

# 2013 BUDGET MESSAGE FROM DANIEL P. MCCOY

October 2012

To the Members of the Albany County Legislature and the People of Albany County,

I present to you a 2013 Executive Budget that is balanced, meets our fiduciary responsibilities, moral obligations, and provides a road map to a more efficient and effective Albany County government. The financial burdens placed on County governments have never been greater than they are right now. Our budget planning has centered on the desire to meet the 2% property tax cap as soon as possible. Without further relief of dozens of mandates placed on the County, we simply cannot get there in one year absent dramatically eliminating the services that County government provides its residents. Our approach will be to continue to reduce costs and improve efficiencies, while pushing for more mandate relief, so that we will be able to meet the property tax cap and ensure the long-term health of our finances.

As you will find, we have tackled some of our most pressing issues with an open mind, a commitment on realistic goals, straightforward problem solving and innovation. Throughout my years as a public servant, I have been talking about Albany County's financial situation. I reiterated those concerns in my State of the County Address in March and continued taking this message to each and every municipality during a State of the County tour. We have aggressively sought to reduce spending while balancing efficient delivery of our vital services. I ask you to study the budget carefully and ask any questions you have. It is essential we continue a cooperative partnership and to work on any proposal that advances our ability to succeed together. Our journey to recovery has begun.

Governor Cuomo has helped provide much needed relief with Medicaid assistance. The phased takeover of Medicaid administration is a big step in the right direction. While the Governor has shown a strong understanding that mandate relief is a catalyst for local governments to stay within the tax cap over the long term, it is incumbent upon legislative leaders to work in concert with the Governor to enact necessary reforms. I am ready, willing and able to continue working with the Governor and State Legislature to expand crucial relief to all mandated services.

One of the issues that dominates our budget discussion is the fate of the Albany County Nursing Home. To provide a more pleasant and habitable environment for workers and residents I had our Public Works and General Services staff perform a number of necessary repairs, including preparations for the federally mandated process of updating the sprinkler system. However, we will have to make substantial financial investments for necessary and unavoidable improvements due to the facility's poor condition.

The County has an obligation to provide preventive and restorative care for our seniors. Our nursing home has provided valuable services with a unique mission of providing needed long-term care

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services to many county residents who may not have been served by other proprietary or voluntary homes. Nevertheless, our nursing home is increasingly vulnerable and the associated costs are driving us into further financial upheaval. The nursing home subsidy for 2011 was \$8.7 million. Adding in a retroactive revenue adjustment from the Federal government of \$3 million our county share was actually closer to \$12 million. That's \$12 million paid for by Albany County taxpayers. The Albany County Nursing Home has operated at an annual deficit of between \$7 to \$9 million in recent years. In 2013 alone the County will be responsible for a \$4.8million recoupment by the federal government based on a past overpayment. Costs continue to escalate and with changes in Medicaid reimbursement rates, we project this deficit will grow every year.

There has been much discussion about building a new nursing home. The Public Health and Health Planning Council (PHHPC), the body which governs the Certificate of Need process, has denied our Certificate of Need to construct a new home. PHHPC has clearly stated that Albany County cannot shoulder those costs, which are projected in excess of any figure cited to stay in our current facility. During my transition I engaged many highly knowledgeable and respected members of the public sector, healthcare industry and business community to research and present their opinions. Their recommendation was that "Albany County should close the Albany County Nursing Home and assist patients currently residing at home in finding alternative options for long term care. As part of this undertaking, a careful process for the placement of nursing home staff must be developed and implemented." Understanding the gravity of their recommendation, I also understand my commitment to protecting and providing a place of refuge for the most vulnerable among us, a commitment I have never wavered from since my own father was a resident of the Albany County Nursing Home. Therefore, closing the facility is simply not an option.

In pursuit of all possible solutions, we put out a Request for Proposal (RFP) to have an outside management company run the facility. The bids submitted did nothing to address the cost structure and in fact, placed additional costs on the County. We also put out a RFP to transfer the license to an experienced third party, but we did not receive any bids.

There is an answer which protects seniors and ensures that our most vulnerable residents have the care they need while protecting taxpayers. It is pragmatic in terms of recognizing the economic difficulties faced by Albany County and is a responsible decision both fiscally and ethically. I have found an operator interested in working with the county who has unparalleled credentials turning around nursing homes in New York State grappling with financial troubles. Upstate Services Group is a leading provider of high quality comprehensive health care services. They currently oversee operations of eleven skilled nursing facilities around New York State comprising a total of 1,600 beds. Upstate Services Group has an excellent reputation and is familiar with situations exactly like ours. The company is on a list of preferred providers by the New York State Department of Health. They

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currently operate Hudson Park; a facility located in the City of Albany, and as such understands how to serve the needs of Albany County residents.

My administration has executed a Letter of Intent with them which will guarantee the home stays open for current residents and will save Albany County taxpayers no less than \$70 million over the next 10 years. Additionally, Upstate Services Group has agreed to recognize and engage in collective bargaining with existing union representatives, including 1199SEIU. Most importantly, they will keep all existing patients and maintain existing admission policies for future patients as well.

The transfer will require the approval and partnership of the County Legislature, as well as New York State Department of Health. Incurring swelling operating losses, reimbursement levels that fail to cover operating costs, withdrawal of intergovernmental transfer payments and the need for increasing County subsidies is something we can no longer bear. My budget reflects nursing home spending in 2013 for six months as we operate the facility ourselves and a transition for the second half of the year to reflect our agreement. By entering into an agreement with this well respected group, residents will be cared for in the current facility by many of their current caregivers, and the County will achieve much needed long term financial relief.

While the recession has focused our needs to find efficiencies and cost savings, this administration has pursued savings since day one. Our county workforce has decreased by over 700 positions in the last decade and our administration continues to look for greater efficiencies by consolidating offices, functions and positions. By consolidating the civil legal divisions spread throughout the County within the Department of Law, it has allowed for a substantial decrease in utilization of outside counsel. Consolidation of County-operated adult mental health outpatient clinic services in one central location reduced unnecessary costs and increased overall efficiency. In partnership with the Sheriff's Office, successful efforts have been made to consolidate various units within the Albany County Public Safety Center in Clarksville by the end of the year. This will allow units from Cohoes and Voorheesville to reside under one roof allowing for more efficiency and greater cost savings.

Since all of Albany County's local governments are facing similar financial constraints, it is imperative that we continue to seek areas where we can maximize our limited resources by consolidating functions, sharing information and provide high quality services in the most efficient manner possible. Whether it is as simple as allowing a city, town or village to utilize a piece of equipment, shared purchasing or actual consolidation of services, savings can and must be achieved. The Department of General Services has been assisting the Division of Finance to ensure that auctions of foreclosed properties are processed efficiently, maximizing our revenues while decreasing our liability for these properties. Likewise, Albany County recently implemented the successful consolidation of the Cities of Cohoes and Watervliet dispatch centers within the Sheriff's Office. All County Departments will be

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seeking out additional opportunities to share services, consolidate locations and maximize limited resources. The County Executive, in conjunction with the Albany County Sheriff, intends to pursue federal and state support for emergency response infrastructure especially surrounding the issue of interoperable communications systems and technologies. Additionally, our Division of Information Services is currently examining our ability play a cooperative role in providing information technology support services to local governments.

There are a number of programs and services provided by Albany County that I would like to highlight, which have been recognized on the state and national levels for their success. Our Purchasing Department is sought out by other municipalities for assistance in garnering the best prices through bulk buying. Most recently, it was noted in a New York Association of Counties article for its work on an Equipment Maintenance Program which showed a savings of 27% by consolidating existing service contracts. Our foster care numbers are the lowest in the state when compared to other counties of our size. Our Department of Social Services' welfare fraud investigators have been in the media a significant number of times over the last nine months for their diligent work undertaking full investigations of alleged malfeasance and recommending for prosecution those who are cheating Albany County. At the same time our Department for Aging has been commended by the New York State Office for the Aging for a job well done with the Title V Senior Employment Program-we had surpassed our goals for the year by the end of March. This is just a snapshot of the valued work and necessary programs and services that Albany County offers.

Increases in costs for unfunded mandates come at a time when Albany County residents are accessing our programs and services and need our help most. Nine unfunded mandates in particular account for over 100% of our tax levy. Those mandates are Medicaid, public assistance, child welfare, pre-school education, indigent defense, probation, early intervention, youth detention and pension costs. These expenditures are beyond our control. I have been actively working with the New York Association of Counties and my counterparts in the Greater Capital Region to lobby our legislative leaders for relief. A full list of these mandates can be found on the back cover of this budget book.

Another expense to the County involves what we pay for our students to attend community colleges. Everyone should have access to higher education, but the County is paying a disproportionately large amount per student to Hudson Valley Community College. If you look at the academic year from September 2010-August 2011, we paid \$8.9 million to HVCC. My Transition Team highlighted the issue and recommended reviewing the relationship to try and establish a more equitable rate for our students. Initial discussions with HVCC on this topic were not fruitful. However, in an address to the Rensselaer County Legislature in July, HVCC President Drew Matonek acknowledged the disparate impact of chargebacks: "As a point of comparison, Rensselaer County's sponsor contribution is \$3.2 million. Albany County's chargeback is nearly \$10 million. Further, the college's chargeback rate to

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counties outside of Rensselaer is \$2,190 compared to Rensselaer's contribution of \$1,123 per resident full-time equivalent student. That is almost a 2 to 1 ratio." This unfunded mandate is passed on to the County and we have limited choices: pay it; pass the costs down to the individual municipalities who are also struggling; or establish a regional community college. We are working with other communities, legislators and SUNY to lower our financial burden and still fulfill our legal and moral mandate.

Having talked about many issues that are out of our control on the expenditure side, we turn to our revenue. The two main sources of county revenues are sales tax and property taxes. The sales tax is collected by the State and we cannot increase the rate without its explicit authorization. Losses due to the recession continue to have a negative impact. We are also struggling with a calculation error made in 2009 when it was anticipated that Albany County would take in a substantially larger amount of sales tax revenue. That loss of \$17.6 million has been carried over each year since. While our sales tax revenues are expected to show growth in 2013, we must avoid the mistakes of the past since over forecasting leads to shortfalls. We split our sales tax revenue with each of our 19 municipalities. Albany County keeps 60% and sends 40% to the municipalities. It is a generous split-approximately 38% of counties across the State either keep a greater percentage of the sales tax they collect or keep all of it. Others share sales tax with school districts or earmark the money for specific expenses like Medicaid, capital projects or debt service. In 2011, Albany County generated roughly \$230 million in sales tax revenue and distributed \$92 million of it to municipalities. After accounting for Federal and State revenues, the gap between what we bring in from sales tax revenue and what we spend is the best representation of our tax levy.

The 8.9% tax levy increase I am proposing will enable us to continue to pay for many programs and services that are not mandated but serve a critical need. Specifically, non-mandated programs that would be cut without an increase in the levy include our Crime Victims and Sexual Violence Center, Children's Dental Clinic, Mental Health Substance Abuse Clinic, Children's Mental Health and our entire Aging Department. The impact from program and service cuts alone from the Department for Aging means we would no longer provide home delivered meals, congregate meals or expanded in-home services which keep our seniors out of institutional care. As a member of the County Legislature for 12 years, I defended and supported restored funding to these programs which are not State or Federally mandated but provide a critical service to the community. These programs, if eliminated, would result in a service gap in the community as in most cases there is no other entity providing these services. In order to maintain these critical services the proposed tax levy is needed and necessary. I will continue to fund these services for as long as it is financially feasible and responsible to the taxpayers and residents of Albany County.

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The budget I am presenting reflects the hard work of my administration and commitment to the declarations I made when I took office. This is a balanced budget that reduces spending where responsible while balancing efficient delivery of our vital services. This tax levy will mean a homeowner with a \$200,000 home will see an increase in their county tax bill of approximately \$60 per year or \$5 a month. I know that every dollar counts and I submit this budget pledging to continue to work to streamline government and create greater efficiencies without compromising or sacrificing programs and services that protect and serve the people of Albany County.

I am proud to say we are on the road to recovery. Your cooperation and partnership to achieve the goals outlined in this budget are welcome and essential to our success.

A handwritten signature in black ink that reads "Daniel P. McCoy". The signature is written in a cursive style with a large, stylized "D" and "M".

Daniel P. McCoy  
Albany County Executive