

# 2009 BUDGET MESSAGE FROM MICHAEL G. BRESLIN

October 10, 2008

To the residents of Albany County and members of the Albany County Legislature:

I present to you the 2009 Executive Budget.

## **Economic and Organizational Context of the 2009 Budget**

For the last two years, we have cited warning signs of a weakening economy. We noted the national economy showed signs of fragility. I take no pride in being right on this front. But our nation is now in the midst of economic turmoil unlike conditions that we have seen in decades. Burdened by billions of dollars worth of questionable debt, large financial institutions have failed. Fearing paralysis in the nation's financial systems, the Federal government has already passed an unprecedented spending bill to purchase questionable mortgages and other debts from financial institutions approaching three-quarters of a trillion dollars.

The hub of our nation's financial system is in New York State. Therefore, this financial crisis will affect New York more than any other state. Twenty percent of New York's revenue is generated from New York City-based financial institutions which are collapsing.

Governor David Paterson has called the State Legislature back to Albany for the third time in recent weeks to address the State's budget shortfall. There is no doubt that the next State budget will include significant additional reductions.

We do not yet know the effect this will have on Albany County. However, we can be assured it will dramatically reduce our revenues. The impact on Albany County residents and Albany County government is unavoidable.

The housing market is depressed. Credit is frozen. Energy costs are rising. Inflation-adjusted wages continue to be stagnant as they have been for years. Unemployment is rising. We therefore proceed with great concern and caution.

## **Revenues and Expenditures**

Driven by Medicaid, health care, and cost of living increases, Albany County's spending for 2009 will increase by a modest 2.24 percent.

But this 2.24 percent spending increase is in nominal terms, meaning it does not factor out the impact of the rise in prices of the goods and services consumed by County government. When those price increases are taken into consideration, the County actually will spend 4.1 percent less in 2009 than in 2008. This constant dollar spending better reflects the hard decisions that we have made in putting together this 2009 budget.

Sales tax revenues are a marker of the taxpayer's confidence and ability to pay, as well as our overall economic health. We expect sales tax revenues to rise modestly. Based on 2008 receipts to date, we expect 2009 sales tax revenues to be less than one percent above 2008 actual, with the increase due to price inflation, rather than increased consumption. Given the effect of the Federal economic stimulus rebates and recent economic events, even this very small increase may turn out to be optimistic. We must be cautious in all revenue estimates, and not just for the short term. We can expect this behavior to last for at least the next two years.

The 2009 proposed budget includes a real property tax increase of four percent, bringing the real property tax levy to \$67.9 million. For a taxpayer with a home valued at \$150,000, this represents an increase of \$13 to \$26 a year, depending on municipality. It is not easy for me to propose such an increase, but the decrease in State

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Aid and other uncontrollable costs make it unavoidable. We simply cannot balance a budget without increasing our revenues.

This budget does not rely on the use of any surplus or reserves.

## **State Aid and Expenditures**

The economic stresses on New York State and the State policy changes already imposed lead us to project a reduction in State Aid of 3.9 percent or \$3.5 million.

Our State Aid projections are based on the existing State formula. However, the extreme financial challenges the State faces in the current and next State fiscal years make it very likely that there will be additional reduction in State Aid that will force us to make mid-year changes as well.

As we crafted this budget, the signs of a turbulent economy and changes in State aid forced us to stop midstream and take a second look. As a result, we asked our departments to re-examine their initial requested budgets. I asked each department to conduct an extraordinary second Budget review and propose additional spending reductions. Many departments responded with creative initiatives.

I appreciate the thought and effort that went into each proposal submitted. Some of the proposals require further analysis and could not be incorporated in the Budget. We will continue to look at them through the coming year. Among the separately elected officials, Sheriff James Campbell and County Clerk Thomas Clingan have been especially helpful and responsible.

## **Vacancy Factor**

Many local governments facing budgetary challenges merely eliminate vacant positions to preclude spending. While this budget does eliminate some vacant positions, we have taken a new approach this year. Rather than eliminating on a wholesale basis positions that happen to be currently vacant, we are introducing a personal services savings factor. This factor reduces the net total appropriation available for personnel in a department and gives department managers more responsibility and flexibility to fill positions so long as they do not exceed the net appropriation.

## **Human Services**

The same economic stresses that reduce our revenues create added social stresses that bring many additional residents to the doors of County government, dramatically increasing demand for the services provided by our departments.

In anticipation of increased economic challenges we have added funds for public assistance. For example, we have included an additional \$1.6 million for Family Assistance and \$742,000 for emergency assistance.

We have already seen a substantial rise in the demand for funding of home delivered meals for our seniors caused by both greater demand and rising fuel costs. In addition to added funding for next year, I will be asking for your cooperation to increase funding to meet the needs for this program in 2008.

For two years we have committed funding for the Albany County Housing Trust Fund. The Trust Fund supports affordable housing programs and projects to assist homeowners, tenants and the homeless. Our two year investment is contributing to the renovation or creation of more than 100 housing units. In 2009, we will maintain that commitment with an additional \$300,000. Housing remains a huge issue in our community and we may see an even greater need as a result of the housing financing crisis.

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## **Sustainability, Economic Development, and Energy Conservation**

The County and the nation face significant economic challenges but, as always, new challenges bring many new opportunities. We must couple our support for human services with an investment in economic development. We need to support local businesses and help to create jobs. The AMD project, the relocation of Sematech to Albany County and the growth of nanotechnology, together with many other high tech initiatives, present many new opportunities for job growth. To take advantage of these opportunities, I am proposing a new senior position in the Department of Economic Development, Conservation and Planning.

Energy conservation continues to be a priority as well. But in spite of numerous energy conservation efforts already undertaken, we anticipate energy and related costs will increase by 12 percent in 2009. We will begin new efforts in the coming year. The Sewer District has received a grant of more than \$2 million from NYSERDA to assist in an innovative waste heat recovery/co-generation project to reduce the District's energy consumption and generate power. Energy audits are planned at the Albany County Correctional Facility and for other County buildings. This coming year, we will centralize management of all energy related bills so that we can better track and manage energy consumption.

In 2009, we will offer a new Commuter Choices Program, which will make it both more convenient and less expensive for County employees to use public transportation. This program will include an increase in the County's support of the CDTA Swiper program from 50 to 75 percent and will provide employees an occasional parking option when commuting by car is necessary. We will also provide shower facilities and secure bicycle storage in the Harold L. Joyce Albany County Office Building. Not only will this program reduce our carbon footprint, it will reduce both employee and County expenses.

As the sustainability of the economy and environment are increasingly co-dependent, Albany County will boldly address this issue by becoming an official Reporter to The Climate Registry, a national organization designed to help entities evaluate and mitigate their carbon footprint. We will be required to compile an exhaustive database of our operational carbon emissions and energy usage, use a third party to verify this information and then make short and long term decisions that will reduce both our energy consumption and costs. By first taking a hard look at ourselves, we hope to serve as an example in the County and beyond of what we can all do to minimize our impact on global climate change and simultaneously add value to our local environment and economy.

## **Long Term Care – The Albany County Nursing Home**

We are approaching a critical juncture regarding long term care and the future of the Albany County Nursing Home. In 2008, five months ahead of schedule, we closed the antiquated Ann Lee Home and smoothly transferred all its residents to the Albany County Nursing Home. Under State Law, our maximum capacity is now 250 residents. The consolidation has allowed us to become more efficient and reduce the nursing home deficit.

Over the next two years, the County will also receive funding from a retroactive inter-governmental transfer (IGT) fund allowing a further reduction in the deficit for the limited two year period. In 2009, the nursing home deficit will be \$4.56 million, below \$10 million for the first time since 2002.

It has become painfully clear that we still have a staff, formerly required to operate two facilities, that is significantly larger than required to run one facility. I have always done everything I could to protect our employees. We have offered nursing home employees positions in other County agencies. Earlier this year, I proposed a Voluntary Separation Incentive for nursing home employees.

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We cannot justify employing people in positions that are no longer necessary. Therefore, funds for more than 40 budgeted positions will end on March 31, 2009. These positions are strictly operational. No positions providing direct care to the residents will be eliminated. In the interim, I pledge to work with these employees and their unions, which I have already contacted, and I will continue to make every effort to assist each of these individual employees to find positions within County government.

At this critical time we need to acknowledge that:

- We have more staff than is required to serve our residents;
- We will receive the multi-million dollar IGT revenue for two years only;
- The State's dire fiscal conditions and waning commitment to County operated nursing facilities will continue; and
- The commitment of County resources to community-based long term care services must continue so that many nursing home-eligible individuals can stay in their homes or other less restrictive settings where they desire to be at significantly lower costs than nursing home care.

Therefore, before we proceed with building a new nursing home, we must acknowledge and grapple with the tradeoffs. We can expect that the net County cost of operating a nursing home will triple within three years regardless of whether we build a new facility and the deficit will grow thereafter.

This is not to say we should not proceed with building a new nursing home. However, we can build a new facility of the maximum size. We can continue to operate with existing staffing patterns. We can control the growth in the County cost of operating a nursing home and therefore property tax growth. We cannot do all three.

## **Long Term Care – Home and Community Based Services**

Since 2007, we have committed resources to develop community based long term care services in Albany County. Our resources have been limited, but we have already made great advances.

Information is more accessible, allowing individuals and their families to make more educated decisions in meeting their long term care needs. We are implementing services that can help people who need immediate care. The waiting list for in-home services has been eliminated.

In fact, the ever-increasing number of people we are helping in their homes, or other less restrictive settings, includes many who would otherwise be in nursing homes. It is not coincidental that as we reach more people in their homes, where they desire to be, the demand for nursing home care is decreasing. Furthermore, in each, the cost of care is far less outside a nursing home than inside.

We did this with the creation of New York Connects – Albany County. We began to re-direct Albany County's system to care for those who require long term health care, particularly help with daily living, bathing, dressing, eating and similar activities. New York Connects – Albany County is now so busy that I am recommending an additional staff person to help supervise and coordinate this effort.

We are also committing an additional \$632,000 for our Expanded In-Home Services for the Elderly Program and an additional \$300,000 for home delivered meals. Allowing us to build upon our success, this funding will enable more of our seniors and individuals with disabilities to remain at home – where they want to be.

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## **Hospital and Medical Coverage**

In 2006, we converted our health plan to a self-funded model and doing so has generated considerable savings. However, the underlying costs generated by increased service use and rising health service prices will cause health benefits for County employees, dependents and retirees to rise to more than \$34.5 million. The increase, \$1.8 million, is greater than the increase in Medicaid costs and does not include the liability we have been accruing for the future costs of retirees. We are anxiously awaiting the actuarial report commissioned by the County Comptroller defining that liability which is likely to be quite substantial.

We must continue to search for equitable means of controlling the growth of our health care costs both for the taxpayer and for beneficiaries. The 2009 Budget includes a new position, Benefits/Wellness Coordinator in the Department of Human Resources to analyze and design options that avoid benefit reductions.

## **Conclusion**

The fluid nature of the economic and fiscal environment and the manner in which this Budget is structured will require us to monitor closely and vigorously control spending throughout the year. Our focus and control must be more vigilant than ever. We must also monitor revenues more closely and undertake regular and thorough reviews of opportunities for new and accelerated revenues.

Over the years, we have worked together to navigate through challenging fiscal times. We have made difficult decisions before and we are faced with unprecedented decisions today. We have always focused and will continue to focus on first meeting the needs of the people we serve. And we have always emphasized fiscal prudence. What we are experiencing today in the national economy and the fallout that we anticipate will follow demand that we redouble our efforts to keep our fiscal house in order.

I look forward to another productive year working with the members of the Albany County Legislature to address the extraordinary challenges we face and serve the people we represent.

Sincerely,

Michael G. Breslin,  
*Albany County Executive*

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## Budget Highlights

### *Revenues*

Total revenues, excluding property taxes are projected to increase by \$16 million, or 3.2 percent, to \$516 million.

- Not surprisingly, we expect most revenue sources to be stagnant or worse. Sales taxes, our single most important revenue source, are falling or flat in real (inflation-adjusted) terms; i.e., people are paying higher prices, but buying less. Given the state of the National and State economy sales tax revenue could just as easily fall. Primarily due to inflation, we have projected a slight increase of 8/10s of a percent above the current collection rate for 2008.
- Interest earnings from investments have fallen dramatically in 2008 due to repeated reductions in interest rates. We do not see prospects for significant improvement in 2009 and revenues are projected to decline \$2.4 million.
- The gain from the sale of properties acquired in tax foreclosure is projected to decline due to the clearance of the backlog.
- Revenues from the Hotel/Motel taxes are running above budget in 2008. Assuming continuation of this trend and a mid-2009 re-enactment and implementation of the 2 percent rate scheduled to expire at the end of 2008, Hotel/Motel tax revenue would increase \$111 thousand.
- As a result of the state of the housing market, mortgage recording taxes have shown a downward trend in 2008. We project that 2008 revenues will be nearly \$700 thousand less than 2007. We anticipate that 2009 will be consistent with 2008 trends.
- Federal Aid will be up \$4.2 million (7 percent), but primarily because of retroactive intergovernmental transfers (IGT) for the Nursing Home. Given the amount of retroactive IGT funds that will be available to Albany County, this Budget proposes use of equal amounts in 2009 and 2010 after which the funds will be exhausted. Absent IGT, Federal Aid would have declined by \$4.1 million or about 8 percent.
- State aid formulas have already been reduced twice during 2008. Given the perilous condition of the State's finances, we expect further and perhaps dramatic reductions later in 2008 and in 2009. One exception is increased mental health funding for the new CART team established in 2008. Based on existing law, regulation and financial formulas, State Aid is projected to decline \$3.5 million or 3.9 percent.
- Using cost figures provided by the Commissioners of Board of Elections to the Legislature, election-day costs, the basis of municipal charge-backs, fell in 2007 and therefore billings by the Board of Elections to municipalities are projected to decline \$250 thousand to \$612 thousand. This Budget proposes a three-year phase-in of a new method of allocating such costs. Formerly based entirely on equalized assessed property values, the method should be changed over three years to actual costs for each municipality. Thus in 2009, one-third of the allocation of total election-day costs to municipalities would be based on actual costs in each individual municipality and two-thirds based on each municipality's proportionate share of equalized assessed property values. In 2010, the proportions would be reversed to two-thirds actual costs and one-third equalized assessed value. In 2011, all costs would be allocated to municipalities based entirely on actual election-day costs within each municipality. Billings for all elections charges will be sent to municipalities by the Board of Elections and payments will be received by the Division of Finance.

### *Appropriations*

Proposed appropriations total \$580.7 million, up \$12.7 million, an increase of 2.24 percent.

### General Government and Highlights Pertaining to All Operations

- Personnel costs, including fringe benefits and related costs, comprise over \$205 million, or 35 percent, of pro-

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posed appropriations.

- Energy costs are already a challenge and will become more so in the future. We have made several efforts to control energy use in the past few years, without which our costs would be much higher. But we must do more, in particular to reduce energy consumption. Energy and related costs are projected to increase \$1.38 million, an increase of 12.2 percent.
- The 2009 Budget nets out from total personal service appropriations an expected vacancy factor (Personal Service Savings). The amounts proposed for Personal Service Savings for each agency and account are based upon careful examination of historical and recent vacancy levels and their dollar value. In instances where small agencies or accounts do not currently have vacancies, no Personal Service Savings have been proposed. This approach will allow some positions to remain in place during 2009 in order to retain the flexibility to fill those positions when economic conditions are healthier or need is greater.
- Agency managers will be responsible for ensuring that total spending remains below the net appropriation. The Departments of Management & Budget, Human Resources and Civil Service will streamline the process used to fill positions. However, since use of Personal Service Savings reduces the amount available for spending on personnel, all involved will have to take into account the total appropriation ceiling when transferring funds.
- The cost of health care coverage of County employees, dependents and retirees continues to grow at a faster rate than both revenue and salaries. Although we reduced costs by moving to self-insurance, our health benefit costs are now increasing at the rate of growth of health care costs nationally. In 2009, the County's costs of health care benefits will be \$34 million, greater than the cost of operating the Nursing Home. The growth in costs will be \$1.8 million, or 5.6 percent, greater than the growth in our Medicaid costs. The cost for each insured employee and their family, or "premium-equivalent", is growing at 9.84 percent, but overall cost growth is lower due to the reduced number of employees and retirees. This is partially offset by the increasing number of employees choosing family rather than individual coverage.
- The Budget proposes a new position in the Department of Human Resources, Benefits/Wellness Coordinator, to monitor and coordinate the County's pharmaceutical, dental, health, and Workers' Compensation benefits and further evaluate potential designs for a comprehensive employee wellness program.
- As was the case the past two years, we will contribute \$1 million to a reserve to protect future retiree health benefits. We are awaiting an actuarial study commissioned by the County Comptroller which we anticipate will show that the actual requirements will be many times greater than what we have set aside to date. We are evaluating several options to address this, including the potential for generating additional revenue.
- To test the potential for improved productivity, the Department of General Services will convert custodial positions in the County Courthouse from part-time to full-time.
- This Budget includes both funding and savings associated with a new Commuter Choices Program for County employees. This program will increase the County contribution to the costs of Capital District Transportation Authority (CDTA) Swiper cards from 50 to 75 percent for employees choosing to commute to work by bus. An important supplement to the increased Swiper contribution will be the availability of reduced price parking for employees who need to use their cars occasionally (two times per month) when commuting by bus would be inconvenient. Additionally, we will construct facilities in the Joyce County Office Building for bike commuters and others choosing to exercise, including showers and secure space for bicycles. Overall, this program will provide a benefit to employees, increase the use of public transportation, reduce County parking costs, and decrease the County's carbon footprint.
- This Budget includes \$15,000 for a new "whistleblower" hotline program for County operations, which could potentially be made available to other governments in the county.
- \$3,500 is specifically targeted to enable Albany County to become the first county in New York to join the Climate Registry. The Registry is a non-profit, multi-national organization that assists its members with reporting and verifying, in a rigorous, transparent, and standardized manner, their carbon emissions. As an official Registry Reporter, the County will better understand and act upon its energy consumption and costs, both financial and environmental.

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## Education

- The County's contribution to community college tuition for county residents is expected to remain at the same level as in 2008, \$8.2 million. We are strongly supportive of the educational purpose of our contribution but remain concerned about the financial advantages of counties sponsoring community colleges. We are also working to ensure that Albany County's contribution is commensurate with the number of Albany County residents taking advantage of this opportunity.

## Public Safety

- Due to the Sheriff's cost-control efforts, the total Budget for all of the Sheriff's operations, including the Albany County Correctional Facility, E-911, and Stop-DWI, is up by \$848 thousand, only 1.8 percent. This Budget proposes and assumes passage of a State Law that allows the same surcharge on wireless phone bills for 911 services as used by nearly 40 other counties. This is both equitable and important as the current surcharge only applies to traditional wired telephones, forcing those users to bear all of the system costs. Nationwide, growth in the number of people and households that use only wireless phones has been dramatic and is expected to continue. Overall, the percentage of wireless only households is growing about 3-4 percent per year. The new surcharge should be tied to efforts undertaken by the Sheriff and the County Executive to consolidate the 12 Primary Service Access Points (PSAPs) for 911 dispatch services into no more than three in Albany County.
- This Budget continues the process of converting the staffs of the Public Defender and the Alternate Public Defender from part-time to full-time. The coming year is the third of a four-year effort to substantially improve the legal services provided to indigent persons. In the Public Defender's office seven positions will be converted to full-time and nine part-time positions will remain to be converted in 2010. In the Alternate Public Defender's office, two positions will be converted, completing the process. The increased spending in the Public Defender's and Alternate Public Defenders' offices will be substantially offset by a reduction in the need for private counsel under Article 18B, of the New York County Law. Improvements in the quality of the services provided were evident in 2008. Because of these improvements, the State will continue providing Albany County with over \$1 million in Indigent Legal Services Funds.

## Health/Mental Health

- With the closing of the Ann Lee Home, over 40 positions are no longer required to serve the nursing home patients that no longer reside in that facility. For those positions that are still filled, this Budget provides funding for salaries and benefits for one quarter of the 2009 calendar year. Funding for unneeded positions that are vacant has been eliminated.
- As a result of the Nursing Home's management and efforts to recruit and retain staff, contract "agency" staff costs have decreased significantly. Funds for contractual services have been reduced by over \$1 million.
- The reopening of admissions at the Nursing Home coupled with a focus on rehabilitative care will generate increased revenue from serving a greater proportion of Medicare patients.

## Transportation

- Progress continues on the Fuller Road/Washington Avenue Extension project. This project will ease traffic congestion, potentially provide additional space to the State University of New York's Nanotech Center, and provide safer transit for pedestrians and bikers.

## Economic Assistance/Opportunity

- Family Assistance expenditures are projected to increase \$1.6 million, or 16.7 percent. This will be partially offset by a small (two percent) reduction in the need for budgeted Safety Net funds.
- This Budget includes a proposed increase in Department of Social Services funding for client emergencies of \$742

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thousand.

- Increased Expanded In-home Service for the Elderly (EISEP) funds totaling \$632 thousand are provided to ensure that there is no waiting list for elderly persons seeking non-medical services to support their continued living at home. Over the past two years, expansion of EISEP has enabled the County to serve more people at home while serving fewer in its Nursing Home. The increase in EISEP and other home-based services has exceeded the decrease in the Nursing Home census.
- County costs for the home delivered meal program are projected to increase 28 percent from 2007 to 2008. Given current economic trends, the fixed income of many seniors, and rising costs for transportation and food, these costs are expected to continue to grow in 2009. Additional funds totaling \$300 thousand are proposed to meet increased demand for and cost of providing home delivered meals.

## Undistributed and Other

- Given the extreme tightening of credit markets and the great uncertainty concerning those markets, this Budget does not include funds to cover increased debt service for the previously anticipated Fall, 2008 bond issue.
- Monitoring and managing spending and cash will require extra diligence in 2009. Ability to control expenditures, ensure revenue maximization and flexibly manage cash will be essential.