



OFFICE OF THE ALBANY CITY COMPTROLLER

DATE: OCTOBER 29, 2006

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

FROM: TOM NITIDO

CC: PHIL CALDERONE, CHRIS HEARLEY

RE: 3RD QUARTER 2006 PERFORMANCE

The following is a summary of results for the 3rd Quarter 2006.

<i>Expense Category</i>	<i>2006 Budget</i>	<i>3rd Q 2006*</i>	<i>3rd Q 2005 *</i>	<i>Difference</i>	<i>% Budget</i>	<i>% Change</i>
Personal Service*	\$ 65,068,441	\$ 50,313,345	\$ 48,492,688	\$1,820,657	77%	3.8%
Fringe Benefits**	\$ 39,415,244	\$ 31,225,479	\$ 29,897,590	\$1,327,889	79%	4.4%
Non-Personal Service	\$ 40,640,315	\$ 29,144,919	\$ 29,171,599	\$ (26,680)	72%	-0.1%
Interfund Transfers	\$0	\$ 7,014	\$ 7,279	\$ (265)	NA	-3.6%
TOTAL	\$ 145,124,000	\$ 110,690,757	\$107,569,156	\$3,121,601	76%	2.9%
Weeks		39	39			

* 2006 personal services includes 3% COLA for personnel, including overtime.

** 2005 & 2006 Fringe Benefits include the proportional share of retirement expense, which is expended in December.

DISBURSEMENTS

Disbursements increased from this time last year by approximately \$3.1 million. *Personnel* expenses increased by \$1.8 million, and *Fringe Benefits* expenses increased by \$1.3 million. *Non-Personal Services* expenses decreased slightly.

1. **Personal Services spending increased by almost \$1.8 million and is at 77 Percent of budget¹. Non-reimbursable overtime makes up nearly all of the significant spending in excess of budget.** Non-reimbursable overtime totals almost \$4 million on a budget of \$3.6 million – which is 109 percent of budget. The following is a breakdown of major overtime categories:

Department	Budget	3rd Q 2006 YTD	3rd Q 2005 YTD	2005 to 2006	% of Budget	% Change
Fire	\$350,000	\$628,583	\$542,102	\$86,481	116%	16%
Street Cleaning	\$100,000	\$112,068	\$81,958	\$30,110	137%	37%
Police	\$2,500,000	\$2,317,842	\$2,297,304	\$20,538	101%	1%
Central Garage	\$22,000	\$116,041	\$101,598	\$14,443	114%	14%
Landfill	\$15,000	\$36,520	\$23,147	\$13,373	158%	58%
Special Events	\$25,000	\$77,424	\$71,749	\$5,675	108%	8%
Central maintenance	\$25,000	\$30,110	\$27,270	\$2,840	110%	10%
Recreation	\$9,000	\$134,779	\$134,135	\$644	100%	0%
Pub. Safety Com	\$25,000	\$14,976	\$18,494	(\$3,518)	81%	-19%
Parks Maintenance	\$120,000	\$127,852	\$167,116	(\$39,264)	77%	-23%
Maintenance of Streets	\$175,000	\$94,686	\$160,234	(\$65,548)	59%	-41%
Waste Collection	\$150,000	\$100,141	\$167,428	(\$67,287)	60%	-40%

2. **Fringe Benefits expenses increased by \$1.3 million from the third quarter 2005.** Increases in health care costs for employees and retirees make up nearly all of the increase.

Employee health care expenses increased since last year by \$589K and Retiree health care expense increased by \$691K. Health care spending for Police Department, Fire Department and Non-Police/Non-Fire Departments increased by \$215K, \$159K, and \$215K respectively.

	3rd Q 2006	3rd Q 2005	Change	%
Retirees	\$ 6,781,851	\$ 6,091,109	\$ 690,742	11%
Police	\$ 3,416,312	\$ 3,200,997	\$ 215,315	7%
Fire	\$ 2,307,077	\$ 2,148,398	\$ 158,679	7%
Other	\$ 2,994,748	\$ 2,779,773	\$ 214,975	8%
Employees	\$ 8,718,137	\$ 8,129,168	\$ 588,969	7%
TOTAL	\$15,499,988	\$ 14,220,277	\$ 1,279,711	9%

¹ Because collective bargaining agreements expired on 12/31/2005, unionized workers have not yet received the 3% COLA given to non-unionized workers. The 3%, which was budgeted, has been added to all workers for the purposes of this report.

The City's retirement expenses have increased from 2005 by approximately \$560K. The City's contribution is 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 investment performance has improved, thereby lowering the City's overall contribution. However, City spending on salaries and overtime has increased, thereby more than offsetting these gains.

Retirement expenses for police and fire personnel have increased by 13% (\$542K) while expense for non-police non-fire personnel has increased by 1%(\$18K).

RETIREMENT	3rd Q 2006	3rd Q 2005	\$ Change	% Change
Non-Public Safety	\$ 2,529,554	\$ 2,511,871	\$ 17,684	1%
Public Safety	\$ 4,874,055	\$ 4,330,943	\$543,112	13%

3. **Non-Personal Services spending remained virtually unchanged from the 3rd quarter 2005 (decreased \$25K).** However, 2005 expenses included \$1.7 million for the purchase of a grant-funded new radio system, which skews the year-to-year comparison.
 - a. Snow removal expenditures declined by \$228K from 2005 as a result of a mild winter. However, significant snow prior to the end of the fiscal year could quickly offset this decline.
 - b. Gasoline expenses are \$248K more than at the end of the third quarter 2005, reflecting the increased cost per gallon of gasoline.
 - c. Street maintenance expenses increased by \$167K reflecting increased in house paving and the rising costs of materials.
 - d. Motor Vehicle Expense of \$1.3 million (and an additional \$1.1 million in encumbrances) is at 99 percent of budget, but is \$195K less than last year.
 - e. Utilities increased by \$439K from 2005, reflecting the increased cost of electricity and natural gas.

4. **Encumbrances** (funds reserved for purchases) at the end of the 3rd quarter total \$4.3 million, which is \$0.8 million less than at the end of the 3rd quarter 2005. A 2005 encumbrance for a portion of the funds for the police radio system partially explains this variance.

REVENUES

Revenues total \$104.7 million, which is \$5.3 million more than at the end of the 3rd quarter 2005.

1. **Local Sources** increased by \$3.7 million. The property tax increase in 2006 makes up \$2.4 million of the increase in this category. Sales Tax revenue totaled \$21.7 million, which is \$842K more than after the third quarter 2005.
2. **Departmental Income** increased by \$1.3 million. Landfill revenue makes up nearly all of the increase relative to last year. In 2005 a major waste disposal company stopped using the landfill, which caused a temporary reduction in revenue.
3. **Intergovernmental Income** increased by \$382K from 2005 and is at 100 percent of budget. Interest income increased by \$397K as a result of rising interest rates and improved liquidity.
4. **Licenses and Permits** remain virtually unchanged from this time 2005.
5. **Fines and Forfeitures** increased by \$766K. Parking violation fines increased by \$274K, and Police court fines by \$233K.
6. **Miscellaneous** revenue decreased by \$466K and is at 68 percent of budget. Revenue in 2005 included a one-time settlement with Niagara Mohawk for a decade old street lighting dispute. Revenue from Reimbursable police overtime is down by \$180K from this time last year. (Expenses in this category have increased from \$824K to \$1.064).
7. **State Aid** is down \$240K from the third quarter 2005. The decrease in Homeland security grant funding (\$504K) was partially offset from increase in the Mortgage Recording Tax (\$446K).
8. **County Aid** totals \$170K, for a NYS DCJS IMPACT 2 Grant. This is new funding.
9. **Federal Aid** is \$156K less than in 2005. In 2005 the City received \$137K in F.E.M.A. funding.

CASH

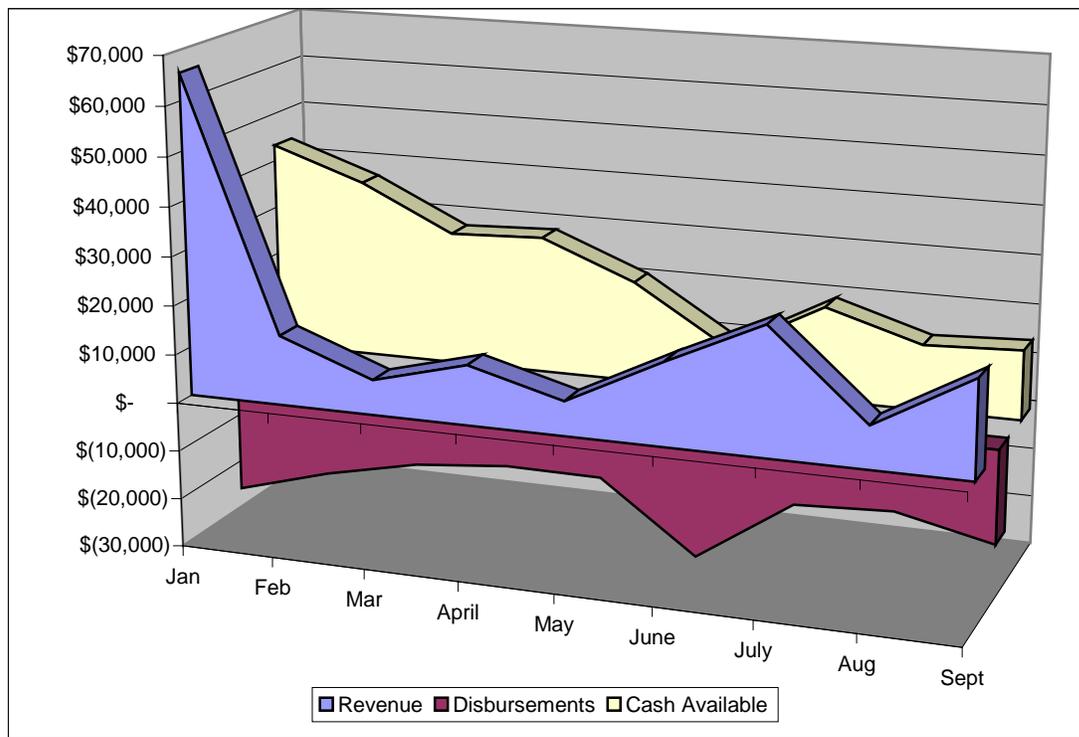
The Cash position is \$1.5 million improved from the end of the third quarter 2005.

Receipts year-to-date total \$177.4 million, which is down almost \$3.8 million from 2005. Property tax collections are down \$762K from 2005.

Disbursements total \$167 Million, which is \$5.3 million less than 2005. Payrolls have increased \$394K because of unresolved collective bargaining agreements. The City has paid \$2.7 million less in vendor claims, as we conserve cash to bridge the gap between in funds spent on behalf and funds received by the Water Board.

Water Board: Year to date the city has paid out \$2.9 million more on Water Board operations than we have received from the Water Board. Funds due from the water board total \$8.7 million

CASH FLOW



CONCLUSION

Spending has been less than anticipated because unionized employees were budgeted for three percent wage increase, but funds have not been paid because contracts expired on 12/31/2005. Spending on overtime and health care continue to exert upward pressure on expenses.

Revenues have increased largely because of the property tax increase. However, loss of revenue from property tax challenges threatens to undermine gains.

Unbudgeted revenue from the State of New York makes the year's financial outlook brighter than in a typical year. However, funds paid on behalf of the Water Board, but not yet reimbursed have significantly undermined cash flow. Uncertainty as to timing of payments from the state of New York makes it critical that the City conserve cash for payroll and operating later in the year.