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November 12, 2014

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

Report Number: B6-14-24

Dear County Executive Day and Members of the Legislature:

Chapter 468 of the Laws of 2013 authorizes 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 of the budget 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 make adjustments to its proposed budget consistent with the recommendations contained in this report.

Our Office has recently completed a review of the County's budget for the 2015 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 2015 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.

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 2015 fiscal year consisted of the following:

- Budget letter
- 2015 Proposed budget
- Supplementary information

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

Fund	Appropriations and Provisions for Other Uses	Estimated Revenues	Appropriated Fund Balance	Real Property Taxes
General	\$539,151,590	\$431,073,210	\$0	\$108,078,380
County Road	\$13,896,055	\$13,896,055	\$0	\$0
Road Machinery	\$1,608,965	\$1,608,965	\$0	\$0
Hospital	\$77,185,540	\$77,185,540	\$0	\$0
Sewer ^a	\$37,931,465	\$35,409,360	\$2,522,105	\$0
Internal Services	\$29,633,410	\$29,633,410	\$0	\$0
Liability	\$3,012,800	\$3,012,800	\$0	\$0
Unemployment	\$700,000	\$700,000	\$0	\$0
Workers' Compensation	\$4,274,500	\$4,274,500	\$0	\$0
Debt Services	\$64,639,675	\$56,331,900	\$8,307,775	\$0
Totals	\$772,034,000	\$653,125,740	\$10,829,880	\$108,078,380
^a This includes \$12,278,825 of sewer property benefit tax.				

Based on the results of our review, we found that the significant revenue and expenditure projections in the proposed budget are reasonable, except for the possible revenue shortfall related to the expiration of the County mortgage recording tax law.

At the end of the 2014 fiscal year, the County's outstanding deficit will be approximately \$41 million. In 2012, the Legislature passed a local law to pay down this outstanding deficit by \$10 million annually until the deficit was extinguished. The 2015 proposed budget has appropriately

included an appropriation of \$10 million to be applied against the outstanding deficit. We commend County officials for taking positive action to begin reducing the remaining deficit.

County Mortgage Recording Tax

In the 2015 budget, the County has included \$3.4 million as revenue from the County mortgage recording tax. However, the law permitting the County to collect this revenue is due to expire on February 21, 2015. The Legislature must pass a law to extend the mortgage recording tax law or the County will face a revenue shortfall of approximately \$2.9 million after the law expires. If the Legislature does not pass this legislation, County officials will either have to find another source of revenue to cover this shortfall or reduce existing appropriations.

Tax Cap Compliance

The State Legislature and the Governor enacted Chapter 97 of the Laws of 2011 that established a tax levy limit on all local governments and school districts, 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 2015 budget complies with the tax levy limit because it includes a tax levy of \$108,078,380, which increases the 2015 tax levy within the limits established by law.

Recommendation

1. The Legislature must either renew the County mortgage recording tax, find another source of revenue or reduce appropriations to cover revenue shortfalls.

As noted previously, the Common Council has the responsibility to initiate corrective action to address the recommendations in this report. We request that you provide us with a copy of the adopted budget.

In addition, pursuant to Section 35 of General Municipal Law, the Board should prepare a plan of action that addresses the recommendation in this report and forward the plan to our office within 90 days. We encourage County officials 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 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 our Newburgh Office, at (845) 567-0858.

Sincerely,

Gabriel F. Deyo

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