



"The 2010 State of the Fisc"

The Fiscal Condition of Albany County 2009

Presented to the Albany County Legislature

May 10, 2010

Welcome and Opening

Chairman McCoy, members of the Legislature and guests, tonight marks my 15th analysis of Albany County finances to the Legislature and as in previous presentations, it calls for creative solutions to serious problems. As in previous presentations I will provide the financial results for 2009 and I will present some suggestions that I ask the Legislature to consider when working together to combat the upcoming fiscal and budgetary challenges.

The State of the Fisc offers the Legislature and the public a snapshot of Albany County's financial condition. It highlights revenues, expenditures, and results of county operations for the past year. More comprehensive information is available in the Annual Financial Report (AFR) which was filed with the Office of the New York State Comptroller on April 30, 2010.

De ja Vous?

In 2008, I pointed out that we have been here before. In 1992, when I sat in the same seats as all of you, we tackled a 17 million dollar deficit, we worked together to craft innovative and in many cases, tough remedies to a tough financial situation.

Again, as I said last year, 2010 and 2011 will be difficult years as we move forward and we can see this in the 2009 results, that we need to plan for a more effective, less costly delivery of services to Albany County taxpayers.

Results

General Fund and Undesignated Fund Balance

Albany County operations in 2009 resulted in a net loss of \$7.75 million as expenditures exceeded revenues by \$7,748,941. While the overall fund balance decreased by that amount, our undesignated fund balance, or surplus, was reduced by \$12,695,500 as a result of all funds operations to a total of \$16,636,117. As in previous presentations, I am reiterating the need to maintain a strong undesignated fund balance to maintain our investment grade credit rating.

Percentage of Undesignated Fund Balance	2007	2008	2009
	6.64%	5.77%	3.34%

As you can see by the chart above, we are treading in dangerous waters. Even after the devastating economic news that dominated 2008, an increase in sales tax revenue was budgeted of \$5.7 million dollars over 2008, a 4.13% increase when we only showed a modest gain over 2007.

Residential Healthcare Facilities

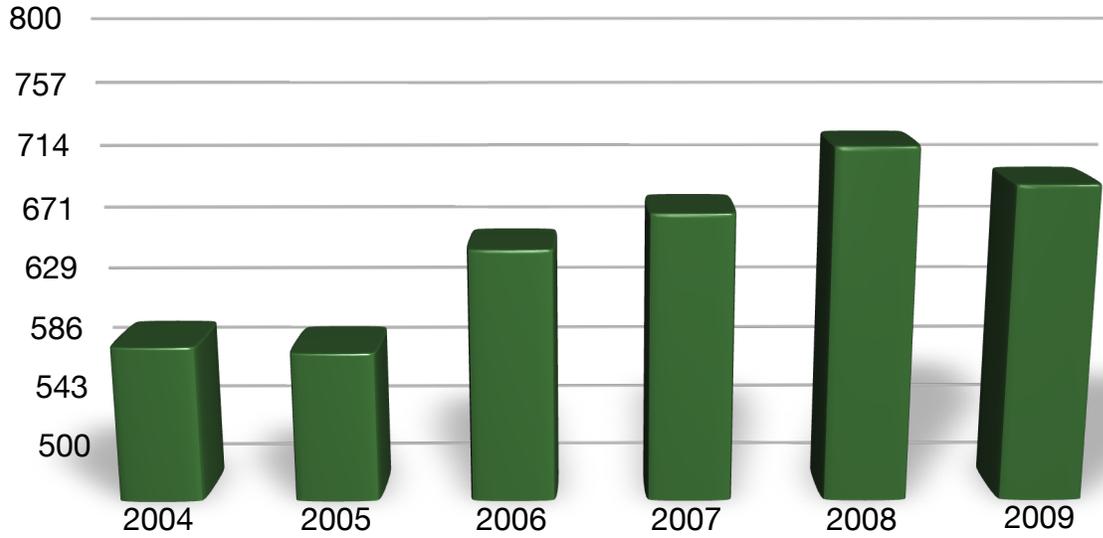
Our office has focused on the challenges the Residential Healthcare Facilities have presented Albany County Government repeatedly in the past. We exceeded the 10% mandatory support for long term healthcare by \$10,493,520 despite an \$8.2 million FMAP subsidy from the stimulus aid. Again, the Residential Healthcare Facility operated at a deficit of almost \$19 million dollars without the federal stimulus payment. For those of you who are keeping track, the running total is shown below:

Year	Actual Amount Subsidized
2002	\$11,990,648.00
2003	\$14,843,148.00
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
2009	\$10,493,520.00
TOTALS	\$120,477,087.00

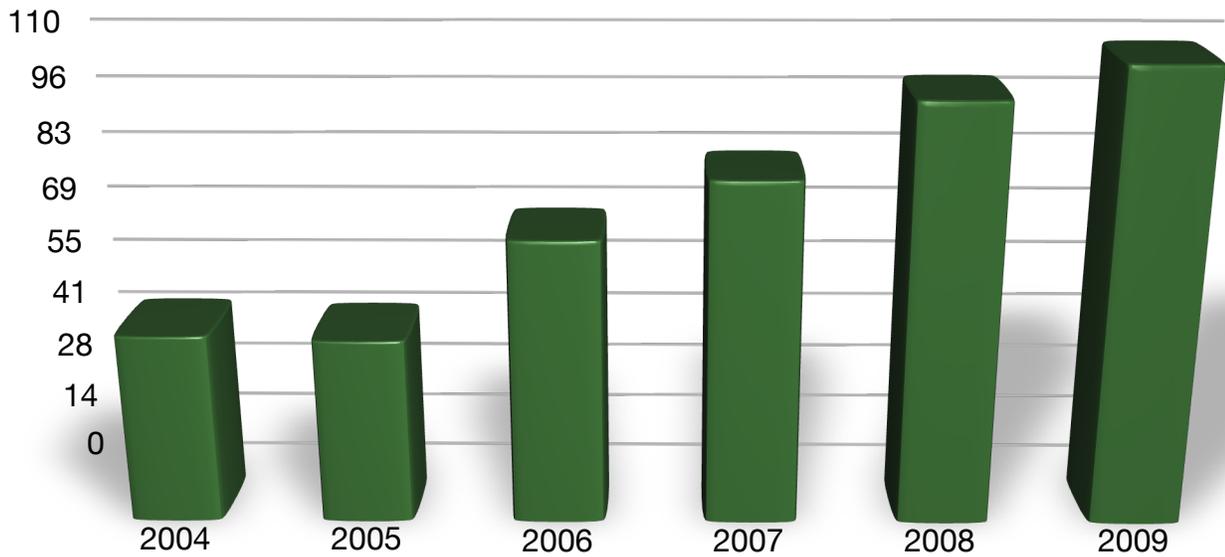
Since 2002 we have subsidized the Nursing Home over \$120 million dollars while surrounding Counties have lost a small portion of that amount for their facilities. The Legislature has shown their commitment to building a new, state of the art nursing home. One piece of the puzzle that must be addressed is the lack of leadership and quality of management that has plagued the facility since 1996. It has been proven by the Federal Government in their 2004 report to Congress where Albany County was highlighted as the prime example of Upper Payment Limits Reimbursement abuse and it continued when Mr. Breslin testified his support in front of the Berger Commission.

As a result we send more and more of our elderly residents who are in need of long term care in a facility out of our county and in many cases out of New York State. I have shared with you all the 2008 numbers FOILed from the New York State Department of Health which proves that the numbers we have been shipping out of state are increasing.

■ Albany County Residents Residing in SNFs in Other Counties



■ Albany County Residents Residing in Out of State SNFs



This practice of trans-shipping our seniors and medically frail out of Albany County and New York State has cost us \$2.9 million in 2009 and millions of dollars of additional Medicaid revenue. Our office has presented a financial analysis of the Nursing Home and we have pointed out many areas where significant savings can occur.

Overall Comparison 2008 vs. 2009

		Overall Comparison 2008 vs 2009		
		2008	2009	Increase/Decrease
Excess of Revenue, Appropriation of Prior Year Fund Balance & Other Sources Over Expenditures, Encumbrances and Other Uses		-6,465,077	-12,695,500	
Appropriated Undesignated Fund Balance in Subsequent Budget				
Undesignated Fund Balance				
Accounting Accrual Change				
Undesignated Fund Balance		29,331,617	16,636,117	-12,695,500
Percentage of Undesignated Fund Balance to Total Revenue		5.77%	3.34%	
To Total 2008 Appropriations		6.94%	3.94%	
Revenues		508,080,289	497,696,058	-10,384,231
Expenditures		510,635,799	505,444,999	-5,190,800
Excess of Revenues Over Expenditures		-2,555,510	-7,748,941	
		ACTUAL	ACTUAL	
		2008	2009	DIFFERENCE
Revenue				
Appropriated Fund Balance		508,080,289	497,696,058	-10,384,231
Expenditures		510,635,799	505,444,999	-5,190,800
Increase/(Decrease) in Overall Fund Equity Balance		-2,609,827	-7,748,940	

Revenues 2009

2009 total General Fund revenues were \$497.6 million, down 2.1% from 2008. The chart below shows the highlights of the General Fund revenues.

Highlights	Revenue		Difference
	2008	2009	
Sales Tax	237,185,223	218,742,864	-18,442,359
County Share Sales Tax	142,185,347	131,182,131	-11,003,216
Tobacco Settlement	4,690,123	5,172,067	481,944
Interest Income	1,769,491	65,268	-1,704,223
OTB	1,095,950	906,255	-189,695
Civic Center	901,405	1,755,140	853,735
Occupancy Tax	7,048,064	3,602,149	-3,445,915
TOTAL REVENUE			
Tax Items	323,629,016	300,680,510	-22,948,506
Departmental/Inter-governmental/Misc.	51,537,954	53,803,706	2,265,752
State Aid	70,064,400	75,209,264	5,144,864
Federal Aid	61,636,090	65,920,357	4,284,267
Transfers	1,212,830	2,082,220	869,390

Sales tax revenue, our largest source of revenue, was down \$18.4 million from 2008.

While this is troubling, our analysis of sales tax from the last 20 years shows that there has been a dip in sales tax revenue only three times in the past 20 years.

Year	Sales Tax Revenues	Amount Inc/Dec	% Inc/Dec
1990	64,071,766	6,572,200	11.43%
1991	61,542,860	-2,528,906	-3.95%
1992	71,679,212	10,136,352	16.47%
1993	87,068,955	15,389,743	21.47%
1994	90,878,334	3,809,379	4.38%
1995	95,651,871	4,773,537	5.25%
1996	96,582,674	930,803	0.97%
1997	100,471,897	3,889,223	4.03%
1998	101,380,856	908,959	0.90%
1999	106,865,322	5,484,466	5.41%
2000	116,931,614	10,066,292	9.42%
2001	118,275,141	1,343,527	1.15%
2002	122,740,462	4,465,321	3.78%
2003	122,145,134	-595,328	-0.49%
2004	127,180,132	5,034,998	4.12%
2005	130,819,097	3,638,965	2.86%
2006	136,223,115	5,404,018	4.13%
2007	139,110,998	2,887,883	2.12%
2008	142,185,347	3,074,349	2.21%
2009	131,182,131	-11,003,216	-7.74%

Expenditures 2009

Our general fund total expenditures were \$505.44 million, a decrease of 5.2 million from 2008. Some of the major differences are below:

- The Residential Healthcare Facilities excess support over the 10% required by Medicaid for Long Term Care was \$10.49 million after applying \$8.2 million federal Medicaid stimulus aid. This is the single largest operational problem in the county financial arena.
- Personnel Services were \$127.48 million, up \$4.2 million over last year.
- Jail expenditures were \$33.1 million up \$909,951 from the previous year.

- Medicaid was \$60.78 million, up \$2.5 million from last year. If you include FMAP the Medicaid expenditure was \$54,834,977 which would make Albany County down \$3.4 million from 2008.
- Health insurance was \$38.22 million, up \$5.1 million from last year.
- Retirement was \$8.99 million, up \$2.87 million over 2008.
- Family Assistance was \$24.22 million, up \$1.06 million from last year.

The total expenditure summaries comparing 2008 and 2009 by major areas of the general fund with differences this year and last are below

Highlights	Expenditures		Difference
	2008	2009	
Personal Services	123,245,429	127,480,530	4,235,101
MMIS	58,238,923	60,784,388	2,545,465
MMIS Net of FMAP	58,238,923	54,834,977	-3,403,946
Family Assistance	23,159,759	24,218,214	1,058,455
Safety Net	10,687,888	12,379,587	1,691,699
Jail	32,233,045	33,142,996	909,951
Retirement	11,866,125	8,991,399	-2,874,726
Health Insurance	33,093,095	38,224,475	5,131,380
Transfer Residential Healthcare	18,744,495	10,493,520	-8,250,975
TOTAL EXPENDITURES			
General Government	134,143,745	127,926,702	-6,217,043
Education	24,268,066	24,487,309	219,243
Public Safety	54,308,463	55,253,116	944,653
Health	33,173,232	34,293,062	1,119,830
Transportation	1,212,601	1,236,821	24,220
Economic Assistance and Opp	171,968,268	180,742,084	8,773,816
Culture and Recreation	1,179,299	1,098,009	-81,290
Home and Community Svces	2,377,147	3,114,271	737,124
Employee Benefits	40,238,998	40,105,251	-133,747
Transfers	47,765,979	37,188,375	-10,577,604

Challenges and Remedies

Some challenges are beyond our control and some we can do something about. The national and state economy present serious risks to the County and we must avoid panic in our response. Quick fixes will not solve the long term problems we face.

In our control

The growth of cost for local governments is unsustainable. We need to build a plan to restructure, improve effectiveness and reduce costs across our County. You need to be a leader in bringing the Cities, Towns, Villages and the County together for a planning effort to reduce costs, improve effectiveness and reduce duplication while sharing people and resources in a restructured delivery of services planning effort.

We did not take advantage of the challenges presented to us last year.

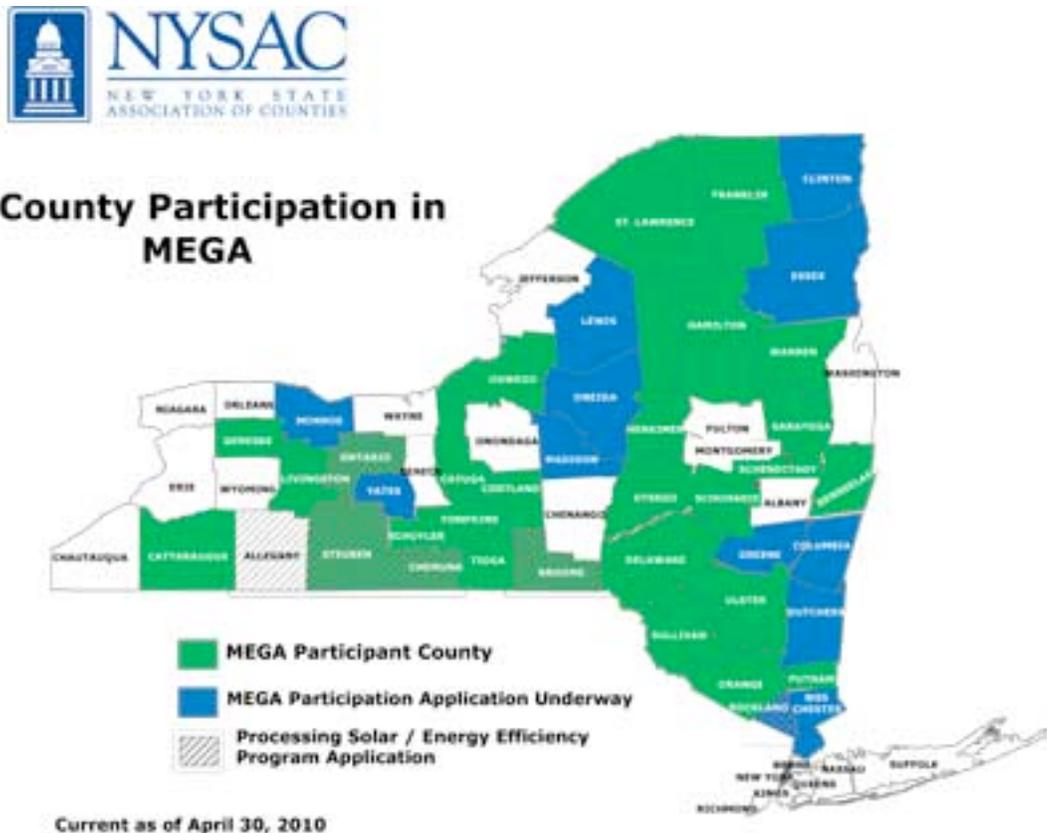
We should consider a County wide management and productivity study in which all local governments and the county participate. We were able to save millions with this effort in the County in the mid 1990's. A joint attrition plan, job sharing and early retirement - part time work option could reduce total local government personnel costs by \$30 million dollars within 5 years.

Our failure to address long standing problems should not translate into punitive action against our employees. Our largest and most ignored problem is the management problem at the Residential Healthcare Facility. We have continually pointed to the growing problem at the Residential Healthcare Facility that has cost Albany County over \$120 million dollars of additional support since 2002.

While surrounding counties operate at a fraction of the amount of additional aid Albany County provides, we continue to operate our Nursing Home at a deficit. We operated at our highest deficit ever, when not including the federal stimulus aid of \$8.2 million, while residents are shipped to lower rated facilities out of Albany County at a loss of millions of

dollars in revenue. The facility should be operated by a professional management team by contract or within an authority frame work as is our airport.

The County needs to stop dragging its feet with remedies suggested to the administration. The delay in implementing the Canadian Drug plan is just one example. Continuing to rent the Russell Road property for more than the purchase price when it would have generated additional revenue from two other leases in existence is another. Our cost over runs on the Court House project is another self inflicted financial problem. The potential to save millions on the MEGA power consortium through NYSAC is another example of leaving significant money on the table. Rockland County just announced last Friday its potential savings of \$2.5 million in energy costs for taxpayers over the next two years. The map below shows the Counties that are participating in the MEGA program.



We have the ability and opportunity to reshape County Government and must not lose the opportunity to utilize the ability and creativity of our County employees.

A few additional suggestions to consider are:

- Adoption of Early Retirement/Return part time to Work Program
- Job sharing, flex-time and telecommuting
- Allow our office to 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
- Obtain NYS approval to use Tobacco Settlement Revenues to reduce debt service to avoid steadily declining revenues
- Sale of the Times Union 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

These suggestions represent an opportunity to restructure the delivery of governmental services within our County. You have the vision, faith and ability to make it happen.

Respectfully,

Michael F. Conners, II