

SUFFOLK COUNTY LEGISLATURE



BUDGET REFORM COMMISSION

September 16, 2010

To: William J. Lindsay, Presiding Officer and All Suffolk County Legislators
Steve Levy, County Executive

From: Members of the Budget Reform Commission

Subject: Report of the Findings of the Budget Reform Commission Plan In Compliance with Resolution No. 732-2007 as amended by Resolution Nos. 586-2008 and 718-2009

Attached are the findings of the Budget Reform Commission in compliance with Resolution No. 732-2007. The objectives of this Commission are as follows:

- Identify policy options to be incorporated into a plan for joint consideration by the Executive and Legislative branches to decrease the County's dependency on fund balance.
- Study the budgeting, fund balance and reserve fund practices of other municipalities to determine the best practices to incorporate in the recommended plan of action.
- Review and compare Suffolk County's dual budget practices and associated caps with other municipalities to determine the best practices for inclusion in this plan to reduce the County's dependency upon fund balance and moderate any future increases in property taxes.

The Commission was charged with reviewing the following:

1. Dependence on Fund Balance
2. Mandated/Discretionary Split
3. Cap compliance
4. Reserve practices
5. Budget Presentation

To achieve these objectives the Commission adopted the Government Finance Officers Association (GFOA) Criteria for Distinguished Budgeting upon which we conducted an objective self evaluation. We further surveyed award winning GFOA municipalities to review their practices and compare with Suffolk County. The report includes a summary of our recommendations and a discussion of our methodology.

**BUDGET REFORM COMMISSION
REPORT**

**to the
SUFFOLK COUNTY LEGISLATURE
and the
SUFFOLK COUNTY EXECUTIVE**

**In Compliance With
Resolution No. 732-2007**

September 16, 2010

Preface

The Budget Reform Commission presents this report to the Suffolk County Legislature and the Suffolk County Executive in compliance with Resolution No. 732-2007, as amended. The resolution directed the Commission to identify policy options to be incorporated into a plan for joint Legislature and Executive consideration. The Commission was mandated to study and compare the budgeting, fund balance and reserve practices of other municipalities to determine the best practices to incorporate in our recommendations. To achieve this objective the Commission adopted the Government Finance Officers Association Criteria for Distinguished Budgeting. Based upon these criteria we conducted a Self Evaluation to identify our strengths as well as to identify areas for improvement. We further designed an assessment tool to survey GFOA award winning municipalities to review and compare their budgeting practices.

The findings and recommendations of the Budget Reform Commission are not intended as a criticism of Suffolk County's budgeting practices or budget document. Rather, this was a concerted effort on the part of the four financial departments, Legislature, Executive, Treasurer and Comptroller to evaluate our methods and determine where there is opportunity for improvement. We held two public meetings to solicit input. The Commission divided into three major subcommittees to undertake the survey, self evaluation, and examination of certain fiscal policies.

We wish to acknowledge the hard work and dedication of the members of the Budget Reform Commission and their designees who served on the working committees. There were several changes in membership as responsibilities changed and certain former members are no longer associated with County government.

The budget is a fiscal, policy and political document. Therefore the findings and recommendations in this report should be taken in the spirit of cooperation towards a mutual goal of assuring the County budget continues to be a fiscally responsible document with clear policy direction conveyed in a transparent format. Our recommendations are set forth in this report followed by a discussion of the methodology, survey results and self evaluation. We anticipate that with time and the cooperation of the County Legislature and the County Executive these recommendations can be implemented to enhance an already strong budget document.

Table of Contents

Commission Membership	2
Summary of Findings and Recommendations	4
Commission Methodology.	5
Subcommittees	5
Survey Results	6
Expenditures	9
Revenues	9
Performance Measurements	10
Budget Presentation Subcommittee	11
Suffolk County's Strengths in Budget Presentation Compared to GFOA Criteria	11
The Budget as a Policy Document (PD).	11
The Budget as a Financial Plan (FP)	12
The Budget as an Operations Guide (OG)	12
The Budget as a Communications Device (CD).	13
Areas for Improvement in Suffolk County's Budget Presentation Compared to GFOA Criteria	14
The Budget as a Policy Document (PD).	14
The Budget as a Financial Plan (FP)	14
The Budget as an Operations Guide (OG)	16
The Budget as a Communications Device (CD).	16
Fiscal Policies Subcommittee	17
Fund Balance	17
Dual Budget Practices.	19
Cap Laws and Compliance	20
Appendix A	23
Appendix B	26
Appendix C	35
Appendix D	40

Report of the Budget Reform Commission

Resolution No. 732-2007 established the Budget Reform Commission comprised of ten members representing the Suffolk County Legislature, Executive, Treasurer, Comptroller and a representative from the Government Finance Officers Association. The objectives of the Commission are as follows:

- Identify policy options to be incorporated into a plan for joint consideration by the Executive and Legislative branches to decrease the County's dependency on fund balance.
 - Study the budgeting, fund balance and reserve fund practices of other municipalities to determine the best practices to incorporate in the recommended plan of action.
 - Review and compare Suffolk County's dual budget practices and associated caps with other municipalities to determine the best practices for inclusion in this plan to reduce the County's dependency upon fund balance and moderate any future increases in property taxes
1. Dependence on Fund Balance
 2. Mandated/Discretionary Split
 3. Cap compliance
 4. Reserve practices
 5. Budget Presentation

The Commission was charged with studying the practices of other counties and to develop alternative options to decrease the County's dependence on fund balance, reexamine the dual budget practices that divide expenditures and revenues into discretionary and mandated categories, develop less complicated cap laws and more traditional reserve fund practices. The Commission has worked diligently to gather information and explore policy options that would improve the County's fiscal practices. Due to the enormity of the task, Resolution No. 718-2009 extended the deadline for the Commission's report to August 31, 2010.

Suffolk County has ended the last several years with substantial year-end fund balances, including a \$149 million General Fund balance in 2006. Appropriations included in the operating budget are not spent each year due to the necessity to regenerate year-end fund balances. Relying on fund balances for revenue is problematic because failure to regenerate a year-end fund balance may contribute to budget shortfalls that require mitigation through revenue enhancements, draconian cuts in services, sale of assets or accessing of reserves. The recession has severely depleted revenue from sales tax and property taxes and the year end fund balances have decreased significantly.

The dual operating budget required by the Suffolk County Charter divides expenditures into mandated and discretionary portions creating an overly complex budget document.

This Budget Reform Commission considered policy options that would promote a simplified budget document that is transparent to the public.

Suffolk County's cap laws need to be reexamined. Tax levy and expenditure caps require complicated calculations as a result of the dual budget requirement. The Commission focused on ways to simplify cap laws, making calculations straightforward and transparent. This is an area that requires further exploration.

Suffolk County has several reserve funds with restrictions on how funds are appropriated and what they can be spent on. The Budget Reform Commission evaluated these restrictions to determine if they are purposeful and compatible with other municipalities' practices.

Lastly, in an attempt to improve the Suffolk County budget document, the Budget Reform Commission analyzed the current budget presentation and compared it to the budgets of other municipalities. The current budget document is generally well-crafted, but the Commission sought to determine areas where transparency and usability could be enhanced.

Commission Membership

Pursuant to Resolution No. 732-2007, the Commission was comprised of the following members:

Chairman of the Suffolk County Legislature's Budget and Finance Committee

Legislator Ricardo Montano/DuWayne Gregory (Chair)

Presiding Officer of the Suffolk County Legislature

Presiding Officer William J. Lindsay

Suffolk County Executive

Deputy County Executive for Finance and Management

Frederick Pollert/Connie Corso

Minority Leader of the Suffolk County Legislature

Legislator Daniel P. Losquadro

Director of the Legislature's Budget Review Office

Gail Vizzini

Director of the County Executive's Budget Office

Connie Corso/Eric Naughton

Counsel to the Suffolk County Legislature

George Nolan

Suffolk County Comptroller

Joseph Sawicki, Jr.

Suffolk County Treasurer

Angie Carpenter

Representative from the Suffolk Chapter of the Government Finance Officers Association (GFOA)

Jeffery S. Davoli

Providing valued assistance and staff support to the Budget Reform Commission were:

Suffolk County Comptroller's Office

Chief Deputy Comptroller Christina Capobianco,
Executive Director of Accounting Services John D'Amico

Suffolk County Treasurer's Office

Chief Deputy Treasurer Douglas Sutherland
Executive Director of Finance and Taxation Loren Houghton,

Budget Review Office

Legislative Analyst Jill Moss
Legislative Technician Benny Pernice
Principal Clerk Sharen Wagner

Summary of Findings and Recommendations

Suffolk County's operating budget is an extensive and informative document; however it can be improved by making the operating and capital budgets more consistent with the Government Finance Officers Association Criteria for Distinguished Budgeting which include:

Develop a two year operating budget consistent with the two year budget model.

Include a coherent statement of long term financial policies in the operating budget.

Include an explanation of changes in the fund balance that exceed 10% in the operating budget.

Reference the relationship between the capital and operating budget by including the total dollar amount of capital expenditures in the operating budget and the associated debt service.

Provide a consolidated description of the County's debt service policy in the operating as well as the capital budget. Include financial data on current debt obligations, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current and future operations.

Describe if and to what extent significant non-routine capital expenditures, such as the Construction of the Replacement Jail Facility in Yaphank will affect the County's current and future operating budget and the services that the entity provides.

When the fiscal climate improves, return to conservative debt policies such as pay-as-you-go funding and 50% rule for borrowing.

Explain the basis of budgeting for all funds, whether cash, modified accrual, or some other statutory basis in the operating budget.

Give consideration to performance based budgeting. Include and define objective performance measures and provide information on the progress toward accomplishing the government's mission as well as goals and objectives for specific units and programs.

Provide an explanation of the effect, if any, of any planning processes (e.g., strategic plans, long-range financial plans, capital improvement plans, major policy changes) upon the budget and budget process.

Replace the existing cap laws on expenditures in **all** funds with a cap on discretionary expenditures in the combined General Fund and Police District.

Commission Methodology

The Commission held two public meetings on February 7, 2008, and April 22, 2008. At the April 22, 2008 meeting the Commission approved the adoption of the Government Finance Officers Criteria for Distinguished Budget Presentation for Self Evaluation as the standard. In broad terms the GFOA principles for best budget practices are as follows:

- I. Establish broad goals to guide government decision making.
- II. Develop approaches to achieve goals
- III. Develop a budget consistent with approaches to achieve goals
- IV. Evaluate performance and make adjustments.

Subcommittees

The bulk of the Commission's work was done in subcommittees in order to create detailed focus on the specific components of the Commission's charge and make the workload more manageable. The three subcommittees were the Survey Subcommittee, the Budget Presentation Subcommittee, and the Fiscal Policies Subcommittee. Each subcommittee was charged with a particular goal. The first subcommittee coordinated a survey designed to compare Suffolk County's budget process to GFOA award winning municipalities. The survey document was prepared by the Budget Review Office with input from the County Executive's Budget Office, and submitted to the Budget Reform Commission for review. The survey response data was analyzed and summarized.

The second subcommittee conducted a self evaluation of the County's budget presentation using the GFOA self evaluation form. The self evaluation identified areas of strength and areas needing improvement. Several of those improvements have already been incorporated into the budget documents. The third subcommittee was responsible for addressing fiscal policy options concerning cap laws and mandated and discretionary expenses.

The following table shows the working members of each of the Commission's subcommittees and their respective titles.

Survey Subcommittee	
Christina Capobianco (Lead)	Chief Deputy Comptroller
John D'Amico	Executive Director of Accounting Services
Jeff Davoli	GFOA Representative
Loren Houghton	Executive Director of Finance and Taxation
Legislator Montano/Gregory	Chairman of Budget and Finance Committee
Gail Vizzini	Director of Budget Review
Budget Presentation Subcommittee	
Gail Vizzini (Lead)	Director of Budget Review
Connie Corso	Budget Director
Legislator Montano/Gregory	Chairman of Budget and Finance Committee
Fred Pollert	Deputy County Executive for Finance and Management
Fiscal Policies Subcommittee	
Gail Vizzini (Co-Lead)	Director of Budget Review
Connie Corso (Co-Lead)	Budget Director
George Nolan	Legislative Counsel
Christina Capobianco	Comptroller
Doug Sutherland	Treasurer

Survey Results

The mission of the Survey Subcommittee was to analyze the data and summarize the results of the questionnaire that was sent to other municipalities and to report back to the Commission. A copy of the survey is included in this report as Appendix B.

The survey was divided into eight major sections and asked about the following comparative data:

- 1) operating budget format and presentation
- 2) policy issues such as property tax caps, debt policy, and expenditure caps
- 3) feedback about reserve practices and contingency funds
- 4) differentiating between mandated and discretionary expenditures and revenue
- 5) revenue and whether or not counties shared their revenue with other local municipalities
- 6) format and scope of capital budgets
- 7) whether municipalities include performance measures in their budgets
- 8) administrative information

Twenty-seven counties from New York to Hawaii responded to the survey, giving diverse and informative information. Suffolk County had a larger population and 2008 operating budget than all but two of the responding counties (San Bernardino, CA and San Diego, CA). The average population of responding counties was 467,566, about one third of Suffolk's population. The average 2008 operating budget of surveyed counties was \$769,785,617 and the average capital budget was \$134,783,340.

Responding Counties			
Alachua, FL	Howard, MD	Rockland, NY	Tioga, NY
Albemarle, VA	Kent, MI	San Bernardino, CA	Tompkins, NY
Clark, WA	Leon, FL	San Diego, CA	Warren, NJ
Cortland, NY	Maui, HI	Sarasota, FL	Washington, MD
Delaware, NY	Mecklenburg, NC	Sonoma, CA	Wayne, NY
Escambia, FL	Pinellas, FL	Spotsylvania, VA	Wyoming, PA
Henrico, VA	Rensselaer, NY	St. Louis, MN	

The following is a summary of the survey data according to the eight categories presented in the survey document. For many survey questions, respondents left certain categories blank or answers were ambiguous. Accordingly, there may not be 27 responses for each category. The tables below summarize the major findings of the survey.

Operating Budget Presentation		
	Survey Respondents	Suffolk
Average 2008 Operating Budget	\$769,785,617	\$2,808,653,296
General Fund as Average Percentage of total Budget	62.5%	63.3%
Line Item Budget Presentation	11 Yes 15 No	Yes
Multi-year Budget	5 Yes 22 No	No

Of the five counties that have multi-year operating budgets, three counties have two year budgets and two counties have four year budgets. Additionally, each of the responding counties included some form of summary information, whether it was a narrative, budget summary, glossary, budget calendar, or some other format.

Budget Policies		
	Survey Respondents	Suffolk
Reserve Funds	25 Yes 2 No	Yes
Restrict Access to Reserve Funds	17 Yes 8 No	Yes
Expenditure Exceptions for Fund Balance	9 Yes 1 No	No
Policy for General Fund Surpluses	11 Yes 16 No	Yes
Policy for Using Operating Funds for Capital Projects	6 Yes 1 No	Yes
Debt Policy	19 Yes 8 No	Yes
Describe Debt Policy in Either Operating or Capital Budget	18 Yes 4 No	No
Operating Budget Expenditure Caps	2 Yes 22 No	Yes
Property Tax Cap	10 Yes 16 No	Yes
Required to Make Jurisdiction Whole	10 Yes 16 No	Yes
Affected Bond Rating	1 Yes 13 No	No
Turn Over Savings Policy	3 Yes 24 No	Yes

All but two of the surveyed counties indicated that they have reserve funds of some kind. The names and types of these reserve funds varied significantly. Most counties had access restrictions on their reserve funds with the most common restriction being the need for authorization from the legislature or board of supervisors. Nine counties indicated that their Local Laws allow for exceptions for operating budget fund balance expenditures, the most common exception was to use the reserves for debt service. A majority of survey respondents did not have specific General Fund surplus policies. Likewise, only six counties reported having a policy regarding the use of operating funds, or pay-as-you-go, for capital projects. Of those counties with such a pay-as-you-go policy, the most common criterion was related to the useful life of the project.

Nineteen of the counties reported having a debt policy. All but one of these counties included their debt policy in either their operating or capital budget. Eight included it in both budgets, seven in only the operating budget, and three in only the capital budget.

The two counties that have expenditure caps are in California where it is mandated by state law. Of the ten counties that have property tax caps, seven of them are mandated under state law. Clark County, Washington requires a referendum for increases greater than one percent and Washington County, Maryland caps increases at five percent. Most of the surveyed counties are not required to assume responsibility for remitting 100% of the property tax levy to make separate and/or special districts whole; for those that do, school districts, towns, and villages were the most common responses. Only Kent County, Michigan indicated that this policy affected their bond rating; however, they did not specify how.

Only three counties have turnover savings policies. Clark County, Washington limits it to \$2 million, St. Louis County, Minnesota limits it based on the amount in the revenue forecast, and Rockland County, New York mandates that the level of authorized, but vacant positions be limited to 250-300 positions.

Reserved, Unreserved, and Contingency Funds		
	Survey Respondents	Suffolk
Have Reserve Fund in General Fund	22 Yes	Yes
Have Unreserved Fund in General Fund	22 Yes	No
Have Contingency Fund in General Fund	22 Yes	Yes
Have Debt Service Reserve Fund in General Fund	7 Yes	Yes
Restrictions on use of Unreserved Funds	6 Yes 4 No	NA
Restrictions on use of Debt Service Reserve Fund	10 Yes 2 No	Yes

Twenty-two counties indicated that they had reserve funds, unreserved funds, and contingency funds in their General Fund. Seven counties had debt service reserve

funds. Other common funds included retirement reserve, general capital reserve, and tax stabilization reserve.

Survey respondents reported a variety of uses for unreserved funds. The most common use was appropriating funds for one-time expenditures. Other prevalent uses were for capital expenditures and tax levy reductions. Most counties declined to answer whether or not they had restrictions on unreserved fund use. Of the counties that do have restrictions, approval by the County Board or Legislative body was the most frequent response. Restrictions on debt service reserve funds were common, primarily to limiting use solely to debt service.

Expenditures

Ten counties differentiate between mandated and discretionary expenditures. The primary reason for differentiating is to illustrate what spending is within control of local lawmakers, and what is not. Few counties elaborated on the criteria used for determining if expenditures should be included in the mandated or discretionary budget; those that did generally indicated that the mandated budget was comprised of expenditures that were required by the state and federal governments.

Revenues

Seventeen counties indicated that they share their sales tax with other jurisdictions; two counties indicated that they do not share their sales tax, and the remainder either do not collect sales tax or declined to answer.

Jurisdictions Receiving Payment of County Sales Tax	
Towns	11
Cities	10
School Districts	2
Villages	4
Other	2

Distribution formulas were predominantly based on population; however, three counties reported using property tax assessment as the basis for sales tax distribution.

Capital Budget		
	Survey Respondents	Suffolk
Average 2008 Capital Budget	\$134,783,340	\$239,700,798
Separate Adoption Process for Capital and Operating Budgets	5 Yes 18 No	Yes
Average Years in Capital Budget	5.13	5
Limits on Overall Capital Expenditures	6 Yes 18 No	No

The size of the average 2008 Capital Budget for surveyed counties was \$134,783,340. Mecklenburg County, North Carolina had the largest budget, \$751,664,571, and Tompkins County, New York had the smallest budget, \$5,049,951. Most of the responding counties do not have limits on their overall capital expenditures. The counties that limit their overall capital expenditures generally do so in regards to debt service affordability.

Five counties clearly indicated that they have separate adoption processes for their capital and operating budgets. An additional two counties answered “Yes and No,” for a total of seven. The vast majority (18) of survey respondents do not have separate adoption processes.

Most of the counties have fairly thorough capital budget presentations. On average, counties included more than eight of the items on the survey (See Appendix B, Section 6.d.). The average number of years included in the 2008 capital budget and program presentations is 5.13. Two counties only presented one year, two presented two years, thirteen presented five years, four presented six years, one presented eight years, and two presented ten years.

Performance Measurements

Seven counties reported using performance measurements to determine the appropriate level of funding; the remaining 20 counties do not. The following is the response regarding performance measurements from Albemarle County, Virginia.

“Yes. All departments are required to submit performance measurements as part of their budget submission. In addition, all new initiatives must indicate how the success of the initiative will be measured in the future. A team has been put together to review new initiatives after they've been implemented to see if they have met their intended purposes, as measured by their success/failure in meeting stated measures.”

Some counties indicated that they have performance measurements, but they are not directly linked to the level of funding.

Administrative		
	Survey Respondents	Suffolk
Average No. Staff in Executive Budget Office	6.4	24
Legislature Has a Budget Office	4 Yes 22 No	Yes
Average No. Staff in Legislative Budget Office	2.3	24
Average County Population	467,566	1,453,229
Budget Available Online	Yes 26	Yes

Suffolk County's budget and population are larger than the survey averages. Accordingly, there is more staff in both the executive and legislative budget offices. Almost every county surveyed publishes its budget online. We must also note that in dollars Suffolk County is three times larger than the average respondent.

Budget Presentation Subcommittee

The Budget Presentation Subcommittee was responsible for using the GFOA Distinguished Budget Presentation Criteria as a tool for self evaluation of the Suffolk County budget document. The Budget Presentation Subcommittee completed the self evaluation, identified strengths, and focused on areas identified as needing improvement. Several enhancements were included in the County Executive's recommended 2007 operating budget including but not limited to a budget calendar, an explanation of the budget process and a lexicon of terminology. The 2008 recommended budget added an explanation of methodology for major revenue items and the 2009 recommended budget added an explanation of funds. All of these enhancements are consistent with the GFOA criteria for distinguished budgeting.

The following is a summary of the strengths and weaknesses of the Suffolk County Budget Presentation with regard to GFOA standards as presented in the *Detailed Criteria Location Guide* (see Appendix C). The survey was undertaken in 2008. The alpha numeric designations correlate to the GFOA self evaluation criteria.

Suffolk County's Strengths in Budget Presentation Compared to GFOA Criteria

Based upon the self evaluation, the Suffolk County Budget Document has many areas of strength and meets the following GFOA Criteria for Distinguished Budget Presentation.

The Budget as a Policy Document (PD)

- PD3. Includes and describes the County's short-term initiatives that guide the development of the budget for the upcoming year.
- Changes in staffing levels for the budget year are explained.
- PD4. **Mandatory:** The document budget includes a budget message that articulates priorities and issues for the budget for the new fiscal year. The message describes significant changes in priorities from the current year and explains the factors that led to those changes.
- The message highlights the principal issues facing the governing body in developing the budget and describes action to be taken in addressing those

issues (e.g., policy issues, economic factors, regulatory, and legislative challenges).

- The message explains how the priorities for the budget year differ from the priorities of the current year.

PD5. The document includes clearly stated goals and objectives of organizational units and quantifies short-term objectives.

The Budget as a Financial Plan (FP)

FP1. The budget document includes and describes all funds that are subject to appropriation in a narrative or graphic overview of the entity's budgetary fund structure.

FP2. **Mandatory:** The budget document presents a summary of major revenues and expenditures, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the organization.

- Revenues are presented by major type in this schedule (e.g., property taxes, intergovernmental, sales taxes, fees, and charges).
- Expenditures are presented by function, organizational unit, or object in this schedule (Status of Funds).

FP3. **Mandatory:** The budget document includes summaries of revenues and other financing sources and summaries of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and proposed budget year.

- This information is also presented at a minimum for each major fund and for other (e.g., non-major) funds in the aggregate.

FP5. **Mandatory:** The budget document includes projected changes in fund balances, as defined by the entity in the document, for appropriated governmental funds included in the budget presentation.

- The fund balance information is presented for the budget year.
- There is a schedule showing (1) beginning fund balances, (2) increases and decreases in total fund balances (reported separately), and (3) ending fund balances for appropriated governmental funds, both major and minor.

The Budget as an Operations Guide (OG)

OG1. **Mandatory:** The budget document describes activities, services or functions carried out by organizational units (e.g., divisions, departments, offices, agencies, or programs).

- The document provides descriptions of each organizational unit.

- OG2. The document provides objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific units and programs.
- Performance data for individual departments are included in the document.
 - The performance data is directly related to the stated goals and objectives of the unit.
- OG3. **Mandatory:** The document includes an organizational chart(s) for the entire organization.
- OG4. **Mandatory:** A schedule or summary table of personnel or position counts for prior, current, and budgeted years is provided.

The Budget as a Communications Device (CD)

- CD1. The budget document provides summary information, including an overview of significant budgetary issues, trends, and resource choices in the executive narrative.
- The summary information on significant budgetary issues is conveyed in an easy to read format.
- CD4. **Mandatory:** Charts and graphs are used, where appropriate, to highlight financial and statistical information. Narrative interpretation is provided when the messages conveyed by the graphs are not self-evident.
- Charts and graphs are used in the document to convey essential information (e.g., key policies, trends, choices and impacts).
 - The graphics supplement the information contained in the narrative.
- CD5. The budget document provides narrative, tables, schedules, or matrices to show the relationship between functional units, major funds, and non-major funds in the aggregate.
- The relationship between the entity's functional units, major funds, and non-major funds in the aggregate is explained or illustrated.
- CD6. **Mandatory:** The document includes a table of contents to make it easy to locate information in the document.
- A comprehensive table of contents is provided to help the reader locate information in the document.
 - All pages in the document are numbered or otherwise identified.
 - The page number references in the budget or electronic table of contents agree with the related page numbers in the budget or electronic submission.
- CD7. A glossary is included for any terminology (including abbreviations and acronyms) that is not readily understandable to a reasonably informed lay reader.

- The glossary defines technical terms related to finance and accounting, as well as non-financial terms related to the entity.
- Acronyms or abbreviations used in the document are defined in the glossary.
- The glossary is written in non-technical language.

CD9. The document should be produced and formatted in such a way as to enhance its understanding by the average reader. It should be attractive, consistent, and oriented to the reader's needs.

- Is page formatting consistent?
- Are text, tables, and graphs legible?
- Are budget numbers in the document accurate and consistent throughout the document?

Areas for Improvement in Suffolk County's Budget Presentation Compared to GFOA Criteria

Based upon the self evaluation, the Suffolk County Budget Document could be improved to meet the following GFOA Criteria for Distinguished Budget Presentation.

The Budget as a Policy Document (PD)

PD1. **Mandatory:** The document should include a coherent statement of entity wide long-term financial policies.

- Is there a summary of financial policies and goals? No
- Do the financial policies include the entity's definition of a balanced budget? No
- Are all financial policies presented in one place? No

PD2. The document should include a coherent statement of entity-wide, non-financial goals and objectives that address long-term concerns and issues.

- Are non-financial policies/goals included? No
- Are these policies/goals included together in the Budget Message or in another section that is separate from the departmental sections? No

The Budget as a Financial Plan (FP)

FP4. **Mandatory:** The document shall describe major revenue sources, explain the underlying assumptions for the revenue estimates, and discuss significant revenue trends.

- Are individual revenue sources described? No
- Do the revenue sources that are described represent at least 75% of the total revenues of all appropriated funds? No
- Are the methods used to estimate revenues for the budget year described (e.g., trend analysis, estimates from another government or consulting firm)? No

- If revenues are projected based on trend information, are both those trends and the underlying assumptions adequately described? No

Note: This was added in the 2008 recommended operating budget.

FP5. **Mandatory:** The document shall include projected changes in fund balances, as defined by the entity in the document, for appropriated governmental funds included in the budget presentation (fund equity if no governmental funds are included in the document).

- If fund balances of any major fund or the non-major funds in the aggregate are anticipated to increase or decline by more than 10%, does the document include a discussion of the causes, and/or consequences of these changes in fund balance? No

FP6. **Mandatory:** The operating budget document should include budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget.

- Does the document define and indicate the total dollar amount of capital expenditures for the budget year? No
- Are significant non-routine capital expenditures described along with dollar amounts? No
- Information in a separate CIP document does not satisfy this criterion.

FP7. The document should describe if and to what extent significant non-routine capital expenditures will affect the entity's current and future operating budget and the services that the entity provides.

- Are anticipated operating costs associated with significant non-routine capital expenditures described and quantified (e.g., additional personnel costs, additional maintenance costs, or additional utility costs)? No
- Information in a separate CIP document does not satisfy this criterion.
- Are anticipated savings or revenues expected to result from significant non-routine capital expenditures described and quantified (e.g., reduced utility costs, lower maintenance costs)? No

FP8. **Mandatory:** The document shall include financial data on current debt obligations, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current and future operations.

- Is the entity's debt policy described? No
- If the entity has no legal debt limits, is that fact clearly stated within the budget document? No
- If the entity does not have and does not intend to issue debt, is that fact clearly stated? No
- Is the amount of principal and interest payments for the budget year (two years for biennial budgets) shown for each major fund (for appropriated funds), for each significant un-appropriated fund and for other funds in the aggregate? No

- FP9. The document shall explain the basis of budgeting for all funds, whether cash, modified accrual, or some other statutory basis.
- Is the basis of budgeting defined (e.g., modified accrual, cash, or accrual) for all funds included in the document? No
 - If the basis of budgeting is the same as the basis of accounting used in the entity's audited financial statements, is that fact clearly stated? No
 - If the basis of budgeting is not the same as the basis of accounting used in the entity's audited financial statements, are the differences described? No

The Budget as an Operations Guide (OG)

- OG2. The document should provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific units and programs.
- Do performance measures focus on results and accomplishments (e.g., output measures, efficiency and effectiveness measures) rather than inputs (e.g., dollars spent)? No

The Budget as a Communications Device (CD)

- CD2. The document should explain the effect, if any, of other planning processes (e.g., strategic plans, long-range financial plans, and capital improvement plans) upon the budget and budget process.
- Are other planning processes (e.g., strategic plans, long-range plans, and capital improvement plans) identified? No
 - Are the effects of other planning processes on the current budget explained? No
 - Are the long-term implications of other planning processes discussed? No
- CD8. The document should include statistical and supplemental data that describe the organization, its community, and population. It should also furnish other pertinent background information related to the services provided.
- Is statistical information that defines the community included in the document (e.g., population, composition of population, land area, and average household income)? No
 - Is supplemental information on the local economy included in the document (e.g., major industries, top taxpayers, employment levels, and comparisons to other local communities)? No
 - Is other pertinent information on the community (e.g., local history, location, public safety, education, culture, recreation, transportation, healthcare, utilities, and governmental structure) included in the document? No
- CD9. The document should be produced and formatted in such a way as to enhance its understanding by the average reader. It should be attractive, consistent, and oriented to the reader's needs.
- Is page formatting consistent? No
 - Are the main sections of the document easily identifiable? No

- Is the level of detail appropriate? No

Fiscal Policies Subcommittee

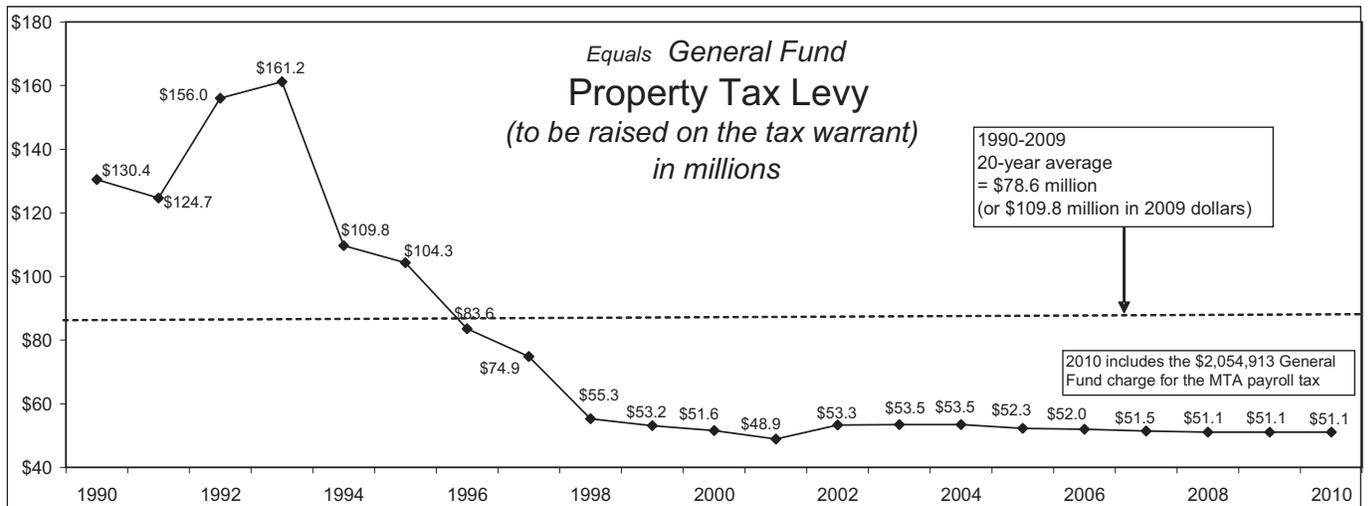
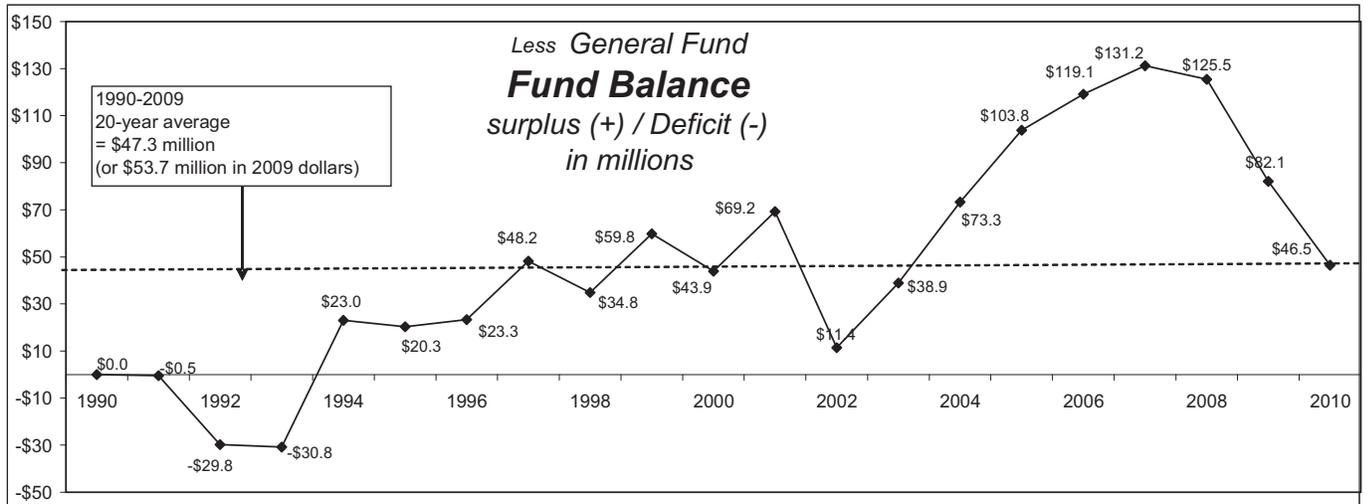
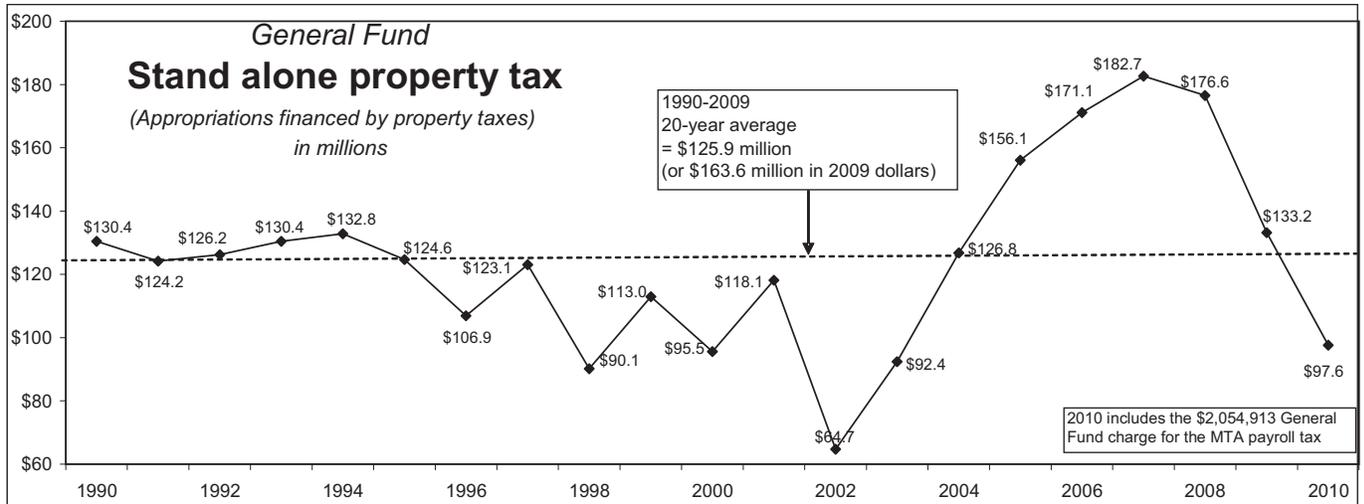
The Fiscal Policies Subcommittee was responsible for addressing methods to reduce long term reliance on fund balance, review requirements to divide the budget into mandated and discretionary expenditures and revenues, and simplify cap laws. Appendix D includes a summary of the County's tax and budgetary cap laws.

Fund Balance

The County's dependence on large year end estimated fund balances is shown on the following charts. The estimated fund balance is an important factor in determining the property tax levy. Dependency on large fund balance was one of the major concerns contributing to the creation of the Budget Reform Commission. Typically large funds balances result from an unanticipated surplus in revenue or unspent appropriations. Due to budget shortfall concerns and a policy of no General Fund property tax increase in recent years, appropriations included in the operating budget are not spent each year. This is due in part to the need to regenerate year-end fund balances. The Budget Review Office has consistently cautioned that the budget is overly dependent on sales tax and large year end fund balances. Relying on fund balance for revenue is not a reliable practice because failure to generate a year-end fund balance may require drastic increases in other revenue such as property taxes or severe cuts in services.

For over a decade, the County has kept the General Fund property tax levy flat by subsidizing the stand alone property tax with fund balances. Over the last ten years, fund balance has comprised 60.6% of the stand alone property tax compared to 11.5% over the previous 29 years. In 2007, the General Fund property tax levy was only 28.1% of appropriations financed by property taxes.

Suffolk County law requires that 75% of the positive fund balance be returned to the taxpayers in any year. The remainder of the fund balance may be deposited into tax and debt stabilization reserve funds in fiscal years 2009, 2010, 2011, and 2012. In every fiscal year commencing in fiscal year 2013, the remainder of the fund balance shall be deposited into tax and debt stabilization reserve funds in amounts approved by the County Legislature for use in subsequent years.



Compared to other municipalities, Suffolk County's laws limit our ability to reserve fund balance for specific purposes or to have an unreserved fund balance that can be accessed without increasing property taxes. Although amassing large fund balances has helped the County to keep property taxes flat, fund balance is not a reliable source of revenue. The unanticipated impact of the recession resulted in significant decreases in sales tax revenue in 2008 and 2009 from what was adopted. This coupled with mandated retroactive payments for binding arbitration awards contributed to a significant decrease in fund balance. The actual fund balance in the General Fund dropped from \$154 million in 2007 to \$26.5 million ending 2009.

Even though the size of the fund balance has recently been diminished, the County remains dependent upon it as a source of revenue. If the objective is to decrease our dependency on fund balance, the Executive and Legislative branches should work cooperatively to develop a plan to reduce reliance upon fund balance over time. Targeted percentage reductions could be used as benchmarks until the County has reached a sustainable level. Achieving this goal may include modest property tax increases as required by General Municipal Law to access and transfer funds from the Tax Stabilization Reserve to support operations and/or establishing other reserve funds which can be accessed without raising taxes.

A large component of year end fund balances is turnover savings. Turnover savings is a term unique to government. The term refers to the savings that occur in budgeted salary costs for the time that positions are vacant. Vacancy rates and the resultant turnover savings accrue due to retirements, resignations, deaths, layoffs, and leaves of absence. Delays and deferrals in filling vacancies and hiring individuals at a lower step (pay rate) than the previous incumbent also contribute to turnover savings.

In 2008, there was \$57.5 million in turnover savings for all funds, representing seven percent of permanent salaries. It is risky for the County to depend on fund balances generated from turnover savings. If retirements and resignations are fewer than predicted, savings might not materialize. In addition, the County workforce could eventually be pared down to the point where there is little savings which could impact service delivery and our ability to maintain County functions.

Dual Budget Practices

Suffolk County laws require that the expense budget be in two separate documents, one outlining mandated expenditures and the other detailing discretionary expenditures. What we do in practice is prepare two separate documents, one for mandated expenditures and revenue, and the other for total expenditures and revenue. Local Law 7-1996 also requires a third document, referred to as Volume III, which compares the expense budgets of the five highest populated counties in New York State.

Suffolk County's current cap laws require that the budget be differentiated between mandated and discretionary expenses and revenue.

Cap Laws and Compliance

The County Executive must submit a recommended operating budget in compliance with two cap laws adopted by referendum:

- Local Law 21-1983: Expenditure cap, restricting growth in discretionary appropriations across all funds to four percent for 2009.
- Local Law 29-1995: Tax levy cap, restricting growth in the combined General Fund and Police District discretionary tax levy, net of any fund balance surplus or deficit, to four percent for 2009.

For several years, many revenue and expenditure items have been misclassified as either mandated or discretionary, making it difficult at best to determine whether the budget complies with the cap laws. The end result has been to make calculation of cap compliance an overly complicated exercise. This is particularly evident in the breakdown of the General Fund property tax into its mandated and discretionary components. The following table shows that the 2010 recommended General Fund property tax of \$51.1 million is made up of a \$125.4 million mandated tax and a \$76.3 million credit or *negative discretionary* tax. The implication is that based on discretionary spending, the General Fund is effectively giving the taxpayers of Suffolk County a credit of \$76.3 million for providing discretionary services. The large mandated portion of the property tax is difficult to understand.

2010 Recommended General Fund Property Tax			
	Total	Discretionary	Mandated
Stand Alone Net Property Tax Levy	\$92,289,396	\$22,051,653	\$70,237,743
less Fund Balance, Jan. 1	\$43,252,358	\$98,368,524	-\$55,116,166
<i>equals</i> General Fund Property Tax Warrant	\$49,037,038	-\$76,316,871	\$125,353,909

As the cap laws currently stand, there is opportunity for changing or inconsistent interpretations. Instead of a cap on discretionary expenditures across *all funds*, consideration should be given to replacing existing caps on all funds with a cap on discretionary expenditures for the combined General Fund and Police District only. These are the funds that drive property taxes.

Once this more targeted cap on discretionary expenditures is in place, the discretionary tax levy cap on the combined General Fund and Police District is no longer necessary. Furthermore, experience has shown that it is problematic to calculate a discretionary tax levy. A major factor is that most revenue, the largest being the sales tax, is not directly related to mandated or discretionary functions. As a result it can be difficult to determine how to apportion these revenues in order to calculate a discretionary property tax. Further confounding the issue, the existing discretionary tax levy cap does not

include the fund balance. The real concern to the public is the final tax levy after the fund balance surplus has been appropriated to reduce the levy.

The objective is to replace existing complicated cap laws with workable caps that are a tool for expenditure control. Any new laws should include a provision to pierce the cap with the appropriate number of votes in the event of such a necessity.

Appendices

Appendix A Authorizing Resolution

Intro. Res. No. 1694-2007

Laid on Table 6/26/2007

Introduced by Legislators Montano, Alden, Romaine and Browning

RESOLUTION NO. 732 -2007, TO ESTABLISH THE BUDGET REFORM COMMISSION TO IDENTIFY POLICY OPTIONS AND DEVELOP A PLAN TO DECREASE THE COUNTY'S DEPENDENCE ON FUND BALANCE AND PROTECT SUFFOLK COUNTY TAXPAYERS

WHEREAS, Suffolk County has ended the fiscal years 2004, 2005 and 2006 with substantial fund balances culminating in an unprecedented \$149 million General Fund balance in 2006; and

WHEREAS, appropriations included in the Suffolk County Operating Budget each year cannot be expended because of the necessity to regenerate significant year-end fund balances; and

WHEREAS, Suffolk County's General Fund operating costs are approaching \$2 billion annually due to a variety of factors that include, but are not limited to, increases in contractual salary and benefit costs, escalating debt service associated with the state's mandate to construct a replacement correctional facility and the County's aggressive land acquisition program; and

WHEREAS, if fund balances are not regenerated annually, property taxes will have to increase by a like amount unless new revenue sources are identified or draconian cuts are made to Suffolk County's operating expenses; and

WHEREAS, the Suffolk County Charter requires a dual operating budget divided into mandated and discretionary portions resulting in an unnecessarily complex budget document and an absence of transparency; and

WHEREAS, Suffolk County's tax levy and expenditure caps require complex calculations based on the dual budget requirement, when the determination of cap compliance should be straight forward and transparent to the public; now, therefore be it

1st RESOLVED, that the Suffolk County Budget Reform Commission is hereby established for the purposes of identifying policy options to be incorporated into a plan for joint consideration by the Executive and Legislative branches to decrease the County's dependency on fund balance; and be it further

2nd RESOLVED, that this Commission shall also study the budgeting, fund balance and reserve fund practices of other municipalities to determine the best practices to incorporate in the recommended plan of action; and be it further

3rd RESOLVED, that this Commission shall review and compare Suffolk County's dual budget practices and associated caps with other municipalities to determine the best practices for inclusion in this plan to reduce the County's dependency upon fund balance and moderate any future increases in property taxes; and be it further

4th RESOLVED, that the Budget Reform Commission shall consist of the following ten (10) members:

- 1)The Chairman of the Suffolk County Legislature's Budget and Finance Committee, or his designee;
- 2)the Presiding Officer of the Suffolk County Legislature, or his designee;
- 3)the Suffolk County Executive, or his designee;

- 4)the Minority Leader of the Suffolk County Legislature, or his designee;
- 5)the Director of the Legislature's Office of Budget Review, or her designee;
- 6)the Director of the County Executive's Budget Office, or his designee;
- 7)Counsel to the Suffolk County Legislature, or his designee;
- 8)the Suffolk County Comptroller, or his designee;
- 9)the Suffolk County Treasurer, or her designee;
- 10) a representative of the Suffolk Chapter of the Government Finance Officers Association;

and be it further

5th **RESOLVED**, that the Chairperson of the Budget and Finance Committee shall be designated Chairperson of the Commission prior to its first meeting, and that the Commission shall hold its first meeting no later than thirty (30) days after the oaths of office of all members have been filed, which meeting shall be convened by the Chairperson of the Commission; and be it further

6th **RESOLVED**, that the members of said Commission shall serve without compensation and shall serve at the pleasure of their respective appointing authorities; and be it further

7th **RESOLVED**, that the Commission shall hold regular meetings, keep a record of all its proceedings, and determine the rules of its own proceedings with special meetings to be called by the Chairperson upon his or her own initiative or upon receipt of a written request therefore signed by at least five (5) members of the Commission. Written notice of the time and place of such special meetings shall be given by the secretary to each member at least four (4) days before the date fixed by the notice for such special meeting; and be it further

8th **RESOLVED**, that six (6) members of the Commission shall constitute a quorum to transact the business of the Commission at both regular and special meetings; and be it further

9th **RESOLVED**, that clerical services involving the month-to-month operation of this Commission, as well as supplies and postage as necessary, will be provided by the staff of the Legislative Office of Budget Review and the Legislative Clerk's Office; and be it further

10th **RESOLVED**, that the Commission may submit requests to the County Executive and/or the County Legislature for approval for the provision of secretarial services, travel expenses, or retention of consultants to assist the Commission with such endeavors, said total expenditures not to exceed Two Thousand (\$2,000.00) per fiscal year; and be it further

11th **RESOLVED**, that the Commission may conduct such informal hearings and meetings at any place or places within the County of Suffolk for the purpose of obtaining necessary information or other data to assist it in the proper performance of its duties and functions as it deems necessary; and be it further

12th **RESOLVED**, that the Chairperson may delegate to any member of the Commission the power and authority to conduct such hearings and meetings; and be it further

13th **RESOLVED**, that the Commission shall cooperate with the Legislative Committees of the County Legislature and make available to each Committee, upon request, any records and other data it may accumulate or obtain; and be it further

14th **RESOLVED**, that this Commission shall submit a written report of its findings and determinations together with its recommendations for action, if any, to each member of the County Legislature and the County Executive no later than one year subsequent to the effective date of this Resolution for consideration, review, and appropriate action, if necessary, by the entire County Legislature; and be it further

15th **RESOLVED**, that the Commission shall expire and the terms of office of its members terminate 30 days subsequent to the submission of its written report , at which time the Commission shall deposit all the records of its proceedings with the Clerk of the Legislature; and be it further

16th **RESOLVED**, that this study shall not be performed by any outside consultant or consulting firm unless explicit approval and authorization for such consultant or consulting firm is granted pursuant to a duly enacted resolution of the County Legislature; and be it further

17th **RESOLVED**, that this Legislature, being the State Environmental Quality Review Act (SEQRA) lead agency, hereby finds and determines that this resolution constitutes a Type II action pursuant to Section 617.5(c)(20), (21), and (27) of Title 6 of the NEW YORK CODE OF RULES AND REGULATIONS (6 NYCRR) and within the meaning of Section 8-0109(2) of the NEW YORK ENVIRONMENTAL CONSERVATION LAW as a promulgation of regulations, rules, policies, procedures, and legislative decisions in connection with continuing agency administration, management and information collection, and the Suffolk County Council on Environmental Quality (CEQ) is hereby directed to circulate any appropriate SEQRA notices of determination of non-applicability or non-significance in accordance with this resolution.

DATED: August 7, 2007

APPROVED BY:

/s/ Steve Levy

County Executive of Suffolk County

Date: August 23, 2007

Appendix B

SURVEY QUESTIONNAIRE

Suffolk County Budget Reform Commission



Municipal Budgeting Practices Survey

County: _____ Date: _____
Name: _____ Email: _____
Title: _____ Address: _____
Department: _____ Phone #: _____

The Suffolk County Budget Reform Commission would appreciate your taking the time to complete the following survey. Your candid and thoughtful reply will help in our effort to study the budgeting practices of other municipalities. Responses to this questionnaire will be used to develop a report for the Suffolk County Legislature and Suffolk County Executive on findings and recommendations for improving Suffolk County's Budgeting process as well as presentation.

1. Operating Budget

- a. What is the total amount of your county's **2008 operating budget** and what portion is the General Fund?

- b. Does your **2008 operating budget** include additional years beyond the adopted year? If so, how many years does your adopted **2008 operating budget** presentation include beyond 2008?

<input type="checkbox"/> Yes, _____ Years	<input type="checkbox"/> No
---	-----------------------------

- c. Do you have a line item budget presentation detailing all items of expenditure by department and by each unit within a department?

<input type="checkbox"/> Yes	<input type="checkbox"/> No, then what type of presentation do you have? _____
------------------------------	--

- d. What summary information is included in your county's **2008 operating budget** presentation? Check all that apply.

<input type="checkbox"/> Narrative	<input type="checkbox"/> Budget Message	<input type="checkbox"/> Explanation of Revenue Methodology	<input type="checkbox"/> Explanation of where revenues come from and go to
<input type="checkbox"/> Break down of property tax warrant	<input type="checkbox"/> Explanation of Budget Process	<input type="checkbox"/> Definition of Budget terminology	<input type="checkbox"/> Budget Calendar
<input type="checkbox"/> Separate budget-in-brief type document	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

2. Policies

- a. What reserve funds have you established?

Reserve Funds: _____

- b. Do your Local Laws define or otherwise restrict your access to these reserve funds?

<input type="checkbox"/> Yes, Explain _____	<input type="checkbox"/> No
---	-----------------------------

- c. Are there exceptions included in your Local Law, such as allowing a portion of the operating budget fund balance to be appropriated to the following? Check all that apply.

<input type="checkbox"/> Tax Stabilization Reserve Fund	<input type="checkbox"/> Debt Service Reserve Fund	<input type="checkbox"/> Clearing of snow and ice	<input type="checkbox"/> Road Maintenance
<input type="checkbox"/> Heat, Light & Power	<input type="checkbox"/> Disaster Preparedness	<input type="checkbox"/> Pay-as-you-go capital projects	<input type="checkbox"/> Retirement Reserve Fund
<input type="checkbox"/> General Capital Reserve Fund	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

d. Does your county have a policy for permitted uses of General Fund surpluses? If yes, please explain.

<input type="checkbox"/> Yes	<input type="checkbox"/> No
Explain:	

e. Does your County have a policy regarding the use of operating budget funds for capital projects that otherwise would be paid for with bonded debt? Check all that apply.

<input type="checkbox"/> Item must be more than \$ _____	<input type="checkbox"/> Total cost of the project must be at least \$ _____	<input type="checkbox"/> Useful life must be at least _____ years	<input type="checkbox"/> Other _____
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

f. Does your county have a debt policy?

<input type="checkbox"/> Yes, Explain, _____	<input type="checkbox"/> No
--	-----------------------------

g. Does your County describe its **debt policy** in its budget presentations? Check all that apply.

<input type="checkbox"/> Operating Budget	<input type="checkbox"/> Capital Budget	<input type="checkbox"/> Both the Operating and Capital Budgets	<input type="checkbox"/> Neither the Operating or Capital Budgets
---	---	---	---

h. Does your county local laws have provisions to restrict the growth of operating budget expenditures i.e. **expenditure caps**? Check all that apply.

<input type="checkbox"/> Yes, Local Law _____ states _____	<input type="checkbox"/> Yes, there is a _____ % limit on increases in discretionary expenditures in _____	<input type="checkbox"/> Yes, but increases above the _____ % limit require _____	<input type="checkbox"/> Yes, but the adopted expense budget for any fiscal year can not exceed the _____
--	--	---	---

	the county's annual operating budget	_____ for approval	greater of <input type="checkbox"/> adopted expense budget for the prior year by more than _____% or <input type="checkbox"/> the amount of the increase in the GNP price deflator
<input type="checkbox"/> No	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

i. Does your county restrict the total amount of real property tax revenue to be levied in a single fiscal year; i.e. a **property tax cap**? Check all that apply.

<input type="checkbox"/> Yes, Local Law _____ states _____	<input type="checkbox"/> Yes, there is a _____% limit on the rate of increase in actual countywide tax payments. Increases above this level require _____	<input type="checkbox"/> No	<input type="checkbox"/> Other _____
--	---	-----------------------------	--------------------------------------

j. Is your County required to assume responsibility for remitting 100% of the property tax levy to separate and/or special jurisdictions to make these taxing jurisdictions whole? In other words, do all other districts receive 100% of their tax warrant before your county General Fund receives any payment? Check all that apply.

<input type="checkbox"/> School districts	<input type="checkbox"/> Towns	<input type="checkbox"/> Special taxing district _____	<input type="checkbox"/> No
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

k. If your county has to make other taxing jurisdictions whole before your county General Fund receives any payment, has this policy affected your bond rating? If yes, please explain.

<input type="checkbox"/> Yes	<input type="checkbox"/> No
Explain:	

1. Does your county's budget include a policy on turn-over savings, which is defined as the difference between the amounts funded for all positions and the actual cost of filled positions? Check all that apply.

<input type="checkbox"/> Yes	<input type="checkbox"/> Yes, with an acceptable level of authorized but vacant positions of _____	<input type="checkbox"/> No	<input type="checkbox"/> Other _____
------------------------------	--	-----------------------------	--------------------------------------

3. Reserved, Unreserved & Contingency Funds

- a. Which of the following does your county have within its General Fund? Check all that apply.

<input type="checkbox"/> Reserved Funds, i.e. funds which are accumulated, held and set aside for a <u>specific</u> future use or the payment of a <u>specific</u> future obligation	<input type="checkbox"/> Unreserved Funds, i.e. funds which are accumulated, held and set aside for an <u>unspecified</u> future use or the payment of an <u>unspecified</u> future obligation	<input type="checkbox"/> Contingency Funds i.e. an appropriation of funds to cover unforeseen events that may occur during the fiscal year.	<input type="checkbox"/> Tax Stabilization Reserve Fund
<input type="checkbox"/> Retirement Reserve Fund	<input type="checkbox"/> Debt Service Reserve Fund	<input type="checkbox"/> General Capital Reserve Fund	<input type="checkbox"/> Other _____
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

- b. If your County has **Unreserved** funds, what have they been used for and are there any restrictions on their use? If yes, please explain.

Explain:

- c. If your County has a **Debt Service Reserve Fund**, are there any restrictions on accessing the funds or using the funds? If yes, please explain.

Explain:

4. Expenditures

- a. Does your County differentiate mandated expenditures from discretionary expenditures? In Suffolk County **mandated** expenditures are defined as expenditures or outlays required by state or federal law and the cost of repayment of debt service. **Discretionary** expenditures are defined as expenditures that are not required by state or federal law.

<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Other _____
------------------------------	-----------------------------	--------------------------------------

- b. If your County differentiates mandated expenditures from discretionary expenditures, for what purpose is this done?

Explain:

- c. What criteria does your County use for determining if expenditures should be included in the mandated or discretionary budget?

Explain:

5. Revenues

- a. Does your County share its **sales tax** with other jurisdictions? If yes, check which jurisdictions receive payment and explain the formula for distribution.

<input type="checkbox"/> School districts	<input type="checkbox"/> Towns	<input type="checkbox"/> Cities	<input type="checkbox"/> Other _____
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____
The formula for the distribution of sales tax is _____			

6. Capital Budget

- a. What is the total amount of your county's **2008 capital budget**?

- b. Are your **capital budget** and its adoption process separate from your operating budget?

<input type="checkbox"/> Yes	<input type="checkbox"/> No
------------------------------	-----------------------------

- c. How many years are included in your county's **capital budget** and program presentation?

Years in Capital Budget: _____

- d. Check all of the following that are included in your **adopted 2008 capital budget** and program presentation.

<input type="checkbox"/> Individual Project Description	<input type="checkbox"/> Total Estimated Cost by Project	<input type="checkbox"/> Prior Appropriations by Project	<input type="checkbox"/> Additional Appropriations Required by Project
<input type="checkbox"/> 2007 Adopted/Modified	<input type="checkbox"/> 2008 Funding	<input type="checkbox"/> 2009 Funding	<input type="checkbox"/> 2010 Funding
<input type="checkbox"/> Subsequent Years Funding	<input type="checkbox"/> Proposed 2008 Funding	<input type="checkbox"/> Adopted 2008 Funding	<input type="checkbox"/> Capital Program Description

<input type="checkbox"/> Operating Budget Impact	<input type="checkbox"/> Priority Ranking	<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____
--	---	--------------------------------------	--------------------------------------

e. Does your County have any financial limitations on your overall capital budget expenditures, i.e. a policy to govern the dollar amount of your capital program? If yes, please explain.

<input type="checkbox"/> Yes	<input type="checkbox"/> No
Explain:	

7. Performance Measurements

a. Does your County use any types of performance measurements to determine the appropriate level of funding? If yes, please explain.

<input type="checkbox"/> Yes	<input type="checkbox"/> No
Explain:	

8. Administrative:

a. How many staff do you have in your Executive Budget Office?

b. Does your Legislative body have budget professional staff? If so, how many?

<input type="checkbox"/> Yes, _____ professional staff	<input type="checkbox"/> No
--	-----------------------------

c. What is your county's population?

d. Is your budget available online?

<input type="checkbox"/> Yes, at _____	<input type="checkbox"/> No	<input type="checkbox"/> No, but we will mail you a copy
--	-----------------------------	--

e. Who may we contact for further information?

Name: _____ Title: _____

Appendix C Self Evaluation by GFOA Criteria

Cite specific page references on the lines in response to each question.

The Budget as a Policy Document (PD)

- PD1. **Mandatory:** The document should include a coherent statement of entity-wide long-term financial policies.
- Is there a summary of financial policies and goals? _____
 - Do the financial policies include the entity's definition of a balanced budget? _____
 - Are all financial policies presented in one place? _____
- PD2. The document should include a coherent statement of entity-wide, non-financial goals and objectives that address long-term concerns and issues.
- Are non-financial policies/goals included? _____
 - Are these policies/goals included together in the Budget Message or in another section that is separate from the departmental sections? _____
- PD3. The document should describe the entity's short-term initiatives that guide the development of the budget for the upcoming year.
- Are short-term initiatives included? _____
 - Does the document discuss how the short-term initiatives guided the development of the annual budget? _____
 - Are changes in staffing levels for the budget year explained? _____
 - If there are no changes in staffing levels, is that item noted? _____
- PD4. **Mandatory:** The document shall include a budget message that articulates priorities and issues for the budget for the new year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes. The message may take one of several forms (*e.g., transmittal letter, budget summary section*).
- Does the message highlight the principal issues facing the governing body in developing the budget (*e.g., policy issues, economic factors, regulatory, and legislative challenges*)? _____
 - Does the message describe the action to be taken to address these issues? _____
 - Does the message explain how the priorities for the budget year differ from the priorities of the current year? _____
 - Is the message comprehensive enough to address the entire entity? _____
- PD5. The document should include clearly stated goals and objectives of organizational units (*e.g., departments, divisions, offices or programs*).
- Are unit goals and objectives identified? _____
 - Are unit goals clearly linked to the overall goals of the entity? _____
 - Are short-term objectives quantifiable? _____

The Budget as a Financial Plan (FP)

- FP1. The document should include and describe all funds that are subject to appropriation.
- Is a narrative or graphic overview of the entity's budgetary fund structure included in the document? _____
 - Does the document indicate which funds are appropriated? (Other funds for which financial plans are prepared also may be included in the document.) _____
 - Does the document include a description of each individual major fund included within the document? _____
 - If additional or fewer funds are included in the audited financial statements, does the document indicate this fact? _____

- FP2. **Mandatory:** The document shall present a summary of major revenues and expenditures, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the organization.
- Does the document include an overview of revenues and other financing sources and expenditures and other financing uses of all appropriated funds? _____
 - Are revenues and other financing sources and expenditures and other financing uses presented either (1) together in a single schedule OR (2) in separate but adjacent/sequential schedules OR (3) in a matrix? _____
 - Are revenues presented by major type in this schedule (*e.g., property taxes, intergovernmental, sales taxes, fees, and charges*)? _____
 - Are expenditures presented by function, organizational unit, or object in this schedule? (For funds other than the main operating fund of the entity, a presentation by fund normally would satisfy this requirement.) _____
-
- FP3. **Mandatory:** The document shall include summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and proposed budget year.
- For annual budgets, are revenues and other financing sources and expenditures and other financing uses for the prior year, the current year, and the budget year presented together on the same schedule(s) or on schedules presented on adjacent/sequential pages? _____
 - Is this information presented for the appropriated funds in total (or for the entity as a whole if no appropriated funds are included)? _____
 - Is this information also presented at a minimum for each major fund and for other (*e.g., nonmajor*) funds in the aggregate (or for each significant fund and other funds in the aggregate if no appropriated funds are included)? _____
 - For biennial budgets, are revenues and other financing sources and expenditures and other financing uses for the prior year, the current year, and both budget years presented together on the same schedule(s) or on separate schedules presented on adjacent/sequential pages? _____
-
- FP4. **Mandatory:** The document shall describe major revenue sources, explain the underlying assumptions for the revenue estimates, and discuss significant revenue trends.
- Are individual revenue sources described? _____
 - Do the revenue sources that are described represent at least 75 percent of the total revenues of all appropriated funds? _____
 - Are the methods used to estimate revenues for the budget year described (*e.g., trend analysis, estimates from another government or consulting firm*)? _____
 - If revenues are projected based on trend information, are both those trends and the underlying assumptions adequately described? _____
-
- FP5. **Mandatory:** The document shall include projected changes in fund balances, as defined by the entity in the document, for appropriated governmental funds included in the budget presentation (fund equity if no governmental funds are included in the document).
- Does the document include the entity's definition of "fund balance" (or of "fund equity" if no governmental funds are included in the entity - frequently the noncapital portion of net assets)? _____
 - Is the fund balance (equity) information presented for the budget year? _____
 - Is there a schedule showing (1) beginning fund balances, (2) increases and decreases in total fund balances (reported separately), and (3) ending fund balances for appropriated governmental funds? _____
 - Is this information presented at a minimum for each major fund and for nonmajor governmental funds in the aggregate? _____
 - If fund balances of any major fund or the nonmajor funds in the aggregate are anticipated to increase or decline by more than 10%, does the document include a discussion of the causes and/or consequences of these changes in fund balance? _____
 - If an entity has no governmental funds, is the change in the fund equity presented for (1) the entity as a whole, (2) the main operating fund, and (3) each significant fund? _____
-

FP 5. **Mandatory** (Continued)

- If an entity has no governmental funds and the fund equity of any significant fund or other funds in the aggregate is anticipated to change by more than 10%, does the document include a discussion of the causes and/or consequences of any change in fund equity that is greater than 10% in either a significant fund or other funds in the aggregate? _____
- For biennial budgets is the change in fund equity presented separately for both years of the biennium? _____

FP6. **Mandatory:** The document should include budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget.

- Does the document define “capital expenditures”? _____
- Does the document indicate the total dollar amount of capital expenditures for the budget year (both budget years for biennial budgets)? _____
- Are significant nonroutine capital expenditures described along with dollar amounts? (Information in a separate CIP document does not satisfy this criterion.) _____
- If the entity has no significant nonroutine capital expenditures, is that fact clearly stated in the document? _____

FP7. The document should describe if and to what extent significant nonroutine capital expenditures will affect the entity’s current and future operating budget and the services that the entity provides.

- Are anticipated operating costs associated with significant nonroutine capital expenditures described and quantified (*e.g., additional personnel costs, additional maintenance costs, or additional utility costs*)? (Information in a separate CIP document does not satisfy this criterion.) _____
- Are anticipated savings or revenues expected to result from significant nonroutine capital expenditures described and quantified (*e.g., reduced utility costs, lower maintenance costs*)? _____

FP8. **Mandatory:** The document shall include financial data on current debt obligations, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current and future operations.

- Is the entity’s debt policy described? _____
- If the entity has legal debt limits:
 - Are debt limits described? _____
 - Are the amounts of debt limits expressed in terms of total dollars, millage rates or percentages of assessed value? _____
 - Are the amounts of debt subject to debt limits identified in the same terms used to describe the debt limits themselves? _____
- If the entity has no legal debt limits, is that fact clearly stated within the budget document? _____
- If the entity does not have and does not intend to issue debt, is that fact clearly stated? _____
- Is the amount of principal and interest payments for the budget year (two years for biennial budgets) shown for each major fund (for appropriated funds), for each significant unappropriated fund and for other funds in the aggregate? _____

FP9. The document shall explain the basis of budgeting for all funds, whether cash, modified accrual, or some other statutory basis.

- Is the basis of budgeting defined (*e.g., modified accrual, cash, or accrual*) for all funds included in the document)? _____
- If the basis of budgeting is the same as the basis of accounting used in the entity’s audited financial statements, is that fact clearly stated? _____
- If the basis of budgeting is not the same as the basis of accounting used in the entity’s audited financial statements, are the differences described? _____

The Budget as an Operations Guide (OG)

- OG1. **Mandatory:** The document shall describe activities, services or functions carried out by organizational units.
- Does the document clearly present the organizational units (*e.g., divisions, departments, offices, agencies, or programs*)? _____
 - Does the document provide descriptions of each organizational unit? _____
-
- OG2. The document should provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific units and programs.
- Are performance data for individual departments included in the document? _____
 - Are performance data directly related to the stated goals and objectives of the unit? _____
 - Do performance measures focus on results and accomplishments (*e.g., output measures, efficiency and effectiveness measures*) rather than inputs (*e.g., dollars spent*)? _____
-
- OG3. **Mandatory:** The document shall include an organization chart(s) for the entire organization.
- Is an organization chart provided which shows the entire entity? _____
- OG4. **Mandatory:** A schedule or summary table of personnel or position counts for prior, current and budgeted years shall be provided.
- Is a summary table of position counts provided for the entire entity? _____
 - Does the table include the prior year, the current year, and budget year position counts? _____
-

The Budget as a Communications Device (CD)

- CD1. The document should provide summary information, including an overview of significant budgetary issues, trends, and resource choices. Summary information should be presented within the budget document either in a separate section (*e.g., executive summary*) or integrated within the transmittal letter or other overview sections, or as a separate budget-in-brief.
- Is summary information contained in the budget message/transmittal letter, overview section, or in a separate budget-in-brief document? _____
 - Is summary information on significant budgetary issues conveyed in an easy to read format? _____
 - Is summary information on budgetary trends provided? _____
- CD2. The document should explain the effect, if any, of other planning processes (*e.g., strategic plans, long-range financial plans, and capital improvement plans*) upon the budget and budget process.
- Are other planning processes, (*e.g., strategic plans, long-range plans, and capital improvement plans*) identified? _____
 - Are the effects of other planning processes on the current budget explained? _____
 - Are the long-term implications of other planning processes discussed? _____
-
- CD3. **Mandatory:** The document shall describe the process for preparing, reviewing and adopting the budget for the coming fiscal year. It also should describe the procedures for amending the budget after adoption.
- Is a description of the process used to develop, review, and adopt the budget included in the document? _____
 - Is a budget calendar provided to supplement (not replace) the narrative information on the budget process? _____
 - Is a discussion of how the budget is amended provided in the budget document available to the public (including the budgetary level of control)? _____
-

- CD4. **Mandatory:** Charts and graphs should be used, where appropriate, to highlight financial and statistical information. Narrative interpretation should be provided when the messages conveyed by the graphs are not self-evident.
- Are charts and graphs used in the document to convey essential information (*e.g., key policies, trends, choices and impacts*)? _____
 - Do the graphics supplement the information contained in the narrative? _____
-
- CD5. The document should provide narrative, tables, schedules, or matrices to show the relationship between functional units, major funds, and nonmajor funds in the aggregate.
- Is the relationship between the entity's functional units, major funds, and nonmajor funds in the aggregate explained or illustrated? _____
- CD6. **Mandatory:** The document shall include a table of contents to make it easy to locate information in the document
- Is a comprehensive table of contents provided to help the reader locate information in the document? _____
 - Are all pages in the document numbered or otherwise identified? _____
 - Do the page number references in the budget or electronic table of contents agree with the related page numbers in the budget or electronic submission? _____
-
- CD7. A glossary should be included for any terminology (including abbreviations and acronyms) that is not readily understandable to a reasonably informed lay reader.
- Is a glossary that defines technical terms related to finance and accounting, as well as non-financial terms related to the entity, included in the document? _____
 - Are acronyms or abbreviations used in the document defined in the glossary? _____
 - Is the glossary written in non-technical language? _____
- CD8. The document should include statistical and supplemental data that describe the organization, its community, and population. It should also furnish other pertinent background information related to the services provided.
- Is statistical information that defines the community included in the document (*e.g., population, composition of population, land area, and average household income*)? _____
 - Is supplemental information on the local economy included in the document (*e.g., major industries, top taxpayers, employment levels, and comparisons to other local communities*)? _____
 - Is other pertinent information on the community (*e.g., local history, location, public safety, education, culture, recreation, transportation, healthcare, utilities, and governmental structure*) included in the document? _____
- CD9. The document should be produced and formatted in such a way as to enhance its understanding by the average reader. It should be attractive, consistent, and oriented to the reader's needs.
- Is page formatting consistent? _____
 - Are the main sections of the document easily identifiable? _____
 - Is the level of detail appropriate? _____
 - Are text, tables, and graphs legible? _____
 - Are budget numbers in the document accurate and consistent throughout the document? _____
-

PLEASE NOTE:

- ◆ Outstanding ratings by all three reviewers on financial plan #6 and financial plan #7 and proficient ratings by all three reviewers on communications device #2 will result in special capital recognition.
- ◆ Outstanding ratings by all three reviews on operations guide #2, outstanding ratings by at least two reviewers on policy document #5, and at least proficient ratings by all three reviewers on policy document #2 will result in special performance measures recognition.

Appendix D Summary of Tax and Budget Cap Laws

The Suffolk County Executive, as the Chief Budget Officer of the County, is responsible for the preparation and submission of the annual operating budget. The operating budget should conform to Generally Accepted Accounting Principles (GAAP) as well as state and local requirements. Article 7 of the New York State County Law dictates the requirements and form of the tentative budget. These requirements include that the budget must have a statement of the amount of estimated revenue, fund balance, uniform system of accounts, recommended appropriations, and that the budget must be balanced.

The Suffolk County budget cap restrictions go far beyond the state requirements and impose additional limitations on the form of the budget. Suffolk County is unique in the number and extent of budget restrictions imposed locally through legislative initiative. The cap laws were passed by voter referendum.

Since 1983 the County has enacted several tax and expenditure caps. The intent of the Tax Caps is usually to limit the amount of property taxes that the County is able to impose. Real property taxes are the balancing item of the budget and unlike many other revenues the Legislature can theoretically control the amount to be raised. The imposition of the tax caps was an evolving process where the Legislature reacted to changes that occurred in the County. A super majority vote of the Legislature is required to pierce the tax cap which has limited the Legislature's discretion in levying taxes.

Local Law 21-1983 Expenditure Cap

Local Law 21-1983 was the first of the Budget Caps; it is an expenditure cap which restricts the percentage increase in gross non-mandated appropriations for all County funds to the greater of four percent or the percentage increase in the Gross National Product Implicit Price Deflator.

Local Law 29-1986 Tax Levy Cap

The Tax Levy Cap was established by Local Law 29-1986. This budget cap restricts growth in the combined Police and General Funds discretionary tax levy, net of any fund balance or deficit, to the greater of four percent or the percent increase in the Gross National Product Implicit Price Deflator. Local Law 29-1986 was adopted by the Legislature to close the perceived "loopholes" in Local Law 21-1983. Unfortunately, there is a disconnect between the Tax Levy Cap and actual taxes. For starters, the fund balance surplus appropriated to reduce the tax levy is not considered in calculating tax cap compliance. In addition, as a result of interpretations made over the years in calculating discretionary revenue expenditures, both the discretionary tax and discretionary fund balance make little sense and therefore should be modified.

The Local Law 29-1986 Tax Levy was replaced by Local Law 38-1989.

Local Law 38-1989

The Consolidated Tax Levy Cap, Local Law 38-1989 was effective for years beginning January 1, 1990 and imposed a cap on the discretionary portion of the County Tax Levy by limiting increases to the greater of four percent or the increase in the Gross National Product. The “Tax Levy Cap” was conceived in the furor that surrounded the “Cut Back” Legislation in 1989. The methodology of Local Law 29-1986 is used to determine the non-mandated tax levy.

Local Law 28-1991 the Fund Balance (Kurtter Law)

Local Law 28-1991 is referred to as the “Kurtter Law” and requires the GAAP fund balance to be reserved in part as opposed to returned directly to the taxpayers in full. Twenty-five percent of the discretionary fund balance is reserved and deposited in the Tax Stabilization Reserve or Debt Reserve Funds. “Kurtter” does not differentiate between a reserved and free fund balance. Nor does “Kurtter” provide a proper procedure for the use of fund balance, that is, how are fund balances raised from special districts to be applied to reduce tax increases.

Local Law 29-1995 the Simplified Dual Budget

Local Law 29-1995 established the Dual Budget. The Dual Budget legislation requires the submission of two separate budgets: one for the mandated portion of the budget and one for the discretionary portion of the budget. In addition to establishing the Dual Budget presentation Local Law 29-1995 repealed the Kurtter Law and Local Law 38-1989. The Dual Budget legislation was meant to unify the budgetary process and repeal inconsistent and overly restrictive requirements to reserve surplus funds. The law was also intended to clarify and simplify the budget process. Local Law 29-1995 was an incremental law; building and “leaning on” previously adopted expenditure and tax levy budget cap laws. The budgetary calculations and presentations of Local Law 29-1995 conform to preexisting, unmodified laws that were established in the 1980’s.

Local Law 17-1998 Consensus Forecasts in a Budget Model

Local Law 17-1998 required the development of multiyear financial plans including budgets. This multi year plan shall be in the form of a budget model which was developed by Budget Review Office and the Executive Budget Office. The budget model develops consensus revenue and expense forecasts.

Local Law 43-2006 Caps Tax Stabilization at \$120 million

Local Law 43-2006 amends Section C4-10© of the Charter to provide needed flexibility in contributing surplus funds to specific purposes once the tax stabilization reserve fund has reached the greater of \$120 million or five percent of the General Fund budget as defined by the adopted amount of the prior years operating budget. The specific purposes include the clearing of snow and ice from public thoroughfares and public

places; the repair of potholes and other road surface maintenance: for heat, light and power in County-owned or-leased buildings: for disaster preparedness; for the payment of bonded indebtedness; or to provide "pay-as-you-go" funding.