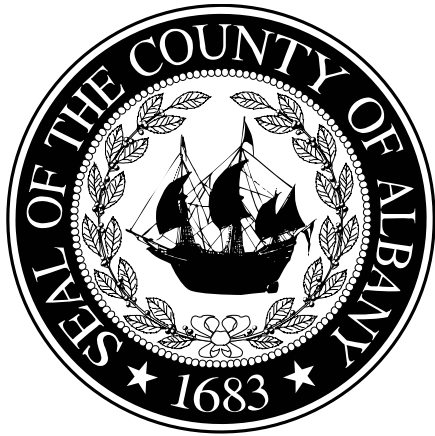

2011 ALBANY COUNTY EXECUTIVE BUDGET

INTRODUCTION AND HIGHLIGHTS
Five-Year Budget Projections

MICHAEL G. BRESLIN
County Executive



VOLUME I

FIVE-YEAR BUDGET PROJECTIONS

PREFACE

Albany County uses its budget process to allocate scarce resources to critical programs and services for its residents. To allow better financial and programmatic decisions and to assist with strategic planning, budget planning is well integrated with the activities of County government

As part of this process, we develop five-year budget projections. These projections are designed to improve our understanding of the future implications of funding and programmatic decisions that are made today, and of economic factors and other trends beyond our control. In providing an outline of the future economic terrain, we hope to develop a map to help us choose the best fiscal course to pursue over the coming five year period.

The following analysis projects a five-year financial plan for Albany County, covering the period 2011 through 2015. The plan is based on a projection methodology which is described briefly below.

DETAILED PROJECTION METHOD

A list of financial risks and potential change factors is maintained throughout the year. This risk list takes a range of probabilities into account. Taking these factors and risks into account, along with economic factors, this five-year projection is made on the basis of major categories of revenue and appropriation. This allows for important adjustments and consideration of factors affecting income and expense item to be figured into the overall projections. In doing so, the economic projections included elsewhere in the Budget are taken into account.

This projection begins with the 2011 budget presented in this document. Recent trends for all items of expenditure and revenue are considered first. Then all items are adjusted for factors likely to affect future years' growth.

The individual projections for revenue and appropriation items are subsequently totaled and, from these totals, a property tax levy is calculated for the years 2011 through 2015.

The graphs on the following page present summary projections for appropriations, revenues, and the tax levy based on the detailed projection method, and are summarized in the chart below.

It is important to acknowledge that this analysis is a projection and an estimated construct of what the future may be. It cannot be relied on to be a perfect prediction of the future for two reasons. The potential accuracy is dependent on factors outside the budget and not in control of County officials. These can be summarized in terms of Economic Risk Factors. Secondly, the accuracy of these predictions is also based on the legislative response to the budget and the final adopted budget.

Year	Projected Appropriations (millions)	Projected Revenues (millions)	Projected Tax Levy (millions)
2011	\$549.5	\$455.2	\$94.3
2012	\$545.4	\$446.5	\$98.9
2013	\$559.6	\$449.8	\$109.8
2014	\$575.0	\$454.7	\$120.3
2015	\$587.5	\$460.1	\$127.5

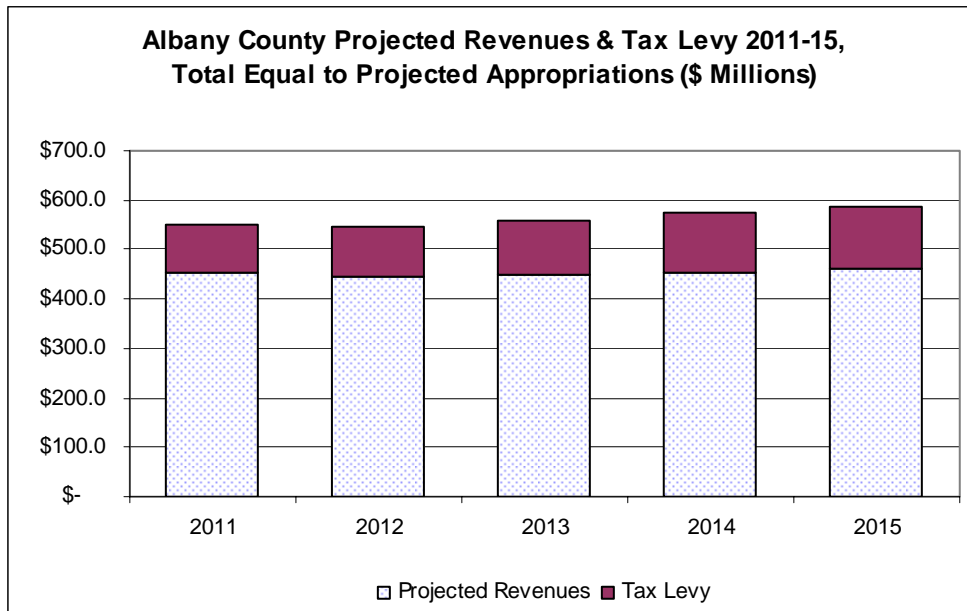
Note: For purposes of comparability, this table does not take interfund transfers or appropriated reserves into account. Thus, the 2011 tax levy does not match identically to that proposed in this Budget.

ECONOMIC RISK AND OTHER KEY FACTORS

It is important to understand the risk stemming from changes in the economy because of the magnitude of that risk. The 2011 budget and the projections stemming from it assume significant reductions in continued stagnation in sales tax and other local tax revenues, and State and Federal Aid. Key revenue projections are discussed in the Economic Forecast. Among others, key factors that were considered in this projection included:

- ♦ The use of reserves in 2011 will likely require a significant offset in 2012.
- ♦ The enhanced Federal Medical Assistance Percentage (FMAP), Federal funds to support Medicaid costs, enacted temporarily in the Federal stimulus legislation, will expire.
- ♦ This Budget and these five year projections assume that the Albany County Nursing Home will be closed by the end of 2011. A very small staff to close patient and financial records and to maintain the building would be required during 2012. Even while transitioning, the Nursing Home will have lost \$8.3 million in Intergovernmental Transfer funds.
- ♦ Health insurance and retirement costs are expected to continue at rates that significantly exceed general inflation rates, revenue and salaries and wages. These costs will be compounded by the Early Retirement Incentive. Beginning in 2012, the Incentive will add at least \$2.0 million per year in required contributions to the Retirement system. Use of the Retirement Contribution Stabilization Program will save \$6.8 million in 2011, but increase costs by approximately \$900 each of the following years.
- ♦ Medicaid costs are expected to continue growing, but increased liability is assumed to be limited to the existing state law.
- ♦ The current recession is forecast to cause continued increases in public assistance costs.
- ♦ State reimbursement for the Mental Health clinic is expected to be terminated within the next few years.
- ♦ Once the current recession has ended, it will be necessary to rebuild the County's financial reserves.

Despite the current recession, no specific provisions have been made in these budgetary projections for a major, worsening of the current economic downturn during the five-year period or a steep inflationary period.



Appropriations are projected to grow \$38.0 million to \$587.5 million during this five year period, averaging 1.7 percent per year. Revenues other than tax levy are projected to increase \$4.9 million to \$468.1 million during this five year period, averaging a very slight increase. Therefore, in order to maintain balance, the property tax levy would be required to grow \$33.3 million to \$127.5 million during this five year period, averaging 8.8 percent per year.

FACTORS WITHIN OUR CONTROL

As mentioned above, this projection also assumes that the factors affecting the budget in the future, whether predictable or not, will take place and that no steps will be taken to offset them. Adjustments have been made over the course of the past few years leading to the successes Albany County has achieved in maintaining fiscal integrity in what, in retrospect, was a severe economic downturn. Further adjustments will continue to be made over the coming years to respond to economic uncertainty. Major efforts must be made to control expenses and influence New York State policy makers to assist Albany County in decreasing costs to taxpayers. Failure to make these efforts will undoubtedly result in large tax increases. Mandated programs take up more and more of the entire County budget, leaving little room for discretionary programs and limiting what fiscal adjustments can be made.

This forecast also assumes that the County Legislature adopts the budget without changing its fundamental components. The Legislature did not do that in 2010 and that had a significant bearing on this 2011 proposal. Had the Legislature adopted the proposed 2010 budget, then the property tax increase could have been in the 4-6 percent range rather than the 24 percent that was ultimately required.

RECOMMENDED ACTIONS

The value of the five year budget forecast is that it alerts us to the factors that are likely to influence the budget in future years, the risks these factors pose to maintaining a sound fiscal plan without the need for significant tax increases, and the magnitude of adjustments that must be made to minimize those risks. Ideally, these items are discovered far enough in advance to allow adjustments to be made in a way that minimizes disruption to County operations and pressure to increase the real property tax or other tax burdens.

Recommended actions include:

- Legislative adoption of the budget as proposed;
- Immediately responding to opportunities as they arise throughout the year to reduce spending and to monitor and manage the budget within appropriation levels. Stringent spending controls will remain on County departments, until sustainable economic growth is achieved;
- Undertaking an effort to determine if additional State, Federal and grant funds are available for current activities;
- Increasing the productivity of the County workforce through further expansion of information technologies;
- Avoiding long-term, inflexible spending commitments unless absolutely necessary;
- Sustaining and expanding the County's efforts to control and reduce energy consumption;
- Continuing to lobby to ensure that the State provide sufficient resources to fund both existing and new mandates;
- Looking to the mid- and long-range economic health of the County by focusing on developing and attracting high technology companies that will provide well paying employment opportunities for our residents.

CONCLUSION AND SUMMARY

The preceding analysis presents a five year fiscal projection covering the years 2011 through 2015.

Clearly, the revenue pressures calls for careful oversight of spending, as well as a joint effort of County officials and County employees to recognize areas of mutual interest that can check this inflationary increase in costs. Of particular importance is consideration of long term implications of major decisions, especially capital decisions which imply major operational costs on top of debt service costs.