

Council Member Conti offered the following:

Resolution Number 113.121.10R (MC)

RESOLUTION OF THE COMMON COUNCIL OUTLINING ITS ACTIONS AND EXPRESSING ITS FINDINGS AND INTENT WITH REGARD TO ADOPTION OF THE FISCAL YEAR 2011 CITY OF ALBANY BUDGET AS PROPOSED IN ORDINANCE 91.101.10 (AS AMENDED) ENTITLED: “AN ORDINANCE ADOPTING THE BUDGET AS PRESENTED BY THE MAYOR ON OCTOBER 1, 2010, FOR FISCAL YEAR 2011”

WHEREAS on October 1, 2010 the Common Council received the proposed budget for the City of Albany for fiscal year 2011; and

WHEREAS subsequent to receipt of such budget, the Common Council engaged in an extensive review of the proposal which included meeting with department heads, holding two public hearings, discussion of the city’s financial status and identification of budget priorities; and

WHEREAS as a result of this process the Council has adopted Ordinance Number 91.101.10 (as amended) which adopts the fiscal year 2011 City of Albany budget with revisions;

NOW, THEREFORE, BE IT RESOLVED that the Common Council does adopt the following statement outlining its actions and expressing its findings and intent with regard to adoption of the fiscal year 2011 City of Albany budget; and

BE IT FURTHER RESOLVED that a copy of this resolution be transmitted to the Mayor, Deputy Mayor, Budget Director and all other department heads; and

BE IT FURTHER RESOLVED that a copy of the “Statement of Common Council Actions, Findings and Intent” as herein adopted be printed in the final bound document constituting the “City of Albany 2011 Budget” immediately following the Mayor’s transmittal message.

**2011 City of Albany Budget
Statement of Common Council Actions, Findings and Intent**

The Common Council has completed its review of the proposed 2011 City of Albany budget. This statement summarizes the Council’s actions, findings and intent with regard to adoption of Ordinance 91.101.10 (as amended).

Overview

The Common Council recognizes that the City of Albany is facing significant financial challenges in the upcoming fiscal year and beyond. The proposed budget seeks to close a \$23 million operating deficit; the Council is concerned that over half the actions taken to address this deficit represent non-recurring revenues that will not be rolled into the 2012 budget. The proposed budget reflects the net benefit of the use of \$5 million of debt reserve, which is a non-recurring item of revenue. In order to more accurately reflect actual expenditures and sources of revenue, the Council amends the budget to reflect this as a revenue and expenditure, as such, the actual total expenditure for 2011 is \$164 million vs. the \$159 million as originally presented. In

addition, after this budget was submitted, the Council learned that projected expenditures for retirees under the Medicare Advantage program will be \$400,000 in excess of those originally projected.

The Council is also concerned with the combined property tax burden from various levels of government on City of Albany taxpayers. The adopted budget includes a two-percent increase in the property tax levy intended to generate additional revenue of \$1 million. Due to the city's state mandated transition to a uniform residential-commercial tax rate (homestead vs. non-homestead) this increase is required to be applied to homestead designated properties. The 2011 homestead rate will also reflect an additional five and one-half percent increase as part of this transition. That increase, which is not before the Council as part of this budget, is budget neutral and reflects no new revenue for the city but rather a reallocation of the property tax levy between homestead and non-homestead property classes. In ordinary times, the two-percent property tax levy increase in this budget would be considered modest; the Council understands that the combined impact with the transition to a uniform tax rate will reflect a seven and one-half percent increase next year. Due to the structural deficit that is rolled into 2012 and the financial uncertainties in the year ahead, the Council is unable to mitigate the two percent tax levy adjustment.

Moving forward into 2011 and beyond the Council must also be concerned with:

- Reductions in state aid payments under the Aid Incentives to Municipalities (AIM) program;
- Increased State-mandated contributions to the NYS Employee-Retirement System;
- Increased costs related to employee salary and health benefits, including retiree health costs;
- Potential reductions in sales tax revenues based on 2010 census figures;
- Potential \$250,000 reduction in revenue from a state-mandated surcharge on parking fines due to expire on September 1, 2011;
- A significant reduction in the fund balance which is projected to be \$2 million by the end of 2011; and
- The impact of collective bargaining agreements, or arbitration awards related to employee contracts which expired on December 31, 2009.

We need to move beyond short-term fiscal management to structural reforms that will carry us into future years and an opportunity to make government more efficient and affordable. In the year ahead, notwithstanding the amounts appropriated for 2011, department heads must aggressively manage expenditures in all areas, no matter how small, to meet this challenge.

To deal with the longer term issues, the Council is proposing several initiatives discussed more fully at the end of this statement.

Finally, as we move forward, the Council remains committed to working with the Administration on efforts to secure enhanced state aid which rectify inequitable funding formulas and identifying new sources of revenue, especially expanded PILOT agreements with non-governmental entities, to help maintain the delivery of services to residents and non-resident visitors and commuters. As part of this effort we will work to assure that our elected representatives in the State Legislature are more fully aware of the financial challenges facing Albany as New York State's capital city.

In addition, earlier this year, the Council established a Commission on Public-Private Budgetary Cooperation to identify ways of seeking financial assistance from the several tax-exempt entities within the City to assist in addressing budgetary concerns of the City that enable the continued delivery of essential services. Early in 2011 it is important to get the Commission up and running and fully operational.

Council Revisions

Common Council

The Common Council budget is amended to more accurately reflect expenditures. Reductions are made in Temporary Help, Equipment and Contracted Services. The increase for Contracted Services reflects a reallocation of appropriations to support the contract with General Code which had previously been funded from a variety of lines. Overall, the Council operating budget is reduced by \$11,310 not including the impact of Health Insurance adjustments. The 2010 adopted budget reflects health insurance expenditures for the 2009 Common Council and not the new class of members that took office in 2010. Therefore the 2010 adopted budget understates actual expenditures for the current year. The Council budget is further adjusted to reflect actual health insurance expenditures for 2011. The net increase of \$8,782 in the Council budget is off-set by an allocation from the Contingency Account.

Office of the Treasurer

An amendment is made in the Office of Treasurer to correct a typographical error in the proposed salary for "Accountant" a related adjustment is made to reflect reduced Social Security contributions for this position.

City Arts Commission

The proposed budget eliminates \$350,000 in funding to support grants to community arts organizations. Funding for the arts has a multiplier economic impact that benefits small business such as restaurants, retail and tourism and adds to our quality of life. Eighty percent of arts funding for 2010 went to six larger organizations receiving grants of \$20,000 or more, the remaining funds supported 26 smaller organizations which received a total of \$65,000 in funds. The Council is restoring \$65,000 in funding to support these smaller community-based organizations, it is the Council's intent that this funding be allocated to the 26 organizations that received individual grants of less than \$20,000 in 2010. In order to support this restoration the Council re-estimates the amount of 2011 revenue to be collected from fines for parking violations.

Overtime Expenditures

For the 2010 fiscal year, nearly \$6.3 million in the General Fund is budgeted for non-reimbursable overtime within various departments. According to the Treasurer's 3rd Quarter Financial Performance Report ninety-eight percent of budgeted overtime has been expended with nine out of seventeen units already exceeding their total 2010 budgeted amounts, and only three under budget with expenditures at three-quarters or less of budgeted amounts. The 2011 proposed budget maintains overtime expenditure levels essentially at prior year amounts with the exception of the Fire Department which is budgeted for a one-hundred percent increase.

The Council is concerned that departments routinely overspend overtime budgets. The recently completed management audit by The PFM Group found a lack of adequate control and management on overtime within the Police Department. The audit recommended certain management steps which could reduce police overtime by \$400,000-500,000 per year, approximately ten percent of budgeted amounts. Chief Krokoff has indicated that he plans to implement management controls consistent with the audit findings to meet targeted savings; the proposed Police Department budget includes over \$1 million in unspecified savings that would partially be achieved through overtime controls. Also, based on audit findings overtime for the Fire Department was increased to reflect prior year elimination of twenty fire-fighter positions and the use of overtime to maintain staffing levels.

In order to further control overtime expenditures and provide incentives to manage overtime use, the Council is adopting the following:

- Separate from the budget, the Council will adopt legislation establishing a hard cap on overtime prohibiting expenditures in excess of budgeted amounts until a budget transfer of funding has been made through the Board of Estimate and Apportionment, any transfer should come from within the department's budget;
- Currently the Council receives quarterly reports on overtime as part of the Treasurer's quarterly Financial Performance Reports, the Council is requesting monthly reports in order to better monitor overtime use and expenditure of budgeted funds;
- In order to provide incentives to better manage overtime use, the Council is reducing requested overtime in the 2011 budget by ten percent within the Departments of General Services and Recreation; this will provide an overall reduction of \$95,150 in 2011 budgeted funds for overtime.

In addition to these actions, overtime expenditures related to special events need to be examined. This includes an examination of venues for special events to ones which require less overtime expenditures as well as an objective policy of city co-sponsorship of special events which result in a write-off of overtime expenses.

Department of Recreation

The budget proposes the closure of Bath House # 2 in the South End. Bath House #2 is an important community asset; the Council restores funding to provide an opportunity for further consideration of options to maintain this facility. In order to support continued operations the Council transfers \$216,736 from the Contingency Account to support operating costs, the Council also adjusts the capital budget (as later indicated) to support infrastructure improvements at the Bath House.

In making this adjustment, it is the Council's intent to provide an opportunity to explore additional opportunities to support operation of the Bath House utilizing non-public funds and minimizing a reliance on public financial support. The Council believes that any effort to maintain the Bath House and increase utilization must include a plan of aggressive marketing of the facility, a revised fee schedule and pursuit of grants related to operation and maintenance of the facility. It is the Council's intent that if a plan is not in place within a reasonable time that the allocated funds should be transferred back to the Contingency Account through the Board of Es-

timate and Apportionment. It is also the Council's intent that efficiencies be found to reduce operational costs which could include hours of operation of the facility.

Use of funds from the Contingency Account is not intended to be a source of ongoing financial support for the Bath House and during 2011 should only be utilized to the extent necessary as part of the effort to develop a longer range operational plan.

Senior Services of Albany

The budget proposes the sale of 25 Delaware Avenue which is the current location of Senior Services of Albany (SSA). It is the Council's understanding that current funding of \$25,890 for Programs for Aging which supports building operations and maintenance at 25 Delaware Avenue will continue as program support for SSA once the building has been sold. The Council further understands that the current building housing SSA has structural problems and cannot continue as a home for the organization. The Council is committed to assuring that SSA be moved to a new location able to meet its needs and allow continued services to Albany's seniors. Since the sale of 25 Delaware Avenue will require separate Council approval, the Council will be reluctant to approve any sale until it is assured that the needs of SSA and its ability to continue to provide services has been met.

Public Safety Staffing Reports

As part of the 2009 and 2010 budgets the Council requested quarterly staffing reports from both the Fire Chief and Police Chief for their respective departments, the Council continues that request for 2011 and directs that such reports be submitted to the Clerk of the Common Council for dissemination to Council Members.

Capital Budget

The Council has reviewed the proposed 2011 Capital Budget; it will review it more closely in 2011 during the consideration of separate bonding ordinances and for consistency with the adopted debt policy. In the interim, the Council adjusts the proposed 2011 Capital Budget to remove \$60,000 in proposed borrowing in the Police Department, Traffic Engineering budget for Variable Message Boards. The Council also anticipates that some level of the requested borrowing of \$100,000 related to the Madison Avenue Traffic Study and Design Project will be offset by outside contributions from various stakeholders. Further, the Council adjusts the capital budget to include an additional \$90,000 in borrowing within the Department of Recreation for capital projects at Bath House #2. The Council will further consider this capital funding for the Bath House in 2011 when we have additional information related to capital needs and a longer term operational plan which is discussed earlier in this resolution.

Longer Term Financial Management

As indicated at the outset, this budget must be treated as a bridge to long term fiscal stability and addressing our financial challenges. As we move forward, we must understand that our financial situation continues to be pressured and that financial pressures on the state level will minimize the opportunity for enhanced state aid.

To that end, we must begin to look at longer term restructuring.

Independent Management Audits & Financial Management and Oversight

Earlier this year the city entered into a contract with The PFM Group for an outside independent management audit of four city departments: Fire, General Services, Police and Recreation. This was consistent with Common Council recommendations made in 2009 and prior years. In addition the Mayor also appointed an Ad Hoc Committee on Financial Management and Oversight which includes the:

- Council Leadership;
- Appropriate representatives of the Executive Branch; and
- City Treasurer and Auditor.

This committee is also consistent with recommendations made by the Council in 2009 and prior years. The PFM Group audit contains many long-term recommendations which need to be the focus of 2011 work. The Council recommends the continuation of the Ad Hoc Committee for 2011 which, consistent with the Council's original recommendation, should meet on an at least monthly basis to monitor the City's financial situation, identify areas for potential economies and efficiencies, examine options for government restructuring and mechanisms to enhance financial management and oversee implementation of management audit recommendations. This committee should work with departments toward reducing expenditures during the course of the year.

The Council has included funding in past budgets, which is continued in the 2011 proposal, to fund targeted management audits. For 2010 the Council had directed that this funding be targeted toward the code enforcement function including areas related to inter-departmental co-ordination and accountability and the need to establish a central focus point for code enforcement activity and intake. The parameters of this audit were to be more fully developed by the Ad Hoc Committee described above. Due to the broader management audit focus for 2010, this recommendation was not implemented. Moving forward the Council recommends its pursuit in 2011 with the available funds that have been set aside.

Employee & Retiree Health Costs

For 2011 employee and retiree health costs are projected to be \$25,274,000; approximately \$9.7 million is allocated to retirees and \$15.57 million is allocated to active employees. For active employees hired post-1988 a ten percent contribution for individual plans and twenty-five percent contribution for family plans is required; the exception is for uniformed police and firefighters covered by collective bargaining who receive non-contributory health insurance plans after eight years of service. Retirees entitled to a continuation of city-provided health insurance receive the same coverage as during their period of active employment.

Of 1,126 health insurance contracts for active employees, forty-five percent are non-contributory; of 1,115 contracts for retirees, ninety-three percent are non-contributory. A recent report by the Empire Center ("*Iceberg Ahead: The Hidden Cost of Public-Sector Retiree Health Benefits in New York*") utilizing GASB 45 reports indicates that the City of Albany has an unfunded health insurance liability for retirees of approximately \$252 million. Moving forward, if we're going to deal with our long term financial problems, we must deal with the cost of health care. As the Council has advocated in the past, we need to re-examine the policy of non-contributory health insurance for public safety personnel after eight years of service. Clearly this is a collective bargaining issue and has to be mutually agreed to; however, we can no longer af-

ford that benefit if we are to contain costs and still maintain an adequate public safety system. In addition, we need to implement a contributory policy for retiree health insurance, during the course of 2011 a plan should be developed which can be implemented as part of the 2012 budget.

Restructuring of Fire Department

In the past the Council has recommended a re-examination of the use of firefighters to conduct residential occupancy permit (ROP) inspections. The current system is expensive in terms of personnel use and firefighter apparatus that is needed when firefighters are on call, and difficult to administer in terms of scheduling appointments and follow-up. The Council continues to support this recommendation but also believes that a more fundamental restructuring of the Fire Department is needed.

The main mission of the Fire Department should be fighting fires and fire prevention. The Council is concerned that the department has been diverted from this mission. Consistent with The PFM Group management audit, the Council recommends that the Division of Buildings be separated from the Fire Department and either be merged with the Department of Development and Planning or established as a separate department. This would also remove all code enforcement and residential inspection functions from the Fire Department.

In addition, considering that Fire Department staffing will continue to be an issue, and consistent with the findings of The PFM Group management audit that identified a lack of adequate staffing and emergency response data, the Council recommends the undertaking of a fire station realignment review to assess the feasibility of eliminating one fire station, this could be through closure of a station or the geographic realignment of existing stations.

Finally, considering that eighty-percent of Fire Department response calls are related to EMS, the Council continues to recommend an assessment of how these calls are handled with the potential for savings.

Miscellaneous Areas

In addition to those areas specified above, the Council recommends examination of the following areas:

- ***Bi-weekly Payrolls*** are common in private industry and other levels of government, we should begin now in examining the feasibility of moving to a biweekly payroll which has potential cost savings as well as implementing a lag payroll to assure that salary payments are for work days completed;
- ***Red Light Cameras*** have been authorized by the State Legislature for certain communities, this enhances traffic enforcement, we should request similar authorization for the City of Albany;
- ***Vital Statistic fees*** charged by localities are capped at a level below those authorized for the same services and documents accessed through the NYS Department of Health. Certain municipalities have received approval from the State Legislature to set vital statistic fees at a level not to exceed those set by the NYS-DOH, the City of Albany should request similar legislation;

- *Special Events co-sponsorships* often involve the write-off of overtime costs related to Police, Fire and General Services. The City needs to have a uniform and objective policy on what events are co-sponsored and subject to overtime write-offs;
- *Motor Vehicle Policy* and assignment of city-owned vehicles needs to be examined. There should be a starting point that assignment of 24-hour vehicles should only be assigned on the basis of objective standards, further, all city-vehicles should be marked with the city seal with exceptions related to public safety vehicles or based on other objective standards;
- All city departments need to develop clear *mission statements* and what their core missions are, activities that are peripheral to the core mission need to be re-examined;
- The Council is concerned with the *quasi-consolidation of the Departments of Recreation and Youth and Family Services*, we believe there should be more formality to this consolidation, we will review its operational effectiveness during the course of the year;
- The City should examine the *Shared Work* program through the NYS Department of Labor (<http://www.labor.ny.gov/ui/dande/sharedwork1.shtm>) as a mechanism to deal with temporary employee layoffs;
- We need to more actively explore opportunities for *Shared Services* with other units of local government including Albany County, the Albany City School District and other local governments.

Conclusion

In previous resolutions the Council has outlined opportunities for longer term restructuring, we continue to advocate examination of those options through the Ad Hoc Committee on Financial Management and Oversight. We believe that restructuring and meeting our financial challenges can only come through a partnership which involves all branches working together on an on-going basis; addressing the challenges ahead must be part of a cooperative effort. The Council is committed to being a part of that process. All of us in city government share the same goals: stable finances, a level of services necessary to meet public needs, and a minimal tax burden on residents and businesses. We need to continue our efforts at economic and neighborhood development that will make Albany a “community of choice” for Capital District residents seeking an optimal quality of life.

With adoption of Ordinance 91.101.10 as amended and this resolution, we complete action on the fiscal year 2011 City of Albany budget.