
2016 ALBANY COUNTY EXECUTIVE BUDGET

INTRODUCTION AND HIGHLIGHTS

FISCAL STRATEGIES



Daniel P. McCoy

County Executive

David J. Friedfel

Commissioner of Management & Budget

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:

Inter-municipal Cooperation – Even prior to the State 'Tax Freeze' and imposed 'Government Efficiency Plan', Albany County has been at the forefront of inter-municipal cooperation and will continue to pursue common sense approaches to consolidating services and promoting efficiencies. From purchasing, to emergency dispatch and our award winning Sewer District, Albany County Governments are continuing to work together more and more every day. One of the key areas where savings can be achieved without decreasing service to our residents is shared purchasing. While piggybacking is probably a more popular form of cooperative purchasing, the most effective method of saving when weaving through the municipal procurement process is to cooperatively bid a product. This increases our market share and therefore decreases costs. We recently began a program to purchase office supplies jointly with the Town of Colonie – the resulting RFP responses yielded better pricing than previous responses. As a founding member of the Empire State Purchasing Group, Albany County has been working with municipalities throughout the state for years. For the first time, we successfully cooperatively bid highway construction products – one of our largest commodity expenditures. Through this bid we are hoping to save tens, if not hundreds of thousands of dollars. As we move forward with implementing the results of our shared highway service study, we are hoping to expand the cooperative purchase of public works commodities and share services and infrastructure as well.

Consolidation and Re-Stacking – Over the past three years, 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. In 2015, the combined billing unit of the Departments of Health and Mental Health continued to expand and take on more responsibilities to ensure the efficient processing of insurance claims. In addition, the Department of Children, Youth and Families will be participating in the billing unit utilizing a grant from the State of New York for Vital Access Providers (VAP) for children's mental health services. This expansion of the billing unit will allow Albany County to capture all the reimbursements to which we are entitled, ensuring that these important programs continue to exist. The Department of Mental Health has fully integrated the adult outpatient mental health clinic with the adult outpatient substance abuse clinic, under a joint license, in order to attain operational efficiencies and enhance clinical effectiveness. This will allow for more efficient use of employees, but more importantly, it will increase the quality of care for Albany County residents who are suffering from both substance abuse and mental health issues.

Inter-Departmental Cooperation – All County Departments continue to seek additional opportunities to share services, consolidate locations and maximize limited resources. The billing unit, mentioned above is just one such example. Others include a DSS field investigator who assists the Department of Children Youth and Families in locating appropriate family members to avoid foster care placements, which reduces costs and improves care for Albany County's neediest children. The Office of Real Property Tax Services continually assists the Finance Division in finding innovative solutions to handling foreclosed property issues. Our Youth Recreation Bureau receives assistance from staff members in various County Departments, and utilizes volunteer and regional experts to promote our programs.

Nursing Home – In partnership with the County Legislature, the County Executive has revamped the leadership team at the nursing home leading to new union agreements and lower costs, all while caring for our residents. As we enter 2016, major renovations are underway to attract more residents and improve the living environment for existing residents. A new roof has been installed, new equipment has been installed to assist in lifting residents and a new electronic medical records system is in the final stages of implementation, among other important investments. Towards the later part of 2014, new schedules were implemented to eliminate regularly scheduled overtime, a revamped salary structure was implemented and agency costs were nearly eliminated. This budget contains approximately \$3.5 million in savings directly attributable to new union agreements and scheduling changes plus an additional \$1 million in revenue based on properly documenting all care provided, providing more care in-house, which is eligible for reimbursement, and increasing managed care agreements. These changes will increase the quality of care, while improving our financial standing.

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Community College— Albany County has been unfairly subsidizing Rensselaer County students that are attending Hudson Valley Community College (HVCC) for far too long. Now in its second year of classes, Schenectady County Community College (SCCC) will expand higher education opportunities for Albany County residents while saving taxpayers money. Beginning in January of 2014, students began attending classes in a satellite SCCC location in the County office building located at 112 State Street. This has provided additional access to college classes to Albany County residents, a less expensive charge-back for County Taxpayers and provided an influx of customers to Downtown Albany businesses. We have also redesigned our Certificate of Residency form to include a raised seal, which will ensure that forms cannot be duplicated. Likewise, we have taken additional steps to ensure that all charges levied by community colleges are legitimate.

Union Contracts – In the last three years, the County Executive has settled contracts with virtually all outstanding bargaining units. The basic framework provides a maximum of a two percent 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. Requiring a phased-in contribution from existing employees and higher contribution rates from other employees will provide over \$175,000 in savings in 2016 alone. At the nursing home, the new contracts reduced the work week, while keeping hourly wages constant. By finalizing these contracts, the County Executive has removed a potential liability going forward and altered the collective bargaining agreements in ways that protects taxpayers while benefiting county employees.

Managing Indigent Legal Defense Expenditures – In 2015, the County Executive created State Legislation that would require the State to takeover all of our indigent defense expenses. A version of this proposal was introduced in the State Assembly, although it did not pass. In the meantime, our 18-b coordinator has sought 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. In order to ensure that all people accused of a crime are able to receive a competent defense, it's important to ensure that the system properly focuses resources to those that truly require such assistance.

Revenue Maximization – In order to improve the County's ability to collect all revenues to which it is entitled, the 2014 Executive budget included 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 has taken shape over the past two years, cross-training and collaborative problem solving have been a major focus. The existence of this unit provided a clear and obvious avenue to pursue state funding for the Vital Access Provider (VAP) grant for the Department of Children Youth and Families. Going forward, new billing software and additional personnel moves will be evaluated as opportunities arise. For revenues that cross departments, we have performed thorough analysis to ensure that these revenues are being shared in the most efficient manner possible, so as to maximize the net benefit to the County.

Three Year Financial Plan

Due to prudent financial management and responsible belt-tightening, Albany County was able to remain below the property tax cap in 2014 and in 2015. In fact, the 2015 adopted budget held taxes flat, providing significant financial relief to Albany County taxpayers. For the 2016 budget, the County Executive is again proposing a tax levy equal to the two prior years – for zero percent growth over the current year. Albany County was able to achieve this goal through 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 following assumptions were utilized to arrive at the estimates below. Revenues will grow between 2 and 3 percent per year over the next 3 years, except for the Intergovernmental Transfer (IGT), which is flat beginning in 2016 to reflect a return to only one payment within the year.

ALBANY COUNTY FISCAL STRATEGIES

Personnel costs will grow according to contractual agreements – essentially 2% in 2016, 2017 and 2018.

New York State retirement system contributions will continue their decline from the heights seen in recent years. However, use of the pension amortization or smoothing program requires payments based on past amortizations, which will keep payments steady. Our bill is essentially flat in 2016 due to making the final payment on certain retirement incentives in 2015, offset by an additional years liability of amortization. Finally, as more tier 6 employees are hired by the County, additional savings will accrue.

Health care expenses in outyears are estimated to increase by 6.0 percent per year, based on various forecasts for medical inflation. 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. However, a thorough analysis of actual expenses throughout the last few years along with increased contribution rates from employees has kept growth down in 2016.

Our weekly Medicaid contribution is expected to increase by 3 percent in April of 2016 and remain stable thereafter. Given the phase-in of the Affordable Care Act, the State is required to pass on savings in Medicaid costs to localities, and the constant contribution rate reflects this requirement.

This analysis assumes no changes to sales tax distribution and slight reduction in Community College Chargebacks as a new formula is fully implemented and alternatives to HVCC become more well-known and established within Albany County. Unfortunately, due to delays in implementation at the State level, these changes will not impact the County until the 2016-2017 school year.

	2016	2017	2018	2019
REVENUES				
Sales Tax	\$260,691,904	\$265,905,742	\$272,553,386	\$279,367,220
Dept/Misc Income	\$158,554,133	\$162,517,986	\$166,580,936	\$170,745,459
State Revenues	\$64,423,544	\$65,712,015	\$67,026,255	\$68,366,780
Federal Revenues	\$75,562,689	\$77,073,943	\$78,615,422	\$80,187,730
Property Tax Levy	\$89,615,090	\$91,407,392	\$93,235,540	\$95,100,250
TOTAL REVENUES	\$648,847,360	\$662,617,078	\$678,011,538	\$693,767,440
Expenses				
Personnel and FICA	\$137,291,804	\$140,037,640	\$142,838,393	\$145,695,161
NYS Retirement	\$22,728,288	\$22,457,680	\$22,814,087	\$23,181,904
Health Care	\$47,807,854	\$50,676,325	\$53,716,905	\$56,939,919
Sales Tax Distribution	\$104,276,762	\$106,362,297	\$109,021,354	\$111,746,888
Medicaid	\$65,481,355	\$65,481,355	\$65,481,355	\$65,481,355
Debt Service	\$26,292,349	\$27,606,966	\$28,987,315	\$30,436,681
Community College	\$10,600,000	\$10,425,000	\$9,903,750	\$9,408,563
Other	\$234,368,948	\$239,056,327	\$243,837,453	\$248,714,202
TOTAL EXPENSES	\$648,847,360	\$662,103,590	\$676,600,612	\$691,604,673
Surplus/(Deficit)	\$0	\$513,487	\$1,410,926	\$2,162,768

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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 2014, pursuant to County Executive's request, the County Legislature authorized a TAN of \$9.9 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, \$10.9 million in 2013 and \$9.9 million in 2014.
- In 2015, no TAN was requested, reflecting Albany County's continued success to bringing appropriations in line with estimated revenues 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.
 - 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 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 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. 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 2016 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 2015 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 2016 budget estimates sales tax collections of \$260.7 million, which is 1.1 percent higher than the amount estimated to be collected in 2015. Currently on track to finish the year with collections of \$257.8 million – approximately \$5.2 million above the 2015 enacted budget. After growth of 3.8 percent in 2012, growth in 2013 was only 0.5%. In 2014, sales tax grew by an impressive 4.3 percent – with an additional 3.2% growth halfway through 2015. Growth throughout the remainder of the year is estimated to be 2.2% above the second half of 2014. The 2016 budget conservatively forecasts growth of 1 percent in 2016 as inflation remains low. The 2016 budget assumes a County share of sales tax collections of \$156.4 million and a distribution to localities of \$104.3 million.

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.

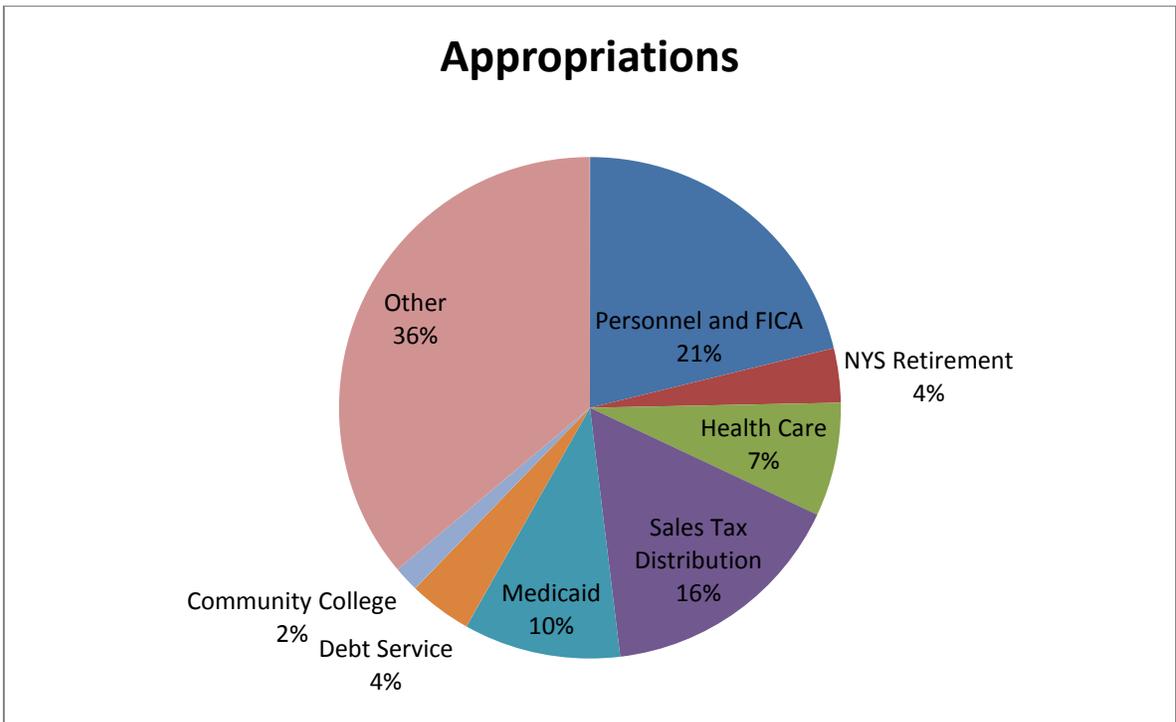
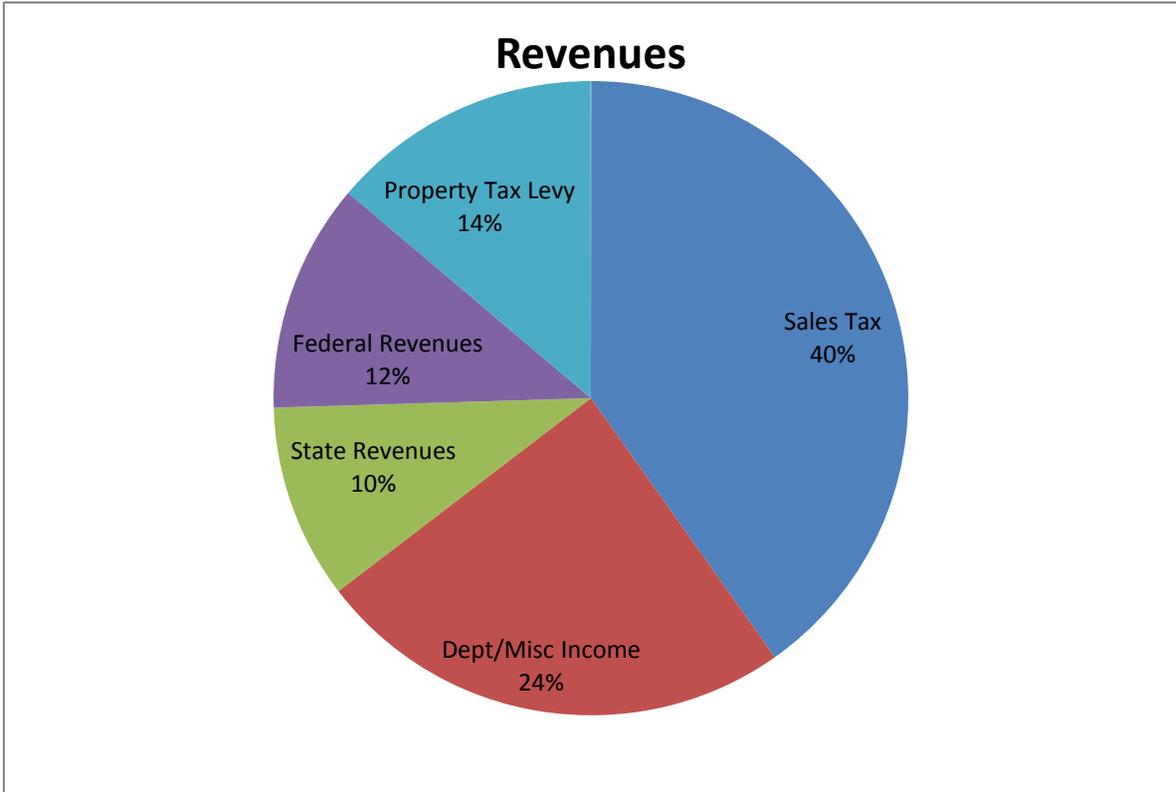
4) FEDERAL AID

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 ZERO increase from the prior year. The property tax represents just under 14 percent 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 inflation factor imposed on municipalities throughout the state was 0.73% - plus the quantity change factor. However, the proposed levy provides a zero percent increase from the prior year.

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6) APPROPRIATED FUND BALANCE

This Budget does not rely on any existing general fund balances to fund expenditures. The Sewer district is requesting the use of a portion of their reserve funds for capital expenditures.

7) APPROPRIATED RESERVES

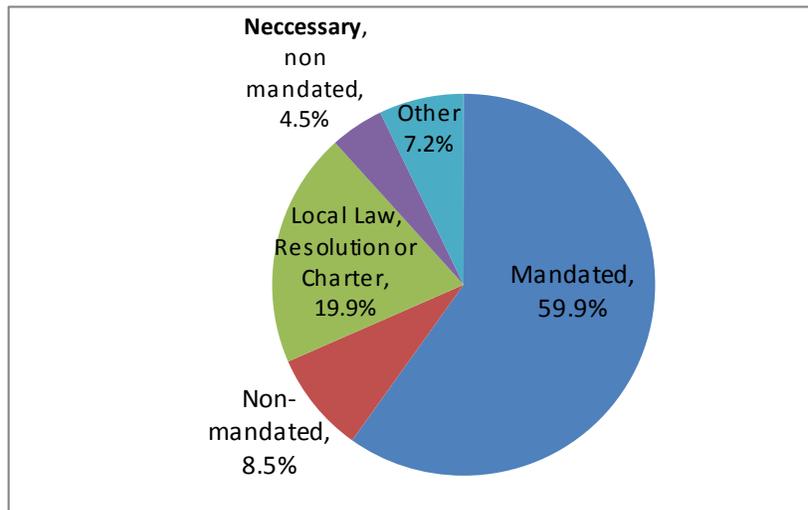
The 2016 Proposed Budget does not propose utilizing any general fund reserves.

8) 2016 EXECUTIVE BUDGET

Expenditures in the 2016 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.

MANDATES

The chart below shows the breakdown of how monies are disbursed within the Albany County budget. The largest portion of the County's budget is mandated spending. In total, 59.9% of the County's budget addresses unfunded mandates. Some of the biggest disbursements made to mandated programs include \$65.5 million to the NYS Medicaid program (\$3.4 million for the local share of the IGT), and \$35 million to Child Welfare Protection. Additionally, almost \$47 million in proposed funding is for the Albany County Correctional Facility, a portion of which is also mandated.



While many of these programs are essential to our constituents; with a tax levy of only \$89.6 million, it is increasingly difficult for the County to fund over \$350 million to provide programs and resources mandated by the Federal and State government. The County has provided these funds while staying below the property tax cap and without cutting any local services such as road repair and snow removal, parks and recreation, and veteran's assistance.

Almost 20 percent of the budget is made up of Local law, Resolution or Charter requirements. Sales tax distribution, our biggest disbursement in this category, will be over \$100 million in 2016. The remaining sections of the budget, totaling 20.2% goes to non-mandated and other necessary programs.

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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 principles as promulgated in the "Codification of Governmental Accounting".

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The 2016 Executive Budget proposes funding for a total of 2,483 positions. This is an increase of 73 positions from the 2015 Adopted Budget.

	2000	2005	2011	2012	2013	2014	2015	2016	Change 2015- 2016	% Change 2015- 2016	Change 2011- 2016	% Change 2011 2016	Change 2000 2016	% Change 2000 2016
Positions Overseen by The Executive	2,331	2,168	1,702	1,617	1,621	1,551	1,593	1,662	69	4.3%	-40	-2.4%	-669	-28.7%
Positions Overseen by Separately Elected Officials	732	816	832	825	822	801	817	822	5	0.6%	-10	-1.2%	90	12.3%
Total	3,063	2,984	2,534	2,442	2,443	2,352	2,410	2,484	74	3.1%	41	1.7%	-579	-18.9%

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. This is part of the reason that a tuition reimbursement and training program has been established by the County Executive within the Department of Human Resources. We will also focus greater attention on ensuring that County protocols are updated and followed.

Since 2000, the total number of County employees has decreased by approximately 19 percent. Those departments under the control of separately elected officials have collectively increased by approximately 12 percent. In contrast the number of employees under the direct management of the County Executive decreased by approximately 29 percent or 669 employees.