

**2014 Mid Year Financial Review
Town of East Hampton**

July 15, 2014

Major Milestones

Fifty percent of non-exempt employee pay roll periods/54% of exempt employee pay roll periods paid

Six months of health insurance premiums paid

Three of the four commercial insurance payments made (\$160,000 per payment)

72% of whole town fund and 89% of part town fund debt principal and interest paid (\$7.3 million of \$9.8 Million)

We are well into paying some of the town's major expenses (heating, payouts for retirees, maintenance contracts, etc.)

OUTLINE

1. Fund Performance - REVENUE and EXPENDITURES

2. Staffing

3. Capital Plan/Projects and Upcoming Debt sale

4. Comprehensive Annual Financial Report (CAFR)

5. Other Actions and Activities

General Whole Town A Fund

<u>Expenditures</u>		<u>TOTALS</u>
Budget	\$29,059,939	
Year to Date Spent	\$15,100,327	
Current Available/Encumbered	\$13,959,612	
Projected Need	\$12,932,553	
Projected within year Variance	\$1,027,059	
Total Projected Expenditures Year End	\$28,032,880	\$28,032,880
 <u>Revenues</u>		
Budget	\$29,059,939	
Year to date Received	\$21,361,261	
Projected within year Variance	\$648,733	
Total Projected Revenue Year End	\$29,708,672	\$29,708,672
Total projected within year surplus (deficit)		\$1,675,792

- Highlights :
- 72% or \$6.1 million in debt principal paid to date
 - Health Insurance paid for six months
 - Three of four installments paid for commercial insurance (\$251,000)
 - Mortgage tax revenue ahead of 2013 at this point by \$320,000 - on pace for \$4.7 million which would increase the within year surplus by \$600,000 (\$4.1 million was used for the estimate above; 5% above budget to be conservative)

General Part Town B Fund

<u>Expenditures</u>		<u>TOTALS</u>
Budget	\$23,495,180	
Year to Date Spent	\$11,459,428	
Current Available/Encumbered	\$12,035,752	
Projected Need	\$11,840,572	
Projected within year Variance	\$195,180	
Total Projected Expenditures Year End	\$23,300,000	\$23,300,000
<u>Revenues</u>		
Budget	\$23,495,180	
Year to date Received	\$21,462,537	
Total Projected within year Variance	\$107,430	
Total Projected Revenue Year End	\$23,602,610	\$23,602,610
Total projected within year surplus (deficit)		\$302,610

- Highlights :
- To date building fee revenue is at \$551,096 of \$875,000 budgeted -could be higher than projected by year end based on steady trend and the fact we are \$65,000 ahead of last year at this time (we are using conservative estimates)
 - For a few of the revenues that have been collected in total like the LIPA PILOT payments we actually came in a little above projections - by \$3,500 - but that is a sign of pretty accurate budgeting
 - Fire alarm fees are at 114% of budget which indicates the system we implemented several years ago to put outstanding alarm charges on the tax bill seems to be pushing people to pay more timely
 - ARB and ZBA fees are all above 50% of projections, which is about where they usually this time of year
 - We have not used any of the \$185,000 in the contingency line to date - we may need some of that to pay for some of the ongoing legal matters that have carried over from last year that were anticipated to be closed at this point, but having the contingency puts us in a solid position
 - 89% of Serial bond principal paid - that's \$1.2 million of \$1.4 million paid

Highway DB Fund

<u>Expenditures</u>		<u>TOTALS</u>
Budget	\$5,934,670	
Year to Date Spent	\$3,045,719	
Current Available/Encumbered	\$2,888,951	
Projected Need	\$2,506,247	
Projected within year Variance	\$382,704	
Total Projected Expenditures Year End	\$5,551,966	\$5,551,966
 <u>Revenues</u>		
Budget	\$5,934,670	
Year to date Received	\$5,336,595	
Projected within year Variance	\$115,330	
Total Projected Revenue Year End	\$6,050,000	\$6,050,000
Total projected within year surplus (deficit)		\$498,034

- Highlights :
- The Town was reimbursed \$200,000 for repaving roads opened by the Suffolk County Water Authority - the cost and revenue was budget neutral
 - The performance to date reflects costs of snow removal which was funded by shifting of funds within budget (about \$104,000) to the appropriate lines to pay costs - to date no unbudgeted surplus has been used
 - Street opening revenues are trending ahead of budget and a little ahead of last year (by about \$1,000)
 - With hurricane season and November and December still ahead of us this projection is certainly subject to change

Sanitation SR Fund

Expenditures

TOTALS

Budget	\$5,951,831	
Year to Date Spent	\$3,118,376	
Current Available/Encumbered	\$2,833,454	
Projected Need	\$2,317,575	
Projected within year Variance	\$515,880	
Total Projected Expenditures Year End	\$5,435,951	\$5,435,951

Revenues

Budget	\$5,951,831	
Year to date Received	\$4,769,698	
Projected within year Variance	\$74,985	
Total Projected Revenue Year End	\$6,026,816	\$6,026,816

Total projected within year **\$590,865**

- Highlights :
- New fee structure has the Town ahead by \$150,000 for permits compared to last year at this time, and tipping fees are about \$80,000 ahead of last year at this point; new fees will allow us to meet the revenue projections in the budget
 - Collected \$779,475 for permits - collected \$818,200 all last year
 - Have not used any of the \$10,000 contingency
 - 90.5% of the principal debt payments and interest have been made (\$1.52 million of the \$1.68 million is paid)
 - Health insurance for retirees is running about \$25,000 better than budget
 - Motor vehicle repairs are running about \$30,000 better than budget
 - The projections for the Sanitation budget are also subject to the hurricane season (and to a degree to snow)
 - Assumption is that tipping fees will continue to be close to subcontractor costs

Scavenger SS Fund

Expenditures

TOTALS

Budget	\$861,584	
Year to Date Spent	\$202,855	
Current Available/Encumbered	\$658,728	
Projected Need	\$423,145	
Projected within year Variance	\$235,584	
Total Projected Expenditures Year End	\$626,000	\$626,000

Revenues

Budget	\$861,584	
Year to date Received	\$600,634	
Projected within year Variance	(\$161,584)	
Projected Revenue Year End	\$700,000	\$700,000
Total projected within year surplus (deficit)		\$74,000

- Highlights :
- W26 Expenditures and revenues less than projected due to less use
 - Revenue and hauling projection for remainder of year based on assumption of increased volume for July/August
 - If facility closes at the end of November there could be some additional savings depending on the timing of the closure process

Airport SX Fund

<u>Expenditures</u>		<u>TOTALS</u>
Budget	\$4,129,055	
Year to Date Spent	\$1,326,087	
Current Available/Encumbered	\$2,802,968	
Projected Need	\$2,555,793	
Projected within year Variance	\$247,175	
Total Projected Expenditures Year End	\$3,881,880	\$3,881,880
 <u>Revenues</u>		
Budget	\$4,129,055	
Year to date Received	\$912,742 *	
Projected within year Variance	(\$215,885)	
Projected Revenue Year End	\$3,913,170	\$3,913,170
Total projected within year surplus (deficit)		\$31,290

* Year to date in 2013 the revenue was \$953K so the bulk of revenues are collected moving forward in the season. Total revenue in 2013 was \$4.25 million

- Highlights :
- The revenue estimates include additional revenue from the fuel flowage increase implemented on July 1 and estimate receivables for fuel already delivered
 - Finance staff is working with Airport Manager to improve the timeliness of cash flow (i.e. gap between fuel sale to FBO's and collection of payment for the fuel)
 - Finance staff is working with Town Attorney and Airport Manager on Industrial park leases that are expiring and need to be renewed at FAA mandated fair market value.

Net Staffing for First Six Months of 2014

Title	Funded in 2014 Budget?	Page Where Funding Appears in 2014 Budget Doc.	Contained in 2014 Budget	New or Net to Adopted Budget	Impact on Staff On-Board	Additional Salary *
Electrical Service Supervisor	Yes	Page 90	1	0	1	
Ordinance Inspector	Yes	Page 179	1	0	1	
Senior Airport Attendant	Yes	Page 233	1	0	1	
Environmental Tech. (Nat. Res.)	Yes	Page 133	1	0	1	
Environmental Tech. (Planning)	Yes	Page 188	1	0	1	
Mini Bus Driver	Yes	Page 146	1	0	1	
Home Health Aide	Yes	Page 95	1	0	1	
Legal Secretary	Yes	PP. 181 and 190	1	0	1	
Director Public Safety	No		0	1	1	\$80,000
Executive Assistant	No		0	1	1	\$30,000
			<u>8</u>	<u>2</u>	<u>10</u>	<u>\$110,000</u>

On Board FT Staff -January 1, 2014	299
Additional on-board per 2014 budget	8
Additional on-board not in budget	2
Current FT Staff On Board July 1	309

* Neither of the individuals in the new positions take health insurance or are in the retirement system.

Capital Plan and Projects

Funding Summary/Sale Preparation

			Projects or Items Related to Adopted 2012/13 Capital Plans	New Projects or Items related to 2014 capital Plan
August Debt Sale				
OLD MONEY	Dec. 2013 Debt Sale Related	\$3,111,365	8	
	Aug. 2013 Debt Sale Related	\$7,436,500	54	
	Total Old Money (Debt Outstanding)	\$10,547,865		
	Total Sale and Paydown Amount Aug. 2014	\$17,088,138		
	Less Old Money	\$10,547,865		
NEW	equals			
	New Money	\$6,540,273	19	37
	Less New Money related to approved 2012/13 Cap. Plan Items	1,707,000		
	New Money Related to 2014 Cap. Budget	\$4,833,273	81	37
SUMMARY				
	Outstanding	\$10,547,865	62	
	Pre-2014 Approved projects in upcoming sale	\$1,707,000	19	
	New Money for 2014 Related Projects	\$4,833,273		37
	Total Sale and Paydown	\$17,088,138	81	37

- Working with Financial Advisors and Bond Counsel now preparing debt sale for August

- Planning a Moody's presentation for late July to determine if a credit rating increase is in order

- 30% of borrowing will be for new projects added to the capital plan in 2014 and 70% for projects already associated with issued debt or approved in the 2012/13 capital plans

- The \$17.1 million in debt (together with the \$2.038 million in non-deficit bonds issued last year represent three years of borrowing that totals less than \$20 million during a period when over \$31 million in principal debt was paid off, thus producing a reduction in overall Town indebtedness during the period of \$10.5 million - \$123.9 million to \$113.4 million)

- Based on the three year capital plan adopted this year indebtedness is projected to decrease even further through 2017 (down to about \$90.5 million (not including potential future airport debt) - the 2014 three-year plan calls for about \$12.7 million in total borrow over the period 2014-15-16

Comprehensive Annual Financial Report (CAFR) for 2013

The CAFR is a detailed financial report that contains the independent audit for 2013 as well as other important financial and demographic information for the Town. It is submitted to the Government Financial Officers Association (GFOA) for recognition and award

Highlights

Fund Balances

Overall fund balances moved in a positive direction. Sanitation had a decrease due to budgeted appropriated surplus and the Scavenger Fund reduced its beginning year defect. All other major funds increased year-end fund balance.

Fund	Year - end Fund Balance	Change in Fund Balance	Balance as Pct. of Expenses
Whole Town General A	\$7,784,206	\$1,721,804	27.73%
Part Town B	\$5,438,205	\$1,219,487	23.85%
Highway DB	\$2,320,551	\$278,593	39.50%
Sanitation SR	\$1,040,006	(\$506,971)	17.86%
Sewer/Scavenger	(\$352,981)	\$152,281	0.00%
Airport	\$1,490,354	\$23,061	30.84%
Totals	\$17,720,341	\$2,888,255	25.99%

Net Position

Net position increased as year end cash balances increased and principal debt was decreased through payments. Liabilities increased marginally due to post employment benefit obligations and new claims.

	2013	2012	
Assets	\$445,258,874	\$413,838,631	Increase in cash balances, payment of principal debt, bond refunding
Liabilities	\$178,971,476	\$171,816,505	Additional Other Post Employment Benefits (OPEB) and additional claims payable
Net Position	\$266,287,398	\$242,022,126	

Audit Comments

There were no findings or comments related to the financial statement or major Federal award programs audit.

Other Actions and Activities

1. The Town issued refund bonds that will restructure debt and reduce the cost of debt service on bonds originally issued in 2005. The savings to the Town will be \$3.3 million in debt payments over the next 10 years.
2. The cost of worker's compensation should be decreasing which is the direction it is heading. We are reticent to dollar qualify, but we just met with our administrator and the tail claims (old claims they took over last year) decreased from 44 to 26 between last October and this past May. So the program is headed in the proper direction.
3. The Town has a new interim Tax Receiver. Neide Valiera who acted as interim during the rough period and did a great job, along with Amy Rivera, to get the process moving forward and the Town collected and distributed all tax revenue for itself as well as the Fire Districts, School Districts, and Special Districts. The collection has proved out to the final warrant. In total the collection for Town purposes was 100% at \$158,378,163. The total collected was \$160,931,072, the difference being the County's share with any arrears needed to be collected. It is also worth noting that the Town Clerk's office, Buildings and Grounds and Land Management lent staff as needed to assist in the daily operations of the office to answer inquiries and process payments.
4. The Town continues to deal with FEMA and SEMO on reimbursements and funding for mitigation actions related to Hurricane Sandy. Charlene Kagel can provide more detail and answer question.
5. The budget formulation process will begin in August. A schedule has already been made and distributed to department heads to present their 2015 budgets to the Supervisor. The Supervisor's Tentative Budget is due to the Town Board by September 30.
6. Human Resources is now conducting appropriate background checks and credit checks for prospective employees. The Town has engaged the Sterling Co., which conducts nationwide background checks and complete credit checks. The extent of the check is decided based on the position being filled. In the past we only conducted local checks through our Police Department, which are limited. The more enhanced screening protects the public interest better and is more thorough.
7. The Town Board has decided to close the Scavenger Plant which will produce a reduction in future tax levies and costs. There will be some continuing cost after closure to pay outstanding debt service, pay off whatever deficit remains at the end of the year, and to decommission the facility.

