

**Citizens Budget Advisory Committee
Westchester County Board of Legislators
800 Michaelian Office Building
148 Martine Avenue
White Plains NY 10601**

The Honorable Catherine Borgia
Chair, Budget and Appropriations Committee
Westchester County Board of Legislators
148 Martine Avenue
White Plains, NY 10601

November 26, 2019

Subject: CBAC Report on the Westchester County 2020 Operating, Capital and Special Districts Budgets

Dear Chairwoman Borgia,

Thank you for the opportunity to present our observations and concerns on the 2020 Operating Budget, Capital Budget and Special District Budget.

The following report summarizes the Key Principles of the CBAC and the Committee's analysis of the proposed 2020 Budget.

In addition to reviewing the annual budget, every year the Committee undertakes a special study of one or two topics currently impacting the County's financial health. We look forward to suggestions for areas to research in the coming year.

The CBAC currently has the following study groups:

- Special Districts Task Force Group
- Fund Balance Policy Group
- Airport Reserve Study

The CBAC is at the disposal of the Budget and Appropriations Committee as well as the Board of Legislators to provide support for our recommendations and answer any questions we can.

Sincerely,

John McGarr – Co-Chair
Lawrence Fasnacht
L. William Kay III (Bill)
Rodman K. Reef
Beth Smayda
Edward D. Van Dolsen

Julie Stern – Co-Chair
Alfred A. Gatta
Mark Lewis
Judith Stern Rosen
Carolyn B. Stevens

Annual Review of Key Principles

In previous years the CBAC has explicitly stated our Key Principles and these provide a framework for many of our comments and critiques of the proposed budget. The following reiterates our Key Principles and shows how the proposed 2020 budget has addressed these issues:

- 1. Adopt a sustainable budget, with revenues based on reasonable assumptions:**
Generally, the 2020 Budget is based on reasonable assumptions.
- 2. Pay current operating expenses from current revenues:**
The 2020 Budget does not rely on capitalizing operating expenses.
- 3. Limit borrowing to capital needs for long term assets:**
The 2020 Budget has numerous capital items addressing deferred projects. We do have further comments on the Capital Plan.
- 4. Preserve and enhance reserves:** The 2020 budget will replenish reserves although the sustainability of adding to reserves in future years is a concern.
- 5. Maintain low debt ratio:** The projected Debt Ratio remains manageable.
- 6. No borrowing or one-shot revenues to pay current operating expenses:** The 2020 Budget does not rely upon one-shot revenues or borrowing, but challenges remain.
- 7. Maintain access to capital markets at lowest interest rates:** The actions taken to stabilize the County's financial position will continue to allow the County to access the capital markets at low rates.
- 8. Address the need for continued focus on Government Efficiency Initiatives:** We are pleased to see some steps in this direction and encourage further study of additional steps to increase efficiencies.

Summary of CBAC's Key Findings on the 2020 Operating Budget

The CBAC shares many of the same priorities as expressed by the County Executive in the presentation of the 2020 Operating Budget; however, the CBAC has several concerns with the Budget as proposed.

The CBAC recognizes that the 2020 County Operating Budget needs to strike a balance between improving the County's financial stability and "catching up" on many postponed projects. The County's fund balance has been seriously depleted, but actions taken this year (2019), and that continue in the 2020 Operations Budget, have begun the rebuilding the fund balance.

All County employees are now contributing towards the cost of their healthcare. The County also expenses new vehicles with a service life of three years or less as well as new equipment costing less than \$30,000, rather than borrowing for such items. CBAC supports these approaches toward government finances.

CBAC's major observations and concerns, on the 2020 budgets, are discussed below:

- **Expenditures**

The 2020 Operating Budget has expenditures of \$2.1 billion, a 6.1% increase over the 2019 Expenditures projection. New spending in 2020 include mandated Justice Reform Costs, cash to capital, increases in employee costs due to headcount increases, additional expenditures for IT, health costs and updated competitive compensation plans. In addition, grants to non-profits increased 3%.

There are savings included, as well due to the renegotiation of Bee Line Bus contract and garbage-to-energy contract.

The proposed expenditures (less the \$174.3 million for Municipal Sales Tax Distribution – See Miscellaneous Budget, line 2102) will require careful analysis in 2020. Without expenditure reductions in future Operating Budgets the CBAC believes that the County may have to increase in the tax levy as early as 2021. This will be discussed after the comments on Sales Tax.

- **Sales Tax**

The proposed 2020 Sales Tax revenue of \$740.4 Million is a 16.3% increase (\$161.7 Million) over the 2019 projected Sales Tax amount. The increase is driven by the added revenue afforded by the Westchester County Property Taxpayer Protection Act and the collection of sales taxes at a higher rate on taxable Internet transactions.

The increased Sales Tax revenue in 2020, over 2019, supports increased expenditures in the 2020 Operating Budget (discussed below). The concern is that the Sales Tax revenue is now 35% of the total revenue base of the proposed 2020 County Operating Budget. This increases the dependence of the Budget on economic changes and the price of petroleum products (products on which Sales Tax is levied). Sales Tax is now the largest single source of revenue in the County Operating Budget.

- **Potential Future Budget Imbalance Using Growth in Sales Tax Revenue Only**

CBAC recognizes the positive impact that the additional revenue from the increase in the Sales Tax rate will have on County finances going forward. However, the CBAC believes that reliance on growth in Sales Tax revenue alone may lead to shortfalls in the Operating Budget after 2020.

The spreadsheet on page 4 shows that, as soon as 2021, a shortfall in the County budget could develop if reliance is placed solely on additional Sales Tax revenue. Increases in Sales Tax revenue in upcoming budget years are based on optimistic growth assumptions.

The general rate of inflation embedded in the US economy is recently shown as about 1.70% (Bureau of Labor Statistics website); the analysis limits growth in non-Sales Tax expenditures to 2.0%, as per the “2% tax cap”.

CBAC’s analysis shows that expenditures will likely continue to increase faster than the additional Sales Tax revenue.

Date: Tuesday November 26, 2019

Potential Imbalance in County Operating Budget Using Growth in Sales Tax Revenue Only
No Other Revenue Changes

I T M #	Budget Item - Changes From Year to Year	< = = Budget Year = = >		
		Proposed Budget	Projected After Growth	Projected After Growth
		2020	2021	2022
1	Sales Tax Revenue			
2	Gross Budgeted/Projected Sales Tax Revenue	\$740,401,582	\$762,613,629	\$785,492,038
3	Annualized % Sales Tax Revenue Growth	= = = >	3.0000%	3.0000%
4	Sales Tax Pass-Through (Misc. Budget line 2102)	\$174,303,000	\$179,532,090	\$184,918,053
5	Net Sales Tax Revenue to County	\$566,098,582	\$583,081,539	\$600,573,986
6	Change/Increase in Net Sales Tax Revenue	\$ 0.00	\$16,982,957	\$17,492,446
7	Expenditures			
8	Total Budgeted/Projected Tax County Expenditures	\$2,104,685,252	\$2,146,778,957	\$2,189,714,536
9	% Annualized Non Sales Tax Expenditure Growth	= = = >	2.0000%	2.0000%
10	Total County Expenditures Net of Sales Tax Pass-Through	\$1,930,382,252	\$1,967,246,867	\$2,004,796,483
11	\$ Change in Expenditures Net of Sales Tax Pass-Through	= = = >	\$36,864,615	\$37,549,616
12	Operating Budget Imbalance (Net Sales Tax Revs - Net Exp)	\$ 0.00	(\$19,881,658)	(\$20,057,170)

- **Multi Year Planning**

CBAC has always recommended a multiple-year planning process (not budgeting) to provide an analysis of the effects of current operations over time.

The use of multi-year planning would give the Board of Legislators the ability to better understand the impact of changes in policies and practices on government services. We believe that such work is especially important in this period of transition to achieve a structurally balanced financial model for the County and will improve the County's ability to adapt to changing economic conditions.

- **Special Districts**

Fund Balances: The Special Districts' fund balances are being used heavily for operating expenses and, if nothing changes, will require a significant increase in the Special Districts' property tax levy for 2021 and a major increase in 2022.

Throughout the Special District discussion, we will refer to the Fund Balance Comparison chart and the 2020 Expense Comparison Chart in Appendix 3 at the end of this letter.

Fund Balances were used for operating expenses during the past three years: 20.2% in 2018, 30.4% projected for 2019 and 54.3% proposed for 2020.

Assuming nothing changes, the fund balances for all but two of the districts could be depleted between late 2021 and early 2022. This would create a need for tax levy increases from 6% to 46% in 2022, depending upon the district. Most of the increases would be in the 10, 20 and 30 percent range. Only two districts, New Rochelle sewer at 2.2% and Peekskill sewer at 0.2%, would avoid a sizable increase in 2022. [See the Fund Balance Comparison chart column V.] by the end of 2020, there will not be

enough funds to cover the full year 2021 in some districts including the Refuse district, at this rate of depletion of the fund balances. [See column T.] Therefore, there is likely to be a significant increase, e.g., 15%, in these districts in 2021.

This analysis assumes that fund balances are drawn down to zero. If the County wants to keep the recommended 10% to 15% of operating expense in these funds, tax increases will likely occur much earlier.

One of CBAC's Key Principles is that Fund Balances should be preserved at a reasonable level. The County needs to develop target amounts for Fund Balances and strive to preserve adequate Fund Balances for the Special Districts.

As noted below, to help address this situation, we recommend limiting the growth in proposed operating expenses to about the rate of inflation (1.7%), increasing the fees charged by DEF for certain services and focusing on productivity improvements. It is worth noting the staffing levels have not materially changed in many years even though millions of dollars have been invested in capital improvements.

This issue needs to be addressed as soon as possible to avoid significant tax increases in 2021 and in 2022. We suggest starting to address the issue immediately. The longer the issue remains unaddressed, the more difficult, and expensive, it will be to bring it under control.

Operating Expenses & Revenues: Overall, the proposed 2020 expenses are increasing faster than the rate of inflation (approximately 1.7%). The expense growth should be reduced. The proposed budget includes a 2.49% increase for all the districts including capital and certiorari expenses vs. the 2019 projected amount [see the bottom line of column 11 of the Expense Comparison chart] and a 4.9% increase in operating expenses [see the Environmental Facilities line in column 11].

It is worth noting that 2019 showed a decrease in this line of \$291,366 or almost 0.4%, versus the amount spent in 2018. Also, the amount projected to be spent in 2019 is \$4,449,543 less than the amount appropriated, and included in the 2019 tax levy. Given this history, it seems reasonable to ask DEF to limit the 2020 operating budget to the 2019 amount, or, worst case, to an increase of about the rate of inflation or less.

The difference can be used to reduce the use of fund balance in 2020 and potentially delay the significant tax increases mentioned above. It could also be used to reduce the tax levy for the districts.

Even though the budget shows significant spending increases, there is no discussion of the rationale for the increases in the budget book. We believe that the Budget and Appropriations Committee and the Board of Legislators should ask the DEF for the reasoning behind the increases before approving either a reduced amount or the entire amount of the increases.

Two fees are mentioned on page C-16 of the Special District budget, Pre-Treatment Sampling and Waste Discharge Permits. There may be other sources of income that roll into the Environmental Facilities' Departmental Income line and its Miscellaneous Revenue line. We suggest all fees and income be reviewed to determine the last time they were adjusted. If these fees were not changed in the last year or two, we believe that they should be adjusted by at least the rate of inflation. The increased income can be used to reduce the use of fund balance in 2020 and mitigate the expected increases in the tax levy. It could also potentially delay the significant tax increases mentioned earlier, or the additional income could be used to reduce the tax levy for the districts.

- **Head Count Planning and Workflow Optimization**

We commend the administration for introducing initiatives to realign certain functions to increase efficiency while improving service delivery. Examples of this include combining Department of Public Works' capital project planning with that of the Department of Parks, Recreation and Conservation; moving transportation planners to the Department of Planning to cover a wider range of projects; and cross training and cross utilization of employees to fill vacancies rather than increasing headcount.

We recommend that the County to continue to explore opportunities to reconfigure departmental organizations, consolidate functions and introduce technology while continuing to provide quality service delivery. This would further the County's efforts to right-size headcount and differentiate between vacancies critical to service delivery and vacancies that may be left unfilled.

An internal approach could involve the Budget Director, Chief Operating Officer and others, together with County commissioners and department heads to evaluate specific departments; see Appendix 2 of this report for more detail on this approach.

An external approach would involve allocating funding for management audits of County departments by an outside consulting firm with expertise in this area. This project would involve extensive interviews of employees and stake holders by department as well as benchmarking performance, identifying best practices and developing a plan to make Westchester County processes more efficient. Headcount reduction or combining department functions may be some results of either process.

- **The Airport Special Reserve Fund**

The Airport department revenues have been in a decline over 2018 and 2019 and continues into 2020 budget - \$55.2M to \$51.9M. This is a 6% decrease over the 3-year period. Currently, projections for 2019 show a negative annual balance for the Airport Special Revenue Fund.

The Airport appears to have moved \$3.6M to the General Fund via an Interfund Revenue transfer. The excess funds came from the closeout of completed Airport projects.

CBAC recommends that the County adjust Airport fees to ensure that revenues both cover operating expenses as well as maintain appropriate reserves.

- **The Proposed Capital Budget**

Compared to prior Capital Budgets the 2020 document is modest and focused on current needs of the County. Expenditures are distributed as follows:

2020 Capital Budget		
Area	Estimated Cost (\$M)	Anticipated Bonding (\$M)
Buildings, Land & Miscellaneous	\$ 702.3	\$231.2
Parkways	\$ 84.5	\$ 56.2
Roads and Bridges	\$ 343.7	\$ 90.7
Recreation Facilities	\$ 709.1	\$355.3
Transportation	\$ 348.7	\$ 42.0
Total County	\$2,188.3	\$775.3
Airport	\$ 194.3	\$ 51.4
Refuse Disposal District No 1	\$ 75.3	\$ 25.1
Sewer & Water Districts	\$1,851.5	\$199.7
Total Airport, Refuse, Sewer & Water	\$2,121.1	\$276.2
Grand Total	\$4,309.4	\$1,051.6

This Capital Budget will provide the County with a manageable plan to start projects that are overdue and complete projects that have been lagging. The CBAC sees positives in the proposals to add headcount where needed to execute the Capital Plan and to overhaul the Capital Budgeting process. The Capital Plan has always had a 5-year horizon, another positive.

The CBAC has recommended changes to the Capital Plan for several years, beginning with our special report in 2014. The Capital Plan needs to be updated to provide better information to the BOL. Targets for performance and plan-to-actual metrics should be provided to the BOL to identify both positives and problems. Also, realistically the Capital Plan should have a tighter focus on a manageable project load, currently over 150 projects are listed. **Other recommendations are:**

- **Old projects with low priorities should be purged from the list.**
- **Projects carried over from prior year budgets need budget updates of projected costs.**
- **The CBAC report from 2014 also recommended the development of a database which can easily be updated and provides real-time information for all applicable County government departments, including (and especially) the Board of Legislators.**

Additional Comments

- **Borrowing to Fund Retirement Contributions**

The CBAC has discussed this topic in the past. Paying current expenses, including current NYS Retirement Plan(s) contributions, with debt is not an acceptable long-term solution for the County to fund its required employee pension contributions. There is no borrowing for this purpose in the proposed 2020 Operating Budget; the CBAC supports this approach.

- **Fund Balance Stabilization**

In 2019, and before, the CBAC voiced concerns about over-reliance on the General Fund's unrestricted Fund Balance to balance County Operating Budgets. In 2019 we recommended that the County initiate a General Fund Stabilization Plan to rebuild the Fund Balance to an adequate level. The CBAC is pleased to note the 2020 proposed budget includes \$10 million for this purpose. The CBAC also commends the County for the addition of \$9.5 million to the unrestricted Fund Balance during 2019.

We recommend that regular additions, such as the ones done in 2019 and proposed for 2020, continue in future years until the level of the County's unrestricted Fund Balance stabilizes at an acceptable level, estimated to be 8 to 10 percent of annual General Fund expenditures.

The establishment of these actions sends a message to taxpayers and the financial community that Westchester Government has a process to address the recent depletion in General Fund Balance.

- **Bonding for Commercial Certiorari Proceedings**

The Proposed 2020 Operating Budget does not include bonding of commercial certiorari proceedings as in past years. The CBAC supports this.

- **Special Districts - Additional Detail**

We have additional concerns about several other items in the Special District budget.

There is no discussion in the budget of efforts to improve productivity or efficiency. Staffing levels have not changed much since at least 2013. In fact, headcount has increased by 2 or 0.6%. This has occurred even though millions of dollars have been spent on capital improvements. The Budget and Appropriations Committee and Board of Legislators might want to ask the DEF to focus some of their on-going plans and capital improvements on efforts to improve productivity and efficiency. **The goal should be to reduce the amount of labor expenses in the budget from about 48% to a lower number and therefore, reduce the sensitivity of the budget to increases in salary and benefit expenses.**

The Special Districts are capital intensive operations. Their projects are typically executed over a multi-year period. It is therefore important, when making decisions about both operating and capital expenses, to understand the impact over a multi-year period. This is another example of how the County could benefit from a multi-year planning process.

There are no goals or objectives mentioned in the budget other than some volume numbers. The volume numbers appear without any description of why they vary year over year or what the DEF is doing to improve the numbers. The Budget and Appropriations Committee and Board of Legislators should consider asking the DEF to include some goals in the budget and ask them to report quarterly,

semi-annually or annually on their progress in achieving the goals. At a minimum, the DEF should include their progress in meeting the goals in the budget request for the Special Districts.

We understand the column in the budget book titled "Projected" is part of the County's regular financial projection process typically executed each quarter. It shows, or should show, the DEF's best estimate of the year-end numbers for each of the Special Districts. It should reflect the changes that occurred in the approximately year since the budget was submitted and approved. Only five of the eighteen reporting districts show any difference between the appropriated budget and the amount projected for year-end 2019. [See Column 8 of the Expense Comparison]. Thirteen, or more than two thirds, of the districts show no difference.

History suggests there will be differences, and some will be significant, between the appropriated budget and the year-end actuals in most, if not all of the districts. Most, if not all, of the differences will be savings that will flow to the fund balance. Not knowing the potential surplus or deficit in each of the districts at the time the budget is submitted for approval negatively impacts the B&A Committee's and the ability of the Board of Legislators to make informed decisions about the budget and the use of the fund balances.

The B&A Committee and the Board of Legislators may want to ask the Administration to tighten the projection process and provide data that more accurately reflects the possible year-end results.

Water District #4 has a fund balance of \$324,106. However, Water District #4 has no operations and no expenses. Water in the district is supplied by United Water of Westchester. The B&A Committee and the Board of Legislators may want to ask if this fund balance can be used by the County for other purposes benefitting the residents of the district or if it should be returned to the tax payers in the district directly or through United Water.

It may be worthwhile to review the PILOT income to insure the County continues to collect money from all the users of the sewer, water and refuse facilities. We noticed, in at least one case, there was PILOT income in 2019, and prior years, that was not included in the 2020 budget.

Each of the operating districts with a fund balance and a budget request has a line on the fund balance page titled "Projected Savings from Operations". For example, see page C-17. This number increases the total available fund balance. However, there is no corresponding number in the 2019 Projection column or the Allowed (budget) column. The B&A Committee and the Board of Legislators might want to ask how the number was derived. It is important. If the number is not real, there will be less available fund balance and the tax increases described above will be needed sooner. Obviously, if the number is understated, the tax increases can be later.

The Refuse District's service indicator numbers on page C-79 of the 2020 budget are the same as in the 2019 budget except the years at the top of the chart have changed. They are also similar to the service indicator numbers in the 2018 budget. The B&A Committee might want to ask the DEF to review and update the table to reflect the accurate volume for 2018, the accurate projected volume for 2019 and the best estimate of 2020 volume. This can help the B&A Committee's and the Board of Legislators' decision processes.

These inconsistencies color the data in the proposed budget and limit the decisions available to the B&A Committee and the Board of Legislators. This is especially important given the limited time available to the B&A Committee and the Board of Legislators to review and approve the budget.

We understand the County Executive is interested in continuing the consolidation of the Special Districts begun in 2007 with the consolidation of the operations and maintenance expenses. We support this effort, especially for the sewer districts. At a minimum, there will likely be administrative cost savings.

Most importantly, it will minimize the opportunities for “siloe” thinking among the districts and their water treatment plant staffs. It will allow the staff to consider the seven treatment plants, their pumping stations and their trunk lines as one system and look for efficiencies across the system instead of within individual districts

APPENDIX 1

Potential Future Budget Imbalances Using Growth in Sales Tax Revenue Only

This additional spreadsheet in the supporting documentation (below) shows four additional examples of growth in Sales Tax revenue of between 2.5% to 4%. The last example in the spreadsheet (bottom right quadrant) shows that growth in expenditures would have to be limited to only about 1% to be covered by 3% growth in Sales Tax revenue. With the general level of inflation around 1.7% (BLS website during 2019), holding growth of expenditures overall to around 1% may not be straightforward.

		Date: Tuesday November 26, 2019			# Items: 24		
Potential Imbalance in County Operating Budget Using Growth in Sales Tax Revenue Only							
No Other Revenue Changes							
I T M #	Budget Item	< = = Budget Year = = >			< = = Budget Year = = >		
		Proposed Budget 2020	Projected After Growth 2021	Projected After Growth 2022	Proposed Budget 2020	Projected After Growth 2021	Projected After Growth 2022
1	<u>Sales Tax Revenue - Change From Prior Year</u>						
2	Gross Budgeted Sales Tax Revenue	\$740,401,582	\$758,911,622	\$777,884,412	\$740,401,582	\$766,315,637	\$793,136,685
3	% Annualized Sales Tax Revenue Growth	= = = >	2.5000%	2.5000%	= = = >	3.5000%	3.5000%
4	Sales Tax Pass-Through (Misc. Budget line 2102 - Net of Cities)	\$174,303,000	\$178,660,575	\$183,127,089	\$174,303,000	\$180,403,605	\$186,717,731
5	Net Sales Tax Revenue to County	\$566,098,582	\$580,251,047	\$594,757,323	\$566,098,582	\$585,912,032	\$606,418,954
6	Change/Increase in Net Sales Tax Revenue	= = = >	\$14,152,465	\$14,506,276	= = = >	\$19,813,450	\$20,506,921
7	<u>Expenditures - Change From Prior Year</u>						
8	Total Budgeted/Projected Tax County Expenditures	\$2,104,685,252	\$2,146,778,957	\$2,189,714,536	\$2,104,685,252	\$2,146,778,957	\$2,189,714,536
9	% Annualized Non-Sales Tax Expenditure Growth	= = = >	2.0000%	2.0000%	= = = >	2.0000%	2.0000%
10	Total County Expenditures Net of Sales Tax Pass-Through	\$1,930,382,252	\$1,968,118,382	\$2,006,587,447	\$1,930,382,252	\$1,966,375,352	\$2,002,996,805
11	Change in Expenditures Net of Sales Tax Pass-Through	= = = >	\$37,736,130	\$38,469,065	= = = >	\$35,993,100	\$36,621,453
12	Net Operating Budget Imbalance (Net Sales Tax Revs - Net Exp)	\$ 0.00	(\$23,583,665)	(\$23,962,789)	\$ 0.00	(\$16,179,650)	(\$16,114,532)
13	<u>Sales Tax Revenue - Change From Prior Year</u>						
14	Gross Budgeted Sales Tax Revenue	\$740,401,582	\$770,017,645	\$800,818,351	\$740,401,582	\$762,613,629	\$785,492,038
15	% Annualized Sales Tax Revenue Growth	= = = >	4.0000%	4.0000%	= = = >	3.0000%	3.0000%
16	Sales Tax Pass-Through (Misc. Budget line 2102 - Net of Cities)	\$174,303,000	\$181,275,120	\$188,526,125	\$174,303,000	\$179,532,090	\$184,918,053
17	Net Sales Tax Revenue to County	\$566,098,582	\$588,742,525	\$612,292,226	\$566,098,582	\$583,081,539	\$600,573,986
18	Change/Increase in Net Sales Tax Revenue	= = = >	\$22,643,943	\$23,549,701	= = = >	\$16,982,957	\$17,492,446
19	<u>Expenditures - Change From Prior Year</u>						
20	Total Budgeted/Projected Tax County Expenditures	\$2,104,685,252	\$2,146,778,957	\$2,189,714,536	\$2,104,685,252	\$2,126,897,300	\$2,149,775,697
21	% Annualized Non-Sales Tax Expenditure Growth	= = = >	2.0000%	2.0000%	= = = >	1.0554%	1.0757%
22	Total County Expenditures Net of Sales Tax Pass-Through	\$1,930,382,252	\$1,965,503,837	\$2,001,188,411	\$1,930,382,252	\$1,947,365,210	\$1,964,857,644
23	Change in Expenditures Net of Sales Tax Pass-Through	= = = >	\$35,121,585	\$35,684,574	= = = >	\$16,982,958	\$17,492,433
24	Net Operating Budget Imbalance (Net Sales Tax Revs - Net Exp)	\$ 0.00	(\$12,477,642)	(\$12,134,873)	\$ 0.00	(\$1)	\$13

APPENDIX 2

Workflow Optimization: An Internal Approach

Below is a process the County could utilize to determine expense savings. Please note that this is based upon the framework CBAC has presented in prior years regarding increasing efficiency and reducing expenses.

- **Categorize Activities Related to the Mission of Individual Departments**

Activities could be prioritized by the following criteria:

1. Federally mandated services - what is mandated? Where & how, including method of delivery.
2. State mandated services - what is mandated? Where & how are these services to be delivered?
3. Westchester County mandated services: What is mandated and what is method of delivery?
4. Non-mandated services driven by Westchester County's citizens need and desires.
These activities can be categorized as "nice to do". What are they? What is method of delivery?
5. All other services: what are they and how are they delivered?

- **Establish a priority listing of the activities from # 1**

- A – Top priority
- B – High priority
- C – Low priority
- D – Discretionary

- Determine the Headcount, Expenses & Capital versus Revenues for all activities, prioritizing A to D;
- Identify all activities which are duplicative throughout the departments, reviewed for example administrative activities
- Develop workflow chart for selected activities from #1; including potential use of technology, new practices or processes for these items.
- Evaluate the impact of new technology, new processes or outsourcing of work on each activity.

For example:

Decrease in expense - impact either positive or negative on service levels and quality.

Impediments to implementation – labor issues, potential lost revenue, potential funding loss from grants.

Space and Support Requirements before and after consolidation. How will the space and support required before consolidation be utilized after consolidation? Include space, support, equipment etc. that may not be needed after consolidation.

Develop new estimate of headcount, two year operating expenses and capital for each activity assuming the optimum application of technology from #VI.

Aggregate headcount, two-year operating expense and capital from #VII to create two-year pro forma Operating Budgets for Departments in the scope of the review.

Management System

- Identify the new mission statement based on consolidation.
- Define the management system to provide adequate County oversight for tasks or activities to be outsourced.
- Map the skills required in the new organization to current skills in place.
- Develop the key management objectives and metrics in the new organization.
- Capital Projects - Evaluate, analyze and assess the impact of consolidation of capital projects on the planning phases, engineering phases and construction phases.
- Consider completed projects, the outstanding debt on them and how will the projects they funded be utilized in consolidation.

APPENDIX 3

Special Districts: Supporting Information and Spreadsheets

Spreadsheets appear on the pages that follow.

Special District 2020 Fund Balance Comparison

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
District	BoY 2018 Budget Fund Balance	2018 Budget Fund Balance used	2018 Fund Balance Actual Used	2018 Budget Fund Balance Used	2018 Actual Fund Balance Used	2018 Actual Percent Used L/(M)	2018 Fund Balance Available Years	2018 Actual Fund Balance Available Years	2019 Budget Fund Balance used	2019 Fund Balance Projected Used	2019 Fund Balance Projection Percent Used	2019 Fund Balance Projection L/(M) Budget	2019 Fund Balance Available Years	2019 Projected Fund Balance Available Years	BoY 2020 Budget Fund Balance	2020 Budget Fund Balance used	Percent of Fund Balance Used	Budget Available Years at Year-End 2020	2020 Budget Property Tax	Approximate Percent Increase in 2022 Property Tax if No Fund Balance	
DEF Level																					
Environmental Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewer Districts																					
Blind Brook	4,360,606	633,424	564,834	14.5%	13.0%	1.6	6.9	7.7	3,795,772	906,979	906,979	23.9%	0	3.2	3.2	2,720,674	1,407,593	51.7%	0.9	7,980,448	17.6%
Bronx Valley	12,918,611	3,656,266	3,132,179	28.3%	24.2%	4.1	3.5	4.1	9,786,432	2,822,424	2,822,424	28.8%	0	2.5	2.5	6,519,098	3,366,725	51.6%	0.9	22,049,231	15.3%
Central Yonkers	1,386,766	127,604	114,522	9.2%	8.3%	0.9	10.9	12.1	1,272,244	364,730	364,730	28.7%	0	2.5	2.5	892,170	437,649	49.1%	1.0	962,398	45.5%
Hutchinson Valley	5,385,360	939,606	794,899	17.4%	14.8%	2.7	5.7	6.8	4,590,461	1,270,992	1,270,992	27.7%	0	2.6	2.6	3,210,347	1,633,655	50.9%	1.0	5,455,643	29.9%
Mamaroneck Valley	8,425,923	2,452,848	2,584,632	29.1%	30.7%	-1.6	3.4	3.3	5,841,291	1,820,873	1,820,873	31.2%	0	2.2	2.2	3,699,979	1,792,088	48.4%	1.1	16,797,409	10.7%
New Rochelle	2,843,923	612,884	439,538	21.6%	15.5%	6.1	4.6	6.5	2,404,385	475,136	475,136	19.8%	0	4.1	4.1	1,787,180	415,000	23.2%	3.3	18,473,772	2.2%
North Yonkers	2,227,227	590,173	520,765	26.5%	23.4%	3.1	3.8	4.3	1,706,462	489,272	489,272	28.7%	0	2.5	2.5	1,162,724	547,007	47.0%	1.1	4,675,898	11.7%
Saw Mill Valley	10,124,580	2,965,873	2,898,683	29.3%	28.6%	0.7	3.4	3.5	7,225,897	2,231,261	2,231,261	30.9%	0	2.2	2.2	4,830,411	2,394,916	49.6%	1.0	13,333,865	18.0%
South Yonkers	1,123,012	95,333	34,472	8.5%	3.1%	5.4	11.8	32.6	1,088,540	258,098	258,098	23.7%	0	3.2	3.2	797,741	407,711	51.1%	1.0	1,155,547	35.3%
Upper Bronx	908,821	66,194	54,873	7.3%	6.0%	1.2	13.7	16.6	853,948	158,502	158,502	18.6%	0	4.4	4.4	668,114	340,993	51.0%	1.0	1,155,480	29.5%
Ossining	1,668,658	70,992	31,683	4.3%	1.9%	2.4	23.5	52.7	1,636,975	451,505	451,505	27.6%	0	2.6	2.6	1,218,629	579,520	47.6%	1.1	3,996,271	14.5%
Peekskill	1,299,611	322,099	292,739	24.8%	22.5%	2.3	4.0	4.4	1,006,872	344,348	344,348	34.2%	0	1.9	1.9	634,171	11,776	1.9%	52.9	4,892,716	0.2%
Port Chester	906,305	254,849	132,196	28.1%	14.6%	13.5	3.6	6.9	774,109	197,894	197,894	25.6%	0	2.9	2.9	539,530	190,185	35.3%	1.8	3,065,905	6.2%
Total	53,579,403	12,788,145	11,596,015	23.9%	21.6%	2.2	4.2	4.6	41,983,388	11,792,014	11,792,014	28.1%	0	2.6	2.6	28,680,768	13,524,818	47.2%	1.1	103,994,583	13.0%
Water Districts																					
County Water #1	3,473,375	1,050,598	820,955	30.2%	23.6%	6.6	3.3	4.2	2,652,420	945,895	945,895	35.7%	0	1.8	1.8	1,483,535	921,670	62.1%	0.6	2,722,285	33.9%
County Water #2	(516.00)	0	(1,000)	0.0%	193.8%	-193.8	- ¹	- ¹	484	0	0	0.0%	0	- ¹	- ¹	484	0	- ¹	- ¹	0	- ¹
County Water #3	4,386,189	884,237	607,406	20.2%	13.8%	6.3	5.0	7.2	3,778,783	1,139,946	1,139,946	30.2%	0	2.3	2.3	2,539,761	1,300,674	51.2%	1.0	0	- ²
County Water #4	321,709	0	(2,397)	0.0%	-0.7%	0.7	- ¹	- ¹	324,106	0	0	0.0%	0	- ¹	- ¹	324,106	0	- ¹	- ¹	0	- ¹
Total	8,180,757	1,934,835	1,424,964	23.7%	17.4%	6.2	4.2	5.7	6,755,793	2,085,841	2,085,841	30.9%	0	2.2	2.2	4,347,886	2,222,344	51.1%	1.0	2,722,285	81.6%
Refuse District																					
Refuse	45,978,133	10,453,208	8,724,165	22.7%	19.0%	3.8	4.4	5.3	37,253,968	12,293,123	12,293,123	33.0%	0	2.0	2.0	25,151,807	15,816,556	62.9%	0.6	42,378,946	37.3%
Total	45,978,133	10,453,208	8,724,165	22.7%	19.0%	3.8	4.4	5.3	37,253,968	12,293,123	12,293,123	33.0%	0	2.0	2.0	25,151,807	15,816,556	62.9%	0.6	42,378,946	37.3%
Special Districts																					
Total	107,738,293	25,176,188	21,745,144	23.4%	20.2%	3.2	4.3	5.0	85,993,149	26,170,978	26,170,978	30.4%	0	2.3	2.3	58,180,461	31,563,718	54.3%	0.8	149,095,814	21.2%

L/(M)=>Less/(More)

¹ Meaningless result. There is a zero in the divisor.

² There is no property tax. Water District #3 supplies only County property.

Special District 2020 Expense Comparison

1	2	3	4	5	6	7	8	9	10	11	12	13
District	Expenses Expended 2018	Surplus or Deficit 2018	Expenses Appropriated 2019	Expenses Projected 2019	Projected Surplus or (Deficit) 2019	Expenses Allowed 2020	2019 Expenses Projected L/(M) Appropriated	Percent 2019 Expenses Projected L/(M) 2019	Expenses Allowed 2020 L/(M) Projected 2019	Percent Expenses Allowed 2020 L/(M) Projected 2019	Expenses Allowed 2020 L/(M) Expended 2018	Percent Expenses Allowed 2020 L/(M) Expended 2018
DEF Level												
Environmental Facilities	78,357,415	0	82,515,592	78,066,049	1,699,969	81,885,352	4,449,543	94.6%	(3,819,303)	-4.9%	(3,527,937)	-4.5%
Sewer Districts												
Blind Brook	9,915,877	(564,834)	10,284,085	10,284,085	0	10,281,332	0	100.0%	2,753	0.0%	(365,455)	-3.7%
Bronx Valley	24,326,321	(3,132,180)	25,011,572	25,011,572	0	25,937,923	0	100.0%	(926,351)	-3.7%	(1,611,602)	-6.6%
Central Yonkers	1,383,378	(114,522)	1,571,129	1,571,129	0	1,434,510	0	100.0%	136,619	8.7%	(51,132)	-3.7%
Hutchinson Valley	6,652,230	(794,899)	6,973,345	6,973,345	0	7,419,605	0	100.0%	(446,260)	-6.4%	(767,375)	-11.5%
Mamaroneck Valley	19,545,789	(2,584,633)	19,188,450	19,188,450	0	19,766,336	0	100.0%	(577,886)	-3.0%	(220,547)	-1.1%
New Rochelle	21,616,132	(439,538)	21,324,344	21,324,344	0	21,980,662	0	100.0%	(656,318)	-3.1%	(364,530)	-1.7%
North Yonkers	5,158,401	(520,764)	5,338,786	5,338,786	0	5,404,113	0	100.0%	(65,327)	-1.2%	(245,712)	-4.8%
Saw Mill Valley	15,794,316	(2,898,682)	16,167,451	16,167,451	0	16,203,077	0	100.0%	(35,626)	-0.2%	(408,761)	-2.6%
South Yonkers	1,603,433	(34,471)	1,780,139	1,780,139	0	1,601,435	0	100.0%	178,704	10.0%	1,998	0.1%
Upper Bronx	1,484,746	(54,873)	1,522,202	1,522,202	0	1,529,245	0	100.0%	(7,043)	-0.5%	(44,499)	-3.0%
Ossining	4,867,916	(31,683)	5,131,619	5,037,619	94,000	4,861,975	94,000	98.2%	175,644	3.5%	5,941	0.1%
Peekskill	5,039,340	(292,738)	5,614,091	5,566,091	48,000	5,124,094	48,000	99.1%	441,997	7.9%	(84,754)	-1.7%
Port Chester	3,437,489	(132,196)	3,642,683	3,642,683	0	3,690,821	0	100.0%	(48,138)	-1.3%	(253,332)	-7.4%
Total	120,825,368	(11,596,013)	123,549,896	123,407,896	142,000	125,235,128	142,000	99.9%	(1,827,232)	-1.5%	(4,409,760)	-3.6%
Water Districts												
County Water #1	18,074,877	(866,353)	20,305,130	19,672,538	(945,895)	20,104,007	632,592	96.9%	(431,469)	-2.19%	(2,029,130)	-11.23%
County Water #2	7,470	1,000	10,000	10,000	0	10,000	0	100.0%	0	0.00%	(2,530)	-33.87%
County Water #3	2,547,985	(641,689)	3,423,001	3,358,208	0	3,720,674	64,793	98.1%	(362,466)	-10.79%	(1,172,689)	-46.02%
County Water #4	0	2,397	1,000	1,000	0	1,000	0	100.0%	0	0.00%	(1,000)	- ¹
Total	20,630,332	(1,504,645)	23,739,131	23,041,746	(945,895)	23,835,681	697,385	97.1%	(793,935)	-3.45%	(3,205,349)	-15.54%
Refuse District												
Refuse	70,768,058	(8,724,165)	73,590,614	72,981,576	(11,993,123)	75,819,229	609,038	99.2%	(2,837,653)	-3.89%	(5,051,171)	-7.14%
Total	70,768,058	(8,724,165)	73,590,614	72,981,576	(11,993,123)	75,819,229	609,038	99.2%	(2,837,653)	-3.89%	(5,051,171)	-7.14%
Special Districts												
Total	212,223,758	(21,824,823)	220,879,641	219,431,218	(12,797,018)	224,890,038	1,448,423	99.3%	(5,458,820)	-2.49%	(12,666,280)	-5.97%

L/(M)=>Less/(More)

¹There is a zero in the divisor