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MEMORANDUM

TO: Hon. David L. Manchester, Chairman of Chemung County Legislature
Chemung County Legislature

CC: Hon. Christopher J. Moss, Chemung County Executive
David J. Sheen, Deputy County Executive
Steven Hoover CPA, Budget Director
Cindy Kalweit, Clerk of the Legislature

FROM: Jennifer Furman, Chemung County Treasurer *JF*

DATE: June 7, 2021

RE: Chemung County 2020 Financial Summary (Unaudited)

The following narrative report and the accompanying 2020 Summary Schedule by Fund are the unaudited individual fund financial results for Chemung County (the County) for the year ended 12-31-20. Complete audited financial statements, including government wide-financial statements, will be made available once those reports are finalized. The comprehensive annual report with audited financial statements, as prepared by the Treasurer's Office, includes a useful statistical section with ten-year comparative individual fund financial statements and schedules. The statistical section is presented to show trends and changes in actual fund financial performance over time, and I refer readers of this report to the financial statements for current and historical perspective. This report and the complete audited financial statements represent my submission to the County Legislature as required under Section 402 of the Chemung County Charter.

This report presents very favorable overall financial results for Chemung County for 2020 in the midst of the COVID-19 pandemic and economic shutdown, and additionally demonstrates that these positive 2020 financial results were achieved due to budget cuts implemented by the County Executive's Office, health insurance savings, better than expected sales tax performance, various forms of federal relief, and cash flow and liquidity actions taken by the Treasurer's Office.

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 the 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 fees and charges. The County also uses internal services funds to collect and allocate costs for various types of risk and risk related losses, including workers compensation; self-insurance; and health insurance.

The Trust Fund (Fund 70) is used to account for funds held by the County in a fiduciary capacity. During 2020, all accounts in Fund 70 were reviewed to implement the new Governmental Accounting Standards Board Statement No. 84 (GASB 84), Fiduciary Activities. The result will be classification or reclassification of accounts per GASB 84 definitions. The GASB 84 implementation process will also result in a new Statement of Net Position and Statement of Changes in Net Position for Fiduciary Funds. This project is still ongoing with our independent auditors and will result in reclassification adjustments before 2020 audited financial statements are finalized.

General Fund

The General fund is the primary governmental fund used to account for the core operational activities of Chemung County government. For 2020, the General Fund ended the year with a surplus of \$3,005,528, with revenues totaling \$167,217,763 and expenditures of \$164,212,235. As such, the General Fund ends 2020 with a total fund balance of \$30,241,783. Despite a \$3+ million-dollar surplus in 2020, the Unassigned Fund Balances increases by only \$362,255 from 2019 to 2020 to \$25,561,193 because of the Appropriated Use of Fund Balance to balance the 2021 budget of \$2,828,274.

For 2020, General Fund revenues of \$167,217,763 increased by \$1,266,916 as compared to 2019 revenues of \$165,950,847. Included in that increase are 2012 and 2013 refunded bond proceeds and premium of \$3,815,471. Without these refunding proceeds, 2020 revenues decreased in total by \$2,548,555 as compared to 2019, with notable General Fund revenue losses as follows:

Revenue Type	2020 v 2019 Change	2020 Budget to Actual - Unfav
Gross Sales Tax *	-2,055,281	-3,723,912
State Aid	-878,897	-4,192,176
Gaming Revenue	-709,082	-764,383
Hotel Occupancy Tax	-360,804	-366,819
Misc Local Income	-248,060	-869,262
Interest Earnings	-193,755	-177,584
Departmental Income	-77,951	-848,667
* 2020 Sales Tax Net of Distribution to other local municipalities = - \$1,990,514		

Specific areas of revenue growth in 2020 included property tax revenue items, intergovernmental charges, and federal aid.

General Fund expenditures of \$164,212,235 increased by \$1,027,085 as compared to 2019 expenditures of \$163,185,149. However, without refunded debt paid to escrow agent of \$3,730,394, expenditures decreased as compared to 2019 by \$2,703,308, with notable savings in the following areas:

Expenditure Type	2020 v 2019 Savings	2020 Budget to Actual - Fav
Contractual & Misc (excludes BR Escrow)	2,687,454	11,944,956
Allocated Health Insurance	1,278,467	928,842
Payroll	571,116	3,103,572
Interfund Transfers	773,430	1,047,218

General Fund transfers to other funds are made to finance the services and activities of those funds. Transfers in 2020 amounted to \$6,881,702 as compared to \$7,655,133 in transfers for 2019. General Fund transfers to other funds in 2020 were as follows:

- County Road Fund: \$6,881,702 versus \$7,213,029 in 2019 (\$331,326 decrease)
- Capital Project Fund: \$0 versus \$207,551 in 2019 (\$207,551 decrease)
- Airport Fund: \$0 versus \$234,553 in 2019 (\$234,553 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 (UPL) matching share for the Nursing Facility. In 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) authorized a 6.2% increase in federal matching funds to help states respond to the COVID-19 pandemic. As a result, the non-federal share contributed by the General Fund for the County Nursing Facility for IGT payments decreased to only 43.8% (vs 50% match), and the General Fund contributed \$1,554,731 to realize \$3,408,059 in UPL/IGT revenue for the Nursing Facility.

If not for the General Fund contribution for IGT, the County Nursing Facility otherwise would have experienced a deficit and reduction in net position of \$6.5 million dollars in 2020. The impact of the UPL/IGT on the General Fund and Nursing Facility for 2020 is as follows, respectively:

- IGT from General Fund to NYS DOH of \$1,554,731 (\$1,003,065 decrease from 2019)
- Nursing Facility UPL/IGT revenue of \$3,408,059 (vs \$5,115,592 in 2019)

As part of a series of Coronavirus Impact reports, in July 2020 the New York State Association of Counties (NYSAC) projected 2020 Sales Tax revenue losses for Chemung County to range between \$5,490,868 (-9.1%) on the mild end, and up to \$13,361,179 (-22.1%) in the event of a more severe recession. Like over half the counties in New York State, sales tax is the number one revenue source for Chemung County, representing approximately 26% of all County revenue.

These and other negative economic indicators and revenue loss projections at the time prompted a series of budget cuts from County Executive Moss that included a hiring freeze, cuts to overtime, travel restrictions, other departmental budget cuts, and capital project and small building project cuts. These measures are outlined in the County Executive's letter to Chairman Manchester and the Legislature dated June 24, 2020.

As late as September 2020, gross sales tax was down \$3,730,817 (-9.2%) as compared to 2019 collections. In October 2020, sales tax collection numbers began to shift in a positive direction due to federal relief funding being injected into the economy, along with other sales tax distribution variables. By the close of 2020, the County's sale tax loss was much milder than predicted at \$2,055,281 (-3.29%) as compared to 2019.

Within the Treasurer's Office, adjustments were made in anticipation of liquidity and cash flow issues also based on severe COVID revenue loss projections, including the issuance of short-term capital project Bond Anticipation Notes (BANs) and the refinancing of callable debt at lower interest rates. We also took advantage of a deferral of the employer share of social security taxes under Section 2302 of the CARES Act, deferring slightly over \$1.8 million in accordance with the provisions of that relief. In addition, with a new strategic liquidity analysis tool we were able to maximize return on available liquidity, and to improve cash flow and banking practices.

Other highlights of the General Fund include the results of the Department of Social Services (DSS) as DSS is by far the largest single department within the General Fund, representing roughly 36% of total general fund expenditures at \$59,050,009. A local share of \$30,315,796 was budgeted for DSS programs and services, while actual results for 2020 yielded a local share of only \$27,085,997 (excludes IGT paid from Medicaid Acct). Within the DSS budget, the County also benefitted from the statewide allocation of \$323 million in enhanced federal Medicaid matching funds of 6.2% (Families First Coronavirus Response Act). This benefit was provided in the form of

reduced weekly share payments from the County to New York State for the County's share of Medicaid, and in total resulted in \$936,819 in reduced Medicaid cost in 2020.

Other major Coronavirus funding or relief that benefitted the County in 2020 includes:

Amount	Fund / Department	Source of Relief
\$936,819.00	10- General Fund - DSS	FFCRA - eFMAP 6.2% Addt'l Medicaid
\$76,197.00	10- General Fund - Public Health	CARES ACT - Healthcare Provider Relief
\$2,624,514.00	10- General Fund - Bus Operations	CARES ACT - Pass Through to First Transit
\$205,373.25	10/22/23/50/56 - Multiple Funds	NYS DOL - Unemployment Relief/Refund
\$1,699,250.31	50- Nursing Facility	CARES ACT - Healthcare Provider Relief
\$1,409,381.07	56- Airport	CARES ACT - AIP Operating Expenses

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 required to sustain service delivery.

As previously mentioned, in all cases General Fund contributions to other funds decreased in 2020. Also, all governmental funds ended 2020 with favorable results versus budgeted expectations. Notably, both Sewer Districts achieved surpluses in excess of \$350,000 and the Capital Fund ended 2020 with a \$4 million surplus as revenue sources for capital projects exceeded capital spending requirements. In the Capital fund, it is common for projects to remain open for multiple years so there are routinely surplus and deficit projects that roll from year to year.

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. 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.

The Chemung County Nursing Facility ended 2020 with a deficit and a reduced net position of \$3,117,052. The Nursing Facility's deficit would have been slightly over \$6.5 million dollars were it not for the UPL/IGT transfer of \$1,554,731 from the General Fund, yielding a NYS DOH UPL/IGT payment of \$3,408,059. For the three-year period from January 2018 through December 2020, the General Fund has contributed over \$7.2 million dollars to sustain the Nursing Facility in the form of IGT payments, yielding over \$14.8 million in UPL/IGT revenue to the Nursing Facility.

As a community asset, the Nursing Facility continues to provide vital and compassionate care to its residents, however financing the operation remains a challenge. It is important to note, however, that the Nursing Facility is in better financial position now that it was over a decade ago in 2010 when the Facility had a \$6.9 million net deficit position, so history has shown that results can fluctuate and improve based on operational and funding changes.

While the Airport ended 2020 with a deficit and a reduced net position of \$1,735,005, with CARES Act funding the Airport notably operated without the requirement of a General Fund transfer to subsidize operating costs. In recent years, General Fund contributions to the Airport have been made to sustain current operating costs, but not to fund noncash and long-term liabilities. For the four years January 2017 through December 2020, the General Fund has contributed slightly over \$1.8 million to support Airport operations, with contributions decreasing in each subsequent year.

2020 Summary

The County has ended the last two fiscal years of 2019 and 2020 with surpluses in the General Fund of \$2.7 million and \$3.0 million, respectively. I previously credited moderate regional economic prosperity and conservative budget management for the bottom line in 2019. As highlighted herein, the reasons for the 2020 surplus were austere and necessary budget cuts by County Executive Moss in response to severe pandemic revenue loss predications, along with a decrease in health care costs and sales tax performance that exceeded pandemic expectations. In addition, various federal fiscal relief and cash management measures contributed to the positive results.

As a result, we can expect the County 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.

The challenges of the COVID-19 pandemic were plentiful and the impact of the pandemic will be lasting. Much credit is due to those who worked tirelessly within county government and in every facet of our community to successfully steer us out of the pandemic. While optimistic about our 2020 financial results and the resilience of our County and community as a whole, the County still faces challenges as we move out of the pandemic. Plainly, it’s going to require more work to turn the page forward towards post-pandemic “normalcy”, and to help our community recover as well. Additionally, many of the fiscal challenges in the que prior to the pandemic still exist, including a heavy reliance on sales tax revenue; rising employee benefit costs; an aging sewer infrastructure; and the financial sustainability of the Nursing Facility.

American Recovery Act Funds are on the way to assist in this recovery effort, and the Treasurer’s Office remains committed to working through the challenges and new opportunities on behalf of the residents of Chemung County.

