



CHEMUNG COUNTY

OFFICE OF THE TREASURER

320 E. MARKET STREET

P.O. BOX 588

ELMIRA, NEW YORK 14902-0588

(607) 737-2925 FAX (607) 737-2846

Jennifer Furman
Treasurer

MEMORANDUM

To: Hon. Christopher J. Moss, Chemung County Executive
Hon. David L. Manchester, Chairman of Chemung County Legislature
Chemung County Legislators

Cc: David J. Sheen, Deputy County Executive
Cindy Kalweit, Clerk of the Legislature

From: Jennifer Furman, Chemung County Treasurer

Date: May 11, 2020

RE: Chemung County Financial Summary at 12-31-19 (Unaudited) and COVID19
Impact Update

The following is a summarized report of the unaudited financial results for Chemung County (the County) for the year ended 12-31-19. A final report, the Comprehensive Annual Financial Report (CAFR) that includes audited financial statements, will be made available to the Legislature and to the public as soon as those reports are complete.

This report highlights very positive 2019 financial results, but also necessarily includes discussion about the imminent financial impact of COVID19 as a result of mandated social distancing and an economic shutdown event like no other in modern history.

Fund Structure

The County's governmental funds account for governmental services and functions supported primarily through sales tax, property taxes, departmental revenue, and federal and state funds. The governmental funds of Chemung County are the General Fund, the County Road and Road Machinery Funds, the Solid Waste Fund, the Capital Project Fund, and both Sewer Funds. Governmental funds are accounted for using the modified accrual accounting basis to ascertain the government's current economic condition and ability to pay for current expenditures (the cost of providing services) using revenues readily available to pay those costs.

The County operates the Chemung County Nursing Facility and the Elmira Corning Regional Airport as enterprise funds. Unlike governmental funds, enterprise funds follow full accrual accounting and are operated and financed in a manner similar to private business where the goods and services provided are intended to be supported via user charges. The County also uses internal services funds to collect and allocate costs for various types of risk and risk related losses. Lastly, the County's Trust Fund is used for funds held in a fiduciary capacity.

General Fund

The General fund is the primary governmental fund used to account for the core operational activities of Chemung County government. In 2019, the General Fund ended the year with a healthy surplus of \$2,765,698, with revenues totaling \$165,950,847 and expenditures of \$163,185,150. As such, the General Fund ends 2019 with a fund balance of \$27,236,256, with the unassigned portion totaling \$26,958,121 or 16.52% of total expenditures.

For 2019, General Fund revenues of \$165,950,847 increased by \$2,217,630 as compared to 2018 revenues of \$163,733,217. The increase in revenue in 2019 is largely attributable to an increase in gross sales tax receipts of \$1,413,845, with gross sales tax growing from \$61,064,126 in 2018 to \$62,477,971 in 2019 (2.32%). Besides sales tax, other non-departmental revenue grew by \$295,881 from 2018 to 2019, including an increase of \$186,943 in interest earnings. There were combined net increases of \$507,904 in other departmental income, intergovernmental charges, state and federal aid, and other revenue sources.

In addition to revenue growth in 2019, another positive in 2019 was a reduction in General Fund expenditures of \$800,606, with expenditures dropping from \$163,985,756 in 2018 to \$163,185,150 in 2019. The most noteworthy expenditure reductions were interfund transfers and reduced payroll costs. In 2019, payroll cost in the General Fund decreased by \$185,384, going from \$37,596,393 in 2018 to \$37,411,009 in 2019. Across all funds, payroll expense reduced by \$445,780, going from \$54,222,477 in 2018 to \$53,776,697 in 2019.

Yet another positive for 2019 was a combined reduction of \$1,658,953 in General Fund transfers to other funds to support the services and activities of those funds. Transfers in 2019 amounted to \$7,655,133, as compared to \$9,314,086 in transfers for 2018. General Fund transfers to other funds in 2019 were as follows:

- County Road Fund: \$7,213,029 versus \$7,503,287 in 2018 (\$290,259 decrease)
- Capital Project Fund: \$207,551 versus \$1,298,691 in 2018 (\$1,091,140 decrease)
- Airport Fund: \$234,553 versus \$512,107 in 2018 (\$277,554 decrease)

Similar to a fund transfer, the Nursing Facility Intergovernmental Transfer (IGT) is an optional payment to the NYS DOH from the General Fund to secure a Medicaid Upper Payment Limit matching share for the Nursing Facility. In 2019, the General Fund contributed a local match of \$2,557,796 to NYS DOH to secure \$5,115,592 in UPL/IGT revenue for the Nursing Facility. The Nursing Facility otherwise would have experienced a deficit and reduction in net position of \$5.6 million dollars in 2019. The impact of the UPL/IGT on the General Fund and Nursing Facility for 2019 is as follows, respectively:

- IGT from General Fund to NYS DOH of \$2,557,796 (\$615,592 decrease)
- Nursing Facility UPL/IGT revenue of \$5,115,592 (\$6,346,766 in 2018)

Other highlights of the General Fund include the results of the Department of Social Services (DSS) for 2019. DSS is by far the largest single department within the general fund, representing roughly 37% of total general fund expenditures at \$62,728,550. For 2019, a local share of \$30,801,819 was budgeted for DSS programs and services and actual results for DSS yielded a local share of \$28,610,054, exclusive of IGT. As such, there were available appropriations within DSS to make 2019 IGT payments.

Other very favorable results within the General Fund in 2019 include a reduction in the Workers Compensation fund allocation of \$317,359 and reduced debt payments required for capital leases of \$249,383. Conversely, Health Insurance costs allocated from the Health Insurance fund to other funds increased again in 2019 by \$1,101,672, with the General Fund portion increasing by \$949,142. In addition, the cost of debt service in the General Fund for Bonds and Bond Anticipation Notes (BANs) grew by \$213,362 from 2018 to 2019.

In summary, the County ended 2019 and entered 2020 with a much needed surplus of \$2.7 million in the General Fund and Unassigned General Fund Balance of \$26.9 million. One conclusion to be reached from 2019 was that Chemung County benefitted from moderate regional economic prosperity, but also certainly from conservative budget management and strict management control over expenditures. We know that the NYS Comptroller's Office recommends keeping a "reasonable amount" of unappropriated, unassigned fund balance to provide for operating cash flow, to protect from revenue and expenditure volatility, and for other contingencies. Most counties adhere to achieving a fund balance that provides for 2 months of operating expenditures or around 16.7%. By this measure, the County's Unassigned General Fund balance of \$26.9 million (16.52%) is reasonable, and would normally be adequate to sustain an otherwise fiscally stable county under ordinary circumstances.

Other Funds

The financial results and fund balances of the County's other governmental funds (Roads, Road Machinery, Sewer, Capital) play a part in the County's overall fiscal health in so much as any particular fund is self-reliant versus dependent on resources of the General Fund as a major and ongoing source of revenue.

As previously mentioned, in all cases the required contributions from the General Fund to other funds decreased in 2019, and with the exception of the Capital Fund all of the governmental funds ended 2019 with favorable results versus budgeted expectations. The Capital Fund experienced a \$5.7 million dollar deficit in 2019 only due to several large Sewer District projects that were pending NYS Environmental Facilities Corporation (NYSEFC) financing as of 12-31-19.

The results of the County's enterprise funds, including the Nursing Facility and the Elmira Corning Regional Airport, are also relevant to the County's overall financial health. By definition, enterprise funds are intended to be self-supporting from revenue generated by goods and services sold to the public. Enterprise funds are slightly different than governmental funds in that they include full accrual accounting elements such as depreciation expense and long term liability expenses such as retirement and other postemployment benefits. These are non-cash and long term items that do not require current economic resources.

Due to these full accrual elements, the Airport ended 2019 with a deficit and a reduced net position of \$1,022,604. Despite this, the Elmira Corning Regional Airport had a very positive year with a record breaking number of enplanements (425,545) and operating income growth of over \$450,000. These results led to a reduced General Fund contribution in 2019 of \$277,544, going from \$512,107 to \$234,553 from 2018 to 2019. The County's contributions to the Airport are made to sustain current operating costs or the local share, and not meant to fund noncash and long term liabilities. For the three years January 2017 through December 2019, the General Fund has contributed slightly over \$1.7 million to support Airport operations.

The Chemung County Nursing Facility ended 2019 with a deficit and a reduced net position of \$522,111. As mentioned earlier, the Nursing Facility's deficit would have been slightly over \$5.6 million were it not for the UPL/IGT transfer of \$2,557,796 from the General Fund, yielding a NYS DOH UPL/IGT payment of \$5,115,592. Like the Airport, the Nursing Facility is not a self-sufficient enterprise and continues to rely on payments from the General Fund in the form of annual IGT payments to remain operational. For the three year period from January 2017 through December 2019, the General Fund has contributed \$10.27 million dollars to sustain the Nursing Facility in the form of IGT payments, yielding \$20.55 million in UPL/IGT revenue to the Nursing Facility.

2019 Summary

The County finished 2019 in stable and improving financial position, fully expecting to maintain the current "No Designation" fiscal stress score from NYS Comptroller and a solid A1 Moody's Bond Rating. Neither score is finalized, however, and both are ultimately determined by the scoring methodologies of outside rating agencies. In addition, both scoring methods are subject change in light of COVID19 fiscal ramifications.

COVID19

Unfortunately, the aforementioned gains of 2019 will be challenged by the financial impact of COVID19. As you are aware, days ago the New York State Association of Counties (NYSAC) released a report estimating the potential impact of COVID19 to county revenue sources under two scenarios, those being a mild recession and a severe recession. The NYSAC report discusses a “quadruple” threat to counties of lost revenue from sales tax, occupancy tax, and other tax revenue; increased spending to respond to COVID19; the loss of reimbursement from NYS; and the loss of jobs and the related threat to the property tax base.

The most significant revenue losses to counties will seemingly include Sales Tax and State Aid, but there will also be losses in Occupancy Tax and Gaming Tax revenue. The NYSAC report also frames revenue losses in each of these categories based on the severity of the recession caused by COVID19 from milder to severe. Regarding State Aid losses, there is a provision in the State Budget that affords the Governor the authority to make appropriation and aid reductions based on whether the State’s financial plan is out of balance by more than 1% (\$1 Billion) during any one state fiscal year quarter. The NYSAC report also demonstrates the potential state aid losses to Chemung County due to this state budget provision. The NYSAC State aid numbers estimated for Chemung County, however, appear to have been taken from 2018 state aid amounts that included over \$31 million in state aid for the Upstate NY Airport Terminal Grant. Restated without airport revenue, potential losses in state aid are much lower than indicated in the NYSAC report, by almost 50%. Using NYSAC’s estimates, a conservative 2020 revenue loss for Chemung County is roughly around \$11 million, while a more severe estimate is closer to \$28 million.

The NYSAC report was issued just days before first May sales tax payments were received by counties. The payment received on May 7th is the first sales tax payment that reflects COVID19 impact, and unfortunately the first May payment leans more toward a severe sales tax revenue loss as this single payment for May 7th was 25% less than the same payment in 2019.

As for Occupancy Tax, total collections for the first quarter of 2020 were down only slightly at \$84,343 as compared to the first quarter of 2019 at \$92,452. The first quarter ties to the months of December 2019 through February 2020, before the onset of COVID19, therefore there is no COVID19 impact included in Occupancy tax collections to date. The next quarter of Occupancy Tax will be due in June 2020. To date, the County has reported no gaming revenue in 2020.

While optimistic that federal stimulus will come to replace some of the COVID19 related revenue shortfalls, the County can and is already taking certain actions to mitigate against County revenue losses and the impact on residents and businesses. County Executive Moss has already made several public announcements about measures he has implemented to reduce payroll, as well as operating and capital projects expenses, indicating that additional cuts may be necessary as the full ramifications of COVID19 budget shortfalls are better understood.

In the Treasurer's Office, a major concern is that COVID19 related budget shortfalls will require or even exceed the full amount of available liquid fund balance. Even as we entered 2020 with a healthy and normally adequate Unassigned General Fund Balance of \$26.9 million, of this only \$15.1 million was available in cash or near term investments.

The normal cash cycle for the County includes a sharp dip at year end after large debt service payments and the annual NYS Retirement system pension contribution payment, both due in December. Cash gradually increases over the first four months of the year as County property taxes are collected, and liquidity typically peaks in early May after all County property taxes have been turned over by the Town tax collectors. As of the date of this report, the County's cash position is actually relatively normal through May 8, 2020 at \$46.3 million dollars.

That said, from the onset of the COVID19 shutdown and with fewer staff, the Treasurer's Office has been working both to improve the County's cash position to ensure as much liquidity as possible as we brace for the impact of COVID19 revenue losses and also working on measures to assist taxpayers with imminent property tax payment issues.

As an example, we already issued a one year Bond Anticipation Note (BAN) for \$8,050,000 for various Sewer District projects that are pending NYS Environmental Facilities Corporation loans. In a competitive bid process, on May 7, 2020 we closed on a callable one year BAN with JP Morgan Chase at a rate of 1.42%. The original plan was to bridge the gap between these Sewer project expenditures and NYSEFC loans using cash reserves to save in interest cost, but we quickly moved to issue a BAN when we learned that the NYS EFC financing would be delayed further into 2020.

Other actions we will undertake in the coming weeks and months will include working to refinance the County's 2012 and 2013 General Obligation bonds for potential savings over the life of these bonds of approximately \$225,000. We also plan to borrow earlier in 2020 for all approved capital projects with short term Bond Anticipation Notes, assuming market conditions support this strategy, thus limiting the amount of county cash required for 2020 capital expenditures and reducing 2021 debt service costs. As we continue to brace for a shortage of liquidity due to COVID19 revenue shortfalls, the County will also need to examine all municipal agreements that strain the County's liquidity. Another option may be issuance of a budget deficit note, as there is movement in support of legislation to allow for municipal budget deficit notes due to COVID19.

Regarding taxpayer issues, in conjunction with the County Executive and the County Legislature, the Treasurer's Office has taken a number of proactive steps to assist taxpayers during the COVID19 pandemic. The first such effort was the 1% interest reduction on property taxes for April 2020. Another action was an effort to offer and approve tax warrant extensions to any and all eligible tax collectors in Chemung County to defer the added 5% tax on current year taxes returned to the County.

Most recently, the Treasurer's Office submit a proposal to the County Executive recommending to defer delinquent installment agreement payments through June and to offer a refinancing plan for those taxpayers that default on their installment agreements. We are starting to experience installment defaults at twice the normal rate, so these recommendations are aimed not only at helping taxpayers impacted by COVID19, but also at helping the County's cash flow by keeping these taxpayers in active agreements where they will be able resume making payments in 2020. Once in default, it is possible that the County would see no payments until possibly January or February of 2021. This proposal will hopefully be considered by the Budget Committee on June 1, 2020.

These are the actions taken thus far and initiatives we are working on during this unprecedented time. As we move forward and gain additional information about the financial impact of COVID19, including budgetary shortfalls and the impact of federal stimulus and other available relief opportunities, the Treasurer's Office is committed to working through the COVID19 crisis with the County Executive's Office, the County Legislature, our community partners, and the residents of Chemung County.