

Office of the Ulster County Comptroller
Adele B. Reiter, Comptroller



August 8, 2019

First Quarter Financial Report
(For the Quarter ended March 31, 2019)

Unfilled Vacancies

*As Prepared by Staff/Approved and Reviewed by
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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.

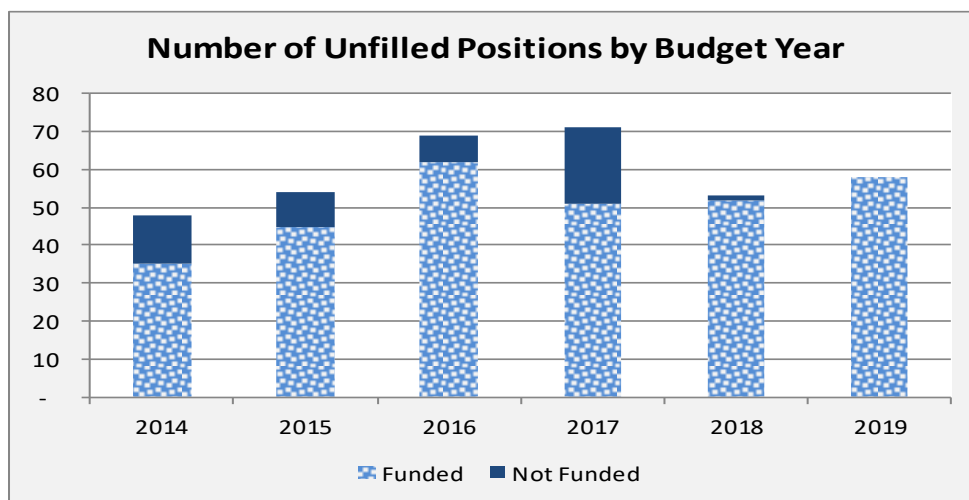
Overview

This report provides information pertaining to unfilled vacancies, turnover savings, and their effect upon the budget process in Ulster County. The data and analyses presented herein are intended to assist in the planning of future appropriations for personnel, as well as to evaluate the County's historical budget performance related to salary savings.

Note: We reviewed amounts as reported within Ulster County's 2014-19 Executive and Adopted Budgets in addition to data received from the Commissioner of Finance. 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 Executive Budget.¹ Positions may have been filled, modified, or eliminated at any point in time prior to the Executive Budget being finalized. Therefore, actual results may vary and are subject to change.

Unfilled Vacancies

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 2014-19 Executive Budget preparation and review processes. Using those listings, we subsequently located the related position numbers within each Executive Budget to determine whether a given position was funded. Many positions are budgeted for a full year's salary, but some remain unfunded. The following chart displays the total number of unfilled vacancies at the time vacancy listings were created for each budget year from 2014-19 while distinguishing funded positions from those that are not funded:

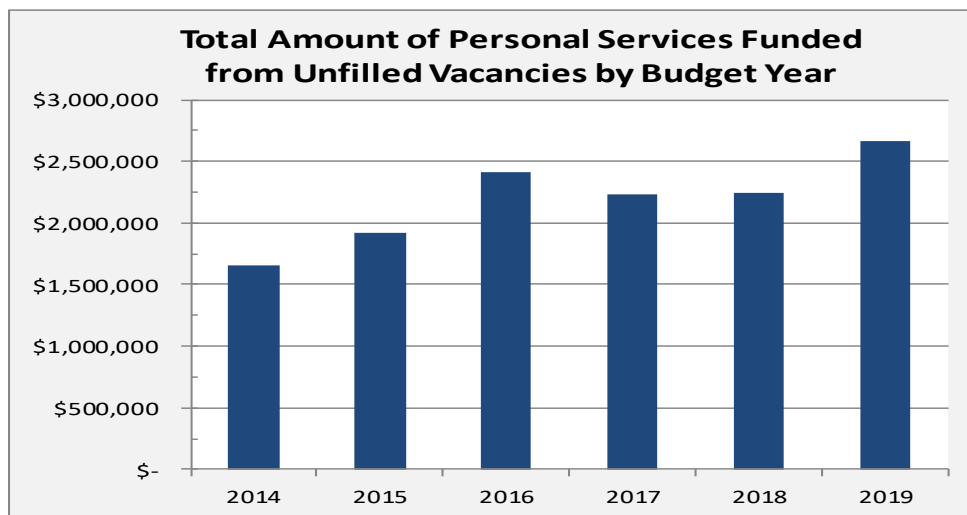


On average, 59 total unfilled vacancies, including 49 funded but unfilled positions existed each year from 2014-19 at a point in time as identified during the budget process. Unfunded vacant positions may arise from departmental budget requests that were denied or previously filled positions that were deemed unnecessary within the current budget.²

¹ 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 since the construction of the vacancy listing that was used as a basis for this report.

² See *gen* "Managing the Personnel Budgeting Process," by John Fishbein and David Vebaun. Government Finance Review (August 2009). Available at https://www.gfoa.org/sites/default/files/GFR_AUG_09_67.pdf

The following chart displays the total salary amounts included within the 2014-19 Executive Budgets that can be attributed to funded but unfilled vacancies:



Annual funding for unfilled vacancies averaged \$2.14 million over this six-year span. According to the data provided, if funded vacancies remained unoccupied then the 2019 Executive Budget would have included approximately \$2.60 million toward those positions. However, it is important to note that some of the unfilled positions identified herein may be dependent upon state and/or federal aid (i.e. despite certain positions appearing as a funded vacancy above, a corresponding partial or full revenue source is connected to the salary that would offset potential savings).

As previously mentioned, there is strong potential for the status of vacant positions to change prior to the ratification of the budget each year. Therefore, it is more relevant to identify the positions that have remained vacant for multiple budget cycles, as well as the amount of savings associated with budgeted to actual regular pay expenditures that arises from unfilled vacancies and staff turnover.

When we previously reviewed this topic in 2017, there were 51 funded vacancies as part of the listing used during the 2017 Executive Budget process. We found that 19 of those 51 positions went unfilled for at least two consecutive budget cycles, accounting for more than \$759 thousand worth of funded unfilled vacancies that were noted on multiple listings.

The two following charts display the funded unfilled vacancies by department during the 2018 and 2019 Executive Budget processes that have been listed over consecutive years:

2018 Funded Unfilled Vacancies During the Executive Budget Process		
Department	Number of Vacancies Listed in both 2017 & 2018	Salaries of Vacancies Listed in both 2017 & 2018
DPW	6	\$ 233,724
DSS	6	234,532
Mental Health	2	136,331
Public Health	1	33,489
Safety	1	45,821
Total	16	\$ 683,897

Of the 52 funded unfilled vacancies within the 2018 Executive Budget, 16 could be found on the previous year’s vacancy listing, totaling almost \$684 thousand. It is encouraging to note that the Legislature and Administration acknowledged aspects and recommendations of our previous report, lowering the total dollar amount of salaries from funded unfilled vacancies repeating more than one budget cycle from \$759 thousand (in 2017) to \$684 thousand (in the budget process in 2018). The 2018 amount was even further reduced to \$575 thousand after legislative review and approval of the 2018 Adopted Budget.

2019 Funded Unfilled Vacancies During the Executive Budget Process		
Department	Number of Vacancies Listed in both 2018 & 2019	Salaries of Vacancies Listed in both 2018 & 2019
DPW	2	\$ 77,235
Jail	2	90,494
Mental Health	1	82,270
Total	<u>5</u>	<u>\$ 249,999</u>

As summarized above, the vacancy listing used as part of the 2019 Executive Budget process showed both the least number of positions and the lowest total dollar amount for salaries in consecutive listings over the past three years. Only 5 of the 58 funded unfilled vacancies identified as part of the 2019 Executive Budget process could be found on the previous year’s vacancy listing, amassing to \$250 thousand in salaries.

We commend County officials for tightening budget practices regarding the funding of unfilled vacancies that appear on consecutive listings after our initial review, as strongly evidenced by the aforementioned reductions since 2017.

Savings as a Result of Staff Turnover

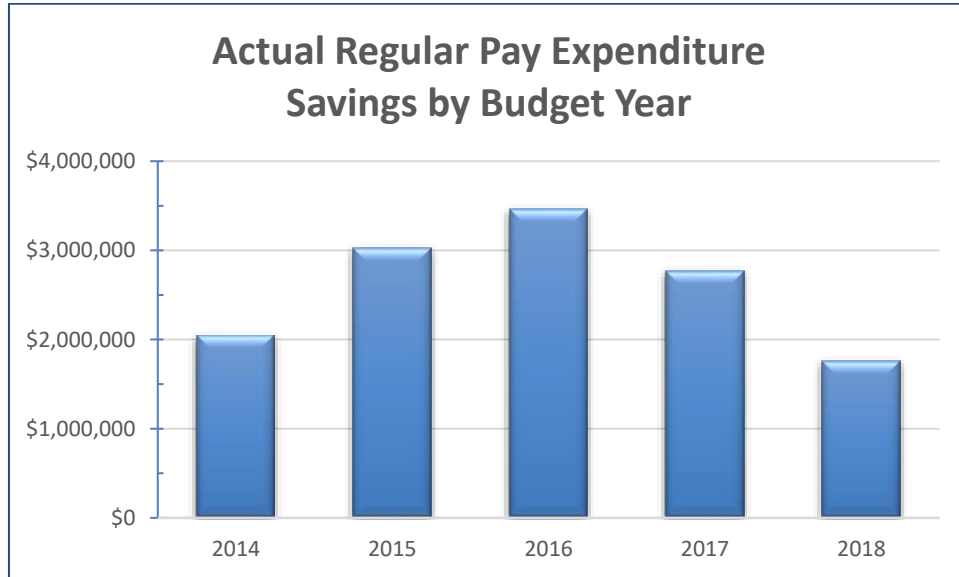
As previously mentioned, the County budgets all filled positions and funded unfilled vacancies as if they will remain occupied for the entire year. In doing so, County budgets do not account for any savings because of unpaid salaries. “Turnover savings” represents the portion of personnel expenditures that is saved when budgeted (i.e. funded) positions go unfilled or have periods of vacancy due to separation, disability, retirement, or other reasons throughout the year. It is expected that there will be some degree of employee turnover 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.

Actual Personal Service Expenditure Savings

By funding unfilled vacancies and not accounting for savings because of staff turnover in the budget process, an expected budgetary remainder is created within regular pay expenditure lines. The following chart displays the actual regular pay expenditure savings per year from 2014-18:



Over the past five years, an average annual amount of \$2.6 million has been over-budgeted in regular pay lines. This figure does not include related costs for Social Security, Medicaid, employee benefits, and retirement contributions for funded unfilled vacancies or positions that experience turnover, nor does it account for lost revenues generated by unfilled positions that would have been eligible for state and/or federal aid.

In 2016, the budget to actual difference between regular pay lines peaked at about \$3.5 million, which was a catalyst behind our initial review. According to the Budget Director and as mentioned previously, many positions were deemed unnecessary and eliminated as part of the 2017 budget process. The 2018 savings of \$1.8 million in regular pay represents the most accurate prediction of the five-year period displayed.

Budgeting under the artificial assumption that every funded unfilled vacancy will be filled as of the first of the year and there will be zero vacancies due to retirement, leaves of absence, disability, or employee turnover throughout the year creates a planned cushion by essentially overestimating budgeted regular pay personal service expenditures. The surplus in regular pay traditionally is transferred to cover other personal service expenditure areas, such as, overtime costs, additional part-time employees, and other contractual pay lines that may have been underbudgeted. Also, the regular pay surplus is transferred to non-personal service expenditures during the year that may have been underbudgeted.

Budget Transfers

There are instances as the year progresses in which a budget line may need to be adjusted to avoid overdrawing the account. Therefore, an adjustment – called a budget transfer – may be required to move appropriated money from one account to another. One of the main benefits to implementing policies that better recognize funded unfilled vacancies and turnover savings during the budgetary

process is the reduction of the amount of money available that can be diverted to cover unrelated expenditure lines via budget transfers.

§ C-40 of the Ulster County Charter requires Legislative approval for inter-departmental and inter-programmatic budget transfers and 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.” Any transfer out of the “regular pay lines” that are associated with specific position numbers in the budget must come from either funded unfilled vacancies or savings related to turnover from specific positions. However, the County Executive is granted broad discretion by the Charter, regarding the ability to unilaterally move appropriations within departments or programs.

The 2018 budget transfers from regular pay lines throughout the year totaled \$1.58 million. Of this amount, \$210 thousand was transferred to other regular pay lines. The remaining \$1.37 million was transferred as follows: \$1.067 million to other personal service expenditure lines (e.g. part-time pay, overtime expenses, separation pay, on call expenses, etc.), \$295 thousand to contractual expenditure lines (i.e. \$150 thousand for sand and salt, \$55 thousand for telecommunication service, and \$90 thousand for various repair and maintenance efforts), and \$3,000 to employee benefits.

The 2019 budget transfers from regular pay lines through June 24, 2019, totaled just over \$170 thousand. Of this amount, approximately \$112 thousand was transferred to other regular pay lines. From the remainder, \$40 thousand was transferred to overtime pay and \$18.25 thousand was transferred to contractual expenditure lines. However, it should be noted that most budget transfers occur at the tail end of the budget year when expenditure lines become exhausted.

These amounts represent a small portion of the annual budget, yet strong fiscal oversight regarding transferring monies from a position’s salary to areas outside personal service expenditures should be in place. Further, if a department has multiple transfers from regular pay lines to overtime lines then an analysis should be performed to determine the cost or benefit of either filling a position or paying associated overtime costs. Though a small piece of the budget, budget transfers from unfilled positions should also be of special interest to union leadership, as leaving union positions unfilled translates to less membership.

Conclusion

Though improvements have been made, the County should further implement practices during the Executive Budget and legislative review/approval processes that analyze and scrutinize funded vacancies for elimination after they have remained unfilled for a definitive period of time. The County should also determine the appropriateness of implementing turnover savings calculations into the budget process. Moreover, additional monies – especially from savings associated with long-term unfilled vacancies – could be appropriated to the County’s contingency account at the onset of the budget’s creation instead of over-budgeting departmental personal expenditures for funded vacancies. These actions would greater control the total amount of money available to be diverted from regular pay lines to other expenditure areas that were not accurately budgeted, reduce the illusory budget savings, and facilitate more accurate personnel costs in regard to contract negotiations. These recommendations would increase transparency and accountability while still offering ongoing budgetary flexibility.

Additionally, oversight should be enhanced as far as shifting appropriations from regular pay lines to non-personal service expenditure areas after the enactment of the budget. County leadership should determine the appropriateness of a policy that better manages transfers of payroll related expenditures

designated for employment positions in the budget to non-personal service related expenditures during the course of a year.

The GFOA “encourages every government to consider forecasting procedures that would result in more accurate expenditure projections, especially as they relate to personnel.”³ It seems there have been some improvements to the budget process, as far as analyzing long vacant positions for elimination since our original report. By reducing the number of non-essential unfilled vacancies that are not related to grant or revenue sources and overseeing budget transfers from personal service lines that are redirected to non-personal service areas, the Legislature would better monitor the budget during the year and ensure expenditures are utilized as planned within the Adopted Budget. Such oversight would further increase efficiencies, as department heads would have to better justify the need to use funds for reasons other than personnel expenses as the budget intended.

We thank the Commissioner of Finance and Budget Director for his assistance in supplying vacancy listings for analysis, as well as his candor in reviewing a draft of this report before finalization. We have incorporated several of his suggestions herein and commend the Administration for taking certain actions to reduce the number of unfilled vacancies and associated salary costs that are found year after year.

³ 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>