
OFFICE OF THE ALBANY CITY COMPTROLLER

DATE: JULY 29, 2008

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

FROM: TOM NITIDO

CC: PHIL CALDERONE, CHRIS HEARLEY

RE: 2ND QUARTER 2008 PERFORMANCE

The following is a summary of results for the 2nd Quarter 2008.

Revenues of \$74.4 million are \$1 million more than in the second quarter 2007, which reflects the increases in property tax and sales tax revenue, but decreased revenue from the landfill and the mortgage recording tax. Disbursements totaled \$70.3 million, which is slightly more than second quarter 2007. Increased spending on personal services (\$1.9 million) and fringe benefits (\$0.3 million) was largely offset by decreased spending on non-personal services (\$2.2 million).

Table 1. Disbursement Summary

<i>Expense Category</i>	<i>2008 Budget</i>	<i>2nd Q 2008</i>	<i>2nd Q 2007</i>	<i>Difference</i>	<i>% Budget</i>	<i>% Change</i>
Personal Service	\$71,508,873	\$35,336,193	\$33,389,780	\$1,946,413	49%	5.50%
Fringe Benefits*	\$43,300,954	\$22,156,585	\$21,845,656	\$310,929	51%	1.40%
Non-Personal Service	\$47,017,500	\$17,001,065	\$19,152,445	(\$2,151,380)	36%	- 12.70%
Interfund Transfers		\$ -	\$106	(\$106)		
TOTAL	\$161,827,327	\$74,493,843	\$74,387,987	\$105,856		0.10%
Weeks	52	26	26			

* Fringe Benefits figure includes 1/2 of the annual retirement expense, which is paid in December.

DISBURSEMENTS

Disbursements changed little from this time last year. Decreased spending in Non-personal Services offset most of increased spending in the Personal Services and Fringe Benefit categories. The decrease spending in Non-Personal Services is the result of decreased spending on Judgment and Claims (\$0.3 million), Debt Service (\$1.1 million) and Snow Removal (\$0.7 million).

- 1. Personal Services spending increased by almost \$0.6 million.** However this does not include any 2008 COLA for police officers, whose contract expired 12/31/2007, nor the expense of salary increases from 2005 through 2008 for police communications workers, who have been without a contract. (These funds are budgeted through the contingency account, which is in the Non-Personal Services category). Overtime is at 55 percent of budget and almost \$0.5 million more than at mid-year 2007. Police overtime is at 36 percent of budget and \$0.1 million less than in 2007. Fire Department overtime is at 88 percent of budget and more than \$0.1 million more than 2007.

Table 2. Overtime Summary

Overtime 1st Q	Budget	2nd Q	%	2nd Q 2007	Above (below) 2007
Police	3,835,000	1,727,433	55%	1,426,740	300,693
Fire	550,000	481,022	87%	335,753	145,269
Waste Collection	150,000	160,297	107%	135,870	24,427
Landfill	150,000	67,106	45%	43,901	23,205
Communication	150,000	68,228	45%	53,850	14,378
Buildings	10,000	20,937	209%	8,588	12,349
Special	25,000	17,581	70%	16,018	1,563
Capital Hills	20,000	15,764	79%	15,589	175
Central Garage	15,000	13,931	93%	16,596	(2,665)
Parks Maintenance Central	140,000	110,676	79%	113,622	(2,946)
Maintenance	160,000	127,942	80%	134,858	(6,916)
Street Cleaning	115,000	92,846	81%	106,462	(13,616)
Streets	175,000	68,098	39%	84,714	(16,616)
Recreation	32,000	13,488	42%	31,609	(18,121)
Water	655,000	263,112	40%	501,851	(238,739)

- 2. Fringe Benefits expenses increased by \$0.3 million from the first quarter 2007.** Retirement expense remains stable, but does not yet reflect the cost of the recent police arbitration. (The City pays the NYS Retirement system based on a percentage of salaries, including overtime.)

Retiree health expense and employee health expense increased by almost \$0.3 million from the second quarter 2007, but is below budget. 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 \$2.2 million from the 2nd quarter 2007.** Snow removal expenditures decreased by more than \$0.3 million. A reduction of \$1.1 million in debt service accounts for most of the decrease.
4. Encumbrances (funds reserved for purchases) at the end of the 2nd quarter total nearly \$4.5 million, which is \$1.4 million more than at the end of the 2nd quarter 2007.

REVENUES

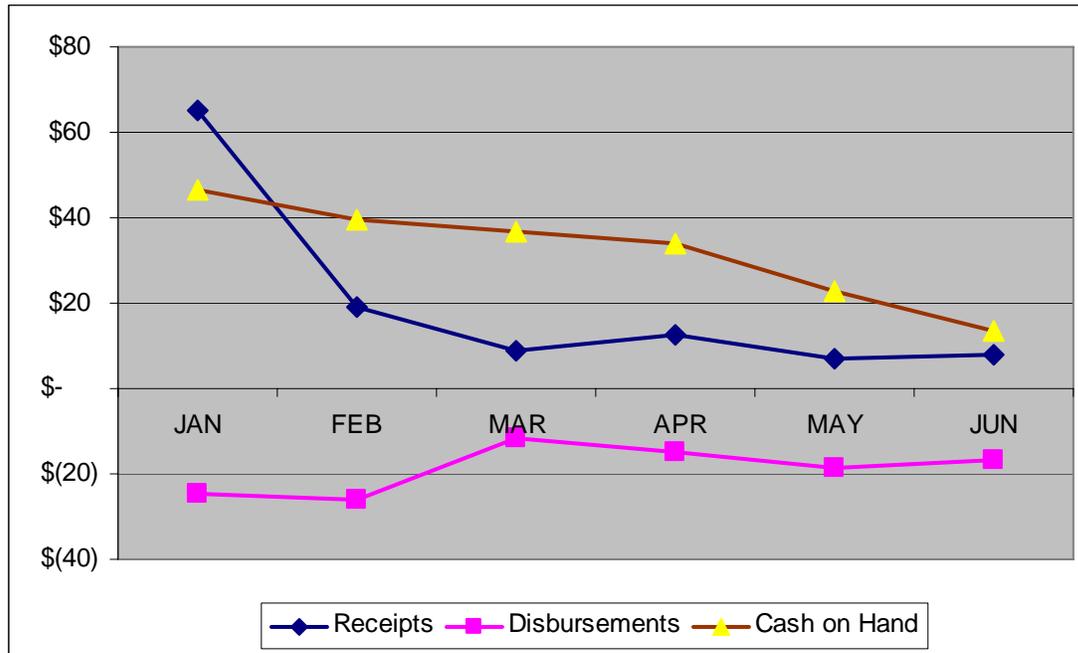
Revenues total \$74.4 million, which is almost \$1 million more than at the end of the 2nd quarter 2007.

1. **Local Sources of Revenue** (\$52.1 million) increased by \$2.1 million from 2007.
 - a. **Property tax revenue increased by \$1.9 million.** This reflects the increase in property taxes in 2008.
 - b. **Sales Tax revenue**, (received in the third quarter) totaled \$15.1 million, which is 51 percent of budgeted amounts but \$0.8 million more than 2007.
2. **Departmental Income** decreased by \$0.6 million from 2007, which is caused by a decline in landfill revenue, particularly revenue from petroleum-contaminated soil.
3. **Intergovernmental Services** revenue (\$1.3 million) is down \$0.2 million from the second quarter 2007. Reduced interest earnings consistent with lower interest rates and use of cash to cover the budgeted deficit describes nearly all of the variance.

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.

4. **Licenses and Permit fees** are down \$0.1 million from the second quarter 2007, but are at 51 percent of budget. Permit fees from safety Inspections, plumbing, and electrical permits are down from last year; fees for street openings are up.
5. **Fines and Forfeitures** revenue is down by \$0.1million and is at 42 percent of budget. Budgeted increases in fines were not implemented until the end of the second quarter. A decline in parking violation fines (35 percent of budget) is responsible for nearly all of the variance relative to 2007.
6. **Miscellaneous** revenue (\$2.5 million) increased by \$0.3 million. Increased revenue from Tulip Festival and refund of prior year expenses are responsible for most of the increase.
7. **State Aid** (\$1.5 million) is at eight percent of budget (most state aid revenue is received in the fourth quarter). This is a decrease of \$0.2 million from 2007. Decrease in the Mortgage recording tax (\$0.3 million) was partially offset by an increased homeland security grant (\$0.2 million).

Table 3. Cash Flow (in millions).



CASH

The Cash position is \$6.0 million better than at the close of the second quarter 2007. Receipts year-to-date total \$120.4 million compared with \$117.1 million in 2007. Disbursements totaled \$112.9 million compared with \$114.2 million in 2007. Lower revenues from the landfill and from the mortgage

recording tax were more than offset by increased reimbursement from the Water Board. Increased payroll costs (\$3.3 million) and increased payments to vendors (\$1.7 million) were offset by decreased disbursement for the Water Board (\$1.8 million), debt service payments (\$1.1 million) and decreased health care payments (\$3.3 million). Lower health payments have been caused by the lag in payments from implementation of self-insured health plan.

CONCLUSION:

Increased spending on salaries and benefits has been partially offset by lower than budgeted spending on non-personal services, including debt service and snow removal.

Increase in property taxes and solid sales tax figures have helped offset reductions in revenue from landfill and the mortgage recording tax. Sales tax revenues have defied national and regional trends. However, there is no assurance that this trend will continue.

The lag in health payments from self-insuring for employee and retiree health care has helped improve cash flow relative to 2007. However, claims experience later in the year could undermine these improvements.

The City needs to conserve cash in order to fund the \$8 million budgeted deficit and any significant health expenses.