
OFFICE OF THE ALBANY CITY TREASURER

DATE: November 20, 2014

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

FROM: Hon. Darius Shahinfar

CC: Ismat Alam

RE: 3rd quarter YTD 2014 Performance

The 3rd quarter numbers for the City of Albany continue to reveal no major surprises with two exceptions: Sales tax receipts have rebounded to the point that barring a dramatic economic downturn, we now expect to at least meet budgeted revenue projections; and retiree health insurance costs have risen more greatly than expected. The Budget enacted in 2013 for FY 2014 planned to utilize a combination of revenue from operations, retirement amortization, debt reserve, and the City's Fund Balance (savings) to achieve a balanced budget by matching expenditures.

As detailed below, 3d quarter and YTD increases in some budgeted revenues and expenditures have been partially offset by decreases in other budgeted items on a YTD basis.

For example, increases in snow removal and utility costs during the exceedingly snowy and cold 2013-2014 winter and decreases in budgeted revenue from fines are roughly offset through the first 9 months of 2014 by decreases in payroll expenditures due to turnover in the new Administration.

However, the YTD numbers mean that the City will find it difficult at this point in time to offset expected cost increases, such as health insurance, payroll buyouts and utilities, for the remainder of the year within the confines of the enacted budget.

Furthermore, given the absence of dramatic decreases in expenditures and/or increases in revenues, the reliance on the Fund Balance and loan from the retirement system to replace unrealized revenue underscores that the City's finances remain structurally imbalanced.

Given that this budget already envisioned utilizing nearly \$10 million of Fund Balance to offset the shortfall in revenue, and given the realized and expected increase in expenditures related to health insurance costs, holiday buyouts and

early winter weather related costs, the City could still be heading for an additional use of \$3-5 million from the Fund Balance before the budget year is out. This underscores the fact that, the City has been, and continues to be, essentially operating at approximately a \$10 million loss year-to-year.

If continued, this methodology will essentially render the City without adequate reserves to address unanticipated and/or emergency needs next year, and possibly no reserves to utilize in future budgets.

Thus, while our fiscal situation through the first half of 2014 is roughly where this budget envisioned the City to be, major challenges revolving around our structural imbalance exist in both the short term and long term that must be addressed.

REVENUE (Thousands)

	SEPT	SEPT		%	SEPT	Annual		%
REVENUE	YTD 14	YTD 13	Variance		YTD 14	Budget	Variance	Budget
PROPERTY TAX	55,858	54,968	890	2%	55,858	56,048	(190)	100%
SALES/USE TAX	23,925	23,133	792	3%	23,925	31,930	(8,005)	75%
PILOTS/19-a	3,985	3,261	724	22%	3,985	19,045	(15,060)	21%
OTHER LOCAL SOURCES	1,922	1,857	65	4%	1,922	3,690	(1,768)	52%
LANDFILL	8,533	8,431	102	1%	8,533	11,177	(2,644)	76%
OTHER DEPARTMENTS	2,115	2,175	(60)	-3%	2,115	2,792	(677)	76%
INTER GOVERNMENT	155	243	(88)	-36%	155	315	(160)	49%
FINES	2,994	3,788	(794)	-21%	2,994	5,115	(2,121)	59%
LICENSES AND PERMITS	2,234	1,513	721	48%	2,234	2,332	(98)	96%
STATE AID	2,566	4,024	(1,458)	-36%	2,566	20,838	(18,272)	12%
SALE P/COMP/LOSS	209	279	(70)	-25%	209	290	(81)	72%
MISCELLANEOUS	3,504	3,796	(292)	-8%	3,504	4,542	(1,038)	77%
OTHER	1,699	1,302	397	30%	1,699	4,246	(2,547)	40%
DEBT RESERVE	0	1,865	(1,865)	100%	0	2,470	(2,470)	0%
TOTAL REVENUE	109,699	110,635	(936)	-1%	109,699	164,830	(55,131)	67%

The chart above summarizes the City's sources of revenue through September 30, 2014. Overall, revenue in the third quarter of 2014 totaled almost \$109.7 million which is a \$936,000 decrease compared to the same period last year. Expenses totaled over \$129.7 million and were up 3.1% (\$3.8 million) compared to the third quarter of 2013. When compared to the same time last year the City's funds have decreased by almost \$4.8 million.

1. **Property Tax revenue** increased by \$890,000 as a result of the tax levy increase under the tax cap, but it was under budget by \$190,000 as a result of assessment reductions.
2. **Sales Tax revenue** in the third quarter increased 3% and totaled \$23.9 million which was \$792,000 higher compared to last year at the same time. The increase in economic activity in Q2 and Q3 are reflected in this rise, and have now made up for lower than anticipated sales tax collections in 1Q.
3. **PILOTS/19-a revenue** was 22% higher than the same period last year. Most of the increase is due to receiving payments earlier this year than last year, but by year end will be at budget.
4. **Other Local sources revenue** was 4% higher than the third quarter of 2013. Most of this increase is the result of an increase in gross receipts tax revenue which is \$68,000 higher than last year at this time.
5. **Landfill revenue** increased 1% compared to the third quarter of 2013. Tipping fees are up by almost \$238,000 from commercial and municipal customers and coupon sales increased by \$153,000. While contaminated soil revenue is down by \$188,000 from last year.
6. **Other Departmental revenue** was 3% lower than the same period last year. Rental registries decreased almost \$33,000 and APD Event Security revenue decreased by \$40,000, EMS Ambulatory revenue decreased by \$19,000 and golf course revenue decreased by \$20,000.
7. **Fines and Forfeitures revenue** decreased by 21% from the third quarter of 2013. Both parking ticket and parking ticket surcharges combined for a decrease of \$636,000.
8. **Licenses and Permits revenue** increased 48% (\$721,000) compared to the same period last year. Safety Inspection permit revenue increased by \$352,000, Street Opening revenue increased by \$198,000, Plumbing permit revenue increased \$102,000 and Board-up revenue increased by \$41,000.
9. **State aid** was 36% lower in the third quarter compared to 2013. Almost half of the decrease in this category resulted from an accounting requirement from the NYS Comptroller's Office to no longer recognize the amortized pension as revenue. The Comptroller's Office recommended booking the amortized pension as a negative expense. The balance of the decrease is related to the timing and amount of several state grants.

10. **Miscellaneous revenue** was decreased 8% (\$292,000) compared to the same period last year primarily as a result of a decrease in delinquent debris and demolition charges of \$220,000 levied onto 2014 property tax bills and the timing of reimbursements from ACDA and CAP Albany for operating expenses.

11. **Other revenue** increased 30% (\$397,000) compared to the same period last year. Most of this revenue is derived from federal government grants and the timing and the amount of these payments varies from one year to the next. The Police Department received \$700,000 from a COPS Technology grant during the third quarter.

DISBURSEMENTS

Category	SEPT YTD 14	SEPT YTD 13	Variance	%	Annual Budget	Variance	%
Personal Benefits	55,083,489	56,278,670	(1,195,180)	-2.1%	75,817,011	(20,733,522)	73%
Fringe Benefits	28,099,293	28,671,331					
Retirement Estimate	10,015,517	9,139,957					
	38,114,810	37,811,288	303,522	0.8%	51,726,300	(23,627,007)	54%
Non-Personal Service	36,553,579	29,955,152	6,598,427	22.0%	44,632,248	(8,078,669)	82%
Use of Debt Reserve	0	1,865,000	(1,865,000)	-100.0%	2,470,000	(2,470,000)	0%
Total	129,751,879	125,910,110	3,841,769	3.1%	174,645,559	(44,893,680)	74%
Number of weeks in period	39	39	0		52		75%

Total disbursements increased by 3.1% compared to the same period last year to over \$129.7 million. Spending decreased in Personal Benefits and while Fringe Benefits increased \$0.3 million and Non-Personal Service increased to almost \$6.6 million compared to 2013. All the categories combined resulted in an increase in total expenses of over \$5.7 million if the decrease for debt reserve is not included. Debt reserve is offset by an equal amount of revenue when it is utilized.

1. **Salary expense decreased by -2.1%** compared to the same period last year. Salary expenses are level or slightly lower in most of the departments compared to the third quarter of 2013.

2. **Benefits Expenses increased by 0.8% for the third quarter of 2014.** Pension expenses decreased compared to the same period last year. This decrease is the result of an accounting requirement from the NYS Comptroller's Office to no longer recognize the amortized pension as revenue. The Comptroller's Office recommended booking the amortized pension as a negative expense. Most of the City departments are showing a decrease in health insurance expense while retiree health insurance expense increased by over \$1.5 million from 2013.

3. **Non-Personal Service spending increased by 22.0% or by almost \$6.6 million.** This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. The majority of the increase in this category is the result of an increase in debt expense of \$5.1 million this year compared to last year. However, by year end, debt expense is expected to be largely within budget. The increase is the result of not applying debt reserve to the debt expense as of the third quarter, a larger paydown of \$1.6 million on the BANs this year compared to \$320,000 last year and the City made its first payments on the 2013 bonds this year. DGS saw increases in snow removal supplies and expense of \$490,000. The City's utilities expenses increased by \$454,000 from the same period last year. Some of the increases in DGS expenses and utilities expense can be attributed to the snow and extreme weather the City had to endure during the first three months of the year.

5. **Encumbrances (funds reserved for purchases) increased by \$0.4 million** or almost 10% compared to the same period last year. Encumbrances total \$4.4 million at the end of the third quarter.

OVERTIME

3rd QTR
2014 OT
OVERTIME

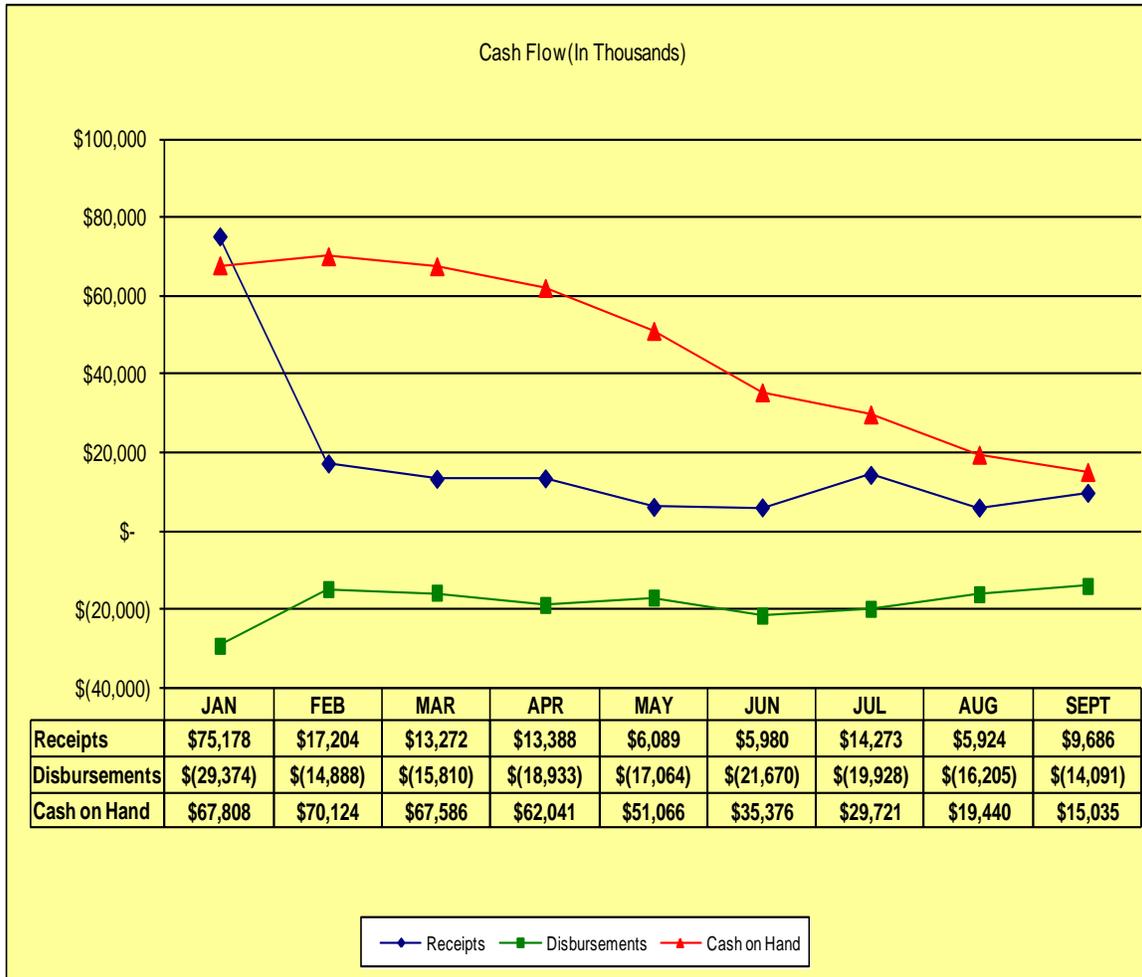
Department	2014	2013	Change	%	2014	Budget	% of Budget
Police (non-reimbursable)	2,931,528	3,094,402	(162,874)	-5%	2,931,528	3,800,000	77%
Fire	1,411,878	1,318,201	93,677	7%	1,411,878	1,750,000	81%
Communications	135,466	148,876	(13,410)	-9%	135,466	192,000	71%
Parks Maintenance	169,010	197,917	(28,907)	-15%	169,010	217,216	78%
Waste Collection	160,181	155,205	4,976	3%	160,181	202,450	79%
Landfill	127,764	107,747	20,017	19%	127,764	130,000	98%
Central Maint.	54,215	61,707	(7,492)	-12%	54,215	70,000	77%
Street Maintenance	86,802	121,603	(34,801)	-29%	86,802	130,000	67%
Street Cleaning	120,712	106,169	14,543	14%	120,712	163,731	74%
Recreation	3,004	39,803	(36,799)	-92%	3,004	25,000	12%
Traffic Engineering	15,162	18,198	(3,036)	-17%	15,162	20,000	76%
Capital Hills	20,128	19,218	910	5%	20,128	26,000	77%
Central Garage	17,192	25,704	(8,512)	-33%	17,192	28,000	61%
Bleeker Stadium	75	1,170	(1,095)	-94%	75	1,200	6%
Buildings	36,206	36,726	(520)	-1%	36,206	18,000	201%
Control of Animals	5,720	6,762	(1,042)	-15%	5,720	9,000	64%
Special Events	9,564	15,133	(5,569)	-37%	9,564	20,000	48%
General Fund	5,304,607	5,474,541	(169,934)	-3%	5,304,607	6,802,597	78%
Police (reimbursable)	764,162	731,195	32,967	5%	764,162	950,000	80%
Traffic Eng. (reimbursable)	446	764	(319)	0%	446	0	100%
Water	506,714	481,545	25,169	5%	506,714	605,000	84%
Totals	6,575,929	6,688,045	(112,117)	-2%	6,575,929	8,357,597	79%

General Fund overtime was at 78% of budget at the end of the third quarter.

Excluding the Water Department (for which the City is reimbursed) and reimbursable Police overtime, overtime expense was -3% (\$169,934) lower than the same period last year.

The Buildings Department had the biggest increase in overtime expense percentage wise at 201% although they were lower than 2013 at this time. The Fire Department had the biggest increase dollar wise over last year at \$93,677. Police overtime was lower by 5% compared to the same period last year and finished the quarter at 77% of budget. The majority of departments have lower overtime expenses this year than last year except for a few.

CASH



The City's cash position was 3% more than forecasted but \$3.6 million lower than the same period last year. The decrease is the result of paying outstanding invoices to our vendors close to 30 days of the date of the invoice and paying more in debt service this year compared to the same period late year.

CONCLUSION

Revenue is almost level with last year. Sales Tax revenue increased in the third quarter by \$792,000 from 2013. This increase along with additional property tax and PILOT revenue has partially offset the shortfall in fines revenue and other revenue categories. Expenses are below budget for the third quarter at 74% but 3.1% or \$3.8 million higher than last year at this time. The City will need to continue to monitor expenses closely for the remainder of 2014 and try to reduce them where it can in order to stem the structural imbalance that remains.