ALBANY COUNTY FISCAL STRATEGIES

Certain strategies included in this budget, in addition to other steps being taken by the County Executive outside of the formal budget process, will put Albany County in a position to restore our fiscal health and provide the vital services that the people of Albany County deserve. The most important steps are outlined below:

Nursing Home – given the escalating share of operating the nursing home, the County Executive is proposing a solution that protects seniors and ensures that our most vulnerable residents have the services they need while protecting taxpayers. This budget proposes to lease the premises to Upstate Services Group. In exchange for Upstate Services taking over operation of the nursing home, they will become fully responsible for all patient care and ongoing employee costs. This move will save the County $1.5 million in 2013 and will save Albany County taxpayers at least $60-$80 million over the next 10 years.

Consolidation and Re-Stacking – Over the last nine months, the County has benefited from a series of Departmental consolidations. By consolidating the legal functions 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. The Albany County Sheriff's Office will consolidate various units within the office at 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 greater efficiencies and cost savings.

Community College– Albany County has been unfairly subsidizing Rensselaer County students that are attending Hudson Valley Community College (HVCC) for far too long. While no specific action taken in 2013 is likely to result in immediate savings, the County Executive has begun pursuing alternative low-cost methods for providing higher education opportunities to the people of Albany County.

Healthcare Costs - Going forward, the County's workforce will be asked by the County Executive to partner with the County in containing costs. By containing the growing cost of employee healthcare, through a combination of health programs, maximizing use of lower-cost pharmaceuticals and encouraging employees to utilize the most cost-efficient methods of health care delivery, considerable savings can be achieved.

Inter-municipal Cooperation – Since all of Albany County's local governments are facing similar financial constraints, it is imperative now more than ever that we continue to seek out areas where we can maximize our limited resources by consolidating functions, sharing information and providing 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 County recently implemented the successful consolidation of emergency dispatch centers in the Cities of Cohoes and Watervliet. Our Division of Information Services is currently examining the provision of technology support services to certain local governments. Our purchasing division will continue to pursue common-sense opportunities to find the best value for taxpayer dollars Through cooperative bidding with BOCES the purchasing division has already shown tangible savings. As part of an agreement with Schenectady County, the Albany County DCYF evaluation team will now also complete diagnostic testing for children in Schenectady county. This agreement is expected to generate $67,000 in new revenue for the Department of Children, Youth and Families in 2013.

Inter-Departmental Cooperation –All County Departments will be seeking additional opportunities to share services, consolidate locations and maximize limited resources. The Department of General Services has been assisting the Division of Finance with ensuring that auctions of foreclosed property are processed efficiently, maximizing our revenues while decreasing our liability for these properties. The County Executive, in conjunction with the Albany County Sheriff, intends to maximize federal and state support for emergency response infrastructure especially surrounding the issue of interoperable communications systems and technologies.

Managing our Workforce - Effective January 1, 2013, all retired employees who come back to work part-time, will be treated as hourly employees. They will no longer be earning vacation time, sick-time or personal leave. This will provide supervisors with the flexibility necessary to manage workflow. Likewise, all non-union employees hired after August 13th, 2012 will be only be eligible to receive pay for six weeks of unused vacation when leaving County Service, in comparison to the 13 weeks currently provided to all County employees. The reduction in vacation payout puts the County in line with similar employers. Finally, non-union employees in leadership positions will no longer receive longevity payments effective January 1, 2013. Instead, these employees will receive performance based bonuses - allowing supervisors to award those employees who are performing at the highest levels. While these items will not provide significant immediate savings, they will create the blueprint for negotiations of future labor agreements. There are no “Personal Service Savings” delineated in the budget. See the opinion of counsel at the end of this section.

INTER-RELATED BUDGET ITEMS

- Overtime in the Department of General Services (DGS) would have been $50,000 higher absent additional security personnel ($13,000 in temp help, $30,000 for an additional guard).
- The increase in interest and penalties on property tax delinquencies ($400,000 increase) is directly attributable to the Division of Finance hiring two building inspectors and two property managers.

ALBANY COUNTY FISCAL STRATEGIES

FISCAL STRATEGIES

The Albany County Executive's Office has set forth the following strategies and guidelines. These strategies are presented as general guidelines for departments to follow in managing their financial affairs during the course of the coming year.

- A rigorous cash management system shall be maintained to ensure sufficient cash, safety of principal, provide adequate liquidity to eliminate short term borrowing and maximize investment earning. In 2010 and 2011, Albany County resorted to borrowing Tax Anticipation Notes (TAN) for the purposes of accelerating funds to cover cash flow and day to day operational expenses. In 2012, the County Legislature, and the request of the County Executive, authorized the Comptroller to again issue a TAN.
- It is Albany County's intention to reduce reliance on TAN's by bringing appropriations in line with estimated revenue without overly depending on the use of fund balance and reserves to balance the budget. Over the course of the fiscal year, the Department of Management and Budget will aggressively monitor and manage the budget so that expenditures remain in line with revenue receipts.
- Expenditure controls must be sufficient to ensure that agencies stay within their budgets.
- The County must continue to diversify its economy in order to strengthen its property tax base by encouraging commercial development and expansion. It must also work to retain its existing base.
- Long-range planning processes shall be undertaken in conjunction with the capital improvement program, capital budget and operating budget.
- Duplicative functions within County government shall be eliminated where feasible and warranted. Consolidation of functions within and between departments shall be pursued wherever such consolidation will result in greater economy and efficiency or improved quality service.
- Annual budgets shall be prepared and presented in accordance with standards set by the Government Finance Officers Association of the United States and Canada.
- Capital projects requiring debt financing should be planned and implemented so as to allow debt obligations to be issued in the most cost effective way. Appropriate care should be taken in considering the issuance of debt for capital projects, including debt of those enterprises for which the County is contingently liable.
- Debt ratios should be maintained at or below the following levels:
    - Net direct general obligation debt as a percentage of estimated full value shall always remain less than three percent on an average basis over any five consecutive years.
    - The ratio of net direct general obligation debt service expenditures as a percentage of combined general fund expenditures shall not exceed ten percent per year over any consecutive five years. Any emergency expenditures during the course of 2013 may require issuance of general obligation bonds.
    - Average annual general obligation original issue long term debt sales shall not exceed $30 million or $150 million over any consecutive five year period.
    - Self-supporting general obligation debt shall be issued commensurate with the respective needs of the enterprises which are to operate these projects. When practical, revenue supported debt shall be utilized in order to minimize any impact on the General Fund.
- A system of internal controls shall be instituted and maintained to ensure compliance with all applicable laws, optimal cost effectiveness of County services and prudent stewardship over public funds. All employees will be responsible and accountable for the safekeeping of public assets. Management shall endeavor to consistently monitor and improve the system of controls.
- All departments are responsible for recovery of budgeted non-tax revenues as planned in the annual budget. Departments shall maintain an adequate billing and claiming process in order to effectively manage their accounts receivable system in conformance with the fiscal plan and sound business principles.

ALBANY COUNTY FINANCIAL PLAN

FUND STRUCTURE

State and federal law requires some of the County's accounts to be segregated from all others. These accounts are formed into separate "Funds" for each specialized purpose. The fund structure allows each fund's finances to be kept distinct from the regular County expenses in the General Fund.

- The **General Fund** (A Fund) contains appropriations and expenditures for the majority of the County's operations.
- The **Community Development Fund** (CD Fund) was established to administer federal Community Development Block Grants.
- The **Risk Retention Fund** (CS Fund) was established to hold monies in reserve for potential losses to the County.
- The **Highway Fund** (D Fund) was established by the State in support of road maintenance to keep those expenses distinct and recognizable.
- The **Road Machinery Fund** (DM Fund) was established by the State in support of road machinery maintenance, to keep those expenses distinct and recognizable.
- The **Nursing Home Fund** (NH Fund) and **Debt Service Fund** (V Fund) were established to segregate expenses and revenues used for the County's Residential Health Care Facilities and for repayment of bonds and notes, respectively.
- The **Sewer District Fund** (G Fund) is financed by charges to local governments and cannot receive County tax funds.

With the exception of the Sewer District, the specialized funds can receive County tax funds if their own revenues are not sufficient to make them self-supporting. This has almost always been the case in recent years. The method of subsidizing the separate funds is the "interfund transfer," whereby the General Fund "spends" some of its money, which becomes "income" for the fund receiving the subsidy. There are also some instances in which there are interfund transfers between the other funds and back to the General Fund.

An unfortunate side effect of the fund mechanism is that some dollars are counted twice in the County budget. A dollar of subsidy funds is "spent" once when it moves from the General Fund to the subsidized fund. It is also "spent" again when the recipient fund uses it to pay its bills. The Interfund Transfer is not a true expenditure, but it is counted that way for budgetary purposes.

For this reason, the Subtotal of Appropriations line in the 2013 Budget Summary of All Funds is a better representation of the actual size of the Albany County budget.

COUNTY REVENUES

Where Revenues Come From

The County budget is typically supported by five ongoing revenue sources: local tax items (primarily the sales tax), departmental income, state aid, federal aid, and property taxes. A summary of 2013 budgeted revenues anticipated to be received by the County is presented in the budget. A fund summary appears at the end of each fund section and is referenced in the Table of Contents. Each of the County's revenue sources is discussed briefly below.

1) LOCAL TAX ITEMS

The single largest source of revenue in the Albany County budget is the County share of the New York State sales tax. Of the 8¢ collected on each dollar of taxable sales in the County, New York State retains 4¢ and distributes 4¢ to Albany County. The County's portion is shared in a 60/40 ratio with local governments throughout the County. The County receives 2.4¢, and local governments receive 1.6¢ for each dollar of taxable sales in Albany County.
County sales tax collections are dependent on retail sales in the County and, ultimately, the health of the local economy.

ALBANY COUNTY FINANCIAL PLAN

The 2013 budget estimates sales tax collections of $244 million, up from the $230 million budgeted in 2012 with the County share of receipts totaling $146.7 million. The municipal share of sales tax collection is forecast to be $97.8 million. The 2013 forecast reflects a 6 percent increase from 2012 budgeted receipts, and 6 percent from actual receipts received in 2011. Given the significant increase in the second half of 2011 (6.6%), resulting from the rebuilding effort following hurricanes Irene and Lee, expectations for the remainder of 2012 should be tempered.

Other revenues that make up the local tax items category include payments in lieu of taxes, income from the sale of tax acquired properties, interest and penalties on delinquent taxes, and the County's portion of the Hotel / Motel Tax. In addition, this category includes revenue from the Mortgage Recording Fee.

2) DEPARTMENTAL AND MISCELLANEOUS INCOME

Departmental and miscellaneous income includes interest income and fees for services charged by the various departments to users of those services, including other governments.

Examples of these revenues include fees charged by the County Clerk, public health fees, Civic Center revenues, fees charged to the State for state highway snow removal, fees charged to other governments for boarding prisoners at the County Correctional Facility, commissions from vending sales, and income collected by the County Nursing Home for residential care, and the intergovernmental transfer (IGT).

3) STATE AID

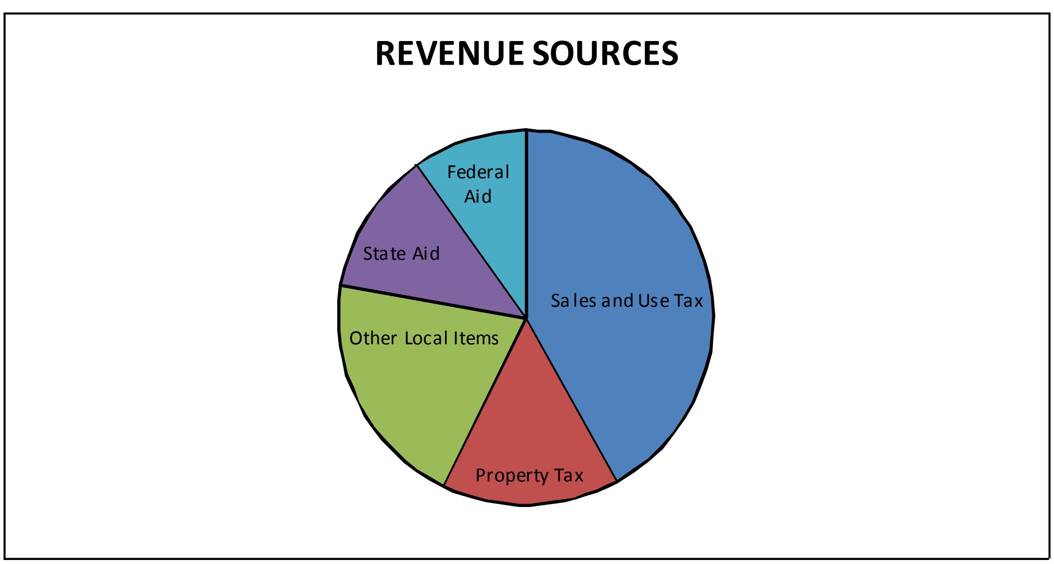
Included in the state aid category are individual items such as aid to court facilities, public health grants, funding for aging and youth programs, and the State share of public assistance programs.

4) FEDERAL AID

Among other things, the federal aid category includes Medicare funding provided to the Nursing Home and the federal share of public assistance programs.

5) PROPERTY TAX

This property tax of $89.3 million presented in this Budget represents a 8.9 percent increase from the prior year. The property tax represents over 15¢ of each dollar of County revenue. The property tax figure is determined differently than any other revenue in the budget. Since it is the only revenue that the County can directly control, it is calculated as the residual after all other sources of revenue have been estimated. The total amount of appropriations less than the total amount of revenues, fund balance and reserves applied to the budget while accounting for uncollectible taxes and deferred tax revenue yields the County tax.



6) APPROPRIATED FUND BALANCE

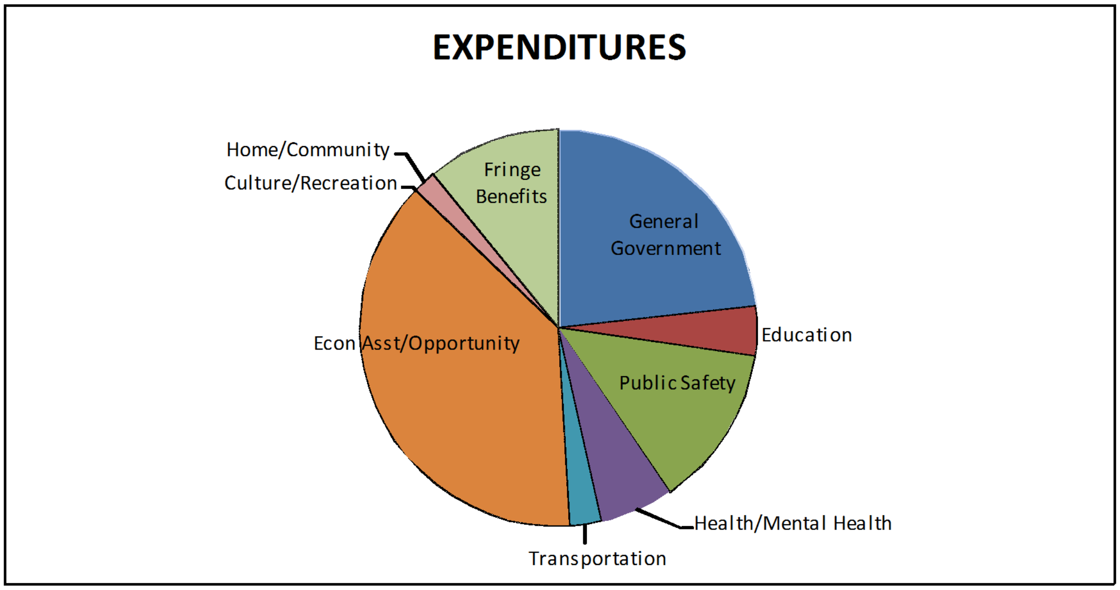
This Budget does not rely on any existing fund balances to fund expenditures.

7) APPROPRIATED RESERVES

The 2013 Executive Budget does not propose utilizing any reserves.

8) 2013 Proposed BUDGET

Expenditures in the 2013 County budget are allocated to nine categories: general government, education, public safety, health and mental health, transportation, economic assistance, culture/ recreation, home/community, and undistributed. Undistributed includes a portion of reserve funds, as well as those health insurance costs that are attributable to the County's retirees. Appropriations for debt service are also included within this category. A fund summary appears at the end of each fund section and is referenced in the Table of Contents.



FINANCIAL INFORMATION

The Budget is developed on the basis of principles that are consistent with Generally Accepted Accounting Principles (GAAP), except that the budget treats encumbrances as expenditures, whereas GAAP treats them as reservations of fund balances.

The basis for accounting is a modified accrual basis. Under this basis of accounting, revenues are recognized when measurable and available to pay current liabilities. Measurable means the amount of the transaction is determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on long-term debt which are recorded as expenditures when paid, compensated absences and judgments and claims which are recognized as a liability in the applicable fund if payable with current financial resources.

The County complies with the Uniform System of Accounts as prescribed for the Counties of New York State. This system conforms with generally accepted accounting principals as promulgated in the "Codification of Governmental Accounting and Financial Reporting Standards," as published by the governmental Accounting Standards Board, in conjunction with the Governmental Accounting Research Foundation of the Government Finance Officers Association.

POSITION AND EMPLOYEE COUNT

The 2013 Executive Budget proposes funding for a total of 2,454 positions. This is a increase from the 2,442 positions funded in the 2012 Adopted Budget.

	1995	2000	2005	2010	2011	2012	2013	Change 2012-2013	% Change 2012-2013	Change 2010-2013	% Change 2010-2013	Change 1995-2013	% Change 1995 - 2013
Positions Overseen by the County Executive	2,440	2,331	2,168	1,804	1,702	1,617	1,622	5	0.31%	(182)	-11.22%	(818)	-33.52%
Positions Overseen by Separately Elected Officials	667	732	816	841	832	825	832	7	0.85%	(9)	-1.08%	165	24.74%
Total	**3,107**	**3,063**	**2,984**	**2,645**	**2,534**	**2,442**	**2,454**	**12**	**0.49%**	**(191)**	**-7.78%**	**(653)**	**-21.02%**

As of the beginning of October, there were 205 vacancies, 25 of which have been eliminated in the 2013 proposed budget. Many of the current vacancies are in the process of being reclassified for increased efficiencies. The proposed budget reflects a number of reclassifications that were completed throughout 2012 and a new line and title for the individual has been created. As a result, the pre-existing line has been eliminated. Largely these changes did not increase personnel costs, and have already yielded savings in the 2012 fiscal year.

The County Executive will continue to evaluate and examine each position both filled and vacant, for need, efficiency and funding impact. Positions and programs which lose State or Federal funding will be eliminated, the only exception being if the program can become self-funded via another alternative revenue source. The County cannot afford to pick-up the full county-share of these programs. The Community Health Worker Program in the Department of Health has not to date received dedicated funding from the State and Federal governments to continue this program in 2013. As a result, the related positions are not funded in the 2013 Executive proposal.

A priority for this administration will be a continued focus on training for employees regarding internal processes. The County will continue to partner with other government entities and private organizations to provide training and resources to all departments and employees. Every effort will be made to seek out trainings which come at no cost to the County. In order to provide quality services to the community, our workforce must be up to date on modern methods and best practices for the various systems of care and delivery of services.

Since 1995, the total number of County employees has decreased by approximately 21 percent. Those departments under the control of separately elected officials have collectively increased by approximately 25 percent. In contrast the number of employees under the direct management of the County Executive decreased by approximately 34 percent which represents a reduction of 818 employees.

FUND	DEPT	DESCRIPTION	2010 Adopted	2011 Adopted	2012 Proposed	2012 Adopted	2013 Proposed
A	1010	County Legislature	52	54	54	52	56
A	1161	Nursing Home Project Division	-	-	-	-	0
A	1163	Court Facilities Project	3	2	-	-	1
A	1164	Unified Courts Administration	10	9	9	9	9
A	1165	District Attorney	65	62	62	62	64
A	1170	Public Defender	45	41	40	39	38
A	1171	Division of Alternate Public Defender	11	10	9	9	10
A	1185	Coroners	6	6	6	6	6
A	1230	County Executive	9	9	9	9	14
A	1310	Division of Finance	20	19	18	18	22
A	1315	Comptroller	21	20	19	20	20
A	1340	Department of Management & Budget	5	5	4	4	4
A	1345	Central Purchasing Division	8	8	7	7	7
A	1355	Real Property Tax Svc Age	4	5	5	5	5
A	1410	County Clerk	33	31	29	29	29
A	1411	County Archives	18	18	17	17	17
A	1420	County Attorney	15	15	13	13	29
A	1430	Civil Service	6	6	6	6	6
A	1432	Human Resources	17	17	17	17	18
A	1440	Division of Plans and Projects	6	6	6	6	6
A	1450	Board of Elections	26	26	25	26	24
A	1610	General Services Administration	5	5	5	5	5
A	1620	Division of Building Services	83	74	72	75	80
A	1640	Division of Fleet Management	3	3	3	3	3
A	1660	Central Supply Division	9	7	7	6	6
A	1670	Central Printing Services	5	4	4	4	4
A	1680	Division of Information Services	29	27	25	25	25
A	3020	Emergency Telephone/E-911	21	22	25	25	27
A	3110	Sheriff	175	172	171	170	176
A	3140	Probation	117	115	107	105	104
A	3150	Correctional Facility	420	416	413	413	410
A	3189	STOP-DWI	4	5	5	5	3
A	4010	Department of Health	101	94	85	84	79
A	4059	Care of Handicapped Children	31	31	29	29	28
A	4221	Substance Abuse Central Management	-	-	-	-	0
A	4310	Mental Health	109	98	93	93	91
A	4315	Intensive Case Management	-	-	-	-	0
A	4610	Crime Victim and Sexual Violence Center	13	12	12	12	12
A	6010	Department of Social Services	323	324	310	307	303
A	6119	Children, Youth and Families	178	180	175	175	166
A	6510	Veterans Service Bureau	3	2	2	2	3
A	6610	Consumer Affairs	3	3	3	3	3
A	6772	Department For The Aging	10	10	9	9	9
A	7181	Hockey Facility	2	2	2	2	2
A	7310	Youth Bureau	5	4	3	3	0
A	8020	Economic Development	2	2	2	2	2
A	8021	Stormwater Coalition	1	1	1	2	2
D	5010	Public Works Administration	8	8	8	8	9
D	5020	Highway-Engineering Division	10	10	10	10	10
D	5110	Maintenance of Roads & Bridges	91	79	72	70	70
DM	5130	Road Machinery Maintenance	14	13	13	13	13
G	8110	Sewer District Administration	3	3	3	3	3
G	8120	Sanitary Sewers	2	2	2	2	2
G	8130	Sewage Treatment	73	73	73	73	73
NH	6020	Residential Health Care Facilities	412	364	350	350	346
		Total	**2,645**	**2,534**	**2,449**	**2,442**	**2,454**

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TO: Commissioner David Friedfel
Department of Management and Budget

FROM: Thomas Marcelle, Esq.
Albany County Attorney

DATE: October 1, 2012

RE: Permissibility of Personnel Savings Line

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Summary of Opinion

Under the Charter and County Law, the Executive may only submit and the Legislature may only approve appropriations for defined purposes. An appropriation means the ability to expend money. A Personal Service Savings ("PSS") line neither allows nor provides for the expenditure of money. To the contrary, it withdraws the ability to spend money in some altogether amorphous and unspecified manner.

To be sure PSSs lines have been treated historically as if they were appropriations — but longevity provides not a ground for morphing fiction into reality. Therefore, it is the considered opinion of the Albany County Department of Law that PSS lines may not lawfully be employed in either the tentative or Final Annual Budget.

Opinion

The Department of Management and Budget has requested a legal opinion regarding the legality of the County inserting personnel savings appropriation lines into the County Budget. You have provided me the following definition for Personal Service Savings:

> Personal Service Savings are unspecified savings inserted into a county department's "personnel services individual" budget. The savings are inserted within appropriation authority and are intended to provide personnel savings, without specifying the method for achieving such savings.

A.

Article VI of the County Charter and County Law §§ 355 & 356 define the boundaries and limits of the form and types of items permitted to be budgeted. The limits are clearly and unambiguously illuminated — only revenues and appropriations are permitted.

For example, Art. VI. § 602(D)(ii) provides that the budget "be arranged so as to demonstrate revenues and appropriations for each fund, account, and

Administrative Unit by item, including but not limited to, a description of each item … ." Likewise, Art. VI. § 605 provides that "[t]he net County tax requirement, determined by subtracting the total estimated revenues from the total proposed appropriations as set forth in the adopted Final Annual Budget."

The ensuing question and the one at hand is whether a PSS line is an appropriation. Thus, the permissibility of PSS lines hinge upon the construction of the word appropriation.

Neither the Charter nor State law exhausted any ink defining appropriation. This is of no great moment. Without providing a complete expository composition on statutory construction, suffice to say for this exercise, the term appropriation is a common one that has a common understanding.

An appropriation is a set aside and designation of money to be spent on a particular item. The operative verb is "spend". What makes an appropriation an appropriation is the authorization to spend money. *See* County Law § 356 (implicitly recognizing that the term appropriation means the spending of money — "appropriations … shall indicate the character and object of ***expenditure***") (emphasis added to the statute).

A PSS line neither allows nor provides for the expenditure of money. To the contrary, it withdraws the ability to spend money in some altogether amorphous and unspecified manner. Therefore, the Charter does not permit PSS lines to be used as a budget tool.

B.

PSSs lines suffer from an additional fatal defect – they are not detailed. PSS lines are unspecified savings inserted into a department's budget. The savings are intended to provide personnel savings (e.g., delayed hiring), without specifying the lines from which such saves will materialize. That is, PSS is not attached to a particular item, but rather is a generalized goal of expected personal saving during the course of the year.

This presents a problem. The Charter requires that "the budget show in reasonable detail … all proposed appropriations." A PSS line is not detailed but, as noted, a general goal unmoored to an actual personnel line. Thus, the Charter will not tolerate PSS lines.

C.

The final flaw is that PSS lines violated State law. County Law § 356 requires that all "appropriations … indicate the character and object of expenditure, in accordance with the format prescribed by the State Comptroller as part of a uniform system of accounts for counties." PSS lines do not indicate the object of their expenditure; therefore, they are inconsistent with County Law.

<u>Conclusion</u>

It is the duly considered opinion of the Department of Law that PSS lines may not lawfully be employed in either the tentative or final annual budget. The

Department is sanguine that the Executive and the Legislature will find suitable methods to achieve a properly resolution of budgetary issues without resorting to PSS lines.