

# 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 maintain Albany County's path towards fiscal health, while providing the vital services that the people of Albany County deserve. The most important steps are outlined below:

**Nursing Home** – in partnership with the County Legislature, the County Executive will not impede the Legislative decision to form a Local Development Corporation (LDC) for purposes of managing the Nursing Home's operation. Given that the Legislature passed legislation authorizing this LDC in July of 2013, this budget includes funding for the first six months of the fiscal year. This will provide ample time for the Legislature to finalize the LDC and transfer operations accordingly. Once the day-to-day operations are transferred to the Legislatively created Local Development Corporation, the County will no longer be subsidizing nursing home operations.

**Consolidation and Re-Stacking** – Over the last year and a half, 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 consolidated various units within the office at the Albany County Public Safety Center in Clarksville. This will allow units from Cohoes and Voorheesville to reside under one roof allowing for greater efficiencies and cost savings. In 2014, the Departments of Health and Mental Health will share an insurance billing manager to assist in accurately and efficiently processing insurance claims.

**Community College**– Albany County has been unfairly subsidizing Rensselaer County students that are attending Hudson Valley Community College (HVCC) for far too long. The County Executive recently announced an exciting new partnership with Schenectady County Community College (SCCC) that will expand higher education opportunities for Albany County residents while saving taxpayers money. Beginning in January of 2014, students will be attending classes in a satellite SCCC location in the County office building located at 112 State Street. This will provide benefits throughout the County—with increased access to college classes for Albany County residents, a less expensive charge-back for County Taxpayers and provide an influx of customers to Downtown Albany businesses.

**Union Contracts** – In the last six months, the County Executive has settled contracts with virtually all outstanding bargaining units. The basic framework provides a maximum of a two percent annual salary increase, partially offset by increases in health care contributions from employees, increased co-pays on pharmaceuticals, new caps on accrual payouts and other department specific changes that will benefit County operations. In negotiating unprecedented 7-year contracts, the County Executive has removed a potential liability going forward, limited financial exposure from past years and provided much deserved raises to County employees. It should be noted that due to an inputting error, the 2013 budgeted amounts for CSEA members and non-union workers who received raises part-way through 2013 represent annualized salary amounts and not budgeted amounts. This issue will be resolved for the Enacted Budget report. This has no impact on the listed 2014 budgeted salary amounts or the 2012 expended amounts.

**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 and will 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

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must be achieved. 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 is performing 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. We are anxiously awaiting the results of our shared highway service study, with sign-on from the majority of municipalities within the County.

**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 Indigent Legal Defense Expenditures** – This budget includes an 18-b coordinator position within the Department of Management and Budget. The role of this individual will be to ensure that assigned counsel is being utilized correctly by coordinating with judges and ensuring that billing is being done correctly. The costs associated with this position – salary, fringe and supplies, are all covered by a grant from the New York State Office of Indigent Legal Services. This proposal is currently being considered by the Legislature. In addition, a new part time Assistant Alternate Public Defender will be added to the Alternative Public Defender's Office to handle counsel at arraignments. This is new position will be fully paid for through grant funds that are provided by the NYS Office of Indigent Legal Services.

**Revenue Maximization** – In order to improve the County's ability to collect all revenues to which it is entitled, the 2014 Executive budget includes the creation of a billing unit that will bring together billing staff from the Departments of Health and Mental Health, overseen by one insurance billing manager. As this semi-autonomous unit takes shape over the next year, new billing software and additional personnel moves will be evaluated. The County Executive also requested that the State Comptrollers office perform a risk-assessment on the County's finances. Two auditors from the State Comptrollers office have been reviewing the County's practices and procedures and will provide the County with a draft report in the coming months.

## **Three Year Financial Plan**

Reaching the property tax cap in 2014 is not the final step on the path to financial health. Instead, it is one step that will require disciplined spending, realistic revenue projections and assistance from state and federal leaders. The following information was prepared using historical trends, current federal and state statutes and current expectations regarding the economic future.

The most prescient piece of the County's financial future is the successful transfer of nursing home operations to the local development corporation that was authorized by the County Legislature in the summer of 2013. If the transfer of operations does not take effect on or around July 1, 2014, the financial plan that is outlined below will have relatively little value. As can be seen in the tables below, as nursing home expenses in 2014 will only be incurred during the first half of the year and will not be incurred in out years, our ability to manage our financial well-being comes into focus.

The following assumptions were utilized to arrive at the estimates below. Revenues, other than those associated with the nursing home, will grow between 2 and 3 percent per year over the next 3 years.

Personnel costs will grow according to contractual agreements – essentially 2% in 2014, 0.5% in 2015 and 2% in 2016 and 2017.

New York State retirement system contributions will continue their decline from the heights seen in recent years. However, due to amortization costs, our rates can only decrease by 0.5% per year. Likewise, assuming continuing use of the smoothing program, we will continue to be responsible for payments from prior years going forward. Finally, as more tier 6 employees are hired by the County, additional savings will accrue.

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Health care expenses are estimated to continue increasing by 7.5 percent per year going forward. While a number of possible avenues for savings are possible, past experience has shown that health care expenses will continue to rise considerably faster than inflation.

Our weekly Medicaid contribution is expected to be stable or decrease slightly over the next two years. This is based on changes at the federal level that will flow through the state to the County's benefit. County Medicaid costs will also decrease as the County will no longer be liable for the local share of the Intergovernmental Transfer.

This analysis assumes no changes to sales tax distribution and slight reduction in Community College Chargebacks as the new formula is fully implemented and alternatives to HVCC become more well-known and established within Albany County.

The final row in this table shows an increase in reserves based on revenues exceeding planned expenditures, all while still remaining under the property tax cap.

	2014	2015	2016	2017
revenues				
sales tax	243,672,000	248,545,440	253,516,349	258,586,676
Dept/Misc income/other local items	148,995,898	140,063,349	140,038,933	143,539,906
state revenues	73,803,583	75,279,655	76,785,248	78,320,953
federal revenues	60,074,865	60,988,871	62,208,649	63,452,822
property tax levy	89,615,090	91,855,467	94,151,854	96,505,650
<b>TOTAL REVENUES</b>	<b>616,161,436</b>	<b>616,732,782</b>	<b>626,701,032</b>	<b>640,406,007</b>
Expenses				
personnel+SS/Medicare	126,300,497	118,667,654	121,041,007	123,461,827
NYS Retirement	15,318,076	13,946,230	13,897,574	13,600,135
Health Care	44,579,432	44,631,635	47,979,008	51,577,433
sales tax distribution	97,468,800	99,418,176	101,406,540	103,434,670
Medicaid	67,954,166	65,554,624	64,899,078	64,899,078
Debt Service	28,699,285	30,134,249	30,134,249	30,134,249
Community College	10,300,000	9,785,000	9,295,750	8,830,963
other (includes NH legacy costs)	225,391,180	232,623,284	237,618,866	243,680,651
<b>TOTAL EXPENSES</b>	<b>616,011,436</b>	<b>614,760,852</b>	<b>626,272,071</b>	<b>639,619,006</b>
<b>Increase to Reserves</b>	<b>150,000</b>	<b>1,971,930</b>	<b>428,961</b>	<b>787,000</b>

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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 earnings. In recent years, 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 2013, pursuant to County Executive's request, the County Legislature authorized a TAN of \$10.9 million. Due to aggressive fiscal management, this represents a steady decrease from prior years, where TANs were \$15 million in 2010 and 2011, \$13.7 million in 2012 and now \$10.9 million in 2013.
- It is Albany County's intention to reduce reliance on TAN's by continuing to bring appropriations in line with estimated revenue without 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 the property tax base, improve employment opportunities and capitalize on existing resources. By encouraging commercial development and expansion through coordinated planning, leveraging grant opportunities and maintaining communication with the business community, the existing economic base will grow and new sectors will flourish.
- 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.

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## 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 from the other funds to the General Fund.

An unfortunate side effect of the fund mechanism is that some dollars appear to be 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. Likewise, the revenue is counted twice when it arrives from its source (sales tax for instance) and again when it is transferred from the general fund to the subsidized fund.

For this reason, the Subtotal Appropriations line in the 2014 Budget Summary of All Funds is a better representation of the actual size of the Albany County budget compared to the higher figure labeled Total Appropriations.

## 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 2014 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 sales tax. Of the 8¢ collected on each dollar of taxable sales in the County, New York State retains four cents and distributes four cents to Albany County. Pursuant to County law, forty percent of County sales tax collections are then provided to local governments throughout the County based on population. The County receives 2.4¢, and local governments receive 1.6¢ for each dollar of taxable sales in Albany County.

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County sales tax collections are dependent on retail sales in the County and, ultimately, the health of the local economy. The 2014 budget estimates sales tax collections of \$244 million, which is the same amount budgeted in 2013. After growth of 3.8 percent in 2012, growth through the first nine months of the year has been approximately 1%. The 2014 budget expects this growth rate to continue into 2014. The 2014 budget assumes a County share of sales tax collections of \$146.2 million and a distribution to localities of \$97.5 million. This represents a slight decline from the 2013 budgeted amounts.

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

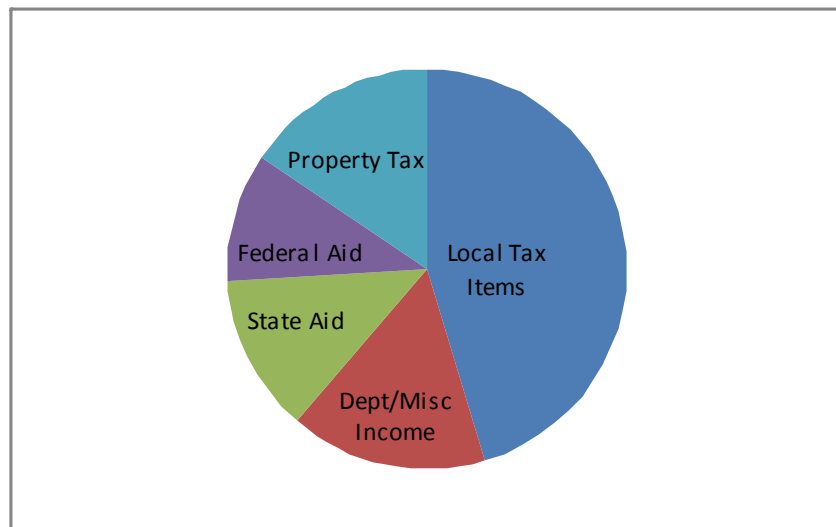
Included in the state aid category are individual items such as aid to court facilities, public health grants, funding for aging and youth programs, and the State share of public assistance programs.

## 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 \$89.6 million presented in this Budget represents a 1.6 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. This year, the property tax cap imposed on municipalities throughout the state was 1.66% - plus their quantity change factor. For Albany County, this put our total tax maximum levy at \$90,568,163. The proposed levy meets this target for the first time since enactment of the tax cap.



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## **APPROPRIATED FUND BALANCE**

This Budget does not rely on any existing fund balances to fund expenditures. Instead, for the first time in recent memory, this budget actually sets aside a small sum towards our reserves.

## **APPROPRIATED RESERVES**

The 2014 Proposed Budget does not propose utilizing any reserves.

## **2014 EXECUTIVE BUDGET**

Expenditures in the 2014 Executive 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.

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The 2014 Executive Budget proposes funding for a total of 2,438 positions. This is a decrease of 6 position from the 2013 Adopted Budget. It should be noted that there have been positions added throughout the year via budget amendments, so the actual decrease is somewhat higher. It should also be noted that there are 21 positions at the correctional facility that have only \$1 of funding, but still show as funded positions. Twenty vacant positions at the nursing home were also eliminated. Elimination of these positions save almost \$2 million.

	1995	2000	2005	2010	2011	2012	2013	2014	Change 2013- 2014	% Change 2013-2014	Change 2010- 2014	% Change 2010-2014	Change 1995 - 2014	% Change 1995 - 2014
<b>Positions Overseen by the County Executive</b>	2,440	2,331	2,168	1,804	1,702	1,617	1,621	1,607	(14)	-0.86%	(197)	-12.26%	(833)	-34.14%
<b>Positions Overseen by Separately Elected Officials</b>	667	732	816	841	832	825	822	831	9	1.09%	(10)	-1.20%	164	24.59%
<b>Total</b>	<b>3,107</b>	<b>3,063</b>	<b>2,984</b>	<b>2,645</b>	<b>2,534</b>	<b>2,442</b>	<b>2,443</b>	<b>2,438</b>	<b>(5)</b>	<b>-0.20%</b>	<b>(207)</b>	<b>-8.49%</b>	<b>(669)</b>	<b>-21.53%</b>

As of September 25, 2013, there were 209 vacancies. These vacancies reside largely in the Health and Human Services Departments due to high turn-over rates. 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.

A priority for this administration will be a continued focus on training for employees regarding program delivery. 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. We will also focus greater attention on ensuring that County protocols are updated and followed.

Since 1995, the total number of County employees has decreased by approximately 21.53 percent. Those departments under the control of separately elected officials have collectively increased by approximately 24.59 percent or 164 employees. In contrast the number of employees under the direct management of the County Executive decreased by approximately 34.14 percent or 833 employees. Since 2010, the number of employees under the auspices of the County Executive have decreased by 197.



FUND	DEPT	DESCRIPTION	2011 Adopted	2012 Adopted	2013 Adopted	2014 Proposed
A	1010	County Legislature	54	52	56	56
A	1161	Nursing Home Project Division	-	-	0	0
A	1163	Court Facilities Project	2	-	1	1
A	1164	Unified Courts Administration	9	9	9	9
A	1165	District Attorney	62	62	63	63
A	1170	Public Defender	41	39	38	39
A	1171	Division of Alternate Public Defender	10	9	10	11
A	1185	Coroners	6	6	6	6
A	1230	County Executive	9	9	14	14
A	1310	Division of Finance	19	18	18	23
A	1315	Comptroller	20	20	20	20
A	1340	Department of Management & Budget	5	4	3	5
A	1345	Central Purchasing Division	8	7	7	7
A	1355	Real Property Tax Svc Age	5	5	5	5
A	1410	County Clerk	31	29	29	29
A	1411	County Archives	18	17	17	17
A	1420	County Attorney	15	13	30	30
A	1430	Civil Service	6	6	6	6
A	1432	Human Resources	17	17	18	18
A	1440	Division of Plans and Projects	6	6	6	6
A	1450	Board of Elections	26	26	24	24
A	1610	General Services Administration	5	5	5	6
A	1620	Division of Building Services	74	75	75	78
A	1640	Division of Fleet Management	3	3	3	3
A	1660	Central Supply Division	7	6	6	6
A	1670	Central Printing Services	4	4	4	4
A	1680	Division of Information Services	27	25	25	25
A	3020	Emergency Telephone/E-911	22	25	28	31
A	3110	Sheriff	172	170	176	175
A	3140	Probation	115	105	103	103
A	3150	Correctional Facility	416	413	410	407
A	3189	STOP-DWI	5	5	3	3
A	4010	Department of Health	94	84	82	82
A	4059	Care of Handicapped Children	31	29	27	27
A	4310	Mental Health	98	93	91	91
A	4610	Crime Victim and Sexual Violence Center	12	12	12	12
A	6010	Department of Social Services	324	307	302	299
A	6119	Children, Youth and Families	180	175	163	167
A	6510	Veterans Service Bureau	2	2	3	4
A	6610	Consumer Affairs	3	3	3	3
A	6772	Department For The Aging	10	9	9	9
A	6778	Employment-Elderly/Handic	-	-	-	-
A	7181	Hockey Facility	2	2	2	2
A	7310	Youth Bureau	4	3	3	3
A	8020	Economic Development	2	2	2	2
A	8021	Stormwater Coalition	1	2	2	2
D	5010	Public Works Administration	8	8	8	8
D	5020	Highway-Engineering Division	10	10	10	10
D	5110	Maintenance of Roads & Bridges	79	70	68	68
DM	5130	Road Machinery Maintenance	13	13	13	13
G	8110	Sewer District Administration	3	3	3	3
G	8120	Sanitary Sewers	2	2	2	2
G	8130	Sewage Treatment	73	73	73	73
NH	6020	Residential Health Care Facilities	364	350	347	328
		<b>Total</b>	<b>2,534</b>	<b>2,442</b>	<b>2,443</b>	<b>2,438</b>