

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 and our focus on delivering services through the prism of an equity agenda, 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. As a founding member of the Empire State Purchasing Group, Albany County has been working with municipalities throughout the state for years.

Consolidations and Partnerships – Over the past five years, the County has benefited from a series of Departmental consolidation and partnerships. By consolidating the legal functions spread throughout the County within the Department of Law, it continues to allow for a substantial decrease in the utilization of outside counsel. In this 2017 budget the County Executive is proposing to consolidate the Recreation Bureau and Hockey Facility as well as programming at Lawson Lake County Park and the Albany County Rail Trail into one centralized Recreation Department utilizing existing staff and resources. This will allow for a more efficient delivery of services and programs to the County citizens, ensuring greater access and more opportunities for all residents of Albany County. To date the Recreation Bureau has served over 1400 different children in communities around the county, with many kids signing up for multiple programs. The partnership between the County Executive, the County Sheriff and the AAU has created opportunities for the youth of the County that were unheard of only a few years ago. Lawson Lake County Park has been revitalized over the past 5 years through numerous partnerships and initiatives and hosts many children's camps, casual visitors and other patrons each year. The County Hockey Facility has been utilized by thousands of county residents since it opened and is about to undergo the final stages of a large scale renovation that has included changing the ice to NHL size, large-scale energy efficiency upgrades, and new locker rooms.

Inter-Departmental Cooperation – All County Departments continue to seek additional opportunities to share services, consolidate locations and maximize limited resources. This year Project Growth, the County's progressive restorative justice program which enables youthful offenders to "work off" their restitution costs while learning valuable skills, began reinvigorated programming involving staff in the Probation Department, Recreation Bureau, Sheriff's Department and Department of Law as well as multiple labor unions. This allowed the offenders to learn about career opportunities while also being paid an hourly wage for the work that they accomplished which enabled them to both pay down their court ordered fines and restitution and provide a deterrence against repeat offense.

Nursing Home – With the recent Administrative stabilization at the facility which has been realized through staffing and budgetary changes it is now even more important to continue restoring the physical structure of the nursing home itself in order to provide exceptional service to our residents as well as compete with private sector nursing homes in the Capital District. The County Executive, in partnership with the County Legislature, continues to support all of the positive changes at the Albany County Nursing Home. The ultimate goal of this effort is to create a nursing home that the residents of Albany County can both be proud of while also maintaining fiscal sustainability. Revenues continue to increase and current projections indicate that we will achieve self-sufficiency of the facility in the near future.

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 third 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

ALBANY COUNTY FISCAL STRATEGIES

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.

Collective Bargaining – Presently the Director of Employee Relations, on behalf of the County Executive, is engaging in discussions with collective bargaining units County-wide as most agreements are set to expire by the end of 2016. The County Executive is hoping to come to agreement with each of the bargaining units at terms which are beneficial for both management and union membership. Settling these contracts proactively will benefit the County as a whole in the long term while ensuring that workers are properly compensated and recognized for their contributions to the County.

Managing Indigent Legal Defense Expenditures – In June of 2016 the bill on Indigent Legal Defense Costs which was originally drafted by the County Executive and his staff passed both houses of the New York State Legislature. If this is signed by Governor Cuomo it will provide the mechanism for the state to gradually take over the funding of indigent legal defense costs, ultimately leading to full state funding by 2023 for the Public Defender and Alternate Public Defender's. In addition to providing mandate relief from the state this will help ensure that our most vulnerable citizens are afforded the ability to have access to quality defense counsel regardless of their ability to pay. Further showing the County's commitment to Indigent Legal Defense the Public Defender's Office has added a new Director of Training and along with the Alternate Public Defender's Office has begun down the path of more formalized education and training for staff which will increase the quality of defense given to each their clients.

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 brought 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 three 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, 2015 and 2016. In fact, the 2015 and 2016 adopted budgets held the property tax levy flat, providing significant financial relief to Albany County taxpayers. For the 2017 budget, the County Executive is proposing a modest increase to the tax levy which will equate to a nominal decrease to the amount paid by an average homeowner due to the fact that our tax base has continued to grow over the past several years. Albany County was able to achieve this 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 approximately 2 percent per year over the next 3 years.

Personnel costs will grow according to contractual agreements – this includes estimates of 2 percent annually. 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.

ALBANY COUNTY FISCAL STRATEGIES

Health care expenses are estimated to increase by 6.5 percent per year, based on various forecasts for medical inflation. While a number of potential 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 2017.

This analysis assumes no changes to the sales tax distribution formula and includes a growth factor of 1 percent annually. Community College expenses are forecast to peak in 2017 and then will begin to decrease annually.

	2017 Proposed	2018	2019	2020
REVENUES				
Sales Tax	\$263,298,823	\$265,931,811	\$268,591,129	\$271,277,041
Dept/Misc Income	\$156,759,083	\$160,737,128	\$165,559,242	\$170,526,019
State Revenues	\$70,203,444	\$72,092,955	\$74,255,743	\$76,483,416
Federal Revenues	\$71,352,750	\$72,779,805	\$74,235,401	\$75,720,109
Property Tax Levy	\$90,856,644	\$92,645,332	\$94,498,239	\$96,388,204
TOTAL REVENUES	\$652,470,744	\$664,187,031	\$677,139,755	\$690,394,788
EXPENSES				
Personnel and FICA	\$141,836,390	\$143,990,635	\$146,870,447	\$149,807,856
NYS Retirement	\$21,817,001	\$21,380,661	\$20,953,048	\$20,533,987
Health Care	\$49,084,866	\$52,298,080	\$55,958,945	\$59,876,071
Sales Tax Distribution	\$105,319,529	\$106,372,725	\$107,436,452	\$108,510,816
Medicaid	\$64,850,065	\$65,498,566	\$66,153,551	\$66,815,087
Debt Service	\$27,738,202	\$29,125,112	\$30,581,368	\$32,110,436
Community College	\$10,700,000	\$10,300,000	\$9,900,000	\$9,600,000
Other	\$231,124,691	\$235,294,717	\$239,294,728	\$243,123,443
TOTAL EXPENSES	\$652,470,744	\$664,260,495	\$677,148,539	\$690,377,697
Surplus/(Deficit)	0	(\$73,464)	(\$8,784)	\$17,091

ALBANY COUNTY 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 earnings. When the County Executive first took office, 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, the County has not relied on this short-term borrowing since 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 this 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.

ALBANY COUNTY FISCAL STRATEGIES

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.

ALBANY COUNTY FISCAL STRATEGIES

County sales tax collections are dependent on retail sales in the County and, ultimately, the health of the local economy. The 2017 budget estimates sales tax collections of approximately \$263.3 million, which is 1 percent higher than the amount budgeted for 2016. Currently we are on track to finish the year with collections of \$258 million. In 2014, sales tax grew by

an impressive 4.3 percent and 2015 showed an additional 3.7 percent increase year over year. The 2017 proposed budget reasonably forecasts growth in 2017 as inflation remains low. The 2017 budget assumes a County share of sales tax collections of \$157.9 million and a distribution to localities of \$105.3 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.

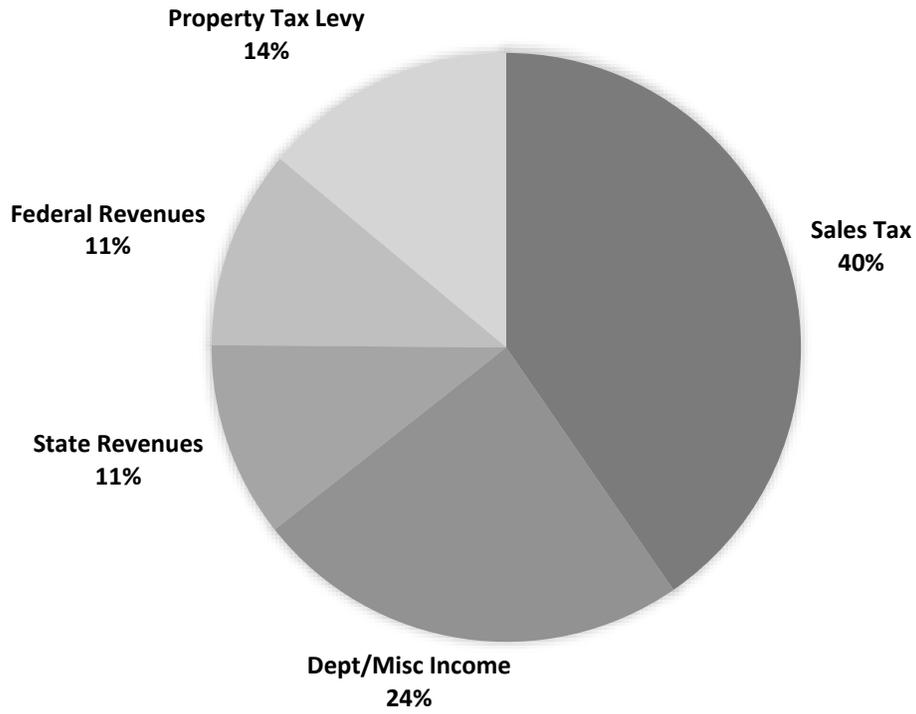
4) FEDERAL AID

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

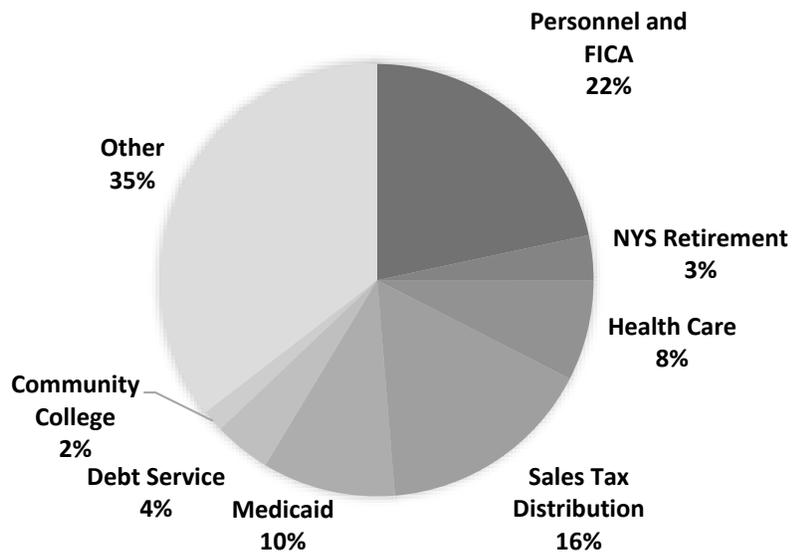
5) PROPERTY TAX

This property tax of \$90.8 million presented in this Budget represents a 1.38 percent 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 0.68% - plus the quantity change factor. However, the proposed levy provides a slight reduction in the actual tax rate charged to the average homeowner due to the growth factor to our tax base that was calculated by the State Comptroller.

REVENUES



EXPENSES



ALBANY COUNTY FISCAL STRATEGIES

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 2017 Proposed Budget does not propose utilizing any general fund reserves.

8) 2016 EXECUTIVE BUDGET

Expenditures in the 2017 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.

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".

ALBANY COUNTY FISCAL STRATEGIES

The 2017 Executive Budget proposes funding for a total of 2,535 positions. This is an increase of 38 positions from the 2016 Adopted Budget.

	2000	2005	2011	2013	2014	2015	2016	2017	Change 2016- 2017	% Change 2016- 2017	Change 2011- 2017	% Change 2011 2017	Change 2000 2017	% Change 2000 2017
Positions Overseen by The Executive	2,331	2,168	1,702	1,617	1,621	1,609	1,680	1,696	16	0.95%	(6)	-0.35%	(635)	-27.24%
Positions Overseen by Separately Elected Officials	732	816	832	825	822	801	817	839	22	2.69%	7	0.84%	107	14.62%
Total	3,063	2,984	2,534	2,442	2,352	2,410	2,497	2,535	38	1.52%	1	7.78%	(528)	-17.24%

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 17.24 percent. Those departments under the control of separately elected officials have collectively increased by 14.6 percent. In contrast the number of employees under the direct management of the County Executive decreased by 27.24 percent or 635 employees.