

Office of Audit and Control

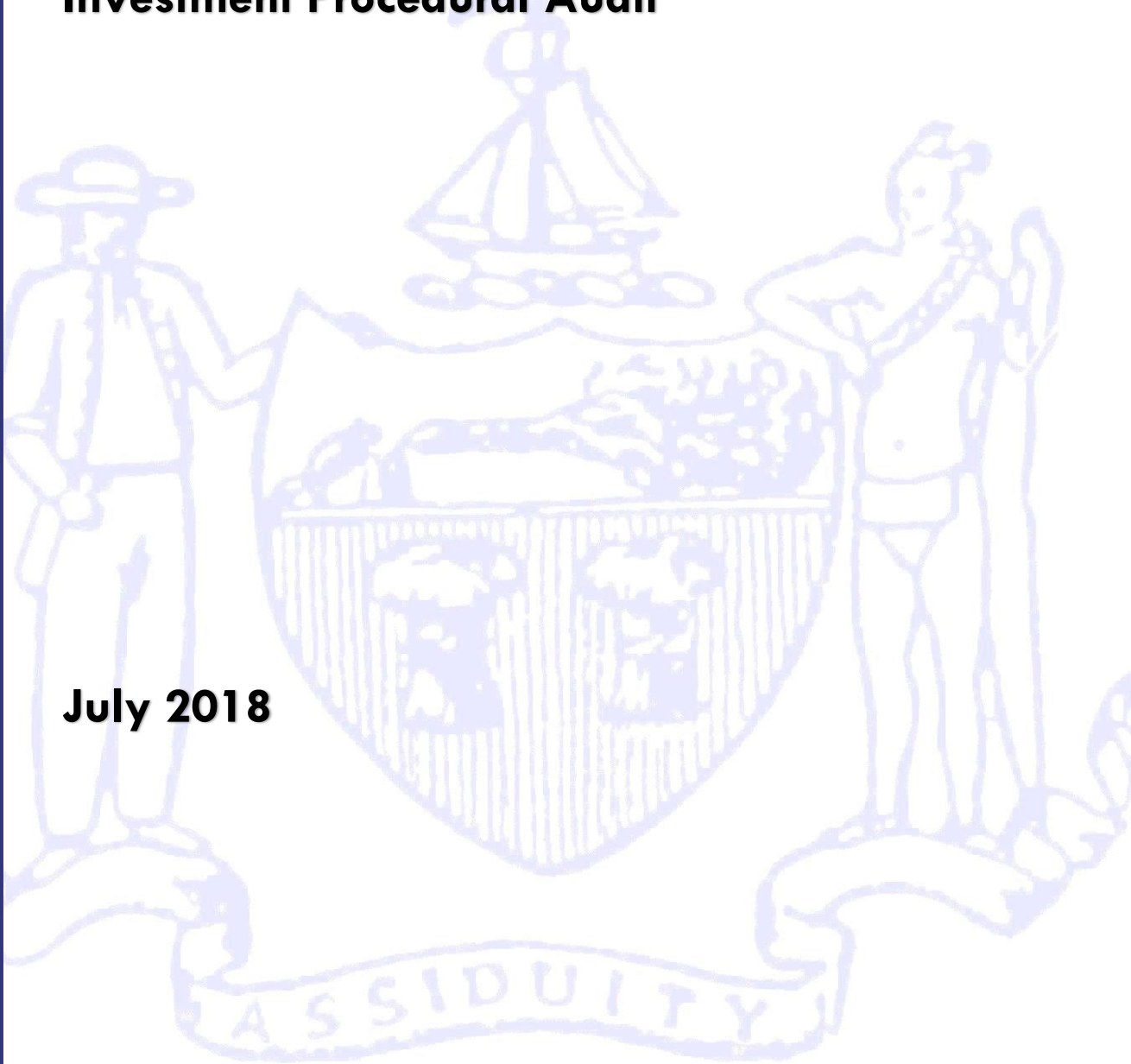
AUDIT REPORT

Investment Procedural Audit

July 2018

Susan Rizzo

Chief City Auditor



Audit Team

Susan Rizzo, Chief City Auditor

Ransom Moore III, Deputy Chief City Auditor

Aindrea Richard, Analyst

Eric Ma, Auditor

A full copy of this report is available for download online:

www.albanyny.gov/Government/Departments/OfficeofAuditandControl

You may also contact the office by email: srizzo@albanyny.gov

Preface

The Office of Audit and Control (OAC) exists to provide oversight, transparency, and public accountability as a means to improve The City of Albany (City) Administration accountability. This audit is a part of that function.

When the OAC focuses on an audit subject, setting aside issues of misconduct, the City department(s) or entities concerned respond proactively to address the audit's findings. It is the commitment of the OAC to support and encourage use of the audit process by City departments as a means to improve overall operations.

This audit was conducted with the full cooperation of the Treasurer's Office, the Budget Office, and the City Treasurer, Darius Shahinfar. The City Administration and Treasurer's Office have committed to addressing any findings.

The proper use of the audit findings in these circumstances is to provide for oversight of the resulting changes and to serve as the basis to foster informed public policy discussions.

Politicized use of this audit's findings is unfair and damaging to the OAC's processes and will be viewed as detrimental to our mission.

The OAC thanks the Treasurer's Office, the Budget Office, and the City Treasurer, Darius Shahinfar for their cooperation and commitment.

Table of Contents

Audit Team	1
Preface	2
Background	4
Introduction	4
Scope, Objective and Methodology	6
Scope	6
Objectives	6
Methodology	6
Bonds vs. BANs	7
Earnings Credit Rate and T-Bills.....	8
Audit Results.....	9
Financial Implications from Timing of Borrowing and Investments	9
Exhibit I: Unused Debt - 2018 Reconciliation	11
Exhibit II: Interest Income Analysis.....	13
Exhibit II: Interest Income Analysis – Explanation of Terms	14
Management and Monitoring of the ECR and Investments	17
Recommendations	18
Conclusion	19
Appendix I – Audit Start Letter	20
Appendix II – Police Vehicle Payment Details	21
Appendix III - T-Bill Rates (2017 – 2018).....	22
Appendix IV – Unspent Capital Data	23
Breakdown of Remaining Borrowed Funds not booked in ERP	27
Appendix V.....	28
Treasurer & Administration Response	28
Auditor’s Response	30

Background

The Budget Office presents to the Common Council annually a proposed budget for the following calendar year, which includes capital projects. It is required that the proposed budget be approved by the Common Council. The Budget Office is responsible for planning, implementing, managing, and controlling all financial-related activities of the City. They are also responsible for the formulation, presentation, and execution of the individual budgets for City departments and agencies and shall monitor all fund types for budget implementation. It prepares and administers fiscally responsible operating and capital budgets and acts as the gatekeeper by establishing and setting fiscal control systems. Pursuant to the City Charter Sections 602 and 603, the City Treasurer shall be responsible for making all temporary investments of City funds. As of 2010, the Treasurer shall be the City's "Chief Fiscal Officer" and shall have investment and debt management authority. The Chief City Auditor is responsible to audit all investments made by the City's Treasurer on behalf of the City.

Annually in June the City issues bonds and/or bond anticipation notes (BANs) in order to borrow money to fund its capital projects. Examples of capital projects include purchasing fire trucks, street reconstruction, and purchasing playground equipment. The rationale behind how the City chooses to borrow via bonds or BANs to fund its capital projects will be discussed later in this report.

Introduction

Through the OAC's normal course of business, the issues of the timing of borrowing, interest expense, and potential interest income presented themselves. On April 11, 2018, the OAC sent an audit start letter to the City Treasurer which initiated an audit into the City Procedure for Capital Spending, Bonds, Interest Expense/Income and Financial Implications.

The purpose of this audit is to determine whether the Treasurer's Office has maximized the City's cash flow from borrowed funds by investing unspent capital and operational funds throughout the fiscal year. This audit covers the period of January 1, 2016 to the present.

There are two types of investments examined in this audit: Capital Fund Investments and Operational Fund Investments. (Note: Capital projects are identified on the General Ledger as "GH" Accounts.) As

of June 2016, there was an issuance of \$38,846,812 in BANs and \$13,474,579 issuance of Bonds totaling \$52,321,391. As of June 2017, there was an issuance of \$44,596,417 in BANs and no issuance of Bonds. As of June 2018, there was an issuance of \$18,854,100 in BANs and \$33,310,417 in Bonds totaling \$52,164,517. In general, the size and investment of the debt reserve is subject to arbitrage regulation. With respect to the issuance of municipal securities, arbitrage refers to the difference between the interest paid on tax-exempt bonds and the interest earned by investing the proceeds of the tax-exempt bonds in taxable securities. Prior to the writing of this report, the Treasurer's Office was investing in Money Market Accounts even though interest rates started to climb during 2017. The OAC, Budget Office and Treasurer's Office started discussing the opportunity to maximize the City's investments by investing in U.S. Treasury Bills (T-Bills). Unfortunately, the opportunity was missed in 2017 and during the first two months of 2018 when the City's balances are the greatest from property tax income received in January. See [Exhibit II: Interest Income Analysis](#).

It is very common that a municipality receives an Earnings Credit Rate (ECR) from its bank, which offsets fees incurred for banking services, calculated on idle customer deposits. In other words, interest is not paid to the customer. Consequently, the lower the ECR, the higher amount of funds required to support services. While there is a correlation between the ECR and the 90-day T-Bill rate, municipal ECR's take into account other factors such as collateralized deposits, balance amount, volatility, duration, composition, and balance-based fees such as collateral charges and balance assessments. Excess cash above the balances required for banking service charges can be invested in other banks depending on these factors.

The audit findings are as follows:

1. The financial implications were that the City periodically borrowed funds for capital projects and did not spend all of the borrowed funds within 12 months, therefore incurring interest expense on unused capital borrowed. Also, since the timing of borrowing is currently once a year, investing unspent funds into T-Bills earlier than March of 2018 could have yielded more interest than investments in Money Market accounts.
2. At the start of the audit, the ECR with KeyBank, which is the bank the City uses for its checking accounts, had not been updated to reflect the historical increase in the T-Bill rate, especially during 2017 when interest rates started to increase. (Historically, the City invested in Money Market Accounts and CDs for liquidity and protection of principle.) When rates were low, KeyBank waived fees and provided services at no cost. Services included the lockbox KeyBank managed when taxes were paid in January. The City has large balances to support KeyBank's low ECR leaving an excessive amount of cash unavailable to invest. KeyBank reaped the benefit

of these large balances to support services. In July, when this was brought to Treasurer's attention, the Treasurer met with KeyBank and tried to negotiate an increase of the ECR from 20 Basis Points (BPs) to 105BPs, thereby reducing the balance necessary to support KeyBank services. (One basis point is equal to 0.01%.) Since this change, the City started earning substantially more interest income on a monthly basis. See [Exhibit II: Interest Income Analysis](#).

Scope, Objective and Methodology

Scope

The Audit identifies data between 2014 and 2018, but primarily is focused on the fiscal years of 2016, 2017 and 2018.

Objectives

The primary objective of this audit is to assess the timeline of debt borrowed vs. spent in order to minimize the City's annual interest expense and maximize its annual interest income.

The objectives of this audit were as follows:

1. Review the City's procedure during the budget process, including the Treasurer's Office and Common Council's processes for approving capital and the timeline of when the capital will be used;
2. Review the City's unspent capital and maximize its interest income without triggering arbitrage;
3. Review and analyze the City's monthly account analysis statements; and
4. Review the operating bank accounts to determine the appropriate earned credit allowance.

Methodology

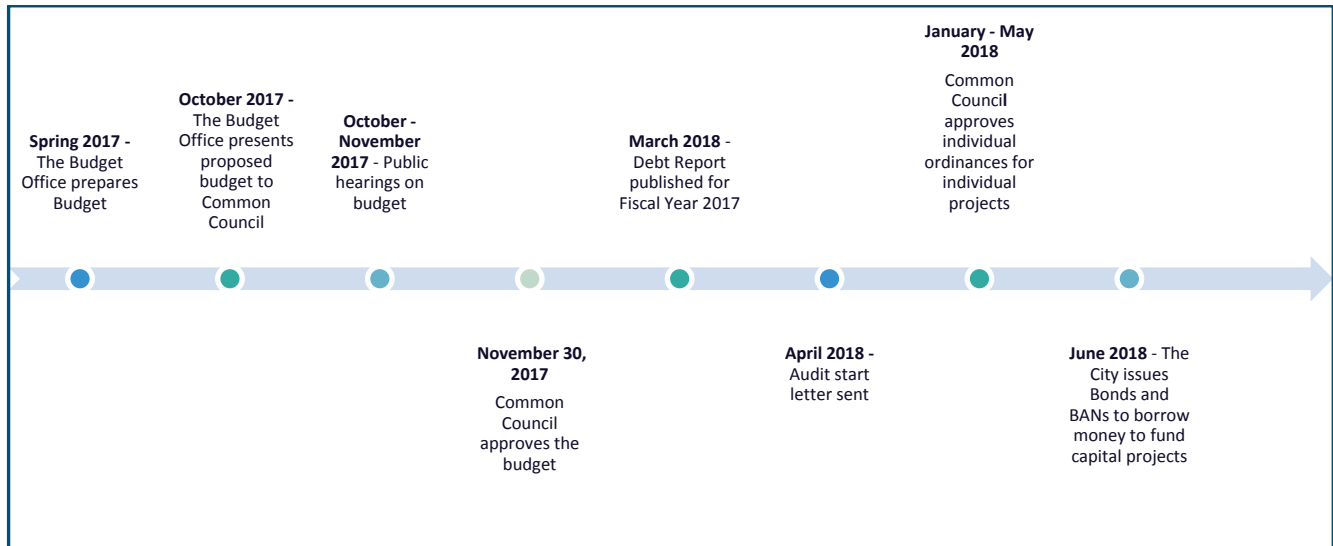
The overall audit methodology consisted of the following:

- Examination of the bank accounts and GH accounts utilized by the Treasurer's Office to assess the use of the capital; identifying the amount of unused capital; and analyzing the correlation of interest income earned.
- Review the current procedure of collecting, reviewing, and evaluating all capital project funding. Even though the Budget Office, the Treasurer's Office and the Common Council review each

capital project at length, more strides can be made to optimize the timeline of borrowed funds during the budget process.

This audit will discuss the timeline of the City's Capital and Investment procedure. A simplified timeline is shown below:

2018 Capital Budget Timeline



In the past, the direction was to bond before Purchase Orders (POs) were issued as the assumption was that general funds would otherwise be utilized, but in reality, millions of dollars were borrowed and unspent. Even though the Treasurer's Office would discuss with each department when funds were needed, it appears there was a misunderstanding by some departments, which believed funds needed to be borrowed for POs to be issued. However, only the bond ordinances needed to be approved by the Common Council in order for a PO to be authorized.

In March 2018, the Treasurer's Office published the Debt Report to discuss the debt performance for the past few years. The summary of the report concluded "overall debt was reduced by \$12.37m (10%) from 2017 to 2018 and \$33.30m (24%) between 2014 and 2018 (\$140.1m to \$106.8m)." Throughout the year, the City makes many decisions to improve the debt performance by managing its borrowed capital and unspent capital. See [Appendix IV – Unspent Capital Data](#).

Bonds vs. BANs

During the month of June, the Treasurer decides if it is appropriate to issue Bonds or BANs in order to fund capital projects. This decision is made after meetings with a third party consultant by the Treasurer.

In 2017, interest rates were low, therefore the Treasurer invested in BANs rather than Bonds. The BAN interest rate was 1.19%. In 2018, the BAN interest rate was 1.935991% and the Bond rate was 2.53285%. In 2018, the Treasurer was confident that interest rates would increase over the next few years, which prompted the City to issue bonds for longer terms in order to lock in rates before the rates climb for most of the projects on the 2017 BAN issuance. The Treasurer elected to issue Bonds for most of the 2018 capital plan as well, for \$33,310,417, because interest rates were rising. There are advantages and disadvantages of both debt instruments, including liquidity concerns. BANs may be issued for a one year term, with up to four reissues, for a total of five years. After five years, projects must be bonded or the BANs are repaid. The Debt Report states “it may be possible for the City to retire a large portion of the BAN debt without necessity of bonding it, even taking into account the 2018 – 2022 Capital Plans.” When bonds associated to capital projects have excess funds that will not be used, these funds are reallocated to debt reserve, which is borrowed money used to pay interest and principal. On the other hand, BANs associated with capital projects that have excess unused funds will not be borrowed again in the following year.

Earnings Credit Rate and T-Bills

The City currently has its checking accounts with KeyBank although it can invest funds with other banks. These non-interest-bearing account balances generate earnings credits, which are used to offset eligible cash management service charges. Earnings credits are associated with the ECR that the bank has established with the City. Historically, banks have correlated the ECR with the 90-day T-Bill rate. However, the ECR, particularly for municipalities, takes into account service fees and other factors. The City also invests in interest bearing Money Market Accounts. Even though the Treasurer’s Office actively manages its bank accounts for investment opportunities, the market is changing. Therefore, investing more funds in T-Bills as well as evaluating the benefit of the ECR in today’s market could provide a more efficient use of the City’s money.

A T-Bill is a short-term debt obligation backed by the Treasury Department of the United States with a maturity of less than one year. The economy has drastically improved, which has resulted in an increase in interest rates. As of the time of this report, a 3-Month T-Bill yields 1.86%. As the market continues to change and rates continue to rise, a 14-day and 30-day T-Bill could very well yield more interest right now, because rates are rising. Cash which the City is not maximizing on investing may be a lost opportunity to earn interest income to mitigate its interest expense. A cash flow analysis should be updated to ensure access to liquidity so there is a minimal fund balance for operations. ([Exhibit II:](#)

[Interest Income Analysis](#) takes into account a \$5 million monthly average to fund accounts payable excluding payroll and Water Department expenses.)

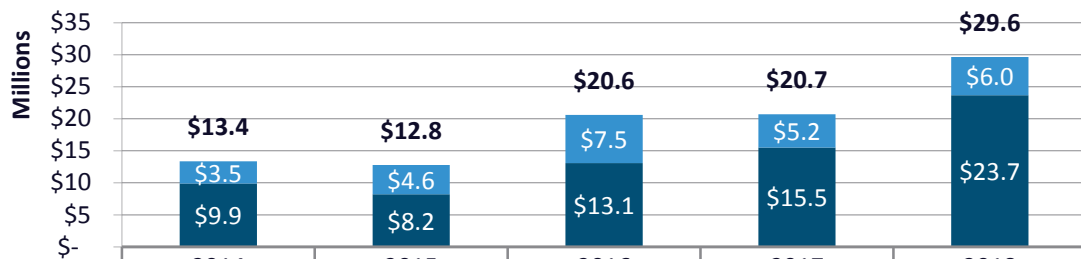
After a decade of near zero interest rates, managing the ECR has taken on new importance since 2017. Rising interest rates present an investment opportunity for the City to optimize its cash balances. The City's ECR for the past few years has been around 0.20% (20BPs). Please refer to the graph of T-Bill rates in Appendix III: [T-Bill Rates \(2017 – 2018\)](#).

Audit Results

Financial Implications from Timing of Borrowing and Investments

There are occasions that the City has borrowed capital funds that remain unused after a 12-month period before the next cycle of borrowing occurs. In other words, the City often does not utilize all borrowed monies within the June-May 12 month borrowing cycle. Even though using the monies within 12-months is not a requirement, not taking advantage of the opportunity provided by the unspent money needs to be considered in more detail. After the Common Council approves the Ordinances and the funds are actually borrowed during the month of June, capital POs coded to GH Accounts are generated. The intent was to ensure that cash flow would not be strained by POs issued prior to borrowing that obligate the City to pay vendors from the General Fund, with reimbursement coming from the appropriate capital funds after the borrowing cycle. The fact is that the timing of POs being issued and funds being released needed to be analyzed in more detail. It is true, caution must be used when doing so because the obligations incurred by the City before funds are borrowed could impact General Fund cash and fund balance of payments need to be made even if the funds were not borrowed. The OAC determined that the City may issue POs right after the Ordinances are approved by the Common Council, but before the funds are actually borrowed. Many times the City has borrowed almost the full amount for capital projects approved by the Common Council. Borrowing the full amount for a capital project may be unnecessary as the funds were not needed until 12 months after the monies were borrowed in June.

Unspent Capital as of June 30th (except 2018 displayed Year to Date)



	2014	2015	2016	2017	2018
Encumbrances	\$3,487,277	\$4,575,273	\$7,516,141	\$5,204,144	\$5,968,867
Unencumbered	\$9,878,822	\$8,218,816	\$13,079,863	\$15,509,953	\$23,665,338
Total Unspent Capital	\$13,366,099	\$12,794,089	\$20,596,004	\$20,714,097	\$29,634,205

The OAC has determined that the City has borrowed \$13 to \$21 million above and beyond a reasonable cushion. There may be times more capital funds need to be available, but at a more reasonable amount. When this was discussed with the Budget Office, a form was created for the departments to identify the timeline of funds needed. This procedure has been implemented for the 2019 budget process to help mitigate this issue.

The City incurs interest expense for the life of the bond/BAN. If funds are borrowed and no longer needed, the bonded funds are transferred to debt reserve and used to service the City's debt above illustrates unspent capital borrowed remaining as of June 30th from each fiscal year (except 2018) ranging from \$13 million to \$21 million for 2014-2017.

See details in [Appendix IV](#).

Exhibit I: Unused Debt - 2018 Reconciliation

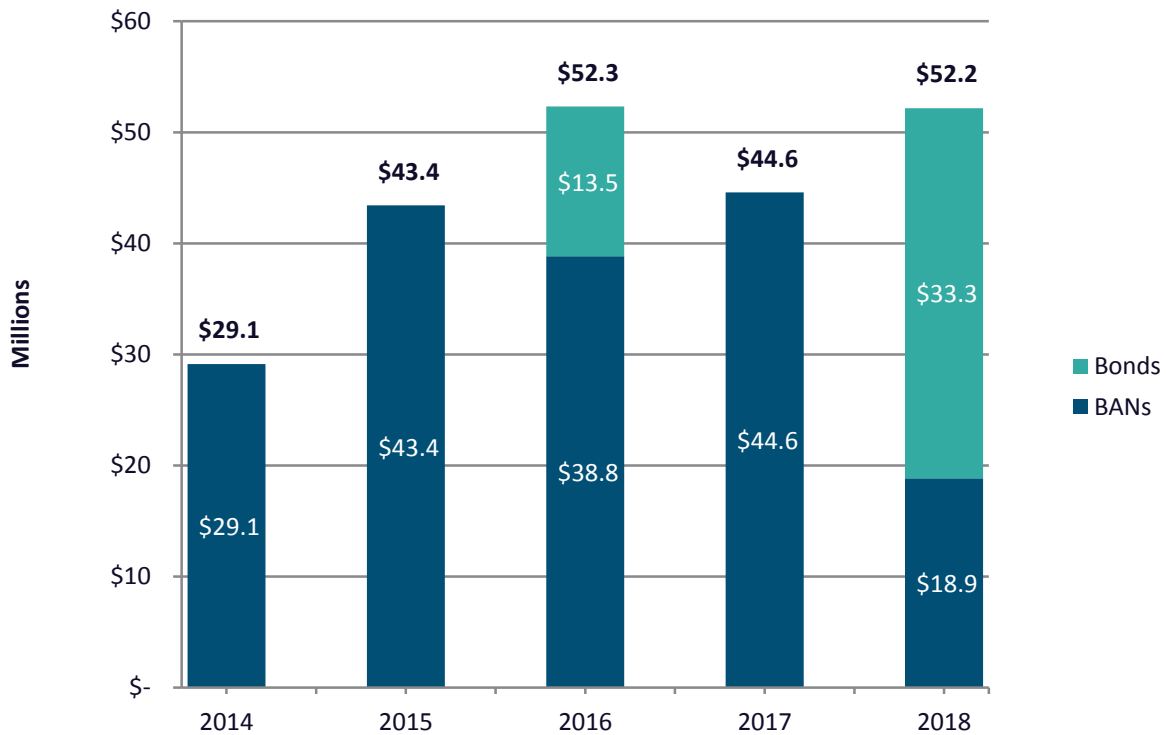
			Interest Incurred during period							
	Borrowing Year	Paydown	Rates	2012	2013	2014	2015	2016	2017	Total
BONDS	2012	\$ 194,481.27	1.78490%	\$3,471.30	\$3,471.30	\$3,471.30	\$ 3,471.30	\$ 3,471.30	\$ 3,471.30	
	2015	\$ 25,647.80	1.55100%				\$ 397.80	\$ 397.80	\$ 397.80	
	2016	\$ 312,669.00	1.55101%					\$ 4,849.53	\$ 4,849.53	
	Bonds Total	\$ 532,798.07		\$3,471.30	\$3,471.30	\$3,471.30	\$ 3,869.09	\$ 8,718.62	\$ 8,718.62	\$ 31,720.22
BANS	2014	\$ 100,244.31	0.16250%			\$ 162.90	\$ 162.90	\$ 162.90	\$ 162.90	
	2015	\$ 561,032.80	0.38801%				\$ 2,176.87	\$ 2,176.87	\$ 2,176.87	
	2016	\$ 450,000.00	0.96600%					\$ 4,347.00	\$ 4,347.00	
	BANS Total	\$ 1,111,277.11		\$ -	\$ -	\$ 162.90	\$ 2,339.77	\$ 6,686.77	\$ 6,686.77	\$ 15,876.19
Totals		\$ 1,644,075.18		\$3,471.30	\$3,471.30	\$3,634.19	\$ 6,208.86	\$15,405.39	\$15,405.39	\$ 47,596.42 *

* Total Interest Incurred over the years before the bonds are transferred to debt reserve and the BANS were retired

Note: Hypothetically, if the interest rate went up to the current rate of 2.35%, the overpayment would have been \$114,051.25 vs \$47,596.42

In June 2018, a total of \$1,644,075.18 of debt was either transferred to debt reserve or repaid. Debt borrowed in 2012, 2015 and 2016 of \$194,481.27, \$25,647.80, and \$312,669.00, respectively, totaling \$532,798.07 was transferred to debt reserve from unused borrowed funds. The remaining balance of \$1,111,277.11 was a repayment of reoccurring excess BANS from 2014, 2015, and 2016 that were not renewed in 2018. The Treasurer's Office indicated these funds were not transferred to the City's debt reserve earlier and/or the BANS were renewed because the departments indicated they needed the money. In order to mitigate the payment of interest on these balances, the departments need to more fully understand the reason for the question from the Treasurer. Interest expense is incurred and paid each year on borrowed funds whether or not the corresponding projects are completed. See [Exhibit I: Unused Debt – 2018 Reconciliation](#) for bonds that incurred interest expense totaling \$47,596.42. Hypothetically, at the current bond rate of 2.35%, the interest expense would have been \$114,051 vs \$47,596. As interest rates increase, the departments' answers to the questions "Is the project complete?" and "Is the project going to materialize?" become more costly if excess project borrowings are renewed with a BAN or not transferred to debt reserve in a timely manner. Another example is the renovation of the jail cells (GH.3120.9651), which had a balance of \$49,879.91 remaining from funds borrowed in 2006. The initial ordinance number 49.32.06 for \$500,000 was for additions to or conversion of buildings. The effective rate for the 2006 Bonds was 4.06756%. Therefore, since 2006, interest expense has been incurred for an unspent balance totaling over \$24,000 for this one project and the balance of the borrowings was not transferred to the City's debt reserve.

Historical Borrowing (New Bond/BAN Issuances)



The graph above shows the history of Bonds and BANs issuance from 2014 to 2018. Comparing the historical borrowing graph to the unspent capital graph, the City spends an average of 43% of its borrowed funds compared to unspent capital and 12% of its borrowed funds compared to encumbrances (PO's issued and not yet paid).

Identifying the balances remaining in unspent borrowed funds is important for two reasons;

1. The City pays interest expense on projects and equipment that were not yet started or received and paid for within the 12 month bonding cycle.
2. The City must ensure that it effectively invests the unspent funds.

For example, in 2018 the Treasurer's Office didn't start investing in T-Bills until March. Interest income earned to date is [\\$201,411](#) compared to a budget of only \$30,000. An additional amount of interest income of [\\$177,399](#) could have been earned from January to June 2018 if the ECR had been increased from 20BPs to 105BPs sooner. See more details in [Exhibit II: Interest Income Analysis](#) below. The City also incurred interest expense at 1.19% of \$20 million totaling \$238,000.

Exhibit II: Interest Income Analysis

Example A1 - 2016 and 2017 - ECR at 20 BP's

ECR Allowance Multiplier 0.00017 $B1 = (A1/100) * (31/365)$										
	C	D = B1 * C	E	F = D - E	G = C - (F/B1)	H = C - G	I	H * I		
2016	Cash Balance Available to Support Service	Earnings Credit Allowance	Service Charges Eligible for Earnings Credit	Difference	Balance Needed to Support Services (to offset the Service Charges)	Excessive Balance	T-Bill Market Rate	Missed Opportunity Interest Income	Actual Interest Income (Expense)	
JAN	39,998,332.00	\$ 6,794	\$ 7,563	\$ (769)	\$ 44,524,113	\$ (4,525,781)	0.22%	\$ (830)	\$ 413	
FEB	39,568,046.00	\$ 6,721	\$ 5,541	\$ 1,180	\$ 32,620,403	\$ 6,947,643	0.25%	\$ 1,447	\$ 2,697	
MAR	37,030,335.00	\$ 6,290	\$ 3,958	\$ 2,332	\$ 23,301,129	\$ 13,729,206	0.25%	\$ 2,860	\$ 2,766	
APR	34,669,162.00	\$ 5,889	\$ 3,258	\$ 2,631	\$ 19,180,161	\$ 15,489,001	0.19%	\$ 2,452	\$ 2,629	
MAY	37,360,120.00	\$ 6,346	\$ 3,472	\$ 2,874	\$ 20,440,000	\$ 16,920,120	0.22%	\$ 3,102	\$ 2,815	
JUN	39,487,816.00	\$ 6,708	\$ 3,905	\$ 2,803	\$ 22,989,113	\$ 16,498,703	0.22%	\$ 3,025	\$ 2,520	
JUL	45,723,031.00	\$ 7,767	\$ 4,514	\$ 3,253	\$ 26,574,355	\$ 19,148,676	0.26%	\$ 4,149	\$ 1,799	
AUG	46,090,302.00	\$ 7,829	\$ 5,018	\$ 2,811	\$ 29,541,452	\$ 16,548,850	0.26%	\$ 3,586	\$ 1,349	
SEP	45,304,510.00	\$ 7,696	\$ 3,508	\$ 4,188	\$ 20,651,935	\$ 24,652,575	0.18%	\$ 3,698	\$ 956	
OCT	46,596,810.00	\$ 7,915	\$ 3,835	\$ 4,080	\$ 22,577,016	\$ 24,019,794	0.24%	\$ 4,804	\$ 1,284	
NOV	45,658,414.00	\$ 7,756	\$ 3,894	\$ 3,862	\$ 22,924,355	\$ 22,734,059	0.29%	\$ 5,494	\$ 1,317	
DEC	43,237,246.00	\$ 7,344	\$ 4,098	\$ 3,246	\$ 24,125,323	\$ 19,111,923	0.41%	\$ 6,530	\$ (123)	
			\$ 52,564					\$ 40,317	\$ 20,422	

2017	Cash Balance Available to Support Service	Earnings Credit Allowance	Service Charges Eligible for Earnings Credit	Difference	Balance Needed to Support Services (to offset the Service Charges)	Excessive Balance	T-Bill Market Rate	Missed Opportunity Interest Income	Actual Interest Income (Expense)	
JAN	40,164,582.00	\$ 6,822	\$ 9,166	\$ (2,344)	\$ 53,961,129	\$ (13,796,547)	0.49%	\$ (5,634)	\$ 631	
FEB	43,131,470.00	\$ 7,326	\$ 5,522	\$ 1,804	\$ 32,508,548	\$ 10,622,922	0.47%	\$ 4,161	\$ 3,128	
MAR	41,165,001.00	\$ 6,992	\$ 4,433	\$ 2,559	\$ 26,097,500	\$ 15,067,501	0.65%	\$ 8,162	\$ 3,738	
APR	39,045,040.00	\$ 6,632	\$ 3,685	\$ 2,947	\$ 21,693,952	\$ 17,351,088	0.73%	\$ 10,555	\$ 3,547	
MAY	38,512,315.00	\$ 6,542	\$ 3,741	\$ 2,801	\$ 22,023,629	\$ 16,488,686	0.71%	\$ 9,756	\$ 3,396	
JUN	48,328,743.00	\$ 8,209	\$ 4,416	\$ 3,793	\$ 25,997,419	\$ 22,331,324	0.82%	\$ 15,260	\$ 4,754	
JUL	45,387,186.00	\$ 7,710	\$ 4,507	\$ 3,203	\$ 26,533,145	\$ 18,854,041	0.95%	\$ 14,926	\$ 4,014	
AUG	43,115,034.00	\$ 7,324	\$ 4,888	\$ 2,436	\$ 28,776,129	\$ 14,338,905	0.96%	\$ 11,471	\$ 3,234	
SEP	41,805,255.00	\$ 7,101	\$ 3,541	\$ 3,560	\$ 20,846,210	\$ 20,959,045	0.98%	\$ 17,117	\$ 2,038	
OCT	42,429,193.00	\$ 7,207	\$ 3,858	\$ 3,349	\$ 22,712,419	\$ 19,716,774	0.98%	\$ 16,102	\$ 1,760	
NOV	40,931,878.00	\$ 6,953	\$ 3,568	\$ 3,385	\$ 21,005,161	\$ 19,926,717	1.07%	\$ 17,768	\$ 2,260	
DEC	39,960,665.00	\$ 6,788	\$ 3,828	\$ 2,960	\$ 22,535,806	\$ 17,424,859	1.18%	\$ 17,134	\$ 728	
			\$ 55,153					\$ 136,778	\$ 33,231	

Example A2 - Hypothetical ECR at 105 BP's starting in January 2018

ECR Allowance Multiplier 0.00089 $B2 = (A2/100) * (31/365)$										
	C	D = B2 * C	E	F = D - E	G = C - (F/B2)	H = C - G	I	H * I		
2018	Cash Balance Available to Support Service	Earnings Credit Allowance	Service Charges Eligible for Earnings Credit	Difference	Balance Needed to Support Services (to offset the Service Charges)	Excessive Balance	T-Bill Market Rate	Missed Opportunity Interest Income	Actual Interest Income (Expense)	
JAN	45,694,596.00	\$ 40,750	\$ 8,246	\$ 32,504	\$ 9,246,667	\$ 36,447,929	1.27%	\$ 38,574	\$ 822	
FEB	40,267,966.00	\$ 35,910	\$ 4,685	\$ 31,225	\$ 5,253,533	\$ 35,014,433	1.36%	\$ 39,683	\$ 3,914	
MAR	23,520,061.00	\$ 20,975	\$ 5,253	\$ 15,722	\$ 5,890,461	\$ 17,629,600	1.61%	\$ 23,653	\$ 54,572	
APR	18,432,630.00	\$ 16,438	\$ 3,647	\$ 12,791	\$ 4,089,570	\$ 14,343,060	1.63%	\$ 19,483	\$ 16,362	
MAY	17,765,816.00	\$ 15,843	\$ 3,910	\$ 11,933	\$ 4,384,485	\$ 13,381,331	1.67%	\$ 18,622	\$ 69,470	
JUN	30,409,079.00	\$ 27,118	\$ 4,516	\$ 22,602	\$ 5,064,025	\$ 25,345,054	1.77%	\$ 37,384	\$ 56,272	
JUL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	
AUG	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	
SEP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	
OCT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	
NOV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	
DEC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	
			\$ 30,257					\$ 177,399	\$ 201,411	

* Less \$5,000,000 for average monthly account payables excluding payroll and payroll-related expenses.

▲ Although the City started investing some of its balance in March 2018, the amount of \$177,399 represents the missed opportunity of interest that could've been earned on top of the \$201,411 already earned totaling \$378,810 through June 2018.

Resulting in a missed opportunity interest income for the last 3 years through June 2018 totaling \$354,494.

For terms and definitions of Exhibit II, please refer to the explanation of terms on the next page.

Exhibit II: Interest Income Analysis – Explanation of Terms

Cash Balance Available to Support Service – Cash balance in the City's KeyBank account.

Earnings Credit Allowance – The amount used to offset eligible service charges.

Service Charges Eligible for Earnings Credit – Monthly service charges that would otherwise be billable by KeyBank.

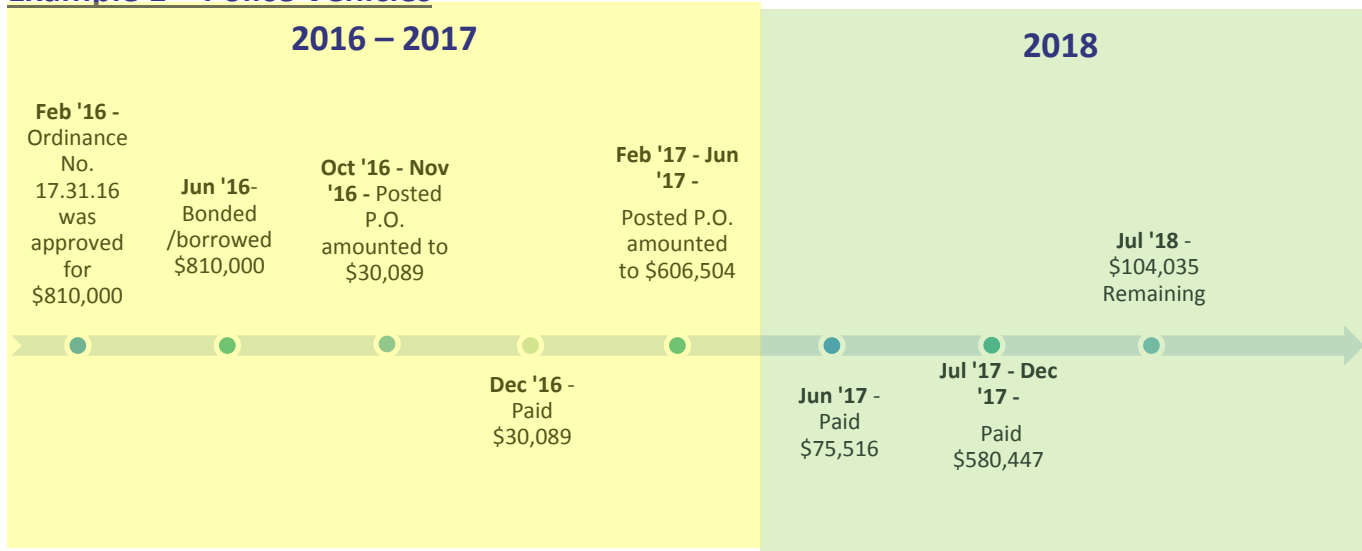
Difference – The earnings credit allowance that was generated in excess of the service charges incurred.

Balance Needed to Support Services (to offset the Service Charges) – This is the minimum balance based on the ECR. In other words, this is the minimum cash balance necessary to generate the exact amount of earnings credit allowance equal to the service charges. For example, in January 2018, with the ECR at 105BPs, a cash balance of \$9,246,667 held in the account to support services would have generated \$8,246 in Earnings Credit Allowance to offset the service charges of the same amount.

Excessive Balance – This is the balance difference between the balance available to support service (held by the bank) and the balance needed to support services. In other words, this amount is idled cash.

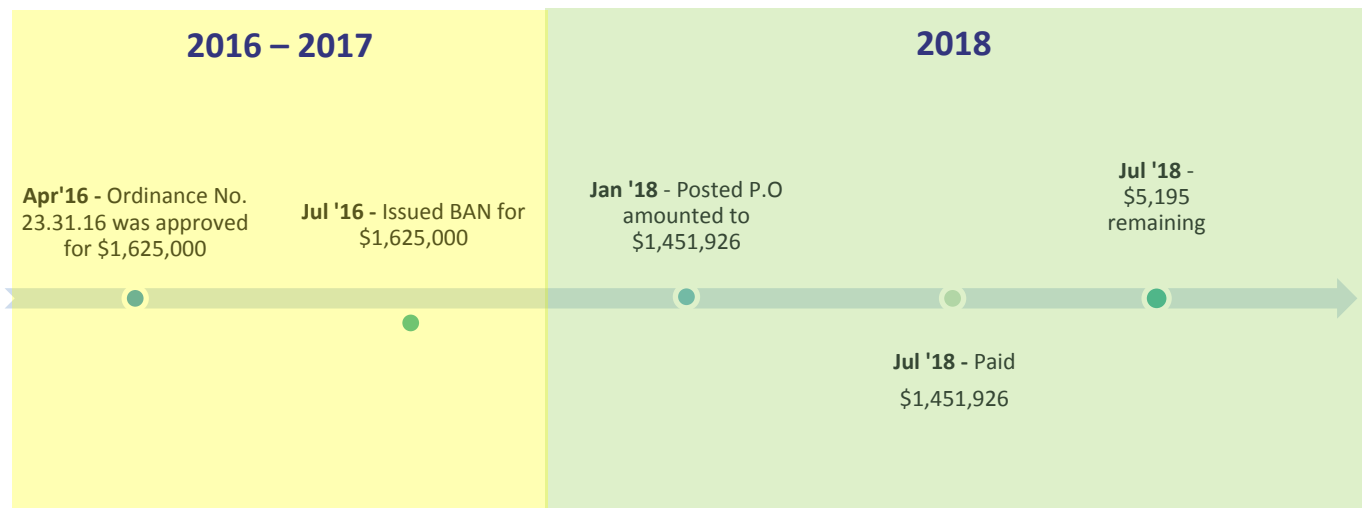
Below are examples of a timeline of borrowing funds for capital projects not used 12 months after borrowing:

Example 1 – Police Vehicles



Example #1 - The OAC selected a sample capital project for Police vehicles that were approved in the 2016 fiscal year. A summary timeline is shown above. In this example, the City bonded \$810,000 in June 2016, but only spent \$30,000 within 12 months and about \$650,000 more within 18 months. The City paid the first invoice amount of \$30,089 on December 2016. The remaining majority of POs were not paid until over one year later between July 2017 and December 2017 for the amount of \$655,963. As of July 2018, \$104,035 is still remaining in the capital account. Refer to [Appendix II – Police Vehicle Payment Details](#).

Example 2 – Aerial Ladder Truck



Example #2 – Another selected example of the City borrowing too early is shown above for an Aerial Ladder Truck capital project. In April 2016, Ordinance No. 23.31.16 was approved by the Common Council for \$1,625,000. The City issued a BAN in July 2016. This amount was not included in the City's accounting system (NewWorld) until 2018. This balance is included in the OAC's [Appendix IV – Unspent Capital](#) balance. A total PO for \$1,451,926 was posted one and a half years later in January 2018. Another six months elapsed before \$1,451,926 was paid in July 2018. As of July 2018, a total PO of \$5,195 is remaining. Based on information from the Budget Office, the timeline for purchasing trucks like these is almost always longer than 12 months. However, the Albany Fire Department (AFD) was operating under the assumption that in order to place a PO for the truck, the borrowing was required to take place first.

The Treasurer's Office and the Budget Office, as a matter of practice, use the period before the June borrowing to follow-up with departments on their borrowing requests. This is to ensure that monies are not borrowed if the borrowing can be delayed or if payment is not expected to be made until after June of the following year. After reviewing this practice with the departments, it appeared it was unclear to them that they needed to answer the question regarding the timeline of borrowing, PO implementation, and payment of services.

These two examples illustrate the City borrowing monies before placing POs and initiating projects. These examples clearly map out the timeline of how money has been borrowed without being spent during the 12 month period. Since the beginning of this audit, the Budget Office has revised the capital form and made it a requirement for each capital item to have a timeline of purchasing and associated payments.

While the OAC understands that these are important assets and projects for critical components of the City's safety, the market economics have changed and interest rates are rising. Therefore, it has become more imperative to have the questions answered by the departments appropriately.

The Common Council also has been asking these same questions regarding borrowing and the amount of funds remaining at the beginning of the next borrowing cycle. It is true that the Treasurer's Office has been utilizing the BANs with lower interest rates, but as interest rates rise, it is essential to have the timeline questions answered. The cost of borrowing needs to be addressed as well. Ideally, if borrowing is done and projects are not completed, maximizing on the interest income can potentially offset these costs. The OAC also understands that timing projections are not perfect and that some funds may be borrowed but not utilized.

Management and Monitoring of the ECR and Investments

Operational funds in the City's bank accounts should be managed to maximize interest income of unspent capital dollars. Generally, the higher the ECR, the lower the amount of capital is required to be maintained in non-interest bearing accounts, and the more principle can be freed-up to invest in interest bearing accounts.

Now that interest rates have increased since 2017, the OAC determined that the Treasurer's Office should be allocating as much money as it can (in accordance with NYS municipality investments) in the highest bearing approved investment vehicles and not just Money Market Accounts and CDs. Also, at the beginning of this audit, the Treasurer's Office had not negotiated the ECR to be adjusted on an annual or monthly basis when interest rates started to rise. Earnings Credit Allowance is used only to offset the service charges eligible for earnings credit. When this was brought to the attention of the Treasurer, he immediately contacted KeyBank to negotiate a better ECR. The ECR was increased from 20BPs to 105BPs.

The annual bank service charges for 2016 and 2017 were \$52,564 and \$55,153, respectively. Based on the OAC's tracking of service charges from 2016 to 2018, the City's service charges are almost always less than its earnings credit allowances. In other words, the City has been maintaining a higher balance in its KeyBank accounts used for allocating the ECR than is needed to support its banking services. The higher the ECR, the more cash is available to invest in approved interest paying investment vehicles, like T-Bills. There is a common misconception that the Earnings Credit Allowance is paid to the account holder. However, it is a noncash metric that is used to offset bank fees.

Given the ECR of 0.20% in 2016, the OAC found that the balance maintained by the City was more than twice the minimum required in order to generate sufficient earnings credit allowances to offset KeyBank service charges. See [Exhibit II: Interest Income Analysis](#). In other words, in 2016 the City could have re-allocated half of the balance held in its bank account to investments that generated a higher yield. The OAC acknowledges that the City hasn't generated much interest income in the recent past due to the historically low interest rates caused by the financial crisis and subsequent recession. However, as the economy improves and rates rise, the Treasurer's Office needs to change its investment strategy for the City.

Recommendations

Recommendation #1 – The OAC recommends that the City negotiate an earnings credit rate that correlates to the 90-day T-Bill on a regular basis. The Treasurer should analyze paying the monthly bank services expenses so it can invest more on a daily basis compared to the ECR. Also, to ensure optimum performance, it is recommended an analysis be completed at least quarterly.

Recommendation #2 – The OAC recommends the City submit a Request for Proposal for the financial management provider for banking services, inclusive of the ECR formula and guidelines for future ECR adjustments.

Recommendation #3 – The City should create and review capital project timelines at the time of the budget presentations to determine when POs are potentially issued and invoices potentially paid. With interest rates increasing, in order not to trigger arbitrage, borrowed money can be invested at a rate equal to or lower than the borrowing rate. Creating a timeline for borrowing is a critical component in the City's effort to control interest income and interest expense.

Recommendation #4 – The City should continue its ongoing efforts to address and review unspent balances on a yearly basis before the current June deadline for borrowing. Even though \$1,644,075.18 of debt was reconciled last year, there is still [\\$69,413.59](#) bonded from 2004-2012 that is still unspent and needs to be reconciled.

Recommendation #5 – The OAC recommends that the City consider consolidating the number of ordinances in order to avoid large transfers to debt service and controlling unspent capital as seen in other municipalities.

Recommendation #6 – The OAC recommends that the City consider adding the GH accounts to its accounting system when funds are borrowed so the departments have full access to the status of their

capital. Also, if the Treasurer could indicate “Tips” or “Chip” projects in the title description of the GH accounts, the departments will be aware that the funds are all not borrowed.

Recommendation #7 – The OAC recommends the cost to borrow be analyzed as compared to the actual ability to complete capital projects. Currently, the Treasurer borrows capital funds in June. The timing of the year that funds are borrowed needs to be reviewed for the most economical course of action. The analysis needs to include interest expense, interest income, projects not completed within 12 months and the cost of the bond.

Conclusion

The City has many departments that are critical to the wellbeing of the community. The OAC sees this as an opportunity for the Treasurer’s Office, along with the Administration, to routinely review the management of investments. Historically, the Treasurer borrows capital funds on a 12 month, June-May cycle. Often, not all funds that are borrowed are utilized within the subsequent 12 months. Oftentimes this can be anticipated and avoided. Therefore, the City Administration and the Treasurer’s Office must continue to scrutinize project and capital expense schedules to ensure that monies are not borrowed prematurely. The OAC believes that a greater development and use of project timelines by the departments will greatly help in this regard. For example, large projects like the Aerial Ladder Truck and Police Vehicles may have a longer timeline because of the complexity of mechanical work. The OAC acknowledges that these projects are important to the safety of the City. However, the OAC suggests that the City should maximize the investment of its borrowed funds by minimizing its balances in non-interest (ECR) accounts or lower interest Money Market accounts and maximizing the utilization of higher interest vehicles like T-Bills.

Upon reviewing the City’s bank accounts, the OAC suggests that managing bank fees and the bank earnings credit could free up more capital in the City’s account balance to be invested. The OAC believes that presenting this report will allow the Treasurer’s Office and the Administration to focus on the future procedures in an effort to scrutinize project timelines and borrowing, as well as minimize interest expense and maximize interest income.

Appendix I – Audit Start Letter



CITY OF ALBANY
Office of Audit and Control
24 Eagle Street
Albany, NY 12207
518-434-5023
518-434-5098 (FAX)

April 11, 2018

Darius Shahinfar, City Treasurer
City of Albany
24 Eagle Street
Albany, NY 12206

Re: Audit of the City of Albany's Procedure for Capital Spending, Bonds, Interest Expense/Income and Financial implications

Dear Darius Shahinfar:

The Department of Audit and Control is initiating an audit of the City of Albany's Capital Spending, Bonds, Interest Expense/Income procedure and the financial implications. The preliminary objective of this audit is to assess the timeline of debt being borrowed vs spent in order to maximize the City's Interest Expense/Interest for each year.

An entrance conference will be scheduled with you and your staff. The purpose of this meeting will be to discuss the preliminary audit scope and objectives, the audit process and timing, department and audit staff contacts, access to various types of information, and any concerns you may have.

Please provide the Audit Department with the following initial information about the City of Albany's Capital Spending, Bonds, Interest Income, and Expense:

- A list of any and all outstanding BANS and Bonds identifying capital associated
- A list of GH Accounts associated with this capital
- Current procedure for approving capital and associated timeline
- At the end of each year (2014-2017), Capital Improvements pending or in the process of construction or acquisition

These documents can be emailed to ema@albanyny.gov or provided in paper form. If you have questions or need additional information, please contact me or Eric Ma at 434-5023. Your cooperation is greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan Rizzo".

Susan Rizzo
Chief City Auditor

cc: Mayor Kathy Sheehan, Bill Kelly Esq., Commissioner Rachel McEneny, Ken Bennett,
Ransom Moore, Eric Ma, Andrea Richard

Appendix II – Police Vehicle Payment Details

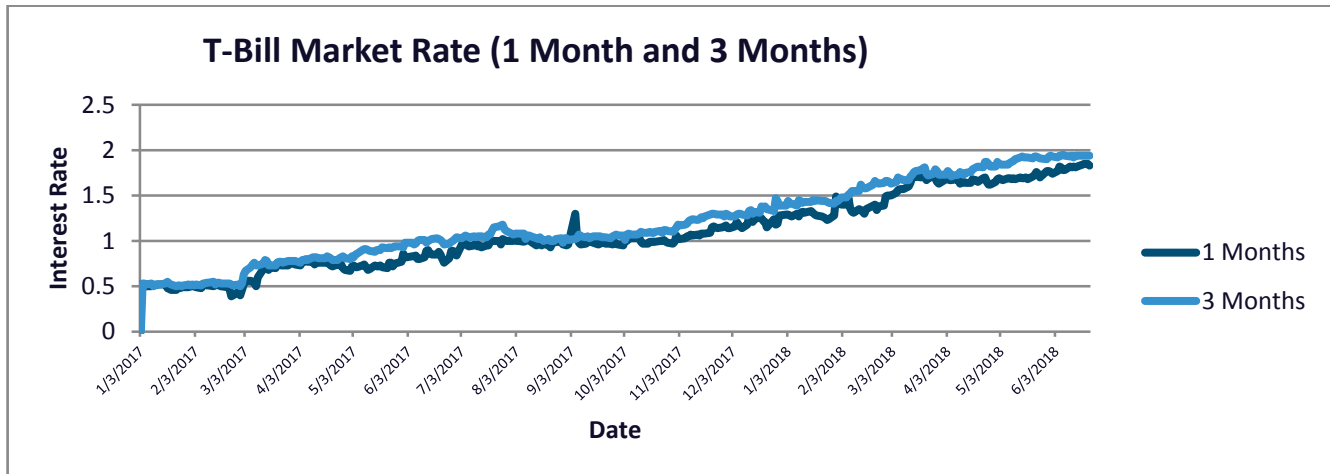
Sum of P.O paid by Months

Months-Years	GH.3120.8614 - Replacement Vehicles and Related Equipment	GH.3120.8615 - Special Use Vehicles - Police	Total	Running Total
Dec-16	\$ -	\$ 30,089.26	\$ 30,089.26	\$ 30,089.26
Jan-17	\$ -	\$ -	\$ -	\$ 30,089.26
Feb-17	\$ -	\$ -	\$ -	\$ 30,089.26
Mar-17	\$ -	\$ -	\$ -	\$ 30,089.26
Apr-17	\$ -	\$ -	\$ -	\$ 30,089.26
May-17	\$ -	\$ -	\$ -	\$ 30,089.26
Jun-17	\$ 75,516.81	\$ -	\$ 75,516.81	\$ 105,606.07
Jul-17	\$ 96,826.96	\$ -	\$ 96,826.96	\$ 202,433.03
Aug-17	\$ 305,863.08	\$ -	\$ 305,863.08	\$ 508,296.11
Sep-17	\$ 61,200.07	\$ -	\$ 61,200.07	\$ 569,496.18
Oct-17	\$ 32,154.00	\$ -	\$ 32,154.00	\$ 601,650.18
Nov-17	\$ 49,713.50	\$ -	\$ 49,713.50	\$ 651,363.68
Dec-17	\$ 34,689.66	\$ -	\$ 34,689.66	\$ 686,053.34
Grand Total	\$ 655,964.08	\$ 30,089.26	\$ 686,053.34	

Sum of P.O posted by Months

Months-Years	GH.3120.8614 - Replacement Vehicles and Related Equipment	GH.3120.8615 - Special Use Vehicles - Police	Total	Running Total
Oct-16	\$ -	\$ 29,176.87	\$ 29,176.87	\$ 29,176.87
Nov-16	\$ -	\$ 912.39	\$ 912.39	\$ 30,089.26
Dec-16	\$ -	\$ -	\$ -	\$ 30,089.26
Jan-17	\$ -	\$ -	\$ -	\$ 30,089.26
Feb-17	\$ -	\$ -	\$ -	\$ 30,089.26
Mar-17	\$ 479,338.99	\$ -	\$ 479,338.99	\$ 509,428.25
Apr-17	\$ 34,944.00	\$ -	\$ 34,944.00	\$ 544,372.25
May-17	\$ 60,067.93	\$ -	\$ 60,067.93	\$ 604,440.18
Jun-17	\$ 32,154.00	\$ -	\$ 32,154.00	\$ 636,594.18
Jul-17	\$ 49,581.00	\$ -	\$ 49,581.00	\$ 686,175.18
Aug-17	\$ 34,689.66	\$ -	\$ 34,689.66	\$ 720,864.84
Sep-17	\$ 5,271.86	\$ -	\$ 5,271.86	\$ 726,136.70
Oct-17	\$ -	\$ -	\$ -	\$ 726,136.70
Nov-17	\$ -	\$ -	\$ -	\$ 726,136.70
Dec-17	\$ -	\$ -	\$ -	\$ 726,136.70
Jan-18	\$ -	\$ -	\$ -	\$ 726,136.70
Feb-18	\$ 63,952.56	\$ 19,910.74	\$ 83,863.30	\$ 810,000.00
Grand Total	\$ 760,000.00	\$ 50,000.00	\$ 810,000.00	

Appendix III - T-Bill Rates (2017 – 2018)



Appendix IV – Unspent Capital Data

Organization Set Level 1		GH Capital Fund				
		As of June 30				YTD
Remaining Budget w/ Encumbrances						
		2014	2015	2016	2017	2018
1440 Engineering		\$ 1,767,826.87	\$ 1,549,806.66	\$ 2,210,396.85	\$ 3,527,493.74	\$ 2,185,606.46
GH.1440.8105 - City Hall Improvements		\$ 274,401.41				
GH.1440.8106 - Energy Conservation					\$ 532.00	\$ 532.00
GH.1440.8107 - Roof Improvements		\$ -	\$ 12,902.23	\$ 12,902.23	\$ 12,902.23	
GH.1440.8204 - Energy Conservation		\$ 33,833.63				
GH.1440.8205 - Renovations City Bldgs		\$ 218,531.68	\$ 415,957.43	\$ (68,196.96)	\$ (1,000.00)	\$ (1,000.00)
GH.1440.8206 - Electrical Improvements		\$ 303,993.01	\$ 177,693.01	\$ 177,693.01	\$ 177,693.01	\$ 0.01
GH.1440.8305 - Normanskill Farm Imp.		\$ 120,000.00	\$ 120,000.00	\$ 120,000.00	\$ 120,000.00	\$ -
GH.1440.8310 - Asbestos Abatement		\$ 88,234.00	\$ 88,234.00	\$ -	\$ -	
GH.1440.8312 - Bridge Improvements		\$ 40,883.82	\$ -			
GH.1440.8313 - Mechanical System Imp.		\$ 183,275.00	\$ 106,988.61	\$ -		
GH.1440.8314 - Renovations Buildings		\$ 90,845.81	\$ 42,609.61	\$ (10,819.23)	\$ -	
GH.1440.8405 - Renovations to City Bldgs		\$ 246,155.00	\$ 232,308.70			
GH.1440.8406 - Justice Building Renovations				\$ 6,239.51	\$ 6,239.99	\$ 6,239.99
GH.1440.8407 - City Hall Windows PhaseII			\$ 106,845.00	\$ 25,760.48	\$ 32,906.55	\$ -
GH.1440.8408 - Erosion Control Improvements				\$ 56,825.45	\$ (244.31)	\$ -
GH.1440.8415 - Bridge Inspection			\$ 98,809.96	\$ 124,549.96	\$ 111,149.96	\$ 23,058.21
GH.1440.8416 - Asbestos Abatement				\$ -		
GH.1440.8504 - Bridge Improvements						\$ 250,000.00
GH.1440.8506 - Riverfront Pedestrian Bridge Improvements						\$ 500,000.00
GH.1440.8518 - Reno.to City Owned Bldgs				\$ 278,594.44	\$ 273,326.00	\$ -
GH.1440.8519 - Washington Park Improvements				\$ 125,000.00		
GH.1440.8523 - Asbestos Abatement				\$ 39,737.10	\$ -	\$ 1,380.00
GH.1440.8524 - City Hall Window Project				\$ 292,091.50	\$ 521,957.90	\$ -
GH.1440.8608 - Renovations to City Owned Buildings				\$ 882,561.25	\$ 455,934.48	\$ 46,760.09
GH.1440.8609 - Bridge Improvements						\$ 500,000.00
GH.1440.8610 - Washington Park Improvements						\$ -
GH.1440.8612 - Henry Johnson Blvd. Bridge Improvement (TIP Project)					\$ 1,392,084.00	\$ 215,523.87
GH.1440.8613 - Abestos Abatement					\$ 229,863.10	\$ 229,863.10
GH.1440.8709 - Renovations to City Owned Buildings						\$ 366,723.73
GH.1440.8712 - Lincoln Park Pool Improvements					\$ 44,340.00	\$ 44,340.00
GH.1440.9720 - Road Inventory		\$ 14,814.65	\$ 4,964.65	\$ 4,964.65	\$ 4,964.65	\$ -
GH.1440.9802 - Delaware Ave. - TIP					\$ -	
GH.1440.9811 - Washington Pk.Improvem't			\$ 2,185.46	\$ 2,185.46	\$ 2,185.46	\$ 2,185.46
GH.1440.9904 - Reno.City Buildings		\$ 12,550.86	\$ -		\$ 2,350.72	
GH.1440.9908 - City Hall Roof&Bell Tower		\$ 140,308.00	\$ 140,308.00	\$ 140,308.00	\$ 140,308.00	\$ -
1491 General Services		\$ 241,898.61	\$ 563,935.88	\$ 1,043,757.76	\$ 1,381,797.47	\$ 2,600,986.70
GH.1491.1490.8109 - Replacement Vehicles(17)		\$ 1,319.71	\$ 1,319.71	\$ 1,319.71	\$ 1,319.71	\$ 1,319.71
GH.1491.1490.8110 - Replace Equipment(3)		\$ 1,403.67	\$ 1,403.67	\$ 1,403.67	\$ 1,403.67	\$ 1,403.67
GH.1491.1490.8308 - Mobile Radios		\$ 10,969.00	\$ 10,969.00	\$ -		
GH.1491.1490.8422 - Vehicles			\$ 406,809.84	\$ 241,797.89	\$ (37,544.11)	
GH.1491.1490.8426 - Mobile Radios				\$ 363.84	\$ 363.84	\$ 363.84
GH.1491.1490.8525 - 2 Small Pickups					\$ 20,367.67	\$ (570.00)
GH.1491.1490.8527 - All Purpose Van					\$ 10,419.80	\$ -
GH.1491.1490.8529 - One Ton Utility Trucks (2)						\$ (120,000.00)
GH.1491.1490.8530 - 4x4 Deck Mower(2)				\$ 61,067.30	\$ 12,031.76	
GH.1491.1490.8531 - Yard Tractors (2)					\$ 25,000.00	\$ -
GH.1491.1490.8532 - Rough Mower						\$ -
GH.1491.1490.8533 - Green Mower Golf Course				\$ 15.74	\$ 15.74	\$ 15.74
GH.1491.1490.8601 - Replacement Vehicles					\$ 953,463.62	\$ 18,055.12
GH.1491.1490.8602 - Replacement Equipment				\$ 594,355.95	\$ 81,382.11	\$ 107,667.11
GH.1491.1490.8604 - Gas Island Canopy Project					\$ 170,140.00	\$ 33,440.00
GH.1491.1490.8701 - Replacement Vehicles						\$ 181,286.82
GH.1491.1490.8801 - Replacement Vehicles						\$ 499,359.33
GH.1491.1490.8802 - Replacement Equipment						\$ 1,735,211.70
GH.1491.1620.9042 - Electrical Upgr City Hall		\$ 228,206.23	\$ 143,433.66	\$ 143,433.66	\$ 143,433.66	\$ 143,433.66

Remaining Budget w/ Encumbrances	As of June 30					YTD
	2014	2015	2016	2017	2018	
1492 Public Works	\$ 3,066,976.07	\$ 3,665,978.18	\$ 5,084,402.06	\$ 5,081,312.65	\$ 3,774,517.86	
GH.1492.5010.8002 - Street Reconstruction		\$ 60,372.00	\$ 60,372.00	\$ 60,372.00	\$ 0.61	
GH.1492.5010.8102 - Street Reconstruction	\$ 1,015.86		\$ 8.17	\$ 8.17		
GH.1492.5010.8201 - Street Reconstruction	\$ 4,950.00	\$ 2,453.61				
GH.1492.5010.8316 - Sidewalk Reconstruction	\$ -	\$ -	\$ -			
GH.1492.5010.8317 - Street Reconstruction	\$ 30,533.26	\$ 15,055.79				
GH.1492.5010.8401 - Street Reconstruction	\$ 606,968.16	\$ 141,300.00	\$ 8,775.39	\$ 8,775.39	\$ 0.39	
GH.1492.5010.8402 - Sidewalk Reconstruction	\$ -	\$ -				
GH.1492.5010.8403 - ADA Compliance	\$ -					
GH.1492.5010.8404 - Sheridan Hollow Walk(TIP)		\$ -	\$ 33,679.21	\$ -		
GH.1492.5010.8431 - CHIPS Street Reconstruction	\$ (0.00)					
GH.1492.5010.8501 - Street Reconstruction		\$ 1,057,412.33	\$ 123,634.60	\$ 15,097.94	\$ 0.58	
GH.1492.5010.8502 - Sidewalk Reconstruction		\$ -				
GH.1492.5010.8503 - ADA Compliance		\$ -				
GH.1492.5010.8507 - TIP Pavement Preservation			\$ 1,281,249.24	\$ 300.33	\$ 14,461.00	
GH.1492.5010.8508 - Pothole Patcher				\$ 9,855.00	\$ -	
GH.1492.5010.8536 - CHIPS-Street Recon.			\$ (5,721.09)			
GH.1492.5010.8605 - Street Reconstruction			\$ 1,193,020.09	\$ 25,430.00	\$ -	
GH.1492.5010.8606 - Sidewalk Reconstruction			\$ -			
GH.1492.5010.8607 - ADA Compliance			\$ -			
GH.1492.5010.8630 - CHIPS			\$ -			
GH.1492.5010.8633 - Pave NY - DOT Project CHIPS				\$ 0.81		
GH.1492.5010.8706 - Street Reconstruction				\$ 2,151,472.67	\$ 918.38	
GH.1492.5010.8707 - Sidewalk Reconstruction				\$ -	\$ -	
GH.1492.5010.8708 - ADA Compliance				\$ -		
GH.1492.5010.8710 - Pavement Preservation Projects - TIP				\$ 2,760,000.00	\$ 1,474,718.00	
GH.1492.5010.8724 - Street Reconstruction - CHIPS				\$ 0.31		
GH.1492.5010.8725 - Pave NY 2017				\$ 0.03		
GH.1492.5010.8806 - Street Reconstruction					\$ 2,234,418.90	
GH.1492.5010.8807 - Sidewalk Reconstruction					\$ -	
GH.1492.5010.8808 - ADA Compliance					\$ -	
GH.1492.5010.8823 - Settlement					\$ -	
GH.1492.5010.8824 - EWR CHIPS 2017 / 2018					\$ -	
GH.1492.5010.8825 - CHIPS - Street Reconstruction					\$ 0.00	
GH.1492.5010.8826 - PAVE NY					\$ -	
GH.1492.5010.8827 - EWR CHIPS 2018 / 2019					\$ -	
GH.1492.5010.9902 - Sidewalk Reconstruction				\$ 50,000.00	\$ 50,000.00	
GH.1492.5010.9918 - State St.(Multi Modal)	\$ 2,423,508.79	\$ 2,389,384.45	\$ 2,389,384.45	\$ -		
1493 Waste Collection, Recycling, Dsp	\$ 3,828,330.17	\$ 2,474,196.25	\$ 1,697,476.24	\$ 1,838,402.25	\$ 1,364,561.47	
GH.1493.8160.8013 - Pro/EngFee	\$ 15,159.46	\$ 15,159.46	\$ 3,659.46	\$ 6,788.18	\$ 6,788.18	
GH.1493.8160.8014 - Pine Bush Restor.II	\$ 15,097.57	\$ 70,708.90	\$ 78,250.40	\$ 78,250.40	\$ 24,684.02	
GH.1493.8160.8113 - Professional Fees Landfill	\$ 405,359.20	\$ 95,407.90	\$ 692.67	\$ 4,934.07	\$ 4,934.07	
GH.1493.8160.8210 - Landfill Equipment	\$ 88,284.37	\$ 88,284.37	\$ 15,347.37	\$ -		
GH.1493.8160.8211 - Landfill Restoration	\$ 69,241.80	\$ 9,556.86	\$ 7,615.61	\$ 27,065.61	\$ 35,489.36	
GH.1493.8160.8212 - Landfill Expansion	\$ 737,584.77	\$ 737,584.77	\$ 767,584.77	\$ -		
GH.1493.8160.8301 - Vehicles (21)	\$ 369,052.89	\$ 39,149.71	\$ 39,149.71	\$ 39,149.71		
GH.1493.8160.8304 - Landfill Restoration	\$ 1,794,425.50	\$ 1,133,406.76	\$ 160,766.37	\$ 294,466.74	\$ 163,422.83	
GH.1493.8160.8318 - Landfill Gas Field Imp.	\$ 231,475.00	\$ 186,295.21	\$ 85,963.21	\$ 83,712.02	\$ 83,712.02	
GH.1493.8160.8521 - Pinebush Restoration Project				\$ 866,782.05	\$ 533,556.12	
GH.1493.8160.8522 - Engineering			\$ 412,903.00	\$ 397,634.35	\$ 350,004.35	
GH.1493.8160.8804 - Landfill - Leachate Storage Tanks					\$ 160,385.00	
GH.1493.8160.9451 - Storage Tank Removal	\$ 3,607.30	\$ (400.00)		\$ 873.00	\$ 873.00	
GH.1493.8160.9624 - Fuel Tracking System	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ 712.52	\$ 712.52	
GH.1493.8160.9932 - Landfill Expansion-1	\$ 7,510.07	\$ 7,510.07	\$ 7,510.07	\$ -		
GH.1493.8160.9935 - Profess.Fees-SWMP	\$ 11,532.24	\$ 11,532.24	\$ 38,033.60	\$ 38,033.60	\$ -	
1680 Central Data Processing		\$ 1,156,366.00	\$ 36,906.20	\$ (1,936.85)	\$ (42,991.15)	
GH.1680.8565 - Time & Attendance		\$ 236,050.00	\$ 6,040.20			
GH.1680.8570 - Property Tax Billing		\$ 146,416.00	\$ 866.00	\$ (45,556.00)	\$ (45,556.00)	
GH.1680.8575 - ERP-Financial/HR		\$ 773,900.00	\$ 30,000.00	\$ 43,619.15	\$ 2,564.85	

Remaining Budget w/ Encumbrances	As of June 30					YTD
	2014	2015	2016	2017	2018	
3120 Police Department	\$ 5,078,969.79	\$ 4,644,324.14	\$ 5,933,514.01	\$ 2,349,009.31	\$ 2,712,995.46	
GH.3120.3310.8020 - Traffic Signal Replacement	\$ 0.00	\$ -	\$ 4,413.60	\$ 6,790.00	\$ 502,376.02	
GH.3120.3310.8021 - Traffic Aerial Truck	\$ -					
GH.3120.3310.8023 - Washington & Western TSP		\$ (0.03)	\$ 0.47	\$ 148,711.70	\$ 130,711.70	
GH.3120.3310.8024 - New Scotland Signal Proj.	\$ 663,000.00	\$ 243,225.05	\$ 354,115.26	\$ 81,326.11	\$ 81,326.11	
GH.3120.3310.8116 - Traffic Sig.Replacement	\$ 443,945.79	\$ 440,491.50	\$ 23,140.09	\$ 22,744.18	\$ 22,744.18	
GH.3120.3310.8117 - Madison Traffic Study	\$ 40,100.00	\$ 12,100.00	\$ 12,100.00	\$ 10,484.92		
GH.3120.3310.8323 - Western Ave-Traffic Sig.		\$ -		\$ 379.14	\$ 379.14	
GH.3120.3310.8324 - Traffic Signal Replacemnt	\$ 465,000.00	\$ 465,000.00	\$ 118,169.25	\$ 170,342.31	\$ 170,342.31	
GH.3120.3310.8325 - Replacement Vehicle	\$ 88,000.00	\$ -				
GH.3120.3310.8409 - Replacement Vehicles		\$ 21,112.41	\$ 21,312.41	\$ 9,136.41	\$ 21,834.45	
GH.3120.3310.8410 - Traffic Signal Improvement			\$ 780,438.00	\$ 500,088.87	\$ 511,537.24	
GH.3120.3310.8411 - Madison Traffic Safety		\$ 126,000.00	\$ 462,770.67	\$ 10,446.18	\$ 253.85	
GH.3120.3310.8412 - Crowd Control Barriers		\$ 149,346.40	\$ 127,626.25	\$ 127,626.25	\$ 119,866.35	
GH.3120.3310.8413 - ITS Washington & Western		\$ -	\$ 0.00	\$ 8,647.62	\$ 8,647.62	
GH.3120.3310.8414 - ITS System New Scotland		\$ -	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00	
GH.3120.3310.8515 - Roadway Safety Programs (Stripes/Signs)			\$ 247,500.00	\$ 54,130.55	\$ 19,429.97	
GH.3120.3310.8618 - Roadway Safety Program			\$ 247,000.00	\$ 79,186.84	\$ 79,186.84	
GH.3120.3310.8619 - Traffic Safety Replacement Equipment					\$ 100,000.00	
GH.3120.3310.8620 - Madison Avenue Traffic Safety				\$ 307,550.94	\$ (0.00)	
GH.3120.3310.8717 - Madison Avenue Road Diet Phase 2 - TIP					\$ -	
GH.3120.3310.9040 - Computer GPS for Traffic	\$ 55,921.75	\$ 55,921.75	\$ 55,921.75	\$ -		
GH.3120.3310.9041 - ITS Computer Traff.Signal	\$ 2,573,862.27	\$ 2,573,862.27	\$ 2,573,862.27	\$ -		
GH.3120.3310.9442 - Traffic Signal Replacemnt	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	
GH.3120.3310.9732 - Traffic Signal Replacements	\$ -					
GH.3120.3310.9826 - TIP Washington/Western	\$ 113,000.00	\$ -				
GH.3120.3310.9827 - Traffic Signals	\$ -	\$ 3,713.89				
GH.3120.3310.9919 - ITS Signal-School Zone	\$ 84,545.34	\$ 84,545.34	\$ 85,582.05	\$ -		
GH.3120.3310.9920 - Traffic Signal Replacements			\$ 74,804.55	\$ 74,804.55	\$ 74,804.55	
GH.3120.8022 - Police Vehicles/Equipment	\$ -					
GH.3120.8218 - Replacement Vehicles	\$ 1,850.00					
GH.3120.8219 - Special Use Vehicles	\$ -					
GH.3120.8321 - Special Use Vehicles	\$ 27,542.76	\$ -				
GH.3120.8322 - Replacement Vehic/Equip	\$ 473,818.47	\$ 37,450.12	\$ -	\$ -		
GH.3120.8417 - Spec.Use Vehic/Equipment		\$ 59,803.66				
GH.3120.8418 - Replace Veh & Equipment		\$ 323,368.37	\$ 900.00	\$ 900.00	\$ 900.00	
GH.3120.8516 - Police Mobile Radios			\$ 545.20	\$ 545.20	\$ 545.20	
GH.3120.8534 - Vehicles 2015			\$ 186,042.11	\$ (185.00)	\$ 179.00	
GH.3120.8535 - Special Use Vehicles-APD			\$ 8,886.67			
GH.3120.8614 - Replacement Vehicles and Related Equipment				\$ 87,660.89	\$ -	
GH.3120.8615 - Special Use Vehicles - Police				\$ 19,910.74	\$ -	
GH.3120.8616 - Software Replacement				\$ 77,891.00	\$ 33,653.00	
GH.3120.8713 - Building Maintenance Improvements					\$ 84,172.24	
GH.3120.8714 - Armored Car					\$ 42.00	
GH.3120.8715 - IT Infrastructure					\$ 134,926.57	
GH.3120.8716 - Vehicles					\$ 65,247.21	
GH.3120.9651 - Renovate Jail Cells	\$ 48,373.41	\$ 48,373.41	\$ 48,373.41	\$ 49,879.91	\$ 49,879.91	
GH.3120.9824 - Police Vehicles	\$ -					
GH.3120.9840 - Police Car Cameras	\$ -					
GH.3120.9921 - Police Vehicles / Equipment	\$ -					
GH.3120.9922 - Special Use Vehicles / Equipment	\$ -					
3410 Dept of Fire/Bldg Svs	\$ 675,972.07	\$ 70,466.29	\$ 185,061.92	\$ 186,479.99	\$ 1,322,316.37	
GH.3410.8118 - AFD Pumper	\$ 391,835.00	\$ 768.00	\$ 768.00	\$ 768.00		
GH.3410.8214 - Mobile Data Terminals	\$ 44,161.20	\$ 24,502.04	\$ 24,502.04	\$ 24,502.04	\$ 7,795.79	
GH.3410.8216 - Defibrillators	\$ 14,564.87	\$ 14,564.87	\$ 14,564.87	\$ 14,564.87	\$ (0.13)	
GH.3410.8217 - Paramedic Vehicle	\$ 65,000.00	\$ 27,575.50	\$ 27,575.50			
GH.3410.8320 - External Defibrillators	\$ 411.00	\$ 411.00	\$ 411.00	\$ 411.00		
GH.3410.8429 - Replacement Vehicles	\$ 100,000.00	\$ 2,644.88	\$ 2,644.88	\$ 2,644.88	\$ 2,644.88	
GH.3410.8430 - AFD Ladder Truck-used	\$ 60,000.00	\$ -	\$ 193.91	\$ 193.91	\$ 193.91	
GH.3410.8513 - Firefighter Turnout Gear/SCBA			\$ 114,401.72	\$ 75.85	\$ 1,595.90	
GH.3410.8514 - Firehouse Repairs					\$ -	
GH.3410.8621 - Aerial Ladder Truck					\$ 134,323.36	
GH.3410.8622 - Firefighter Turnout Gear / Scuba				\$ 148,452.64	\$ 144,032.95	
GH.3410.8623 - Firehouse Repair Work			\$ -			
GH.3410.8624 - Command Staff Vehicles				\$ (5,133.20)	\$ (8,736.00)	
GH.3410.8625 - Pumping Apparatus					\$ 33,555.36	
GH.3410.8703 - Tow Capable Support Vehicle					\$ 6,910.35	
GH.3410.8704 - Firehouse Repair Work					\$ -	
GH.3410.8816 - Aerial Ladder Truck					\$ 1,000,000.00	
3620 Division of Buildings			\$ 11,549.03	\$ 7,432.37	\$ 7,432.37	
GH.3620.8512 - One Stop Shop Renovations			\$ 11,549.03	\$ 7,432.37	\$ 7,432.37	

		As of June 30				Year To Date
Remaining Budget w/ Encumbrances		2014	2015	2016	2017	2018
6420 Development & Planning		\$ 1,142,617.59	\$ 795,656.80	\$ 1,158,536.44	\$ 736,743.27	\$ 1,655,777.92
GH.6420.8213 - Demo & Bldg Repairs/10yrs		\$ 716,200.00	\$ 716,200.00	\$ 716,200.00	\$ 363,870.00	\$ 45,068.00
GH.6420.8224 - Demo & Bldg Repairs/5 yrs		\$ 113,060.47	\$ 12.46	\$ 12.46		
GH.6420.8225 - Betterments&Improvements		\$ 293,688.12	\$ 0.12	\$ -		
GH.6420.8319 - Computer Software		\$ 19,669.00	\$ 15,544.22	\$ 71,009.92	\$ 21,543.71	\$ -
GH.6420.8427 - Corning Preserve Plan			\$ -	\$ -	\$ 1,563.14	\$ -
GH.6420.8428 - Albany Sustainable Code			\$ 63,900.00	\$ 62,277.16	\$ 58,490.16	\$ 77,233.16
GH.6420.8510 - Corning Preserve Transportation Construction				\$ 309,036.90	\$ 291,276.26	\$ 253,566.76
GH.6420.8511 - ESD - Maiden Lane						\$ 80,277.00
GH.6420.8631 - Streetscape Improvements in Commercial Districts						\$ 941,350.00
GH.6420.8899 - NYS DOH - Lead Service Line Replacement Grant						\$ 258,283.00
7110 Recreation Administration		\$ 1,221,937.96	\$ 631,713.01	\$ 382,348.25	\$ 393,752.94	\$ 673,402.43
GH.7110.8009 - Normanskill Farm Improv.		\$ 74,882.44	\$ 74,082.44	\$ -		
GH.7110.8010 - Washington Park Improvements		\$ 975.00				
GH.7110.8025 - Resur.Tennis&Basketball		\$ 29,991.00	\$ 24,341.00	\$ 24,341.00	\$ 5,936.00	\$ 386.00
GH.7110.8108 - Washington Park Imp.		\$ 150,000.00	\$ -			
GH.7110.8208 - Zero Turn Mowers (2)		\$ 2,145.07	\$ 2,145.07	\$ 2,145.07	\$ 2,145.07	\$ 741.57
GH.7110.8209 - Washington Park Imp.		\$ 100,000.00	\$ -			
GH.7110.8220 - Dump Trk 1Ton&Utility Trk		\$ 90,000.00	\$ 90,000.00	\$ 1,777.00	\$ 1,777.00	
GH.7110.8221 - Resurface Courts		\$ 112,770.00	\$ 112,770.00	\$ 78,845.00	\$ 43,194.75	\$ 203.25
GH.7110.8302 - Parks Replacement Equip.		\$ -	\$ 28.25	\$ 28.25	\$ 28.52	\$ 28.52
GH.7110.8303 - Recreation Lighting Imp.		\$ 172,250.00	\$ 1,500.00			
GH.7110.8306 - Irrigation System		\$ 21,100.00	\$ -			
GH.7110.8307 - Washington Park Imp.		\$ 150,000.00	\$ -			
GH.7110.8309 - Golf Course Replacement Equipment		\$ -				
GH.7110.8311 - Slope Stability Improvemnt		\$ 73,963.89	\$ 20,513.89	\$ 20,513.89	\$ 691.27	\$ 1,358.34
GH.7110.8326 - Gators(2)& Tractors(4)		\$ 2,192.70	\$ 2,192.70	\$ 2,192.70	\$ 2,192.70	
GH.7110.8327 - Replacement Vehicle		\$ 25,000.00	\$ 2,546.83	\$ 2,546.83	\$ 2,546.83	
GH.7110.8328 - Resurface Courts		\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00
GH.7110.8419 - Recreation. Fac. Lighting			\$ 16,914.52	\$ 15,880.20	\$ 2,244.52	\$ 2,244.52
GH.7110.8420 - Golf Course Pump House			\$ -			
GH.7110.8421 - Golf Course Pump Equip.		\$ 1,042.59	\$ 1,042.59	\$ 1,042.59	\$ 1,042.59	
GH.7110.8423 - Parks Replacement Equip.			\$ 101,582.45	\$ 51,232.45	\$ 14,135.68	\$ 13,055.74
GH.7110.8626 - Playground and Spray Pad Equipment					\$ 26,353.35	\$ 15,030.11
GH.7110.8627 - Infrastructure and Building Improvements						\$ 162,700.00
GH.7110.8628 - Vehicles and Field Maintenance Equipment					\$ 43,264.95	\$ 9,216.53
GH.7110.8631 - Streetscape Improvements in Commercial Districts						\$ -
GH.7110.8686 - Arbor Hill Ball Fields					\$ 46,100.00	\$ 46,100.00
GH.7110.8721 - Pick Up Truck & Zamboni						\$ 30,000.00
GH.7110.8722 - Playground Equipment Purchase / Removal						\$ 30.09
GH.7110.8723 - Playground Equipment at Buckingham Park						\$ -
GH.7110.8787 - Skateboard Park					\$ 19,315.00	\$ 17,715.00
GH.7110.8805 - Golf Course Improvements						\$ 128,850.00
GH.7110.8819 - Playground Equipment - Site Work						\$ 104,745.52
GH.7110.9043 - Lincoln Park Bath/Pool		\$ 73,837.80	\$ 40,265.80	\$ 40,015.80	\$ 40,015.80	\$ 40,015.80
GH.7110.9427 - Normanskill Farm Repairs		\$ 16,139.67	\$ 16,139.67	\$ 16,139.67	\$ 16,139.67	\$ -
GH.7110.9638 - NormanskillFarm Improvemnt		\$ 25,647.80	\$ 25,647.80	\$ 25,647.80	\$ 25,647.80	\$ -
GH.7110.9740 - Bleecker Stadium Light Repair					\$ 981.44	\$ 981.44
8020 Division of Planning		\$ 866,172.86	\$ 273,960.00	\$ 508,140.00	\$ 393,481.05	\$ 374,441.05
GH.8020.8282 - Arbor Hill - Project W825		\$ 838,912.86				
GH.8020.8390 - N.Swan Street Park		\$ 27,260.00	\$ 23,960.00	\$ 18,060.00	\$ 18,060.00	
GH.8020.8585 - Quail St.- GIGP			\$ -	\$ -	\$ -	
GH.8020.8590 - Downtown Bike Infrastruct			\$ 250,000.00	\$ 250,000.00	\$ 250,000.00	\$ 250,000.00
GH.8020.8675 - DEC - Tivoli Lake Improvements				\$ 240,080.00	\$ 125,421.05	\$ 124,441.05
Grand Total of ERP		\$ 17,890,701.99	\$15,826,403.21	\$18,252,088.76	\$15,893,968.19	\$16,629,046.94
Plus: Borrowed, but not booked until CY 2018 *		\$ -	\$ 750,000.00	\$ 4,005,000.00	\$ 5,385,000.00	\$ -
Plus: Remaining Borrowed Funds never booked in ERP		\$ 69,413.59	\$ 69,413.59	\$ 69,413.59	\$ 69,413.59	\$10,582,013.59
Less: Grants, TIPS and CHIPS Fund		\$ 8,081,293.97	\$ 8,427,000.95	\$ 9,246,638.93	\$ 5,838,428.72	\$ 3,545,722.92
Grand Total of ALL CITY UNSPENT BORROWING		\$ 9,878,821.61	\$ 8,218,815.85	\$13,079,863.42	\$15,509,953.06	\$23,665,337.61

* Example of Aerial Fire Truck is included here

Key Legend	
	Grants, TIPS, and CHIPS

Breakdown of Remaining Borrowed Funds not booked in ERP

Organization Set Level 1		GH Capital Fund					As of June 30		Year To Date	
Remaining Budget w/ Encumbrances										
		2014	2015	2016	2017	2018				
GH14408520 - normanskill farm imp						\$ 150,000.00	2018 BONDS			
GH14408611 - normanskill farm imp						\$ 150,000.00	2018 BONDS			
GH64208632 - bicycle infrastructure imp-local waterfront revitalization area						\$ 150,000.00	2018 BONDS			
GH14908702 - purchase of equipment						\$ 100,000.00	2018 BONDS			
GH34108705 - firefighter turnout gear						\$ 180,000.00	2018 BONDS			
GH149381608803 - PINEBUSH RESTORATION						\$ 5,000,000.00	2018 BONDS			
GH14408809 - RENOVATIONS TO CITY BLDGS						\$ 1,520,000.00	2018 BONDS			
GH31208811 - VEHICLES						\$ 864,500.00	2018 BANS			
GH312033108813 - ROADWAY SAFETY						\$ 632,000.00	2018 BANS			
GH312033108814 - REPLACEMENT VEHICLES						\$ 330,000.00	2018 BANS			
GH312033108815 - TRAFFIC SAFETY PROGRAM						\$ 200,000.00	2018 BANS			
GH34108817 - PUMPING APPARATUS						\$ 535,000.00	2018 BANS			
GH71108821 - VEHICLES						\$ 35,000.00	2018 BANS			
GH71108822 - SNOW REMOVAL EQUIP						\$ 99,100.00	2018 BANS			
GH14408810 - CITY HALL MASTER PLAN STUDY						\$ 125,000.00	2018 BANS			
GH31208812 - POLICE FACILITY IMP						\$ 292,000.00	2018 BANS			
GH34108818 - FIREHOUSE RENOVATIONS						\$ 150,000.00	2018 BANS			
GH14409719 - bridge insp & imp		\$ (0.14)	\$ (0.14)	\$ (0.14)	\$ (0.14)	\$ (0.14)	2012 Bonds			
GH33109733 - its system wash & western ave		\$ (39.98)	\$ (39.98)	\$ (39.98)	\$ (39.98)	\$ (39.98)	2012 Bonds			
GH14409805 - quackenbush repairs		\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	\$ 0.22	2012 Bonds			
GH14409905 - roof improvements		\$ 1,150.00	\$ 1,150.00	\$ 1,150.00	\$ 1,150.00	\$ 1,150.00	2012 Bonds			
GH81609936 - land acquisition		\$ (180.16)	\$ (180.16)	\$ (180.16)	\$ (180.16)	\$ (180.16)	2012 Bonds			
GH81609931 - land acquisition		\$ (0.28)	\$ (0.28)	\$ (0.28)	\$ (0.28)	\$ (0.28)	2012 Bonds			
GH81608015 - landfill expansion phase 2		\$ 2,104.75	\$ 2,104.75	\$ 2,104.75	\$ 2,104.75	\$ 2,104.75	2012 Bonds			
GH81608016 - landfill final cap project		\$ 12.77	\$ 12.77	\$ 12.77	\$ 12.77	\$ 12.77	2012 Bonds			
GH71109440 - skating rink		\$ 22.01	\$ 22.01	\$ 22.01	\$ 22.01	\$ 22.01	2006 Bonds			
GH14409504 - sidewalk reconst		\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	2006 Bonds			
GH14409552 - asbestos abatement		\$ 7,071.77	\$ 7,071.77	\$ 7,071.77	\$ 7,071.77	\$ 7,071.77	2006 Bonds			
GH71109538 - golf course bldg imp		\$ 1,238.42	\$ 1,238.42	\$ 1,238.42	\$ 1,238.42	\$ 1,238.42	2006 Bonds			
GH14409604 - roof improvements		\$ 11,259.12	\$ 11,259.12	\$ 11,259.12	\$ 11,259.12	\$ 11,259.12	2006 Bonds			
GH14409611 - rep city hall roof leaks		\$ 13,419.01	\$ 13,419.01	\$ 13,419.01	\$ 13,419.01	\$ 13,419.01	2006 Bonds			
GH14409632 - bridge insp & imp		\$ 283.06	\$ 283.06	\$ 283.06	\$ 283.06	\$ 283.06	2006 Bonds			
GH14409633 - cold storage bldg		\$ 3,046.25	\$ 3,046.25	\$ 3,046.25	\$ 3,046.25	\$ 3,046.25	2006 Bonds			
GH71109639 - wash pk imp		\$ 11,379.57	\$ 11,379.57	\$ 11,379.57	\$ 11,379.57	\$ 11,379.57	2006 Bonds			
GH31209363 - replacement of computer equip		\$ 188.29	\$ 188.29	\$ 188.29	\$ 188.29	\$ 188.29	2004 Bond			
GH71109405 - golf course imp		\$ 12,816.64	\$ 12,816.64	\$ 12,816.64	\$ 12,816.64	\$ 12,816.64	2004 Bond			
GH51109406 - street reconst		\$ 159.22	\$ 159.22	\$ 159.22	\$ 159.22	\$ 159.22	2004 Bond			
GH14409430 - city hall master plan		\$ 1,750.00	\$ 1,750.00	\$ 1,750.00	\$ 1,750.00	\$ 1,750.00	2004 Bond			
GH50109335 - all purpose vans (3)		\$ 3,733.00	\$ 3,733.00	\$ 3,733.00	\$ 3,733.00	\$ 3,733.00	2004 Bond			
Plus: Remaining Borrowed Funds never booked in ERP		\$ 69,413.59	\$ 69,413.59	\$ 69,413.59	\$ 69,413.59	\$10,582,013.59				

Appendix V

Treasurer & Administration Response



CITY OF ALBANY
OFFICE OF ADMINISTRATIVE SERVICES
DEPARTMENT OF BUDGET
24 EAGLE STREET
ALBANY, NEW YORK 12207
TELEPHONE (518) 434-5078

KATHY M. SHEEHAN
MAYOR

MICHAEL WHEELER
BUDGET DIRECTOR

MEMORANDUM

TO: Susan Rizzo, Chief City Auditor

FROM: Michael Wheeler, Budget Director
Darius Shahinfar, Treasurer

DATE: December 18, 2018

RE: Investment Audit Response

Both the Administration and the Treasurer's Office agree with the fundamental points raised in the Audit. First, the investment of City funds should be maximized to earn interest pursuant to State and Federal restrictions and sound cash management. Second, the City must monitor borrowed funds and borrowing requests to ensure that the monies are spent as timely as possible. And third, monies should not be borrowed unless and until they are reasonably expected to be expended in the subsequent 12 months, unless there are other factors to consider. However, we disagree with some of the specific conclusions reached based on actual or hypothetical circumstances in the examples given because we disagree with some of the assumptions, and there are numerous other circumstances and facts that must be taken into consideration in order to reach those particular conclusions. Because those disagreements are not material to the response to this audit, there is no need to detail those here. The responses to the specific recommendations are as follows:

#1 While correlation of the ECR with the 90-day T-bill may not be reasonable or practicable for governmental entities in the banking marketplace, we agree that an analysis should be done on a regular basis and the City has done so.

#2 Treasury agrees that an RFP for banking services should be done as soon as practicable, and has planned, and continues to plan to issue one in 2019, as staffing comes back to full strength.

#3 The City has always coordinated borrowing between Treasury and the Departments on an annual basis within 6-8 weeks of the borrowing cycle (currently at the end of June), in order to minimize unnecessary borrowing. It has already implemented project timelines for the 2019 borrowing and is using them to gauge the need for borrowing year to year going forward. Creating the timelines at the time of budgeting is helpful, but not determinative, during the time of budget presentation, as circumstances may change by the time of the actual borrowing and flexibility in doing so is still required.

#4 The City routinely has reviewed unspent balances and Treasury has always coordinated with the Departments to "sweep" unused funds and to reduce indebtedness. This Audit has been helpful in conveying the import of this process to City finances, and therefore City Departments, so that monies do not linger in accounts longer than necessary.

#5 It is the understanding of both Treasury and the Administration that the Council decided several years ago to break up and break out the bond ordinances individually for consideration. We agree that fewer bond ordinances would be more efficient on several different levels, but we have no opinion on whether this step should be taken by the Council.

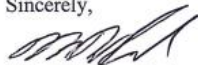
#6 GH Accounts are not added to the G/L until we receive the first requisition. This is a control feature that is used to try and prevent a department from issuing a PO that does not agree with the Ordinance passed by the Common Council. Most of the TIP and CHIP capital accounts include these acronyms, and future projects will be sure to contain these designations.

#7 The City agrees that steps should be taken to change the City's current, June-June borrowing cycle, and is currently trying to change that cycle to March-March. After a review of the basis for our current June-June calendar, this cycle seems to have been based on market timing 10-15 years ago, and has been effectively locked into place because of the desire to continue year-to-year use of BAN vehicles for borrowing.

After discussion with City Departments, a March-March cycle (or earlier) is much more preferable to them and will enable better operations and efficient use of their capital funds. Once all approved borrowing is bonded this year (as opposed to BANned), the City will be free to set its own timeline. The City also agrees that rising interest rates will require an in-depth review of interest rates, the possibility of rate increases, and the timelines and practices for capital spending in order to most efficiently manage capital funds and investments.

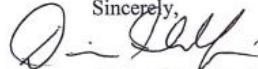
Thank you for the opportunity to respond, and for taking the time to review City operations in this regard.

Sincerely,



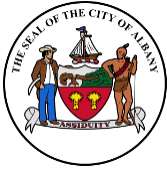
Mike Wheeler, Budget Director

Sincerely,



Darius Shahinfar, Treasurer

Cc: Kathy M. Sheehan, Mayor



CITY OF ALBANY
Office of Audit and Control

24 Eagle Street
Albany, NY 12207
518-434-5023
518-434-5098 (FAX)

Auditor's Response

The OAC would like to thank the Treasurer and the Budget Director for their response to the Investment Audit. The OAC reviewed the November 2018 Key Bank Statement and discovered the ECR was 90 BPS, and would like to clarify that the Treasurer did not negotiate an 105 BPS ECR as originally understood. Also, the response to recommendation #4 indicates the City routinely has reviewed unspent balances and the Treasurer has always coordinated with the Departments to “sweep” unused funds and to “reduce indebtedness.” To clarify, indebtedness is not reduced. Instead, swept unused funds are used to pay debt service without reducing overall indebtedness. In other words, debt cannot be paid down unless the Treasurer negotiates a call option. If funds are borrowed and unused, then the money can be transferred to debt reserve to use for scheduled interest and principal payments. Interest continues to incur on these bonds until maturity.

Due to the federal funds interest rate increase in December 2018, the OAC will continue to monitor the ECR in hopes that the City successfully negotiates an increase so more funds are available to maximize on investing unspent borrowed funds.