
OFFICE OF THE ALBANY CITY COMPTROLLER

DATE: MAY 7, 2008

TO: HON. GERALD D. JENNINGS
MEMBERS OF THE COMMON COUNCIL

FROM: TOM NITIDO

CC: PHIL CALDERONE, CHRIS HEARLEY

RE: 1ST QUARTER 2008 PERFORMANCE

The following is a summary of results for the 1st Quarter 2008.

Revenues of \$57.3 million are \$1.3 million more than in the first quarter 2007, which reflects the property tax increase. Disbursements total \$34 million and are nearly \$0.6 million less than 2007, which is the result of a decrease in non-personal services.

<i>Expense Category</i>	<i>2008 Budget</i>	<i>1st Q 2008</i>	<i>1st Q 2007</i>	<i>Difference</i>	<i>% Budget</i>	<i>% Change</i>
Personal Service	\$ 71,508,873	\$ 17,733,613	\$ 17,122,217	\$ 611,396	24%	3.4%
Fringe Benefits*	\$ 43,300,954	\$ 12,422,675	\$ 12,161,997	\$ 260,678	28%	2.1%
Non-Personal Service	\$ 47,017,500	\$ 5,962,884	\$ 7,391,001	\$ (1,428,116)	16%	-24.0%
Interfund Transfers	\$ -	\$ -	\$ -	\$ -		
TOTAL	\$161,827,327	\$ 34,029,172	\$ 34,606,283	\$ (577,110)	21%	-1.7%
Weeks	52	13	13			

* Fringe Benefits figure includes ¼ of the annual retirement expense, which is paid in December.

DISBURSEMENTS

Disbursements decreased from this time last year by approximately \$0.6 million. Decreased spending in Non-personal Services offset increased spending in the Personal Services and Fringe Benefit categories. The decrease spending in Non-Personal Services is the result of a balloon debt payment on 1993 bonds made in 2007.

- 1. Personal Services spending increased by almost \$0.6 million, however this does not include the expense of the arbitration of the police patrol contract.** Police overtime is at 21 percent of budget and \$0.2 million more

than in 2007. Fire Department overtime is at 42 percent of budget and \$39K more than 2008.

Overtime 1st Q	Budget	1st Q	%	1st Q 2007	Above (below) 2007
Police	3,835,000	806,253	21%	622,586	183,667
Fire	550,000	230,599	42%	191,838	38,761
Landfill	150,000	67,106	45%	43,901	23,205
Waste Collection	150,000	86,561	58%	65,250	21,311
Central Maintenance	100,000	45,326	45%	36,706	8,620
Capital Hills	20,000	6,767	34%	6,440	327
Buildings	10,000	4,618	46%	4,477	141
Communication	150,000	24,371	16%	24,565	(194)
Special	25,000	3,770	15%	4,313	(543)
Central Garage	15,000	13,931	93%	16,596	(2,665)
Recreation	32,000	5,047	16%	13,429	(8,382)
Parks Maintenance	140,000	52,261	37%	62,700	(10,439)
Street Cleaning	115,000	61,117	53%	72,408	(11,291)
Streets	175,000	40,426	23%	56,888	(16,462)
Water	655,000	146,901	22%	283,532	(136,631)

2. **Fringe Benefits expenses increased by \$0.3 million from the first quarter 2007.** Retirement expense remains stable, but does not include any costs associated with the impending police arbitration. (The City pays the NYS Retirement system based on a percentage of salaries, including overtime.) When the contract is settled, the City will be billed by the retirement system.

Retiree health expense and employee health expense each increased by almost \$0.3 million from the first quarter 2007. In 2008 the City began self insuring for health care expenses, which has initially mitigated expected sharp increases in health premiums. The City's retirement contribution, which is paid in December, is relatively stable. However, retirement expenses are lagged by a year. Turmoil in the equity and bond markets may foreshadow impending increases in the City's employee retirement contributions.¹

3. **Non-Personal Services spending decreased by \$1.4 million from the 1st quarter 2007.** Snow removal expenditures decreased by more than \$0.1. A reduction of \$1.1 million in debt service accounts for most of the decrease.

¹ The City's retirement expenses are based on two factors: the performance of the investment portfolio of the State Retirement System and the size of the City's overall payroll (including overtime). The retirement system's performance has improved, thereby lowering the City's overall contribution. However, City spending on salaries and overtime has increased, thereby offsetting the gains.

The 2007 debt service expense contained a balloon payment (2003 Bonds) that was budgeted, but that does not recur in 2008.

4. Encumbrances (funds reserved for purchases) at the end of the 1st quarter total nearly \$5.4 million, which is \$1 more than at the end of the 1st quarter 2007.

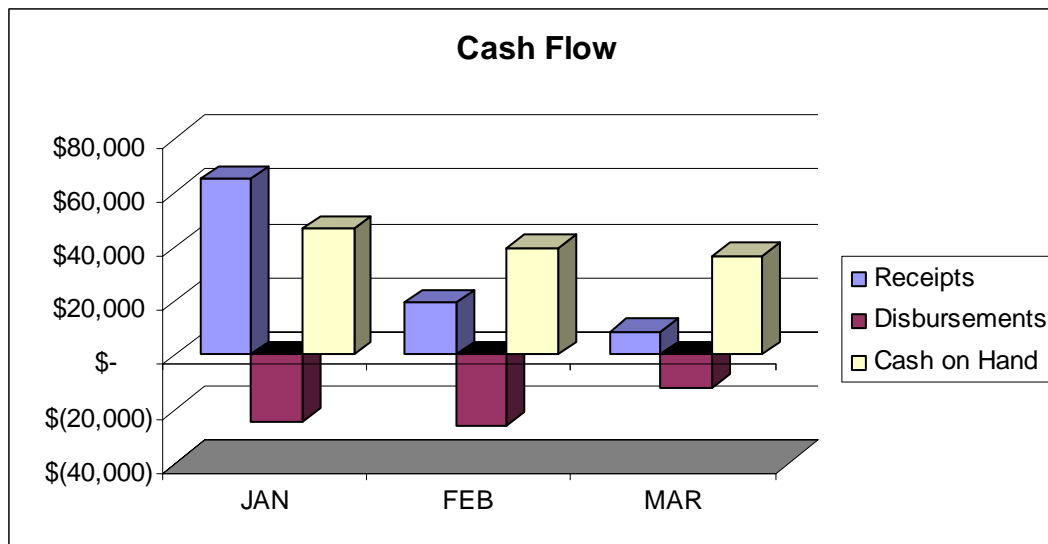
REVENUES

Revenues total \$57.3 million, which is almost \$1.3 million more than at the end of the 1st quarter 2007.

1. **Local Sources of Revenue** (\$52.1 million) increased by \$2.1 million from 2007,
 - a. **Property tax revenue increased by \$1.8 million.** This reflects the increase in property taxes in 2008.
 - b. **Sales Tax revenue**, which was received in the second quarter, totaled \$7.6 million, which is 25 percent of budgeted amounts.
 - c. **Utilities gross receipts tax** increased slightly.
2. **Departmental Income** decreased by \$0.6 million from 2007, which is caused by a decline in landfill revenue of approximately \$0.7 million. Increased revenue from public safety is a result of increased grant revenues.
3. **Intergovernmental Services** revenue of \$0.6 million is relatively flat. Revenues from other governments using the landfill and from interest earning are up slightly from a year ago. However, interest earnings will almost certainly be reduced amid declining interest rates and as cash is used to cover the operating deficit.
4. Licenses and Permit fees are down \$0.1 million from the first quarter 2007, but are at 25 percent of budget. Permit fees from safety Inspections, plumbing, electrical are all down from last year.
5. **Fines and Forfeitures** revenue is down by \$116K. Parking Violation Fines are nearly the same as in 2007, but is at 22 percent of budget. The apparent shortfall is the result of budgetary increase in fines that have not been implemented. This category is at 25 percent of budget.
6. **Miscellaneous** revenue (\$0.7 million) increased by \$0.1 million.
7. **State Aid** revenue is received late in the year.

CASH

The Cash position is \$9.4 million better than at the close of the first quarter 2007. Receipts year-to-date total \$93 million compared with \$90.4 million in 2007; disbursements totaled \$62.4 million compared with \$68 million in 2007. Lower property tax collections were more than offset by decreased debt service costs and increased reimbursement of funds owed from the Water Board. The implementation of self-insured health plan resulted in substantial lag in payout of health care costs.



CONCLUSION:

The lag in health payments from self insuring for employee health has improved cash flow. Additionally, the City's undetermined obligation from the Police patrol collective bargaining contract has further improved cash flow, but this financial benefit will be short-term. The City needs to conserve cash in order to fund the \$8 million budgeted deficit. Spending in excess of budget and unanticipated revenue shortfalls could further undermine cash flow and use up additional fund balance.