Norfolk County and the Registry of Deeds FY 21 Budget

Essential Employees Delivering Essential Services during the Pandemic and Beyond

Because uncertain times demand stability
SUCCESS OF NORFOLK COUNTY
past, present, and future, built upon

- Proven Past Practices
- Predictable and Uniform Budgets
- Adherence to Massachusetts General Laws
- Transparent Communication and Discussion
- Accountability, Oversight and Good Public Policy
EXISTING STRUCTURE OF THE REGISTRY BUDGET

REVENUES
APPROPRIATIONS BASED ON STATUTORY MANDATE
EXPENDITURES & INDIRECTS
UNEXPENDED BALANCES
## FUNDING THE REGISTRY BUDGET

<table>
<thead>
<tr>
<th></th>
<th>Expenditures</th>
<th>Indirects</th>
<th>Reserves</th>
<th>Total Expenses</th>
<th>Mandate</th>
<th>Online</th>
<th>Registry Expenses</th>
<th>Total</th>
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<tbody>
<tr>
<td>FY15</td>
<td>$3,091,691.43</td>
<td>$1,489,119.00</td>
<td>$112,431.76</td>
<td>$4,693,242.19</td>
<td>$3,624,008.00</td>
<td>$345,755.50</td>
<td>$723,478.69</td>
<td>$4,693,242.19</td>
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<td>$287,663.58</td>
<td>$4,979,022.53</td>
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<td>$211,319.54</td>
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<td>$3,807,474.00</td>
<td>$383,083.53</td>
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<tr>
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<td>$319,803.39</td>
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$5,400,742.95

- Chart shows actual money needed to fund Registry Budget and where money comes from.
- County is only responsible for **MANDATE as set forth in MGLch.64Ds.12**
- Expenses beyond MANDATE paid for with Registry Deeds Excise and Registry Online Revenue
- Over 5 million spent in last 5 years from Registry Deeds Excise
- Past practice: County Mandate is calculated as a 2.5% increase over the prior year’s county mandate.
- WHY? This amount is available when preparing the next FY budget, it is predictable, standard, and allows a responsible department like the Registry to LEVEL fund, also prevents a year where spending might have been excessive from continuing to affect the next year’s spending. For example, a year following a PANDEMIC
- In FY21 Commissioners change past practice only for the Registry and reduce the Mandate. Why? At the very least the mandate should be 2.5% of FY19 plus another 2.5% for FY20, based on MGL Ch. 64D S.12
- Only in government do departments get criticized for not spending their entire budget
## DEEDS EXCISE REVENUE

<table>
<thead>
<tr>
<th></th>
<th>County Share</th>
<th>Registry Share</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15</td>
<td>$2,170,030.76</td>
<td>$1,476,687.18</td>
<td>$3,646,717.94</td>
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<tr>
<td>FY16</td>
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<td>FY18</td>
<td>$2,521,584.59</td>
<td>$1,681,056.40</td>
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<tr>
<td>FY19</td>
<td>$2,290,744.08</td>
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<td>Total</td>
<td>$11,911,729.69</td>
<td>$8,145,724.35</td>
<td>$20,057,454.04</td>
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According to MGLch.64Ds.12 **not more** than 60% of Deeds Excise collected is to be spent on the costs and operation of the County, and **not less** than 40% is to be disbursed and expended for the operation of the Registry of Deeds. Please see an upcoming slide entitled “Projects completed by the Registry of Deeds since 2010.”
## Indirects and Deeds Excise

<table>
<thead>
<tr>
<th></th>
<th>Registry Deeds Excise Paid for Indirects</th>
<th>Total Paid</th>
<th>Deeds Excise Collected to Registry Account</th>
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<tr>
<td>FY15</td>
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<td>FY18</td>
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<tr>
<td>FY19</td>
<td>$1,306,810.61</td>
<td>$1,626,614.00 $1,701,733.92</td>
<td>$394,923.31</td>
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</tbody>
</table>

Chart shows how Indirect Charges are funded. As the County is only required to provide the Mandate to the Registry, past practice has been to allocate any money not required for budget spending to be directed to funding the Indirects. As Indirect charges have been deemed essential to the operation of the Registry this is a legitimate use of the funds. As shown, the allegation that indirects are not paid with deeds excise money is **patently false**. The Registry uses funds at hand to pay the indirects, including the mandate excess, online revenues and deeds excise, but no current year’s receipts are ever used. Remember, all receipts dedicated to the county and collected by the Registry are deposited **with the county treasurer** every month. The Registry has no control over current receipts. Existing structure provides stability and ensures that the obligations imposed by the Indirect Charges are **ALWAYS** met (includes employee/retiree health insurance, pension costs, building costs etc).
Total Registry Spending

<table>
<thead>
<tr>
<th>Total Expenditures</th>
<th>Mandate</th>
<th>Registry Funds</th>
<th>Appropriation</th>
<th>Mandate</th>
<th>Unexpended Balance</th>
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<tr>
<td>FY15</td>
<td>$4,693,242.19</td>
<td>$3,624,008.00</td>
<td>$1,069,234.19</td>
<td>$4,245,215.81</td>
<td>$3,624,008.00</td>
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<td>FY16</td>
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<td>$1,264,414.53</td>
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<td>FY17</td>
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<td>$1,851,445.82</td>
<td>$4,310,808.35</td>
<td>$3,807,474.00</td>
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<tr>
<td>FY18</td>
<td>$5,259,894.28</td>
<td>$3,902,660.60</td>
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<td>$4,510,421.21</td>
<td>$3,902,660.60</td>
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<td>$5,657,308.11</td>
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<td>$1,657,081.00</td>
<td>$4,573,428.35</td>
<td>$4,000,227.11</td>
</tr>
</tbody>
</table>

**WHERE DOES THE MONEY FROM UNFULFILLED POSITIONS GO?**

The County is only responsible for the statutory county mandate. The County is not responsible for any Registry appropriation beyond or over the mandate. The first three columns show where the funding for the Registry comes from; the mandate and Registry funds. The total expenditure includes the costs of the indirects which are not part of the budget appropriation. Since the County is only paying the mandate, the difference between the mandate and the original appropriation rolls back to the County. Over the past five years the Registry budget, under the existing budget structure, has returned almost 3 million dollars to the County. Please see an upcoming slide on the most recent uses of unexpended funds by the County.
WHAT HAPPENS WHEN THE REGISTRY FAILS TO SPEND ALL OF THE MONEY APPROPRIATED IN ITS BUDGET?

- Monies not spent from the Registry Budget

- Become the County’s "Unexpended Balance"

- County’s Unexpended Balance becomes the County’s Stabilization Fund if approved by the County Commissioners and the Advisory Board

- The Stabilization Fund accumulates and rolls over Fiscal Year to Fiscal Year

- $3,245,196.66 IN COUNTY STABILIZATION FUND
The Mandate and Deeds Excise

- **2.5% COUNTY MANDATE SET BY STATE LAW**
- Historically the County has followed the dictates of MGL Ch. 64D S.12 by giving the Registry a 2.5% increase over the prior year’s county mandate. As stated earlier this has been done because there is not enough information available when the budget is due to use 2.5% of prior year’s expenditures. This prevents a year where spending might have been excessive from continuing to affect the next year’s spending. It also gives budget preparers a standard figure to work with. This provides the budget with a stable and predictable structure. Given the current Pandemic maintaining a predictable and standard structure is more important than ever.
- The county mandate to the Registry of Deeds has been approved and voted on in past budgets by the County Commissioners and the Advisory Board while being reviewed by the County Treasurers office.
The Mandate and Deeds Excise

- **BY STATE LAW THE REGISTRY OF DEEDS RECEIVES A SHARE OF DEEDS EXCISE**

- The Registry has built up its deeds excise account over the years by spending prudently when funds are available. This is illustrated in the previous slides showing registry spending as it relates to the Registry Deeds Excise monies received by law. The balance in this Registry Deeds Excise account is the equivalent of a Registry of Deeds’ stabilization fund. This account or fund is a result of good and sound financial management. All of the unspent Registry appropriations that exceeded the mandated expenditures went back to the County Administration at the end of the fiscal year as an unexpended balance. These monies have allowed Norfolk County over the past few years to fund supplemental budgets in the fall that exceed half a million dollars. The Registry of Deeds has always paid out of Registry funds anything over the mandate. Norfolk County has also benefited from the Registry’s Share of Deeds Excise through the many capital improvements the Registry of Deeds has funded.

- The Registry of Deeds Excise Account developed and managed by the Registry of Deeds also is crucial to the Registry of Deeds Disaster Recovery Business Continuity Plan. Insurance proceeds to the county may help rebuild the Registry of Deeds Building eventually. However, what about the Registry of Deeds resuming operations as soon as possible after an unforeseen disaster? Is it feasible to wait for insurance proceeds to get the Registry up and running again? The County Commissioners and County Administration already have a poor track record of letting the Registry of Deeds access collected insurance monies to fix the Registry of Deeds building. Failure to provide for such a disaster will result in the worst case scenario of no collected revenues by the Registry of Deeds while crippling the real estate industry that relies on the operations of the Registry of Deeds.
The Mandate and Deeds Excise

- MGLch.64Ds.12 The statute as written is designed to ensure and preserve the viability of the Registry of Deeds and its operation. This structure should not be altered, manipulated, or experimented with.

- The County Commissioners are making unilateral changes to the county mandate which is established by law. Why is the County mandate figure for the Registry for FY21 being reduced by the Commissioner’s office? Please note that the changes to the County mandate and other changes that are being made in this county budget were provided to the Registry of Deeds 14 minutes before the meeting in which the County Commissioners voted to approve the FY 21 budget.

- The Registry of Deeds should not be criticized for sound management that has built a Registry Stabilization Fund that can be used in the case of a disaster.

- The Registry received $3,902,660.60 to fund the FY18 budget from the county mandate. Actual expenditures according to the supplied figures of the County Accountant were $3,393,878.73 plus reserve expenses of $176,291.55. Since the approved mandate was higher than the expenditures, the excess was applied to the indirect costs assessed by the county, which have been deemed essential to the operation of the Registry. It is a legitimate use of the funds allotted to The Registry of Deeds.

- Monies unused out of the registry budget roll back to the county and becomes part of their unexpended balance at the end of the year. It does not go to any Registry accounts. The Registry only gets the mandated funds from the county; the Registry is responsible for any costs over the mandate.

- Please see the information provided which compares deeds excise revenues accrued by the Registry over the past five years, and the amount of indirects assessed. Although the Registry has been able to use the leftover mandate and online revenue some years to help defray these assessments, the majority of the payments come from the Registry’s deeds excise money. It also shows how much money the Registry has paid out of its own funds.
WHY THE COMMISSIONERS BUDGET IS FLAWED

- The Commissioners Budget is built upon the premise that changes in the Registry budget structure are necessary due to a $500,000 structural deficit. However, the proposed budget structure does nothing to address the portion of the County Budget with the $500,000 structural deficit. The structural deficit belongs to other departments in this county governmental structure.

- The Commissioners Budget touts uncertain times and proposes dismantling a structure that is stable and predictable. Rather than base the 2.5% county mandate on the prior year’s county mandate, the Commissioners Budget says the mandate should be the number deemed by the County Director to be appropriate. This is no way to do business; it is arbitrary and subject to whim.

- The Commissioners Budget is based on the falsehood that the Registry is not funding its indirect charges. The Registry pays for its indirect charges with the mandate, online fees, and Deeds Excise. Remember, unlike the mandate and the Deeds Excise, there is nothing statutory stating that the Registry of Deeds must fund its own indirect charges. This is a historical past practice followed to alleviate the burden on the County. The Plymouth Registry of Deeds does not pay indirect costs. Plymouth County pays the indirect charges for its Registry of Deeds. Again, like other past practices this assumption of the indirect charges by the Norfolk County Registry ensures that important obligations such as workers compensation insurance, health insurance, and pensions are maintained.

- The Commissioners Budget is based on cutting a submitted Registry of Deeds level funded budget. The budget submitted by the Registry was level funded from FY20, a budget in which sustained a multitude of reductions. No other department submitted such a budget; all asked for increases for FY21. Not only were cuts made to the Registry’s level funded budget, but the cuts made to other departments were on increases requested for FY21. No other department is being asked to work with a budget lower than what they received in FY20.

- The Commissioners Budget severely constrains the Registry Budget eliminating even a remote possibility of unexpended balances for emergency transfers of money to other Registry groups and operational needs.

- The Registry of Deeds runs well and soundly while treating union and non-union employees fairly.
Projects completed by the Registry since 2010

- Eliminate obstacles, update doors, signage, alarm system, and elevator cab to comply with ADA
- Design and install generator for entire building and electrical upgrade
- Replace Boiler
- New Windows for entire building
- New Roof for 649 High Street
- Building Envelope/Masonry Project
- Design and install new telephone system for County
- Install Shooter Detection System/Security Cameras for entire Building
- Customer Service Renovation
- Land Court Renovation
- Data Processing Renovation
- Phased High Density Shelving
- Record Hall Renovation
- Install Air Conditioning in Registry

All of the above projects completed without incurrence of debt. The County Administration even received reimbursement from the Trial Court for improvements to 649 High Street paid for by the Registry of Deeds.
RECENT USE OF STABILIZATION FUND
as voted and approved by the Norfolk County Advisory Board

• REDUCTION OF COUNTY DEBT AND PAYMENT OF INTEREST
• COVER BUDGET SHORTFALLS
• CORRECT BUDGET ERRORS
• RESTORE FUNDING FOR ENGINEERING POSITIONS
• CREATION OF SALARY RESERVE
• CREATION OF PT POSITION IN TREASURER’S OFFICE
• DORM REMOVAL AT NCAHS-THE AGGIE
• FUND ENGINEERING DEPARTMENT TITLE SEARCHES
# Registry of Deeds Indirect Costs

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cost</th>
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<tbody>
<tr>
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<td>$1,733,493.00</td>
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<tr>
<td>FY 18</td>
<td>$1,689,724.00</td>
</tr>
<tr>
<td>FY 19</td>
<td>$1,626,614.00</td>
</tr>
<tr>
<td>FY 20</td>
<td>$1,636,103.00</td>
</tr>
<tr>
<td>FY 21</td>
<td>$1,645,323.00</td>
</tr>
</tbody>
</table>

- Indirect costs are various county costs and obligations that get assigned to county departments. Registry of Deeds indirect costs are for such costs as employee health and dental insurance, retiree pension and insurance costs, building insurance policy costs and the like. These costs are significant as this year’s total is $1,645,323.00.

- The indirect costs were always listed in the county budget approved by the Norfolk County Advisory Board. The County Administration would have to be transparent and open with the indirect cost numbers. The Registry of Deed as a department could review the costs as well as the back up documentation justifying those costs.

- The structure of payment of the indirect costs for the Registry of Deeds is being changed in this year’s budget. There is no such change for another county department, The Norfolk County Agricultural High School. See page 4 of the document prepared by the County Commission entitled, “Norfolk County Fiscal Year 2021 Operating Budget”. 
Restructuring Registry of Deeds
Indirect Costs

- What will happen in the future? Look what happened this year. The indirect cost figures for this year’s Fiscal 2021 Budget were sent to the Registry of Deeds on April 21, 2020 by the County Director. There were 11 weeks between February 7, 2020 when the Registry of Deeds submitted its budget and this April 21, 2020 date with no discussion from the County Director and the County Commissioners. This should be unacceptable. This lack of transparency gets compounded when the County Commissioners voted to approve the budget on April 22, 2020 with indirect costs and the way indirect costs are paid totally restructured and changed.

- The County Budget was sent to the Registry of Deeds on April 22, 2020 at 12:46 pm fourteen (14) minutes prior to the Norfolk County Commissioners meeting on that date. The Fiscal Year 2021 budget was approved by the County Commissioners at this meeting with a restructure of Registry of Deeds indirect costs.

- The County Commissioners and the County Director failed to provide the indirect costs in a timely manner this year. There should be adequate time given to review these significant costs. The change in approach in how Registry indirect costs will be handled with this restructuring will only increase the lack of transparency and flawed policy process in the future. The restructuring of the process and payment of Registry of Deeds indirect costs will remove necessary oversight of the County Commissioners and the County Administration.