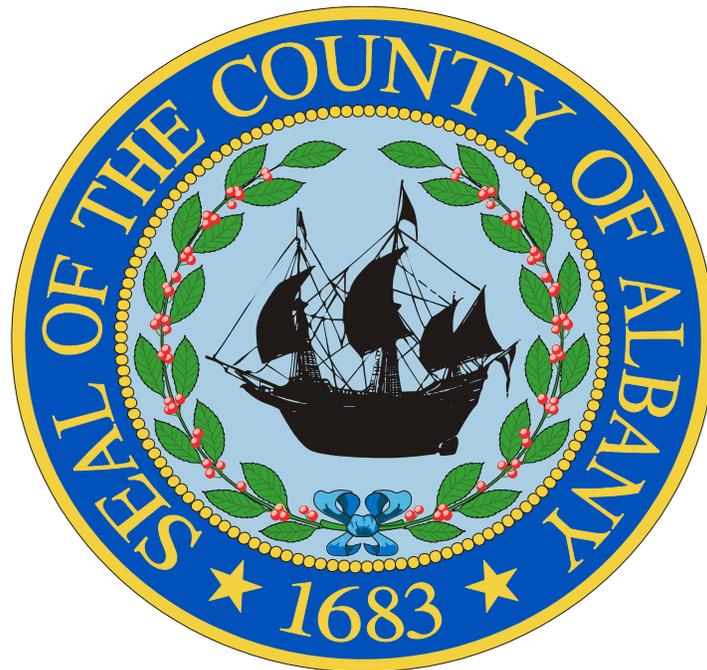


2008
“State of the Fisc”
The Fiscal Condition of Albany County
2007



Presented by
Albany County Comptroller
Michael F. Conners, II
May 12, 2008

Chairman Houghtaling, members of the Legislature and guests, I am honored to be able to present the 2007 “State of the Fisc”, my 13th presentation of its kind to the Albany County Legislature. As in past presentations, I will provide the financial results for 2007 and close with possible remedies for the problems that we face. 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. Overall, Albany County remains in strong financial condition. Much of our success is due to the work of our many dedicated employees and the leadership of our elected officials.

We electronically filed our Annual Financial Report for 2007 with the Office of State Comptroller on April 30, 2008. This year, we will be adding it to our web page to reduce copying costs. If you would like any additional information, please contact our office.

General fund operations in 2007 resulted in a net loss of \$3 million as expenditures exceeded revenues by \$3,040,422. While the overall fund balance decreased by that amount, our undesignated fund balance (commonly thought of as surplus) was reduced by \$2,844,346 to a total of \$32,952,348. The table below shows the percentage of undesignated fund balance to revenue. We must be careful to maintain a strong undesignated fund balance.

Percentage of Undesignated Fund Balance	2006	2007
	7.56%	6.64%

Before we discuss the specifics of revenues and expenditures, it is noteworthy that the Residential Healthcare Facilities set a new record for operating loss at \$18,816,874. You have heard my analysis and recommendations about the lack of commitment and poor management at the Facilities since our report on their operations in 2002. The chart below shows the losses over the past several years total more than \$91 million. During this time, the facilities have received substandard ratings. In addition, hundreds of long term care residents have been shipped out of Albany County.

Year	Actual Amount Lost
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
Total	91,239,072.00

The County should investigate the potential for litigation as is currently under way in Western New York State for the failure to adequately reimburse Medicaid expenditures to counties for long term care. The theory that Counties are responsible for 10% of long term care costs is grossly understated as shown by our own experience. We welcome the opportunity to discuss this matter with the Legislature and Executive.

REVENUES FOR 2007

2007 total general fund revenues were \$496.5 million, up slightly from 2006 when adjusting for the recognition of the local share of sales taxes. The chart below shows the highlights of the general fund revenues.

		Revenues		
		2006	2007	Difference
Highlights				
Sales Tax		136,997,210	231,444,326	94,447,916*
Tobacco Settlement		5,129,812	5,106,369	(23,523)
Interest Income		2,612,358	3,141,882	529,524
OTB		1,557,269	1,308,226	(269,043)
Civic Center		1,336,320	1,116,518	(219,802)
Occupancy Tax		5,438,906	6,878,034	1,439,128

Total Revenue				
Tax Items		219,703,821	309,450,700	89,746,879
Departmental/Intergovernmental/ Misc.		47,151,687	49,534,166	2,382,479
State Aid		67,286,134	72,738,443	5,452,309
Federal Aid		62,740,970	62,381,105	(359,865)
Transfers		1,762,155	2,412,462	650,307
*Increases due to accounting of sales tax as total amount received prior to distribution to localities				

The accounting requirement to recognize the entire 4% local sales tax revenue last year makes comparisons to prior years confusing. Previously, we had included only our 2.4% of the transaction but the Office of the State Comptroller directed counties to include the entire 4% and record the 1.6% distributed to municipalities as an expense. The Executive also spoke about this in his budget message for 2007.

Our largest single revenue is still sales tax, of which our share was \$139,110,998. The total of County and local share was \$231.4 million, which fell short of the budgeted \$235.4 million. This was slightly more than 2006 actual results. We should all get out and do our part to support the economy because if sales tax receipts get a cold, Albany County's revenues will get pneumonia.

2007 Expenditures

Our 2007 general fund total expenditures were \$499.5 million, down \$13.3 million from 2006. Some of the major differences are below.

- The largest and most troubling expenditure increase was the Residential Healthcare Facilities loss (\$18.8 million) as previously mentioned.
- Personnel Services were \$124.5 million, up \$4 million from 2006.
- Jail expenditures were \$32.2 million, up \$2.3 million from 2006.
- Medicaid was \$55.4 million for our local share, up \$1.8 million from 2006.
- Health insurance was \$30.4 million, down \$1.4 million from 2006.

- Retirement was \$11 million, down \$1 million from 2006.
- Family Assistance was \$24.7 million, down \$.5 million from 2006.

The total expenditure summaries comparing 2007 to 2006 by major areas of the general fund with differences this year are below.

Expenditures			
Highlights	2006	2007	Difference
Personal Services	120,456,398	124,513,888	4,054,490
MMIS	53,609,936	55,427,359	1,817,423
Family Assistance	25,334,952	24,762,593	(570,359)
Safety Net	10,231,493	10,401,216	169,723
Jail	29,852,998	32,206,528	2,353,530
Retirement	12,152,662	11,079,873	(1,072,789)
Health Insurance	31,866,503	30,404,849	(1,461,654)
Transfer Residential Health Care	15,102,675	18,816,874	3,714,199
Total Expenditures			
General Government	35,322,946	129,276,107	93,953,071*
Education	20,218,041	22,970,938	2,752,897
Public Safety	50,212,282	55,167,335	4,955,053
Health	31,412,669	32,795,623	1,382,954
Transportation	1,186,128	1,202,855	16,727
Economic Assistance and Opp.	169,598,003	171,010,137	1,412,134
Culture and Recreation	1,697,646	1,379,768	(317,878)
Home and Community Services	2,054,634	2,212,601	157,967
Employee Benefits	38,297,590	36,899,392	(1,398,198)
Transfers	44,629,138	46,642,630	2,013,492
*Increases due to accounting of sales tax as total amount received prior to distribution to localities			

CHALLENGES AND REMEDIES FOR CONSIDERATION

The single largest challenge to our County is the level of poverty and the resultant costs. We have failed to address the growth rate of poverty in our cities, some of our towns and villages. The loss of latent potential and collateral costs associated with poverty will continue to be the most expensive challenge the County faces.

The economic problems that besiege the nation, state and upstate area in particular will become more pressing as New York State faces potential deficits of approximately of \$20 billion. Their problems with revenues roll down hill and will be ours to deal with in the very near future. The County Executive is reviewing the 2008-2009 New York State budget to determine the exact impact upon us as we begin our 2009 budget preparations.

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. The recently released 21st Century Local Government report on Local government efficiency and effectiveness argues that substantial savings can be achieved through State and local actions to streamline services and revamp outdated local government structures.

In 1992, as a County Legislator, several my colleagues and I attempted to work with the local governments on efforts to improve services and contain costs. Unfortunately, the municipalities lost interest when they received their additional sales tax revenue.

We must work together to contain costs and deliver our services more effectively. We asked last year for a local task force to investigate working together to be more effective and efficient. The report issued by the Governor's Task Force challenges us to again look at reducing the cost of governance. I look forward to working with you on that effort.

As a solid first step, we will be proposing a County wide energy audit utilizing the expertise of all 19 local governments, NYSERDA, NYPA and the people at the Benet Labs in Watervliet Arsenal. Our office will be inviting CFOs and other interested parties to discuss energy consumption, costs, possible remediation efforts and participation in that audit.

Retirement insurance and other pension benefits will continue to grow at a higher rate than inflation. It will be a challenge to deal with our retirees fairly as we are further squeezed by health insurance costs. We will begin to quantify this expense as a liability as we comply with GASB 45 in this year's independent audit of 2007. While GASB 45 does not require funding this liability, the growing costs of this liability will require treatment that will exceed the cost of retirement benefits, which shocked us all after the last stock market "correction".

The Executive is aware of this expense and discussed it in his budget message. We will be working with the Executive and his staff, after posting the liability as recommended by our actuaries, on potential remedies. This new accounting standard will assist us in recognizing the long term costs of employment and providing for future costs in a timely fashion.

We have the ability and resources to meet the challenges Albany County and its' local government partners face; however, we must develop the political will to do so.

Please consider reviewing some possible remedies for our challenges at our web page (<http://www.albanycounty.com/departments/comptroller/>). Click on the 2003 "State of the Fisc." (delivered in 2004) and go to Section III Potential Remedies, pages 10-14 to view them.

Thank you for this opportunity to report to you on the fiscal condition of the County and our results of 2007. God Bless you, Albany County and the United States of America.

Respectfully,

Michael F. Conners, II

Michael F. Conners, II