

WARREN COUNTY BOARD OF SUPERVISORS

COMMITTEE: BUDGET

DATE: OCTOBER 29, 2013

COMMITTEE MEMBERS PRESENT:

SUPERVISORS THOMAS
TAYLOR
KENNY
MERLINO
CONOVER
MONROE
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
VANSELOW
WOOD
ROBERT LYNCH, DEPUTY COUNTY TREASURER
JOHN STROUGH, DEPUTY SUPERVISOR, TOWN OF QUEENSBURY
DEAN BOECHER, TOWN OF QUEENSBURY
MATTHEW SIMPSON, TOWN OF HORICON
DONNA FARRAR, WARREN COUNTY RESIDENT
DON LEHMAN, *THE POST STAR*
CHARLENE DIRESTA, SENIOR LEGISLATIVE OFFICE SPECIALIST

Mr. Thomas called the meeting of the Budget Committee to order at 11:28 a.m.

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

The following documents were distributed to the Committee members: Warren County Statement of Indebtedness and Bonded Indebtedness for 2014; Budget Summary-Fiscal Year 2014; 2013 Warren County Financial Management Plan with 2014 Budget Officer's Request; and a packet of three Pie Charts for Warren County's 2014 Proposed Budget Mandates, 2014 Proposed Budget and 2014 Appropriations; *copies of the documents are on file with the minutes.*

Mr. Thomas noted this was the second Budget Committee meeting held within the last week in order to allow the Committee an opportunity to review the documents distributed at the previous meeting. He advised of an email received from Robert Lynch, Deputy County Treasurer, which indicated that according to the New York State Comptroller's Office, Warren County's Constitutional Debt Limit based on 2012 figures was \$779,507,527 and the current amount of debt was 4.64% of the Debt Limit. Pertaining to the packet of three pie charts, Mr. Thomas noted the Warren County 2014 Appropriations pie chart had been updated to include dollar amounts as requested by Mr. Merlino.

Mr. Kenny asked if 2.2% in sales tax collections had been projected for the fourth quarter of 2013 and Paul Dusek, County Administrator, replied he had projected a decrease in the fourth quarter. Mr. Dusek explained the sales tax collections were at 4.2% year-to-date and he had projected 3.5% overall for 2013. He noted that based on the past couple of years, Warren County seemed to have a decrease in sales tax collections for the fourth quarter of the year. Mr. Kenny said in 2012 the collections had decreased by .5% in the fourth quarter; in 2011 they had increased by 13.2% in the fourth quarter; and in 2010 they had increased 5.5% in the fourth quarter. Mr. Dusek disagreed and he explained in 2012 the collections had been at 4.6% at the end of the third quarter and had decreased to 2.6% at the end of the year. A discussion ensued pertaining to sales tax collections in previous years and the calculations utilized to estimate the sales tax collections for 2014.

Mr. Dusek reminded the Committee members the proposal had been that any additional sales tax revenues for 2013 would be used towards Road Maintenance and Repair. He advised by underestimating the amount of sales tax revenues, the County would have the ability to make adjustments to the Road Maintenance and Repair budget. He noted that Jeffery Tennyson, Superintendent of the Department of Public Works (DPW), had requested an additional \$2 million to bring the County roads up to standard but only an additional \$350,000 had been budgeted for 2014 in addition to the \$1.65 million in CHIPS (Consolidated Highway Improvement Program) funding. Mr. Kenny stated the difference in the projections coming in at 4.2% was \$700,000 and the County could easily move \$600,000 and have a 0% increase in property taxes. Mr. Dusek pointed out up until this year, the County had assumed that sales tax collections would be \$2 million less than projected. He advised budgeting in that manner had protected the County against further losses and had allowed them to re-build the Fund Balance. Mr. Dusek noted now the County was budgeting based on the assumption of a 3.5% increase in sales tax collections compared to 2013 and an additional 1.5% increase for 2015. He admitted if the County did not meet the projected sales tax collections, there would be a problem with the budget. Mr. Dusek stated the \$11 million Fund Balance would cover any unplanned contingency needs, as the County's \$250,000 Contingency Fund was low for a County this size.

Mr. Conover reminded the Committee members that recently \$2.3 million of the Fund Balance had been utilized. He noted an increase of approximately 2% for the 2014 County Budget, compared to the 2013 County Budget. He advised there would continue to be increases in expenses, such as payroll and health insurance. Mr. Dusek stated the County received ½ a year's occupancy tax revenues before they began expending those funds in order to ensure collections would be as anticipated. He noted one downturn situation could easily decrease the \$11 million Fund Balance to \$9 million. He noted projections were that 2014 would be a good year economically. He added if that was true and the Fund Balance increased further, the County would have sufficient funding to apply elsewhere.

Mr. Merlino said he appreciated the updated version of the 2013 Warren County Financial Management Plan with 2014 Budget Officer's Request. He noted having the Fund Balance totals for 2009 through 2017 showed exactly how much the Fund Balance had increased since 2009. Mr. Merlino questioned the inclusion of the Tourism Department in the 2014 County Budget, since it was entirely funded by occupancy tax collections. He asked if the inclusion of the Tourism Department skewed the actual dollar figures and Mr. Dusek explained the occupancy tax revenues and Tourism Department expenses were both included in the 2014 County Budget and balanced out. Mr. Merlino opined if the Tourism Department was included in the \$154,321,209 proposed 2014 County Budget, then the taxpayers were being taxed twice to fund the Tourism Department. Mr. Thomas explained the amount was not included in the levy, as the expenses had already been accounted for with the occupancy tax revenues. A brief discussion ensued.

Mr. Monroe stated he agreed with the current proposed 2014 County Budget and he felt this would place the County on the right track for future budgets. Mr. Westcott said Mr. Kenny made a good point on the sales tax projections and he liked Mr. Dusek's response that if the County collected more sales tax revenues than projected, then the Fund Balance would be increased and additional funds could be allocated towards Road Maintenance and Repair.

Mr. Westcott distributed a three page document that he had prepared to the Committee members; *a copy of the document is on file with the minutes*. He said the Committee members had been challenged at the previous Committee meeting to present specific line item reductions. He advised that while he did not have that ability, he offered his services for the 2015 County Budget to attend

the Budget Team meetings with the individual Department Heads. He stated he had three proposed areas in which he believed savings could be achieved. He commended Messrs. Dusek and Thomas and Chairman Geraghty on the work completed for the preparation of the 2014 County Budget.

Mr. Westcott pointed out the County was in negotiations to sell Westmount Health Facility based on previous and projected losses. He said Westmount Health Facility had a loss of \$650,687 in 2012. He stated he had been an advocate of taking a hard look at the Floyd Bennett Memorial Airport budget. He advised the Airport lost an amount similar to the annual loss at the Westmount Health Facility. He explained when the net operating loss for 2012 of \$696,327 was combined with the principal and interest for the Hanger of \$184,000, there was a total loss for the Airport of \$880,327 for 2012. Mr. Westcott stated he had looked at the management of the Airport as a means to reduce the amount of loss. He pointed out the Fixed Based Operator (FBO) contract included an Airport Management Fee of \$78,000 a year and the contract had recently been renewed for an additional 5 years. He noted the County's Airport Manager had a total compensation package of approximately \$90,000 a year. He mentioned a lot of money was spent annually on consulting firms which collectively assisted the County in managing the Airport. He admitted a large portion of the cost of the consulting firm contracts were covered by State and Federal grant funding. He stated the County expended between \$330,000 and \$700,000 per year on Airport management and consultants for a facility that lost \$880,000 in 2012.

Mr. Westcott commented that Mr. Montesi had mentioned the possibility of privatizing the Airport at a recent Debate. He noted Personal Services for the Airport were approximately \$276,000 in the 2013 County Budget. He suggested the FBO had the necessary staff and equipment to take care of the mowing and plowing of the Airport. He said the County could operate a well-run quality Airport for significantly less money. He mentioned the possibility of saving funds by eliminating the Part 139 Designation, as there was no commercial service at the Airport. He suggested closing the East/West Runway and ceasing the purchase of additional land for the Airport which removed the properties from the tax rolls. He stated he would have suggested re-negotiation of the FBO contract but the contract had already been renewed for a five year term.

Mr. Westcott suggested the County stop making payments to Siemens Building Technologies for the Cogeneration Plant until the issue on the amount of energy efficiency savings was clarified. He stated he had two highly qualified independent engineers review the documents and the County had an independent review taking place. He advised he was convinced the savings reported by Siemens Building Technologies were overstated and the contract was an overpayment by the taxpayers. He said if the reviews went the way he anticipated, the County could save approximately \$160,000 a year by stopping the payments to Siemens Technologies.

Mr. Westcott stated the County had a sales tax windfall of approximately \$6 million over the past two years. He noted a recent report from the New York State Department of Taxation and Finance had listed Warren County as having the highest per capita sales tax of every County outside of New York City. He recommended using some of the sales tax windfall to provide property tax relief to the residents of Warren County.

Mr. Mason thanked Mr. Westcott for his recommendations; however, he said, the Board of Supervisors was currently dealing with the Cogeneration issue. Regarding the sales tax, Mr. Mason stated Warren County was one of two or three Counties in New York State with a 7% sales tax rate and was therefore one of the lowest. He added if Warren County was the highest per capita, then they were generating a lot of sales tax from people who did not reside in Warren County. He mentioned he had proposed a 0% increase to the tax levy this year and he was still in favor of that

option. He commented JoAnn McKinstry, Assistant to the County Administrator, had provided him with a copy of the five year plan which would increase the property tax levy by 1% in 2014 and 1.57% for 2015, 2016 and 2017. He apprised he felt the five year plan was feasible; however, he continued, if not, he would like to refer to the Finance Committee a discussion pertaining to the appropriate Fund Balance for Warren County and the steps to be taken once the upper limit was reached.

Mr. Conover pointed out all sales tax revenues were applied against the cost of government in order to determine the property tax levy. He said it was important to understand that increases to the Fund Balance were caused by positive cash flow situations. He advised if \$2.3 million of the Fund Balance was applied to the 2014 Budget, the amount would not be replaced unless there was a positive cash flow situation out of the operating condition. He said the Multi-Year Financial Plan was designed to get the County to a 0% tax levy increase or a possible decrease in the next few years.

Mr. Merlino opined the County should keep the 2014 County Budget as it was presented at the October 22, 2013 Budget Committee meeting. He said he feared the concept of overestimating sales tax collections in order to lower the property tax levy. He pointed out that smaller Towns, such as Lake Luzerne, received a smaller portion of the sales tax revenues and were struggling. He noted larger Towns were able to have a lower Town Tax, such as \$.51 per \$1,000 of assessed value; however, he continued, the Town of Lake Luzerne currently had a \$4.60 per \$1,000 of assessed value. He advised any changes to the sales tax collections or money taken from the Fund Balance would hurt the smaller Towns.

Once the final figures for 2013 were known, Mr. Girard asked if the Budget Committee would meet in order to decide the amount of funds to be allocated towards the Road Maintenance and Repair budget and Mr. Thomas replied affirmatively. He noted the County had removed funding in the past from the Road Maintenance and Repair budget in order to get through a tough economic period. At that time, he continued, there had also been an issue with increasing retirement costs. Mr. Girard mentioned the health insurance costs were in flux due to the Affordable Care Act (Obama Care). He noted Warren County had compensated for health insurance increases through Union negotiated concessions which increased the employee contributions. He advised the Fund Balance was at a healthy level, sales tax collections were headed in a positive direction and now was the time to take care of the unfinished business of Road Maintenance and Repair.

Mr. Taylor commented the Budget process started on January 1st and this year the County had worked towards their current situation. He said some of Mr. Westcott's suggestions might have merit but there were no plans in place to implement them. He stated he was satisfied with the work completed and he wanted to proceed with the proposed 2014 County Budget. He opined the measured or conservative approach made a lot of sense. He said he did not want to return to a point which would require the County to borrow funds in order to function.

Mr. Thomas stated the Budget Committee would convene at the close of 2013 to determine the amount of appropriations for the Road Maintenance and Repair budget and to forward those recommendations to the Finance Committee. He said even if the sales tax collections remained flat, the County would be fine although there would be no increase to the Fund Balance.

Mr. Westcott stated he agreed with the majority of the proposed 2014 County Budget and the majority of the comments made by Committee members. He said one of the things he would like to address was the possibility of moving towards a 0% increase to the property tax levy or a possible decrease. He apprised it was a goal that had been discussed but it was not included in the plan and the Multi-Year Financial Plan showed property tax levy increases throughout the next four

years. He stated he would like to see a Multi-Year Financial Plan that showed a 0% increase to the property tax levy by year four; he added that if this could be accomplished, would support the proposed 2014 County Budget.

Mr. Vanselow mentioned that if there ended up being no additional sales tax collections resulting in no additional funds to spend on Road Maintenance and Repair, the County needed to consider the ramifications. He noted the condition of the County roads was an exponential debt that the County needed to pay and postponing the repair of the County roads would result in worsening road conditions and increasing repair costs.

Motion was made by Mr. Girard, seconded by Mr. Taylor and carried by majority vote, with Mr. Westcott voting in opposition, to approve the proposed 2014 County Budget as presented and forward it to the full Board of Supervisors at the November 1, 2013 Special Board Meeting.

Mr. Thomas announced the Budget Committee meeting scheduled for October 31, 2013 at 9:00 a.m. would be cancelled.

There being no further business to come before the Budget Committee, on motion made by Mr. Mason and seconded by Mr. Conover, Mr. Thomas adjourned the meeting at 12:16 p.m.

Respectfully submitted,
Charlene DiResta, Senior Legislative Office Specialist