

## WARREN COUNTY BOARD OF SUPERVISORS

**COMMITTEE: BUDGET**

**DATE: OCTOBER 22, 2013**

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**COMMITTEE MEMBERS PRESENT:**

SUPERVISORS THOMAS  
TAYLOR  
KENNY  
MERLINO  
CONOVER  
MASON  
WESTCOTT  
GIRARD

**OTHERS PRESENT:**

KEVIN B. GERAGHTY, CHAIRMAN OF THE BOARD  
PAUL DUSEK, COUNTY ADMINISTRATOR  
JOANN MCKINSTRY, ASSISTANT TO THE COUNTY ADMINISTRATOR  
JOAN SADY, CLERK OF THE BOARD  
SUPERVISORS BENTLEY  
FRASIER  
MONTESI  
SOKOL  
STRAINER  
WOOD  
MICHAEL SWAN, COUNTY TREASURER  
ROBERT LYNCH, DEPUTY COUNTY TREASURER  
JEFFERY TENNYSON, SUPERINTENDENT OF THE DEPARTMENT OF PUBLIC  
WORKS  
JOHN STROUGH, DEPUTY SUPERVISOR, TOWN OF QUEENSBURY  
DOUG BEATY, TOWN OF QUEENSBURY RESIDENT  
MATTHEW SIMPSON, TOWN OF HORICON RESIDENT  
CHARLENE DIRESTA, SENIOR LEGISLATIVE OFFICE SPECIALIST

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**COMMITTEE MEMBER ABSENT:**

SUPERVISOR MONROE

Mr. Thomas called the meeting of the Budget Committee to order at 10:40 a.m.

Motion was made by Mr. Taylor, seconded by Mr. Westcott and carried unanimously to approve the minutes of the previous Committee meeting, subject to correction by the Clerk of the Board.

Copies of a draft 2014 County Budget, a 2014 Departmental Budget Requests and Budget Officer's Recommendations, and a Multi-Year Financial Plan for 2014-2017 were distributed to the Committee members; *copies of same are on file with the minutes.*

Mr. Thomas stated that he had approached the 2014 County Budget with three words in mind: incremental; steady; and sustainable. He said the County was in a good financial position and he thanked the members of the Board of Supervisors, previous members of the Board, previous Budget Officers, and the current Budget Team for getting the County to that point.

Pertaining to the word incremental, Mr. Thomas apprised incremental was both positive and negative. He said it was negative due to the fact that the tax rate had increased and positive on a path to a 0% tax rate increase. He commented in the 2014 County Budget, they had tried to address the County highways, machinery, the eradication of invasive species, the Human Resources Director position and salary increases for all elected and non-Union employees. He said that although some of the budgeted line items were not what the Committee had recommended at the time, it was what they could do.

Concerning the word steady, Mr. Thomas stated steady had been his approach to the budget. He added there would not be any wide swings in funding but instead there would be manageable increases to address areas of concern. He reported the plan was to see how the 2013 books closed out in April or May of 2014 and if possible, to utilize some of the fund balance to augment the funding for the highways instead of budgeting the line item.

Regarding the word sustainable, Mr. Thomas advised the 2014 County Budget was sustainable to a 0% tax increase within the next few years. He said there were continued efficiencies which could be found within the County Departments. He opined the County Department Heads were experts and understood the need to reduce costs. He mentioned the County's Health Insurance was being managed and a Health Insurance Reserve Fund was being accumulated which would help to ease future increases. He advised the Unions had helped to make the Health Insurance sustainable through larger contributions from the employees. He added the Self Insurance Prescription Drug Plan would help to sustain the current level of funding. Mr. Thomas anticipated a reduction in the New York State Retirement contributions for 2015. He said the contribution rate in 2014 would decrease from 20.8% to 20.1%. He advised there would be fewer salary adjustments going forward, as this was the third time the Board had completed salary adjustments and he felt the salaries were at appropriate levels. As long as the economy continued as it was, he continued, the sales tax revenues would continue to increase. He commented the sale and privatization of Westmount Health Facility would have a positive effect on the budget.

Mr. Thomas gave a Power Point Presentation to the Committee which he reviewed in detail; *a copy of the Power Point Presentation is on file with the minutes*. He pointed out the 2014 County Budget reflected a 1.57% tax levy increase and the amount to be raised by taxes was \$40,611,218. He noted the proposed tax levy increase meant the County tax rate would increase by approximately \$0.143 to \$3.912 per \$1,000 of assessed value. He added this meant a homeowner with a \$200,000 property would pay approximately \$28.60 more per year in property taxes. He credited the limited budget increase to County Departments constantly looking for ways to reduce costs and increase revenues while continuing to provide quality services. He reported the 2014 County Budget contained appropriations which were important to the Board of Supervisors, such as:

- ▶ \$300,000 to address aquatic invasive species;
- ▶ \$600,000 additional funding for County roads and machinery;
- ▶ reinstatement of 50% of the funding previously eliminated for municipal highway plowing/sweeping payment rates;
- ▶ restructuring the Civil Service/Human Resources Department;
- ▶ continued replacement plan for computers and vehicles;
- ▶ 2% raises for almost all elected officials and non-Union employees and wage adjustments for some non-union employees; and
- ▶ addresses significant declining revenues and increasing benefit costs in the Sheriff's Law Enforcement and Correction Division.

Pertaining to sales tax collections, Mr. Thomas informed that \$37,409,728 had been collected to date for 2013 and \$49,263,400 was projected by the end of 2013. He noted the 2014 County Budget projected \$49,900,000 in sales tax collections and he added this figure was conservative. Mr. Westcott asked the amount budgeted for sales tax collections for 2013 and Mr. Thomas replied it had been \$45,800,000. Mr. Kenny opined the \$49,900,000 budgeted for 2014 was a more realistic projection.

Mr. Thomas requested Paul Dusek, County Administrator, to review the Multi-Year Financial Plan for 2014-2017 with the Committee members. A Warren County 2014 Appropriations pie chart was displayed for the Committee members; *a copy of same is on file with the minutes*. Mr. Dusek pointed out that approximately \$49 million of the appropriations for 2014 was allocated to the Department of Social Services (DSS) including Countryside Adult Home, Veteran's Services, Office for the Aging (OFA), Economic Development Corporation and Weights and Measures. He added the majority of the funds were allocated to the DSS and OFA for mandatory programs. He commented approximately \$24 million of the appropriations for 2014 would be allocated to Public Safety

Programs in the Sheriff's Office, Probation Department, Building Code Enforcement Department and Office of Emergency Services. He pointed out approximately \$38 million had been budgeted for general governmental support, approximately \$12 million for roads, Airport, etc. and approximately \$15 million for Health Services and Mental Health programs. He advised it was difficult to control some of the costs in departments such as the DSS as many of the programs were mandated by New York State. He said a certain amount of funding was required to be expended on Medicaid which had fortunately been capped. He mentioned there were also mandated programs within the Health Services Department, such as the Early Intervention Program. He said it was important to look at the areas of the budget which the County had control over when structuring the budget.

Pertaining to sales tax collections, Mr. Dusek reminded the Committee that in 2010 the County had not collected the amount of sales tax revenues budgeted and had been required to make drastic budget cuts and eliminate some positions. Each year following, he continued, they began by assuming that sales tax collections would be decreased by \$2 million. He said there had been a few years of economic growth and an increase in sales tax collections since 2010. He commented the County had adopted the philosophy of operating using business principals and reducing costs where possible. He stated the amount of sales tax collections budgeted for 2014 was a conservative number based on the trend of sales tax collections in recent years.

Mr. Dusek reviewed the Multi-Year Plan for 2014-2017 in detail with the Committee members; *a copy of same is on file with the minutes*. He explained the negative fund balance of (\$2,332,636) for 2014 was a result of deliberately using savings to offset that number resulting in a negative figure. He stated a \$12,742,399 combined fund balance was projected for the end of 2014. He advised the chart showed the surplus fund balance was stabilizing. Mr. Dusek stated the 2014 County Budget had been built in a balanced format which meant if the Board wanted to allocate additional funds to a particular line item, they would need to decide which line item would be decreased by the same amount.

Mr. Conover said he liked the thinking on the sales tax projections although it made him nervous. He added the projections on mortgage tax collections were conservative and wise. He stated he was hopeful there would be an improvement in health insurance costs in the next few years, now that employees were contributing a greater percentage.

Mr. Mason stated the budget had been well presented and seemed a good effort. He asked if the \$1.3 million for Minimum Road and Machinery Fund Balance was additional funds and Mr. Dusek explained the \$1.3 million was a reserve fund which he recommended the County retain. Mr. Dusek further explained the \$1.3 million represented a 10% reserve of the Road Machinery Fund and a 10% reserve of the Highway Fund. In answer to Mr. Mason's question pertaining to the negative fund balances listed on the Multi-Year Financial Plan, Mr. Dusek replied the negative fund balances only existed due to the way the budget was constructed and if they had not budgeted conservatively on the sales tax collections, the fund balance would not be reflected as negative. He added the deficit was not an actual deficit because when the actual sales tax collections came in, the fund balance would show a surplus. A brief discussion ensued.

Mr. Taylor commented that he liked the measured approach that had been taken during the development of the budget and he appreciated the goal of reaching a 0% tax increase in the next few years. Mr. Kenny stated that overall he felt a good job had been completed on the preparation of the 2014 County Budget; however, he continued, he had been disappointed with how little input the Budget Committee had in the process. Mr. Dusek emphasized this was a draft 2014 County Budget and not a Tentative Budget. He said the Budget Team was giving the Budget Committee

more information than they had in the past. He commented the Budget Committee would have an opportunity to hold two to three additional meetings before the Tentative Budget was submitted. Mr. Dusek noted the health insurance information had not been received until a week and a half ago. He pointed out the budget process by law allowed the Department Heads until the first week in September to submit their requests. A discussion ensued pertaining to the Sheriff's Office currently being over budget in which Mr. Dusek explained a lack of personnel was causing overtime usage which had not been budgeted.

Mr. Westcott stated the presentation had been very professional and he commended the Budget Team for the work they had completed. He said he had been working with JoAnn McKinstry, Assistant to the County Administrator, on compiling some summary budget reports which he would present to the Committee once completed. He explained he was reviewing the actual and adopted figures from 2012 in order to educate himself on the County Budget. Mr. Westcott asked the percentage of the budget which was mandated and the percentage which was discretionary and Mr. Dusek replied he would get that information for Mr. Westcott; however, he noted a considerable portion of the budget was driven by mandated programs.

Mr. Westcott said he had compared the Multi-Year Financial Plan to one which had been distributed at a previous meeting and he noticed that the figures for the Westmount Health Facility surplus for 2014 and 2015 had decreased considerably. He asked if the reason the Westmount Health Facility surplus was projected to increase between the end of 2014 and the end of 2015 was due to the anticipation of IGT (Intergovernmental Transfers) payments and Mr. Dusek replied affirmatively. Mr. Westcott asked the amount anticipated for IGT payments and Mr. Dusek replied \$1.3 million. Mr. Dusek explained that while Westmount Health Facility would benefit from the \$1.3 million IGT payment, the County contributed \$650,000 out of the Department of Social Services budget. Pertaining to Mr. Westcott's question concerning the decrease in figures between the Multi-Year Financial Plan distributed at this meeting and the one distributed at a previous meeting, Mr. Dusek explained they tried to use the best information available at any given time and the methodology used had changed between the two documents. He stated the new Administrator of Westmount Health Facility had made many changes in order to decrease the cost of operating the Facility. Mr. Westcott mentioned Westmount Health Facility operated at a loss even with the changes implemented by the new Administrator and the IGT payments. Mr. Dusek responded the sale of Westmount Health Facility would result in continued operations of the Facility in the private sector.

Mr. Westcott commented that at a previous meeting Jeffery Tennyson, Superintendent of the Department of Public Works (DPW), had mentioned the need for road maintenance and repair projects which would cost between \$1.5 million and \$3 million. He asked if additional funds had been added to the road maintenance and repair budget to accommodate Mr. Tennyson's request. Mr. Thomas stated the budget contained \$1.65 million in CHIPS (Consolidated Highway Improvement Program) funding and an additional \$350,000 had been budgeted making the current funding for road maintenance and repair \$2 million. He added there was the possibility of appropriating funds from the fund balance to cover the cost of additional road maintenance and repair.

Mr. Westcott asked the current debt of Warren County and the best practice for Counties to deal with debt. Mr. Dusek replied the worst type of debt was short term debt to meet operational expenses and he added Warren County did not carry this type of debt. He mentioned all of Warren County's debt had been incurred for major acquisitions such as the Human Services Building, the Public Safety Building and some machinery. He pointed out all of Warren County's debt had been fixed for the last several years. He stated since the County had not incurred any new debt, the current debt was being paid down each year. He noted no borrowing went on in Warren County

unless it was approved by the Board of Supervisors. Mr. Westcott stated the County currently had \$36 million in debt and Mr. Dusek agreed and reiterated the amount was paid down each year. Michael Swan, County Treasurer, reported that when the County was re-evaluated for a bond rating, the bond rating had increased because the County's debt to income ratio was lower than typical.

Discussion ensued.

Mr. Westcott asked if the projections going forward accounted for a reduction to a 0% increase in property tax and Mr. Dusek replied in the negative. Mr. Dusek explained that with projections going forward, they always relied on the most recent increase and he noted they had marked it as a 1.6% increase going forward. He added if the next year's figures lowered the property tax increase then that percentage would be used for the figures going into the following year.

Referring to the Multi-Year Financial Plan, Mr. Mason stated the 2009 through 2012 figures were definite and 2013 figures were estimated. He said for the past four years the County would have generated a \$17 million to \$18 million surplus to solve the problems. He commented he liked the conservative budget figures but reality told him the figures would not be that low. He opined if the surplus at the end of 2013 was anticipated to be \$16 million, then now was the time to be more aggressive on a tax decrease. He recommended a 0% tax increase for 2014 based on the available fund balance. He mentioned a 0% tax increase would cost the County \$600,000 out of the \$16 million fund balance. He stated the median real property tax levy in Warren County was the 7<sup>th</sup> or 8<sup>th</sup> highest in New York State, according to See-Through New York.

Motion was made by Mr. Mason and seconded by Mr. Westcott to reduce the 1.57% property tax increase to 0% for 2014 using the available fund balance.

Mr. Conover stated the question was where would the County budget be next year and the year after. He said if the County stuck to the plan outlined by Mr. Dusek, they would get to a 0% tax increase within the next few years. He voiced his concern that the motion was a large gamble and the County could end up needing to find an additional \$3 million to \$4 million for the 2015 County budget. He recommended staying with the Budget Officer's Recommendations as presented at this meeting.

Mrs. Wood said she also had deep concerns with the motion, as there was no way of addressing the tax cap carryover calculations and how it would affect the budgets in future years. She commented she felt the Budget Officer's Recommendations were right on track and she mentioned a gradual change was preferable to an extreme change.

Mr. Taylor pointed out the County had already underbudgeted for road maintenance and repair and had planned to use approximately \$1 million from the fund balance to balance that budget. He noted there would be requests for additional funds to eradicate invasive species. He said Mr. Mason's motion was premature and should be tabled until the Committee members had more time to review the presented draft budget.

Mr. Merlino said although the motion sounded like a great plan he felt it was a drastic move. He recommended staying with the current plan which had been presented and working towards a 0% tax increase in the next few years.

Mr. Bentley pointed out the necessary funds to reduce the tax increase from 1.57% to 0% was not \$600,000, it was \$1.2 million. Mr. Girard commented that 8 years prior the County had a \$28 million

fund balance. He advised the current surplus had been created by not allocating funding to road maintenance and repair or purchasing machinery. He said the County was back where they needed to be and were moving forward with a pragmatic approach. He stated the budget that was presented today was responsible and appropriate.

Mr. Westcott supported Mr. Taylor's suggestion to table the motion, as he would like to complete further research on the matter. He said he appreciated the opportunity to discuss the options and he felt it was a healthy process.

Motion was made by Mr. Taylor, seconded by Mr. Westcott and carried unanimously to table the motion to reduce the 1.57% property tax increase to 0% for 2014 using the available fund balance until the next Budget Committee meeting.

Mr. Mason commented he had been told the responsible level for a fund balance was between \$7 million and \$12 million. He said if the County currently had a \$15 million fund balance, the reaction should not be extreme. Mr. Thomas noted there was a resolution by the Finance Committee that the fund balance would be between \$6 million and \$12 million. Mr. Conover stated increasing the unrestricted fund balance made it part of the revenue stream. He said reducing the fund balance would remove the option of using \$1 million from the fund balance to cover the cost of road maintenance and repair in 2014. He mentioned if the sales tax revenues did not increase as anticipated, the fund balance would not increase as anticipated. Mr. Dusek stated the current budgeting methodology could result in a 0% tax increase in the next 2 to 3 years. He said the conservative approach was a better option with unknowns such as the sales tax collections. He apprised of the possibility of an economic down turn in the coming years. He opined it was best to plan for a bad result and hope for a good result. He advised taking \$600,000 from the fund balance now would limit the amount of funding which could be utilized towards road maintenance and repair in 2014. Mr. Dusek pointed out the fund balance was anticipated to be \$11.2 million at the end of 2017. He noted the County was aggressively going after the sales tax revenue now and retaining an appropriate fund balance allowed a little protection in case sales tax collection projections were off. He pointed out the County's contingent fund was approximately \$250,000 and should be closer to \$1 million for a County this size. He referred to unforeseen issues, such as the County Route 11 washout a few years prior. At that time, he continued, the County had no surplus funds and were required to borrow money to cover the cost of road repair.

Discussion ensued.

Mr. Conover stated the operating costs of Warren County (salaries, benefits, health insurance, etc.) would significantly increase next year. He said other than sales tax revenues, the only revenue stream large enough to cover the expense was property taxes. Mr. Merlino said as a businessman, he appreciated the concept of operating the County as if it were a business. He stated the items budgeted were necessary and he would not want any funding to be removed from the road maintenance and repair budget. He added the \$300,000 budgeted towards the eradication of invasive species was also important and he did not want to see that removed.

Mr. Westcott agreed that funding should not be removed from the road maintenance and repair budget. He said the Budget Team had completed a thorough evaluation of the budget and he would like the same opportunity. He commented he was trusting that this budget had been "trimmed to the bone". He challenged everyone to try to find additional funds which could be eliminated from the budget without eliminating any funding from the road maintenance and repair budget. He stated once he completed his analysis, if he found there were no line items which could be reduced, he

would be the first to admit that. Mr. Westcott stated he did not view Mr. Mason's suggestion as taking the funds from the fund balance; he viewed it as taking advantage of a potential sales tax revenue windfall. He opined that the potential to reduce the tax increase was a worthy discussion.

Mr. Thomas advised if anyone came back to Committee with a recommendation to make further budget cuts, he would appreciate the recommendations be specific as to where the reductions should be made.

Chairman Geraghty commended Mr. Thomas on putting together a responsible budget. He advised it was a slippery slope to try to make further reductions to this budget. He reiterated Mr. Thomas's remarks that if anyone suggested further reductions, their requests should pertain to specific line items. He stated the Budget Team had been meeting with Department Heads since July in order to craft this budget. He apprised that raising the sales tax collections projection to \$49.9 million made him nervous but he was hopeful that the results would be positive. He commented the County would now be required to pay 5% taxes on the health insurance premiums.

Additional Budget Committee Meetings were scheduled for Tuesday, October 29, 2013 at 11:00 a.m. and Thursday, October 31, 2013 at 9:00 a.m.

There being no further business to come before the Budget Committee, on motion made by Mr. Conover and seconded by Mr. Westcott, Mr. Thomas adjourned the meeting at 12:46 p.m.

Respectfully submitted,  
Charlene DiResta, Senior Legislative Office Specialist

