

FIVE-YEAR BUDGET PROJECTIONS

PREFACE

Albany County uses its budget process to allocate scarce resources to critical programs and services for its residents. Over the past ten years, we have developed a budget that is well integrated with the activities of County government. We have done so to allow for better financial and programmatic decisions and to assist with strategic planning for the County's future.

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 2009 through 2013. The plan is based on a projection methodology which is described briefly below.

DETAILED PROJECTION METHOD

For a projection to be truly useful, it must take into account as many variables as can be reasonably predicted. The five-year projection is made on the basis of each individual revenue and appropriation item rather than on the basis of gross revenue and appropriation totals or categories of revenue and appropriation. This allows for important adjustments and consideration of factors affecting each 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 2009 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 2009 through 2013.

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 inaccuracy of these predictions on the assumption that current trends will continue without alterations. These are factors within the control of County officials to change.

Year	Projected Appropriations (millions)	Projected Revenues (millions)	Projected Tax Levy (millions)
2009	\$580.7	\$516.1	\$67.9
2010	\$606.0	\$516.1	\$94.6
2011	\$627.6	\$518.3	\$114.9
2012	\$650.0	\$524.8	\$131.7
2013	\$673.3	\$531.3	\$149.2

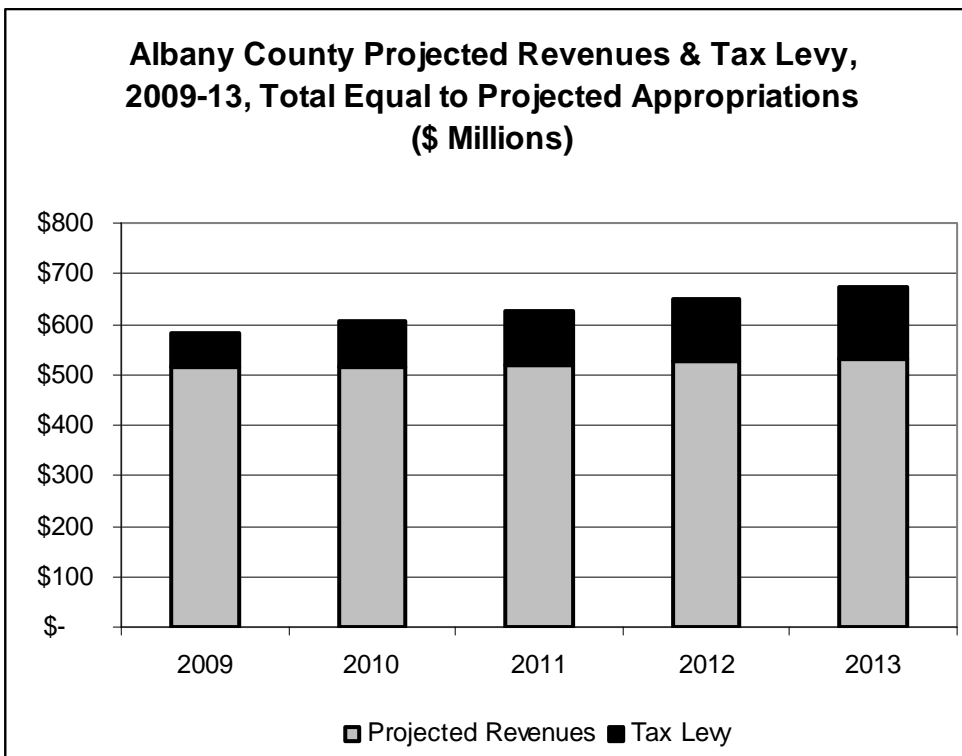
Note: For purposes of comparability, this table does not take interfund transfers or appropriated reserves into account. Thus, the 2008 tax levy does not match identically to that proposed in this Budget.

FIVE-YEAR BUDGET PROJECTIONS

ECONOMIC RISK FACTORS

It is important to understand the risk stemming from changes in the economy because of the magnitude of that risk. The 2009 budget and the projections stemming from it assume significant reductions in State Aid and continued economic challenges nationally, discussed in the Economic Forecast which will ripple into economic conditions generally. County sales tax revenues have grown more quickly than expected in 2008, but we expect modest growth in 2008. For the entirety of 2009, we expect sales tax revenues will grow .80 percent above what is estimated for collection in 2008. Expenditures will generally increase but will be partially offset, especially after 2009 with stable Nursing Home expenditures and revenues in 2009 and 2010 followed by a significant decline in Nursing Home revenues in 2011 and beyond.

No specific provisions have been made in these budgetary projections for a major, prolonged economic downturn during the five-year period or a steep inflationary period.



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. Albany County has a record of facing and overcoming its challenges. For example, last year's Five-Year Budgeted Projections forecast both higher revenues and appropriations than those in this Budget. As revenue expenditure growth has slowed, we have proposed dramatic actions and exercised rigorous expenditure control. 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. Of particular note, these projections assume that the Nursing Home changes will be effective and they assume significant and increasing similarities to other post-retirement health benefit liabilities.

FIVE-YEAR BUDGET PROJECTIONS

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:

- 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 2009 through 2013.

Using this projection method, a picture of rapidly rising appropriations but slowing rising revenues is presented. Therefore, revenues increase at a much slower rate than appropriations, resulting in an increased property tax levy beginning in 2009 and extending beyond the end of the projection period. The projection pegs the County property tax levy in the year 2013 at \$142 million, up 74 percent from the \$68 million contained in the 2009 Executive Budget.

Clearly, the upward pressure on appropriations, many in areas where Albany County has little short-term control, calls for careful oversight and 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.