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## OFFICE OF THE ALBANY CITY TREASURER

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**DATE:** July 28, 2020

**TO:** Hon. Kathy M. Sheehan  
Members of the Common Council

**FROM:** Hon. Darius Shahinfar

**CC:** Rachel McEneny, Mike Wheeler

**RE:** 2nd quarter 2020 Performance

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The following is a summary of the unaudited results for the 2nd Quarter 2020. **Overall, fiscal performance was stable and within budgetary expectations for 2020. However, the City has begun to feel the first financial effects of the pandemic as sales tax revenue was greatly affected by the 2d Quarter shut sown. Thus far, the drop in sales tax revenue is being offset with under-budget overall personnel costs, in spite of the continuing over-budget OT expenditures.**

Revenue in the second quarter of 2020 totaled \$111.9 million which was a decrease of 5.0% or almost \$5.4M from last year at this time. This year-to-year decrease is primarily due to the timing of the WCF bills, and the shelter-in-place and the shutdown of many businesses and local governments by the State due do the pandemic, leaving the City with reduced revenue from sales tax as well as many other smaller items like parking tickets and construction-related permits. Expenses totaled almost \$90.2M which was an increase of 3.5% or \$3.0M compared to 2019, primarily due to the timing of budgeted debt service payments.

## REVENUE (Thousands)

	JUNE	JUNE		%	JUNE	Annual		%
REVENUE	YTD 20	YTD 19	Variance		YTD 20	Budget	Variance	Budget
PROPERTY TAX	58,856	58,516	340	1%	58,856	58,550	306	101%
SALES/USE TAX	15,906	17,905	(1,999)	-11%	15,906	36,546	(20,640)	44%
PILOTS/19-a	11,549	11,899	(350)	-3%	11,549	20,004	(8,455)	58%
OTHER LOCAL SOURCES	948	898	50	6%	948	3,133	(2,185)	30%
LANDFILL	2,865	3,926	(1,061)	-27%	2,865	6,170	(3,305)	46%
OTHER DEPARTMENTS	1,148	4,211	(3,063)	-73%	1,148	6,442	(5,294)	18%
INTER GOVERNMENT	162	414	(252)	-61%	162	694	(532)	23%
FINES	2,174	2,553	(379)	-15%	2,174	5,475	(3,301)	40%
LICENSES AND PERMITS	2,645	1,946	699	36%	2,645	4,107	(1,462)	64%
STATE AID	12,155	12,360	(205)	-2%	12,155	30,253	(18,098)	40%
SALE P/COMP/LOSS	71	1,019	(948)	-93%	71	356	(285)	20%
MISCELLANEOUS	3,334	1,584	1,750	110%	3,334	9,175	(5,841)	36%
OTHER	59	31	28	90%	59	2,237	(2,178)	3%
<b>TOTAL REVENUE</b>	<b>111,872</b>	<b>117,262</b>	<b>(5,390)</b>	<b>-5%</b>	<b>111,872</b>	<b>183,142</b>	<b>(71,270)</b>	<b>61%</b>

The chart above summarizes the City's sources of revenue through June 30, 2020.

1. **Property Tax revenue** increased by \$306K from last year and is over budget at the end of the first quarter as a result of paying a small number of assessment reductions by the end of the quarter.
2. **Sales Tax revenue** in the second quarter was lower than last year by almost \$2.0M and under budget at 44% for 2020. The governor's stay-at-home directive began in the middle of March and as a result, sales tax revenues decreased by 11% compared to 2019. While it is safe to assume at this point that sales tax will rebound to a certain extent in the 3<sup>rd</sup> and 4<sup>th</sup> Quarters (assuming our region is not shut down again), it is also safe to assume that it will end up under budget for the year.
3. **PILOTS/19-a revenue** was lower than the same period last year. Most of the year-to-year decrease is the result of the timing of billings from last year and this year.
4. **Other Local sources revenue** increased slightly from the second quarter of 2019. The increase is related to an increase in utilities gross receipts tax compared to last year at this time.
5. **Landfill revenue** decreased 27% compared to the same period last year. Coupon sales decreased by \$511K, tipping fees were down \$318K and sale of methane gas was down \$160K. Landfill revenue is slightly below budget for the year at 46%, but is expected to be on budget for the year.

6. **Other Departmental revenue** was 73% (\$3.0M) lower than last year at this time. Most of the difference (\$2.1M) is a timing issue, as the WCFs were billed in the 3<sup>rd</sup> quarter this year as compared to the 2<sup>nd</sup> quarter last year. APD Event Security revenue decreased by almost \$269K and golf course revenues were down \$346K from last year at this time.
7. **Fines and Forfeitures revenue** decreased by 15% (\$379K) from last year. The decrease is due to fewer traffic court fines and parking violation fines which is related to less traffic, significantly reduced parking ticketing and people working from home because of the pandemic.
8. **Licenses and Permits revenue** increased 36% (\$699K) compared to the same period last year. Stabilization and demolition fees increased by \$567K (which are budget neutral) and street openings revenue increased by \$326K. Safety inspection permits saw a decrease of \$91K and plumbing permits decreased by \$31K. Most of the various permit fees had decreases for the year.
9. **State aid** – decreased 2% (\$205K) by the end of the second quarter. Most of this revenue is derived from state grants and various state payments. The timing of these payments varies from year to year.
10. **Sale of property** – decreased 93% (\$948K) compared to 2019. However, the decrease is the result of selling the Coeymans land last year.
11. **Miscellaneous revenue** increased 110% (\$1.7M) compared to the same time last year. This category is made up of refund of prior year expenses, special events revenue and reimbursements from ACDA. Refund of prior year expenses are made up of fees and charges from last year that are included on the property tax bills. Almost \$1.7M in demolition charges were rolled onto the 2020 property tax bills. These charges can vary from year to year and adjustments for these charges can vary.
12. **Other revenue** increased by \$28K compared to the same period last year. Most of this revenue is derived from federal government grants (which are budget neutral) and the timing of these payments varies from one year to the next.

## DISBURSEMENTS

Category/Account	JUNE YTD 20	JUNE YTD 19	Variance	%	Annual Budget	Variance	% Budget
Personal Benefits	36,993,767	38,091,000	(1,097,233)	-2.9%	78,652,413	(41,658,646)	47%
Fringe Benefits	17,150,166	17,119,966	30,200	0.2%	36,216,992	(19,066,826)	47%
Retirement including est.	6,937,631	6,768,601	169,030	2.5%	14,409,685	(7,472,054)	48%
Total Benefits	24,087,797	23,888,567	199,230	0.8%	50,626,677	(26,538,880)	48%
Non-Personal Service	29,158,965	25,240,039	3,918,926	15.5%	53,862,925	(24,703,960)	54%
Total	90,240,529	87,219,607	3,020,923	3.5%	183,142,015	(92,901,486)	49%
Number of weeks in period	26	26	0		52		50%

**Total disbursements increased by \$3.0M or 3.5% compared to the same period last year. However, spending overall is well within 2020 budgetary expectations.** Spending was slightly up in Fringe Benefits and Non-Personal Services compared to 2019, but down in Personal Benefits. **The good news to this point is that Personnel and Fringe benefits are both below budget for the year, and are essentially offsetting the loss in 2Q sales tax revenue.** Should this continue, it will help make up for revenue losses elsewhere in the budget over 3Q and 4Q.

- 1. Salary expense decreased by 2.9%** compared to the 2019. Most department's salary expenses are lower from last year at this time. This category includes overtime which decreased by 6% or almost \$253K from last year, though it does remain over-budget for 2020. Overall, salaries are under budget for 2020 at 47%.
- 2. Benefits Expenses increased by 0.8%** from the second quarter of 2019 but was below the 2020 budget at 48%. Most of the increase in this category was related to increases in workers' compensation expenses which increased (\$275K) and retirement expenses from NYS which increased (\$101K). Retiree and employee health insurance decreased (\$155K).
- 3. Non-Personal Service spending increased by 15.5% or \$3.9M from 2019.** This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. Most of the increase in this category is related to making the first debt service payments for the street light project (\$2.8M) which is offset by a large

decrease (\$1.8M) in utilities expenses to date. The paydown and interest expense on the bond anticipation notes totaled (\$3.0M). Stabilizations and demolitions expense increased (\$264K) from the 2019. Additionally, the City incurred about \$275K in reimbursable COVID-19 expenses for PPE. Barring unexpected large increases in non-personnel costs, these expenditures should be within budgetary expectations by the end of 2020.

4. **Encumbrances (funds reserved for purchases) increased by almost \$1.2M** compared to the same period last year. Encumbrances total slightly more than \$6.3M at the end of the second quarter.

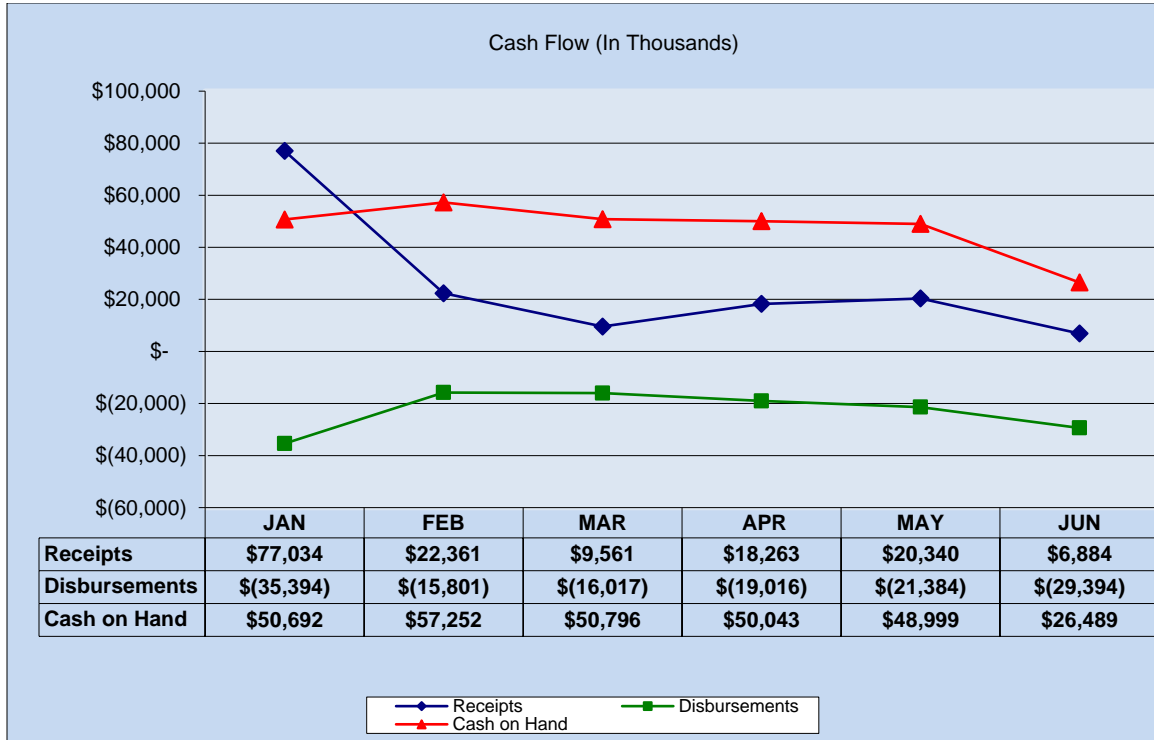
## OVERTIME

Department	2020	2019	Change	%	2020	Budget	% of Budget
Police (non-reimbursable)	2,458,253	2,538,343	(80,090)	-3%	2,458,253	4,195,000	59%
Fire	567,054	631,807	(64,753)	-10%	567,054	475,000	119%
Communications	220,899	236,675	(15,776)	-7%	220,899	225,000	98%
Parks Maintenance	78,314	122,284	(43,970)	-36%	78,314	185,000	42%
Waste Collection	188,923	168,846	20,077	12%	188,923	225,000	84%
Landfill	80,478	77,868	2,610	3%	80,478	150,000	54%
Central Maint.	31,143	23,654	7,489	32%	31,143	70,000	44%
Street Maintenance	115,673	206,616	(90,943)	-44%	115,673	290,000	40%
Recreation	0	4,956	(4,956)	-100%	0	1,000	0%
Traffic Engineering	18,122	21,534	(3,412)	-16%	18,122	40,000	45%
Capital Hills	6,100	12,716	(6,616)	-52%	6,100	26,000	23%
Fleet Maintenance	22,640	19,038	3,602	19%	22,640	25,000	91%
Bleeker / Facility Operations	113	125	(12)	-10%	113	14,000	1%
Buildings	91,796	61,205	30,591	50%	91,796	128,800	71%
DGS Administration	0	2,747	(2,747)	-100%	0	2,500	0%
Control of Animals	7,755	6,259	1,496	24%	7,755	12,000	65%
Cultural Affairs	29	4,216	(4,187)	-99%	29	12,000	0%
<b>General Fund</b>	<b>3,887,292</b>	<b>4,138,889</b>	<b>(251,597)</b>	<b>-6%</b>	<b>3,887,292</b>	<b>6,076,300</b>	<b>64%</b>
Police (reimbursable)	402,610	655,191	(252,581)	-39%	402,610	1,202,997	33%
Fire (reimbursable)	0	0	0	0%	0	110,000	0%
Traffic Eng. (reimbursable)	0	0	0	0%	0	0	100%
Water	218,800	246,325	(27,525)	-11%	218,800	527,109	42%
<b>Totals</b>	<b>4,508,702</b>	<b>5,040,405</b>	<b>(531,703)</b>	<b>-11%</b>	<b>4,508,702</b>	<b>7,916,406</b>	<b>57%</b>

**General Fund overtime was over budget (64%) at the end of the second quarter.** Excluding the Water Department (for which the City is reimbursed) and reimbursable Police overtime, overtime expense was over budget at the end of the quarter although it was 6% (\$253K) lower than the same period last year. OT is consistently the largest over-budget expense. That being said, over-budget OT expenditures are offset by under-budget regular salary expenditures resulting from open positions, as they frequently are.

The Street Maintenance Department had the biggest decrease in overtime payments which were down by almost \$91K. The majority of departments have lower overtime expenses this year than last year, even when over budget.

## CASH



**The City's cash position was 9% higher than forecasted and \$2.4M higher than the same period last year.** Most of the increase is related to an increase in cash transfers from the Albany Water Board related to paying the expenses for the Long-Term Control Plan. There was also an increase in property tax collections and sales tax cash (sales tax includes cash received for the 4<sup>th</sup> quarter 2019 and 1<sup>st</sup> quarter 2020 by the end of the second quarter) compared to last year. That being said, the reduction in 2Q sales tax cash, and the uncertainty of both sales tax receipts for 3Q and 4Q, and the NYS revenue obligations to the City could quickly and negatively reflect on our cash position if reductions are made.

## **CONCLUSION**

The City saw a decrease in overall revenue in the second quarter compared to 2019 which was due to both the pandemic shut down and the timing of the billing of the waste collection fees. Expenses were up in the second quarter of 2020 compared to last year at this time, mostly as the result of debt service payments, but overall, were still largely within budget expectations. The City must continue to watch expenses closely and try to control them as much as possible, while continuing to push for revenue increases where it can locally, and at the State level, where a permanent solution for the revenue gap caused by tax exempt properties must be found. **It is imperative to understand that barring a federal stimulus package that includes aid to states and local governments, the reduction in revenue is expected to continue over the course of the year. At this time, State aid and sales tax revenues are still expected to be significantly and negatively impacted. Therefore, the fund balance and the stable financial performance of the first half of 2020 remain at significant risk in the second half of 2020.**