
OFFICE OF THE ALBANY CITY TREASURER

DATE: July 7, 2020

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

FROM: Hon. Darius Shahinfar

CC: Rachel McEneny, Mike Wheeler

RE: YTD 2019 Performance

The following is a summary of the unaudited results for 2019. The final numbers present a positive financial picture as **the City generated a year-end surplus of almost \$5.3 million on the fund financials**. Spending was up slightly by \$300K from 2018, although spending was \$7M under-budget and revenues exceeded expenses, creating the surplus. The surplus was largely due to \$2M more in sales tax revenue, \$1.2M more in insurance recoveries and property sales (mostly the Coeymans property), and a decrease in utility expenses of almost \$2.4M, most of which is directly related to the purchase of the street lights. Other revenues and saving make up the balance of the surplus. These are one-time events and should not be expected to continue, particularly with sales tax revenue in 2020 which will likely be significantly under budget. It is stressed that the surplus must not be viewed as a structural surplus.

Generally, salaries increased by 2.4% (\$1.8M) compared to 2018 (\$1.1 million in AFD(2% salary increase (\$350K), OT (\$326K), Accumulated Sick Leave (\$347K)), \$487K in DGS (OT (\$316K), 2% salary increase (\$171K)), and were about \$1.7M over budget (AFD OT (\$869K), DGS OT (\$432K), fringe benefits increased by 5% compared to 2018 but were slightly under-budget. Most of the over-budget salary figures are based on significant vacancies in the police and fire departments. During 2019, AFD reached a high of 14 vacancies, APD had 37 vacancies and DGS had vacancies, leading to salaries being more than \$1.3M over-budget from overtime. (Savings due to under-budget spending on salaries due to vacancies is largely used up on buyouts as individuals retire, as well as contract settlements.) The rest of the over-budget figure on salaries in 2019 was largely due to nearly \$270K spent as a result of expanding the summer youth program to include more than 1,000 participants. About half of this amount was offset by a \$100K increase in federal reimbursement for the program. There was also unspent money from the startup of the new APD training academy and various APD grants (\$444K). There was also over-budget revenue from the Landfill of \$1.1M, and under-budget revenue from State Aid by \$540K because

the Capital City funding was underfunded by the State by \$500K. There was over-budget spending as well, particularly in overtime at \$1.3M.

Revenue in 2019, including debt reserve funds, totaled \$179.0M which was \$2.7M more than last year. Expenses including debt reserve expenses totaled over \$173.8M, increase of about (\$302K) compared to 2018. Revenues were almost \$1.7M less than budgeted and expenditures \$7.0M less than budgeted, which was largely due to grant revenue and expenditures that were not realized. The excess of revenues over expenses provided the City with almost a \$5.3M surplus for the year.

The \$5.3M surplus is welcome but is essentially due to the one time occurrences listed above. This surplus is not structural, and therefore should not be expected to continue, especially in light of the State’s decision to cut \$500K from its Capital City Funding. It should be further cautioned that **without the \$12.0M in assistance from NYS, there would have been a massive deficit.** The City’s unassigned Fund Balance, the key criteria used by the State Comptroller’s office to gauge fiscal stress, stands at \$14.4M. This is a big turnaround in the past 4 years, but still below the \$17.5M (10% of City expenses) in Fund Balance needed to begin the road out of fiscal stress as determined by the State Comptroller. Furthermore, the current fund balance most likely will be reduced in 2020 as a result of the pandemic.

REVENUE (Thousands)

	DEC	DEC		%	DEC	Annual		%
REVENUE	YTD 19	YTD 18	Variance		YTD 19	Budget	Variance	Budget
PROPERTY TAX	58,313	58,252	61	0%	58,313	58,250	63	100%
SALES/USE TAX	36,637	35,425	1,212	3.4%	36,637	34,594	2,043	106%
PILOTS/19-a	20,708	20,108	600	3%	20,708	19,675	1,033	105%
OTHER LOCAL SOURCES	2,951	3,225	(274)	-8%	2,951	3,092	(141)	95%
LANDFILL	7,171	6,591	580	9%	7,171	6,030	1,141	119%
OTHER DEPARTMENTS	5,782	5,354	428	8%	5,782	7,021	(1,239)	82%
INTER GOVERNMENT	590	413	177	43%	590	532	58	111%
FINES	5,012	4,969	43	1%	5,012	5,391	(379)	93%
LICENSES AND PERMITS	4,142	4,553	(411)	-9%	4,142	4,945	(803)	84%
STATE AID	29,005	29,110	(105)	0%	29,005	29,543	(538)	98%
SALE P/COMP/LOSS	1,610	430	1,180	274%	1,610	395	1,215	408%
MISCELLANEOUS	5,414	6,114	(700)	-11%	5,414	8,649	(3,235)	63%
OTHER	757	837	(80)	-10%	757	1,697	(940)	45%
DEBT RESERVE	1,000	1,000	0	100%	1,000	1,000	0	100%
TOTAL REVENUE	179,092	176,381	2,711	2%	179,092	180,814	(1,722)	99%

The chart above summarizes the City’s sources of revenue for 2019.

1. **Property Tax revenue** was higher than last year by \$61K primarily as result of the expansion of the tax base although SCO payments were higher compared to last year.
2. **Sales Tax revenue** increased by almost \$1.2M from last year and was over-budget at 106% for the year. The increase relates to a strong economy with low unemployment and strong retail sales in 2019.
3. **PILOTS/19-a revenue** was 3% higher than last year and 105% of budget. Payments received from prior year voluntary PILOTS increased the revenue and exceeded budget.
4. **Other Local sources revenue** was 8% or \$274K lower than 2018 and ended the year 95% of budget. Interest and penalties on property taxes was down by \$20K, utilities gross receipts tax decreased by \$191K, Time Warner / Spectrum franchise fees were lower by \$10K and OTB receipts decreased by \$29K.
5. **Landfill revenue** increased 9% or almost \$580K and 119% compared to last year. Tipping fees increased by \$952K from commercial and municipal customers and coupon sales increased \$138K
6. **Other Departmental revenue** was 8%, or \$428K higher than 2018, but only 82% of budget for the year. Waste collection fees increased \$737K, golf fees were higher by \$41K and golf cart and range fees increased by \$24K. APD Event Security revenue decreased by \$137K and DGS fees decreased by \$59K.
7. **Intergovernmental revenue** increased by 43% from last year. Interest income was up almost \$156K from an increase in interest rates. Cell tower rent fees increased by over \$11K.
8. **Fines and Forfeitures revenue** increased by 1% (\$43K) from 2018. The increase is related to an increase in parking violation fines which were up \$116K, handicap fees increased \$5K and parking surcharges increased \$70K. Traffic violation fines decreased \$13K and miscellaneous revenue decreased \$57K
9. **Licenses and Permits revenue** decreased 9% (\$411K) compared to last year. Most of the decrease is from street opening fees which decreased by \$447K and demolition fees which decreased by \$53K. While plumbing permit revenue increased by \$57K, electrical permits increased \$26K, safety inspection permits increased \$41K and parking permit revenue increased \$11K.

10. **State aid** – decreased by (\$105K). The police court security program fees decreased \$76K and mortgage taxes decreased \$75K. There were also decreases from funds received from multiple state grants. It is important to note that this category includes Capital City Funding which remained at \$12.0M in 2019 but without this funding the City would have ended the year with a \$7.0M deficit to its fund balance.
11. **Sale of property and insurance recoveries revenue** increased by almost \$1.2M or 274% from last year. Most of this increase is the result of the sale of the Coeymans land \$865K. Insurance recoveries also added \$275K to this revenue category.
12. **Miscellaneous revenue** decreased 11% (\$700K) from 2018. Refund of prior expenses decreased by \$1.6M this a combination of fewer demolition fees and WCF fees rolled onto the 2019 property taxes. Additional revenue was received for reimbursements from other sources which offset this decrease. Court settlements increased \$186K, ACDA reimbursements increased \$496K and funds from various City run festivals increased \$69K. The large variance to budget is due to the funds that are included with the general fund for Housing & Community Development Reimbursement. This simply acts as a pass through account that does not impact the general fund, but was set up comply with HUD grant disbursement regulations.
13. **Other revenue** decreased 10% (\$80K) compared to last year. During 2019 FEMA funding was lower compared to last year. Other federal funding for various grants was lower. Most of the revenue in this category is derived from federal government grants, is budget neutral and the timing of these payments varies from one year to the next.

DISBURSEMENTS

Category	DEC	DEC	Variance	%	Annual	Variance	%
	YTD 19	YTD 18			Budget		
Personal Benefits	79,305,686	77,456,108	1,849,577	2.4%	77,642,003	1,663,682	102%
Fringe Benefits	36,909,587	34,891,899	2,017,688	5.8%	36,710,444	199,144	101%
Retirement including estimate	14,224,012	13,772,401	451,611	3.3%	14,312,840	(88,828)	99%
Total Benefits	51,133,599	48,664,300	2,469,299	5.1%	51,023,284	110,315	100%
Non-Personal Service	42,365,092	46,381,825	(4,016,733)	-8.7%	51,148,422	(8,783,330)	83%
Use of Debt Reserve	1,000,000	1,000,000	0	0.0%	1,000,000	0	100%
Total	173,804,376	173,502,233	302,143	0.2%	180,813,709	(7,009,333)	96%
Number of weeks in period	52	52	0		52		100%

In 2019, total disbursements increased by \$302K or 0.2% compared to 2018 although they were \$7.0M under-budget for the year. Spending increased in Personal Benefits and Fringe Benefits while Non-Personal Services decreased compared to last year.

- 1. Salary expense (Personal Benefits) increased by almost \$1.8M or 2.4% from last year and finished the year 2% over budget for 2019.** The Fire Department's salary and related expenses increased by \$327K and the Communications Department increased by \$321K from 2018. Most of the other City departments had slightly higher salary expenses for the year which was anticipated in the budget. Overtime expenses which are included in this category increased by \$1.3M from last year and were over budget by \$1.2M
- 2. Fringe Benefit expenses increased almost \$2.5M or 5.1% from 2018 but were just \$110K over-budget.** Most of the increase in this category is related to an increase in retiree health insurance costs which increased by \$1.8M but ended the year at 100% of budget. The City is self-insured under the Empire Blue Cross plan and pays its claims directly. These expenses vary from year to year as a result of being self-insured and not paying a set premium. NYS Retirement expenses increased by \$452K from 2018 but ended the year at 100% of budget. Medicare refunds were \$281K higher than last year mostly related to retro payments after legal settlements.
- 3. Non-Personal Service spending decreased by almost \$4.0M or 8.7% from last year and was below budget for the year by almost \$8.8M.** This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. Utility expenses

decreased by almost \$2.4M most of this is related to the purchase of the street lights. Debt service expenses decreased by \$2.5M as a result of having a lower pay down on the bond anticipation notes compared to last year. Overall contracted services increased by \$302K. Most the remainder of this variance is related to the ACDA pass thru funds which are budgeted in this category and ended the year almost \$3.7M under-budget.

OVERTIME

Department	2019	2018	Change	%	2019	Budget	% of Budget
Police (non-reimbursable)	5,845,153	5,439,316	405,837	7%	5,845,153	5,845,554	100%
Fire	1,307,822	981,379	326,443	33%	1,307,822	439,000	298%
Communications	506,949	371,369	135,580	37%	506,949	525,000	97%
Parks Maintenance	263,400	208,252	55,148	26%	263,400	185,000	142%
Waste Collection	407,059	243,680	163,379	67%	407,059	225,000	181%
Landfill	154,839	148,164	6,675	5%	154,839	150,000	103%
Central Maint.	52,957	64,297	(11,340)	-18%	52,957	70,000	76%
Street Maintenance	427,398	364,803	62,595	17%	427,398	270,000	158%
Recreation	15,873	13,568	2,305	17%	15,873	12,000	132%
Traffic Engineering	48,515	36,625	11,890	32%	48,515	48,871	99%
Capital Hills	31,200	19,220	11,980	62%	31,200	26,000	120%
Fleet Maintenance	44,786	21,307	23,479	110%	44,786	25,000	179%
Bleeker / Facility Operations	125	210	(85)	-40%	125	500	25%
Buildings	141,935	118,762	23,173	20%	141,935	92,400	154%
DGS Administration	4,898	694	4,204	606%	4,898	3,104	158%
Control of Animals	15,440	18,519	(3,079)	-17%	15,440	15,441	100%
Cultural Affairs	8,003	10,055	(2,052)	-20%	8,003	12,000	67%
General Fund	9,276,352	8,060,220	1,216,132	15%	9,276,352	7,944,870	117%
Police (reimbursable)	1,518,745	1,416,394	102,351	7%	1,518,745	1,536,468	99%
Fire (reimbursable)	0	0	0	0%	0	110,000	0%
Traffic Eng. (reimbursable)	0	0	0	0%	0	500	0%
Water	520,480	558,591	(38,111)	-7%	520,480	526,554	99%
Totals	11,315,577	10,035,205	1,280,372	13%	11,315,577	10,118,392	112%

2019 General Fund, non-reimbursable overtime increased by 15% (\$1.2M) from 2018, and was at 117% of budget for the year and \$1.3M over budget. Reimbursable OT includes the Water Department (for which the City is reimbursed) and a portion of Police overtime.

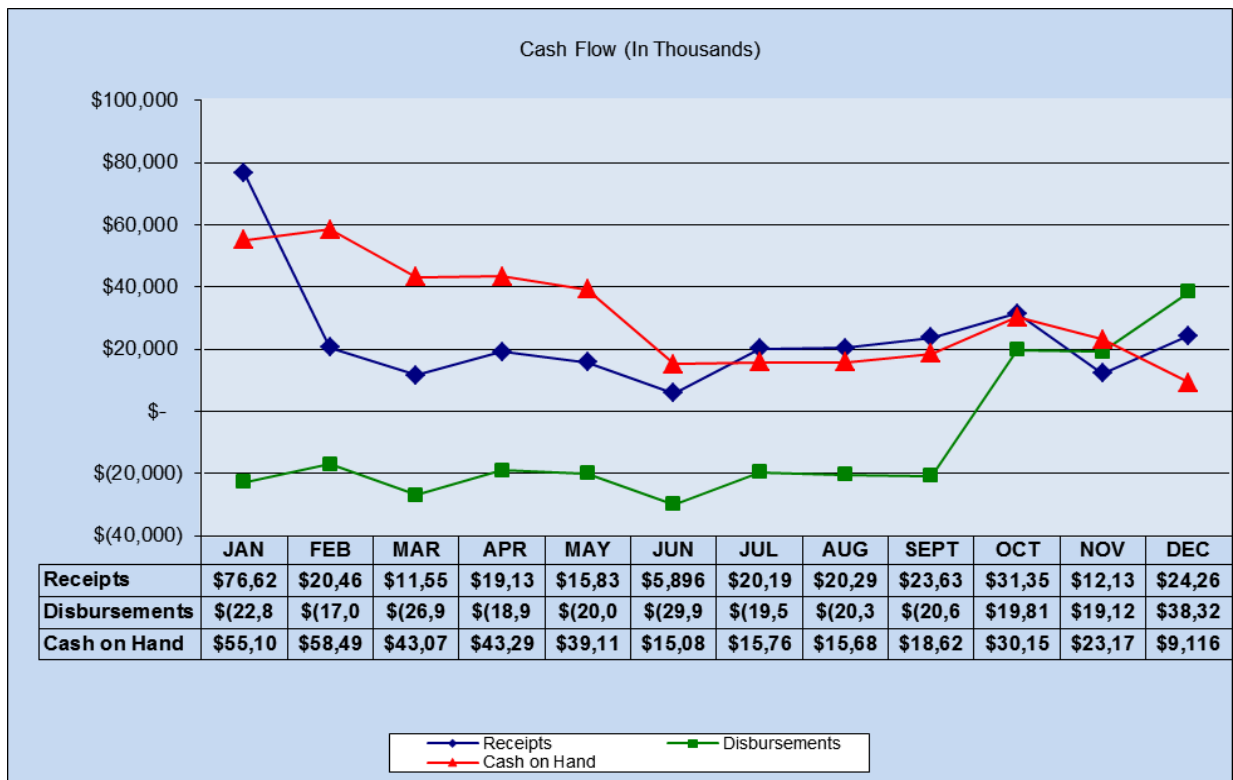
The Police department had an increase in overtime payments which were higher by almost \$407K compared to last year. The overage for APD was due to court OT (\$400K), Special Events OT (\$200K, partially caused by increased police presence due to increased general safety concerns), and increased training for

the LEAD and Implicit Bias training programs. Additionally much of the Police OT costs were caused by unfilled vacancies. Over budget OT costs are offset by the number of vacancies by budgeting for the full complement of police officers.

AFD OT increased by over \$326K from 2018 and ended the year over budget by 298% (\$869K). AFD OT is expected to be reduced going forward as new recruits fill staffing gaps and training costs are reduced. \$110K is reimbursable OT, but the remaining deficit is due to the number of position vacancies, and other types of vacancies (absences) such as worker’s comp and paramedic school training.

Most of the departments had increases in overtime expenses from last year and most departments finished the year at over budget.

CASH



The City’s cash position was \$9.1M at the end of 2019 and \$7.8M more than the same period last year. Landfill cash was almost \$900K more compared to last year. Sales Tax revenue provided an additional \$1.7M in cash. Delays in PILOT payments to the Albany School District provided us with over \$7.0M in cash to get through the end of 2019. It is important to mention without the Capital City Funding payment of \$12.0M the City’s cash balance at the end the year would have been almost a \$2.9M deficit and could have required us to issue RANs to get through the end of the year.

CONCLUSION

It continues to be a positive sign that the City is managing within its budget overall, and that multiple smaller efforts to cut costs and increase revenue are succeeding. The \$5.3M surplus is a welcome and positive development for 2019, but is not structural in nature, is based largely on one time savings and revenue increases, and cannot be expected to last or continue. Continued aid in some form from NYS will remain necessary to balance the budget for the foreseeable future. Therefore, the City will have to continue to find other savings and revenue sources in order to offset increases in salaries and associated expenses (particularly as union contracts come up for renegotiation), as well as other revenue declines and cost increases.