

STATE OF THE COUNTY
JANUARY 5, 2012

“Thank you to my fellow Supervisors for the continued support and confidence that you have placed in me in electing me to again serve as your Chairman. It is truly a privilege to serve in this capacity and I pledge to continue to maintain a high level of communication to assist us in our work on behalf of the residents of Warren County.

In preparing this year’s State of the County Address, I reviewed last year’s address for use as a benchmark against which to measure our performance in 2011. I am pleased to report that as 2010 saw improvements over 2009 in the County’s overall financial health and approach to governance, 2011 saw this improving trend continue substantially.

In 2010 – before this year’s enactment of the Tax Cap Law – Warren County – facing shrinking revenues – reduced 2011 budget appropriations by \$518K and held the tax levy increase to 1.1% - the lowest increase in 15 years - without appropriating any fund balance to achieve this. However, the County’s available fund balance stood at little more than \$3million and cash flow was so anemic that the County needed to secure short term borrowing at the start of both 2009 and 2010 to meet its obligations.

In 2011 – working on the 2012 County Budget – despite reducing budgeted revenues by nearly \$2million, the County was able to further reduce budgeted appropriations by just over \$3K and limiting the tax levy increase to just 1.7% - again without appropriating any fund balance to keep the levied amount down. In fact, the projection for the end of year 2011 undesignated fund balance is \$7.1million – double what it was a year before – and short term borrowing will not be necessary in 2012 as it had been in 2010 and 2011.

It is important to emphasize – the levy increases for the 2011 and 2012 budgets – two of the smallest percentage increases in the past two decades – done in two consecutive years – done in certainly the two worst years for non-property tax revenue collections – done during our County’s worst economy since the Great Depression – was done without the appropriation of ANY fund balance. Many other counties and local municipalities in New York State are relying on fund balances (prior year over-taxation) to mask spending, control tax rates and comply with the State’s Tax Cap Law. This

was also achieved while resisting the temptation to increase the County's tax rate from 7%. Warren County remains one of five counties in New York State that has not increased sales tax above 7%.

The long term issue now with any county budget in New York State will be that two New York State imposed forces are acting in opposition to one another: the issue of unfunded mandates and the imposition of a tax cap. The irony of New York State government (of all state governments in this country) promulgating any financial and budgeting guidance is certainly not lost. Whatever the motivation was by the State Legislature and Governor in imposing the Tax Cap without any meaningful mandate relief - political or fiscal – it is an unsustainable model in the long run for county government. In mandating increases in scope, coverage and costs of various social programs, with double digit increases in significant budget items such as employee health insurance and mandatory local state retirement contributions commonplace it is simply mathematically impossible for county governments to maintain levy increases below 2% indefinitely. Sustainability will vary from county to county – with counties that have carried inflated appropriations and/or excessively high fund balances (prior year over-taxation) being able to consume their cushions for a longer period of time than those counties that do not have inflated budgets and fund balances. In the end, however, when the fund balances are gone and all inefficiencies are found and eliminated, without mandate relief the end result will be the elimination of non-mandated services and significant infrastructure decay. All that will remain will be the state mandated programs whose expense will outpace the state imposed limit for counties to raise taxes to pay for these state programs.

If the state's mindset is that this is all temporary - so as to force local government to improve efficiencies and reduce excessive fund balances during a time of economic difficulty – fine. However, if this is not the case, then mandate relief – MEANINGFUL – mandate relief – is a must. Frankly, the responsible thing to have done would have been for the tax cap to have been implemented in conjunction with mandate relief. Despite the loud cries from local government officials throughout the state last year – this did not happen. It must be our continued resolve to work with NYSAC and other counties to bring pressure to our Governor and State Legislators to make meaningful mandate relief a reality. One step Warren County undertook in 2011, in following Fulton County's lead, was the adoption of our Truth-in-taxation local law which provided for us to compile and include a disclosure

of the effect these unfunded state mandates have on the County property tax bill. This document was sent out last week with the property tax bills in an effort to educate our public on this fiscally critical issue. We will continue to look for any means available to shed a light on this unaddressed issue of unfunded mandates until the State Legislature and Governor take the required action.

I personally reject the argument that mandate relief must somehow automatically translate to a simple one-for-one shift of expenses from local government back to state government – resulting in the same total taxpayer dollars being spent – just out of a different pocket. If this were what we were seeking that would just be silly. True mandate relief is the REDUCTION of expenses – regardless of whether local property tax or state income tax pays for it. Of course – if these expenses can't be reduced, then the act of shifting them back to those making the mandates (the State) will at the very least give them pause to reconsider these mandates or avoid creating new ones if they would be held accountable by the public for them – not a horrible result. However, what we're seeking is actual relief – relief that can only be brought about by reducing what is spent – not who spends it. Specific, significant items the state should review and revise that would accomplish this include Medicaid eligibility standards, the prevailing wage law, the Wicks law and state procurement laws.

2011 held several other milestones for Warren County - achieved working in concert with other municipal partners Warren County:

In 2011, Warren and Washington County made their final payments toward the Hudson Falls Burn Plant – as an aside, this happens to be a fine example of a very local and painfully expensive unfunded state mandate that local taxpayers paid for over two decades. Additionally, thanks in large part to the work of Supervisor Fred Monroe several years ago, the counties were able to renegotiate the burn plant deal – reducing the negative financial impact and resulting in the ability to sell the plant earlier this year – the proceeds of this sale benefiting both counties.

Earlier this year we were able to participate in discussions with the Town of Lake George and our state legislators that ultimately led to a reversal of the DEC's position on its lease terms for Americade's use of the Million Dollar Beach parking lot – ending a multiyear debate over this proposed lease rate whose escalation threatened the very continuation of this more than \$40

million economic impact event in the County. As a result of this effort it appears that Americade's future here in Warren County has been assured for many years to come.

Warren County – in working with the Town of Corinth and Saratoga County was able to change its stars regarding the Railroad line. After a thorough vetting, the County entered into a contract with Iowa Pacific and the Town of Corinth to upgrade our rail service prospects and connect our track to the rest of the country's rail infrastructure. This relationship is greatly exceeding Iowa Pacific's initial expectations and is proving to be transformative in North Creek. The prospect for freight service and economic development opportunity both south and north of our line holds great potential for not only Warren County but also northern Saratoga County and into Essex County.

After nearly a decade of public discussion, our partner, the City of Glens Falls, was ready this year to make the move to consolidate police dispatch services. As the Towns of Queensbury and Lake George had experienced the anxiety years ago of consolidating police departments with Warren County, I can tell you that in my estimation from the Town's perspective – this was one of the boldest and wisest moves Queensbury made in the 1980's. I am confident that this dispatch consolidation will be as successful as those two were and that years from now it will be viewed as positively.

Continuing the list of intermunicipal accomplishments, Warren County achieved this year – we completed the Exit 18 / Main Street Project – a project ten years in the planning stages involving State, County, Town and City governments, as well as Water, Sewer, Electric, Gas, Cable and Phone utilities. It took 18 months to construct and was described by many involved as one of the most complex construction projects NYS DOT had been involved in. It was completed on time and within budget and has been widely praised after completion for both its functionality and its attractiveness. It will help to transform both Queensbury and Glens Falls.

We also continued to work with environmental groups on the important Gaslight Project. Demolition of the buildings on the site has been completed and plans have been developed and funding partially secured to transform this site into an environmentally functional and visually attractive recreation and tourist attraction that will enhance Lake George's ability to accommodate larger events important to our regional economy.

Working again with these environmental groups, Warren County was a leader in the state invasive species fight. Warren County pledged municipal financial support in combating Asian Clams. The county then took the bold step to leverage its financial commitment to obtain funding support from neighboring municipalities with a stake in the health of Lake George. This was a good first step but much more needs to be done. Realizing this, Warren County also enacted the State's first invasive species laws this year. This law was based on a draft of a law proposed but unacted on by our State Legislature. It has been further suggested that perhaps rather than New York State using Environmental Protection Funds to continue to purchase additional lands – while struggling to maintain the lands it already owns – that it would be much wiser to use these funds to combat invasive species – including Asian Clams in Lake George.

Warren County also took action to reorganize our approach to Economic Development. Working with EDC Warren County we have reorganized the Warren County LDC. This was an important step towards strengthening the tools that EDC has to work with. It also allowed us to reduce the County's planning staff and thus the county budget. More importantly, it contributes to the co-location of several Warren and Washington County economic development agencies under a single roof. This initiative is slated to take place early this year. In light of this, I've decided it makes most sense to recombine the Economic Growth and Planning Committees, to be chaired by Supervisor Taylor.

2011 also saw unusual storm activity. The storms around Memorial Day and Tropical Storm Irene in late August devastated road infrastructure in the county – particularly in the Town of Thurman. To date application for federal assistance has been denied. This is unacceptable and Warren County will continue to do all it can to support Thurman in its dealings with FEMA and NYS OEM.

Looking ahead the Beach Road and Gaslight Village Projects in Lake George will be a major focus. However, as I stated in last year's State of the County Address – the financial challenges we face must remain our main focus for 2012. We must continue the solid work we've done in the past two years in this regard. Working with the department heads and our County Administrator and his staff, I have no doubt that we will continue to find

ways to improve our efficiencies, maintain a high level of service to our public, cut costs and protect the wallets of our taxpayers.

We have several new Supervisors joining us this year. I congratulate and welcome them all to our team. I believe each of you will find your service here to be both challenging and rewarding. We have a great team here and we look forward to your contributions to it.

I'm reappointing Stony Creek Supervisor Frank Thomas Finance Committee Chairman. I'll ask him and his Committee to work to continue to closely monitor county spending to ensure that the fund balance continues to recover. Likewise, I'll ask Budget Officer Geraghty and his committee to again start the budget process early in the year. Supervisor Conover will continue to chair the Personnel Committee. Filling vacant chairs on some of our larger committees, Supervisor Bentley will chair DPW and Supervisor Wood will chair Public Safety.

We've done much solid work in 2011. These are difficult times. We've made some difficult decisions in the past year and we will certainly be faced with more difficult decisions in 2012. With the help of the tremendous county workforce I'm confident that we will continue to improve Warren County government."

Respectfully submitted,

Daniel G. Stec, Chairman
Warren County Board of Supervisors