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Response to the PFM Report on Albany's Financial Options

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As instructed by the State, PFM wrote a report that looks for ways to reduce Albany's "dependence on state aid." As a result the report does not recognize that the current level of State aid should be considered as payment for municipal services or a PILOT. Albany's 2017 revenues from state government are comparable to the level received a decade ago, which was considered a PILOT payment for the huge amount of un-taxed State property in the City.

Of significant concern is that the PFM Report calls the negative fiscal impact of the landfill closure a "contingency" and does not include it in the final calculations. This is a misclassification. The landfill will close and DGS has estimated the negative impact to be \$5 million annually starting in 2023. This is part of the reason the report's focus on reducing State revenue is so misplaced. The fiscally prudent path is for the City to prepare for the landfill's closure.

All savings and new revenues over the next five years should be used to rebuild the City's fund balance and create space in the budget to allow Albany to absorb the landfill closure without additional State revenue or dramatic reductions in City services. As a result it is not only fair that payments from the State be maintained at their current level, it is critical.

The PFM report makes some viable recommendations, some recommendations that would require extensive cooperation from third parties, and some recommendations that are misinformed. Viable suggestions include centralizing administrative staff, payroll, and purchasing, and sharing services. Other suggestions such as changing the firefighter's schedule and dramatically reducing street lighting costs lacked detail, were unrealistic and/or left us confused.

Since there was little information provided as to how most calculations were made, it is difficult to determine whether or not savings projections are accurate. The end of the report contains a monetary tally of the impact of all recommendations. OAC has reviewed the PFM table and attached our own to this memo identifying how realistic we view each savings or revenue item to be.

Efficiency/Mayor/Budget/Central:

Suggestions to centralize functions such as payroll, purchasing, Human Resources, and better coordination of fleet management all hold the possibility of improved operations. The suggestion to eliminate payroll positions and centralize remaining payroll clerks in HR for assistance to all departments would likely decrease costs. The suggestions to create a risk management taskforce and appoint a safety officer in order to lower workers compensation costs also hold potential. While there are many good suggestions, it is difficult to determine whether or not the projected savings are accurate since there is no backup of the calculations. Additionally, there are issues with some of the suggestions as explained below.

Create an Annual Vacancy Allowance in the Budget

This recommendation makes sense, as it would more accurately represent the City's actual expenditures in the budget. While this may reduce the total budgeted expenses, it would not change the actual amount spent and does not represent savings.

Streetlight and Energy Savings

The report includes multiple proposals aiming to save money on the City' streetlights and energy costs. While this is a worthy cause, and an issue that the City has already been exploring, there are many inaccuracies in the suggestions made.

The calculated benefits from the purchase of streetlights assume that the City will be successful in securing grant assistance to reduce the purchase price. There is no guarantee of receiving these grants and the report makes no mention of any specific grants that the City could receive.

The overall savings identified by PFM for purchasing the street lights seem very optimistic. Some of the factors that may have been overlooked are the cost of the new lights, installation costs, and the amortized life of the equipment (which sets the length of the financing.) This is in fact something that should be categorized as a contingency since the City is only now finding out how much National Grid is asking for the infrastructure and negotiations will follow.

The report includes a suggestion for the City to add solar power systems. Potential annual savings are listed at \$500,000 for 2020. The report states, "Additional analysis is needed on how to fund the projects at the front end." While this initiative may result in cost savings, the savings will likely be less than the stated amount after upfront costs are factored in.

Shared Services:

Sharing services between the City of Albany and other local governments is worth pursuing. Most of the recommendations have the potential to cut expenses for the City. It is worth recognizing that while most of these proposals are possible; they require agreement between different local governments. This means agreement between officials with different agendas, representing

different constituencies. However, the Governor's plan for county executives to work with mayors and town supervisors on shared services plans provides a good opportunity to implement some of these suggestions.

Consider County Assumption of V&T Prosecutions

County assumption of vehicle and traffic prosecutions could result in a decrease of revenue. The County prosecutors would not necessarily have the same motivation to maximize revenue for the City in the process.

Department of General Services:

The suggestions made for the Department of General Services are worth exploring.

Convert to Automated Collection of Solid Waste & Recycling

The report states that, "Some portion of this possible savings [savings from converting to automated waste and recycling collection] would be offset by the amortized cost of new equipment." However, this cost of equipment does not appear to have been calculated or estimated and was not factored into the calculations in the initiatives impact table. The projected \$403,527 savings would be less once the cost of new equipment is added in.

Police

Some of the suggestions made for the Police Department would save significant money. Suggestions such as reducing court overtime and reducing police headcount would likely significantly reduce costs. However, there are some issues which are explained below.

Reduce Court Overtime

Court overtime is a major driver of the Police Department's overtime costs and reducing it is an important goal. However, coordinating schedules with the busy courts and a busy District Attorney's office may prove challenging. That being said, we do encourage the Police Department to make an effort to establish more coordination on this issue.

Reduce Police Headcount to Level of Comparable State Capitals

The report says that Albany has a high number of police officers compared to the resident population. That rate of 3.4 officers per 1,000 residents is high both nationally and regionally. However, when compared to the daytime population, Albany has fewer officers per capita than other Upstate cities and slightly more than the average of similar state capitals.

The report recommends reducing the police force by 15 officers (a 4% reduction) to put the city in line with the median daytime officers per 1,000 of other similar capital cities (2.0 per 1,000). It is possible that the City could save money here without having a large impact on services. It is within

the Mayor's authority to delay hiring in order to test this idea without formalizing it in the budget. This would allow the administration to quickly reverse course if there becomes more of an impact on services than expected. Police hiring was delayed during the 2011 financial crisis, so if the administration chose this path it could examine the lessons from that period to inform their actions.

Review Police Civilian Levels

It makes sense to review police civilian levels, especially when it relates to the broader recommendation to centralize city functions such as payroll, grant writing, and accounting. However, the suggestion to reduce the number of crossing guards may not make sense. Crossing guards are paid low wages, work part time, and are not a significant cost to the city.

Fire Department (Disclosure: the City Auditor's wife is a Firefighter)

Many of the suggestions for the Fire Department make sense, but some suggestions do not, including the suggestion to revise the shift schedule. Working with the firefighter's union to achieve planned overtime savings, continuing to apply for grant funding, and seeking to address the firefighter code stipend are all worth pursuing.

Consider a Revised Shift Schedule

The suggestion to revise the firefighter shift schedule does not make sense. Both the current and the recommended schedule have firefighters working two shifts every eight days for the same total number of hours. The only way the schedule revision would reduce expenses is if, like Baltimore and Houston, an impact day was added to the schedule (an impact day is an additional day of work every 32 days). The report fails mention the impact day. Another concern is that Baltimore has a separate EMS service while the vast majority of AFD's calls are EMS calls, which makes it likely that Albany's fire companies are busier than Baltimore's.

To implement the recommendation, the City would need to negotiate a new contract with the firefighter's union. To do this with a 10.5% raise would require the firefighters to agree to work one day of overtime each month for less than their current straight time hourly rate. It is unlikely the union would agree to this. (The report says that the Baltimore and the firefighter's union agreed on a 10.5% pay raise. The actual increase was 14.5%, which is slightly more than being paid straight time for the overtime.)

Given Albany's EMS service, the impact day would be especially physically taxing on the firefighters and may also decrease the quality of service.

It is also not clear if NYS law allows firefighters to work over 40 hours a week without receiving overtime pay. Overall, this suggestion is filled with misinformation, would be difficult to implement, could decrease the quality of service and would likely not lead to the savings stated in the report.

Civilianizing Firefighter Code Functions

The report suggests eliminating the stipend that firefighters receive to conduct code functions and the related functions “if there is one.” With the exception of inspecting vacant buildings, code enforcement activities have been moved from the Fire Department to the Department of Buildings and Regulatory Compliance. While it would benefit the City financially to remove this stipend, it would be difficult to do since the stipend has to be negotiated with the union.

Operating or Capital Support for Disproportionate City Mutual Aid

The Fire Department should explore this option, but because the aid is in fact “mutual” and needed, it may be difficult to get compensation for the unequal amount of mutual aid that the Albany Fire Department provides. Getting capital assistance for new, specialized equipment is more likely to bear fruit.

Workforce/HR

The suggestions made for workforce and HR make sense. However, it is important to note that like most other savings projections in the report, there is no backup material to verify whether or not the projections are accurate.

Other

There many other cost cutting suggestions made. Some of the suggestions made related to the golf operations, further consolidating IT and GIS functions, outsourcing payroll, third party code inspectors, and period fee review are all worth exploring. Additionally, the installation of code enforcement software has been completed.

Reduce City Portion of Special Events Funding

The events that the City holds are encourage people to live, work, and spend in Albany. Many local, property tax-paying businesses depend on the traffic generated by special events. Any efforts in this area should take care not to reduce the public’s participation in these events and future plans should look to maximize traffic to local businesses.

Adopt a Purchasing Card Program

The goal of reducing the use of blanket purchase orders is very important and expanding the use of purchasing cards is one good method. Albany currently has a limited purchasing card program run by the Treasurer’s office. Stronger controls are needed if the City were to increase the use of purchase cards. Those controls would require the program to move to an office that reports to the Mayor such as Purchasing or Budget. This is so that better discipline and active monitoring can occur.

Outsource Payroll

City payroll is very complex. Outsourcing would be expensive and any savings are unknown. True savings in payroll would come from negotiating a simplified, bi-weekly payroll system with the unions. Then outsourcing might be viable.

Third Party Code Inspectors

While third party code inspectors would help solve the issue of retaining trained inspectors, increasing the current salaries would also solve this issue. The City of Albany currently pays code inspectors less than neighboring cities such as Schenectady and Troy. Hiring third party code inspectors would result in the City giving up some control over the inspections and may make it more difficult to ensure that inspections are being done properly.

Periodic Fee Review

As a matter of policy, all city fees should be reviewed on a periodic basis.

Revenues

The report includes many suggestions to increase revenue for the City. Some suggestions make sense and are worth looking further into, while some suggestions have issues and would likely not increase the revenue that is predicted in the report. Suggestions such as continuing existing PILOTs and seeking new PILOTs, conducting a non-profit eligibility audit, surveying non-profit properties for taxable for-profit activities, conducting gross receipt tax audits, charging street fees, and changing the waste collection fee/moving to “pay as you throw” are all worthwhile. It should be noted that the Assessor’s Office does work on surveying non-profit properties for tax-exempt eligibility and taxable activities. The City should evaluate those efforts and determine whether more resources or a third party review would pay dividends.

Below is a more detailed analysis of some of the suggestions.

Increasing Revenue from Non-profits

The first three revenue related recommendations are related to increasing the revenue from the many non-profits in the City. Continuing existing PILOTs and seeking new PILOTs, conducting a non-profit eligibility audit, taxing for-profit activities of non-profit entities are all worth pursuing. It is, however, very difficult to significantly increase revenue in this area. Non-profits are not legally obligated to pay any property taxes, so it is difficult to convince non-profits to make PILOTs.

While the Assessor’s Office is tasked with evaluating non-profit eligibility and taxing the for-profit activities at tax exempt properties, a third-party evaluation might both identify revenue and help the Assessor improve these activities.

Maximize Market-Based Revenue Opportunities

Some corporate sponsorships may be viable, such as the potential partnership with the Department of Recreation that was mentioned. Albany would need to ensure that the sponsorships are appropriate and respect its history. The amount of money that could be generated is very difficult to determine.

Water PILOT

This recommendation is worth considering. The Water Board charges tax exempt properties the same as tax-paying properties. They also charge a volume premium in which the large users pay more per gallon than small users. This means that the large tax exempt entities in the City pay more for water than households. This is one area where Albany has an advantage. However, the city does have an expensive Combined Sewer Overflow abatement project underway as well as other major infrastructure challenges. Any significant PILOT would result in higher water rates, which would fall disproportionately on the City's large water users.

Street Fees

This recommendation is worth exploring since it would charge the large tax exempt properties as well as tax-paying properties. There are some challenges: If it is based on street frontage, it would be less effective because many of the tax exempt buildings are tall with relatively small street frontages. It would also result in corner houses paying significantly more than their neighbors. Finally, these fees would not be deductible from income taxes.

Support Development of Downtown and Harriman Properties

While this would increase revenue, these are state owned properties and only the State can put these properties out for development.

Regularly Increase Property Taxes to Permitted Levels

The City of Albany is already known to have a high tax burden, especially when compared to neighboring communities. It is important to note that urban services cost money, especially with the weather in the Northeast.

Over time, keeping taxes flat is a tax cut due to inflation. A laudable goal may be to keep tax levy increases below the previous year's CPI-U rate of inflation so as not to increase the inflation adjusted rate of taxation.

PFM Expenditure Initiatives

Expenditure Initiatives	2017	2020	Recommendation	Obstacles/Other Information
Create Vacancy Allowance	1,709,738	1,150,448	No Financial Impact	Good Recommendation, would not decrease expenses
Reduce Payroll Clerks	248,008	494,736	Potentially viable	
Create Management & Productivity Capacity	0	0	Potentially viable	
Capital Budgeting	0	0	Should be done	
Create Risk Management Task Force	1,032,915	1,579,753	Should be done	
Enforce Position Control	0	0	Potentially viable	
Enhance Budget Control	0	0	Potentially viable	
Enforce Centralized Purchasing	35,559	37,847	Should be done	
Coordinate Fleet Management	146,280	241,139	Potentially viable	
Replace Roadway Streetlights with LEDs	77,964	311,864	Confusing/lacking detail	
More Competitive Streetlight Energy Costs	24,232	24,232	Potentially viable	
Alternative Streetlight Option	0	2,750,000	Confusing/lacking detail	Viable strategy option but would be difficult to negotiate and decrease in expenses may be lower than expected if City does not receive grants.
Additional Energy Savings	100,000	500,000	Potentially viable	Expenditure savings did not factor in upfront costs
Transfer Public Records to County	170,356	179,060	Potentially viable	Requires negotiation with county
Add Additional Governments to the ERP	50,000	50,000	Confusing/lacking detail	
Transfer 911/Dispatch to the County	515,513	515,513	Potentially viable	Requires negotiation with county and union
Make Animal Control County-Wide	0	0	Potentially viable	Requires negotiation with county
Countywide V&T Prosecutions	0	0	Potentially viable	Could lead to decrease in revenue and requires negotiation with county
Improve Solid Waste & Recycling Collection Routes	17,500	17,500	Potentially viable	No information provided for savings
Automated Solid Waste & Recycling Collection	403,527	403,527	Should be done	Cost of equipment not included in calculation
Direct C&D Waste Elsewhere; Raise Disposal Rates	0	0	Undetermined	May not lengthen life of landfill long enough to make the loss of revenue worth while
Create Solid Waste Master Plan	0	0	Should be done	
Enhance Asset/Inventory Management	0	0	Potentially viable	
Building Evaluation and Disposal	0	0	Should be done	
Reduce Court Overtime	305,000	305,000	Undetermined	Would require extensive, ongoing cooperation and coordination from both the DA's office and the courts.
Bring Police Training In-House	150,000	150,000	Already done	
Reduce Police Headcount	1,543,275	1,596,240	Potentially viable	

PFM Expenditure Initiatives (Continued)

Expenditure Initiatives (Continued)	2017	2020	Recommendation	Obstacles/Other Information
Review Police Civilian Levels	0	0	Potentially viable	
Revise Fire Shift Schedule	1,200,000	1,200,000	Confusing/lacking detail	Requires negotiation with union and the proposal would reduce the hourly rate of pay.
Achieve Planned Overtime Savings	0	0	Should be done	
Continue Grant Funding Efforts	0	1,900,000	Should be done	This would continue current revenue. This should not be considered a positive change in future budgets
Analyze Emergency Transportation Alternatives	0	0	Potentially viable	May require negotiation with union
Civilianize Code Functions	0	0	Already done	Removing stipend requires negotiation with union
Contributions for Mutual Aid	0	25,000	Potentially viable	Requires negotiation with neighboring communities
Conduct a Benefit Audit	250,000	250,000	Should be done	Recommendation should be followed, results are unknown.
Establish a Gainsharing Committee	250,000	250,000	Should be done	Recommendation should be followed, results are unknown.
Increase Payroll Efficiency	0	75,514	Potentially viable	
Reduce City Special Events Funding	428,000	428,000	Confusing but potentially viable	Requires negotiation with private organizations. If not done well, could reduce the viability of local, tax paying businesses.
Review Golf Operations	0	0	viable	
Adopt a Purchasing Card	20,000	40,000	Potentially viable	
Further Consolidate IT Operations; Use IT for Efficiency Improvements	0	0	Potentially viable	
Outsource Payroll	50,000	50,000	Likely not viable	City payroll is very complex. Outsourcing would be expensive. Savings unknown. True savings in payroll would come from negotiating a simplified payroll system with the unions. Then outsourcing might be viable.
Complete Installation of Code Enforcement Software	0	0	Already done	
Third Party Code Inspectors	0	0	Potentially viable	This is a questionable strategy
Periodic Fee Review	0	100,000	Should be done	
PFM Subtotal Expenditures (Streetlight Alternative in 2020)	\$8,727,867	\$14,289,277		

Revenue Initiatives

Revenue Initiatives	2017	2020	Recommendation	Obstacles/Other Information
Continue/Expand PILOTs	500,000	1,000,000	Potentially viable	Requires cooperation with nonprofit organizations
Non-Profit Eligibility Audit	0	0	Should/is being done	This evaluation is done by Assessment but City should explore a third party audit
For-Profit Activities of Non-Profits	0	0	Should/is being done	This evaluation is done by Assessment but City should explore a third party survey & legal evaluation of the SUNY Poly property
Gross Receipts Tax Audit	0	0	Should be done/underway	
Maximize Market-Based Revenues	100,000	500,000	Unknown viability	Requires negotiation with private corporations
Water PILOT	314,562	629,124	Potentially viable	Would result in increase in water rates given the Combined Sewer Overflow projects and other needed work
Street Fees	0	888,303	Potentially viable	Should try to find a way to ensure full participation of multi-story tax exempt properties.
Pay As You Throw	1,350,000	1,350,000	Potentially viable	
Development of Harriman and Downtown Properties	0	0	Potentially viable	Requires action by the state
Increase Property Taxes to Permitted Levels	1,127,110	2,929,568	Potentially viable	The City can do this, but the impact on the City's marketability has to be considered.
PFM Subtotal Revenue	\$3,391,672	\$7,296,995		

PFM Total Initiative Impact

	2017	2020		
Expenditure Initiatives	8,727,867	14,289,277		
Revenue Initiatives	3,391,672	7,296,995		
Grand Total (Streetlight Alternative in 2020)	\$12,119,539	\$21,586,272		

Total Initiative Impact - OAC Analysis

	2017	2020	
Within the power of the City although the identified benefits may not be accurate.	6,177,379	10,007,332	
Would require cooperation of other organizations or the calculations are insufficient	2,854,458	4,502,724	
Unrealistic, unsupported, or not a net benefit	3,037,702	7,362,312	