 proposed net budget totals \$13.5 million which is approximately \$2.6 million less than the County's 2016 projection. The 2017 proposed budget is based on six elections (Village elections in March, School Board elections in May, Primary in September, the General election in November, and Fire District elections and Library District elections in December).

The following schedule summarizes the Board of Elections expenditures:

Expenditures	2015 Actual	2016		2017 Proposed Budget
		Projected	Adopted	
Salaries	\$ 5,905,859	\$ 6,187,393	\$ 6,187,393	\$ 6,262,205
Materials & Supplies	1,770,284	2,175,634	2,013,500	1,819,100
Equipment	3,560	54,000	54,000	79,500
Contractual	3,147,395	5,683,092	4,965,200	3,743,100
Other	958,550	1,350,000	1,100,000	1,100,000
Inter-Departmental	1,804,460	2,093,830	2,093,830	1,952,754
	<u>\$ 13,590,108</u>	<u>\$ 17,543,949</u>	<u>\$ 16,413,923</u>	<u>\$ 14,956,659</u>

These expenditures are offset by chargebacks to municipalities in accordance with the New York State Election Laws of 2005. The County may, but is not required to, charge all or a portion of expenses incurred including inspectors, training, repair and maintenance of voting

machines directly related to the cities and towns. The County received approximately \$1.45 million in 2016 and proposes to chargeback \$1.49 million in 2017, an increase of 2%.

Within the Board of Elections, we reviewed salaries, printing and office supplies, contractual services, and technical services.

### *Annual Salaries*

Salaries are expected to be approximately \$75,000 or 1.2% more than the 2016 adopted budget. Therefore, the 2017 proposed budget calls for no addition or elimination of positions.

### *Printing and Office Supplies*

The amount expended for printing and office supplies is projected by the County to total \$1.9 million in 2016. We concur with this projection. For 2017, the County proposes a budget of \$1.5 million, a 21% decrease. Given that the 2016 political year included 5 county wide elections versus 6 non-county wide in 2017, we anticipate printing and office supply costs will approximate the 2017 Proposed Budget. We concur with the County's 2017 estimate.

### *Contractual Services*

The County budgeted \$1.1 million for contractual services in 2016 and projects year-end expenditures will total approximately \$1.8 million. Actual expenditures through November 2016 were approximately \$351,000. Expenditures for the rest of November and December 2016 including moving charges, clerk stipends, poll site rentals and municipal chargebacks related to the General Election bring our projection to \$1.6 million, a favorable variance of \$200,000. For 2017, the County proposes a budget of \$825,000. Based on our analysis, we project 2017 expenditures will approximate \$825,000 therefore we suggest no change to the 2017 Proposed Budget.



## *Technical Services*

The technical services budget line covers costs associated with oversight of polling locations as well as training for inspectors. New York State Election Law requires 4 inspectors per district – two Republicans and two Democrats. In 2016, the County projects that cost of technical services will aggregate \$3.7 million, which is approximately \$200,000 more than our projection of \$3.5 million. Actual expenditures through November 2016 are \$1.9 million with an additional \$1.6 million in expenditures related to the General Election to be invoiced based on prior year trends.

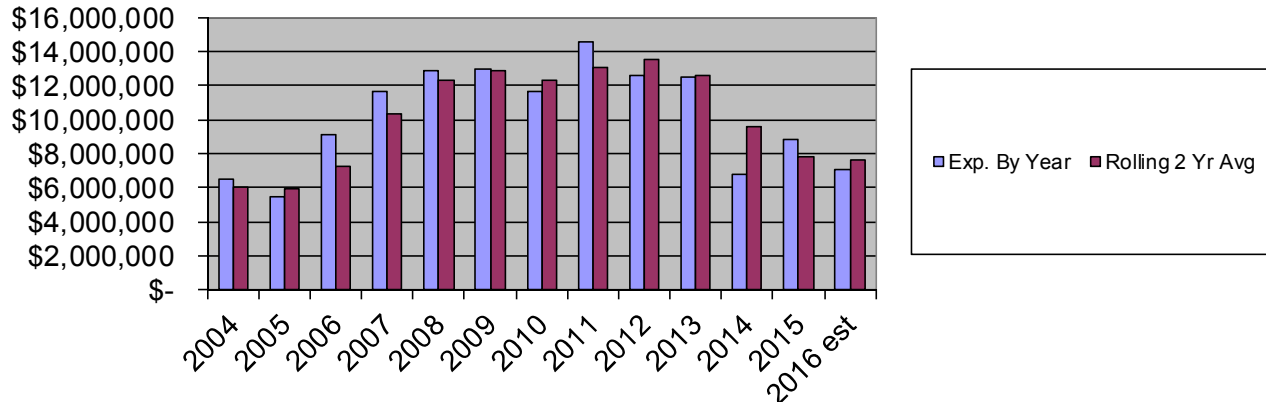
The proposed County budget for 2017 includes \$2.5 million for technical services. Our analysis projects expenditures for the 6 elections in 2017 to approximate \$2.5 million. We recommend no change to this budget line.

## **Certiorari Proceedings**

The request for assessment reductions through certiorari proceedings has become a common element of government operations as property owners continue to seek relief in cases of property assessments of their homes and businesses.

Refunds to property owners totaled \$6.8 million and \$8.9 million for 2014 and 2015 respectively. As of November 2016, the County has paid approximately \$5.3 million and expects payments to reach \$8.1 million for the year. This is \$2.9 million less than the 2016 Adopted Budget of \$11 million. Based on our calculations, we believe the 2016 projected refunds will be approximately \$7.1 million which is \$1 million lower than the County's 2016 projection.

## Certiorari



The 2017 proposed budget includes \$9 million for Certiorari Proceedings. Based on the average of the actual expenditures for the past 3 years we project 2017 to be about \$7.5 million. This results to a favorable variance of \$1.5 million. The County will bond for the tax certiorari. See Revenue section in this report for Proceeds from Serial Bonds.

## Legal Aid Society of Westchester and Indigent Legal Services

The County is required by County Law to provide legal representation for those charged with a crime who cannot afford to retain counsel. The County has historically fulfilled its legal obligation through its administrative contract with the Legal Aid Society (the “Society”), a not-for-profit organization.

The 2017 Proposed Budget provides for \$11.6 million in payments to the Society and expenditures financed by New York State grants. The Society requested and the County provided in the budget \$12.0 million in payments. This is \$1.1 million more than the 2016 adopted budget of \$10.9 million. In addition, the County increased salary and pensions by \$141,000 at a rate of 5%, which is 1.5% higher than prior years and was awarded \$212,000 in the OILS Grant.

### *Indigent Defendants – Felony*

The County budgeted \$4.7 million for Indigent Defendants – Felony expenditures in 2016. Actual expenditures through November 2016 were \$3.6 million. Our analysis of 2016 expenditures projects \$4.3 million in 2016 which is \$400,000 less than the 2016 adopted budget. The 2017 proposed budget includes \$4.8 million for Felony cases. We project expenditures will approximate the County's projection of \$4.8 million based on our analysis of expenditures for the last nine years. Accordingly we recommend no change to the 2017 proposed budget.

### *Indigent Defendants - Misdemeanor*

The County budgeted \$6.0 million for Indigent Defendants – Misdemeanor expenditures in 2016. Actual expenditures through November 2016 were \$4.8 million. Our analysis of 2016 expenditures projects \$5.5 million in 2016 which is \$500,000 less than the 2016 adopted budget. The County increased the 2017 proposed budget to \$6.0 million for misdemeanor cases. We project expenditures will approximate the County's proposed budget and do not recommend a change.

### **Debt Service**

The County's 2017 proposed budget for debt service aggregates to \$97.4 million, approximately 5% of the 2017 proposed budget. It includes principal and interest payments pertaining to the 2016 issues as well as outstanding prior issuances. This provision is inclusive of the General Fund, Westchester County Health Care Corporation, Westchester Community College, and certain bonds of the Airport. The NYS Court Facilities amount was historically recorded as a Department of Public Works (DPW) appropriation as in the County's 2016 Adopted Budget. This amount is now recorded as Debt Service as in the County's 2017 Proposed Budget. The County plans to issue a bond anticipation note (BAN) for \$72 million in December 2016. The calculation of the previously issued debt and estimated debt service for 2016 was reviewed and compared to the budgetary amounts. We concur with the 2016 projected debt service of \$104 million.

Since not yet issued the final debt amortization schedules pertaining to the BAN for \$72 million are not available and therefore an estimated debt service amount is included in the County's proposed 2017 debt service budget. The 2017 proposed budget also includes a provision for expenditures associated with the issuance of a tax anticipation note (TAN) of approximately \$200,000. The exact amount of the TAN and interest rate is not known at this time, and considering that the proposed amount approximates 2016 actual expenditures we recommend no change to the County's 2017 proposed budget of \$94.7 million.

**FUND BALANCE AND TAX  
LEVY LIMITATION “CAP”**

## Fund Balance

We have provided a schedule of available amounts of fund balance in the General Fund. The purpose of the schedule is to help provide an understanding of what is available and what amounts are being utilized.

### Fund Balance Availability as of December 09, 2016 General Fund

#### Selected Categories:

December 31, 2015 - Audited

Unassigned	\$ 54,665,169
Assigned (Designated) for Purchases on Order	8,194,185
Assigned (Designated) for Medicaid Claims	4,400,000
Assigned (Designated) for GASB 45 OPEB	41,000,000
Assigned (Designated) for NYS Retirement Stabilization	<u>28,000,000</u>
Assigned/Unassigned Funds Available at December 31, 2015	<u>136,259,354</u>
Projected net change in fund balance for year ending December 31, 2016 - Third Qtr. Forecast	(7,637,641) *
Additional shortfall related to estimated 2016 Tobacco proceeds	<u>(11,100,000) *</u>
	<u>(18,737,641)</u>
Assigned/Unassigned Funds Available at December 31, 2016	117,521,713
Less: Appropriations for Fiscal Year 2017	<u>-</u>
Projected Assigned/Unassigned Fund Balance at December 31, 2017 available for future years fiscal years 2018 and thereafter	<u>\$ 117,521,713</u>

*\* Projection is based upon the 3<sup>rd</sup> quarter periodic report prepared by the budget department as of November 2016, and additional information from the budget department subsequent to the release of the 3<sup>rd</sup> quarter forecast.*

As shown in the foregoing analysis at December 31, 2015 there was approximately \$136.3 million available fund balance in various categories of the assigned/unassigned fund balance. The budget department using the 3<sup>rd</sup> quarter periodic report and subsequent information estimates a negative budget variance of (\$18.7 million) for the 2016 year. This leaves \$117.5 million for future years.

## **Fund Balance Definitions**

### ***Nonspendable***

Inventory: Inventory represents funds authorized by the Board of Legislators to be invested in inventory type items.

Federal and State Receivables: represents the Administration's estimate of Federal and State aid amounts which will not be remitted to the County within the period "available" for income recognition by the County in the current year and other Federal and State aid that may not be remitted within the "available" period. These funds are not "available" for appropriation or expenditure even though they are a component of current assets.

Passenger Facility Charges: represents the amount required to fund certain capital projects should the authority to use passenger facility charges not be approved by the Federal Aviation Administration.

Prepaid Expenditures: has been established to account for retirement payments made in advance. The amount is classified as nonspendable to indicate that the funds are not "available" for appropriation or expenditure even though they are a component of current assets.

### ***Assigned***

Purchases on order: Represent the County's intention to honor the contracts in process at year-end. The subsequent year's appropriations will be amended to provide authority to complete the transactions.

NYS Retirement Stabilization: The County has assigned \$28,000,000 to provide funding for the New York State

Retirement System billing to protect the County from market volatility in the New York State Retirement System investment portfolio.

Other Post-Employment Benefits (GASB 45): The County has assigned \$41,000,000 to provide funding for postretirement health care employee benefits.

Medicaid Claims: The County has assigned \$4,400,000 of the fund balance of the General Fund to provide future funding on Medicaid expenditures.

Subsequent Year's Expenditures: At December 31, 2015, the County has assigned \$2,996,373 of the General Fund, \$14,730,495 of the Sewer Districts Fund, \$9,575,400 of the Refuse Disposal District Fund, \$3,642,240 of the Water Districts Fund and \$1,260,011 of the Airport Fund to be used to fund 2016 operations.

### **Tax Levy Limitation "Cap"**

***This is not a tax levy modification recommendation but a quantification of what is the County's tax levy limit availability.***

The County, like all municipalities, is subject to the New York State Tax Levy Limitation Law ("Tax Cap"). The Tax Cap limits the increase in the tax levy to the Tax Base Growth factor and the Levy Growth factor, both of which are provided by New York State. In addition, if the County doesn't utilize the allowable increase under the law, then that unused (subject to limits) amount is carried forward to the next year's levy. The following information is based upon the County's 2017 Tax Cap calculation:

<b>2017 Proposed Tax Levy</b>	
General Fund	\$ 548,423,468
Departmental of Environmental Facilities (DEF)	<u>146,173,838</u>
	<u>\$ 694,597,306</u>
Prior Year Carryover	\$10.7 million
Available 2017 Property Tax Capacity	\$19.1 million
Property Tax Levy increase without breaking cap	2.7%

As an outcome of not increasing the tax levy over the last few years, the County has a carry forward of \$10.7 million. The 2017 Tax Cap calculation includes an increase tax base growth factor of .55% and an allowable growth factor of .73%. When these increases are factored into the calculation, the County has a tax levy limit of \$713.7 million which exceeds the proposed levy by \$19.1 million which is the equivalent of a 2.7% allowable tax levy increase and does not require a Board of Legislature vote to "break" the cap.



## **CONCLUSION AND RECOMMENDATIONS**

## **Conclusion and Recommendations**

Our evaluation of select revenues and expenditures within the 2017 proposed budget, has resulted in our conclusion that the proposed budget for County operations is balanced, but does not allow for the budgetary flexibility that the County has enjoyed in past years.

It has been our Firm's practice when evaluating proposed budgets to "stick" to objective facts and not to delve into areas of policymaking. Policy is clearly in the purview of the Executive and Legislative branches of County government. On occasion, this mathematical approach does result in what one may describe as a "common sense" solution. For instance, after spending a combined 1,000 hours researching, discussing assumptions and re-calculating County projected estimates, our quantitative summary of findings calculates to a potential budgetary shortfall of \$6.7 million (refer to Summary of Findings for 2017). In past budget engagements, although we may have questioned the likelihood of specific mathematical outcomes, we have always found comfort in the flexibility and have come to expect an annual increase in fund balance from budgetary surplus. The Administration in their 3<sup>rd</sup> quarter forecast has projected the possibility of a budgetary shortfall of approximately \$7.6 million for 2016, which is inclusive of an unforeseen \$17 million tobacco bond refinancing with management's intention to be applied to the 2016 revenue short falls. Due to rapidly declining interest rates more recent estimates result in approximately \$6 million in tobacco bond proceeds. In addition, the County fell short of projected sales tax and certain other revenue goals. Therefore there is an expectation of approximately \$24.6 million budgetary gap.

Financial rating agencies and other institutions apply a set of standard criteria to evaluate the credit worthiness of a municipality. The application of such a uniform standard enables these financial "watchdogs" to advise the investing public regarding the degree of risk associated with bonds issued by thousands of municipal entities. The balance between available revenue sources and the use of fund balance as a means to finance annual budgets is one of the important criteria in determining what rating to assign to a municipality's bonds. The County's most recent ratings, Aa1 from Moody's Investor Services and AAA/Stable from Standard & Poor's Ratings Services speaks to the fundamentally sound financial foundation that the County has developed and maintained.

The New York State Comptroller has also developed a “Fiscal Stress Monitoring System” that acts as a municipal report card, which assigns a percentage rating (the greater the % equates to a higher stress level) to all the municipal sub-divisions within the State. The System relies upon four classifications:

- No Designation; 0 to 44.9%
- Susceptible to Fiscal Stress; 45 to 54.9%
- Moderate Fiscal Stress; 55 to 64.9%
- Significant Fiscal Stress; 65 to 100%

Westchester ranks in the 3rd tier, with a percentage score of 56.7% based upon its December 31, 2015 financial results.

The proposed budget provides for the neediest County residents and is without layoffs while preserving essential services, nor does it include cuts to not-for-profit organizations. It does not rely upon appropriating fund balance of the General Fund. The 2017 proposed budget includes the County Executive's proposal to privatize airport operations in the form of a 40 year long-term lease. The proposed operating budget includes \$15 million of revenue from a public/private partnership comprised of various components relating to this proposed transaction. It is our understanding that this transaction requires Legislative approval as well as approval by the Federal Aviation Administration ("FAA"). The receipt of cash is never, of itself, a sufficient basis for recognizing revenue. A government must obtain a claim to resources ("earning") before revenue recognition can occur. Measurable refers to the ability to quantify in monetary terms the amount of the revenue and receivable. The term available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. If the \$15 million revenue remains in the budget but not obtained timely in 2017 then the County must adopt a budgetary plan of action to keep the 2017 budget in balance. This fact is not overlooked, especially since both of the above referenced rating agencies in their recent respective analysis of the County's financial condition have referred to the consistent level of fund balance, approximately 8% of operating expenditures and strong liquidity (cash position), although there is reference to an expectation that this level of fund balance will “decrease in the near term”.

The proposed budget does rely upon the continued participation in the New York State Employer Contribution Stabilization Program (“Stabilization Program”) which defers a portion of the annual pension cost over a ten year amortization period. A majority of larger municipalities statewide continue to participate in the “Stabilization Program”. Management has elected to defer \$4.2 million in pension cost that would be attributable to the 2017 proposed budget which, when aggregated with prior deferred amounts, creates a balance payable in future years totaling approximately \$88 million.

The County’s 2017 proposed budget is heavily reliant upon economically sensitive revenues, primarily the sales and use tax. Revenues from this source support approximately 29% of the financing needs of the operating budget. The proportion of the budget supported from this tax is similar to surrounding counties: Nassau (38%), Orange (36%), Putnam (37%), Rockland (27%), Suffolk (37%) and Ulster (34%).

In developing an estimate for 2017, management has relied upon certain economic data, including the New York State “Division of Budget” 2017 Mid-Year Update. This report forecasts a 4% growth in sales and use tax during the State’s fiscal year 2018. The County applied a 3% growth rate in estimating \$517.6 million of which \$405.5 million represents the County’s share. The County projects 2016 actual sales tax gross revenue to be \$502.5 million which is \$23.3 million less than the 2016 adopted budget. Sales tax collections for the first ten months of 2016 were \$390 million or 77%. The County’s remaining collections, 23% for the balance of 2016 must aggregate to \$112.5 million in November and December which is less than the 2015 collections for those months for next year’s gross receipts from sales and use tax. The value of a 1% growth is approximately \$5 million. It should be noted that the surrounding counties have estimated a sales tax growth rate of 1% to 2% for 2017 in their proposed budgets. During our discussions last year, we cautioned that a projected shortfall in revenues should be mitigated by an equivalent reduction in expenditures.

We have included a similar note of caution in our discussion of estimated sales and use tax revenues for 2017, especially since there is no contingency offset in the proposed budget and the ability to accumulate further salary savings from position vacancy is diminished.

The County is positively impacted by the fact that one of its primary sources of revenue, the real property tax levy, which comprises 30% of its revenues, is guaranteed in full by the towns, villages and cities within the County. The proposed budget provides for a General Fund property tax levy of \$548.4 million, the same as compared to the levy adopted for 2016. Counties are subject not only to a state constitutional property tax limitation of 1½% of full valuation of taxable real estate, otherwise known as “taxing power”, but also a “2% property tax cap” in accordance with the Tax Levy Limitation Law. While the County has only taxed at 24% of its constitutional “taxing power”, which obviously contributes to the favorable reception by the investing community of its indebtedness, the 2% cap is a bit more complicated and is based upon a policy initiative from Albany. Regardless, the County has not increased its property tax levy and as a result has capacity for an increase in the real property tax levy of approximately \$19.1 million without the need to break the so called “2% tax cap”. (See separate narrative discussion).

In a recent analysis of the County’s finances for the purpose of rating its bonds, reference was made to an “internal” multi-year financial projection. We are proponents of such a document. It enables the County’s policy makers to make informed budgetary decisions and shape fiscal policy starting with the current budget as the base year. Assumptions will include projected capital needs and the cost to finance projects, as well as the demand for municipal services and associated costs. (It should be noted that approximately 2,600 County employees have been without a renewed collective bargaining agreement since the end of 2011.) A multi-year plan would need to address the manner and the sources of revenues that will finance current and future spending plans and whether or not a change in the revenue mix or possibly a reduction of expenditures are warranted. Of course, there is insufficient time to develop such a published document as a reference tool for use in making decisions on the proposed budget. It is therefore of utmost importance that such a plan be developed early in 2017 to help avoid possible expenditure over-runs of budget appropriations, or to find areas to mitigate revenue shortfalls to avoid depleting fund balance.

As we discussed earlier, our quantitative findings indicate a \$6.7 million gap (approximately \$5.2 million in revenue shortfalls and the need for \$1.5 million more in appropriation funding). If management can address these findings, perhaps a degree of comfort will be achieved.

However, the true test for the 2017 proposed spending plan is how it serves as the base year to build future budgets.

In conclusion, the 2017 proposed budget appears to provide for the mandated services that counties are required to furnish, provides funds to pay current debt payments and continues certain services and programs that benefit quality of life for residents.

As in past years, we are available to discuss any questions you may have regarding our findings or any issues that may arise while you deliberate the proposed budget.

**Westchester County Proposed Budget 2017  
Summary of Findings**

	Amounts		Decrease/ (Increase) in Taxation
	Increase	Decrease	
<b>Revenues:</b>			
Hotel Tax	\$ 150,000 <b>A</b>	\$ -	
Auto Use Tax	140,000	-	
Court Facilities - State Aid	200,000	-	
Department of Parks, Rec & Conservation:			
Golf	-	400,000	
Ice Casino	-	30,000	
Playland	-	200,000	
Department of Transportation:			
Departmental Income (Student Metro cards)	-	100,000	
Department of Public Works:			
Valhalla	-	100,000 <b>B</b>	
County Mortgage Tax	-	450,000	
State Aid - Indigent Defendants	-	2,900,000	
Certiorari Proceedings - Bonds	-	1,500,000 <b>C</b>	
Revenue Recommendations	<u>\$ 490,000</u>	<u>\$ 5,680,000</u>	<u>\$ (5,190,000)</u>
<b>Appropriations:</b>			
Municipal Sales Tax Distribution	\$ 415,000	\$ -	
Federal Insurance Contribution Act (FICA) Taxes	-	100,000	
Tourism	22,500 <b>A</b>	-	
Workers Compensation (6J)	1,300,000	-	
Department of Transportation:			
Bus Operating Assistance	1,200,000	-	
Department of Public Works:			
White Plains	-	100,000	
Valhalla	-	200,000 <b>B</b>	
Resident Tuition - Other Colleges	150,000	-	
Certiorari Proceedings	-	1,500,000 <b>C</b>	
Appropriation Recommendations	<u>\$ 3,087,500</u>	<u>\$ 1,900,000</u>	<u>\$ (1,187,500)</u>
<b>Department of Social Services:</b>			
<b>Revenues:</b>			
Emergency Assistance to Families and Children (JD PINS)	\$ -	\$ 170,000 <b>D</b>	
Revenue Recommendations	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ (170,000)</u>
<b>Appropriations:</b>			
Child Welfare	\$ 420,000	\$ -	
Emergency Assistance to Families and Children (JD PINS)	-	240,000 <b>D</b>	
Appropriation Recommendations	<u>\$ 420,000</u>	<u>\$ 240,000</u>	<u>\$ (180,000)</u>
Change in County Taxation - Combined			<u>\$ (6,727,500)</u>
<b>I Policy Item Impacting the 2017 Proposed Budget</b>			
Bonding for Tax Certiorari		\$ 9,000,000	
Airport Lease Proceeds Estimated To Be Transferred to General Fund		15,000,000	
Day Care Low Income - Current Enrollment		4,000,000	
		<u>\$ 28,000,000</u>	
<b>II For Information Purposes Only - Non-recurring</b>			
Pending Agreement Regarding Playland		\$ 1,500,000	
Residual Proceeds - Sale of Austin Ave - Building Permits		3,000,000	
Savings Due To DASNY Refinancing of Court Facilities		4,000,000	
		<u>\$ 8,500,000</u>	

# EXHIBITS



COUNTY OF WESTCHESTER, NEW YORK

ANALYSIS OF BUDGET INCREASES (DECREASES)  
GROSS BUDGET AND COUNTY TAXATION

		2016	2017			
		Expenditures				
		Adopted Budget	Inter Dept Revenue	Proposed Budget	Increase (Decrease)	
					Amount	%
Dept #	General Government Support					
10	Board of Legislators	\$ 4,473,143	\$	\$ 4,514,143	\$ 41,000	0.9%
11	County Executive					
	Office of the County Executive	2,258,134	110,000	2,252,095	(6,039)	-0.3%
	Youth Bureau	2,473,439	412,220	2,448,511	(24,928)	-1.0%
	Office for the Disabled	927,878	228,301	919,826	(8,052)	-0.9%
	Economic Development	423,586		424,372	786	0.2%
	Tourism	886,500		957,150	70,650	8.0%
	Office of Energy Conservation	64,100		75,900	11,800	0.0%
	Advocacy & Community Services	688,287	51,388	762,195	73,908	10.7%
	Office for Women	1,703,094	394,580	1,621,165	(81,929)	-4.8%
	Total County Executive	9,425,018	1,196,489	9,461,214	36,196	0.4%
12	Human Resources	5,303,351	501,826	4,697,386	(605,965)	-11.4%
13	Budget	1,572,765	-	1,629,069	56,304	3.6%
14	Board of Elections	16,413,923	-	14,956,659	(1,457,264)	-8.9%
15	Finance	5,209,106	-	5,250,736	41,630	0.8%
16	Information Technology	38,259,286	31,925,765	40,259,065	1,999,779	5.2%
17	Board of Acquisition and Contract	271,735	-	272,102	367	0.1%
18	Law	10,846,350	10,810,492	10,503,691	(342,659)	-3.2%
19	Department of Planning	4,809,648	42,613	4,207,483	(602,165)	-12.5%
36	Tax Commission	185,828	-	209,639	23,811	12.8%
	Total General Governmental Support	96,770,153	43,280,696	95,961,187	(808,966)	-0.8%
	Home & Community Services					
21	County Clerk	6,876,095		6,776,433	(99,662)	-1.4%
22	Department of Social Services	594,263,701		601,664,042	7,400,341	1.2%
24	Senior Program & Services	3,301,843	235,850	3,485,313	183,470	5.6%
25	Weights & Measures, Customer Protection	1,771,352		2,005,378	234,026	13.2%
	Total Home & Community Services	606,212,991	235,850	613,931,166	7,718,175	1.3%
	Health Service					
26	Community Mental Health	8,438,414	995,848	8,740,838	302,424	3.6%
27	Department of Health	141,497,646	140,500	129,058,642	(12,439,004)	-8.8%
31	Labs & Research	13,309,507	30,000	13,286,858	(22,649)	-0.2%
	Total Health Service	163,245,567	1,166,348	151,086,338	(12,159,229)	-7.4%
	Public Safety, Correction and Courts					
20	Emergency Services	5,806,962	297,537	6,201,367	394,405	6.8%
35	Department of Corrections	122,601,583	137,400	122,844,044	242,461	0.2%
37	District Attorney	28,563,135		27,543,978	(1,019,157)	-3.6%
38	Public Safety Services	49,227,377	10,734,500	50,156,239	928,862	1.9%
39	Department of Probation	26,690,135	1,501,482	26,648,969	(41,166)	-0.2%
40	Public Administrator	650,471		720,587	70,116	10.8%
41	Solid Waste Commission	1,706,257		1,851,381	145,124	8.5%
	Total Public Safety, Correction and Courts	235,245,920	- 12,670,919	235,966,565	720,645	0.3%
42	Parks, Recreation and Conservation					
	Parks	20,397,008	\$ 330,720	21,126,167	729,159	3.6%
	Golf Courses	8,149,962	-	8,309,019	159,057	2.0%
	Playland	11,099,064	-	11,211,479	112,415	1.0%
	Parkways	1,336,410	-	1,312,253	(24,157)	-1.8%
	Recreation	5,003,895	-	5,368,693	364,798	7.3%
	Recreation and Conservation	408,897	-	425,354	16,457	4.0%
	Total Parks, Recreation and Conservation	46,395,236	- 330,720	47,752,965	1,357,729	2.9%

## Exhibit 1a

2017								
Revenues				County Taxation				
State	Federal	Other (Departmental)	Interdepart- mental Revenue	2017	R	2016	Increase (Decrease)	
							Amount	%
\$	\$	\$	\$	\$	\$	\$		
-	-	-	-	4,514,143		4,473,143	41,000	0.9%
-	-	-	110,000	2,142,095		2,148,134	(6,039)	-0.3%
133,132	-	-	412,220	1,903,159		1,928,087	(24,928)	-1.3%
-	-	12,500	228,301	679,025		687,077	(8,052)	-1.2%
-	-	424,372	-	-		-	-	#DIV/0!
-	-	957,150	-	-		-	-	0.0%
-	-	-	-	75,900		64,100	11,800	0.0%
-	-	-	49,868	712,327		592,779	119,548	20.2%
39,134	-	-	372,231	1,209,800		1,269,380	(59,580)	-4.7%
172,266	-	1,394,022	1,172,620	6,722,306		6,689,557	32,749	0.5%
-	-	251,600	509,527	3,936,259		3,501,525	434,734	-12.4%
-	-	657,701	-	971,368		943,460	27,908	-3.0%
-	-	1,492,382	-	13,464,277		14,964,717	(1,500,440)	-10.0%
-	-	2,250,848	-	2,999,888		2,992,026	7,862	0.3%
-	-	7,923,082	33,835,092	(1,499,109)		(1,573,847)	74,738	4.7%
-	-	3,000	-	269,102		270,235	(1,133)	-0.4%
-	-	3,584,809	10,467,380	(3,548,498)		(3,621,358)	72,860	-2.0%
60,000	-	634,460	40,000	3,473,023		3,801,070	(328,047)	-8.6%
-	-	200	-	209,439		185,628	23,811	12.8%
232,266	-	18,192,104	46,024,619	31,512,198		32,626,156	(1,113,958)	-3.4%
-	-	9,031,725	-	(2,255,292)		(2,399,187)	143,895	-6.0%
100,305,166	167,523,000	4,300,000	-	329,535,876		328,214,005	1,321,871	0.4%
-	-	-	235,850	3,249,463		3,065,993	183,470	6.0%
-	-	3,079,000	-	(1,073,622)		(1,911,498)	837,876	-43.8%
100,305,166	167,523,000	16,410,725	235,850	329,456,425		326,969,313	2,487,112	0.8%
1,592,859	936,716	10,000	973,996	5,227,267		4,890,335	336,932	6.9%
65,098,544	-	7,800,100	158,000	56,001,998		61,637,024	(5,635,026)	-9.1%
1,053,000	-	2,857,000	21,000	9,355,858		9,333,096	22,762	0.2%
67,744,403	936,716	10,667,100	1,152,996	70,585,123		75,860,455	(5,275,332)	-7.0%
-	360,526	81,401	319,751	5,439,689		5,071,562	368,127	7.3%
67,784	1,171,693	6,903,600	137,400	114,563,567		114,605,349	(41,782)	0.0%
746,881	133,500	-	-	26,663,597		28,483,154	(1,819,557)	-6.4%
3,106,723	330,356	14,312,838	10,954,871	21,451,451		21,319,634	131,817	0.6%
8,024,261	-	367,000	1,530,124	16,727,584		16,540,693	186,891	1.1%
-	-	250,000	-	470,587		170,471	300,116	176.1%
-	-	1,851,381	-	-		(8,000)	8,000	0.0%
11,945,649	1,996,075	23,766,220	12,942,146	185,316,475		186,182,863	(866,388)	-0.5%
60,000	-	8,576,040	339,713	12,150,414		10,594,531	1,555,883	14.7%
-	-	9,420,298	-	(1,111,279)		(1,550,336)	439,057	-28.3%
-	-	11,433,424	-	(221,945)		(324,008)	102,063	-31.5%
-	-	16,996	-	1,295,257		1,327,520	(32,263)	-2.4%
-	-	6,195,000	-	(826,307)		(1,152,105)	325,798	-28.3%
-	-	165,120	-	260,234		358,971	(98,737)	-27.5%
60,000	-	35,806,878	339,713	11,546,374		9,254,573	2,291,801	24.8%

(Continued)

COUNTY OF WESTCHESTER, NEW YORK

ANALYSIS OF BUDGET INCREASES (DECREASES)  
GROSS BUDGET AND COUNTY TAXATION

Dept #		2016		2017		
		Adopted Budget	Inter Dept Revenue	Expenditures		Increase (Decrease) Amount %
				Proposed Budget		
44	DPW - Transportation Division	\$ 156,255,639	414,762	\$ 158,162,363	\$ 1,906,724	1.2%
46	DPW - Public Works Division	69,558,043	55,262,427	53,327,531	(16,230,512)	-23.3%
	<b>Total Roads, Transportation</b>	225,813,682	- 55,677,189	211,489,894	(14,323,788)	-6.3%
51	<b>Debt Service</b>	80,867,826		81,061,056	193,230	0.2%
	<b>Unallocated Fringe Benefits</b>	232,554,078		250,973,796	18,419,718	7.9%
52	<b>Unallocated Miscellaneous Budgets</b>					
	Unemployment Insurance	650,000		450,000	(200,000)	-30.8%
	Insurance	646,000		651,106	5,106	0.8%
	Cont. Workers Compensation Fund	8,000,000		9,500,000	1,500,000	18.8%
	Miscellaneous Budget Expense	221,205,668 <b>b</b>		<b>b</b> 213,363,630 <b>b</b>	(7,842,038)	-3.5%
	<b>Total Unallocated Miscellaneous Budgets</b>	230,501,668		223,964,736	(6,536,932)	-2.8%
	<b>Subtotal</b>	1,917,607,121		1,912,187,703	(5,419,418)	-0.3%
	<b>Miscellaneous Revenue</b>	-		-	-	0.0%
	<b>Interdepartmental Revenues</b>	(114,558,212)		(101,448,567)	13,109,645	-11.4%
	<b>Total General Fund</b>	\$ 1,803,048,909	\$ 114,558,213	\$ 1,810,739,132	\$ 7,690,227	0.4%

**b** See Exhibit 1b for detail

**c** See Exhibit 1c for detail

2017									Dept #
Revenues				County Taxation					
State	Federal	Other (Departmental)	Interdepart- mental Revenue	2017	2016	Increase (Decrease) Amount %			
\$ 57,799,600	\$ 13,348,431	\$ 38,662,449	\$ 444,956	\$ 47,906,927	\$ 53,946,047	\$ (6,039,120)	-11.2%	44	
2,728,914	-	7,899,562	40,308,287	2,390,768	(2,385,949)	4,776,717	-200.2%	46	
60,528,514	13,348,431	46,562,011	40,753,243	50,297,695	51,560,098	(1,262,403)	-2.4%		
-	-	-	-	81,061,056	80,867,826	193,230	0.2%	51	
-	-	-	-	250,973,796	232,554,078	18,419,718	7.9%		
-	-	-	-	450,000	650,000	(200,000)	-30.8%	52	
-	-	-	-	651,106	646,000	5,106	0.8%		
-	-	-	-	9,500,000	8,000,000	1,500,000	18.8%		
-	-	-	-	213,363,630	221,205,668	(7,842,038)	-3.5%		
-	-	-	-	223,964,736	230,501,668	(6,536,932)	-2.8%		
240,815,998	183,804,222	151,405,038	101,448,567	1,234,713,878	1,226,377,030	8,336,848	0.7%		
8,801,604	C -	677,488,802	C -	(686,290,406)	C (677,953,561)	(8,336,845)	1.2%		
-	-	-	(101,448,567)	-	-	-	0.0%		
\$ 249,617,602	\$ 183,804,222	\$ 828,893,840	\$ -	\$ 548,423,468	\$ 548,423,468	\$ 3	0.0%		

**MISCELLANEOUS BUDGET EXPENDITURE DETAIL**

	<b>Adopted 2016</b>	<b>Proposed 2017</b>
Arts in Westchester	\$ 1,547,000	\$ 1,547,000
Hudson River Museum	677,000	677,000
Certiorari Proceedings	11,000,000	9,000,000
County Membership Fees	95,000	99,000
Court Ordered Medical Exams	10,000	1,000
Board of Ethics	7,000	7,000
Independent Audit	500,000	500,000
Human Rights Commission	1,032,372	1,126,602
In Rem Proceedings	-	1,000
Interest Income Distribution Repayment	59,000	58,750
Invest in Kids	206,000	-
Legal Aid Society of Westchester	10,891,855	11,640,808
Legal Services Indigent Defendant - Felony	4,714,811	4,768,248
Legal Services Indigent Defendant - Misdemeanor	5,978,880	6,005,322
Legal Services of Hudson Valley	600,516	600,516
Legal Services of Peekskill	107,220	107,220
Public Employees Relation Board	1,000	1,000
Resident Tuition - Other College	5,650,000	5,750,000
Services to WCHCC	9,506,315	7,933,480
Statutory Charges	95,000	100,000
Taxes on County Property	1,800,000	1,750,000
Tourism	886,500	957,150
Tuition Reimbursement Program	450,000	500,000
NYS Court Facilities	19,504,850	15,619,048
Cornell Cooperative Extension	640,000	640,000
Westchester Historical Society	129,000	129,000
Westchester Library System	1,000,000	1,000,000
Community Based Organizations	1,218,115	1,218,115
<b>Sub Total</b>	<b>78,307,434</b>	<b>71,737,259</b>
Municipal Sales Tax Distribution	113,569,000	111,793,000
WCC Sponsor Contribution	29,329,234	29,833,371
<b>Grand Total</b>	<b>\$ 221,205,668</b>	<b>\$ 213,363,630</b>

**MISCELLANEOUS REVENUE DETAIL**

	<b>Adopted 2016</b>	<b>Proposed 2017</b>
<b>Other Revenues:</b>		
Payments in Lieu of Taxes	\$ 10,721,000	\$ 10,700,000
Sales Tax	525,769,000	517,559,000
Auto Use Tax	15,942,000	16,312,000
Mortgage Tax	19,089,000	19,289,000
Hotel Tax	6,280,000	6,531,000
Indirect Costs	2,434,090	2,382,803
WCHCC Rent	190,326	106,274
Capital Reserves - General Fund	50,000	-
Interfund Transfers - Airport		15,000,000
WCC Debt Reimbursement		5,840,547
DEF Interest Reimbursement		86,950
Bond Proceeds	11,000,000	9,000,000
Tobacco Settlement Payment	2,000,000	2,000,000
	<u>593,475,416</u>	<u>604,807,574</u>
Services to WMC	9,506,315	7,933,480
Closed Capital Projects	1,253,000	1,741,748
Intergovernmental Transfers (IGT Payments)	65,000,000	60,000,000
Capital Revenues	600,000	
Harness Racing Admission	6,000	6,000
Austin Ave	787,000	3,000,000
	<u>77,152,315</u>	<u>72,681,228</u>
Miscellaneous		
<b>Subtotal</b>	<u>670,627,731</u>	<u>677,488,802</u>
Appropriation / Use of Restricted General Fund Balance - E911	1,735,104	-
<b>Subtotal</b>	<u>672,362,835</u>	<u>677,488,802</u>
<b>State Aid:</b>		
Court Facilities Aid	2,116,000	2,028,000
DASNY Bond Reimbursement	432,000	345,000
18 B Indigent Defendants Reimbursement	3,042,726	6,428,604
	<u>5,590,726</u>	<u>8,801,604</u>
<b>Grand Total</b>	<u>\$ 677,953,561</u>	<u>\$ 686,290,406</u>

## Temporary Borrowing – Bond and Tax Anticipation Notes

## Exhibit II

### Bond Anticipation Notes

The following table lists the five year history of bond anticipation notes:

As of December 9, 2016			
Bond Anticipation Notes			
Fiscal Year	Issued	Retired	Balance as of December 31
2010	\$ 147,000,000 (a)	\$ 46,470,000	\$ 206,485,000
2011	9,198,000 (b)	151,485,000	64,198,000
2012	80,000,000 (b)	9,198,000	135,000,000
2013	-	80,000,000	55,000,000
2014	88,727,800 (c)	55,000,000	88,727,800
2015	39,136,800 (b)	44,827,800 (d)	73,036,800
2016	-	27,200,000	45,836,800 (e)

(a) \$100,000,000 of Bond Anticipation Notes were issued on December 2, 2010, and retired on November 30, 2011. \$47,000,000 of Bond Anticipation Notes were sold to the EFC on September 2, 2010.

(b) Sold to the New York State Environmental Facilities Corporation.

(c) \$40,000,000 of bond anticipation notes were issued on December 4, 2014. \$48,727,800 of Bond Anticipation Notes were sold to the EFC.

(d) Inclusive of the \$40 million bond anticipation notes issued on December 4, 2014 redeemed with a portion of the Series 2015B Bonds on December 3, 2015.

(e) As of October 31, 2016. All amounts are with EFC. Additionally, the County expects to secure new short-term financing with EFC of approximately \$7 million in 2016 and \$11 million in the first quarter of 2017.

### Tax Anticipation Notes

The following table shows the five year history of tax anticipation notes:

As of December 9, 2016			
Tax Anticipation Notes			
Fiscal Year	Issued	Retired	Balance as of December 31
2011	50,000,000	50,000,000	-
2012	64,720,000	64,720,000	-
2013	89,997,656	89,997,656	-
2014	90,000,000	90,000,000	-
2015	105,000,000	105,000,000	-
2016	105,000,000 (a)	105,000,000	-

(a) Note matured on May 26, 2016.

Except for tax anticipation notes noted above, the County has not issued revenue anticipation notes or any other form of short-term obligations to finance operating cash-flow needs. The timing of the receipt of taxes and other revenues (including Federal and State aid) and its need for such monies, together with its control of the timing of expenditures, has in the past enabled the County to minimize the need for short-term financing.