
2011 ALBANY COUNTY EXECUTIVE BUDGET

INTRODUCTION AND HIGHLIGHTS

Message from your County Executive

MICHAEL G. BRESLIN

County Executive



VOLUME I

2011 BUDGET MESSAGE FROM MICHAEL G. BRESLIN

October 10, 2010

To the Members of the Albany County Legislature and the People of Albany County:

I present to you the 2011 Executive Budget.

The 2011 budget is the most challenging budget we have ever faced. I have made hard choices, including painful cuts to County services and the workforce, as well as a tax increase, in order to deliver a balanced budget. We cannot continue to operate County government as we always have.

This budget dramatically changes County operations, primarily due to a significant loss of revenue. Spending has been decreased by \$24.2 million and by the end of 2011 the County workforce will be reduced by approximately 20 percent. The tax levy will increase from \$71.9 million in 2010 to \$82.7 million in 2011.

Last year, I warned of the impact the economic recession, loss of Federal and State revenues, escalating healthcare and pension costs, and the dramatic increase in the number of people in need of social services would have on Albany County.

Albany County is not alone. Counties and municipalities across New York are struggling with unprecedented fiscal challenges. The State of New York's fiscal outlook is dismal. All levels of government are resorting to reducing services, eliminating employees, using reserves and increasing taxes to balance their budgets. All of this paints a dark picture for Albany County.

However, this is not the first time that Albany County has faced tough financial decisions.

When I took office in 1995, we made difficult decisions to reorganize County government to provide tax relief to our residents. The County was able to better deliver services at a lower cost to taxpayers.

In 2003, we fought to stem the skyrocketing costs of Medicaid and stopped the cost shifts from the State that were crushing counties.

During these times, it took strong leadership to make unpopular decisions for the benefit of taxpayers. These decisions, then and now, are essential to allow us to continue to serve those most in need. We joined together then, as leaders, to make difficult decisions.

However, last year was a departure from cooperative governing. My proposed 2010 budget was the first step in a strategy that would have helped us address the greater fiscal challenges of 2011 by cutting spending, reducing positions and beginning to downsize the County Nursing Home. These difficult steps were imperative to prevent a large tax increase for 2011. If we had implemented my proposed budget in 2010, we would instead be facing a four to five percent tax increase. Unfortunately, the budget adopted by the County Legislature simply postponed difficult decisions.

If there is ever a time to work together on behalf of the residents of Albany County, it is now. Our fiscal crisis demands we put politics aside. I urge the Legislature to join with me in taking action and making real cuts for 2011. If the hard decisions are put off again this year, our situation in 2012 will be far worse and taxpayers will bear the cost.

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Economic Impact and Loss of Revenues

In 2011, we estimate sales tax revenues will decline by \$7.1 million compared to 2010's budget. As I have stated before, it will take five to ten years for the national economy to return to levels seen earlier in this decade. Albany County is particularly vulnerable to a decline in consumer spending as we are a center for shopping and commerce. Therefore we must be very cautious in our expectations for growth of sales tax.

Home sales are also down in the Capital Region, which has a negative impact on the mortgage recording tax. This is projected to decline by \$700,000 in 2011.

The same economic stresses are affecting Federal and State government as well. Other losses impacting this budget include:

- The Nursing Home will lose \$8.3 million in Federal aid, known as the Federal Intergovernmental Transfer funds (IGT).
- Federal aid is projected to decline by \$7.4 million.
- The American Recovery and Reinvestment Act (ARRA) funds, in the amount of \$5.2 million, will expire.
- State aid will decline by \$1.9 million.
- Medicaid reimbursement for mental health services will be reduced by \$1.5 million.

Increased Expenditures

Health insurance and employee retirement contributions remain our fastest growing expenses. They were projected to increase more than \$8 million. The Early Retirement Incentive removes employees from the County's 2010 payroll, however, we continue to pay health insurance for these individuals and we will pay more for retirement next year. This budget proposal includes a 10 percent contribution by all County employees and retirees toward health insurance. Most employees are currently contributing 10 percent, but some contribute nothing. From the standpoint of both equity and financial necessity, all employees will contribute to this generous benefit. This amounts to \$34 a week for family health and prescription coverage, which costs Albany County over \$19,500 annually. These and other steps have reduced most of these expenditures in 2011.

Reorganizing County Government

In March, in my State of the County address, I warned the 2011 budget would be "even more demanding" than 2010. Even then, we already estimated the budget gap to be at least \$35 million. By July, it was over \$43 million. In order to avoid placing such a heavy burden on property taxpayers, I conducted a detailed review of every program the County operates and invited input from County legislators at several informal meetings on how to restructure. This review identified the various programs and the extent to which each is required to be provided by the County as well as identified where there was flexibility to cut or reduce.

Based on this extensive review, I have proposed significant service and staffing reductions that dramatically change the way Albany County government operates.

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County Workforce

Our fiscal crisis makes it necessary that we achieve significant savings by eliminating positions from the County workforce. My budget proposal assumes approximately 20 percent of the County workforce will be eliminated either through early retirement or layoffs. The majority of these positions, 388, are at the Nursing Home while 153 are in other County departments.

We have taken advantage of the Early Retirement Incentive program. However if we cannot achieve the necessary savings through this initiative, we will need to resort to additional layoffs.

Since the eligibility period for the Early Retirement Incentive runs through the end of 2010, after this budget is presented, I will continue to work closely with the Department of Human Resources and the County Legislature to achieve these personnel savings. It is imperative that the County Legislature understand the necessity in some cases to rehire, while still achieving savings. We need to ensure that any personnel changes do not impair the health and safety of residents.

County Services

The reduction in staff as well as cuts to contractual services will have an impact on County services:

- To meet increasing demands for assistance, the Department of Social Services will eliminate many senior level positions through the Early Retirement Incentive and will increase frontline staff. In addition, three nursing positions will be shifted from the Department of Health to DSS to centralize the assessment and case management of Long Term Care clients. The Department will also assume administrative responsibilities for the Veterans Bureau.
- The Health Department has been reduced by approximately 12 staff.
- The Department for Children, Youth and Families will see a reduction in contracted Prevention Services by \$500,000. Additionally, the Youth Bureau and Prevention Services will be consolidated into one unit.
- Anticipating further changes in State policy, the Mental Health Department's budget is reduced by 14 positions. Some of these positions are part of the administrative unit and the mental health clinic. The Department will no longer operate a Substance Abuse Clinic as numerous community agencies provide these clinical services.
- Crime Victims & Sexual Violence Center will continue to provide assistance and support for victims dealing with the criminal justice system. The Center will also continue to provide both therapy and victim assistance services. Therapy services will focus on assisting individuals experiencing a crisis or in need of shorter term counseling up to 3 months and 12 visits. Individuals requiring long term, on-going services, will be referred to appropriate providers in the community.
- The Department of Public Works staff will be reduced by 18 staff, eliminating obsolete functions and reducing road maintenance.
- The functions of the Department of Economic Development, Conservation and Planning will be absorbed by the County Executive's Office and the Department of Public Works.
- All services provided to other agencies by the Department of General Services will be reduced with the elimination of 18 positions.
- Municipalities will be charged for any increased cost of the Sheriff's road patrol above the \$2.2 million funded in 2009. Most municipalities provide and pay for their own police. But in other cases, the County provides the

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service through the Sheriff's patrol.

I would like to take this opportunity to thank County Clerk Thomas Clingan and Sheriff James Campbell for their cooperation in this difficult budget process. The cuts in their budgets were not easily reached, but achieved necessary savings.

Long Term Care

As I have said before, we cannot address our fiscal situation without addressing the financial burden of the County Nursing Home. I cannot responsibly recommend the County continue to operate a nursing home as Federal and State assistance for public skilled nursing facilities continues to decline. Additionally, as documented in the study the legislature procured this year regarding nursing home management, our subsidy is directly related to personnel costs, which are significantly higher than in other facilities.

If we do not take action, the County will subsidize the Nursing Home in the amount of \$17.7 million in 2011 and \$19.7 million in 2012. It will continue to escalate from there.

Given the number of Nursing Home employees who have already opted for the Early Retirement Incentive and those who are likely to do so during the coming days, it would be irresponsible for us to continue admitting patients that we may not be able to adequately serve. Thus, we are suspending admissions immediately.

Albany County will undertake an initiative to sell the Nursing Home by the end of 2011.

We will aggressively pursue the sale of at least 150 County nursing home beds.

Downsizing to 150 beds will enable us to increase the availability of Medicaid eligible Assisted Living Program (ALP) beds in our community. Assisted Living Programs provide safe, comfortable environments that enable residents to continue to live independently.

Albany County will not be in the business of operating a nursing home after 2011.

Conclusion

It was with considered and deliberate intention that this budget does not include irresponsible cost shifts to municipalities. I am opposed to shifting costs to another level of government simply because we can. I have loudly opposed any such shifts from the State to counties. And, I refuse to consider any similar shifts to municipalities unless it results in increased efficiencies for everyone.

This is a painful budget, but one that will prepare us for the challenges of 2012. This budget proposal reduces County spending by \$24.2 million and uses \$15.1 million of reserves to meet a \$39.8 million revenue loss in 2011. The spending cuts and use of reserves keep the real property tax increase to 14.9 percent, for a real property tax levy of \$82.7 million. For a taxpayer with a home valued at \$150,000, this represents an increase of \$75 to \$125 a year, depending on the municipality.

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The same factors driving the 2011 budget will continue to put pressure on 2012 as well. We currently estimate 2012's budget gap to be between \$19-24 million due to loss of Federal stimulus funds, increased Medicaid expenditures and escalating health insurance and retirement costs. Failure to adopt the reductions in this budget proposal, including closing the Nursing Home, would drive up the gap by at least another \$18.5 million.

These are trying times for all levels of government, especially in New York State. And we all have painful decisions to make.

I have attempted to craft a sound proposal that shares the pain as equitably as possible. It is imperative that we carefully follow a direction that protects those most in need while minimizing the burden on taxpayers.

Sincerely,

A handwritten signature in black ink that reads "Mike Breslin". The signature is written in a cursive, slightly slanted style.

Michael G. Breslin