

April 24, 2020 - Webinar

# County Budgeting Through the Covid 19 Pandemic



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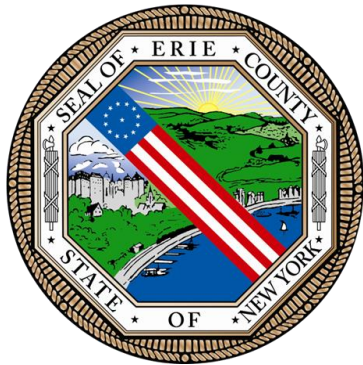
Stephen Acquario  
Executive Director



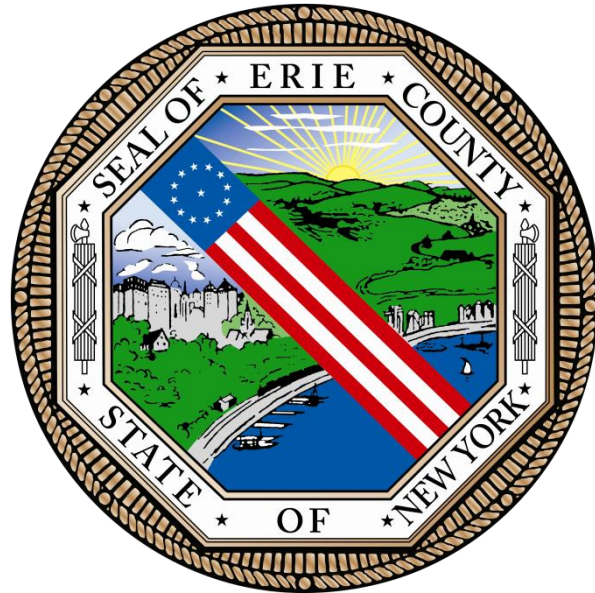
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Robert W. Keating  
Director of Budget &  
Managemnt, Erie County



# COVID-19 Disaster: Erie County Budget Management



Hon. Mark Poloncarz  
Erie County Executive

Robert Keating  
Director of Budget & Management

# Dedicated Disaster Fund

- ▶ Create Separate Special Revenue Fund to track disaster costs and reimbursements
- ▶ Cleaner process for possible FEMA Reimbursement
- ▶ Closely track emergency spending
- ▶ Separate unusual expenses
- ▶ Maintain detailed time logs, including sign-in sheets

# Short-Term Borrowing

- ▶ Imminent collapse of sales tax revenue triggered short-term borrowing need
- ▶ Received Legislative authorization for \$125,000,000 RAN
- ▶ Going to market soon
- ▶ Somewhat volatile market
- ▶ Direct negotiated sales a possibility

# Cost Control Measures

- ▶ Quickly initiated a non-essential employee hiring freeze
- ▶ Stopped non-essential spending
- ▶ Held or delaying certain third party payments
- ▶ Developed set of possible mid-year cuts
- ▶ Daily cash flow check-in with Comptroller's Office

# Revenue Loss Projections

2020 Expected Revenue Drop from 2019	Sales Tax	Bed Tax	State Aid	Clerk Fees	Other Receipts	Total
Jan-Mar Impact	N/A	1.1	3.0	N/A	N/A	4.1
Apr	21.5	1.1	2.7	0.5	1.5	27.3
May	29.4	1.1	3.0	0.4	1.5	35.4
June	21.6	1.3	2.9	0.4	1.7	27.9
July	20.0	1.0	2.7	0.5	2.0	26.2
Aug	22.9	1.0	2.9	0.5	2.0	29.3
Sept	15.2	0.9	2.5	0.5	1.6	20.7
Oct	13.5	0.8	2.6	0.5	1.5	18.9
Nov	15.1	0.7	2.6	0.4	1.5	20.3
Dec	10.5	0.5	3.8	0.4	1.5	16.7
2020 Expected Revenue Decline	169.7	9.5	28.7	4.1	14.8	226.8



# Future Measures

- ▶ Deficiency Note
  - ▶ Potential long-term borrowing to cover emergency revenue shortfalls
  - ▶ Legislation developed by Bond Counsel's across NYS
- ▶ Future Federal Aid
  - ▶ CARES Act modifications
  - ▶ CDBG Grants in C4



**ERIE COUNTY  
LEADS THE WAY**

Mary Gates  
Ontario County  
Director of Finance



# Estimating Lost Revenue from Sales Tax

Mary Gates, Director of Finance  
Ontario County

# Where to start...

- ▶ New York State Taxation & Finance

- ▶ Sales Tax Vendor Report - ST240
- ▶ Provides Jurisdiction Split by County
- ▶ Every Business and their sales tax payments for the past 3 years broken out quarterly
- ▶ SIC and NAICS Codes for each business which provides for type of business (agriculture, retail, manufacturing, utilities, etc.)

# Using NAICS Codes

- ▶ Allows for targeted analysis of various businesses to break sales tax receipts out by type of business
- ▶ Remove affected businesses from the equation
  - ▶ Car Dealers (not their service centers)
  - ▶ Clothing/merchandise/department stores (not Wal-Mart, Target, BJs, etc)
  - ▶ Personal Care (hairstylists, barbers, massage therapists, etc.)
  - ▶ Entertainment (movie theaters, bowling alleys, etc.)
  - ▶ Gyms

Calculate the loss per quarter for each of the three years.

Translate into a daily number & determine an average loss per day

What's left?	10,763,275.72	11,615,958.67	11,144,751.69	10,838,263.92
Total	19,062,178.00	20,662,243.77	19,767,186.90	19,093,364.35
Loss	8,298,902.28	9,046,285.10	8,622,435.21	8,255,100.43
	43.54%	43.78%	43.62%	43.24%
# Days	91	91	90	89
Loss per Day	91,196.73	99,409.73	95,804.84	92,753.94

<b>Avg. Loss/Day</b>	<b>93,743.89</b>	
		<b>Loss while closed</b>
<b>3/22/2020</b>		
<b>4/30/2020</b>	<b>39</b>	<b>3,656,011.71</b>
<b>5/31/2020</b>	<b>70</b>	<b>6,562,072.30</b>
<b>6/30/2020</b>	<b>100</b>	<b>9,374,389.00</b>



# Recovery

- ▶ Sales tax recovery won't be like turning on a light switch
  - ▶ Social Distancing
  - ▶ Layoffs
  - ▶ Discretionary Spending
  - ▶ The “New Normal”

# Estimating recovery

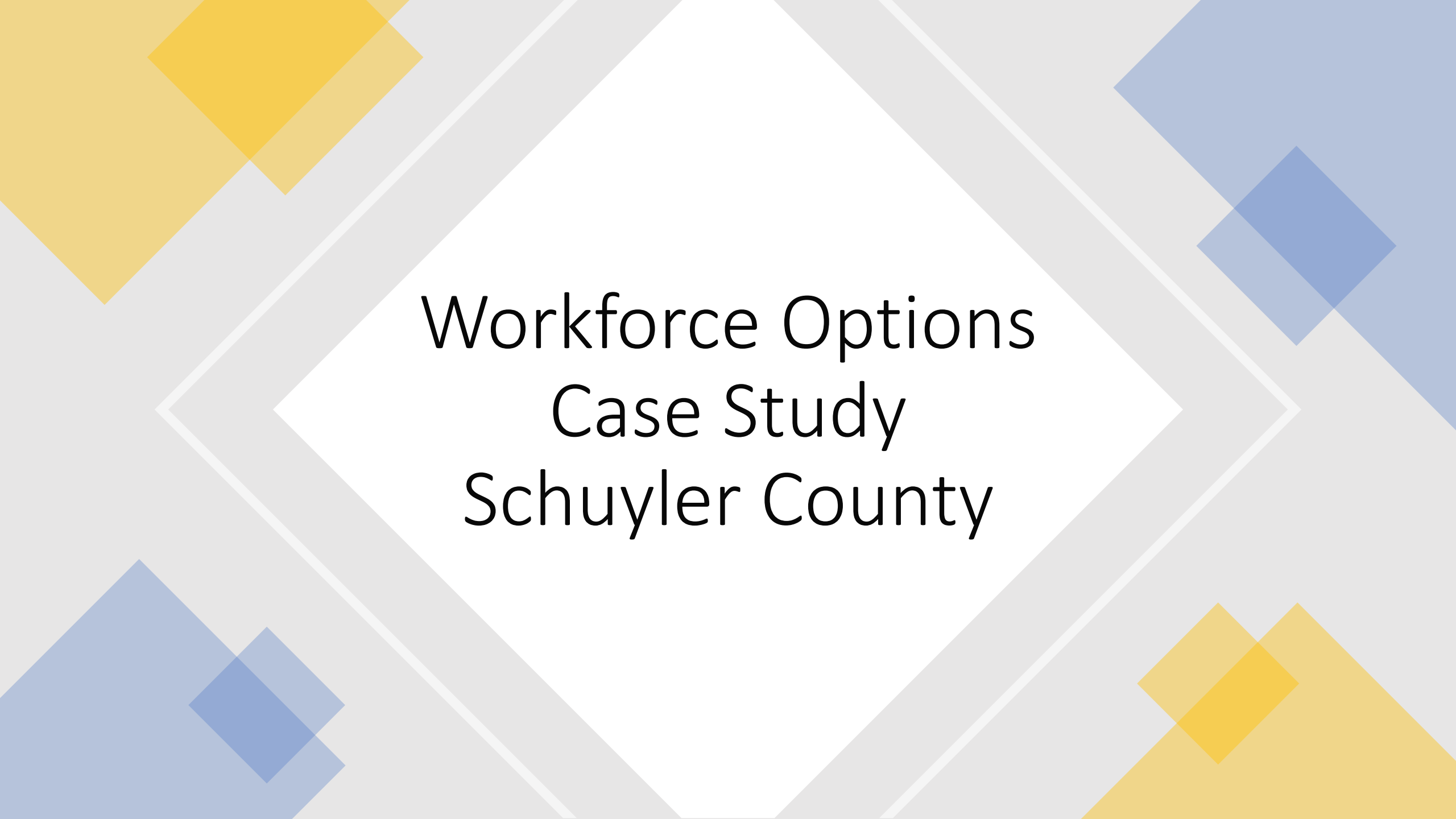
Month 1 back - 35%	Month 2 back - 45%	Month 3 back - 50%	Month 4 back - 65%	Month 5 & beyond - 80%
65% Loss	55% Loss	50% Loss	35% Loss	20% Loss
1,888,939.38	1,828,005.86	1,888,939.38	1,888,939.38	7,433,890.48
1,828,005.86	1,888,939.38	1,888,939.38	1,828,005.86	5,605,884.62
1,888,939.38	1,888,939.38	1,828,005.86	1,888,939.38	3,716,945.24

# Adding Parameters

- ▶ **Discount your loss based on:**
  - ▶ Will all businesses in your analysis close completely
  - ▶ What percentage do you expect to move to on-line sales
  - ▶ Timing was different on closing based on type of business
- ▶ **Adjust your recovery based on:**
  - ▶ Timing will be different for reopening based on type of business
  - ▶ How many of your businesses might not be able to reopen
  - ▶ What is the “meat and potatoes” of your sales tax

Tim O'Hearn  
Schuyler County  
Administrator





Workforce Options  
Case Study  
Schuyler County

# Background


- Small rural county – population 17,800
- Tourism and agriculture are economic drivers
  - 3 million visitors per year
  - Home of WGI, WG State Park, Seneca Lake, 50 wineries  
.....
  - Experiencing consistent growth year over year
  - Dairy comprises 80% of agricultural economy
- Reopening will be a challenge given these demographics
- Tax Levy = \$11.2 million
- COVID -19 stats as of 4/23: 9 cases, 9 recoveries, 0 hospitalizations, 0 Deaths

# Economic Factors Influencing Decisions

## **Pre COVID-19**

- 2020/21 NYS Budget confers unilateral authority to Governor to balance budget (4/28, 6/30, 12/31)

## **Post COVID-19**

- Executive Order 202.12-NYS Income Tax filing date extended to 7/15- Guaranteed revenue shortfalls
  - Executive Orders 202.4, 202.6, 202.18 – Workforce reductions/social distancing through 5/15
  - Federal Stimulus increasing eligibility for unemployment payment while increasing payments by \$600 per recipient
  - Federal Stimulus also reduces employer share of unemployment premium by 50%
- 

## Economic Factors (cont.)

- Using guidance from NYSAC and historical trend analysis Schuyler projects 2020 deficit as follows:
  - Potential loss of state reimbursement:  
\$1 – \$1.5 million
  - Sales tax deficit:  
\$2 - \$3 million
  - Room tax deficit (50%):  
\$400,000
- *Result: Contemplation of temporary workforce reduction*
  - *Furlough vs. Layoff*



# Furlough Continuum

- Initial consideration 4/6
  - Financial impact calculations – Employer & Employee
- Legal (in house and outside counsel)
- Human Resources – Civil Service Law
- Administrative Team Discussion 4/7
  - Criteria for selection for furlough
- Union Leadership Mtg 4/13
- Legislative Action 4/13
  
- 4/17 – 32 staff furloughed (12.8% of workforce)
- \$88,541/month net savings
- 30 day increments



# Parameters

- Do no harm
- Pro active- Temporary reductions now to avert permanent cuts later
- All furloughed staff will be reinstated
- No staff members weekly pay is reduced due to enhanced UI
- County maintains health insurance (employee contributions remain in effect)
- Staff continue to accrue vacation and sick time

# Financial Impact Calculation

Dept	Annual	Wkly	UI	UI w/Stimulus	% Increase/(De crease)
DSS	\$ 42,365	\$ 815	\$ 407	\$ 1,007	124%
	\$ 43,136	\$ 830	\$ 415	\$ 1,015	122%
	\$ 46,217	\$ 889	\$ 444	\$ 1,044	118%
	\$ 27,638	\$ 532	\$ 266	\$ 866	163%
	\$ 33,195	\$ 638	\$ 319	\$ 919	144%
	\$ 38,166	\$ 734	\$ 367	\$ 967	132%
	\$ 37,652	\$ 724	\$ 362	\$ 962	133%
	\$ 38,679	\$ 744	\$ 372	\$ 972	131%
	\$ 32,609	\$ 627	\$ 314	\$ 914	146%
	\$ 46,340	\$ 891	\$ 446	\$ 1,046	117%
	\$ 48,747	\$ 937	\$ 469	\$ 1,069	114%



Garrett MacDonald  
Vice President



Joseph Rulison  
CEO, Co-Founder



Week Ending...	Forecast	Low	Prior Actual
3/13/20	16,900,000	8,400,000	17,100,000
3/20/20	16,400,000	7,800,000	17,000,000
3/27/20	20,200,000	11,700,000	17,600,000
4/3/20	19,500,000	11,000,000	19,700,000
4/10/20	18,800,000	10,300,000	19,800,000
4/17/20	17,900,000	9,500,000	18,100,000
4/24/20	17,900,000	9,500,000	18,100,000
5/1/20	14,900,000	6,500,000	15,500,000
5/8/20	14,300,000	5,900,000	13,600,000
5/15/20	13,100,000	4,800,000	13,200,000
5/22/20	12,800,000	4,500,000	11,900,000
5/29/20	14,100,000	5,800,000	12,300,000
6/5/20	12,000,000	3,900,000	9,200,000
6/12/20	9,400,000	1,300,000	8,100,000
6/19/20	9,100,000	900,000	5,900,000
6/26/20	7,500,000	-	5,800,000
7/3/20	6,700,000	-	5,700,000
7/10/20	6,100,000	-	5,800,000

## Six Liquidity Considerations

(1) Don't rush to judgement on what the perceived implications of COVID-19 are. Short-term liquidity forecasting – separate from long-term budgeting. Data, data, data.

(2) What compensating balance do you have with your bank(s)? What is a reasonable rate? If there is none, then what interest are you earning on all dollars? It is a myth that you can't earn interest right now.

(3) How can we use all liquidity during this time of uncertainty?

# Six Liquidity Considerations

(4)What is your full toolbox?

(5)Know the difference between the general ledger perspective and the liquidity perspective.

(6)Are you confident you can operate a decentralized finance office?

- Are you relying on check printing?
- Are you relying on cash/check deposits?
- Are you relying on one option for taxpayers to pay taxes?
- Are you relying on getting mailed paper statements? Where are they being mailed?
- Urging direct deposit.



# Q & A



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