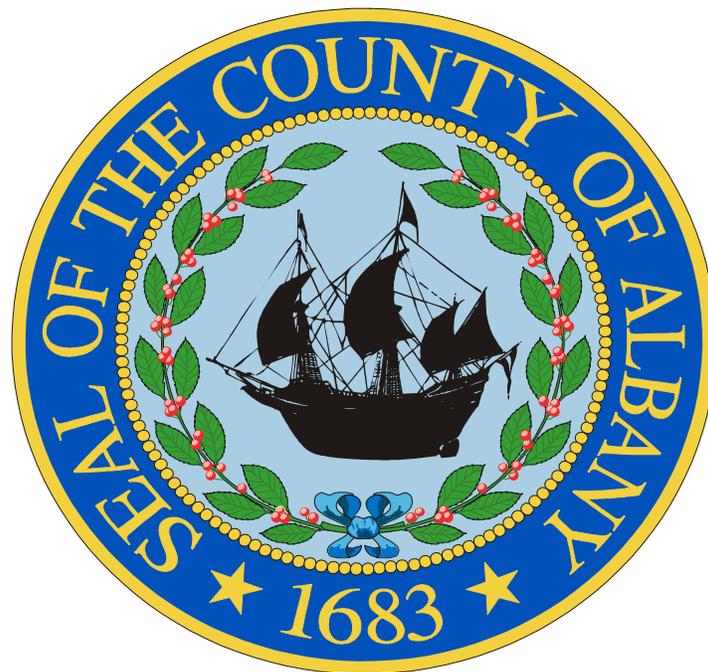


2009
“State of the Fisc”
The Fiscal Condition of Albany County
2008



Presented by
Albany County Comptroller
Michael F. Conners, II
May 11, 2009

Chairman Houghtaling, members of the Legislature and guests, I am honored to be able to present the 2008 “State of the Fisc”. This is my 14th analysis of the fiscal condition of Albany County that I have delivered to the Albany County Legislature since taking office in 1996, and in many ways, this is the most difficult one to deliver.

We’ve been here before

We are in difficult times that will require tough decisions. We faced a thorny crossroads seventeen years ago when we tackled a \$17 million deficit. We worked and planned together at the County level. Today’s challenge requires that our local government partners and the County plan to restructure the delivery of services we jointly provide our taxpayers.

There are no easy fixes and there should be no sacred cows. Local government in Albany County, excluding school districts, represents a one billion dollar expenditure of taxpayer funds. Together we must plan for a more effective, less costly delivery of services to Albany County taxpayers.

How much do we spend on local government in Albany County?

The chart below demonstrates spending for the County, Villages, Towns and Cities within Albany County for the 2007 fiscal year. This is the most recent data available, and was obtained from the Office of State Comptroller’s (OSC) website. (http://www.osc.state.ny.us/localgov/datanstat/findata/index_choice.htm). We all serve the same taxpayer and must work together to reduce costs.

Expenditures vs. Personnel Services - County, Cities, Towns, Villages in Albany
County 2007

Municipality	Total Expenditures	Personnel Services	% P.S. to Expenditures
Albany County	\$577,046,046.00	\$123,305,227.00	21.37%
Cities			
Albany	\$ 170,544,302.00	\$ 66,278,278.00	38.86%
Cohoes	\$ 21,731,540.00	\$ 8,792,760.00	40.46%
Watervliet	\$ 12,869,690.00	\$ 5,169,010.00	40.16%
Towns			
Berne	\$ 1,862,147.00	\$ 635,469.00	34.13%
Bethlehem	\$ 36,646,143.00	\$ 14,483,560.00	39.52%
Coeymans	\$ 5,383,497.00	\$ 2,042,923.00	37.95%
Colonie	\$ 99,310,005.00	\$ 37,455,093.00	37.72%
Green Island	\$ 166,585.00	\$ 106,959.00	64.21%
Guilderland	\$ 31,151,286.00	\$ 12,210,349.00	39.20%
Knox	\$ 1,416,021.00	\$ 467,803.00	33.04%
New Scotland	\$ 5,204,673.00	\$ 1,481,076.00	28.46%
Rensselaerville	\$ 2,083,171.00	\$ 684,418.00	32.85%
Westerlo	\$ 2,549,302.00	\$ 871,274.00	34.18%
Villages			
Altamont	\$ 2,648,529.00	\$ 554,263.00	20.93%
Colonie	\$ 7,362,652.00	\$ 1,407,276.00	19.11%
Green Island	\$ 4,901,662.00	\$ 1,579,195.00	32.22%
Ravena	\$ 2,393,534.00	\$ 712,430.00	29.76%
Voorheesville	\$ 2,209,589.00	\$ 432,719.00	19.58%
Menands	\$ 5,278,179.00	\$ 1,553,762.00	29.44%
Total	\$ 992,758,553.00	\$280,223,844.00	28.23%

How should we deal with a \$20 million deficit for 2009?

We are developing a plan to assist with the first phase of reacting to the difficulties arising from the economic situation and New York States continued passing of the buck to Counties when they fail to act.

As in past presentations, I will provide the financial results for 2008 and close with some remedies to combat some of the problems Albany County faces. The “State of the Fisc” gives the Legislature and the public a snapshot of the County’s financial condition.

It also highlights revenues, expenditures and results of county operations for the past year. More comprehensive information is available in the Annual Financial Report (AFR) we filed April 29, 2009 with the NYS OSC.

We had a strong 2008

Overall, even after the devastating economic news that dominated 2008, Albany County remained in good financial condition despite dismal 4th quarter sales tax revenues, our largest source of revenue.

This year, as with last year, we will be adding the AFR to our web page to reduce copying costs. If you would like any additional information, please contact our office.

General Fund and Undesignated Fund Balance

General fund operations in 2008 resulted in a net loss of \$2.55 million as expenditures exceeded revenues by \$2,555,510. While the overall fund balance decreased by that amount, our undesignated fund balance (commonly thought of as surplus) was reduced by \$3,620,731 as a result of all funds operations to a total of \$29,331,617. The table below shows the percentage of undesignated fund balance to revenue. We must be careful to maintain a strong undesignated fund balance to be able to finance the cash flow needs of our operation and to maintain our investment grade credit rating.

Percentage of Undesignated Fund Balance	2007	2008
	6.64%	5.77%

Residential Healthcare Facilities

The single largest operational problem for the County Budget is the Residential Healthcare Facility. We again exceeded the 10% mandatory support for Long Term Healthcare by \$18,744,495 for 2008 despite the closing of the Ann Lee Facility and downsizing the number of beds at the Albany County Nursing Home.

Repetition and timing are paramount to implementing some remedies. Our office has focused on the challenges the Residential Healthcare Facilities present to the County since our first audit of the facility in 2002. The chart below demonstrates the additional support we have provided for the Residential Healthcare Facility since 2002.

Year	Actual Amount Subsidized
2002	11,990,648.00
2003	14,873,148.00
2004	13,000,000.00
2005	17,268,547.00
2006	15,289,855.00
2007	18,816,874.00
2008	18,744,495.00
Total	109,983,567.00

More troubling than the tremendous deficit the operation of this facility has resulted in, is the concern about the quality of care. While staff is dedicated to providing for our residents, management continues to be a serious problem as witnessed by several “Immediate Jeopardy” findings by the New York State Department of Health, the audit by the Federal Health and Human Services Department’s Office of the Inspector General, our audit findings and the financial results in the chart above.

Unacceptable results

A seven-year deficit of the Residential Healthcare Facility of almost \$110 million is unacceptable, particularly in light of significantly better results in the Rensselaer and Saratoga county facilities.

We welcome the opportunity to discuss this matter with the Legislature and County Executive.

Revenues 2008

2008 total General Fund revenues were \$508 million, up slightly from 2007. The chart below shows the highlights of the General Fund revenues.

		Revenues		
		2007	2008	Difference
Highlights				
Sales Tax		231,444,326	237,185,223	5,740,897
Tobacco Settlement		5,106,369	4,690,123	(416,246)
Interest Income		3,141,882	1,769,491	(1,372,391)
OTB		1,308,226	1,095,950	(212,276)
Civic Center		1,116,518	901,405	(215,113)
Occupancy Tax		6,878,034	7,048,064	170,030
Total Revenue				
Tax Items		309,450,700	323,629,016	14,178,316
Departmental/Intergovernmental/ Misc.		49,534,166	51,537,954	2,003,788
State Aid		72,738,443	70,064,400	(2,674,043)
Federal Aid		62,381,105	61,636,090	(745,015)
Transfers		2,412,462	1,212,830	(1,199,632)

One of our largest sources of revenue is still sales tax, of which our share of the 4% local share of the total 8% was \$142.3 million. The total of county and local share was \$237.2 million. This was just slightly more than our 2007 actual results.

2008 Expenditures

Our 2008 general fund total expenditures were \$510.6 million, up \$11.1 million from 2007. Some of the major differences are below.

- The Residential Healthcare Facilities excess support over the 10% required by Medicaid for Long Term Care was \$18.7 million as previously mentioned.
- Personnel Services were \$123.2 million, down \$1.2 million from 2007.
- Jail expenditures were \$32.2 million, almost flat with 2007.
- Medicaid was \$58.2 million for our local share, up \$2.8 million from 2007.
- Health insurance was \$33.1 million, up \$2.7 million from 2007.
- Retirement was \$11.8 million, up slightly by \$786 thousand from 2007.
- Family Assistance was \$23.1 million, down \$.1.6 million from 2007.

The total expenditure summaries comparing 2007 to 2008 by major areas of the general fund with differences this year and last are below.

(Expenditure chart on following page)

Expenditures			
Highlights	2007	2008	Difference
Personal Services	124,513,888	123,245,429	(1,268,459)
MMIS	55,427,359	58,238,923	2,811,564
Family Assistance	24,762,593	23,159,759	(1,604,834)
Safety Net	10,401,216	10,687,888	286,672
Jail	32,206,528	32,233,045	26,517
Retirement	11,079,873	11,866,125	786,252
Health Insurance	30,404,849	33,093,095	2,688,246
Transfer Residential Health Care	18,816,874	18,744,495	(72,379)
Total Expenditures			
General Government	129,276,107	134,143,745	4,867,728
Education	22,970,938	24,268,066	1,297,128
Public Safety	55,167,335	54,308,463	(858,872)
Health	32,795,623	33,173,232	377,609
Transportation	1,202,855	1,212,601	9,746
Economic Assistance and Opp.	171,010,137	171,968,268	958,131
Culture and Recreation	1,379,768	1,179,299	(200,469)
Home and Community Services	2,212,601	2,377,147	164,546
Employee Benefits	36,899,392	40,238,998	3,339,606
Transfers	46,642,630	47,765,979	1,123,349

Challenges and Remedies for Consideration

1992-1993 is an excellent model for a process that will assist us with facing the County Executive's proposed deficit of \$20 million. We need to enlist the aid of our employees to help us face this challenge. They were the key to the successful effort we made to meet the fiscal difficulties we faced in the early '90's when we utilized the KPMG Management and Productivity Study.

The first step to dealing with this financial difficulty was the County Executive's call to action last week. This afternoon, I sent an email to all

County employees asking for their ideas, suggestions and comments on our pending deficit. We need their help.

All County Department Heads and Elected Officials were asked to respond to the County Executive's call for action last week. Our office has been working on our response and will be supportive of effective actions to close the gap.

While 2009 and 2010 represent a serious problem for cash flow and fiscally sound actions by the County; 2011 is a critical year for the County and all of our local government partners. The federal stimulus monies will smooth some of the bumps in the road but the need for fundamental change is clear. We need to reduce the cost of governance together.

The County and local government partners serve the same taxpayers

I suggested to the County Executive last week that he convene a planning group of local government Supervisors and Mayors to work together to bring down the cost of the over one billion dollars in local government costs within our County.

This will not be effective if we attempt to implement top down decision making. We are all partners serving the same approximately 300,000 residents and effective change must be designed and built from the bottom up.

The highlights from some additional remedies for your consideration are below. Please consider reviewing some possible remedies for the challenges facing Albany County at our web page (<http://www.albanycounty.com/departments/comptroller/>). Click on the 2004 State of the Fisc and go to Section III Potential Remedies, pages 10-14 to view them. While these may be of a more strategic nature, they represent potential for reducing the cost of governance for our taxpayers.

Highlights of Potential Remedies

- Adoption of Early Retirement/Return part Time to Work Program
- Job sharing, flex-time and telecommuting
- Medicaid Reform- let our office audit Medicaid claims

- Public Benefit Corporation for the Residential Healthcare Facility- protects residents and employees and obtains top quality management with reporting to the County Legislature
- Institution of the Canadian drug purchase plan
- Obtain NYS approval to use Tobacco Settlement Revenues to reduce debt service to avoid steadily declining revenues
- Joint Urban/Suburban/Rural strategic initiative to fight poverty
- Sale of the Pepsi Arena with proceeds being used to reduce debt service
- Creation of a Countywide/Regional Solid Waste Authority
- Creation of a Countywide/Regional Energy Authority
- County financed and joint ownership for Community Wind Farms
- Creation of a Countywide/Regional Water Authority

The cost of governance in New York State is too expensive for our taxpayers and we will be challenged to do more with less, once again. Let us work together to plan a more effective delivery of our services. Our employees are our most important asset. If we ask for their help we will get it.

Thank you for this opportunity to report to you on the fiscal condition of the County and address our looming financial difficulties. God Bless you,

Respectfully,

Michael F. Conners, II