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Inter-Departmental Memo

To: Hon. Diane Yatauro, Presiding Officer
Hon. Peter J. Schmitt, Minority Leader
Hon. Wayne Wink, Acting Chair
All members of the Finance Committee

From: Eric C. Naughton, Director 
Office of Legislative Budget Review

Date: October 1, 2009

Re: FY 10 Budget Hearing – October 2, 2009

Enclosed please find preliminary reviews of the FY 10 Executive Budget for the specific agencies scheduled to appear before the Finance Committee. Our analysis includes two years of historical expenditures and revenue, as well as the Office of Legislative Budget Review's (OLBR) projections for FY 09. In addition, in looking at staffing needs we also compare the proposed FY 09 budget to actual staffing levels for the last two years. The OLBR headcount projection represents each department's on-board staffing as of September 1, 2009.

FINANCE COMMITTEE

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Expense	Historical		2009		2010	Exec. vs. Adopted		Exec. vs. Projected	
	2007	2008	Adopted Budget	OLBR Projected	Executive Budget	Variance	Percent	Variance	Percent
Full-Time Headcount	257	249	252	225	232	(20)	-7.9%	7	3.1%
Part-Time and Seasonal	2	16	6	3	2	(4)	-66.7%	(1)	-33.3%
Salaries	\$13,372,606	\$13,409,639	\$14,945,029	\$12,823,246	\$13,546,152	(\$1,398,877)	-9.4%	\$722,906	5.6%
Equipment	188,469	66,159	80,000	45,000	5,000	(75,000)	-93.8%	(40,000)	-88.9%
General Expenses	856,678	616,186	811,170	811,170	681,383	(129,787)	-16.0%	(129,787)	-16.0%
Contractual Services	1,590,357	717,487	371,000	286,220	195,000	(176,000)	-47.4%	(91,220)	-31.9%
Total	\$16,008,110	\$14,809,472	\$16,207,199	\$13,965,636	\$14,427,535	(\$1,779,664)	-11.0%	\$461,899	3.3%

Expenses

- The proposed expense budget is decreasing by 11%, or \$1.8 million, compared to the FY 09 adopted. Budgeted headcount and every expense category have been reduced.
- Budgeted headcount will decrease by 20 full-time and 4 part-time positions. The department had 12 employees opt into the separation incentive program. As a result of those reductions, salaries have been reduced from the FY 09 budget by \$1.4 million. Compared to the FY 09 projected actual salary expense, the salary line will increase by \$722,906. The current year's expense has been lessened by the lag payroll and vacant positions. The FY 10 positions vacant as of September 1 are four Deputy Assessors, a Chief Deputy Assessor, a Real Property Appraiser-Arbitrator I, and a clerk.
- The proposed OTPS budget of \$881,383 is approximately 22.8% less than the projected OTPS spending for FY 09.
 - The decrease in the contractual services line is largely the result of the transferring of the maintenance costs on the proprietary Tyler integrated assessment system (IAS), \$255,000 budgeted in FY09, to Information Technology. As part of the multi-departmental ADAPT project, these cost are more appropriately allocated to IT. The ADAPT program will manage the County-wide process of assessment of real property, preparation of tax rolls, and billing/collection of taxes and appeals.
 - Contracts for temporary employees (\$100,000) and the voice response telephone system (\$20,000) will continue to be funded in 2010. Funding has been added to cover various legal expenses related to the County Attorney's defense of assessment challenges, such as appraisals and transcribing services (\$50,000), a consultant with expertise in utilities appraisal (\$20,000), and an IT related maintenance contract (\$5,000).
- The general expenses line has been reduced from the FY 09 budget by 16%. The largest components in this category are for postage for the mailings of notices (\$218,400), office supplies (\$161,722), and copying (\$129,390).

Revenue	Historical		2009		2010	Exec. vs. Adopted		Exec. vs. Projected	
	2007	2008	Adopted Budget	OLBR Projected	Executive Budget	Variance	Percent	Variance	Percent
Rents & Recoveries	\$556,561	\$964,233	\$0	\$0	\$0	\$0	*****	\$0	*****
Dept Revenues	125,521	167,371	250,000	150,000	150,000	(100,000)	-40.0%	0	0.0%
Cap Backcharges	0	0	57,088	0	52,690	(4,398)	-7.7%	52,690	*****
State Aid-Reimb Of Exp	919,772	761,388	902,775	490,000	490,000	(412,775)	-45.7%	0	0.0%
Total	\$1,601,853	\$1,892,992	\$1,209,863	\$640,000	\$692,690	(\$517,173)	-42.7%	\$52,690	8.2%

Revenues

- The proposed FY 10 revenue budget is decreasing by 42.7% from the FY 09 adopted, bringing it more in line with the current year's projected actual of \$640,000.
- Both department revenues and state aid are projected to fall short of budget in FY 09.
- The department collects fees for such services as the sale of tax maps, property record cards, and various reports. These are booked as departmental revenues. The proposed budget has been reduced by \$100,000 to \$150,000, which is in line with FY 09 projections.
- Capital backcharges revenue in the amount of \$52,690 has been added to the revenue budget. This will offset the expense of employee hours spent working on the ADAPT capital project.
- The rents and recoveries revenue in 2007 and 2008 is derived from the disencumbrance of prior year contracts related to the defense of small claims assessments.

State Aid

The Department of Assessment has been receiving two kinds of state aid. Annual Reassessment Program funding allows for a payment of up to \$5 per parcel annually. In order to be eligible to receive this aid, an assessing unit must annually conduct a systematic analysis of all locally assessed properties, and implement a program to physically inspect and re-appraise each property at least once every six years. Although Nassau has over 400,000 parcels, the State caps its aid at \$500,000. However, NY State has cut the 2009 Annual Aid by 2% or \$10,000 on the maximum allowed, and that cut will continue into FY 10.

School Tax Relief program (STAR) Administrative Aid payments are intended to help defer the costs incurred by local assessors, tax collectors and county directors in administering the STAR Program. New York State has eliminated this funding. Consequently, the County will not be receiving the approximately \$400,000 that was included in the FY 09 budget, and there is no STAR administrative aid proposed in the FY 10 budget.

Tax Certiorari Payments					
Figures in Millions					
	2006	2007	2008	2009	2010
	Actual	Actual	Actual	Projections	Budget
Total Payments	\$70.6	\$87.1	\$98.8	\$92.3	\$50.0

Tax Refund Liability

- The Assessment Review Commission (ARC) is a quasi-judicial arm of the County which serves to review assessment claims in order to provide residents with timely and appropriate relief from excessive valuations. Reducing over-assessments on the tentative roll before the actual tax bills are sent out results in a decrease to the County's tax refund liability.
- The FY 10 budget includes \$50 million in operating funds to cover anticipated tax refunds. These monies are included in the County Treasurer's budget on its other expenses, other suits & damages line.
- The 2010 – 2013 Multi-Year Plan similarly incorporates \$50 million in all of the out-years to cover tax refund liabilities.
- The chart above details the historical, projected and budgeted tax certiorari payments.
- It is possible that the \$50 million budget in the proposed 2010 could fall short of actual expenses, since total refund payments have been greater than \$50 million over the past four years.
- The Administration is cognizant of this and according to the July 31, 2009 Comptroller's Mid-Year report, has available \$27.7 million from a 2008 borrowing as well as an additional \$65 million in borrowing authority to cover the cost of property tax refunds, which may be needed in 2009 and 2010.

Expense	Historical		2009		2010	Exec. vs. Adopted		Exec. vs. Projected	
	2007	2008	Adopted Budget	OLBR Projected	Executive Budget	Variance	Percent	Variance	Percent
Full-Time Headcount	46	46	41	41	42	1	2.4%	1	2.4%
Part-Time and Seasonal	7	6	12	12	13	1	8.3%	1	8.3%
Salaries	\$3,458,473	\$3,366,384	\$3,660,642	\$3,140,835	\$3,718,277	\$57,635	1.6%	\$577,442	18.4%
Equipment	169	11,785	0	0	0	0	*****	0	*****
General Expenses	106,492	86,714	112,600	95,000	108,400	(4,200)	-3.7%	13,400	14.1%
Contractual Services	1,520,263	581,750	1,780,000	1,780,000	1,479,000	(301,000)	-16.9%	(301,000)	-16.9%
Total	\$5,085,396	\$4,046,632	\$5,553,242	\$5,015,835	\$5,305,677	(\$247,565)	-4.5%	\$289,842	5.8%

Expenses

- The FY 10 ARC expense budget is decreasing 4.5% from the adopted 2009 level. The decrease is a function of reduced general expense and contractual services spending.
- The salary line is increasing to accommodate the hiring of the two vacant positions, anticipated CSEA colas and steps. The Commission currently has a vacant full-time chairman position and one part-time vacant board member position.
- The 2009 salary projection has been reduced due to the savings accrued from the imposition of the pay lag and bonding to cover terminal leave charges.
- The contractual services funding will be used to cover the cost of systems and programming contracts in addition to the cost of trial appraisal services for commercial and specialty properties.
- The general expenses line is recording a 3.7% budget to budget decrease. Planned spending has been reduced for membership fees, copying and blueprint, and postage costs.

Revenue	Historical		2009		2010	Exec. vs. Adopted		Exec. vs. Projected	
	2007	2008	Adopted Budget	OLBR Projected	Executive Budget	Variance	Percent	Variance	Percent
Rents & Recoveries	\$194,511	\$269,067	\$0	\$0	\$0	\$0	*****	\$0	*****
Cap Backcharges	0	0	93,914	93,914	79,113	(14,801)	-15.8%	(14,801)	-15.8%
Total	\$194,511	\$269,067	\$93,914	\$93,914	\$79,113	(\$14,801)	-15.8%	(\$14,801)	-15.8%

Revenues

- Included in the FY 10 ARC budget are capital backcharge revenues. These revenues are decreasing 15.8% compared to the 2009 budget.
- The capital backcharges represent the salary and fringe costs associated with the ADAPT project. As the ADAPT project advances, fewer labor hours are being charged back.

Revenue	Historical		2009		2010	Exec. vs. Adopted		Exec. vs. Projected	
	2007	2008	Adopted Budget	OLBR Projected	Executive Budget	Variance	Percent	Variance	Percent
Int Penalty On Tax	\$21,864,742	\$26,422,660	\$22,500,000	\$29,247,963	\$27,500,000	\$5,000,000	22.2%	(\$1,747,963)	-6.0%
Fines & Forfeits	4,201	11,077	12,000	32,539	12,000	0	0.0%	(20,539)	-63.1%
Invest Income	25,017,270	13,345,941	16,000,000	3,412,634	8,000,000	(8,000,000)	-50.0%	4,587,366	134.4%
Rents & Recoveries	2,557,226	182,727	0	7,610	0	0	*****	(7,610)	-100.0%
Dept Revenues	878,751	739,353	700,000	710,187	750,000	50,000	7.1%	39,813	5.6%
Cap Backcharges	0	0	48,867	48,867	0	(48,867)	-100.0%	(48,867)	-100.0%
Interdept Revenues	0	0	0	0	14,662	14,662	*****	14,662	*****
Special Taxes	3,347,913	3,231,554	3,406,250	3,470,969	3,200,000	(206,250)	-6.1%	(270,969)	-7.8%
Total	\$53,670,103	\$43,933,312	\$42,667,117	\$36,930,769	\$39,476,662	(\$3,190,455)	-7.5%	\$2,545,893	6.9%

Revenues

- The FY 10 Proposed revenue budget is increasing by \$2.5 million or 6.9% in comparison to 2009 projections due primarily to investment income.
- Compared to the Adopted FY 09 budget there is a decrease of \$3.2 million or 7.5% because the FY 09 budget was overestimated for investment income.
- Interest penalty on taxes is expected increase budget to budget by \$5.0 million, or 22.2%, to \$27.5, million due to the depressed economy.
 - This revenue source includes interest on taxes, tax sale expense, penalty on delinquent taxes, differential lien interest, tax lien advertising fees and listing fees for tax delinquent properties.
- Special taxes is made up of revenues generated by the hotel motel tax, the entertainment tax, and the Belmont tax.

- Hotel motel tax is decreasing by \$206,250 from the 2009 budget. Refer to the Parks section for more information on the hotel motel tax.
- The entertainment tax, a surcharge for tickets sold at County venues with seating capacities over 2,500, is remaining unchanged at \$2.5 million.

Treasurer Consolidation
 The office will absorb approximately 25 employees and \$1.5 million in salaries from other agencies as a result of consolidation efforts to improve operational efficiencies. The targeted positions relate primarily to accounts payable and receivable functions. The Administration will propose technical adjustments for the following titles: Messenger \$35,000, Clerk Typist II \$110,000 and Accountant I \$1.3 million.

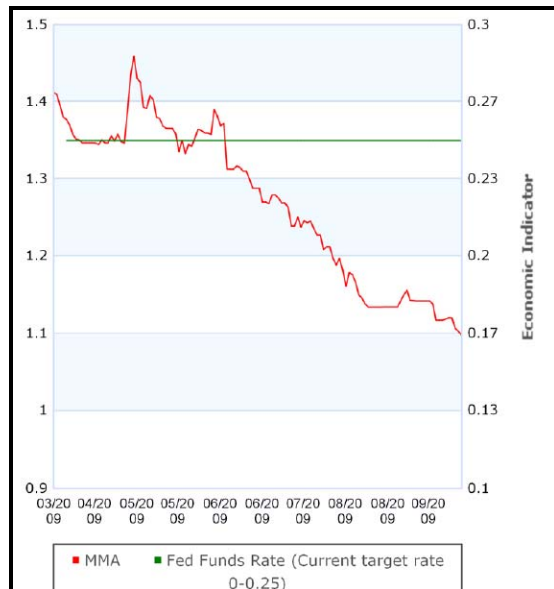
Revenues, Cont.

Investment Income
 Investment income is generated as the County invests excess cash in certificate of deposits, money markets and time deposits and repurchase agreements. The 2009 projection is \$3.4 million. The FY 10 Proposed Budget estimates collections of \$8.0 million in the coming year, this under an assumed blended interest rate of 1.6 %. OLBR puts \$4.6 million of this revenue at risk. The out-years rates are 3.9%, 5.1% and 6.4% in 2011, 2012 and 2013 respectively.

Departmental Revenues				
Revenue Source	FY 08 Actual	FY 09 Budget	FY 09 Projected	FY 10 Proposed
Miscellaneous receipts	(\$34,790)	\$0	\$102,500	\$19,566
Court and Trust Fees	141,618	167,000	110,000	167,000
Cash Bail	295,310	335,000	281,728	315,434
Fees	82,099	60,000	77,959	60,000
Cash Bail Abandoned	255,097	138,000	138,000	188,000
Total	\$739,333	\$700,000	\$710,187	\$750,000

- The FY 10 proposed budget for departmental revenues is increasing by \$39,813 or 5.6% from 2009 projections.
- Court and trust fees represent a two percent charge on money in trust for an unsettled estate or foreclosure surplus. This line has an expected rise of 51.8% or \$57,000 from the 2009 projections.
- Cash bail is a sum of money exchanged for the release of an arrested person as a guarantee of that person's appearance for trial. This item is budgeted at \$0.3 million in the FY 10 Proposed Budget, an increase of 12.3% or \$33,706 from the 2009 projections.

Money Market Account Interest Rate Trend



Source: Bankrate.com

Expense	Historical		2009		2010	Exec. vs. Adopted		Exec. vs. Projected	
	2007	2008	Adopted Budget	OLBR Projected	Executive Budget	Variance	Percent	Variance	Percent
Full-Time Headcount	41	42	42	40	41	(1)	-2.4%	1	2.5%
Part-Time and Seasonal	0	0	1	1	0	(1)	-100.0%	(1)	-100.0%
Salaries	\$2,542,858	\$2,436,310	\$2,742,953	\$2,471,347	\$2,700,971	(\$41,982)	-1.5%	229,624	9.3%
Equipment	7,049	5,888	19,350	19,350	9,650	(9,700)	-50.1%	(9,700)	-50.1%
General Expenses	331,443	376,399	180,050	240,050	250,000	69,950	38.9%	9,950	4.1%
Contractual Services	17,699	62,615	50,969	50,969	54,490	3,521	6.9%	3,521	6.9%
Other Expense	73,543,561	38,320,358	50,000,000	50,000,000	50,000,000	0	0.0%	0	0.0%
Total	\$76,442,611	\$41,201,571	\$52,993,322	\$52,781,716	\$53,015,111	\$21,789	0.0%	\$233,395	0.4%

Expenses

- Total FY 10 proposed expense budget is increasing by \$0.2 million from FY 09 projected costs.
- Salaries are decreasing by \$41,982 or 1.5% from the FY 09 Adopted Budget but \$0.2 million or 9.3% over 2009 OLBR projections.
 - FY 10 headcount is being increased by one full-time position to 41 when compared to the September 1, 2009 actual, but decreasing one full-time position (Clerk Typist II) from the FY 09 Adopted Budget.
 - The proposed budget removes the part-time assistant tax collection & claims position due to the completion of the ADAPT capital project.
- General expenses are increasing by \$69,950 over the FY 09 Adopted Budget due to a change in the method by which the County check stock is paid for. Formerly the bank would deduct this expense directly from accrued interest.

Tax Certiorari Payments
 The FY 10 Executive Budget has budgeted \$50 million for tax certs in 2010 and the out-years. Approximately \$27 million is still available from 2008 borrowings with an additional \$65 million in authorization still remaining. Payments have totaled \$87.1 million in 2007, \$98.8 million in 2008 and OLBR projects \$92.3 million for 2009. Please review the Assessment Review Commission write up for more information.