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## OFFICE OF THE ALBANY CITY TREASURER

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**DATE:** June 7, 2016

**TO:** Hon. Kathy M. Sheehan  
Members of the Common Council

**FROM:** Hon. Darius Shahinfar

**CC:** Rachel McEneny

**RE:** Updated 4th quarter YTD 2015 Performance

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The 2015 year-end financial position of the City of Albany remains tenuous. Accumulated positive budget performances were overshadowed by 2 major revenue shortfalls (the Coeymans sale and RLC revenue). \$4.7m of our fund balance was used (\$2.7m more than budgeted) leaving the City little margin to adjust to unbudgeted decreases in revenues and increases in costs in the future.

A bright spot was the increase in sales tax receipts, exceeding budget by nearly \$900k, indicating robust economic activity in Albany County. Additionally, landfill, intergovernmental, mortgage tax and license/permit revenue exceeded budget expectations, and debt service, salary, benefits and non-personnel spending were all below budget for the year. On the downside, fine and departmental revenue were below budget, the Coeymans sale has yet to transpire, Police and Fire OT costs were higher than budgeted and retiree health insurance and workers' comp costs were greater than budgeted.

The use of the Fund Balance, retirement amortization and year-to-year state assistance to make up for the revenue shortfall underscores that the City's finances remain structurally imbalanced. Essentially the City is operating at approximately a \$12-14 million loss year-to-year, a loss that has only been mitigated over the past several years by State assistance ("spin-up", amortization, FRB revenue) and whatever operating savings can be found.

If continued, the City will not have adequate reserves to address unanticipated and/or emergency needs in 2016, and possibly no reserves to utilize in future budgets. Thus, while our fiscal situation for 2015 is under budget overall, major challenges with our structural imbalance remain in both the short and long term that must be addressed.

## REVENUE (Thousands)

	Dec	Dec		%	Dec	Annual		%
REVENUE	YTD 15	YTD 14	Variance		YTD 15	Budget	Variance	Budget
PROPERTY TAX	56,706	55,798	908	2%	56,706	56,528	178	100%
SALES/USE TAX	32,864	32,303	561	2%	32,864	31,973	891	103%
PILOTS/19-a	20,770	19,475	1,295	7%	20,770	20,990	(220)	99%
OTHER LOCAL SOURCES	3,175	3,386	(211)	-6%	3,175	3,333	(158)	95%
LANDFILL	12,548	11,798	750	6%	12,548	12,077	471	104%
OTHER DEPARTMENTS	2,793	2,734	59	2%	2,793	3,622	(829)	77%
INTER GOVERNMENT	286	250	36	14%	286	117	169	244%
FINES	4,335	4,055	280	7%	4,335	7,049	(2,714)	61%
LICENSES AND PERMITS	3,317	2,851	466	16%	3,317	3,004	313	110%
STATE AID	17,218	17,092	126	1%	17,218	17,374	(156)	99%
SALE P/COMP/LOSS	364	349	15	4%	364	5,404	(5,040)	7%
MISCELLANEOUS	8,325	5,536	2,789	50%	8,325	13,041	(4,716)	64%
OTHER	387	3,206	(2,819)	-88%	387	532	(145)	73%
<b>DEBT RESERVE</b>	<b>1,500</b>	<b>500</b>	<b>1,000</b>	<b>200%</b>	<b>1,500</b>	<b>1,500</b>	<b>0</b>	<b>100%</b>
<b>TOTAL REVENUE</b>	<b>164,588</b>	<b>159,333</b>	<b>5,255</b>	<b>3%</b>	<b>164,588</b>	<b>176,544</b>	<b>(11,956)</b>	<b>93%</b>

The chart above summarizes the City's sources of revenue for the year. Overall, revenue totaled almost \$164.6 million which is an increase of 3.0% (\$5.3 million) compared to 2014. Expenses (including debt service paid with debt reserve funds) totaled over \$169.3 million and increased 0.2% (\$348,000) compared to the previous year. The City's funds have decreased by more than \$4.7 million which was about \$2.7 million more than anticipated although this is a dramatic improvement compared to the almost \$10 million budgeted decrease in 2014.

1. **Property Tax revenue** increased by \$908,000 as a result of the tax levy increase under the tax cap and was over budget by \$178,000 as a result of a lower amount of assessment reductions.
2. **Sales Tax revenue** for year increased 2% from 2014 and totaled almost \$32.9 million which was 103% or \$891,000 higher than budgeted. The increase in economic activity is reflected by this additional income.
3. **PILOTS/19-a revenue** was 7% higher compared to last year resulting mostly from the payment of the voluntary PILOTS. However, this item was slightly under budget due largely to the settlement of the 677 Broadway PILOT.
4. **Other Local Sources revenue** decreased by 6% from last year. Most of this decrease is the result of a decrease in Gross Receipts Tax revenue (\$200k) resulting from decreased electricity and cable TV costs and usage.

5. **Landfill revenue** increased 6% (\$750,000) compared to 2014. Landfill revenue was 104% and \$471,000 higher than budget. Almost all of the increase was from contaminated soil revenue which increased by \$602,000. Methane gas sales also increased \$74,000 and coupon sales increased by \$282,000 from last year. Tipping fees were lower by \$283,000 from commercial and municipal customers combined.
6. **Other Departmental revenue** was 2% higher than last year but only 77% and \$829,000 under budget. While there were many increases from last year the majority of departmental revenues came in below budget. Safety inspection fees decreased \$35,000, rental registries decreased almost \$25,000, EMS ambulatory revenue increased by \$100,000 and golf course revenue increased by \$18,000.
7. **Inter- Governmental revenue** increased by 14% (\$36,000) from 2014. Most of the increase was related to the computer aided dispatch fees (\$120,000) from the Tri-county program. Sales of equipment and vehicles decreased by \$79,000 from last year and the City's interest earnings decreased \$9,277 due to low interest rates.
8. **Fines and Forfeitures revenue** increased by 7% from last year. Both parking ticket and parking ticket surcharges combined for an increase of \$361,000. Police court fines decreased by \$81,000. This revenue category was 61% or \$2.7 million under budget. Most of this is related to red light ticket revenue that was not realized and parking ticket revenue that was under budget for the year.
9. **Licenses and Permits revenue** increased 16% (\$466,000) compared to 2014 and ended the year at 10% (\$313,000) over budget. The increase is from demolition fees that are recognized as revenue when they are invoiced to the property owner instead of waiting for them to be added to the property tax bills. Plumbing permit revenue increased by almost \$116,000 while safety inspections permit revenue decreased \$354,000.
10. **State aid** was 1% higher compared to 2014 and just below budget at 99%. Mortgage tax increased by \$435,000 (signifying an increase in home sales and refinancings). The rest of the revenue in this group is made up of state grants that can vary from year to year.
11. **Sale of Property and Compensation for Loss revenue** increased by 4% but ended the year at 7% and \$5.0 million under budget. The budget shortfall is directly related to the delay from the State in the sale of the Coeymans property. This also resulted in the City issuing \$6.0M in revenue anticipation notes to prevent the City from running out of operating cash by the end of the year and the beginning of 2016.

12. **Miscellaneous revenue** increased 50% (\$2.7M) compared to last year. This is directly related to the \$3.9M received from the State FRB. However, this category ended the year at only 64% of budget and \$4.7M under budget. Some reimbursement revenue from ACDA did not happen. Most revenue in this category is budget neutral because without the revenue, the expenses related to these revenues are not realized.
13. **Other revenue** decreased 88% (\$2.8M) compared to 2014. The majority of the decrease was related to Federal Grants received for the police department. There was a COPS Technology grant and a COPS hiring grant that combined provided \$2.6M more in revenue for 2014 compared to 2015. The budget anticipated the reduction in this category which ended the year \$145,000 below budget.

## DISBURSEMENTS

Category/Account	Dec	Dec		%	Annual		%
	YTD 15	YTD 14	Variance		Budget	Variance	Budget
Personal Benefits	74,635,769	74,965,728	(329,959)	-0.4%	74,676,031	(40,262)	100%
Fringe Benefits	49,913,963	48,056,693	1,857,270	3.9%	51,808,658	(1,894,695)	96%
Non-Personal Service	<u>43,283,828</u>	<u>45,462,992</u>	<u>(2,179,164)</u>	<u>-4.8%</u>	<u>52,059,417</u>	<u>(8,775,589)</u>	<u>83%</u>
Use of Debt Reserve	1,500,000	500,000	1,000,000	200.0%	0	1,500,000	0%
Total	169,333,560	168,985,413	348,147	0.2%	178,544,106	(9,210,546)	95%
Number of weeks in period	52	52	0		52		100%

**Total disbursements increased by 0.2% compared to last year to just over \$169.3 million (including debt service paid from debt reserve fund) and ended the year at only 95% of budget (\$9.2 million under budget).** Spending decreased in Personal Benefits by \$330,000 and Non-Personal Service decreased by almost \$2.2 million while Fringe Benefits increased by over \$1.8 million compared to 2014. All the categories combined resulted in an increase in total expenses of almost \$348,000 when you include debt expense paid from the debt reserve fund. This exceeded overall budgeted expectations despite variations in individual expense and revenue budget lines.

- 1. Salary expense decreased by -0.4%** compared to 2014 and \$40,000 below budget. Salary expenses are level or slightly lower in most of the departments except for Police and Fire which came in above budget due to increased overtime expenses. Additionally, AFD had approximately \$2m added to their salary line by the contract settlement and retirement payouts, masking budgetary savings in regular salaries.
- 2. Benefits Expenses increased by 3.9%** compared to 2014, but ended the year at 96% of budget and \$1.9 million below budget. The active employee's health insurance expense increased by \$1.1 million compared to last year although it was \$1.8 million under budget. Retiree health insurance expense increased by \$230,000 compared to 2014 and was at 147% of budget and \$3.3 million over budget. The Police Department worker's compensation expenses came in \$685,000 higher than last year and \$805,000 over budget. POMCO Group the City's third party worker's compensation administrator has been clearing up prior open claims. The reason this category ended the year under budget was mostly related to the combined Police Department's and Fire Department's retirement expenses, which were \$3.9 million under budget.
- 3. Non-Personal Service spending decreased by -4.8% or by almost \$2.2 million compared to last year** and was 83% (\$8.8 million) under budget. This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. Most departments were under budget for the year. DGS saw decreases in snow removal supplies and expense of \$111,000. The City's utilities expenses decreased by \$680,000 from last year and finished the year at 85% and \$906,000 under budget. Gasoline expense decreased by \$856,000 and ended the year at 59% and \$790,000 under budget. Some of the decreases in these expenses are related to the mild winter weather. Contracted services increased by \$534,000 from 2014 but ended the year \$4.3 million under budget which was only 52% of budget. Most of the contracted services savings are related to ACDA expenses that were not realized. Debt expense was \$160,000 lower than last year and almost \$1.3 million under budget. Some of this savings is related to the bond refunding in 2015.

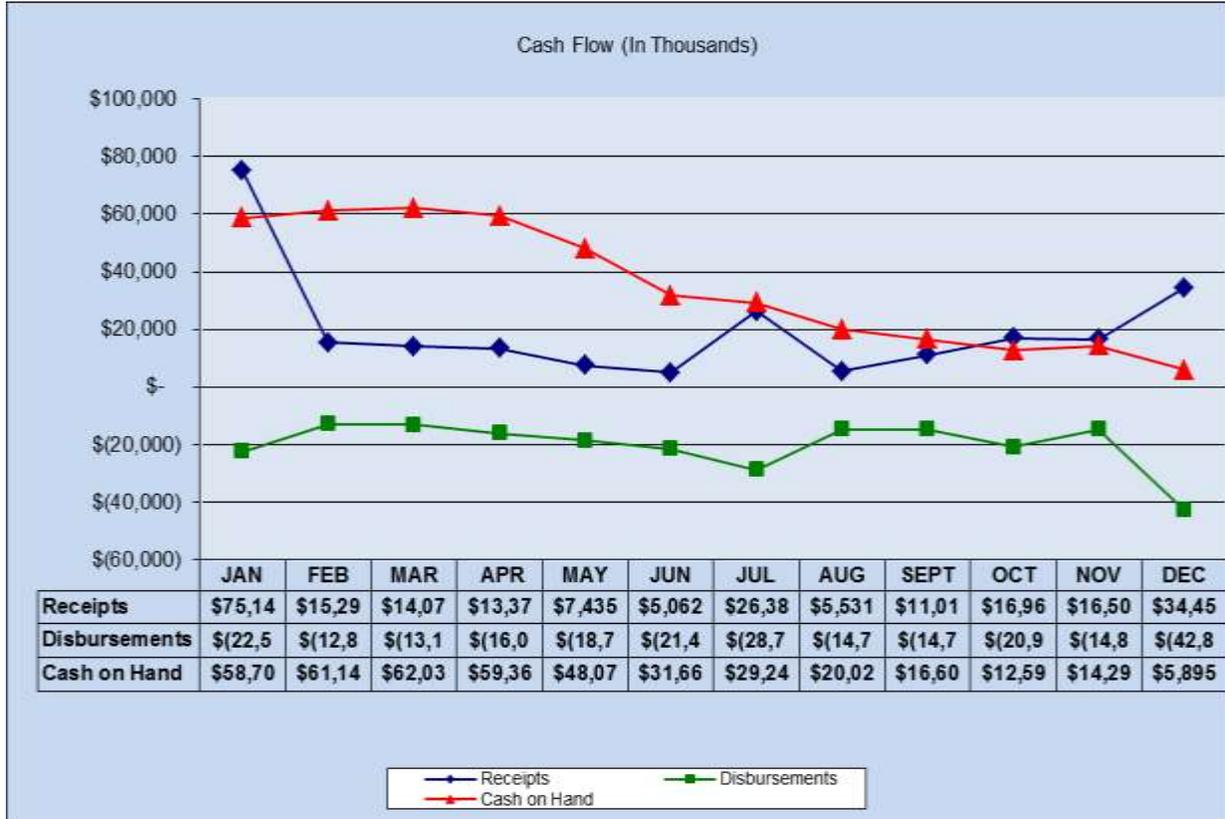
## OVERTIME

Department					% of		
	2015	2014	Change	%	2015	Budget	Budget
Police (non-reimbursable)	4,331,149	4,163,588	167,561	4%	4,331,149	3,961,400	109%
Fire	1,975,296	1,906,826	68,470	4%	1,975,296	750,000	263%
Communications	179,209	177,194	2,015	1%	179,209	175,000	102%
Parks Maintenance	160,706	215,952	(55,246)	-26%	160,706	200,000	80%
Waste Collection	182,774	208,177	(25,403)	-12%	182,774	197,000	93%
Landfill	133,726	167,780	(34,054)	-20%	133,726	151,000	89%
Central Maint.	78,118	75,479	2,639	3%	82,000	82,000	100%
Street Maintenance	106,148	106,484	(336)	0%	106,148	150,000	71%
Street Cleaning	112,837	157,128	(44,291)	-28%	112,837	150,000	75%
Recreation	14,195	5,175	9,020	174%	14,195	12,000	118%
Traffic Engineering	37,421	21,126	16,295	77%	40,925	40,925	100%
Capital Hills	22,640	25,952	(3,312)	-13%	22,640	26,000	87%
Central Garage	12,944	19,865	(6,921)	-35%	12,944	28,000	46%
Bleeker Stadium	42	75	(33)	-44%	42	600	7%
Buildings	37,096	47,781	(10,685)	-22%	37,096	50,000	74%
Control of Animals	9,132	7,699	1,433	19%	9,132	9,000	101%
Special Events	9,401	10,439	(1,038)	-10%	9,401	20,000	47%
<b>General Fund</b>	<b>7,402,834</b>	<b>7,316,720</b>	<b>86,114</b>	<b>1%</b>	<b>7,410,220</b>	<b>6,002,925</b>	<b>123%</b>
Police (reimbursable)	1,038,718	1,121,664	(82,946)	-7%	1,038,718	1,248,161	83%
Traffic Eng. (reimbursable)	160	446	(286)	0%	160	0	100%
Water	580,725	643,727	(63,002)	-10%	580,725	585,000	99%
<b>Totals</b>	<b>9,022,437</b>	<b>9,082,557</b>	<b>(60,120)</b>	<b>-1%</b>	<b>9,029,823</b>	<b>7,836,086</b>	<b>115%</b>

**General Fund overtime was 123% of budget at the end of 2015.** Excluding reimbursable overtime, overtime expense was 1% (\$86,114) higher than last year.

AFD had the biggest increase in overtime (due to 23 open positions) at 263% of budget (\$1.2 million over budget), and dollar-wise was \$68,000 higher than last year. Police overtime was higher by \$167,561 or 4% compared to last year and they exceeded their budget by 9%. Many of the departments had lower overtime expenses this year and came in under budget compared to last year except for those mentioned and the others indicated on the list.

## CASH



**The City's cash position was at an expected operating level.** The delay in the Coeyman's property sale (\$5.0M) and the lower than anticipated red light revenue required the City to issue a \$6.0 million revenue anticipation note. Without these funds the City would have ended the year with no money to pay bills or make payroll going into 2016.

## CONCLUSION

Revenue increased in 2015 by 3% (\$5.3 million) but was below budget at 93%. Expenses increased from last year by \$348,000 but finished below budget at 95% (\$9.2 million) below budget. While this sounds good, expenses still exceeded revenues by almost \$4.7 million. This resulted in the City using \$4.7 million of fund balance which was \$2.7 million more than anticipated in the budget. The delay of the sale by the State of the Coeymans property for \$5M and the shortfall in red light ticket revenue were the primary reasons for the additional deficit to the fund balance. 2016 will be challenging for the City to do all it can to maintain a positive fund balance.