



ULSTER COUNTY
COMPTROLLER'S OFFICE
Elliott Auerbach, Comptroller

Unfilled Vacancies, Turnover Savings, & Budget Transfers

1st Quarter 2017

May 1, 2017

The mission of the Ulster County Comptroller's Office is to serve as an independent agency of the people and to protect the public interest by monitoring County government and to assess and report on the degree to which its operation is economical, efficient and its financial condition sound.

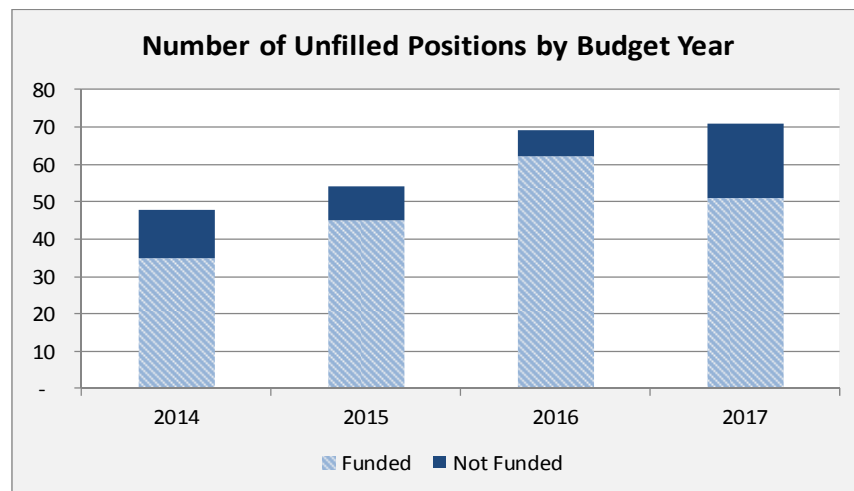
Comptroller's Quarterly Reports

§ C-57(I) of the Ulster County Charter charges the Office of the Ulster County Comptroller (“Office”) with the task of submitting reports on at least a quarterly basis to the Legislature and Executive regarding the financial condition, efficiency, and management of the County of Ulster’s (“County”) finances, as well as posting these reports on the County website. In furtherance of this responsibility, our Office regularly produces reports and audits that reflect upon the County’s financial status and its managerial performance, with the dual goals of (1) empowering County administrators and lawmakers and (2) informing Ulster taxpayers as to the issues impacting the expenditure of their tax dollars. All of our Office’s reports and audits are also made available on our website (www.youreyesonulster.com).

Notwithstanding the regularity of such reports throughout the year, it is our Office’s practice to produce Quarterly Reports highlighting financial issues on timely topics impacting taxpayers. Our 4th Quarter Report of 2016 focused on the Budgeting of Revenues and Expenditures. This report focuses on positions of employment that are unfilled/vacant, associated savings that could result from staff turnover, and budgetary transfers from regular pay lines.¹

Unfilled Vacancies

For the purposes of this report, an “unfilled vacancy” is a full-time position that is identified as unoccupied at some point during the development of the proposed Executive Budget.² The information relied upon for this report was provided to our Office by the Ulster County Budget Director in the form of unfilled vacancy listings that were utilized as part of the 2014-17 Executive Budget preparation and review processes. Using those listings, we subsequently located the related position numbers within each Executive Budget in order to determine whether a given position was funded. Many positions are annually budgeted for a full year’s salary while some positions remain unfunded. The following chart displays the total number of unfilled vacancies for each budget year from 2014-17 while distinguishing funded positions from those that are not funded:

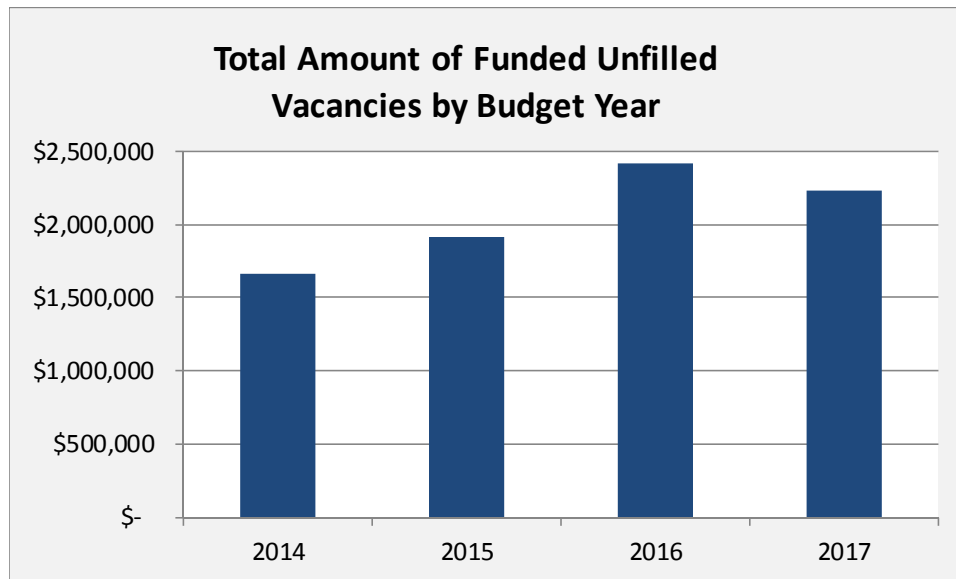


¹ The data presented herein relies upon the accuracy of Ulster County and national data available at the time of its preparation. This report is intended to inform taxpayers and local officials of general trends and Ulster’s positioning in the midst of those trends. Future reports will continue to identify fiscal and performance issues relevant to the effective operation of government, with a constant goal of encouraging educated public discourse and decision making by voters and policy makers in Ulster County.

² The data that is referenced and analyzed herein pertains to positions that were vacant during the course of each year’s Executive Budget construction process and position statuses may have changed at any point.

The total number of unfilled vacancies has increased each year from 2014-17, and the number of funded unfilled vacancies increased annually from 2014-16. Only in 2017 was there a slight decrease in funded unfilled vacancies after a four-year high in 2016. On average, of the 61 total unfilled vacancies per year from 2014-17, 48 of those were funded (or approximately 79%).

The following chart displays the total salary amounts included in the 2014-17 Executive Budgets that can be attributed to funded unfilled vacancies:



The chart shows a \$591k increase in the total dollar amount associated with funded unfilled vacancies over the four year span from 2014-17. For 2017, funded unfilled positions decreased by \$167k from a four-year high in 2016. According to the data provided, the 2017 Executive Budget funded approximately \$2.25M in unfilled vacancies.

It is fairly common for funded unfilled vacancies to appear on consecutive listings across multiple budget cycles. We noted that about one-third of the funded unfilled vacancies within the 2017 Executive Budget could be found on the previous year's unfilled vacancy listing. Further, the 2017 Executive Budget accounted for more than \$759k worth of funded unfilled vacancies that were noted on previous listings, including: about \$371k listed for two consecutive years, about \$322k listed for three consecutive years, and about \$66k listed for all four years.

The following chart displays the 2017 funded unfilled vacancies by Department, as identified as part of the 2017 Executive Budget process:

2017 Funded Unfilled Vacancies During the Budget Process				
Department	# of Funded Vacancies	Funded Salaries	Number of Vacancies Listed in both 2016 and 2017	Salaries of Vacancies Listed in both 2016 and 2017
Central Data	2	144,217	1	65,975
Clerk	1	37,201	-	-
County Attorney	1	71,526	-	-
DPW	12	453,156	2	90,425
DSS	18	673,110	11	370,752
Finance	1	84,157	-	-
Jail	2	86,860	1	43,430
Mental Health	4	261,662	1	78,770
Probation	1	56,181	-	-
Public Health	4	153,117	2	60,151
Safety	1	45,646	-	-
Sheriff	4	182,623	1	49,587
Total	<u>51</u>	<u>\$ 2,249,456</u>	<u>19</u>	<u>\$ 759,090</u>

For 2017, there were 51 funded unfilled vacancies across 12 Departments of County government. The Department of Social Services (“DSS”) and Department of Public Works (“DPW”) ranked the highest and second highest, respectively, in terms of number of funded unfilled vacancies and corresponding salary amounts for 2017. Seven Departments, representing 19 vacancies, listed funded unfilled vacancies over the past two budget cycles at nearly \$760k.

It is true that funding unfilled vacancies provides for maximum hiring flexibility, and unspent monies will revert back to the general fund at the end of the year if not transferred for other uses. However, this type of financial planning also allows for a significant cushion against overages and other expenditures within the budget. Annual expenses are automatically inflated by operating under the artificial assumption that every funded unfilled vacancy will be filled as of the first of the year and remain so for the entire year – a misnomer that is evidenced by many of the examined funded vacancies remaining unfilled for all of a year, part of it, or even multiple years. Thus, the funding of vacant positions that remain unfilled for a prolonged period can create a deceptive budget savings or may provide a large sum of money for other incidentals.

Currently, there is no County policy regarding the formal assessment and elimination of unfilled vacancies.³ However, many municipalities across the United States have developed policies and procedures governing the review and reduction of vacant positions. For example, Marathon County, Wisconsin requires its County Administration to delete “positions which are vacant for a period of 15 months [...] from [payroll], unless an extension [of up to 12 months in light of special

³ Our research did not reveal any such Legislative policies or Executive procedures on this topic. Also, our request to the Personnel Department for information did not receive a response.

circumstances] is granted by County Administration.”⁴ Also, Marion County, Oregon adopted a general policy that “personnel positions that have not been filled or are not currently under recruitment during the current fiscal year shall not be included in a department’s requested annual budget for the ensuing fiscal year [unless an exception has been granted by the Budget Director due to justification by, and additional recruitment efforts on behalf of, a department].”⁵

Therefore, Ulster County should develop a policy to at least address the issue of funded unfilled vacancies in order to contain their fiscal impact to the budget. A policy should include a monitoring and evaluation process for all funded positions that would ensure they are either filled in a reasonable amount of time or they are considered for termination after the position has remained unfilled for a set duration. Such a policy could prompt the County to either reduce the amount of revenues needed to support expenditures – even potentially lowering the tax levy – or fund other significant and priority expenditure areas with greater accuracy. Further, instead of using unspent monies – arising from funded unfilled vacancies – as a buffer against over expenses, more dollars should be set aside in contingency at the onset of the budget’s creation. This action would increase openness, accountability, and scrutiny surrounding the budgetary process by encouraging more Legislative involvement in crafting a transparent budget and offering less discretion to the Executive to re-designate already appropriated monies.

Moreover, the elimination of filled positions due to budgetary concerns should only be secondary to the reduction of funded unfilled vacancies. When a vacant position has remained unfilled for a long duration of time, it suggests that the position is not essential and should be considered for removal.

Savings as a Result of Staff Turnover

As previously mentioned, the County budgets all filled positions and/or funded unfilled vacancies as if they will remain filled for the entire year. In doing so, County budgets do not account for any savings as a result of unpaid salaries. “Turnover savings” represents the portion of personnel expenditures that is saved when budgeted (i.e. funded) positions go unfilled or have periods of vacancy throughout the year. It is expected that there will be employee turnover to some degree during the budget year for any larger municipality. An estimation of expected or potential turnover can be implemented into the budget process by applying a calculation of the savings to the entire municipality or to certain departments that are more likely to experience turnover.

Some of the benefits enjoyed by implementing turnover savings into the budget process include:

- Mitigating expenditures by applying turnover savings toward other programs or supplementing revenues (e.g. property tax) required to support County operations;
- Limiting transfers of salary line savings to other expenditure categories; and
- Promoting accuracy in projecting revenues and expenditures.

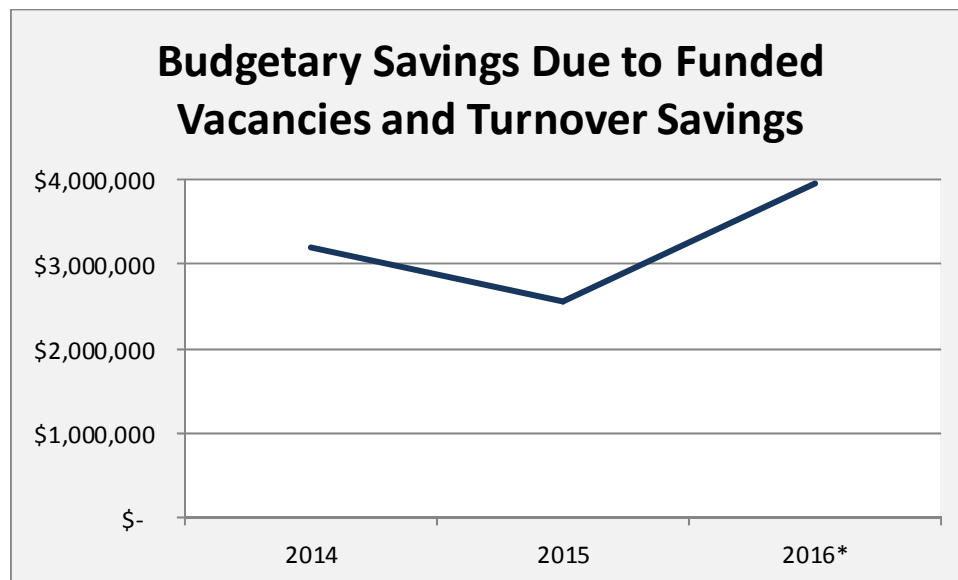
Budgetary Savings

By funding unfilled vacancies and not accounting for savings as a result of staff turnover in the budget process, an expected budgetary remainder is created within regular pay expenditure lines. This fact is noted by the County’s budget analysts each year when they review the Executive Budget,

⁴ See Section 4.18-Vacant Position Control, Marathon County, Wisconsin – Code of Ordinances. Available at https://www.municode.com/library/wi/marathon_county/codes/code_of_ordinances?nodeId=CH4PEPO

⁵ See Marion County Administrative Policies and Procedures No. 306 (Vacant Positions Termination) (June 2005). Available at <http://apps.co.marion.or.us/APAP/policy.aspx?p=policy&pid=306>

as they note a “favorable variance” in salaries. According to the budget analysts, the budgetary savings for salaries (including the savings realized from both positions that started the year as vacant and those that experienced turnover) was as follows:



*Estimated by budget analyst as part of the 2017 Executive Budget review

The budgetary savings shown above represents the amount that salaries were over budgeted during the budget process. On average, the over budgeted amount has been \$3.2M over the past three years, which begs the question of whether it should be considered as a true budgetary savings or one that should be expected on an ongoing basis. If the savings is expected then the budget was passed with knowledge that it did not project salary expenses as accurately as possible from the start. Questions also arise as to whether these savings will actually remain in their respective salary lines at the end of the year or whether they should be transferred to another category of expenses.

Budget Transfers

The County budget is passed with the intent to safeguard against excess expenditures or expenses without a reasonably budgeted appropriation. However, there are many instances as the year progresses in which an expenditure line may need to be adjusted to avoid overdrawing the account. This adjustment requires a budget transfer, which moves appropriated money from one account to another. One of the main benefits to implementing turnover savings in the budget is it would reduce the amount of annual savings that can be diverted or transferred to cover other expenditure lines via budget transfers.

§ C-40 of the Ulster County Charter requires Legislative approval for inter-departmental and inter-programmatic budget transfers and also speaks to the prevention of transferring appropriations from salary lines when the transfer would “reduce the rate of pay or annual salary of any County employee.” However, the Executive is granted broad discretion as far as the ability to unilaterally move appropriations *within* departments or programs. Of the more than \$2.3M transferred from regular pay lines to other expenditure lines in 2016: over \$430k was transferred to contractual expenditures, over \$1M was transferred to employee benefit lines, and the remainder was transferred to cover other personnel costs (e.g. overtime, part-time, etc.). These transfers only include those made from “regular pay lines,” which are associated with specific position numbers in the budget; in order to transfer from



these lines, the money must be coming from either funded unfilled vacancies or savings related to turnover from specific positions.

It is worth highlighting the following examples of budget transfers from regular pay lines in 2016:

- Many of the transfers were done near year end under the authority granted to the Commissioner of Finance from Resolution No. 484 of 2016, which allowed the Commissioner to “make transfers of funds and budgetary amendments as are required to properly close out the 2016 financial records of the County[.]” This action essentially amends a given appropriation line from appearing as initially under budgeted.
- The Sheriff’s regular pay line for the jail was increased \$238k from the contingency account via Resolution No. 408 of 2016 to fund the settlement of contract negotiations. Once funded, there were six subsequent transfers out of this line to other expenditure areas, totaling \$225.5k. Thus, the Legislature approved the use of contingency monies to fund the regular pay line, and after the line was funded, the appropriation was diverted to other areas, including: \$60k transferred to contractual expenditures, \$48k transferred to benefits, and the remainder transferred to overtime and 207-C expenditures.
- In October 2016, the Purchasing Department had a \$48,000 transfer out of its regular pay line to supplement postage expenditures regarding the ballot referendum on moving the Ulster County Family Court. In December, a \$20k transfer from this line was made to supplement postage, advertising, and printing. After these transfers, \$30k from contingency and \$7.8k from retirement was transferred back into the regular pay line via the powers of Resolution No. 484 of 2016. Essentially, contingency funds were utilized for postage since the funds were transferred back.

Conclusion

The County should develop policies that (1) analyze and consider unfilled vacancies for elimination once they have remained unfilled for a certain period of time, (2) determine the appropriateness of implementing turnover savings calculations into the budget process, and (3) strengthen the Legislature’s oversight regarding shifting appropriations after the enactment of a budget, including the increase of contingency levels. As such, the County should also support a policy along the lines of proposed Local Law No. 2 of 2017, “prohibit[ing] the transfer of payroll related expenditures designated for Ulster County employment positions as itemized in the annual budget, to other budgetary lines during the course of a year, unless and until prior Legislative approval is given.” This combination will reduce the illusory budget savings, facilitate more accurate personnel costs in regard to contract negotiations, and control the total amount available to be diverted from regular pay lines to other expenditure areas that were not included or reasonably accounted for within the original budget.

The GFOA “encourages every government to consider forecasting procedures that would result in more accurate expenditure projections, especially as they relate to personnel.”⁶ Implementing changes to the budget process to account for logical turnover rates, as well as developing sound policies regarding transfers and funding unfilled vacancies, helps ensure Ulster County appropriates expenditures as the Legislature intended in the original budget. By reducing the number of non-

⁶ See *gen* “Best Practice: Effective Budgeting of Salary and Wages,” by the Government Finance Officers Association (GFOA) (Approved 2010). Available at <http://gfoa.org/effective-budgeting-salary-and-wages>

essential unfilled vacancies and reigning in the excessive use of budget transfers, the Legislature will fortify their power to appropriate funds by limiting the ability of the Executive to change aspects of the budget during the year without meaningful approval. Such policies would further increase efficiencies, as Department heads would either have less access to, or have to justify the need for, the use of funds appropriated for wages for other reasons.