
OFFICE OF THE ALBANY CITY TREASURER

DATE: September 9, 2015

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

FROM: Hon. Darius Shahinfar

CC: Ismat Alam

RE: 2nd quarter 2015 Performance

The following is a summary of the unaudited results for the 2nd Quarter 2015.

Second quarter revenue totaled \$90.8 million which was an increase of 1% compared to last year at this time. Expenses totaled over \$77.0 million and decreased almost 3% (\$2.5 million) compared to the second quarter of 2014. While this is good news, and we are cautiously optimistic about further good news on sales tax revenue increases as well as energy and other variable cost decreases, these savings are expected to be fleeting due to several realized and/or anticipated added expenses or revenue shortfalls in: The Fire Department (arbitration award), the Landfill, fine revenue and possibly Police Dispatchers.

REVENUE (Thousands)

	JUNE	JUNE		%	JUNE	Annual		%
REVENUE	YTD 15	YTD 14	Variance		YTD 15	Budget	Variance	Budget
PROPERTY TAX	56,764	55,914	850	2%	56,764	56,528	236	100%
SALES/USE TAX	16,220	15,721	499	3%	16,220	31,973	(15,753)	51%
PILOTS/19-a	4,108	3,930	178	5%	4,108	19,490	(15,382)	21%
OTHER LOCAL SOURCES	713	789	(76)	-10%	713	4,833	(4,120)	15%
LANDFILL	5,510	5,332	178	3%	5,510	12,077	(6,567)	46%
OTHER DEPARTMENTS	1,054	1,167	(113)	-10%	1,054	3,506	(2,452)	30%
INTER GOVERNMENT	101	108	(7)	-6%	101	117	(16)	86%
FINES	1,988	2,107	(119)	-6%	1,988	7,048	(5,060)	28%
LICENSES AND PERMITS	1,696	1,484	212	14%	1,696	2,636	(940)	64%
STATE AID	529	189	340	180%	529	17,295	(16,766)	3%
SALE P/COMP/LOSS	157	139	18	13%	157	5,404	(5,247)	3%
MISCELLANEOUS	1,932	2,614	(682)	-26%	1,932	12,990	(11,058)	15%
OTHER	73	729	(656)	-90%	73	1,775	(1,702)	4%
TOTAL REVENUE	90,845	90,223	622	1%	90,845	175,672	(84,827)	52%

The chart above summarizes the City's sources of revenue through June 30, 2015.

1. **Property Tax revenue** increased by \$850,000 from 2014 as a result of the tax levy increase under the tax cap. However, while the City was over budget by \$236,000 with assessment reductions included through the 2Q, recent large SCOs that reduced assessments have put the City at least \$150K under budget, with some additional cases pending.
2. **Sales Tax revenue** the sales tax revenue increased 3% and totaled \$16.2 million which was \$499,000 higher compared to last year at the same time. While we are slightly over budget at 51% for the year to date, should this increase continue for the next two quarters, it would lead to greater than budgeted annualized revenue.
3. **PILOTS/19-a revenue** was 5% higher than the same period last year. The increase is primarily due to the City receiving its first voluntary PILOT payment from Albany Med.
4. **Other Local sources revenue** was 10% lower than the second quarter of 2014. Utilities gross receipts and Time Warner franchise fees both ended the quarter lower than last year based on lower energy costs and lower usage of Time Warner services.
5. **Landfill revenue** increased 3% compared to the last year at this time. Increases in landfill permits, coupon sales, contaminated soil and methane gas sales which combined for a \$367,000 increase while tipping fees decreased by \$152,000. However, the recent loss of a large landfill client could lead to a drop in revenue in the range of \$0.9 to \$1.2 million by the end of the year.
6. **Other Departmental revenue** was 10% lower than the same period last year. Most of the decrease was the result of decreases in rental registries which was down \$66,000 and safety inspection fees which decreased by \$80,000. These decreases were offset by APD Event Security revenue which increased by over \$30,000 and EMS Ambulatory revenue increased by \$42,000.
7. **Fines and Forfeitures revenue** decreased by 6% from the second quarter of 2014. Both parking ticket fines and surcharges combined for a decrease of \$63,000. Traffic violations decreased by \$33,000. While ticket revenue has been increasing back to the levels of last year, budgeted red light camera ticket revenue is expected to be more than \$1m lower than budgeted.

8. **Licenses and Permits revenue** increased 14% (\$212,000) compared to the same period last year. Most of this increase is directly related to recording the revenue from bills invoiced for building demolitions in the current year as compared to the traditional process of including them on the property tax bills in the next year. Safety Inspection permit revenue on the other hand decreased by almost \$123,000, vacant building fees decreased by \$12,000 and parking permit revenue decreased by \$11,000.
9. **State aid** increased 180% (\$340,000) from 2014. Most of this revenue is derived from state grants and various state payments, which makes this line largely budget neutral. The timing of these payments varies from year to year. The City received \$154,000 from a NYS Homeland Security Grant and \$361,000 from NYS Court Security payments to the APD.
10. **Miscellaneous revenue** decreased 26% (\$682,000) compared to the same period last year primarily as a result of a decrease in delinquent debris and demolition charges levied onto 2015 property tax bills which decreased \$250,000. Also the Albany Parking Authority, which prior to 2015 reimbursed the City for the PSO salaries and benefits, was lower by \$350,000. This decrease is offset by the transfer of the PSO employees and related expenses to the APA.
11. **Other revenue** decreased by 90% \$656,000 compared to the same period last year. Most of this revenue is derived from federal government grants, making it largely budget neutral, and the timing of these payments varies from one year to the next. So far this year the City has received almost \$73,000 from a few Federal public safety grants.

DISBURSEMENTS

Category/Account	JUNE YTD 15	JUNE YTD 14	Variance	%	Annual Budget	Variance	% Budget
Personal Benefits 7100-7199	34,989,942	36,038,030	(1,048,088)	-2.9%	74,218,342	(39,228,400)	47%
Fringe Benefits 7801-7863	21,528,347	19,598,903					
Retirement Estimate	<u>4,115,329</u>	<u>5,007,759</u>					
	25,643,676	24,606,662	1,037,014	4.2%	51,931,793	(26,288,117)	41%
Non-Personal Service 7210-7701	<u>20,550,643</u>	<u>23,919,805</u>	(3,369,163)	-14.1%	<u>51,554,372</u>	(31,003,730)	40%
Total	81,184,260	84,564,497	(3,380,237)	-4.0%	177,704,507	(96,520,247)	46%
Number of weeks in period	26	26	0		52		50%

Total disbursements decreased by \$3.4 million or 4.0% compared to the same period last year. Spending was down in Personal Benefits and Non-Personal Service but increased in Fringe Benefits compared to 2014.

1. **Salary expense decreased by 2.9%** compared to the same period last year. Salary expenses are level or slightly lower in most of the departments compared to 2014. The Police department was lower by over \$431K and the Fire department was lower by \$116K from last year. This category also includes overtime expenses which ended the quarter \$43K less than in 2014. This overall reduction is somewhat illusory because of the number of buyouts in the first quarter of 2014 that raised expenses last year, and the number of unfilled positions this year in Police and Fire which either have been, or are expected to be filled shortly. Additionally, the recent arbitration award to the Firefighters for retroactive pay was not included in the budget. Therefore, further savings of this magnitude on payroll are not expected this year.
2. **Benefits Expenses increased by 4.2% compared to last year at this time.** Most of the increase in this category is attributable to the Police department which increased by over \$928K from 2014. The biggest increase was in the workers compensation expenses which increased by almost \$703K. Employee health insurance also increased by over \$624K from the same time last year. Retiree health expenses increased by \$794K from 2014. While the estimate for retirement expense is down by \$893K from the same time last year. The premiums charged by CDPHP alone increased by over 9%. Overall even with these increases this category is below budget for the year.

3. **Non-Personal Service spending decreased by 14.1% or just over \$3.4 million.** This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. DGS saw decreases in the following accounts: gasoline expense decreased \$321K, motor vehicle repair expense decreased \$281K and snow removal supplies and expense decreased \$89K. The City's utilities expenses decreased by almost \$625K with street lighting making up most of the decrease at \$312K less than the same period last year. Debt service is down by \$1.3 million on the General Fund from paying this amount out of the Debt Reserve Fund.
5. **Encumbrances (funds reserved for purchases) increased by \$0.2 million** or almost 4.2% compared to the same period last year. Encumbrances total \$5.3 million at the end of the second quarter.

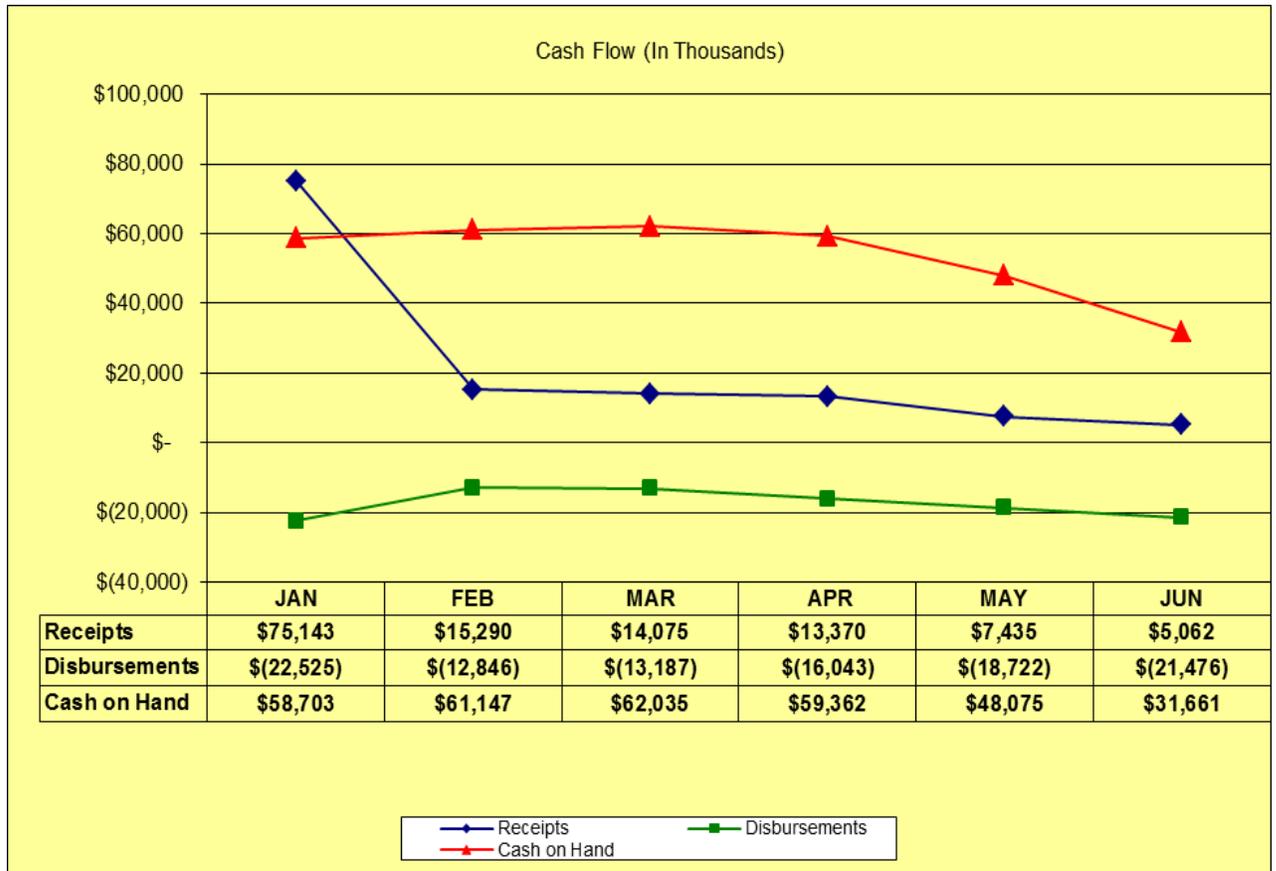
OVERTIME

Department	2015	2014	Change	%	2015	Budget	% of Budget
Police (non-reimbursable)	1,835,147	1,811,661	23,486	1%	1,835,147	3,950,000	46%
Fire	824,181	783,675	40,506	5%	824,181	750,000	110%
Communications	65,680	83,775	(18,094)	-22%	65,680	175,000	38%
Parks Maintenance	92,213	131,393	(39,180)	-30%	92,213	200,000	46%
Waste Collection	106,715	119,262	(12,547)	-11%	106,715	175,000	61%
Landfill	93,688	116,188	(22,500)	-19%	93,688	151,000	62%
Central Maint.	38,568	32,789	5,779	18%	38,568	70,000	55%
Street Maintenance	65,700	72,303	(6,603)	-9%	65,700	150,000	44%
Street Cleaning	81,141	101,072	(19,930)	-20%	81,141	150,000	54%
Recreation	5,135	872	4,263	489%	5,135	12,000	43%
Traffic Engineering	19,072	11,152	7,920	71%	19,072	40,925	47%
Capital Hills	10,777	11,185	(408)	-4%	10,777	26,000	41%
Central Garage	9,312	15,898	(6,585)	-41%	9,312	28,000	33%
Bleeker Stadium	0	0	0	0%	0	600	0%
Buildings	21,998	21,326	672	3%	21,998	50,000	44%
Control of Animals	3,378	3,565	(187)	-5%	3,378	9,000	38%
Special Events	5,231	5,152	78	2%	5,231	20,000	26%
General Fund	3,277,936	3,321,266	(43,330)	-1%	3,277,936	5,957,525	55%
Police (reimbursable)	468,795	469,323	(528)	0%	468,795	1,248,161	38%
Traffic Eng. (reimbursable)	160	446	(286)	0%	160	0	100%
Water	304,246	357,118	(52,872)	-15%	304,246	580,000	52%
Totals	4,051,137	4,148,153	(97,016)	-2%	4,051,137	7,785,686	52%

General Fund overtime was at 52% of budget at the end of the second quarter. Excluding the Water Department (for which the City is reimbursed) and reimbursable Police overtime, overtime expense was 1% (\$43,330) lower than the same period last year and is just over budget for the year.

Recreation had the biggest increase in overtime expense percentage wise at 489% although it end the quarter at only 43% of budget and the Fire Department had the largest increase dollar wise at \$40,506 which is 5% higher than the same period last year and 110% of the current budget so far this year. Police overtime was higher by 1% compared to the same period last year and finished the quarter at 46% of budget. The majority of departments have lower overtime expenses this year than last year except for those indicated on the chart.

CASH



The City's cash position was 12% less than forecasted and \$3.7 million lower than the same period last year. Most of the decrease is the result of the County of Albany collecting the corporate taxes directly in 2015. Last year the City received these payments. The increase in worker's compensation expenses and health insurance expenses has also depleted cash in the second quarter.

CONCLUSION

Although revenue is slightly ahead of last year, and expenses were controlled through the first half of the year (4.0% or almost \$3.4 million lower than last year at this time; only 46% of 2015 budgeted expenses), these savings are not expected to last or continue. Most of the savings will be used for the fire fighters current year salary increase. The red light cameras are just now being installed so we will need to revise our revenue estimates for this project. Therefore, the City will have to find other savings in order to offset the additional decrease to the fund balance related to these items, as well as other expected revenue declines and cost increases.