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Chairman Morse, Majority Leader Commisso, Deputy Minority Leader Carman, Comptroller Conners, Sheriff Apple, District Attorney Soares, County Clerk Clingan, Former Congressman Mike McNulty, members of our State Legislative delegation, members of the Albany County Legislature, invited guests and my fellow citizens of Albany County, I thank you for joining me tonight as I deliver my first State of the County address.

First, I would like to pause for a moment to recognize Jacob Ashby, an Albany County employee who is currently serving in the Army Reserves in Afghanistan. I would also like to recognize William Caldwell, an employee with the Health Department, who has recently returned from his tour with the New York Army National Guard. It is because of their service and those who have served before them that we freely stand here today to outline our future.

In order to plan for our future, we need to know where we are starting from. We have been in an economic recession since 2008. But even when times are tough, county government still has responsibilities that we must fulfill. That means we have to find new ways to do business... ways that will also cost us less money.

I don't have to tell you, that just like your families, our county must tighten our belt, do more with less and explore ways to get our house in order. And like your families, we have much to be thankful for and there are many positives that we must look at through the economic clouds that are shadowing us.

We are faced with unfunded mandates that are crippling our counties, including Albany County. I will talk to you about those challenges.

In the next 20 minutes, I will also highlight the good news in a proposed Medicaid cap and solutions to some of our problems proposed by my transition team. Their report will be released later this week. Let me share with you my blueprint for the future of Albany County. Governor Cuomo has made one of his priorities the downsizing of hundreds of unfunded state mandates that require counties to provide services without state financial assistance. I am committed to explore ways to find relief from these mandates even before the state acts. You'll hear more about that in a few minutes.

Let's get right to it by talking about the good news.

Of the 62 counties in New York State, Albany County has the fifth lowest property tax levy in the state... when we look at the tax levy broken down per person. That's good news even

though, for the first time, we have faced the challenges presented by the 2% property tax cap. We had to override it to continue providing core, vital services. That meant an 8.7% property tax increase for 2012.

It's also a good time to mention the good news from the Greater Capital Association of Realtors out just about 10 days ago. Contracts for construction of new homes in Albany County were up 32% in January. That is one indicator that we are moving in the right direction. Second, we did not appropriate reserves or fund balance to balance the budget and ongoing operational costs.

Third, our bond rating has remained stable while many other counties throughout New York State have been downgraded.

Fourth, last year's sales tax receipts were up 5 and a half million dollars. Hopefully, that trend will continue.

We have received good news on the state level with the Medicaid redesign team appointed by Governor Cuomo calling for a state cap on expenditures. This is a step in the right direction and limits growth for 2013 that we can build into our next budget. However, county taxpayers won't realize the full benefit of the hard cap until 2015.

Here's some more good news... many people think that the county executive is the boss but the real boss, Bruce Springsteen, is coming to the Times Union Center on April 16th and that is very good news.

Even though we've had some good news, we are facing challenges that need to be addressed. Our 560 million dollar budget... that's a lot of money. If we take a closer look at it, most of that money goes toward mandated programs that we have to pay for. We talk about mandates but what are they?

There are approximately nine areas that add up to 130% of this year's tax levy. You can see them... starting with Medicaid and ending with Child Welfare. The county is front and center when it comes to providing social services such as food stamps, housing, and welfare. So what exactly does that mean when we look at the property tax levy? Here's how it shakes out and then adds up... mandate on top of mandate on top of mandate.

When we go back to our chart with our 560 million dollar budget, we can now divide it into two chunks... what we can touch or have some control over when it comes to spending. That's in blue and what we can't touch... expenses including mandates... in green. Let me show you some of our challenging areas already in 2012.

Medicaid costs make up 63 million dollars or 77.2% of the tax levy. The year to year mandated increase is about one and a half million dollars. Remember in the good news section the proposed hard cap I mentioned from the Governor's team? That cap means 2013 growth is limited to one million dollars... which adds up to another million dollars on the tax levy side. I'll mention this again later.

Moving on to pension costs. They add up to 23 million dollars or 14.3% of the tax levy. Here's the bad news. We've needed to amortize four and a half million dollars for last year... 8.3

million dollars for 2012 and at least another 8.3 million dollars for 2013. That means we've basically signed an "I owe you" and we're paying interest on that "I owe you." The interest for those 3 i-o-u's alone is roughly 4.8 million dollars.

Next, public assistance accounts for 10% of the tax levy and that's for temporary assistance and safety net with early intervention and pre-school education adding up to 8% of the tax levy. Our "I owe you's" are adding up.

There are other things that are adding up as well. Did you know that the taxpayers of Albany County are responsible for community college tuition to the tune of almost 11 million dollars... about 9 million of which goes to Hudson Valley Community College alone for our students? The Rensselaer County legislature has capped what it pays Hudson Valley at 3.2 million dollars. I've met with H-V-C-C and they've told me they will NOT give us a break in our payments. We need to partner with **OTHER** community colleges.

I've met with SUNY Chancellor Nancy Zimpher to talk about the formula to determine what the county pays. She was shocked and is willing to discuss some options. I am pursuing discussions with Schenectady County Community College and will also consider talking with my colleagues about regionalization of community colleges or creating Albany County Community College. We **WILL** explore every option.

Did you know that there's another area we are spending over a million dollars on that we need to get under control? It's a program that provides legal services to the indigent. These are private attorneys outside of county employment commonly called 18b attorneys. What's an 18b lawyer? If the judge feels there might be a conflict in any way, he or she will assign a private lawyer to represent a client. We feel certain that 18b assignments have been abused and need to be looked at. I've spoken with Administrative Judge George Ceresia about the issue of 18b lawyers and asked about ways to coordinate billing and oversight.

So as we look at where things stand now, we can then look ahead to how this relates to property taxes for next year. We start with a 2% cap which means the tax levy would be limited to about 1.6 million dollars. A few minutes ago, I mentioned the hard cap for Medicaid and that would mean a one million dollar increase for 2013. So if you take the 1.6 million and subtract one million, that leaves 600- thousand or so for everything else for us to stay at the 2% property tax cap.

There are many other things we haven't added up yet. There are 53 Medicaid payments this year. That extra payment equals 1.2 million dollars. Now add in pension increases of at least 2.2 million dollars, unknown growth in other mandated programs and county costs and we're at 2.8 million dollars plus above and beyond the 2% cap.

We have two issues at play... a structural deficit in 2012 and a potential **GAP** going into the 2013 budget.

The reality is the county is close to running out of money. We need to borrow to keep the cash flowing. Another big reason for this is the loss of sales tax and interest in earnings revenue from 2008-2010... in large part due to the recession. This means we're spending more money than we're taking in and as you can see, it's not a pretty picture.

That brings me to the toughest subject of all. It's the elephant in the room. I'm talking about the Albany County Nursing Home. I have spoken strongly on many occasions about the need to take care of our seniors. I feel strongly about this. Let me be clear... my support for our senior citizens in Albany County **HAS NOT** and **WILL NEVER** waiver. As County Executive I need to present a series of options. It's not about what I think or how I feel. It's about what's best for **EVERYONE** in Albany County. We need to make some tough decisions.

Here are our four choices:

1. we keep running things the way they are which means we build a new facility and run it
2. we professionalize with an outside management company
3. we are exploring the option of a public benefit corporation
4. transfer the license to a qualified third party.

We know the cost to continue running the nursing home is going to go up... just like everything else. We know it will cost us millions of dollars to build a new facility. I do have the numbers to present to the Legislature in the coming weeks about what those costs are to continue the way we are now and to build a new facility and what the impact will be to Albany County taxpayers. Things have to change. There are ways to improve our financial situation and we can't rely on sales tax revenue or blanket cuts as the answer. The transition team that I appointed has made many recommendations that point to changing the way we do business.

We need to remake county government.

Every government is only as strong as its foundation. The foundation is made strong by the businesses that are located in the county. Each business becomes a cornerstone of our foundation. When a cornerstone is taken, government weakens. Over the past few years, we have lost far too many cornerstones of business. They have to be replaced by new business so that our community remains strong.

One of my main priorities is to pursue economic development on the county level. We need to bring new businesses here. By doing this, we not only create jobs but attract new residents who make Albany County their home. They will live, work and shop here. To do this, we need to create a local development corporation. I am pleased to announce the first step to bringing new business here will take place April first when an engineering firm, Passero Associates moves its operation from Saratoga County to Albany County.

This is only the beginning. I am proud to say we have a number of other projects in the works to shore up our foundation. We will be announcing additional projects in the coming months. Active marketing and recruiting of companies is being done in other states and we need to do that here.

I believe the way to succeed is to truly grow businesses here and that is why I propose we create an incubator at 112 State Street. We have some of the best and the brightest going to school right here in Albany County. It was 2 years ago that the University at Albany's College of Nanoscale Science and Engineering created its clean energy business incubator. We can give entrepreneurs the help they need to get started with free space, phones or whatever it is that we can offer so

they can concentrate on the business and making it work. We will be able to do this by partnering with area businesses including Tech Valley Communications, who has agreed to supply the necessary telephone and internet lines. Whether these entrepreneurs come straight out of school or are growing their businesses with the help of “Boot Camps” offered by the Albany-Colonie Regional Chamber of Commerce and Center for Economic Growth, we need to be there to keep our talent here, nurture it and reap the benefits. These are key ways that Albany County will grow.

Speaking of benefits, we are already benefitting from some of the actions we’ve taken in this first two months. We are working on the consolidation of departmental administrative functions to create efficiencies, starting with the Departments of health and Mental health. We are moving the purchasing department under Management and Budget, to have a better control on spending. I had a meeting last week at which a majority of our 19 municipalities in the county talked about consolidation grants and a new initiative... a countywide Domestic Violence Court. More on that in the next few weeks but it is an effort that will improve our system, help local courts and establish consistency throughout Albany County.

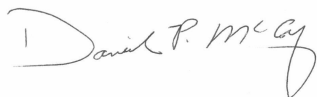
The transition team has recommended implementing an expert **MEDICAID** team. It’s a no-brainer to establish a group that specializes in Medicaid and handles it, completely. I want to take a closer look at how we do business. We need a system of checks and balances. We need to review our contracts and what it is we do because it can no longer be business as usual. Already, we have changed some of our billing practices and collected over 600-hundred thousand dollars by doing this. And we’re only getting started. Albany County is owed roughly 30 million dollars in back taxes. I will put an r-f-p out in the coming weeks to look at how to collect what is owed to us.

My transition team has made some solid recommendations. But nothing is written in stone. It’s a work in progress as we try to come up with new and innovative ways to improve how we do business.

Our county government is fractured in many areas and needs to be mended in the best interest of our citizens. I can and will provide the leadership necessary for Albany County to become healthy again. To do this, I need the cooperation of the leaders of all 19 municipalities, all 39 members of the county legislature and most importantly, you, my fellow citizens.

I will lead a government that delivers what the citizens of Albany County want, need and most of all, deserve.

Thank you.

A handwritten signature in cursive script that reads "Daniel P. McCoy". The signature is written in dark ink and is positioned above the printed name.

Daniel P. McCoy