



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

November 10, 2016

Edward Day, County Executive
Members of the Rockland County Legislature
Allison-Parris County Office Building
11 New Hempstead Road
New City, NY 10956

Report Number: B6-16-19

Dear County Executive Day and Members of the Legislature:

Chapter 468 of the Laws of 2013 authorized the County of Rockland (County) to issue debt totaling \$96 million to liquidate the accumulated deficit in the County's general fund as of December 31, 2012. Additionally, Chapter 468 requires the County to submit to the State Comptroller each year, starting with the fiscal year during which it was authorized to issue obligations and for each subsequent fiscal year during which the deficit obligations are outstanding, its proposed budget for the next succeeding fiscal year.

The budget must be submitted no later than 30 days before the date scheduled for the County Legislature's vote on its adoption or the last date on which the budget may be finally adopted, whichever is earlier. The State Comptroller must examine the proposed budget and make recommendations for any changes that are needed to bring the proposed budget into balance. Such recommendations are made after the examination into the estimates of revenues and expenditures of the County.

The County Legislature (Legislature), no later than five days prior to the adoption of the budget, must review all recommendations made by the State Comptroller and may make adjustments to its proposed budget consistent with those recommendations contained in this report.

Our Office has recently completed a review of the County's budget for the 2017 fiscal year. The objective of the review was to provide an independent evaluation of the proposed budget. Our review addressed the following question related to the County's budget for the 2017 fiscal year:

- Are the significant revenue and expenditure projections in the County's proposed budget reasonable?

To accomplish our objective in this review, we requested your proposed budget, salary schedules, debt payment schedules and other pertinent information. We identified and examined significant estimated revenues and expenditures for reasonableness with emphasis on significant and/or unrealistic increases or decreases. We analyzed, verified and/or corroborated trend data and estimates, where appropriate. We identified any significant new or unusually high revenue or expenditure estimates, made appropriate inquiries and reviewed supporting documentation to determine the nature of the items and to assess whether the estimates were realistic and reasonable. We also evaluated the amount of fund balance appropriated in the proposed budget to be used as a financing source and determined if the amount of fund balance was available and sufficient for that purpose.

The scope of our review does not constitute an audit under generally accepted government auditing standards (GAGAS). We do not offer comments or make specific recommendations on public policy decisions, such as the type and level of services under consideration to be provided.

The proposed budget package submitted for review for the 2017 fiscal year consisted of the following:

- Budget letter
- 2017 proposed budget
- Supplementary information.

The proposed budget submitted to our Office is summarized as follows:

Fund	Appropriations and Provisions for Other Uses	Estimated Revenue	Appropriated Fund Balance	Real Property Taxes
General	\$533,440,550	\$412,172,995	\$1,252,555	\$120,015,000
County Road	\$14,862,620	\$14,862,620		
Road Machinery	\$1,671,410	\$1,671,410		
Hospital	\$22,181,265	\$22,181,265		
Sewer	\$37,785,015	\$35,690,855 ^a	\$2,094,160	
Internal Services	\$26,246,000	\$26,246,000		
Liability	\$0	\$0		
Unemployment	\$0	\$0		
Workers' Compensation	\$4,292,115	\$4,292,115		
Debt Service	\$64,083,650	\$60,407,650	\$3,676,000	
Totals	\$704,562,625	\$577,524,910	\$7,022,715	\$120,015,000

^aThis includes \$12,412,985 of sewer property benefit tax.

Based on the results of our review, except for the matters described below, we found that the significant revenue and expenditure projections in the proposed budget are reasonable.

Our review disclosed the following items which should be reviewed by County officials for appropriate action. Good management practices require that County officials take prompt action concerning our recommendations. We believe that prompt action by County officials will help improve the County's financial condition.

Outstanding Deficit

The County had a deficit of \$16.1 million¹ in the general fund at the end of the 2015 fiscal year that was not liquidated by the obligations issued pursuant to Chapter 468 of the Laws of 2013. County officials project the deficit will be approximately \$10 million at the end of the 2016 fiscal year. The Legislature adopted a local law to pay down the outstanding deficit by \$4 million annually until the deficit was eliminated. Irrespective of the validity of that local law, the County must have a plan to reduce this deficit over a specific period of time. The 2017 proposed budget does not include provisions for this. County officials stated that they intend to use the 2016 projected surplus to reduce the deficit. In addition, they stated that any surplus from the 2017 budget will be applied to the deficit.

Collective Bargaining Agreements

The County's contracts with all 10 of its bargaining units have expired and the County is currently negotiating with the respective bargaining units for new contracts. The County faces potential increased salary costs when these contracts are settled. We recommend that County officials consider the potential financial impact of contract settlements when finalizing the 2017 budget.

Tax Cap Compliance

Chapter 97 of the Laws of 2011 established a tax levy limit on all local governments, which was effective beginning in the 2012 fiscal year. The law precludes local governments from adopting a budget that requires a tax levy that exceeds the prior year tax levy by more than 2 percent or the rate of inflation, whichever is less, unless the governing board adopts a local law to override the tax levy limitation.

The County's proposed budget complies with the tax levy limit because it includes a tax levy of \$120,015,000, which is within the limits established by law. In adopting the 2017 budget, the Legislature should be mindful of the legal requirement to maintain the tax levy increase to no more than the tax levy limit as permitted by law, unless it adopts a local law to override the cap.

Recommendations

The County Executive and the Legislature should:

1. Develop and implement a formal plan that will eliminate the County's accumulated deficit over a specified period of time.

¹ The deficit amount is based on the 2015 audited financial statements.

2. Consistent with a plan to reduce the remaining deficit in the general fund, ensure that the 2017 adopted budget will result in a decrease of the deficit.
3. Assess the sufficiency of the appropriation for salary costs and increase the appropriation as necessary.

The Legislature has the responsibility to initiate corrective action. Pursuant to Section 35 of New York State General Municipal Law, the Legislature should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days. We encourage the Legislature to make this plan available for public review in the County Clerk's office. For guidance in preparing your plan of action and filing this report, please refer to the attached documents.

We request that you provide us with a copy of the adopted budget.

We hope that this information is helpful to you as you adopt the upcoming budget for the County. If you have any questions on the scope of our work, please contact Ms. Tenneh Blamah, Chief Examiner of the Newburgh Regional Office, at (845) 567-0858.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

cc: Stephen F. DeGroat, Commissioner of Finance
Steven J. Grogan, Deputy Budget Director
Paul Piperato, County Clerk
Members of the Rockland County Legislature
Laurence O. Toole, Clerk of the Legislature
Hon. Catharine Young, Chair, NYS Senate Finance Committee
Hon. Herman D. Farrell, Jr., Chair, NYS Assembly Ways and Means Committee
Hon. Kenneth Zebrowski, NYS Assembly
Hon. Ellen Jaffe, NYS Assembly
Hon. James Skoufis, NYS Assembly
Hon. Karl Brabenec, NYS Assembly
Hon. David Carlucci, NYS Senate
Hon. William J. Larkin, Jr., NYS Senate
Robert Mujica Jr., Division of the Budget
Andrew A. SanFilippo, Executive Deputy Comptroller
Tenneh Blamah, Chief Examiner