

**SUPPLEMENT TO THE  
FINAL OFFICIAL STATEMENT DATED JUNE 19, 2018  
RELATING TO**

**CITY of ALBANY  
ALBANY COUNTY, NEW YORK**

**\$33,310,417 General Obligation (Serial) Bonds, 2018**  
(the “Bonds”)

**&**

**\$18,854,100 Bond Anticipation Notes, 2018**  
(the “Notes”)

(collectively referred to herein as the “Bonds and Notes”)

**PLEASE BE ADVISED that section entitled “RATING” is revised to read as follows:**

The Notes were sold as non-rated. The purchaser, Jefferies LLC, has chosen to have a rating completed on the Notes following the sale at its expense, including any fees to be incurred by the City. Such rating action is a designated event under the Rule, and will require the City to post a designated event notification to the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board pursuant to the Undertaking to Provide Continuing Disclosure with Respect to the Notes, the form of which is attached hereto as “APPENDIX – D.” On June 29, 2018, S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) assigned its short-term rating of “SP-1+” to the Notes.

S&P will assign its bond rating “AA/Stable” based upon the issuance by Build America Mutual Assurance Company (“BAM”) of its standard form of Municipal Bond Insurance Policy with respect to the Bonds. Please see “APPENDIX – F, BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

S&P has assigned its underlying rating of “A+/Stable” to the Bonds. Such rating reflects only the view of such rating agency, and any desired explanation of the significance of such ratings should be obtained from Standard & Poor’s Credit Market Services, 55 Water Street – 38<sup>th</sup> Floor, New York, New York 10041, (212) 438-7983.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the outstanding bonds may have an adverse effect on the market price of the Bonds and Notes.

**The date of this Supplement is July 3, 2018**

FINAL OFFICIAL STATEMENT

SERIAL BONDS & BOND ANTICIPATION NOTES

See "BOND RATING" herein

S&P Insured Bond Rating: "AA" STABLE OUTLOOK\*
S&P Underlying Bond Rating: "A+" STABLE OUTLOOK

In the opinion of Roemer Wallens Gold & Mineaux LLP, Bond Counsel, under existing laws, regulations, rulings and court decisions, and assuming continuing compliance by the City with certain covenants and the accuracy of certain representations, (i) interest on the Bonds and Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and (ii) interest on the Bonds and Notes is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York. The Bonds and Notes may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. See "TAX MATTERS" herein for a discussion of certain Federal taxes applicable to corporate owners of the Bonds and Notes.

The City will NOT designate the Bonds and Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

\$52,164,517
CITY of ALBANY
ALBANY COUNTY, NEW YORK
\$33,310,417 General Obligation (Serial) Bonds, 2018
JANNEY MONTGOMERY SCOTT LLC
CUSIP BASE #012429

Dated: June 28, 2018

Due: June 15, 2019-2028

(the "Bonds")

MATURITIES

Table with 10 columns: Year, Amount, Rate, Yield, CUSIP, Year, Amount, Rate, Yield, CUSIP. Rows include years 2019-2023 and 2024-2028 with corresponding financial data.

\* The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



\*\*The Bonds maturing in the years 2027 and 2028 are subject to redemption prior to maturity. See "DESCRIPTION OF THE BONDS - Optional Redemption" herein.

and

\$18,854,100 Bond Anticipation Notes, 2018

Jefferies

At An Interest Rate of 2.75% - To Yield 1.65%

CUSIP #012429 AL0

Dated: June 28, 2018

Due: June 28, 2019

(the "Notes")

(collectively referred to herein as the "Bonds and Notes")

The Bonds and Notes are general obligations of the City of Albany, Albany County, New York (the "City"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and Notes interest thereon, subject to applicable statutory limits. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein.

The Bonds will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof, except for a necessary odd denomination maturing in 2019. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on June 15, 2019, December 15, 2019 and semi-annually thereafter on June 15 and December 15 in each year until maturity. Principal and interest will be paid by the City to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are not subject to redemption prior to maturity.

The Notes will be registered in the name of Cede & Co. as nominee of DTC which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the Notes and payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Direct Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name". Payment will be the responsibility of such DTC Direct or Indirect Participants, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds and Notes are offered when, as and if issued and received by the purchasers and subject to the receipt of the respective approving legal opinions as to the validity of the Bonds and Notes of Roemer Wallens Gold & Mineaux LLP, Bond Counsel, of Albany, New York. It is anticipated that the Bonds and Notes will be available for delivery through the facilities of DTC, Jersey City, New Jersey on or about June 28, 2018.

June 19, 2018

THIS REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE CITY DATED JUNE 12, 2018 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12. OTHER THAN AS SET FORTH ON THE REVISED COVER, THE REVISION OF THE TABLE OF CONTENTS, "DESCRIPTION OF THE BONDS", "CERTIFICATED BONDS", "GOVERNMENT ORGANIZATION", "REAL PROPERTY TAX BASE", "STATE AID", "BOND RATING" AND "MISCELLANEOUS" SECTIONS, THE DATED DATE ON PAGE 37, "APPENDIX – B" AND THE INCLUSION OF "APPENDIX - F", THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

# CITY OF ALBANY ALBANY COUNTY, NEW YORK



KATHERINE M. SHEEHAN  
MAYOR

DARIUS SHAHINFAR  
TREASURER

SUSAN RIZZO  
CHIEF CITY AUDITOR

## COMMON COUNCIL

COREY ELLIS, PRESIDENT

RICHARD CONTI, PRESIDENT PRO TEMPORE

Owusu Anane  
Dorcey Applyrs  
Alfredo Balarin  
Judy Doesschate  
Catherine M. Fahey

Ginnie Farrell  
Jack Flynn  
Tom Hoey  
Joseph Igoo  
Derek Johnson

Kelly Kimbrough  
Joyce Love  
Michael O'Brien  
Jahmel K. Robinson

## CITY OFFICIALS

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Chief of Staff

RACHEL McENENY  
Commissioner of Administrative Services

GERALD CAMPBELL  
City Clerk

WILLIAM KELLY, ESQ.  
Corporation Counsel



FISCAL ADVISORS & MARKETING, INC.  
Municipal Advisor



ROEMER WALLENS GOLD & MINEAUX LLP  
Bond Counsel

No person has been authorized by the City to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds and Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City.

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OFFICIAL STATEMENT  
of the  
**CITY of ALBANY**

**ALBANY COUNTY, NEW YORK**

Relating to

**\$33,310,417 General Obligation (Serial) Bonds, 2018**

and

**\$18,854,100 Bond Anticipation Notes, 2018**

This Official Statement, which includes the cover page and appendices, has been prepared by the City of Albany, Albany County, State of New York (the "City," "County," and "State," respectively), in connection with the sale by the City of its aggregate principal amount of \$33,310,417 General Obligation (Serial) Bonds, 2018 (the "Bonds") and \$18,854,100 Bond Anticipation Notes, 2018 (the "Notes") (collectively referred to herein as the "Bonds and Notes").

The factors affecting the City's financial condition and the Bonds and Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the City's tax base, revenues, and expenditures, this Official Statement should be read in its entirety.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Bonds and Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and Notes and such proceedings.

**NATURE OF OBLIGATION**

Each Bond and Note when duly issued and paid for will constitute a contract between the City and the holder thereof.

Holders of any series of bonds or notes of the City may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Bonds and Notes will be general obligations of the City and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the City has power and statutory authorization to levy ad valorem taxes on all real property within the City subject to such taxation by the City, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the City is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the City's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX LEVY LIMITATION LAW" herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the city's “faith and credit” is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit” are used and they are not tautological. That is what the words say and this is what the courts have held they mean...So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted. While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

## THE BONDS

### Description of the Bonds

The Bonds are general obligations of the City, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the City is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to applicable statutory limitations. See “TAX LEVY LIMITATION LAW” herein.

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in principal denominations of \$5,000 or integral multiples thereof, except for a necessary odd denomination maturing in 2019. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on June 15, 2019, December 15, 2019 and semi-annually thereafter on June 15 and December 15 in each year until maturity. Principal and interest

will be paid to the Beneficial Owners of the Bonds, as described in the “BOOK-ENTRY-ONLY SYSTEM” herein. The record date of the Bonds will be the last business day of the calendar month preceding an interest payment date. Interest on the Bonds shall be calculated assuming a calendar year of 360 days and twelve 30-day months.

### **DESCRIPTION OF THE NOTES**

The Notes are general obligations of the City, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the City is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limits. See “Tax LEVY LIMITATION LAW” herein.

The Notes are dated June 28, 2018 and will mature, without option of prior redemption, on June 28, 2019. The Notes may be issued as registered notes or as bearer notes, at the option of the successful bidder. If the Notes are issued in bearer form, principal of and interest on the Notes will be payable in Federal Funds at maturity at such bank or trust company authorized to do business in the State of New York as may be selected by the successful bidder. In such case, the Notes will be issued in bearer form in denominations of \$5,000, or integral multiples thereof, except for a necessary odd denomination, as may be determined by such successful bidder(s).

If the Notes are issued in registered form, the Notes will be registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See “BOOK-ENTRY-ONLY SYSTEM” herein.

### **OPTIONAL REDEMPTION**

The Notes shall not be subject to redemption prior to maturity.

The Bonds maturing on or before June 15, 2026 shall not be subject to redemption prior to maturity. The Bonds maturing on or after June 15, 2027 shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed), at the option of the City on June 15, 2026 or on any date thereafter at par (100%), plus accrued interest to the date of redemption.

If less than all of the bonds of any maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by the City by lot in any customary manner of selection as determined by the City Treasurer. Notice of such call for redemption shall be given by mailing such notice to the registered holder not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

### **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds, and if requested, the Notes. The Bonds and Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC. One fully-registered Note certificate will be issued for Notes bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and fixed income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond or Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds and Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds and Notes, except in the event that use of the book-entry system for the Bonds and Notes is discontinued.

To facilitate subsequent transfers, all Bonds and Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds and Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds and Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Bonds and Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds and Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, bond and note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond and/or note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS AND NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS OR NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS AND NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS OR NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE

GIVEN TO OWNERS OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS AND NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE CITY MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

### **CERTIFICATED BONDS**

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof, for any single maturity within each series of the Bonds. Principal of the Bonds when due will be payable upon presentation and surrender at the office of the fiscal agent bank to be named by the City upon termination of the book-entry-only system. Interest on the Bonds will be payable on June 15, 2019, December 15, 2019 and semi-annually thereafter on June 15 and December 15 in each year until maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Certificate of Determination of the City Treasurer authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the last business day of the calendar month preceding an interest payment date and such interest payment date.

### **CERTIFICATED NOTES**

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof, except for a necessary odd denomination. Principal of and interest on the Notes will be payable at a bank or trust company located and authorized to do business in the State of New York to be named by the City. The Notes will remain not subject to redemption prior to their stated maturity date.

### **PURPOSES OF ISSUE**

#### **Bonds**

The Bonds are being issued pursuant to the Constitution and Laws of the State, including the Local Finance Law, constituting Chapter 33-A of the Consolidated Laws of New York (the "Law") and various bond ordinances duly adopted by the Common Council, authorizing the issuance of serial bonds and bond anticipation notes for various capital purposes and improvements.

The proceeds of the Bonds, along with a principal payment of \$6,705,000 using available funds of the City, will redeem \$39,390,417 of the \$44,596,417 bond anticipation notes maturing June 29, 2018 and provide \$625,000 new monies for the aforementioned purposes.

## Notes

The Notes are being issued pursuant to the Constitution and Laws of the State, including the Local Finance Law, constituting Chapter 33-A of the Consolidated Laws of New York (the "Law") and various bond ordinances duly adopted by the Common Council, authorizing the issuance of bonds and bond anticipation notes for various capital purchases and improvements.

The proceeds of the Notes, along with a principal payment of \$1,916,000 using available funds of the City, will redeem \$5,206,000 of the \$44,596,417 bond anticipation notes maturing on June 29, 2018 will provide \$15,564,100 in new monies for the aforementioned purposes.

### SOURCES OF PAYMENT OF THE BONDS AND NOTES

Each Bond and Note when duly issued and paid for will constitute a contract between the City and the holders thereof.

The Bonds and Notes will be general obligations of the City and will contain a pledge of the full faith and credit of the City for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest the City has the power and statutory authorization to levy ad valorem taxes on all taxable real property within the City without limitation as to rate or amount. Under the Constitution of the State, the City is required to pledge its full faith and credit for the payment of the principal of and interest on the Bonds and Notes and the State is specifically precluded from restricting the power of the City to levy taxes on real property therefore.

### THE CITY

#### General Information

There follows in this Official Statement a general description of the City, together with certain information concerning its location, economy, governmental organization, indebtedness, current major revenue sources, and general and specific funds.

The City of Albany is the capital of the State of New York and the County Seat of Albany County. The City is located on the west bank of the Hudson River, approximately 140 miles north of New York City. According to the 2015 United States Census Bureau, the City's population is 98,469. Located in a region known as Tech Valley, Albany is home to the SUNY Polytechnic Institute's College of Nanoscale Science and Engineering ("SUNY Poly"), a \$20 billion university driven research, development and technology deployment center.

The emergence of Albany as the hub of New York's Tech Valley was a deliberate and tactical economic strategy. Together with the surrounding counties and the Albany-Colonie Regional Chamber of Commerce, the region branded itself in name, as well as by dedicated action and investment, in order to attract world-wide business and research investment. The primary driver of Albany being the heart of Tech Valley was the development of the SUNY Poly, which has been ranked the world's number one college for nanotechnology and microtechnology.

The SUNY Poly complex comprises 1.3 million square feet of research and development space, including the world's first global 450mm wafer consortium. The facility, with over \$24 billion in investment, has employed as many as 4,000 scientists, researchers, engineers and support staff at the complex, many for some of SUNY Poly's 300+ private and public partners.

This was a major attraction for the \$15 billion, 3 million square foot Global Foundries chip fabrication facility in nearby Malta (approximately 20 miles north of the SUNY Poly campus). Global Foundries has been the largest construction project in North America, and it is now fully operational (and expanding) with 3,500 permanent and contract employees. It also created 3,000 construction jobs and has created approximately 20,000 spinoff jobs in the Capital Region.

The City of Albany is a crossroads of all forms of transportation, including air, truck, bus, rail and water, making it a center of commerce and distribution for agricultural and manufactured products between western New York, New England, northeastern New York, Canada, New York City and points south. Northeast rail travel is provided by Amtrak with service at the Rensselaer Station, which is easily accessible from the City. Major bus lines operate in all directions from the Albany bus terminal. Truck traffic is facilitated by the New York State Thruway with two access points in the City. Other major highways serving the City are the Adirondack Northway (U.S. Interstate 87), U.S. Interstate 787, U.S. Routes 9W and 20, and New York State Routes 5, 32, 43, 85, 144, 378, and 443. The Albany International Airport, located nearby in the Town of Colonie, provides passenger and freight service and accommodates both general aviation and military services. Transportation by water service is provided through the Port of Albany, located on the Hudson River.

The City operates under a strong mayor form of government with 15 Council Members elected to four-year terms to the Common Council. Also serving four-year elected positions are the Mayor, the President of the Common Council, the City Treasurer and the Chief City Auditor. The Common Council is the legislative body of the City with power to pass ordinances, adopt resolutions, and approve the annual budget. The Mayor acts as the administrative head of the City. The Treasurer is the City's Chief Fiscal Officer.

As the capital of New York State, many of the State's agencies and departments are located in various office buildings within the City. The Empire State Plaza, a complex consisting of a 40-story office tower and several smaller office towers and buildings and situated in the City's downtown, is the location of many of the State's agencies and departments.

The City is a center for higher education and is home to the State University at Albany, SUNY Poly, the College of Saint Rose, The Sage College at Albany, Maria College, Albany Law School, Albany College of Pharmacy and Albany Medical College. Located nearby are Siena College in the Town of Colonie, Union College in Schenectady and Rensselaer Polytechnic Institute and Russell Sage College in Troy.

Taking advantage of Albany's location at the crossroads of transportation, the Port of Albany (operated by the Albany Port District Commission) receives cargo originating in and being shipped to foreign countries and other cities in the United States. The Port of Albany recently completed Phase II of a major wharf and rail line improvement and replacement project, and is continuing other improvements, which represent nearly \$50 million invested in the maritime operations over the next 3 years. Included in this investment are New York State grants of \$15 million for dock improvements on the Albany side and \$4 million for terminal improvements, as well as nearly \$18 million in Federal grants for transit and terminal improvements. These improvements provide the Port with the ability to handle larger vessels and cargo, and to continue to maximize year-round access while enhancing its competitive advantage for attracting commerce. These improvements build on the major private and public investments that have occurred at the Port over the past ten years, totaling over \$100 million. These investments are realizing returns as well. Important examples are two new or renewed major tenant commitments and year over year increases in varied economic indicators. An example is Longshore hours worked in 2017 exceeded the number of hours worked in 2016 by almost 40%.

The City has also been proactive in spurring economic development. In 2010, the City worked with the City School District of the City of Albany to initiate a real property tax program that is designed to attract new investment and project activity. This benefit maintains property taxes at the current level for a period of time for projects that invest in rehabbing vacant or underutilized commercial properties into mixed use development. Similar incentives are also available for homeowners' property improvements. These programs are designed to attract investment, decrease the commercial and residential vacancy rate and increase the long term real property tax base in the City. This program, in conjunction with an improved economy, three years of a new City administration and an active Industrial Development Agency has dramatically improved development opportunities and increased our tax base.

These incentives have led to redevelopment all over the city. In downtown Albany, the Albany Convention Center Authority recently completed the \$78 million convention center located adjacent to the Times Union Center Arena and the Empire State Plaza, and it is already outperforming expectations. Annually, the Capital Center is projected to draw 150,000 visitors, leading to more than \$35 million in direct visitor spending in the City of Albany while creating more than 250 jobs. This activity will generate more than \$1 million in additional County sales tax revenue. Strengthening its ability to better compete for national and regional, sporting and entertainment events, Albany County has completed a transformational \$19.6 million renovation of the Times Union Center. Due to these improvements, the Center has already been selected to host first and second round NCAA Basketball Tournament games in 2020. It is important to note that the City has no obligation to finance the construction or operation of either project.

Located adjacent to the new convention center, a half City block has been redeveloped. The \$68 million redevelopment, now open for business, includes a 200 room Renaissance by Marriot Hotel, a parking garage, commercial office/retail space, and luxury apartments. This addition comes on the heels of the recent rebranding and \$16 million renovation of the Hilton, the downtown's largest hotel.

Furthermore, over the past decade, downtown has begun to evolve into a true neighborhood as more people seek an urban lifestyle to live, work, learn, and play. Since 2002 more than \$80 million invested has created more than 400 market-rate residential units in downtown. Currently there are more than 650 additional units under construction or in the pipeline. Given that a recently updated downtown market potential study has shown that downtown can absorb approximately 100-200 units a year for the next decade, additional development is expected (but not yet proposed or planned). These projects consistently achieve a 97% occupancy rate and market absorption is rapid.

The City is also home to several hospitals and healthcare facilities including Albany Medical Center, St. Peter's Hospital, Albany Memorial Hospital and the Veterans Administration (VA) Hospital. These hospitals are also major economic engines in the City, providing significant job opportunities and investment. Albany Medical Center and the VA have been partners in

neighborhood revitalization efforts in the Park South Neighborhood. New Scotland Avenue along with the rest of the Park South Neighborhood has seen over \$630 million of investment, creating over 1,000 jobs, over the past five years including the construction of: a three story mixed-use building; a five-story commercial office building; a 1,250 space parking garage; and the expansion of Albany Medical Center's patient tower. The area continues to see investment as Albany Medical Center recently began a \$22 million renovation project of its facility. This investment is supplemented by the approximate \$110 million redevelopment of two City blocks adjacent to the hospital that broke ground in the fall of 2014. This nearly completed development will contain a 135,000 square ft. medical office building as well an 800 space parking garage, 268 market-rate apartments and 23,000 square feet of retail space along New Scotland Avenue by the end of the year. The medical office space is already 100 percent leased, and the residential tenants have been moving in since 2016 as the units are completed. Furthermore, over \$30 million of additional private investment has begun in areas immediately adjacent to these important employment nodes.

The universities and colleges within the City also provide significant job opportunities and investment. Investment continues to flow into the campus of SUNY Poly, as it plans to grow its educational offerings as well as foster public/private partnerships with industry leaders. An example of this continuous effort is the construction of \$191 million, 356,000 square foot ZEN Building, which created over 1,500 jobs, and has led to the development of residential apartments adjacent to both SUNY Poly and SUNY Albany. Also, SUNY Poly has made its first investment in downtown with the acquisition, renovation, and tenancing of the vacant, historic Kiernan Plaza with an estimated total investment of \$10 million.

The development of downtown and Park South is indicative of the larger effort in the City to appeal to the 21<sup>st</sup> century market for urban living to bring more taxpaying residents into the City to take advantage of the job opportunities that exist within City borders. Working with the new Administration, Capitalize Albany Corporation and the City Industrial Development Agency, more than a dozen developers are constructing and/or renovating buildings into modern apartment spaces to appeal to the demonstrated market. Over the past 5 years, over 1200 market-rate residential rental units have either opened, are under construction, or have received the necessary approvals in all corners of the city from downtown to the areas proximate to Albany Medical Center, SUNY Albany, St. Peter's Hospital, the dilapidated Tobin's First Prize facility and elsewhere.

In addition to the business investments occurring in Albany, the City continues developing and implementing programs and initiatives, including the Park South Plan, the Midtown Plan, the Arbor Hill Neighborhood Plan, the West Albany Plan and the Capital South Plan. Additionally, two significant future development opportunities also exist on State owned land, including the former convention center site in downtown Albany and the Harriman Campus located in close proximity to SUNY Polytechnic Institute and SUNY Albany.

Long term development plans for the South End neighborhood call for the continued de-densification for Lincoln Square and re-use of the land surrounding it that will tie together the community and enhance its vibrancy. This level of community participation and public-private partnerships is resulting in an unprecedented amount of new investment. The Albany Housing Authority, together with not-for-profit and higher education partners, received a \$5 million HUD grant in 2011 for the Albany Capital South Campus Center, an education and training center that has been serving residents of the South End, Arbor Hill and beyond since 2014.

The Arbor Hill Neighborhood Plan has resulted in millions of dollars of new investment, including the Swan Street Lofts or "Albany Barn", which houses artist studios and lofts for resident artists in a converted vacant 40,000 square foot building through a public/private partnership. Adjacent Sheridan Hollow is also undergoing massive redevelopment, with a \$17 million project providing 100 units of affordable rental and homeownership opportunities, as well as office and commercial space, within easy walking distance to the downtown core.

All of this development and redevelopment has been initiated and/or completed under Albany's 50-year old zoning code which has been the biggest obstacle to streamline permitting and development processes for private developers in the City. On June 1, 2017 the first update of this zoning code in 50 years was enacted after being signed into law by the Mayor. This change has already started to bring a significant impact on streamlining development within the City, and will do so for decades to come.

Finally, Albany has a rich arts and culture scene. It is home to the New York State Museum and the Albany Institute of History and Art. Live performing arts venues include the Palace Theatre, Capital Repertory Theatre, and the Egg. With seating capacity of between 6,000 and 17,500, the Times Union Center hosts concerts and professional and college sports teams as well as other events. Many smaller venues also host events, concerts and other performances in neighborhoods throughout the City, and larger venues in Saratoga, Schenectady and Troy are also vital components of this regional scene.

Source: City officials.

## City Services

The principal services provided by the City include public safety (including police and fire protection), culture and recreation, solid waste collection and disposal, maintenance and cleaning of City streets (including snow removal) and general government. The Police Department includes a Patrol Division, an Administrative Division, Investigation and Detective Services, Special Services and the Office of Professional Standards. The Fire Department consists of several fire companies stationed in eight firehouses as well as fire investigation and emergency life support units. Water services and sewer services are provided by the Albany Municipal Water Finance Authority and the Albany Water Board. Maintenance of streets and roads and solid waste collection within the City is performed by the City's Department of General Services. Lighting of public streets, roadways, and parks is furnished by the City under contract with the National Grid Companies.

The City provides a variety of other services to City residents through several of its departments. The Department of Recreation administers over 80 recreation areas including 13 community parks and 11 major parks, which contain 29 playgrounds, 21 basketball courts, 22 tennis courts, 16 athletic fields, nine spray grounds, three pools, two community centers, and a nationally-recognized boxing gym. In addition, the City owns and maintains an 18-hole municipal golf course. This Department also administers and supports more than 20 youth programs and activities, including youth centers. The City also provides a substantial number of community service programs. The City encourages cultural events such as music concerts and outdoor theater, as well as numerous festivals. The City provides funding to certain arts organizations and other cultural programs.

## Solid Waste

The City operates a landfill that generates revenue for the City's general fund. As lead agency of the multi-municipality ANSWERS Waste Consortium, the City has contracts with several municipalities to accept solid waste. The City owned and operated regional landfill received approximately \$10.7 million in revenue in 2013, \$11.8 million in 2014, \$12.5 million in 2015 and \$11 million in 2016. The City has been reducing the amount of commercial waste that it accepts at the landfill in order to strategically extend the life of the landfill as it plans for the landfill's closure. Upon closure, the City will have to pay for disposal of its municipal solid waste. Under the current plan, the landfill is expected to close in 2022. The City has retained an outside consultant to assist with identifying the most cost effective alternatives for solid waste management disposal.

Under the terms and conditions of the existing landfill permits issued by the New York State Department of Environmental Conservation, the City has been and remains obligated to identify a permanent, long term solution to deal with its solid waste. The City, together with the ANSWERS municipalities, recently completed a draft Solid Waste Management Plan and will act as lead agent in developing a long term solid waste plan for the region.

## Selected Wealth and Income Indicators

Per capita income statistics are available for the City, County and State. Listed below are select figures from the 2000 Census Reports, 2006-2010 and 2012-2016 American Community Survey 5 Year Estimates.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2012-2016</u>	<u>2000</u>	<u>2006-2010</u>	<u>2012-2016</u>
City of:						
Albany	\$ 18,281	\$ 23,341	\$ 26,335	\$ 30,041	\$ 52,215	\$ 62,223
County of:						
Albany	23,345	30,863	33,888	56,724	76,159	86,456
State of:						
New York	23,389	30,948	34,212	51,691	67,405	74,036

Note: 2013-2017 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2012-2016 American Community Survey data.

## Population Trends

According to U.S. Census data, the City had a 2010 population of 97,856. The following table presents population trends of the City, the Albany Metropolitan Statistical Area (the “MSA” consists of the six counties of Albany, Greene, Montgomery, Rensselaer, Saratoga and Schenectady), the State and the United States since 1950:

	Population <sup>(1)</sup>			
	City of Albany	Albany MSA	New York State	United States
1950	134,995	677,707	14,830,200	151,326,000
1960	129,726	746,115	16,782,300	179,323,000
1970	115,781	811,080	18,241,400	203,235,000
1980	101,727	835,800	17,558,000	226,504,825
1990	100,031	861,623	17,990,455	248,709,873
2000	94,301	892,604	18,976,457	281,421,906
2010	97,856	870,716	19,378,102	308,745,538
2016	98,111	881,839	19,849,399	323,127,513

<sup>(1)</sup> Data compiled by the U.S. Department of Commerce, Bureau of the Census.

## Employment

A major portion of non-agricultural workers have historically been employed by federal, state, or local governments. This sector comprises approximately 26% of the non-agricultural workforce in the Albany MSA. The following table provides a historical comparison among employment sectors for the Albany MSA.

### Non-Agricultural Employment by Industry Groups, Albany MSA

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	(thousands)									
Mining & Construction	18.3	17.0	16.5	16.9	17.2	17.5	18.7	19.7	19.3	19.4
Manufacturing	22.5	20.7	20.3	21.5	22.7	23.9	24.1	25.4	26.3	26.6
Trade, Transportation & Public Utilities	76.2	73.4	72.2	72.3	73.4	73.8	74.4	74.8	75.5	75.0
Wholesale and Retail Trade	62.9	60.3	59.3	59.9	60.8	61.1	61.6	61.5	61.9	61.3
Financial Services	25.9	24.9	24.5	24.6	25.2	25.3	25.4	25.9	26.2	26.1
Education & Health Services	81.6	83.1	85.0	86.4	88.3	90.5	92.4	92.6	92.2	94.8
Government	108.9	108.4	105.9	102.1	101.2	101.3	101.0	100.7	101.3	101.8
Total	396.3	387.8	383.7	383.7	388.5	393.4	397.6	400.1	403.3	405.0

Source: New York State Department of Labor, Division of Employment, Employment by Industry.

## Building Permit

	<b>Residential</b>	<b>Apartments</b>	<b>Commercial And Industrial</b>	<b>Other</b>	<b>Total Dollar Value</b>	<b>Total Building Permits</b>
2006	13,980,630	1,740,161	98,251,751	308,297	114,340,339	2,412
2007	21,322,817	206,573	162,587,410	20,088,900	204,205,705	2,408
2008	19,978,206	143,373	99,431,646	6,968,279	126,521,504	2,397
2009	18,535,203	-	115,104,822	30,308,721	163,948,746	3,733
2010	24,529,757	245,203	268,348,020	13,647	293,136,627	4,798
2011	15,656,551	332,570	95,864,293	75,775	111,929,189	2,400
2012	13,858,918	599,200	98,789,544	62,710	113,310,372	2,273
2013	13,573,622	46,602	72,567,794	148,880	86,336,898	2,030
2014	39,297,874	-	117,888,114	16,000	157,201,988	2,047
2015	17,622,250	12,125	104,293,597	32,800	121,960,772	2059
2016	30,975,920	12,169,502	108,297,413	6,624,108	158,066,943	2,215
2017	13,576,138	30,125	103,097,950	2,399,045	119,103,258	1739
2018 <sup>(1)</sup>	3,611,710	337,083	16,395,352	89,200	20,433,345	456

<sup>(1)</sup> As of 4/30/2018.

Source: City Officials.

## Ten Largest Employers in the City

<u>Name</u>	<u>Type</u>	<u>Number of Employees</u>
State of New York	Government	49,000
St. Peter's Health Partners	Hospital	12,500
Albany Medical Center	Hospital	10,000
University at Albany	Education	5,000
Verizon Communications	Utility	3,000
United States	Government	2,800
Center for Disabled	Health Care	2,800
Empire Blue Cross	Insurance	1,800
Albany County	Government	1,701
City of Albany	Government	1,406

Source: Employers as listed above (2018).

## Unemployment Rates

The industrial diversity and high proportion of government employees have afforded the City a higher employment level than the rest of the country. The following table gives historic levels of unemployment for the City, the Albany MSA, the State and the United States:

### Unemployment Rates <sup>(1)</sup>

	City of Albany <sup>(2)</sup>	Albany MSA	New York State	United States
2008	5.7%	4.9%	5.4%	5.8%
2009	8.1%	7.1%	8.3%	9.3%
2010	8.3%	7.3%	8.6%	9.6%
2011	8.3%	7.3%	8.2%	8.9%
2012	8.5%	7.5%	8.5%	8.1%
2013	7.2%	6.4%	7.7%	7.4%
2014	5.8%	5.1%	6.3%	6.2%
2015	5.2%	4.5%	5.3%	5.3%
2016	4.8%	4.1%	4.8%	4.9%
2017	5.1%	4.3%	4.7%	4.9%

<sup>(1)</sup> These are annual averages of actual labor force and employment estimates.

<sup>(2)</sup> City unemployment rates are estimated by the New York State Department of Labor based on the relationship between City and County labor force statistics.

Source: New York State Department of Labor, Bureau of Labor Market Information.

## Employees

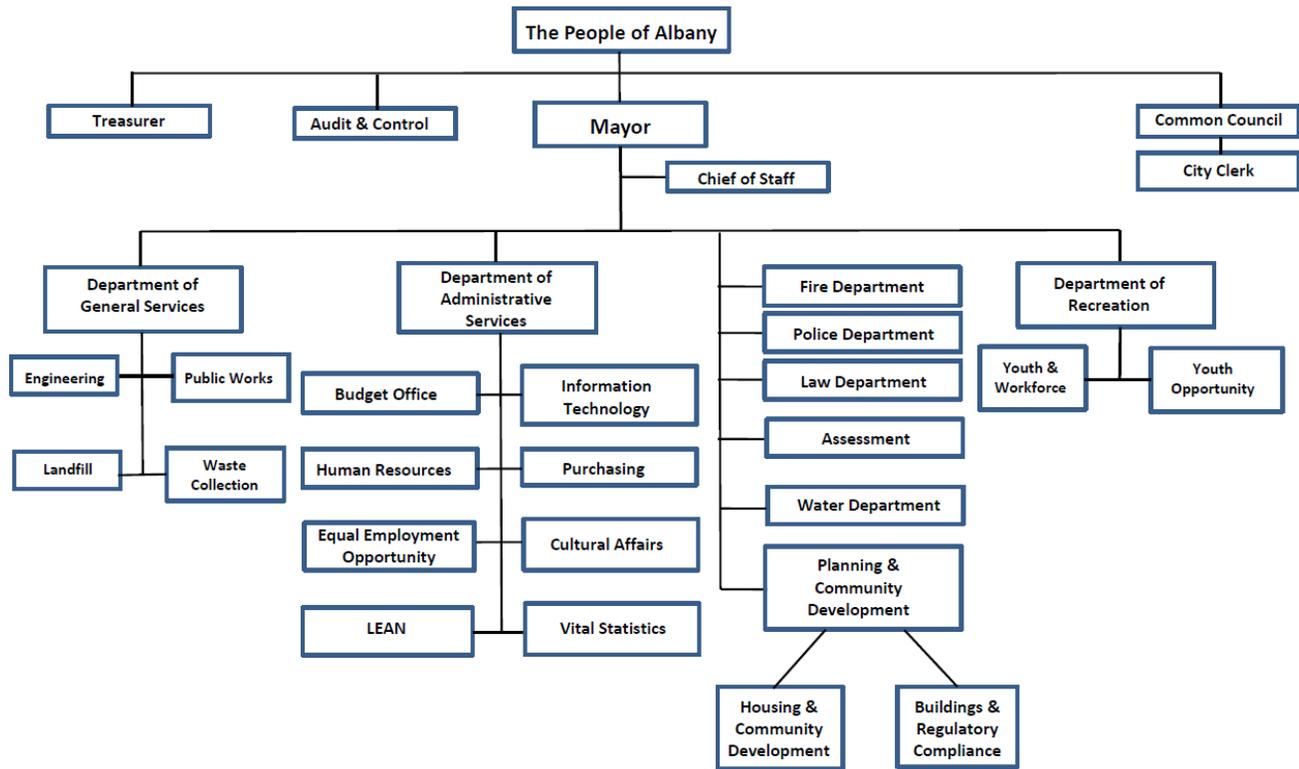
The City provides services through approximately 1,406 regular employees. The following information is for the 1,058 unionized employees:

Bargaining Unit	Approximate Number of Employees	Contract Expiration Date
Albany Police Officers-Council 82	279	December 31, 2013 <sup>(1)</sup>
Sergeant & Lieutenant	56	December 31, 2013 <sup>(1)</sup>
Albany Firefighters-AFL-CIO	256	December 31, 2017 <sup>(1)</sup>
Albany Police Non-Sworn	44	December 31, 2018
Council 66-AFSCME-Local 1961	274	December 31, 2019
Communications Unit, Council 82	39	December 31, 2014 <sup>(1)</sup>
International Union of Operating Engineers	6	December 31, 2016
Teamsters Local 294	2	December 31, 2019
Albany DGS Supervisors, CSEA, AFSCME Local 1000	26	December 31, 2019
School Crossing Officers, SEIU	64	December 31, 2019
Buildings and Regulatory Compliance, CSEA	12	December 31, 2019

<sup>(1)</sup> Currently under negotiations.

## Government Organization

The City is governed largely by the provisions of its Charter and functions under provisions of the State Constitution and various statutes. The following is an organizational chart of the City.



The Common Council is the legislative body of the City. The President of the Common Council is elected in the general election to a four-year term. Council members are elected from each of the 15 wards within the City every four years or by special election in the event of a vacancy. The Common Council has the power to establish rules and procedures for itself, adopt local laws, set taxes and other revenue measures, adopt budgets, and approve all matters relevant to the administration of City government. Meetings of the Common Council are open to the public and are held twice a month.

The Mayor is the highest elected official and serves as chief executive officer of the City; she is elected in the general election to a four-year term without restriction as to number of terms. She is charged with the supervision of City government, subject to the provisions of the Charter. The Mayor reports annually to the Common Council on the state of the City, recommends an annual budget, appoints the head of every department and administrative unit of City government, except for the publicly elected Treasurer and Chief City Auditor, and executes contracts. There are twelve major City staff units in addition to the separately elected Treasurer and Chief City Auditor as shown in the City of Albany Organizational Chart above. Two elected officials, the Chief City Auditor and the Treasurer, and the appointed Budget Director, under the Commissioner of Administrative Services, administer the financial affairs of the City. The Treasurer is the chief fiscal officer of the City and is responsible for the fiscal integrity of the City including cash management, claims processing, administering bank accounts and debt issuance. The Treasurer is responsible for the collection, custody, and deposit of all taxes and other funds due the City and processing payroll. The Budget Director's responsibilities include the preparation and administration of the City's operating and capital budgets and establishment and management of fiscal control systems and management studies. The Budget Director works closely with all departments to develop the annual budget and five-year capital plan.

## DISCUSSION OF FINANCIAL OPERATIONS

### Budgetary Procedure

The budget process begins in mid-February when the Mayor issues a policy statement regarding the upcoming budget. In late April, the Budget Director distributes budget instructions to each department along with requests for the City's five-year capital plan.

During the year, the Budget Director develops the necessary economic and statistical data required for budget forecasting, which include changes in the financial indexes and revenue trends. The City's Assessor submits tentative assessment rolls. The Treasurer along with the Budget Director estimates revenues with each department administrator. The Treasurer submits estimated debt service needs, and the Assessor submits final assessment figures and realty tax data to the Mayor's Office.

On or before October 1, the Mayor submits the proposed budget for the ensuing fiscal year and an accompanying budget message to the Common Council. On or before October 31, the President of the Common Council calls for a public hearing on the budget after having given two weeks' notice to the public. After the public hearing, the Common Council may adopt the budget with or without amendment. The Common Council adopts the budget on or before November 30. No later than December 10, the Mayor shall act on the budget as amended and passed by the Common Council. On or before December 20, the Common Council may override a veto of one or more of its proposed amendments with a two-thirds vote of the full Common Council members.

The City's 2018 budget includes a 1% increase in the property tax levy, which was below the City's tax levy limit of 2%. The City did not vote to exceed its tax levy limit for the 2018 fiscal year

### 2018 Budget Summary

A summary of the 2018 Budget is outlined below:

	<b><u>Budget 2018</u></b>
<b><u>REVENUES</u></b>	
Real Property Taxes	\$ 58,250,000
Sales and Use Tax	33,500,000
Intergovernmental Revenues	816,880
State Aid	28,756,885
Charges for Services	11,099,051
Other Revenues	43,957,452
Appropriated Fund Balance	<u>0</u>
Total Revenues	\$ 176,380,268
<b><u>EXPENDITURES</u></b>	
Personal Services	\$ 74,328,494
Contractual Expenses	28,869,074
Employee Benefits	51,490,152
Debt Service	<u>21,692,548</u>
Total Expenditures	\$ 176,380,268

For additional detail of revenue and expenditures, the City's 2018 budget is available on the City website ([albanyny.org](http://albanyny.org)).

## Five-Year Capital Plan

As part of its budgeting process, the City prepares, on an annual basis, a five-year capital plan. This allows the City to anticipate capital spending and borrowing needs in a manner that lends greater stability and predictability to its budget process. The following table contains a summary of the City's five-year capital plan included in its 2018 budget.

	2018	2019	2020	2021	2022	Total Cost
<b>Department of General Services</b>						
<i>Vehicles</i>						
1 Small Pickups w plows	80,000	80,000	-	-	-	160,000
2 3/4 Ton Pickups	160,000	-	-	-	-	160,000
3 Street Sweeper	-	195,000	200,000	-	210,000	605,000
4 All purpose van	35,000	-	42,000	-	-	77,000
5 Packer - 32 cu yrd	225,000	231,000	237,000	242,000	250,000	1,185,000
6 Single Axel Dumps (2)	285,000	-	340,000	-	-	625,000
7 1 Ton Dumps	-	132,000	138,000	-	-	270,000
8 Tandem Axle Dump	-	200,000	-	215,000	-	415,000
9 Small SUV	-	-	-	-	85,000	85,000
10 One Ton Utility	45,000	132,000	-	-	-	177,000
11 One Ton Rack Truck	60,000	-	66,000	-	-	126,000
12 One Ton Flipper Truck	-	120,000	-	120,000	-	240,000
13 Street Vacs	-	40,000	-	-	-	40,000
14 Medium Duty High Lift Forrest Bucket	-	-	260,000	-	-	260,000
15 Medium Duty Vehicle (Golf Course)	14,000	-	-	16,000	16,000	46,000
16 Light Duty Vehicle (Golf Course)	-	-	-	-	-	-
17 Wheel Loader	-	215,000	-	-	232,000	447,000
18 Small Rack Trucks	85,000	-	-	-	-	85,000
19 HD Generator (480 V 3 phase)	100,000	-	-	-	-	100,000
20 Hot Box (Pot hole repair)	45,000	-	-	-	-	45,000
21 Tractors	270,000	-	-	-	-	270,000
<b>Subtotal</b>	<b>1,404,000</b>	<b>1,345,000</b>	<b>1,283,000</b>	<b>593,000</b>	<b>793,000</b>	<b>5,418,000</b>
<i>Equipment</i>						
1 Rough Mower - Golf Course	65,000	57,000	56,000	-	-	178,000
2 4-Wheel Drive Deck Mower	65,000	-	-	100,000	-	165,000
3 Skid Steer (Bobcat) w Attachements	-	-	64,000	-	-	64,000
4 Front Mount Deck Mowers (3)	-	70,000	-	-	-	70,000
5 Single Axel Trailers	50,000	-	-	-	-	50,000
6 Loader Mounted Snow Blower	175,000	-	190,000	-	-	365,000
7 Large Trailers	100,000	-	-	-	-	100,000
8 Green Mower (Golf Course)	-	-	-	44,000	44,000	88,000
9 Dozer, 30,0000 lbs	260,000	-	-	-	-	260,000
10 Tractor w articulated flail mower	125,000	-	-	-	-	125,000
11 Waste & Recycling Carts	1,249,000	-	-	-	-	1,249,000
12 Compact Utility Loader	-	-	32,000	-	-	32,000
13 Snowmobile (Golf)	-	15,000	-	-	-	15,000
<b>Subtotal</b>	<b>2,089,000</b>	<b>142,000</b>	<b>342,000</b>	<b>144,000</b>	<b>44,000</b>	<b>2,761,000</b>

	2018	2019	2020	2021	2022	Total Cost
<i>Engineering, Street and Facility Improvements</i>						
1 Street Reconstruction	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	12,500,000
2 Street Reconstruction CDBG	26,061	26,061	26,061	26,061	26,061	130,305
3 Street Reconstruction CHIPS	1,553,000	1,553,000	1,553,000	1,553,000	1,553,000	7,765,000
4 Sidewalk Reconstruction	500,000	500,000	500,000	500,000	500,000	2,500,000
5 Sidewalk Reconstruction CDBG	104,135	104,135	104,135	104,135	104,135	520,675
6 A.D.A. Compliance	250,000	250,000	250,000	250,000	250,000	1,250,000
7 A.D.A. Compliance CDBG	26,061	26,061	26,061	26,061	26,061	130,305
8 Renovations to City Buildings	1,000,000	5,000,000	2,000,000	1,000,000	1,000,000	10,000,000
9 Bridge Improvements	-	1,000,000	-	-	-	1,000,000
10 City Hall Master Plan Study	125,000	-	-	-	-	125,000
11 Asbestos Abatement	-	100,000	100,000	100,000	100,000	400,000
<b>Subtotal</b>	<b>6,084,257</b>	<b>11,059,257</b>	<b>7,059,257</b>	<b>6,059,257</b>	<b>6,059,257</b>	<b>36,321,285</b>
<i>Landfill Operation and Restoration</i>						
1 Pinebush Restoration Project	5,000,000	-	-	-	-	5,000,000
2 Transfer Station - Engineering	-	382,500	-	-	-	382,500
3 Transfer Station - Land	-	600,000	-	-	-	600,000
4 Transfer Station - Construction	-	-	2,550,000	-	-	2,550,000
5 Landfill - Final Closure Engineering	-	-	-	455,000	-	455,000
6 Landfill - Final Closure	-	-	-	-	8,100,000	8,100,000
7 Landfill - Leachate Storage Tanks	701,000	-	-	-	-	701,000
<b>Subtotal</b>	<b>5,701,000</b>	<b>982,500</b>	<b>2,550,000</b>	<b>455,000</b>	<b>8,100,000</b>	<b>17,788,500</b>
<i>Golf</i>						
1 9th Tee Box Retaining Wall	140,000	-	-	-	-	140,000
<b>Subtotal</b>	<b>140,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,000</b>
<b>General Services Total</b>	<b>15,418,257</b>	<b>13,528,757</b>	<b>11,234,257</b>	<b>7,251,257</b>	<b>14,996,257</b>	<b>62,428,785</b>
<b>Police Department</b>						
1 Vehicles	864,500	832,500	725,100	1,250,200	864,600	4,536,900
2 Facility Maintenance & Improvements	292,000	-	-	-	-	292,000
<b>Subtotal</b>	<b>1,156,500</b>	<b>832,500</b>	<b>725,100</b>	<b>1,250,200</b>	<b>864,600</b>	<b>4,828,900</b>
<i>Traffic Engineering</i>						
1 Roadway Safety Program (stripes/signs)	1,100,000	500,000	300,000	300,000	300,000	2,500,000
2 Traffic Engineering Vehicles	330,000	250,000	180,000	-	-	760,000
3 Traffic Safety/Public Safety Program	200,000	-	-	200,000	-	400,000
4 Traffic Signal Equipment	-	800,000	800,000	800,000	800,000	3,200,000
6 Traffic Signal Timing Plan	-	200,000	250,000	250,000	-	700,000
<b>Subtotal</b>	<b>1,630,000</b>	<b>1,750,000</b>	<b>1,530,000</b>	<b>1,550,000</b>	<b>1,100,000</b>	<b>7,560,000</b>
<b>Police Department Total</b>	<b>2,786,500</b>	<b>2,582,500</b>	<b>2,255,100</b>	<b>2,800,200</b>	<b>1,964,600</b>	<b>12,388,900</b>
<b>Fire Department</b>						
1 Aerial Ladder Truck	1,300,000	-	-	1,400,000	-	2,700,000
2 Pumper	535,000	535,000	540,000	540,000	545,000	2,695,000
3 Fire Station Repairs	150,000	-	250,000	-	250,000	650,000
<b>Fire Department Total</b>	<b>1,985,000</b>	<b>535,000</b>	<b>790,000</b>	<b>1,940,000</b>	<b>795,000</b>	<b>6,045,000</b>
<b>Recreation</b>						
1 Playground & Spraypad Equipment	175,000	150,000	100,000	100,000	-	525,000
2 Vehicles & Field Maintenance Equipment	164,100	30,000	60,000	98,000	-	352,100
3 Infrastructure & Building Improvements	-	100,000	70,000	50,000	-	220,000
<b>Recreation Total</b>	<b>339,100</b>	<b>280,000</b>	<b>230,000</b>	<b>248,000</b>	<b>-</b>	<b>1,097,100</b>
<b>Grand Total</b>	<b>20,528,857</b>	<b>16,926,257</b>	<b>14,509,357</b>	<b>12,239,457</b>	<b>17,755,857</b>	<b>81,959,785</b>
Non-City Funding	(1,709,257)					
<b>Net Grand Total</b>	<b>18,819,600</b>					

## **Financial Control Procedures**

The Treasurer, the City Auditor and the Budget Director are responsible for controlling municipal expenditures to ensure that budget appropriations for the City are not exceeded and for reviewing all revenues received by the City. The Auditor's Office audits payment requests to ensure budget appropriation, departmental authorization, and compliance with applicable contracts and the City Charter, City ordinances, and State laws.

The Treasurer is empowered by the Common Council to borrow moneys as needed for the uninterrupted operations of the City, subject to the applicable provisions of the Local Finance Law and the General Municipal Law.

## **Accounting Practice and Independent Audits**

Under State law, a uniform system of accounting and reporting is prescribed by the State Comptroller for all municipalities. An annual financial report for every municipality must be filed with the State Comptroller within 120 days after the close of the fiscal year. This report is categorized by fund and shows as of the end of the fiscal year (1) a balance sheet, (2) a statement of revenues, (3) a statement of expenditures, (4) an analysis of fund balances, (5) cash reconciliation, (6) a statement of indebtedness, and (7) any other particular fund data which are required.

The City retains independent certified public accountants to conduct annual audits of its financial statements. The State Comptroller's office also conducts periodic audits of the City to determine compliance with the State Uniform System of Accounts for Cities and submits its report to the Common Council and the Mayor.

Throughout this Official Statement, the financial information for 2012 through 2016 is derived from the City's audited financial statements. 2017 financial information is derived from the City's unaudited financial statements. The City's 2016 audited financial statement is attached to this Official Statement as APPENDIX – E. The City's 2017 audited financial statement is expected to be completed by September 30, 2018.

Since 2004 the City's audited financial statements have been in compliance with Government Accounting Standards Board (GASB) Statement 34.

## **FINANCIAL HISTORY OF THE CITY**

### **General Fund**

The City prepares and adopts a budget for each year pursuant to Article 6 of the New York Second Class Cities Law and the City of Albany Charter. The City's General Fund budget is prepared on a budgetary legal basis. Such basis is not in accordance with generally accepted accounting principles ("GAAP") in certain respects, principally adjustments for encumbrances. Budgetary accounting treats encumbrances as a charge against current year budgetary appropriations and unreserved fund balance is reduced. Under GAAP, encumbrances are recognized only as a reservation of fund balance. APPENDIX - A to this Official Statement, sets forth the results of operations of the City's General Fund for fiscal years ending December 31, 2013, 2014, 2015, 2016, 2017 and amounts budgeted for 2018.

### **Albany Municipal Water Finance Authority and Albany Water Board**

Pursuant to Chapters 868 and 869 of the Laws of 1986, as amended, the State Legislature, at the request of the City, created the Albany Water Board (the "Water Board") and the Albany Municipal Water Finance Authority (the "Water Authority"). In 1988, the Authority issued \$46,700,000 of its special obligation revenue bonds to finance the acquisition of the City's water and sewer system (the "System") and the construction of certain improvements to the System. A portion of the purchase price for the System was used to defease outstanding general obligation debt issued by the City to finance improvements to the System.

Since 1988, the Authority has issued additional special obligation revenue bonds, both to refund outstanding obligations and to finance new projects undertaken by the Water Board.

Bonds issued by the Water Authority are special obligations of the Water Authority and do not bear the full faith and credit of the City. The bonds issued by the Water Authority are payable solely from and secured by a pledge of the gross revenues of the System, which are collected by the Water Board. The Water Board is empowered to raise water and sewer rates in order to ensure sufficient revenues are available to the Authority to pay debt service on the bonds issued by the Authority.

Following the sale of the System to the Water Board, the City eliminated the Special Revenue Sewer Fund and the Water Fund. The proceeds of the sale of the System were used to retire existing indebtedness of the City and to reimburse the City for monies advanced to the water and sewer funds.

Under the City's operating agreement with the Water Board, expenses of operating the water system are paid by the City and reimbursed by the Water Board as funds from rate payers becomes available.

## Revenues

The City has a relatively diversified revenue base, deriving 33% of General Fund revenues budgeted for fiscal 2018 from real estate taxes, 23% from intergovernmental (including State Aid) and departmental charges (including the landfill), 19% from sales and use taxes and 25% from miscellaneous other sources.

## Real Property Tax Base

Approximately 63% of the City's property is tax-exempt, which decreases the City's real property tax base without a proportionate decrease in the need for many City services. While some of this property is owned by charitable institutions such as universities and hospitals, the major owner of tax-exempt property in the City is the State (60% of the tax exempt property). The City continues to seek additional special compensation from the State to offset this impairment of its real property tax base. State legislation enacted in 2000 and amended in 2005, 2006, 2012, 2013 and 2016 provides payments under Section 19-a of the Public Lands Law for the Empire State Plaza government complex. The statute provided for annual payments to the City of \$22,850,000 through 2010 and then \$15 million annually from 2011 through 2033. The 2012 amendment provided for a payment of \$22,850,000 in 2012 and \$7,150,000 in 2033. The 2013 amendment provided for a payment of \$22,850,000 in 2013 and \$7,150,000 in 2032. The 2016 amendment provided for a payment of \$27,500,000 in 2016 and \$1,800,000 in 2032. The City also received \$12,500,000 in 2017 without any reduction in future PILOT payments. The State has budgeted \$12,000,000 in similar assistance for 2018. See "State Aid" and "Real Estate Property Tax" herein for further details. The City also receives PILOT payments from the State for properties occupied by the Dormitory Authority of the State of New York, the State Comptroller's Office and the New York State Department of Environmental Conservation.

## Real Estate Property Tax

City tax collection procedures are such that the City bears none of the burden of uncollected or delinquent real estate taxes. One tax bill is presented to City residents for all City and County real estate taxes. The City then collects real estate taxes for both the City and the County, retains a portion of the taxes collected equal to its final tax levy, and remits the remaining portion to the County. Delinquent taxes are accordingly turned over to the County for collection and are retained by the County as a portion of its tax levy. Although the City bears none of the burden of uncollected or delinquent taxes, a reduction in the assessed valuation of real property within the City after establishment of the annual budgeted tax levy would cause the amount of taxes collected to be less than the budgeted amount. Reductions in the assessed valuation of real property within the City are generally a result of certiorari proceedings. The tax levy for fiscal year 2013 was \$55,148,000 which was the same as 2012's tax levy. The tax levy for fiscal year 2014 increased to \$56,048,000 which was an increase of \$900,000 or almost 2%. The tax levy for fiscal year 2015 increased to \$56,827,890 which was an increase of \$779,890 or 1.40%. The tax levy for fiscal year 2016 remained at \$56,827,890. The tax levy for fiscal year 2017 increased to \$58,000,000. The tax levy for fiscal year 2018 increased to \$58,550,000.

The City also receives Payment in Lieu of Taxes (PILOT) payments from certain commercial properties and State owned properties in the City. The City received PILOT payments of \$27,191,038, \$26,440,452, \$19,475,487 and \$20,769,510 in 2012, 2013, 2014 and 2015 respectively. The PILOT payments in 2016 totaled \$32,435,189. The reduction in 2014 resulted from a scheduled reduction of \$7,850,000 in the State's 19-a payments for the Empire State Plaza complex, which is the source of the largest PILOT payment received by the City. The increase in PILOT payments for 2016 was the result of a one time increase of \$12,500,000 in 19-a payments to the City which brought the total Empire State Plaza payment to \$27,500,000.

The 2017 unaudited PILOT payments totaled \$19,479,096.

The 2018 budget anticipates \$21,075,000 in PILOT payments.

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Under Section 19-a of the Public Lands Law, the State makes annual payments to the City with respect to the Empire State Plaza Complex in accordance with the following schedule:

<u>FISCAL YEAR</u>	<u>PREVIOUS AMOUNT</u> <sup>(1)</sup>	<u>NEW AMOUNT</u> <sup>(1)</sup>
2007	\$ 16,130,000	\$ 22,850,000 <sup>(2)</sup>
2008	15,410,000	22,850,000 <sup>(2)</sup>
2009	14,690,000	22,850,000 <sup>(2)</sup>
2010	13,970,000	22,850,000 <sup>(2)</sup>
2011	13,250,000	15,000,000 <sup>(2)</sup>
2012	12,530,000	22,850,000 <sup>(2)</sup>
2013	11,810,000	22,850,000 <sup>(2)</sup>
2014	11,090,000	15,000,000 <sup>(2)</sup>
2015	10,370,000	15,000,000
2016	9,650,000	27,500,000
2017	8,930,000	15,000,000
2018	8,210,000	15,000,000
2019	7,490,000	15,000,000
2020	6,770,000	15,000,000
2021	6,050,000	15,000,000
2022	5,330,000	15,000,000
2023	4,610,000	15,000,000
2024	3,890,000	15,000,000
2025	3,170,000	15,000,000
2026	2,450,000	15,000,000
2027	1,730,000	15,000,000
2028	1,010,000	15,000,000
2029	310,000	15,000,000
2030	0	15,000,000
2031	0	15,000,000
2032	0	1,800,000
2033	0	0

<sup>(1)</sup> For description of the difference between the “PREVIOUS AMOUNT” and the “NEW AMOUNT” please see “Real Property Tax Base”, herein.

<sup>(2)</sup> The City has received the payments as shown.

### Sales Taxes

The City’s sales and other non-property tax revenues are comprised of the State sales tax, utilities gross receipts tax, franchise tax, and privilege taxes on coin-operated machines. The sales tax is assessed, collected and monitored by the State. Of the current 8% sales tax collected in the County, the State keeps 4% and pays 4% to the County on a monthly basis. Through a 1986 act of the Albany County Legislature, the County shares 40% of its collected sales tax with the municipalities within its borders. The distribution percentages are based upon the municipalities’ share of the County population at the last Federal census. Of the 40% shared with municipalities, the City receives 32.17% of the total. Although the County Legislature can decide to change the allocation of sales tax to its municipalities, the allocation has not been changed since it was first enacted in 1986. Prior to 1992, the sales tax was 7% and the County’s share was 3%. Beginning in September 1992, the County Legislature requested the State Legislature to temporarily add 1% to the County’s share of the tax, making the County’s share 4%. Both the County and State Legislatures have extended the temporary increase every two years. The latest temporary increase expires on November 30, 2020.

The following table shows the City’s sales tax receipts for the five years ended December 31, 2013 to 2017 and the amounts budgeted for 2018.

<u>Sales Tax Receipts</u> <u>For Fiscal Year Ending December 31</u>	
<u>Year</u>	<u>Amount</u>
2013	\$ 30,972,673
2014	32,303,484
2015	32,864,248
2016	33,150,041
2017 (Unaudited)	33,349,774
2018 (Budgeted)	33,606,844

The following table shows the City's utilities gross receipts tax revenues for the five years ended December 31, 2013 to 2017 and the amounts budgeted for 2018. This tax is levied on commercial and industrial concerns, which produce a utility product and sell the oversupply, and owners or lessees of business buildings who purchase a utility service and resell all or a part of the quantity purchased.

<u>Utilities Gross Receipts Tax Revenues</u> <u>For Fiscal Year Ending December 31</u>	
<u>Year</u>	<u>Amount</u>
2013	\$ 1,547,037
2014	1,569,748
2015	1,371,359
2016	1,283,480
2017 (Unaudited)	1,357,956
2018 (Budgeted)	1,300,000

#### Intergovernmental Charges

The following table shows the City's receipts for intergovernmental charges for the five years ended December 31, 2013 to 2017 and budgeted amounts for 2018. The main component of intergovernmental charges includes tipping fees from municipalities served by the Albany landfill. It also includes municipal contracts with the Albany Police Department Computer aided dispatch system.

<u>Intergovernmental Charges</u> <u>For Fiscal Year Ending December 31</u>	
<u>Year</u>	<u>Amount</u>
2013	962,625
2014	1,017,167
2015	990,072
2016	948,543
2017 (Unaudited)	1,098,879
2018 (Budgeted)	816,880

#### State Aid

From 2013 to 2018, State aid (excluding 19-a PILOT payments) constituted between 9.4% and 12.9% of the City's General Fund revenues. State aid includes direct aid and grants and payments for certain services. In its General Fund for the 2017 fiscal year, the unaudited total \$29,507,828, or 17.2% and for the 2018 fiscal year budgeted \$28,756,885, or 16.3% of General Fund Revenue in State Aid. In 2017, the City received the first Capital City Funding payment of \$12,500,000. This revenue is included in the budget for 2018.

The following table sets forth the percentage of General Fund revenues of the City comprised of State Aid for each of the fiscal years 2013-2017 and budgeted amounts for 2018:

<u>Fiscal Year</u>	<u>State Aid Payments</u> <u>Fiscal Year Ending December 31</u>		<u>State Aid as a</u> <u>Percentage of</u> <u>General Fund Revenue</u>
	<u>General Fund</u> <u>Revenues</u>	<u>State</u> <u>Aid</u> <sup>(1)</sup>	
2013	\$ 163,637,956	\$ 18,310,161	11.2%
2014	157,811,170	17,052,018	10.8%
2015	162,636,661	21,018,420	12.9%
2016	173,612,620	16,677,313	9.6%
2017 (Unaudited)	171,642,884	29,507,828 <sup>(2)</sup>	17.2%
2018 (Budgeted)	176,380,268	28,756,885 <sup>(3)</sup>	16.3%

<sup>(1)</sup> Includes amounts received from the New York State Mortgage Recording Tax.

<sup>(2)</sup> 2017 includes the first \$12,500,000 payment from the State for Capital City Funding.

<sup>(3)</sup> Includes a \$12,000,000 payment from the State for Capital City Funding.

Source: City of Albany Treasurer's Office.

## Appropriated Fund Balance

The City has used appropriated fund balance to help in balancing its budget for the past several years. The following table sets forth the amount of fund balance the City has appropriated to assist with balancing its budget for each of the fiscal years 2010-2016 as well as the amount actually applied for 2010-2015. In 2016, the City ended the year with an audited surplus of \$8,138,157. In 2017, the City ended the year with an unaudited surplus of \$556,495.

<u>Fiscal Year</u>	<u>Fund Balance Appropriated in Budget</u>	<u>Actual Fund Bal. (Used) / * Surplus</u>	<u>Year End Total Fund Balance</u>
2010	\$ (5,261,000)	\$ 907,452	17,032,434
2011	(6,134,000)	2,841,141	19,873,575
2012	(5,635,000)	947,242	20,820,817
2013	(4,269,789)	(801,077)	19,990,783
2014	(9,801,000)	(9,651,855)	9,874,239
2015	(2,000,000)	(4,745,437)	4,988,388
2016	0	8,138,157	13,126,545
2017 (Unaudited)	0	556,495	12,078,571

If fund balance is not available in future fiscal years, the City will need to increase other revenues or cut expenses to achieve balanced budgets.

## **Expenses**

In 2017, General Fund expenditures were budgeted at \$176,982,803 compared to actual expenditures of \$173,906,718. Of this amount, public safety constituted 37%, general government expenses constituted 9%, debt service constituted 12%, employee benefits constituted 31%, culture and recreation constituted 2%, transportation constituted 5%, community service constituted 3% and economic assistance and opportunity constituted less than 1%.

## Debt Service

The General Fund debt service expenditures for the past five years as well as budgeted amounts for 2018 are as follows:

<u>Debt Service For Fiscal Year Ending December 31</u>	
<u>Year</u>	<u>Amount</u>
2013	\$ 18,622,638
2014	21,316,373
2015	20,176,152
2016	20,640,023
2017 (Unaudited)	21,818,791
2018 (Budgeted)	21,692,548

These amounts include principal and interest payments on long-term bonds as well as interest and any required pay down amounts on bond anticipation notes

## Pension Payments

All full-time employees of the City are members of the New York State Employees' Retirement System ("ERS") or the New York State Policemen's and Firemen's Retirement System ("PFRS" and collectively with ERS, the "State Systems"). Based on earnings data for each member of the State Systems which the City supplies to the State Systems, the State Systems bill the City annually. The State administers the program and distributes all benefits.

On December 10, 2009, then Governor Paterson signed into law pension reform legislation that will provide (according to a Division of the Budget analysis) more than \$35 billion in long-term savings to State taxpayers over the next thirty years. The legislation created a new Tier V pension level.

Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

On March 16, 2012, Governor Cuomo signed into law the new Tier VI pension program, effective for new ERS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

The 2013-14 State Enacted Budget included a provision that provides local governments, including the City, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS (the “State Rate Pension Contribution Option”). For 2014 and 2015 the rate is 12.0% for ERS and 20% for PFRS; the rates applicable to 2016 and thereafter are subject to adjustment. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years. The City is not participating in the Stable Rate Pension Contribution Option and does not intend to do so in the foreseeable future.

The following table shows the total actual payments made by the City to the State Systems in the years 2011-2017 and budgeted payments in 2018.

**City Payments**  
**Fiscal Year Ending December 31:**

<u>Year</u>	<u>Amount</u>
2011	\$11,771,725 <sup>(1)</sup>
2012	12,763,522 <sup>(2)</sup>
2013	14,331,795 <sup>(3)</sup>
2014	14,898,915 <sup>(4)</sup>
2015	14,532,547 <sup>(5)</sup>
2016	15,827,925 <sup>(6)</sup>
2017 (Unaudited)	15,733,125 <sup>(7)</sup>
2018 (Budgeted)	14,384,103

- (1) In 2011 the City under the Chapter 57, Laws of 2010 amortized \$1,699,524 of the total \$13,471,249 retirement contribution.
- (2) In 2012 the City under the Chapter 57, Laws of 2010 amortized \$3,935,771 of the total \$16,699,293 retirement contribution.
- (3) In 2013 the City under the Chapter 57, Laws of 2012 amortized \$6,005,734 of the total \$20,337,529 retirement contribution.
- (4) In 2014 the City under the Chapter 57, Laws of 2012 amortized \$3,564,870 of the total \$18,463,785 retirement contribution.
- (5) In 2015 the City under the Chapter 57, Laws of 2012 amortized \$879,798 of the total \$15,412,345 retirement contribution.
- (6) In 2016 the City under the Chapter 57, Laws of 2012 amortized \$1,198,171 of the total \$17,026,096 retirement contribution.
- (7) In 2017 the City under the Chapter 57, Laws of 2012 amortized \$1,245,976 of the total \$16,979,101 retirement contribution.

Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and PFRS rates (2013 to 2019) is shown below:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2013	18.9%	25.8%
2014	20.9	28.9
2015	20.1	27.6
2016	18.2	24.7
2017	15.5	24.3
2018	15.3	24.4
2019	14.9	23.5

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and PFRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use. The City amortized a portion of its pension costs as described above.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the City’s employees is not subject to the direction of the City. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the State Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the City which could affect other budgetary matters. Concerned investors should contact the State Systems administrative staff for further information on the latest actuarial valuations of the State Systems.

#### Other Post-Employment Benefits

The City provides post-retirement healthcare benefits to various categories of former employees. Although the City has taken steps to reduce the cost of these benefits, healthcare costs continue to rise and could rise substantially in the future. GASB Statement No. 45 (“GASB 45”) of the Governmental Accounting Standards Board (“GASB”) requires municipalities to account for post-retirement healthcare benefits as it accounts for vested pension benefits.

GASB 45 and OPEB. OPEB refers to “other post-employment benefits,” meaning other than pension benefits. OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution (“ARC”) is determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

Actuarial Valuation is required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

The City contracted with an actuarial firm to calculate its OPEB liability in accordance with GASB 45. The following tables show the components of the City's annual OPEB cost, the amount actuarially contributed to the plan, changes in the District's net OPEB obligation and funding status for the fiscal years ending December 31, 2016 and December 31, 2017.

<b><i>Annual OPEB Cost and Net OPEB Obligation:</i></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Annual required contribution (ARC)	\$ 20,166,258	\$ 20,618,867
Interest on net OPEB obligation	2,947,300	3,399,061
Adjustment to ARC	<u>4,769,912</u>	<u>4,769,912</u>
Annual OPEB cost (expense)	\$ 27,883,470	\$ 28,787,840
Contributions made	<u>(16,589,455)</u>	<u>(16,537,523)</u>
Increase in net OPEB obligation	\$ 11,294,015	\$ 12,250,317
Net OPEB obligation - beginning of year	<u>73,682,506</u>	<u>84,976,521</u>
Net OPEB obligation - end of year	<u>\$ 84,976,521</u>	<u>\$ 97,226,838</u>
Percentage of annual OPEB cost contributed	59.50%	57.45%

***Funding Status:***

Actuarial Accrued Liability (AAL)	\$ 393,519,180	\$ 393,519,180
Actuarial Value of Assets	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 393,519,180</u>	<u>\$ 399,368,543</u>
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

Additional information regarding this information may be obtained from the City Treasurer's Office upon request. The City's audited financial statements are in full compliance with GASB 45.

In June 2015, the GASB issued GASB Statement 75 ("GASB 75"), which, when implemented, will supersede and eliminate GASB 45. GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. GASB 75 is required to be implemented by all municipalities and school districts in the fiscal year beginning after June 15, 2017. Actuarial valuation will be required every two years for GASB 75.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there are no restrictions on the amount a government can deposit into the trust. It is not possible to predict whether the Comptroller's proposed legislation will be reintroduced and enacted into law.

**Other Information**

No principal or interest upon any obligation of the City is past due.

The fiscal year of the City ends December 31.

This Official Statement does not include the financial data of any political subdivision having power to levy taxes within the City.

## New York State Comptroller Report of Examination

The NYS Comptroller's office released an audit report of the City on September 16, 2015. The purpose of the audit was to review the City's payroll operations for the period January 1, 2013 through September 30, 2014.

### Key Findings:

- Seven employees were paid for unused vacation time without adequate leave records to support the payroll calculations.
- The City's payroll recordkeeping processes are not consistent in all departments.
- Employees in the Department of General Services (DGS) were not working their scheduled time by leaving before the end of their work day.

### Key Recommendations:

- Ensure that all requests for payment for unused vacation time have adequate supporting documentation for the accrued and unused leave.
- Develop standardized payroll and timekeeping systems across City departments.
- Ensure that DGS employees work their required weekly hours in accordance with their collective bargaining agreement.

The City provided a complete response to the NYS Comptroller's office on August 17, 2015. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

Note: Reference to website implies no warranty of accuracy of information therein.

## The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the past four years for the City are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2016	Significant Fiscal Stress	67.5%
2015	Significant Fiscal Stress	77.5%
2014	Significant Fiscal Stress	67.5%
2013	No Designation	40.0%

Source: Website of the Office of the New York State Comptroller.

Note: Reference to websites implies no warranty of accuracy of information therein.

## TAX INFORMATION

### Valuations

<u>Years Ending December 31:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessed Valuation	\$ 4,758,844,296	\$ 4,754,839,169	\$ 4,757,794,003	\$ 4,837,259,196	\$ 4,824,076,379
State Equalization Rate	111.71%	109.47%	105.80%	100.00%	100.00%
Full Valuation	\$ 4,259,998,475	\$ 4,343,508,878	\$ 4,496,969,757	\$ 4,837,259,196	\$ 4,824,076,379

### Tax Rate Per \$1,000 (Assessed)

<u>Years Ending December 31:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Homestead Rate	\$ 10.29	\$ 10.82	\$ 10.83	\$ 10.79	\$ 10.91
Non –Homestead Rate	14.67	14.19	14.07	14.06	14.50

### Tax Collection Record

<u>Years Ending December 31:</u>	<u>2014</u> <sup>(1)</sup>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City Tax Levy	\$ 56,048,000	\$ 56,827,890	\$ 56,827,890	\$ 58,000,000	\$ 58,550,000
County Tax & Relievis	N/A	<u>18,001,680</u>	<u>19,882,634</u>	<u>20,303,904</u>	N/A
Total Tax Levy	N/A	<u>\$ 74,829,570</u>	<u>\$ 76,710,524</u>	<u>\$ 78,303,904</u>	N/A
City Tax Uncollected End of Year	\$ 3,237,534	\$ 2,199,549	\$ 1,617,395	\$ 1,517,887 <sup>(2)</sup>	N/A
County Tax & Relievis Uncollected End of Year	N/A	<u>1,183,378</u>	<u>1,339,697</u>	<u>1,565,090</u>	N/A
Total Tax Levy Uncollected	\$ 3,237,534	\$ 3,382,927	\$ 2,957,092	\$ 3,082,977	N/A
% Uncollected End of Year <sup>(3)</sup>	5.78%	4.52%	3.85%	3.94%	N/A

(1) Information relating to the County Tax & Relievis is not available for the fiscal year ending December 31, 2014.

(2) Unaudited.

(3) The City receives 100% of the Tax Levy (less any reductions in assessments), and uncollected amounts become the responsibility of the County.

### Tax Collection Procedure

Tax payments are levied on January 1 of each year and are due and payable by January 31. A penalty of 4% is added for late payments made in February, and for payments made on or after March 1 an additional penalty is included at the rate of 1% per month. After December 31, payments must be made to the County Comptroller.

City and County tax collection procedures are such that the City bears none of the burden of uncollected or delinquent real estate taxes. One tax bill is presented to City residents for all City and County real estate taxes. The City then collects real estate taxes for both the City and the County, retains a portion of the taxes collected equal to its final tax levy, and remits the remaining portion to the County. Delinquent taxes are accordingly turned over to the County Comptroller for collection and are retained by the County as a portion of its tax levy. The City is not responsible for the collection of taxes of any other governmental unit.

Although the City bears none of the burden of uncollected or delinquent taxes, a reduction in the assessed valuation of real property within the City after establishment of the annual budgeted tax levy would cause the amount of taxes collected to be less than the budgeted amount. Reductions in the assessed valuation of real property within the City are generally a result of certiorari proceedings.

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**Largest Taxpayers - (2018 Tax Roll)**

The updated information below is based on highest taxpaying parcels not the highest taxpaying taxpayer.

<u>Name</u>	<u>Type</u>	<u>Estimated Assessed Valuation</u>
National Grid 555.-7	Utility	\$ 154,063,005
National Grid 601.1	Utility	40,627,251
99 Washington Avenue	Office Building	38,750,000
Alexander at Patroon	Apartment	34,000,000
Washington Commons	Commercial	22,866,700
Wal-Mart Stores	Commercial	22,500,000
Kenwood Commons, LLC	Commercial	18,000,000
HTA-1223 Washington., LLC	Office Building	16,591,400
Albany Downtown Hotel	Commercial	14,121,300
Levine Investments LP	Office Building	13,601,200

The largest taxpayers listed above have a total estimated assessed valuation of \$375,120,856 which represents approximately 7.8% of the tax base of the City.

Note: The City receives payments in lieu of taxes from various tax-exempt entities, including the State.

**Payments In Lieu of Taxes**

The following are the payments in lieu of taxes received in 2013-2017 and budgeted payments for 2018:

<u>Payments In Lieu of Taxes</u>	
<u>For Fiscal Year Ending December 31</u>	
<u>Year</u>	<u>Amount</u>
2013	\$ 26,440,452
2014	19,475,487
2015	20,769,510
2016	32,435,189
2017 (Unaudited)	19,479,096
2018 (Budgeted)	21,075,000

**Constitutional Tax Margin**

Computation of Constitutional Tax Margin for fiscal years ending December 31, 2014 through 2018:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Five-Year Average Full Valuation	\$ 4,726,285,236	\$ 4,569,969,091	\$ 4,475,479,812	\$ 4,486,240,236	\$ 4,552,362,537
Tax Limit - 2% of Five-Year Average	94,525,705	91,399,382	89,509,596	89,724,805	91,047,251
Add: Exclusions From Tax Limit	<u>20,642,800</u>	<u>21,548,400</u>	<u>20,890,908</u>	<u>21,380,207</u>	<u>21,700,988</u>
Total Taxing Power	115,168,505	112,477,782	110,400,504	111,105,012	112,748,239
Less Total Levy	<u>56,048,000</u>	<u>56,827,890</u>	<u>56,827,890</u>	<u>58,000,000</u>	<u>58,550,000</u>
Tax Margin	<u>\$ 59,120,505</u>	<u>\$ 56,119,892</u>	<u>\$ 53,572,614</u>	<u>\$ 53,105,012</u>	<u>\$ 54,198,239</u>

**Additional Tax Information**

Real property located in the City is assessed by the City.

Veterans and senior citizens' exemptions are offered to those who qualify.

The estimated total annual property tax bill of a \$200,000 market value residential property located in the City is approximately \$7,556 including County, City, Library and School District taxes.

The City assessment roll, based on the number of parcels, is as follows: 82% residential and 18% commercial.

## TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective City). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

In addition, the Court of Appeals in the case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipalities.

While the Tax Levy Limitation Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

**Real Property Tax Rebate.** Chapter 59 of the Laws of 2014 ("Chapter 59"), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrates "three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the City are uncertain at this time.

## STATUS OF INDEBTEDNESS

### Constitutional Requirements

The New York State Constitution limits the power of the City (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the City and the Bond and Notes include the following:

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is authorized and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real estate of the City and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Pursuant to Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the City is calculated by taking 7% of the latest five-year average of the full valuation of all taxable real property.

### Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the City to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the General City Law, the City Charter and the General Municipal Law.

Pursuant to the Local Finance Law and the City Charter, the City authorizes the issuance of bonds by the adoption of a bond ordinance approved by at least two-thirds of the members of the Common Council, subject to the approval of the Board of Estimate and Apportionment, the finance board of the City. Customarily, the Common Council has delegated to the City Treasurer, as chief fiscal officer of the City, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the Bonds and Notes authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the City is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations

and an action contesting such validity, is commenced within twenty days after the date of such publication, or

- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the City complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond ordinance usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the Bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. The City has authorized Bonds for a variety of City objects or purposes.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the issuance of the first of such bond anticipation notes and, subject to certain exceptions, provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein).

In general, the Local Finance Law contains provisions providing the City with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget and capital notes.

**Debt Outstanding End of Fiscal Year**

<u>Fiscal Years Ending December 31:</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonds	\$ 102,530,000	\$ 87,505,000	\$ 72,265,000	\$ 72,724,579	\$ 57,630,000
Bond Anticipation Notes	20,686,085	29,138,785	43,425,299	38,846,812	44,596,417
Revenue Anticipation Notes	0	0	6,000,000	0	0
Other Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 123,216,085</u>	<u>\$ 116,643,785</u>	<u>\$ 121,690,299</u>	<u>\$ 111,571,391</u>	<u>\$ 102,226,417</u>

**Details of Outstanding Indebtedness**

The following table sets forth the indebtedness of the City evidenced by serial bonds and bond anticipation notes as of June 7, 2018:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2018-2025	\$ 54,755,000
Bond Anticipation Notes		
Various Capital Improvements	June 29, 2018	<u>\$ 44,596,417</u> <sup>(1)</sup>
	Total Indebtedness	<u>\$ 99,351,417</u>

<sup>(1)</sup> To be redeemed at maturity with available funds of the City and the proceeds of the Bond and Notes.

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## Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 7, 2018:

Five-Year Average Full Valuation of Taxable Real Property.....	\$ 4,552,362,537
Debt Limit - 7% thereof .....	318,665,378
<u>Inclusions:</u>	
Bonds <sup>(1)</sup> .....	\$ 54,755,000
Bond Anticipation Notes .....	<u>44,596,417</u>
Total Inclusions .....	\$ 99,351,417
<u>Exclusions:</u>	
Appropriations .....	<u>\$ 12,485,000</u>
Total Exclusions .....	\$ <u>12,485,000</u>
Total Net Indebtedness Subject to Debt Limit.....	\$ <u>86,866,417</u>
Net Debt-Contracting Margin .....	\$ <u>231,798,961</u>
Percent of Debt Contracting Power Exhausted.....	27.26%

The proceeds of the Bonds will increase the net indebtedness of the City by \$625,000. The proceeds of the Notes will increase the net indebtedness of the City by \$15,564,100.

## Estimate of Obligations to be Issued

The City expects to have recurring financing needs for capital improvements. It can be anticipated that, depending on market conditions, the City may from time to time issue bond anticipation notes and bonds to finance its capital improvements.

## Revenue and Tax Anticipation Notes

The City has requested and received accelerated payments of State aid and sales tax to assist in meeting cash flow requirements. In light of greater uncertainty in 2009 than in past years as to the likelihood of receiving such accelerated payments, the City issued revenue anticipation notes in the amount of \$12,500,000 on December 10, 2009 which matured on January 29, 2010. The City again issued a revenue anticipation note for the same reason in the amount of \$6,000,000 on December 22, 2015 which matured on January 22, 2016.

## Bonded Debt Service

A schedule of bonded debt service may be found in "APPENDIX – B" to this Official Statement.

## Authority Indebtedness

In accordance with GAAP, the financial statements of the City treat the Albany Municipal Water Finance Authority and the Albany Parking Authority as a part of the reporting entity due to the fact that the City exercises oversight responsibility for those entities. The City has entered into a Lease Agreement with the Parking Authority whereby the City leases parking spaces in a parking garage owned by the Authority. The Lease Agreement is the primary credit support for the Authority's \$2,631,974 Parking Revenue Refunding Bonds, Series 1991A, issued in November 1991. However, the City is not liable for the indebtedness of either the Water Authority or the Parking Authority. Accordingly, the debt of these entities has not been included in the calculations of the City's constitutional debt limit.

## Estimated Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City. Bonded indebtedness, including bond anticipation notes, is estimated as of the close of the 2016 fiscal year of the respective municipalities and is not adjusted to include subsequent bond issues, if any.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> <sup>(1)</sup>	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>City Share</u>	<u>Applicable Indebtedness</u>
County of:						
Albany	3/22/2018	\$ 295,588,646	\$ 23,804,706 <sup>(2)</sup>	\$ 271,783,940	19.76%	\$ 53,704,507
School District:						
Albany	3/12/2018	139,549,735	120,570,971 <sup>(3)</sup>	18,978,764	100.00%	<u>18,978,764</u>
Total:						<u>\$ 72,683,271</u>

<sup>(1)</sup> Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.

<sup>(2)</sup> Sewer and water exclusions and budgeted appropriations.

<sup>(3)</sup> Estimated State Building aid.

Source: New York State Comptroller's Special Report on Municipal Affairs for fiscal years ending 2016.

## Debt Ratios

The following table sets forth certain ratios relating to the City's indebtedness.

### Debt Ratios As of June 7, 2018

	<u>Amount</u> <u>Indebtedness</u>	<u>Per</u> <u>Capita</u> <sup>(a)</sup>	<u>Percentage</u> <u>of Full</u> <u>Valuation</u> <sup>(b)</sup>
Net Indebtedness .....	\$ 86,866,417	\$ 885.39	1.80%
Net Indebtedness Plus Net Overlapping Indebtedness <sup>(c)</sup> .....	159,549,688	1,626.22	3.31%

<sup>(a)</sup> The 2016 Census population of the City is 98,111.

<sup>(b)</sup> The City's 2018 full value of taxable real estate is \$4,824,076,379.

<sup>(c)</sup> Estimated net overlapping indebtedness is \$72,683,271.

## SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it shall not exceed nine per centum per annum. In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City.

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the City.

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness."

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

## **MARKET AND RISK FACTORS**

The financial and economic condition of the City as well as the market for the Bonds and Notes could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds and Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of other jurisdictions in the Country to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds and Notes, could be adversely affected.

In addition, if the State should opt to borrow and experiences difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in any year, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City. In recent years, the City has received delayed payments of State aid which resulted either from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts or delays in State payments until certain State revenues are realized. (See also "State Aid").

## **CONTINUING DISCLOSURE**

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the City will enter into a Continuing Disclosure Undertaking with respect to the Bonds and an Undertaking to provide Material Event Notices with respect to the Notes, the descriptions of which are attached hereto as "APPENDIX – C & D", respectively.

### **Historical Compliance**

Except as noted below, the City is in compliance in all material respects within the last five years with all previous undertakings made pursuant to the Rule 15c2-12.

Due to a clerical oversight the City failed to file audited financial statements for the fiscal years ending December 31, 2009 and December 31, 2010 under a previous continuing disclosure undertaking. Such information was filed on EMMA on June 13, 2014, along with a failure to file notice. The original annual information filing for the fiscal year ending December 31, 2011 was intended to be submitted on EMMA on June 15, 2012 but, instead, the annual information for the fiscal year ending December 31, 2010 was inadvertently filed. The correct document was filed on April 23, 2015, along with an amendment to the June 30, 2014 failure to file notice. The City did not file material event notices with respect to rating changes for MBIA Insurance Corporation which insured the City's 2006 Bonds.

On March 17, 2011, the City issued refunding bonds, the proceeds of which were used to refund bonds issued in 1997, 2000 and 2001. The refunding escrow agreement was posted on EMMA in a timely manner, but no separate event notice was filed in connection with the refunding.

On June 28, 2012, the City issued refunding bonds, the proceeds of which were used to refund bonds issued in 2003. The refunding escrow agreement was posted on EMMA in a timely manner, but no separate event notice was filed in connection with the refunding.

The failure to file notice submitted on EMMA on June 13, 2014 was amended on April 24, 2015.

On January 3, 2017, the City had an interest payment due in the amount of \$595,106.25, however, due to a clerical oversight, the payment amount sent was \$30,000 less than the expected amount. On January 5, 2017, the City was notified of the payment discrepancy, and once the discrepancy was confirmed and verified by the City, the funds were wired on January 10, 2017. A material event notice was filed on January 25, 2017. The City has no reason to believe there will be any delinquent payments in the future.

## **TAX MATTERS**

In the opinion of Roemer Wallens Gold & Mineaux LLP, Bond Counsel, under existing law, regulations, administrative rulings and judicial decisions, (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations although Section 56 of the Code provides that for purposes of calculating the alternative minimum tax on corporations as defined for federal income tax purposes, interest on the Bonds is taken into account in determining adjusted current earnings, and (ii) interest on the Bonds and Notes is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds and Notes. Bond Counsel is of the further opinion that interest on the bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes but Bond Counsel notes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds and Notes are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those certifications and representations.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the City may cause the interest on the Bonds and Notes to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of issuance of the Bonds and Notes. The City has covenanted to take the actions required of it for the interest on the Bonds and Notes to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Although Bond Counsel will opine that interest on the Bonds and Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Bonds and Notes may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other income or deductions. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislations, interpretations or rulings relating to the Code or judicial decisions may cause interest on the Bonds and Notes to be subject directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds and Notes. Any such legislation, interpretations or rulings relating to the Code or judicial decisions may also affect the market price for, or marketability of, the Bonds and Notes. Prospective purchasers of the Bonds and Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

**ALL PROSPECTIVE PURCHASERS OF THE BONDS AND NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE BONDS AND NOTES.**

## DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS AND NOTES

### Legal Matters

Legal matters incident to the authorization, issuance, and sale of the Bonds and Notes will be subject to the final approving opinion of Roemer Wallens Gold & Mineaux LLP, Albany, New York, Bond Counsel to the City. Such opinion will be available at the time of delivery of and payment for the Bonds and Notes and will be to the effect that the Bonds and Notes are valid and legally binding general obligations of the City, for the payment of which the City has validly pledged its full faith and credit, and all the real property within the City subject to taxation by the City is subject to the levy by the City of ad valorem taxes, subject to statutory limitation (see “Tax Levy Limitation Law”, herein) for payment of the principal of and interest on the Bonds and Notes.

Said opinion will also contain further statements to the effect that assuming continuing compliance with certain covenants and the accuracy of certain representations of the City contained in the records of proceedings relating to the authorization and issuance of the Bonds and Notes, (a) interest on the Bonds and Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations pursuant to Section 56 of the Code for purposes of calculating the alternative minimum tax on corporations as defined for federal income tax purposes, interest on the Bonds and Notes is taken into account in determining adjusted current earnings; and (b) interest on the Bonds and Notes is exempt from personal income taxes imposed by the State and political subdivisions thereof, including The City of New York. The interest on the Bonds and Notes may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. Said opinion will also state that interest on the Bonds and Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York). No opinion will be rendered by Bond Counsel regarding Federal tax consequences with respect to the Bonds and Notes. The enforceability of the Bonds and Notes is subject to bankruptcy laws and other laws affecting creditors’ rights and the exercise of judicial discretion.

### ABSENCE OF LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs. The City does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the City.

Upon delivery of the Bond and Notes, the City shall furnish a certificate of the City Corporation Counsel, dated the date of delivery and payment for the Bonds and Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to his knowledge to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Bonds and Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds and Notes and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the City wherein an adverse judgment or ruling could adversely affect the power of the City to levy, collect and enforce the collection of taxes or other revenues for the payment of its Bonds and Notes, which has not been disclosed in this Official Statement.

### RATING

The Notes were sold as non-rated. The purchaser, Jefferies LLC, has chosen to have a rating completed on the Notes following the sale at its expense, including any fees to be incurred by the City. Such rating action is a designated event under the Rule, and will require the City to post a designated event notification to the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board pursuant to the Undertaking to Provide Continuing Disclosure with Respect to the Notes, the form of which is attached hereto as “APPENDIX – D.”

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) will assign its bond rating “AA/Stable” based upon the issuance by Build America Mutual Assurance Company (“BAM”) of its standard form of Municipal Bond Insurance Policy with respect to the Bonds. Please see “APPENDIX – F, BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

S&P has assigned its underlying rating of “A+/Stable” to the Bonds. Such rating reflects only the view of such rating agency, and any desired explanation of the significance of such ratings should be obtained from Standard & Poor’s Credit Market Services, 55 Water Street – 38<sup>th</sup> Floor, New York, New York 10041, (212) 438-7983.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so

warrant. Any downward revision or withdrawal of the rating of the outstanding bonds may have an adverse effect on the market price of the Bonds and Notes.

## **MUNICIPAL ADVISOR**

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent Municipal Advisor to the City on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds and Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds and Notes was based on materials provided by the City and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the City or the information set forth in this Official Statement or any other information available to the City with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## **MISCELLANEOUS**

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds and Notes.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the City management's beliefs as well as assumptions made by, and information currently available to, the City's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the City's files with the repositories. When used in City documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

Roemer Wallens Gold & Mineaux, LLP, Albany, New York, Bond Counsel to the City, expressed no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the City for use in connection with the offer and sale of the Notes, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Bonds and Notes, the City will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the City.

The Official Statement is submitted only in connection with the sale of the Bonds and Notes by the City and may not be reproduced or used in whole or in part for any other purpose.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at [www.fiscaladvisors.com](http://www.fiscaladvisors.com). Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the City nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the City disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the City also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The City will act as Paying Agent for the Bonds and Notes.

The City's contact information is as follows: Mr. Kenneth L. Bennett, Deputy Treasurer, City of Albany, 24 Eagle Street, Albany, New York 12207, Phone: (518) 434-5028, Telefax: (518) 434-5098, Email: kbennett@albany.gov.

This Official Statement has been duly executed and delivered by the City Treasurer of the City of Albany.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "APPENDIX – F, BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

**CITY OF ALBANY**

**Dated: June 19, 2018**

**Honorable Darius Shahinfar**  
**City Treasurer**  
**and Chief Fiscal Officer**

GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> (Unaudited)
<b>ASSETS</b>					
Cash on Hand	\$ 26,193,519	\$ 11,706,111	\$ 10,929,366	\$ 11,615,318	\$ 11,034,198
Investments	-	-	-	-	-
Receivables:					
Taxes - net	4,885,060	4,392,376	4,577,005	3,966,018	4,182,710
Landfill, net	782,537	1,144,337	1,286,815	911,320	421,472
Accounts Receivable	950,640	1,557,691	2,862,272	4,150,605	5,667,620
Other - net	-	-	-	-	-
State and Federal	4,188,316	1,789,566	1,429,159	1,484,628	2,308,730
Due from Other Funds	3,823,543	6,571,940	7,954,083	5,590,288	7,722,147
Due From Other Governments	8,706,645	15,012,723	15,324,068	19,242,981	21,704,448
Prepaid Expenses	-	-	-	-	-
Other Assets	4,223,823	4,998,704	4,869,243	3,755,378	4,270,311
<b>TOTAL ASSETS</b>	<u>\$ 53,754,083</u>	<u>\$ 47,173,448</u>	<u>\$ 49,232,011</u>	<u>\$ 50,716,536</u>	<u>\$ 57,311,636</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Accounts Payable	\$ 5,594,368	\$ 9,352,698	\$ 9,491,963	\$ 7,224,911	\$ 8,173,864
Accrued Liabilities	-	-	-	-	-
Due to Component Units	7,235,326	11,051,221	11,984,939	12,624,229	16,670,548
Notes Payable (RAN's)	-	-	6,000,000	-	-
Other Liabilities	250,051	259,403	257,653	105,125	-
Due to Other Funds	1,143,892	3,509,273	3,266,027	1,076,519	-
Due to Other Governments	17,146,665	13,073,519	13,211,118	16,475,678	19,459,100
Deferred Revenue	109,574	53,095	31,923	83,529	929,553
Accrued Interest on CABs	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>31,479,876</u>	<u>37,299,209</u>	<u>44,243,623</u>	<u>37,589,991</u>	<u>45,233,065</u>
<b>FUND EQUITY</b>					
Nonspendable					
Prepayments:	\$ 4,207,807	\$ 4,211,079	\$ 4,057,789	\$ 3,697,048	\$ 3,371,252
Restricted for:					
Debt Service	2,251,580	2,020,243	1,261,574	1,135,933	899,654
Landfill Postclosure	915,514	915,714	915,897	916,080	916,081
Reserve for Solid Waste Mgmt. Facility	342,779	610,928	368,601	432,859	434,703
Other Restricted Fund Balance	-	-	73,467	65,117	65,117
Assigned for:					
Fund Appropriations	9,801,000	2,000,000	-	-	-
Unassigned:	4,755,527	116,275	(1,688,940)	6,879,508	6,391,764
<b>TOTAL FUND EQUITY</b>	<u>22,274,207</u>	<u>9,874,239</u>	<u>4,988,388</u>	<u>13,126,545</u>	<u>12,078,571</u>
<b>TOTAL LIABILITIES and FUND EQUITY</b>	<u>\$ 53,754,083</u>	<u>\$ 47,173,448</u>	<u>\$ 49,232,011</u>	<u>\$ 50,716,536</u>	<u>\$ 57,311,636</u>

Source: 2013-2016 Audited financial reports and 2017 Annual (unaudited) financial reports of the City.  
This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> (Unaudited)
<b>REVENUES</b>					
Real Property Taxes	\$ 54,888,967	\$ 55,798,170	\$ 56,706,034	\$ 56,313,118	\$ 57,487,425
Real Property Tax Items	-	-	-	-	-
Sales and Use Tax	30,972,673	32,303,484	32,864,248	33,150,041	33,349,774
Other Taxes	3,063,041	3,071,045	2,835,274	2,753,707	3,234,704
Payments in Lieu of Taxes	26,440,452	19,475,487	20,769,510	32,435,189	19,479,096
Departmental Income	-	-	-	-	-
Intergovernmental Revenues	21,322,935	21,815,427	23,079,005	19,807,162	31,972,911
Charges for Services	13,323,842	13,764,918	14,636,411	15,987,790	12,273,406
Fines, interest and penalties	5,327,258	4,369,494	4,675,351	4,590,813	4,278,818
Uses of money and properties	203,280	255,480	172,081	128,673	167,136
License and permits	2,192,543	2,851,219	3,316,918	3,417,212	5,011,325
Sale of Property and Compensation for Loss	-	-	-	-	-
Interfund Revenues	-	-	-	-	-
State Aid	-	-	-	-	-
Federal Aid	-	-	-	-	-
Miscellaneous	3,947,224	3,895,288	3,798,735	3,461,855	4,337,649
Total Revenues	<u>\$ 161,682,215</u>	<u>\$ 157,600,012</u>	<u>\$ 162,853,567</u>	<u>\$ 172,045,560</u>	<u>\$ 171,592,244</u>
<b>EXPENDITURES</b>					
Public Safety and Regulation	\$ 89,964,974	\$ 90,457,930	\$ 91,818,649	\$ 91,923,460	\$ 98,037,337
General Government	21,988,571	20,591,780	19,642,652	18,712,485	19,058,894
Health	-	-	-	-	-
Highway and Streets	6,735,712	6,946,790	6,591,805	8,053,523	8,710,684
Recreation and Culture	4,494,285	4,058,714	3,834,542	3,776,378	4,217,292
Community Service	8,902,696	8,340,571	8,124,298	6,762,945	6,644,785
Economic development and assistance	438	-	-	-	-
Employee Benefits	13,742,447	16,034,421	16,307,471	15,605,649	15,418,935
Debt Service	18,302,638	19,691,373	19,183,678	16,922,475	18,560,091
Total Expenditures	<u>\$ 164,131,761</u>	<u>\$ 166,121,579</u>	<u>\$ 165,503,095</u>	<u>\$ 161,756,915</u>	<u>\$ 170,648,018</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,449,546)</u>	<u>(8,521,567)</u>	<u>(2,649,528)</u>	<u>10,288,645</u>	<u>944,226</u>
Other Financing Sources (Uses):					
Operating Transfers In	1,242,988	-	35,363	868,271	50,640
Operating Transfers to Other Funds	(320,000)	(1,625,000)	(2,972,000)	(3,717,548)	(3,258,700)
Proceeds from sale of property	98,721	-	-	-	-
Proceeds from general obligation bonds/notes	944,032	261,531	700,011	698,787	-
Proceeds from other debt	-	-	-	-	-
Other sources	-	-	-	-	-
Total Other Financing	<u>1,965,741</u>	<u>(1,363,469)</u>	<u>(2,236,626)</u>	<u>(2,150,490)</u>	<u>(3,208,060)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(483,805)</u>	<u>(9,885,036)</u>	<u>(4,886,154)</u>	<u>8,138,155</u>	<u>(2,263,834)</u>
<b>FUND BALANCE</b>					
Fund Balance - Beginning of Year	22,758,012	22,274,207	9,874,239	4,988,085	13,126,240
Residual Equity Transfers	-	-	-	-	-
Prior Period Adjustments (net)	-	(2,514,932)	-	-	1,216,165
Fund Balance - End of Year	<u>\$ 22,274,207</u>	<u>\$ 9,874,239</u>	<u>\$ 4,988,085</u>	<u>\$ 13,126,240</u>	<u>\$ 12,078,571</u>

Source: 2013-2016 Audited financial reports and 2017 Annual (unaudited) financial reports of the City.  
This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget

Fiscal Years Ending December 31:	2014	2015	2016	2017	2018
	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget
<b>REVENUES</b>					
Real Property Taxes & Items	\$ 56,048,000	\$ 56,527,890	\$ 56,527,890	\$ 57,700,000	\$ 58,250,000
Sales & Use Tax	31,930,000	31,972,673	33,304,043	34,111,580	33,606,844
Other Taxes	3,430,000	3,097,500	2,999,500	2,969,000	2,786,000
Payments in Lieu of Taxes	19,045,000 <sup>(1)</sup>	20,989,632	20,458,291	20,428,973	21,075,000
Interest and Penalty on Taxes	260,000	236,000	205,000	200,000	300,000
Intergovernmental Revenues	1,115,000	874,095	885,615	860,880	816,880
Charges for Services	15,501,200	16,997,340	15,076,975	12,136,271	11,099,051
Traffic Violation Fines	5,115,000	7,016,400	7,068,400	5,204,300	5,221,000
Interest and Rental Income	290,000	5,393,318	3,752,798	3,460,700	3,707,800
Miscellaneous	4,493,200	12,929,775	21,629,881	8,774,645	9,176,430
State Aid	19,998,000	16,491,010	16,493,188	28,940,653	28,756,885
Federal Aid	1,515,400	204,404	1,140,827	1,130,423	519,000
Interfund Revenues	2,535,400	1,565,378	1,065,378	1,065,378	1,065,378
Total Revenues	<u>\$ 161,276,200</u>	<u>\$ 174,295,415</u>	<u>\$ 180,607,786</u>	<u>\$ 176,982,803</u>	<u>\$ 176,380,268</u>
<b>EXPENDITURES</b>					
Public Safety and Regulation	\$ 91,855,921	\$ 92,517,510	\$ 93,821,215	\$ 92,886,357	\$ 93,343,930
General Government	22,710,392	23,004,286	23,408,840	22,117,981	26,413,057
Highway and Streets	6,578,793	7,186,769	9,093,030	8,637,582	4,323,500
Recreation and Culture	4,512,017	4,318,776	4,189,712	4,207,824	3,856,666
Community Service	10,147,797	14,143,019	11,672,832	11,385,747	11,260,389
Employee Benefits	14,242,280	13,200,147	17,051,251	15,901,045	15,490,178
Miscellaneous	-	-	-	-	-
Debt Service	21,030,000	21,924,908	21,370,908	21,846,267	21,692,548
Total Expenditures	<u>\$ 171,077,200</u>	<u>\$ 176,295,415</u>	<u>\$ 180,607,786</u>	<u>\$ 176,982,803</u>	<u>\$ 176,380,268</u>
Excess of Revenues Over (Under) Expenditures	<u>(9,801,000)</u>	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating Transfers In	-	-	-	-	-
Operating Transfers to Other Funds	-	-	-	-	-
Operating Transfers to Component Unit	-	-	-	-	-
Proceeds from Obligation	-	-	-	-	-
Other Financing Source	-	-	-	-	-
Total Other Financing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(9,801,000)</u>	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>					
Fund Balance - Beginning of Year	9,801,000	2,000,000			
Residual Equity Transfers	-	-	-	-	-
Elimination of Encumbrances	-	-	-	-	-
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<sup>(1)</sup> Significant decrease from prior year due to a \$7,850,000 reduction in the annual payment received from the amendment to Section 19-A of the Public Lands Law of the State of New York.

Source: Budgets of the City. This Appendix is not itself audited.

**BONDED DEBT SERVICE**

Fiscal Year Ending December 31st	Excluding the Bonds to be Issued			Principal of the Bonds	Total Principal All Bonds
	Principal	Interest	Total		
2018	\$15,360,000	\$1,646,289.80	\$17,006,289.80	\$0	\$15,360,000
2019	12,370,000	1,169,831.86	13,539,831.86	2,550,417	14,920,417
2020	12,715,000	815,300.72	13,530,300.72	3,285,000	16,000,000
2021	6,545,000	455,168.70	7,000,168.70	3,425,000	9,970,000
2022	3,905,000	255,168.20	4,160,168.20	3,565,000	7,470,000
2023	3,700,000	155,250.00	3,855,250.00	3,085,000	6,785,000
2024	1,500,000	61,050.00	1,561,050.00	3,215,000	4,715,000
2025	1,535,000	24,350.00	1,559,350.00	3,350,000	4,885,000
2026				3,480,000	3,480,000
2027				3,630,000	3,630,000
2028				3,725,000	3,725,000
<b>TOTALS</b>	<b>\$57,630,000</b>	<b>\$4,582,409.28</b>	<b>\$62,212,409.28</b>	<b>\$33,310,417</b>	<b>\$90,940,417</b>

**CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO THE BONDS**

In accordance with the requirements of Rule 15c2-12 as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the City has agreed to provide, or cause to be provided, during the period in which the Bonds are outstanding:

- (i) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement dated June 19, 2018 of the City relating to the Bonds under the headings "THE CITY", "TAX INFORMATION", "STATUS OF INDEBTEDNESS", "ABSENCE OF LITIGATION" and all Appendices (other Appendix C, D & E and other than any related to bond insurance) by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending December 31, 2018, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending December 31, 2018; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the City of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the City of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;
- (ii) in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule:
  - (a) principal and interest payment delinquencies;
  - (b) non-payment related defaults, if material;
  - (c) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (d) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (e) substitution of credit or liquidity providers, or their failure to perform;
  - (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the securities, or other material events affecting the tax status of the securities;
  - (g) modifications to rights of security holders, if material;
  - (h) bond or note calls, if material, and tender offers;
  - (i) defeasances;
  - (j) release, substitution, or sale of property securing repayment of the securities; if material;
  - (k) rating changes;

- (l) bankruptcy, insolvency, receivership or similar event of the City;
- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The City may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above, if the City determines that any such other event is material with respect to the Bonds; but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

- (iii) in a timely manner, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of its failure to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

Event (c) is included pursuant to a letter from the Commission staff to the National Association of Bond Lawyers dated as of September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Bonds.

With respect to event (d), the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

With respect to event (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

The City reserves the right to terminate its obligations to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, and notices of events, as set forth above, if and when the City no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The City acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bonds (including holders of beneficial interests in the Bonds). The right of holders of the Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the City's obligations under its continuing disclosure undertaking and any failure by the City to comply with the provisions of the undertaking will neither be a default with respect to the Bonds nor entitle any holder of the Bonds to recover monetary damages.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, provided that, the City agrees that any such modification will be done in a manner consistent with the Rule.

A "Continuing Disclosure Undertaking" Certificate to this effect shall be provided to the purchaser at closing.

**CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO THE NOTES**

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, the City has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Notes
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the City
- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the City determines that any such other event is material with respect to the Notes; but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The City reserves the right to terminate its obligation to provide the aforescribed notices of events, as set forth above, if and when the City no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The City acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the City's obligations under its material event notices undertaking and any failure by the City to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City; provided that the City agrees that any such modification will be done in a manner consistent with the Rule.

An "Undertaking to Provide Notice of Events" to this effect shall be provided to the purchaser(s) at closing.

**CITY OF ALBANY**  
**ALBANY COUNTY, NEW YORK**

**AUDITED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2016**

**Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.**

**CITY OF ALBANY,  
NEW YORK**

AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

Year ended December 31, 2016



# CITY OF ALBANY, NEW YORK

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## **INDEPENDENT AUDITOR'S REPORT**

Members of the City Council  
City of Albany, New York

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albany, New York (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Albany Parking Authority, the Albany Water Board, the Albany Industrial Development Agency, and certain other component units which collectively represent approximately 69% and 90%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albany, New York, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 55 and other required supplementary information on pages 56 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*UHY* LLP

Albany, New York  
September 26, 2017

# Management Discussion & Analysis

## OVERVIEW

The Management Discussion and Analysis (MD&A) of the City of Albany, New York is an introduction to the major activities affecting the operation of the City and an overview and analysis of the City's financial statements for the calendar year that ended December 31, 2016. It also provides comparative analysis of the City's overall financial position and results of operations as compared to those reported in the City's financial statements for the calendar year ended December 31, 2015.

The information contained in this MD&A should be considered in conjunction with the information contained in the government-wide financial statements, the governmental funds financial statements, and footnotes to the governmental funds financial statements.

The City's financial statements are prepared using generally accepted accounting principles and are presented in a format prescribed by the Government Accounting Standards Board's (GASB) Statement No. 34 "State and Local Government Financial Statements and MD&A" and other related statements.

## FINANCIAL STATEMENTS

In accordance with required reporting standards, the City's financial statements include 1) *government-wide* financial statements and 2) *governmental funds* financial statements.

### Government-Wide Financial Statements

*Statement of Net Position*  
*Statement of Activities*

The *Statement of Net Position* includes Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources of the City as a whole, with the difference between Assets plus Deferred Outflows of Resources and Liabilities plus Deferred Inflows of Resources reported as Net Position. The *Statement of Activities* presents financial information as to how the City's Net Position changed during the fiscal year, with all changes being reported as the underlying event occurs, regardless of the timing of cash flows. Over time, increases or decreases in the City's Net Position are one indicator of whether its financial position is deteriorating or strengthening. However, in contrast to commercial enterprises, the City has no goal of accumulating net position. The *Statement of Net Position* and the *Statement of Activities* delineate between the primary government (the City of Albany, plus the Albany Community Development Agency) and the City's component units<sup>1</sup>. Component units are legally separate from the City, but because the City has some financial accountability for them, they are reported in the City's financial statements. Both statements utilize the accrual basis of accounting, the same accounting method used by most private-sector organizations.

### Governmental Funds Financial Statements

*Balance Sheet*  
*Statement of Revenues, Expenditures and Changes in Fund Balances*

The Governmental Funds Financial Statements consist of a *Balance Sheet*, and a *Statement of Revenues, Expenditures and Changes in Fund Balances*. The *Balance Sheet* includes short-term assets such as cash, and short-term liabilities such as accounts payable, but it does not include long-term liabilities such as bonds payable, or capital assets, such as land and buildings. The Statement of Revenues, Expenditures and Changes in Fund Balances report only those revenues and expenditures that were collected in cash or paid with cash during the current period or shortly after the end of the year. The Fund Financial Statements provide financial information about the most significant funds of the City. Governmental Funds focus on near-term inflows, outflows, and resources still available at the end of the fiscal year. This measurement focus is known as the modified accrual basis of accounting.

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<sup>1</sup> The component units consist of the Albany Water Board and Municipal Water Finance Authority, the Albany Parking Authority, the Albany Industrial Development Agency, the Albany Port Commission, the three Business Improvement Districts and the City of Albany Capital Resource Corporation. Independent accounting firms separately audit these entities. Financial information from these entities, excluding one of the Business Improvement Districts, has been reported in the City's financial statements. The fiduciary funds consist of the City Trust and the payroll accounts. Copies of the complete financial reports for the component units can be obtained by contacting the Treasurer's office of the City of Albany.

## **Reconciliation of Government-wide Financial Statements with Governmental Funds Financial Statements**

Many financial transactions are treated differently on the governmental funds financial statements and the government-wide financial statements. The basic financial statements contain a reconciliation of these items and a full explanation of these differences is contained in Note 2 of the Notes to Financial Statements.

### **Reconciliation of Balance Sheet with Statement of Net Position**

Balances and activities accounted for in the *Balance Sheet* (governmental funds financial statements) and those accounted for in the *Statement of Net Position* (government-wide financial statements) are substantially different because the measurement focus differs between the two statements. For example, long-term liabilities, including bonds payable, vacation, sick time, pending and estimated judgments, and claims are included in the *Statement of Net Position*, but not included in the *Balance Sheet* because they are paid over many years and not with currently available funds.

Net capital assets (fixed assets and infrastructure, minus accumulated depreciation) are reflected in the *Statement of Net Position*, but are not reported on the *Balance Sheet*. Long-term liabilities, such as bonds and loans payable, accrued post-employment benefit obligation, and other long-term liabilities, are not reported as liabilities on the Balance Sheet but are reflected in the Statement of Net Position.

### **Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances with Statement of Activities**

The *Revenues, Expenditures, and Fund Balances* reported in the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds* differ from those reported on the *Statement of Activities* (government-wide financial statements) in several respects:

- Capital outlays are shown as expenditures on the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. However, only the depreciation expense of capital assets is reported on the *Statement of Activities*.
- Vacation expenses, employee retirement benefits, and judgments and claims are expensed as they are paid on the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. However, the *Statement of Activities* shows those expenses incurred during the reporting period. Long-term debt principal paid is reported as an expenditure on the *Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*, but is not reported as an expenditure on the *Statement of Activities*. Rather, principal paid is reported as a reduction of the bonds and loans payable liability in the *Statement of Net Position*. Long-term debt interest is reported as an expenditure when the interest is paid on the *Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. Interest expense reported in the *Statement of Activities* is the interest expense incurred during the year, irrespective of when the interest is paid.

## **OVERVIEW OF THE CITY'S FINANCIAL POSITION**

### **City of Albany Highlights**

The General Fund revenues for 2016 totaled \$172.1 million and were under the final budget by \$5.9 million. The General Fund expenses totaled \$161.8 million and were \$16.4 million lower than the final budget. While the 2016 City budget did not anticipate a change in the fund balance, the fund balance actually increased \$8.1 million for the year. The \$10.3 million excess of revenues over expenses is subtracted from other financing uses of \$2.2 million which resulted in the fund balance ending the year at \$8.1 million. The unassigned fund balance was at a \$6.9 million surplus by year end.

## Government-Wide Financial Statements

### *Statement of Net Position*

Primary government total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$4.8 million. This resulted in an increase of net position of approximately \$0.8 million from 2015.

Total assets (\$300.8 million) increased from 2015 by \$10.2 million. The areas that increased are cash and cash equivalents (increased by \$4.8 million), capital assets, net (increased by \$7.3 million), accounts receivable, net (increased by \$0.9 million) and due from component units (increased by \$3.2 million). The areas that decreased are taxes receivable (decreased by \$0.6 million), mortgage loans receivable (decreased by \$4.6 million), due from other funds (decreased by \$0.7 million) and prepaid and other assets (decreased by \$0.2 million). The increase in cash and cash equivalents was primarily related to the sale of bond anticipation notes. The increase in capital assets, net is the result of the increase in construction in process and machinery and equipment. The increase in accounts receivable, net is related to moneys due to the City for police security details and building demolition expenses.

Total liabilities (\$367.0 million) increased by \$56.7 million from 2015. The primary liabilities which increased were due to other governments (increased by \$3.3 million), accrued post-employment benefit obligation (increased by \$11.3 million), net pension liability (increased by \$52.4 million), compensated absences (increased by \$1.6 million) and judgments and claims (increased by \$4.3 million). The primary liabilities which decreased were accounts payable and accrued interest (decreased by \$2.1 million), unearned revenue (decreased by \$3.7 million) and bond and revenue anticipation notes payable (decreased by \$10.6 million)

The increase in due to other governments is related to the PILOT payments due to the City School District made after the end of 2016. Net pension liability increased mainly as a result of the change in the discount rate used in the actuarial calculation (7.5% to 7.0%). Compensated absences increased primarily as a result of an increase in fire department salaries. Judgments and claims increased as a result of a review and updated costs associated with prior claims performed by the City's third party worker's compensation administrator. Accounts payable and accrued interest decreased from paying a larger volume of vendor invoices before year end. Unearned revenue decreased from the Albany Community Development Agency recognizing a large portion of deferred loans as revenue. Bond and revenue anticipation notes decreased from converting a portion of the bond anticipation notes to bonds and paying off the revenue anticipation notes.

The City of Albany's large Post-Employment Benefit Projected Actuarial Accrued liability (\$393.5 million) is driven by the health care plan which has traditionally been extended to retirees. The post-employment benefit obligation recognized in the Statement of Net Position is almost \$85.0 million.

Deferred outflows of resources increased by \$57.8 million from 2015 and deferred inflows of resources increased by \$10.5 million from 2015 mainly as a result of the change in the discount rate used in the actuarial calculation (7.5% to 7.0%).

Of the net position, \$140.0 million is net invested in capital assets, and \$1.6 million is restricted for program specific activities and for debt service, leaving a deficit balance in unrestricted net position of \$146.4 million – a increase from 2015 of \$6.2 million. The total net position increased by \$0.8 million.

Total capital assets including property and equipment after depreciation are valued at \$215.0 million, with increases of approximately \$23.0 million of additions to capital assets. Approximately \$36.3 million of capital assets are not subject to depreciation, including approximately \$5.0 million of land, and \$31.3 million of construction in progress which is related to the City's landfill expansion project and state and federally funded transportation projects. A more detailed description of capital assets is found in Footnote 7.

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**Governmental Activities - Primary Government**  
**Net Position at December 31, 2016**  
*(in Millions)*

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>
Total assets	\$ 300.8	\$ 290.6	\$ 10.2
Total deferred outflows of resources	74.3	16.5	57.8
Total liabilities	367.0	310.3	56.7
Total deferred inflows of resources	<u>12.9</u>	<u>2.4</u>	<u>10.5</u>
<b>Excess (deficiency) of assets and deferred outflows of resources over liabilities and deferred inflows of resources</b>	<u><b>(4.8)</b></u>	<u><b>(5.6)</b></u>	<u><b>0.8</b></u>
Net invested in capital assets	140.0	133.0	7.0
Restricted for debt service and program activities	1.6	1.6	0.0
Unrestricted (deficiency)	<u>(146.4)</u>	<u>(140.2)</u>	<u>(6.2)</u>
<b>Total Net Position</b>	<u><b>\$ (4.8)</b></u>	<u><b>\$ (5.6)</b></u>	<u><b>\$ 0.8</b></u>

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Component Units

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$94.7 million – an increase of \$9.4 million from 2015. Total assets and deferred outflows of resources (\$162.0 million) increased by \$4.3 million. Net invested in capital assets increased by \$9.9 million.

Total liabilities and deferred inflows of resources (\$67.3 million) decreased by \$5.1 million. Bonds and notes payable decreased \$8.1 million. Net position increased \$9.4 million from 2015 to 2016 due mostly to a significant increase in net position of the Water Board/Authority primarily related to an increase in the net invested in capital assets.

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**Governmental Activities - Component Units**  
**Net Assets at December 31, 2016**  
*(in Millions)*

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>
Total assets and deferred outflows of resources	\$ 162.0	\$ 157.7	\$ 4.3
Total liabilities and deferred inflows of resources	<u>67.3</u>	<u>72.4</u>	<u>(5.1)</u>
<b>Excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources</b>	<b>94.7</b>	<b>85.3</b>	<b>9.4</b>
Net invested in capital assets	50.8	40.9	9.9
Restricted for debt service and program activities	1.2	-	1.2
Unrestricted	<u>42.7</u>	<u>44.4</u>	<u>(1.7)</u>
<b>Total Net Position</b>	<u><b>\$ 94.7</b></u>	<u><b>\$ 85.3</b></u>	<u><b>\$ 9.4</b></u>

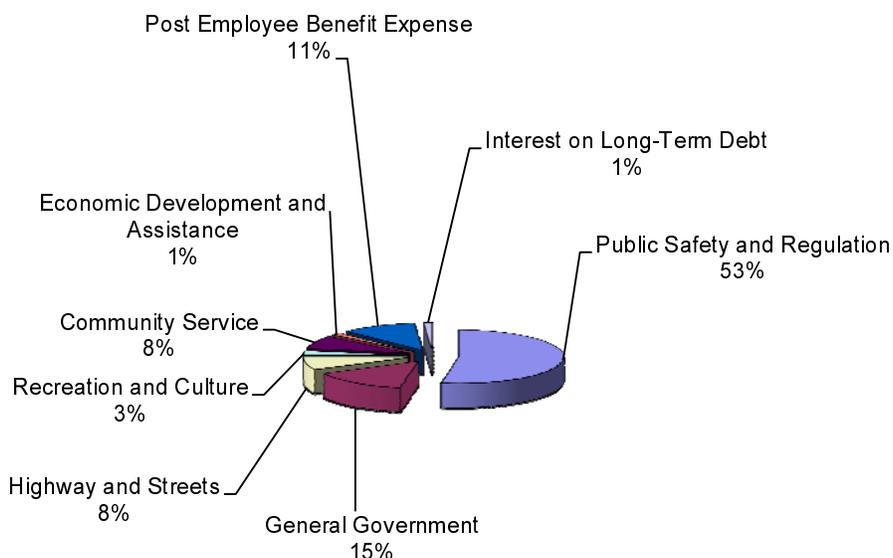
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## Statement of Activities

The *Statement of Activities*: The Statement of Activities describes the cost of the major governmental functions and compares the costs of these functions with revenue attributable to these activities.

<b>Governmental Activities - Expenses</b> (in Millions)				
<b>Governmental Functions</b>	<b>2016</b>	<b>2015</b>	<b>Increase/ (Decrease)</b>	<b>% of Change</b>
Public Safety and Regulation	\$101.4	\$ 94.2	\$ 7.2	8%
General Government	28.7	26.4	2.3	9%
Highway and Streets	14.5	12.6	1.9	15%
Recreation and Culture	5.0	4.7	0.3	6%
Community Service	15.6	15.9	(0.3)	-2%
Economic Development and Assistance	2.6	2.6	0.0	0%
Post Employee Benefit Expense	22.0	15.4	6.6	43%
Interest on Long-Term Debt	2.5	3.0	(0.5)	-17%
<b>Total</b>	<b>\$192.3</b>	<b>\$174.8</b>	<b>\$ 17.5</b>	<b>10%</b>

### Functional Expenses – Primary Government



Public Safety accounts for 53 percent of expenses, while General Government is at 15 percent and Community Services accounts for 8 percent. Post-Employment Benefits, which consist of retiree health care costs as well as the accrued liability for health care costs for active employees upon retirement, accounts for 11 percent of expenses.

Expenses increased from 2015 by \$17.5 million.

Public Safety and Regulation expenses of \$101.4 million increased by \$7.2 million and are offset by \$15.4 million in charges for services and operating grants for COPS hiring, urban security, truancy, and motor vehicle theft prevention programs. General Government expenses of \$28.7 million decreased by \$2.3 million and are offset by \$2.7 million in charges for services most of which came from permit, license and inspection fees. Highway and Streets expenses of \$14.5 million increased by \$2.3 million are offset \$2.0 million in charges for services and \$9.6 million in capital grants and contributions. Post-Employment benefit expenses \$22.0 million increased by \$6.6 million. Community Service expenses of \$15.6 million decreased by \$0.3 million and are offset by \$2.6 million in grants related to the Albany Community

Development Agency and \$11.2 million in charges for services, the largest part of which is revenue generated from private companies and other localities who use the city-owned regional landfill. Interest on long-term debt \$2.5 million decreased by \$0.5 million. Some of this decrease is related to refinancing of prior debt.

Revenues increased from 2015 by \$11.1 million.

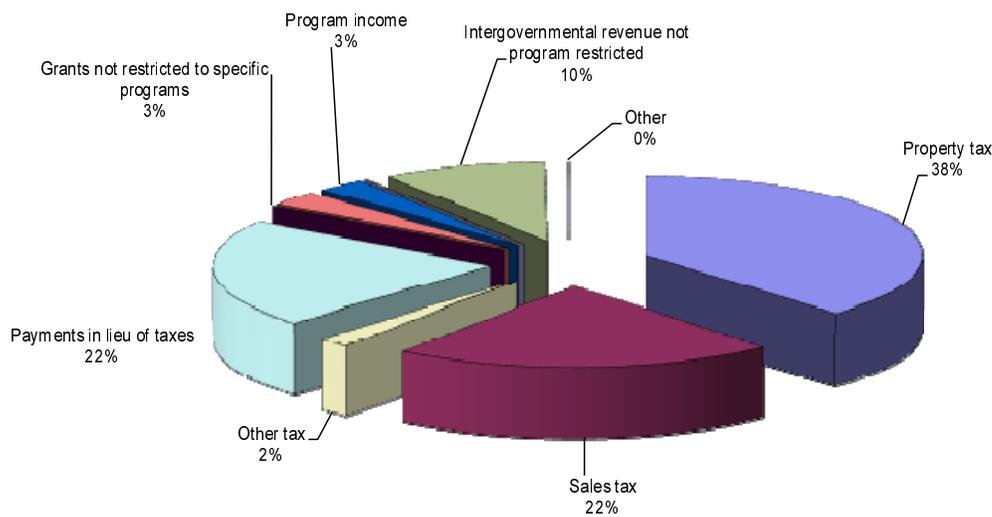
Total general revenues (\$147.8 million) increased by \$11.1 million. Property taxes (\$56.3 million) decreased by \$0.4 million, sales tax revenue (\$33.2 million) increased by \$0.3 million. Payments in lieu of taxes (\$32.4 million) increased by \$11.7 million primarily from a one-time increase to the 19a payment from the State of New York. The additional 19a funds resulted in the year to year increase in revenue. Program income \$4.3 million and intergovernmental revenue not program restricted (\$14.1 million) when combined increased by \$0.2 million from 2015.

**Governmental Activities - General Revenues**  
(in Millions)

<u>Revenues</u>	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>% of Change</u>
Property tax	\$ 56.3	\$ 56.7	\$ (0.4)	-1%
Sales tax	33.2	32.9	0.3	1%
Other tax	2.8	2.8	(0.1)	-3%
Payments in lieu of taxes	32.4	20.8	11.7	56%
Grants not restricted to specific programs	4.5	4.9	(0.4)	-8%
Program income	4.3	-	4.3	
Intergovernmental revenue not program restricted	14.1	18.2	(4.1)	-23%
Other	0.2	0.4	(0.2)	-50%
<b>Total General Revenues</b>	<b>\$ 147.8</b>	<b>\$ 136.7</b>	<b>\$ 11.1</b>	<b>8%</b>

The following chart indicates the relative percentages of general revenues:

**Governmental Activities – General Revenues**  
(in \$ Millions)



## Component Units

Revenues of the Component Units totaled \$50.7 million, which is a decrease of \$3.8 million from 2015. The overall expenses of the Component Units totaled \$41.1 million a decrease of \$1.0 million. The Water Board/Water Authority accounts for the majority of the overall revenues and expenses among the component units. The following is a summary of the relative revenues and expenses of the component units, which excludes the Albany Community Development Agency because it is a blended component unit and is therefore included with the Primary Government in the *Statement of Activities*. The Capitalize Albany Corporation conducted a component unit status review and it was determined it is no longer a component unit of the City effective January 1, 2015.

The following table indicates the relative value of revenues for the component units:

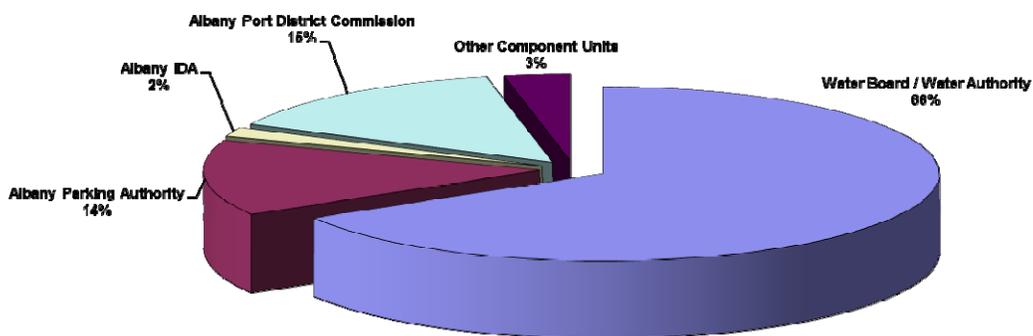
<b>Component Units - Revenues</b>				
<i>(in Millions)</i>				
<b>Component Units</b>	<b>2016</b>	<b>2015</b>	<b>Increase / (Decrease)</b>	<b>% of Change</b>
Water Board / Water Authority	\$ 37.4	\$ 38.6	\$ (1.2)	-3%
Albany Parking Authority	7.3	7.1	0.2	3%
Albany IDA	0.2	1.2	(1.0)	-83%
Albany Port District Commission	5.0	6.4	(1.4)	-22%
Other Component Units	0.8	1.2	(0.4)	-33%
<b>Total</b>	<b>\$ 50.7</b>	<b>\$ 54.5</b>	<b>\$ (3.8)</b>	<b>-7%</b>

The following table indicates the relative value of expenses (including depreciation) for the component units:

<b>Component Units - Expenses</b>				
<i>(in Millions)</i>				
<b>Component Units</b>	<b>2016</b>	<b>2015</b>	<b>Increase / (Decrease)</b>	<b>% of Change</b>
Water Board / Water Authority	\$ 27.3	\$ 28.0	\$ (0.7)	-3%
Albany Parking Authority	5.8	6.6	(0.8)	-12%
Albany IDA	0.7	0.7	-	0%
Albany Port District Commission	6.0	5.9	0.1	2%
Other Component Units	1.3	0.9	0.4	44%
<b>Total</b>	<b>\$ 41.1</b>	<b>\$ 42.1</b>	<b>\$ (1.0)</b>	<b>-2%</b>

The following chart indicates the relative percentage of expenses (including depreciation) for the Component units.

### Component Units – 2016 Expenses



### Governmental Funds Financial Statements

#### Governmental Funds Balance Sheet

Assets increased by \$0.8 million with the largest increase (\$4.8 million) in cash and cash equivalents as a result of issuing bond anticipation notes for capital projects cash requirements. Overall there were many large variances year over year which resulted in a modest increase in the total assets. These variances were explained previously in the Statement of Net Position.

Total liabilities and deferred inflows of resources decreased by \$14.6 million due mostly to a decrease of \$10.6 million in bond and revenue anticipation notes payable from converting a portion of the bond anticipation notes to bonds and paying off the revenue anticipation notes. Accounts payable and accrued expenses decreased \$2.1 million from a higher volume of invoices paid by year end. Due to other funds decreased by \$1.6 million as a result of timing differences related to transfers made to Trust and Agency Fund at the end of the year and unearned revenue decreased by \$3.7 million from the Albany Community Development Agency recognizing a large portion of deferred loans in 2016. Due to other governments increased \$3.3 million as a result of timing differences in paying PILOTs to the City School District after the end of 2016.

The City's fund balance is classified as: non-spendable, restricted, committed, assigned and unassigned. The City's General Fund Balance at year-end was \$13.1 million. The non-spendable portion consists of \$3.7 million in prepayments, primarily to the state retirement plan. The restricted fund balance includes \$1.1 million for debt service, \$0.9 million for landfill post closure expenses, \$0.4 million for the solid waste management facility and \$0.1 million for other. There is no assigned fund balance to be appropriated to the 2017 budget. The unassigned general fund balance totals a surplus of \$6.9 million.

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#### Governmental Funds - Balance Sheet

	2016	2015	Increase / (Decrease)
Total assets and deferred outflows of resources	\$ 94.0	\$ 93.2	\$ 0.8
Total liabilities and deferred inflows of resources	90.2	104.8	(14.6)
<b>Total fund balances</b>	<b>\$ 3.8</b>	<b>\$(11.6)</b>	<b>\$ 15.4</b>

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## Combined Statement of Revenue and Expenditures -- Budget to Actual

CITY OF ALBANY, NEW YORK								
COMBINED STATEMENT OF REVENUES, EXPENDITURES, MODIFIED BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS (in Millions)								
	General Fund				Special Revenue Fund			
	Original Budget	Modified Budget	Actual	Actual Over/ (Under) Final Budget	Original Budget	Modified Budget	Actual	Actual Over/ (Under) Final Budget
<b>REVENUES</b>								
Real property taxes	\$ 56.5	\$ 56.5	\$ 56.3	\$ (0.2)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Sales and use taxes	33.3	33.3	33.2	(0.2)	0.0	0.0	0.0	0.0
Other taxes	3.0	3.0	2.8	(0.2)	0.0	0.0	0.0	0.0
Payments in lieu of taxes	20.5	20.5	32.4	12.0	0.0	0.0	0.0	0.0
Intergovernmental revenue	18.7	19.4	19.8	0.4	2.4	2.6	2.3	(0.3)
Charges for services	15.8	15.8	16.0	0.1	0.0	0.0	0.0	0.0
Fines, interest and penalties	7.1	7.2	4.6	(2.6)	0.0	0.0	0.0	0.0
Use of money and properties	0.1	0.2	0.1	(0.1)	0.0	0.0	0.0	0.0
Licenses and permits	3.4	4.2	3.4	(0.8)	0.0	0.0	0.0	0.0
Other revenues	17.8	17.8	3.5	(14.4)	0.0	0.0	0.0	0.0
<b>Total revenues</b>	<b>176.2</b>	<b>178.0</b>	<b>172.1</b>	<b>(5.9)</b>	<b>2.4</b>	<b>2.6</b>	<b>2.3</b>	<b>(0.3)</b>
<b>EXPENDITURES</b>								
Public safety and regulation	93.8	95.9	91.9	(4.0)	0.0	0.0	0.0	0.0
General government	23.4	22.9	18.7	(4.2)	0.0	0.0	0.0	0.0
Highways and streets	9.1	9.1	8.1	(1.0)	0.0	0.0	0.0	0.0
Recreation and culture	4.2	4.2	3.8	(0.4)	0.0	0.0	0.0	0.0
Community service	7.3	7.6	6.8	(0.9)	0.0	0.0	0.0	0.0
Economic development and assistance	0.0	0.0	0.0	0.0	2.5	2.7	2.3	(0.4)
Employee benefits	17.1	17.1	15.6	(1.4)	0.0	0.0	0.0	0.0
Debt service	21.4	21.4	16.9	(4.5)	0.0	0.0	0.0	0.0
<b>Total expenditures</b>	<b>176.2</b>	<b>178.2</b>	<b>161.8</b>	<b>(16.4)</b>	<b>2.5</b>	<b>2.7</b>	<b>2.3</b>	<b>(0.4)</b>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	0.0	(0.2)	10.3	10.5	(0.1)	(0.1)	0.0	0.1
<b>OTHER FINANCING SOURCES (USES)</b>								
General fund allocation	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	(2.8)	(2.8)	0.0	0.0	0.0	0.0
Proceeds from the issuance of other debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Premium on bond anticipation notes issued	0.0	0.0	0.7	0.7	0.0	0.0	0.0	0.0
<b>Total other financing sources (uses)</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.2)</b>	<b>(2.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	<b>\$ 0.0</b>	<b>\$ (0.2)</b>	<b>\$ 8.1</b>	<b>\$ 8.3</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ 0.0</b>	<b>\$ 0.1</b>

The City's budget, which is effective on January 1<sup>st</sup>, is proposed by the Mayor prior to October 1<sup>st</sup> and is enacted by the Common Council by November 30<sup>th</sup>. This is the *Original Budget*. Changes to the budget throughout the year are made by the Board of Estimate and Apportionment, composed of the Mayor, the Treasurer, the Chief City Auditor, the President of the Common Council, and the Corporation Counsel. This is the *Modified Budget*. *Actual* reflects the operational results, including any audit adjustments. In this analysis actual is compared to final budget.

## Revenues

General Fund revenues (excluding other financing sources) totaled \$172.1 million, which were \$5.9 million less than the final adopted budget but \$9.2 million more than 2015. The most significant variances in revenue include the following:

**Real property taxes** were under budget by \$0.2 million which is the result of paying more in Supreme Court Orders. The total revenue was \$0.4 million lower than last year due to the amount paid for Supreme Court Orders.

**Sales and use taxes revenue** was \$0.2 million under budget however it was \$0.3 million higher than 2015, which reflects some improvement in county-wide economic activity.

**Other taxes** were \$0.2 million under budget. Total revenue was \$0.1 million less than 2015 from decreases in penalties on property taxes and decreases in utility gross receipts taxes.

**Payments in lieu of taxes** finished the year higher than budget by \$12.0 million and \$11.7 million more than 2015. The State of New York paid the City an additional \$12.5 million in 19a funds. These funds are primarily responsible for the City ending 2016 with a surplus fund balance.

**Intergovernmental revenue** was \$0.4 million over budget and was \$3.3 million less than 2015. The decrease is primarily from receiving \$3.9M in one-time funding from the State Finance Restructuring Board last year

**Charges for services** were \$0.1 million over budget and \$1.4 million more than 2015. Most of this increase from last year is related to higher landfill revenues.

**Fines, interest and penalties** ended the year \$2.6 million under budget. Most of this is related to red light ticket revenue that was not received and parking ticket revenue that was under budget for the year.

**Use of money and properties** was \$0.1 million under budget. Revenue decreased from last year due to a decrease in other financing sources from fewer vehicle and equipment auction proceeds and a decrease in Fox Run rental income.

**Licenses and permits** finished the year \$0.8 million under however it was \$0.1 million higher than 2015. Revenues from demolition charges, safety inspection permits, street opening permits and electrical permits were higher than last year.

**Other revenues** were \$14.4 million under budget and were \$0.3 million lower than 2015. The budget shortfall is primarily related to the City not receiving the budgeted \$12.5 million in Capital City Funding.

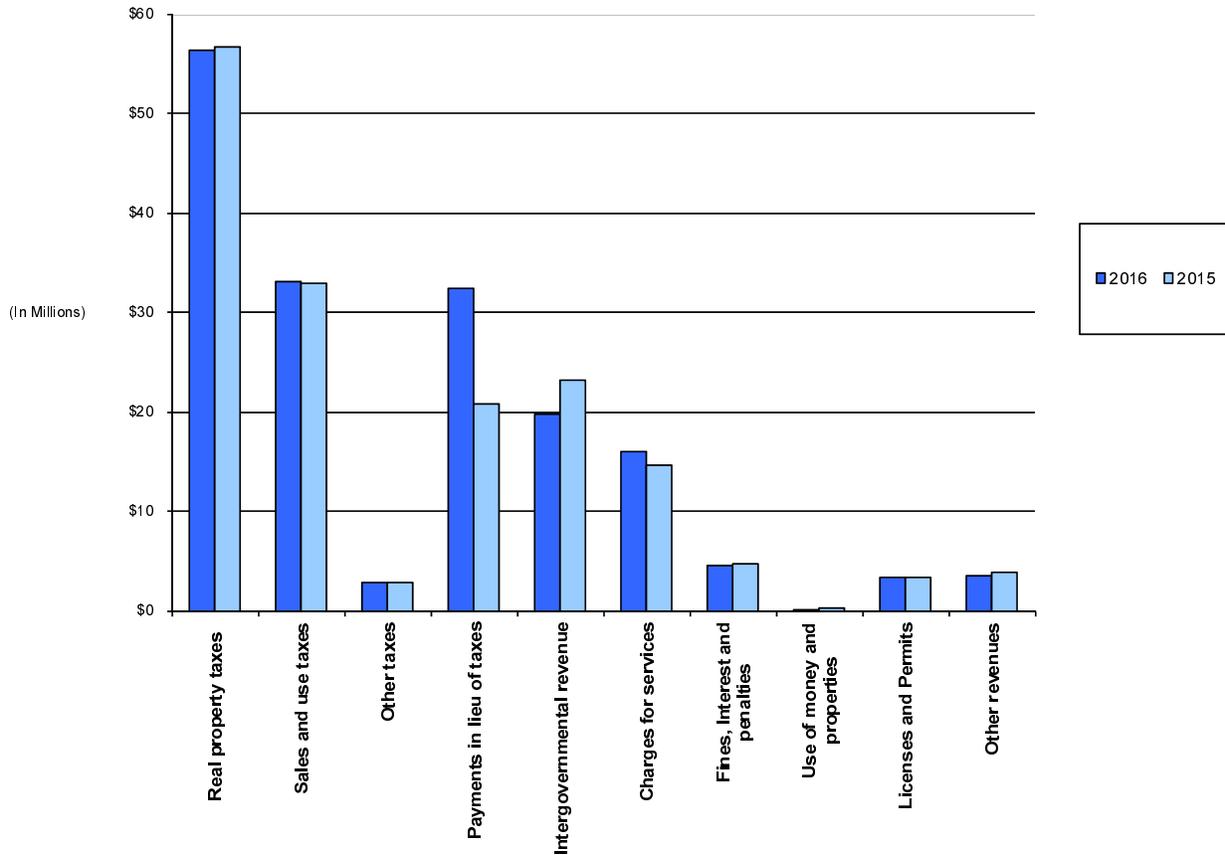
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### Governmental Funds - General Fund Revenues 2016 to 2015 Variance (In Millions)

<u>Revenues</u>	<u>2016</u>	<u>2015</u>	<u>2016 Over/(Under) 2015</u>
Real property taxes	\$ 56.3	\$ 56.7	\$ (0.4)
Sales and use taxes	33.2	32.9	0.3
Other taxes	2.8	2.8	(0.1)
Payments in lieu of taxes	32.4	20.8	11.7
Intergovernmental revenue	19.8	23.1	(3.3)
Charges for services	16.0	14.6	1.4
Fines, interest and penalties	4.6	4.7	(0.1)
Use of money and properties	0.1	0.2	(0.1)
Licenses and permits	3.4	3.3	0.1
Other revenues	3.5	3.8	(0.3)
Total revenues	<u>\$ 172.1</u>	<u>\$ 162.9</u>	<u>\$ 9.2</u>

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## Governmental Funds – General Fund Revenues 2016 to 2015 Variance



### Expenses

Total expenditures of \$161.8 million were \$16.4 million less than the final budget and \$3.7 million lower than 2015.

**Public safety and regulation** spending (\$91.9 million) was \$4.0 million lower than the final budget and was only \$0.1 million higher than 2015. State pension contributions were lower than budget for the Police and Fire Department by a combined total of \$3.5 million.

**General government** spending (\$18.7 million) was \$4.2 million less than final budget and \$0.9 million lower than 2015. Unallocated insurance expense was \$0.6 million under budget for the year. Gasoline expense was under budget by \$0.7 million under budget and motor vehicle expense was \$0.4 million under budget for 2016. Most of the departments in this category came in at or below budget.

**Highway and streets** spending (\$8.1 million) was \$1.0 million under budget and \$1.5 million less than 2015. As a result of a mild winter the City's snow removal supplies and expenses came in under budget for 2016 and lower than 2015.

**Recreation and culture** spending (\$3.8 million) was \$0.4 million lower than final budget and \$0.1 million less than 2015. Most of the departments in this category came in at or below budget.

**Community service** spending (\$6.8 million) was \$0.9 million less than final budget and \$1.4 million lower than 2015. Landfill waste collection and recycling expenses were under budget. The decrease from 2015 is related to moving the budget for street cleaning under the street maintenance department.

**Employee benefits** expense (\$15.6 million) was \$1.4 million under budget and \$0.7 million lower when compared to last year. Retiree health insurance expense was \$10.1 million and on budget for the year. The City is self-insured and pays the actual claims for employees in the Empire Blue Cross plan. These expenses can vary widely from year to year. Actual expenses related to these claims resulted in a decrease of \$0.8 million in costs from 2015. Worker's compensation expenses came in under budget by \$2.1 million in 2016 but actual expenses came in almost the same as 2015 at \$2.0 million. NYS Retirement expenses were over budget by \$2.0 million and just slightly higher than 2015 at \$2.8 million.

**Debt service** payments (\$16.9 million) was \$4.5 million below budget and \$2.3 million lower than 2015. The decrease is related to refunding older serial bonds and receiving a lower interest rate, paying off a capital lease in 2015 and older debt maturing.

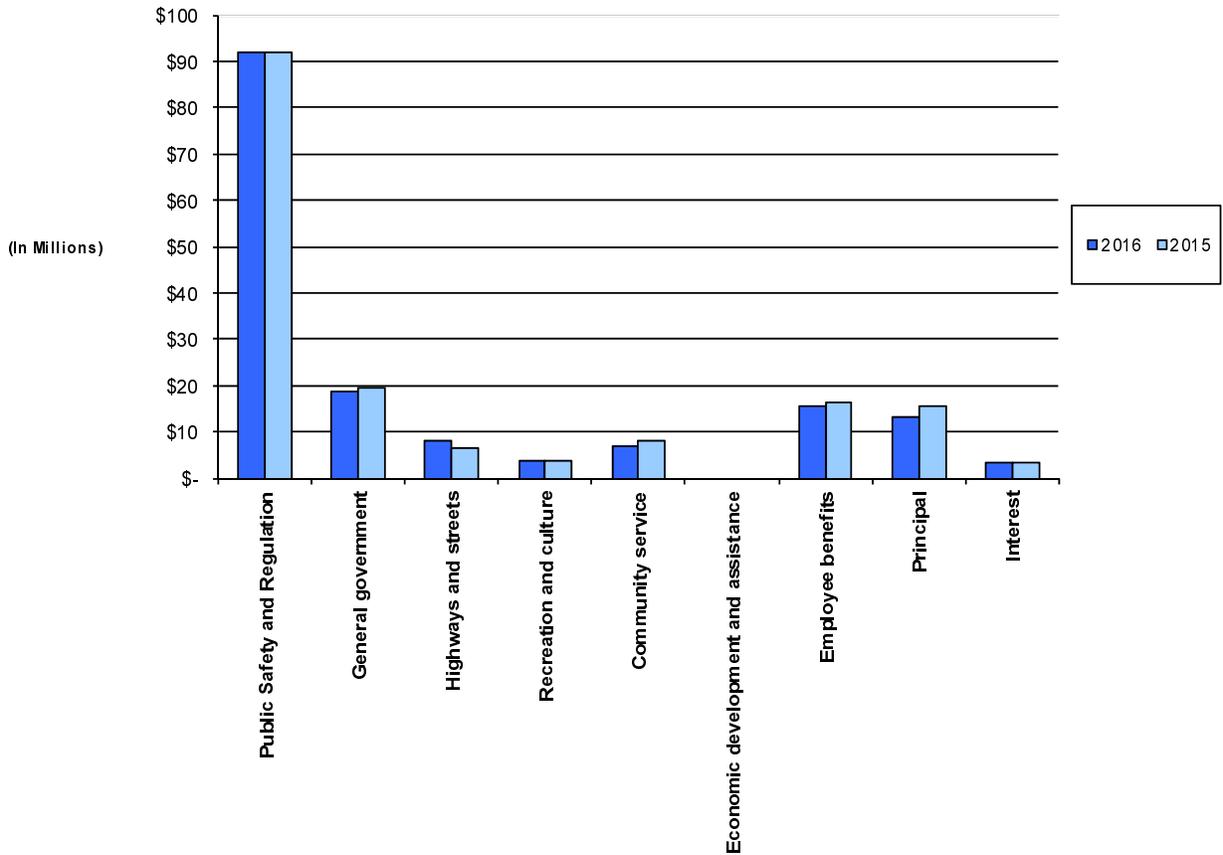
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**Governmental Funds - General Fund Expense 2016 to 2015 Variance  
(In Millions)**

<u>Expenditures</u>	<u>2016</u>	<u>2015</u>	<u>2016 Over/(Under) 2015</u>
Public safety and regulation	\$ 91.9	\$ 91.8	\$ 0.1
General government	18.7	19.6	(0.9)
Highways and streets	8.1	6.6	1.5
Recreation and culture	3.8	3.8	(0.1)
Community service	6.8	8.1	(1.4)
Economic development and assistance	0.0	0.0	0.0
Employee benefits	15.6	16.3	(0.7)
Principal	13.4	15.7	(2.3)
Interest	3.5	3.5	0.0
Total expenditures	<u>\$ 161.8</u>	<u>\$ 165.5</u>	<u>\$ (3.7)</u>
Excess of operating revenues over expenditures	<u>\$ 10.3</u>	<u>\$ (2.6)</u>	<u>\$ 12.9</u>

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**General Government – General Fund Expenditures 2016 to 2015 Variance**



**DEBT**

The City's long-term debt and short-term debt are described in detail in Notes 12-13.

In June 2016, the City issued \$13,474,579 in General Obligation Serial Bonds. The bonds carry an interest rate of 2.00%. The Bonds have maturity dates ranging from June 15, 2017 through June 15, 2025. The proceeds of the Bonds, along with available funds were used to redeem \$16,089,085 of the \$43,425,299 BANS that were issued in 2015 and matured July 1, 2016.

In June 2016, the City issued various BANS of \$38,846,812 at an interest rate of 2.00%.

The proceeds of the notes, along with available funds were used to redeem a portion of the \$43,425,299 BANS issued in July 1, 2015 and matured on July 1, 2016 and to provide new funds for the expenses of current capital projects including the landfill expansion.

Capital Leases

The City entered into no new capital lease agreements in 2016.

Debt Ceiling

Of the outstanding indebtedness, approximately \$111,571,000 was subject to the statutory debt limit, using approximately 33% of the City's \$336,650,207 statutory debt limit.

## CREDIT RATINGS AND BOND INSURANCE

The City of Albany currently has a credit rating from Standard & Poor's insured bond rating of A+ with a negative outlook and an underlying bond rating of A+ with a negative outlook for the bonds. All outstanding debt is backed by insurance policies from municipal insurance companies except issues secured through the New York State Environmental Facilities Corporation (EFC).

## CAPITAL ACQUISITION AND CONSTRUCTION ACTIVITIES

During 2016, the City expended \$23.0 million on capital projects and acquisitions. This includes the landfill expansion and Federal and State funds for transportation and infrastructure projects, funds secured through General Obligation Bonds and Bond Anticipation Notes, and appropriations from the City's General Fund. The following are some of the major sources of capital expenditures:

<b>Capital Acquisition, Construction and Expenditures</b>	
Buildings and Infrastructure Improvements	\$ 3.0 Million
Street and Sidewalk Construction	\$ 4.7 Million
Vehicles and Equipment	\$ 1.7 Million
Landfill Equipment and Expansion	\$ 1.2 Million
Public Safety Equipment	\$ 5.9 Million
Local Economic Development	\$ 5.9 Million

This Annual Financial Report is intended to provide information on the City of Albany's operations and is available to all with an interest in the financial matters related to the City of Albany, New York. Questions concerning any of the information provided in this report or any request for additional information should be either in writing or by e-mail.

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**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<b>Primary Government</b>	<b>Component Units</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 44,622,276	\$ 12,282,835
Cash and cash equivalents - restricted	2,107,092	5,162,457
Investments	-	19,721,945
Investments, restricted	-	5,517,496
Taxes receivable	3,966,018	-
Accounts receivable, net	5,061,925	12,092,547
Mortgage loans receivable	4,584,222	131,970
Due from primary government	-	7,044,927
Due from other governments	14,163,397	-
Due from component units	9,305,883	-
Prepaid and other assets	1,433,058	1,171,278
Property held for investment, lease or sale	522,913	-
Capital assets, net	214,999,150	97,047,504
Total assets	<u>\$ 300,765,934</u>	<u>\$ 160,172,959</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows resulting from refunding of debt, net	\$ 733,185	\$ 228,718
Deferred bond insurance premiums, net	-	118,268
Deferred outflows related to net pension liability	73,558,330	1,509,845
Total deferred outflows of resources	<u>\$ 74,291,515</u>	<u>\$ 1,856,831</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 11,046,620	\$ 6,239,211
Accrued interest payable	1,111,422	852,954
Unearned revenue	5,321,798	143,070
Due to other governments	16,475,678	-
Due to primary government	-	228,756
Due to other funds	24,606	-
Due to component units	12,624,229	-
Other liabilities	178,719	127,098
Bond and revenue anticipation notes payable	38,846,812	-
Bonds and loans payable	75,173,724	52,434,002
Accrued post employment benefit obligation	84,976,521	4,419,855
Net pension liability	60,898,458	1,404,407
Compensated absences	18,105,174	-
Due to NYS Retirement System	12,956,026	-
Judgments and claims	19,930,050	-
Landfill post-closure costs	9,022,917	-
Capital lease obligations	310,000	1,072,244
Total liabilities	<u>\$ 367,002,754</u>	<u>\$ 66,921,597</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to net pension liability	\$ 12,773,228	\$ 185,965
Deferred inflows related to sales of future revenue	100,000	184,384
Total deferred outflows of resources	<u>\$ 12,873,228</u>	<u>\$ 370,349</u>
<b>NET POSITION</b>		
Net invested in capital assets	\$ 140,038,339	\$ 50,844,248
Restricted for:		
Program specific activities	432,859	1,227,765
Debt service	1,135,933	-
Unrestricted (deficiency)	<u>(146,425,664)</u>	<u>42,665,831</u>
Total net position (deficiency)	<u>\$ (4,818,533)</u>	<u>\$ 94,737,844</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2016**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
					Primary Government	Component Units
Primary Government:						
Public safety and regulation	\$ 101,371,767	\$ 11,814,482	\$ 3,537,360	\$ -	\$ (86,019,925)	\$ -
General government	28,721,494	2,744,069	-	-	(25,977,425)	-
Highways and streets	14,521,113	1,976,602	-	9,576,021	(2,968,490)	-
Recreation and culture	4,982,629	1,833,587	-	-	(3,149,042)	-
Community service	15,632,580	11,160,653	2,599,385	-	(1,872,542)	-
Economic development and assistance	2,605,226	-	-	-	(2,605,226)	-
Post employment benefit expense	21,970,291	-	-	-	(21,970,291)	-
Interest on long-term debt	2,459,555	-	-	-	(2,459,555)	-
Total governmental activities	<u>192,264,655</u>	<u>29,529,393</u>	<u>6,136,745</u>	<u>9,576,021</u>	<u>(147,022,496)</u>	<u>-</u>
Component Units:						
Albany Water Board and Municipal Water Finance Authority	28,674,573	37,406,909	368,434	-	-	9,100,770
Albany Parking Authority	7,082,171	7,272,081	-	-	-	189,910
Albany Industrial Development Agency	722,419	176,788	-	-	-	(545,631)
Albany Port District Commission	6,290,375	5,028,974	610,591	-	-	(650,810)
Other component units	1,255,379	807,105	-	-	-	(448,274)
Total component units	<u>\$ 44,024,917</u>	<u>\$ 50,691,857</u>	<u>\$ 979,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>7,645,965</u>
General Revenues:						
Property tax					56,313,118	-
Sales tax					33,150,041	-
Other tax					2,753,707	-
Payments in lieu of taxes					32,435,189	-
Grants not restricted to specific programs					4,568,349	-
Program income					4,284,899	-
Intergovernmental revenue not program-restricted					14,062,584	-
Gain (Loss) on sale of capital assets					(67,251)	17,237
Other revenues					278,801	-
Unrestricted investment earnings					27,063	595,045
Total general revenues					<u>147,806,500</u>	<u>612,282</u>
Change in net position					<u>784,004</u>	<u>8,258,247</u>
Net position (deficiency), beginning of year					<u>(5,602,537)</u>	<u>86,479,597</u>
Net position (deficiency), end of year					<u>\$ (4,818,533)</u>	<u>\$ 94,737,844</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2016**

	General	Special Revenue	Capital Projects	Other Governmental Fund	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets					
Cash and cash equivalents	\$ 9,508,226	\$ 175,436	\$ 30,110,134	\$ 4,828,480	\$ 44,622,276
Cash and cash equivalents - restricted	2,107,092	-	-	-	2,107,092
Taxes receivable	3,966,018	-	-	-	3,966,018
Accounts receivable, net	4,150,605	-	-	-	4,150,605
Landfill receivable, net	911,320	-	-	-	911,320
Mortgage loans receivable	-	-	-	4,584,222	4,584,222
Due from other funds	5,590,288	26,652	2,381	9,965	5,629,286
Due from component units	9,305,883	-	-	-	9,305,883
Due from federal and state governments	1,484,628	100,549	1,610,977	974,561	4,170,715
Due from other governments	9,937,098	25,584	30,000	-	9,992,682
Other assets	3,755,378	48,386	-	794,762	4,598,526
Total assets	<u>50,716,536</u>	<u>376,607</u>	<u>31,753,492</u>	<u>11,191,990</u>	<u>94,038,625</u>
Deferred outflows of resources					
Total assets plus deferred outflows of resources	<u>\$ 50,716,536</u>	<u>\$ 376,607</u>	<u>\$ 31,753,492</u>	<u>\$ 11,191,990</u>	<u>\$ 94,038,625</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities					
Bond and revenue anticipation notes payable	\$ -	\$ -	\$ 38,846,812	\$ -	\$ 38,846,812
Accounts payable and accrued expenses	7,224,911	50,269	3,180,018	591,422	11,046,620
Due to other funds	1,076,519	540,505	3,389,633	647,235	5,653,892
Due to component units	12,624,229	-	-	-	12,624,229
Due to other governments	16,475,678	-	-	-	16,475,678
Unearned revenue	83,529	152,855	-	5,085,414	5,321,798
Other liabilities	105,125	-	-	73,594	178,719
Total liabilities	<u>37,589,991</u>	<u>743,629</u>	<u>45,416,463</u>	<u>6,397,665</u>	<u>90,147,748</u>
Deferred inflows of resources					
Total liabilities, deferred inflows of resources and fund balances	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Fund Balances					
Nonspendable:					
Prepayments	3,697,048	48,386	-	5,124	3,750,558
Restricted for:					
Debt Service	1,135,933	-	-	-	1,135,933
Landfill Postclosure	916,080	-	-	-	916,080
Solid Waste Management Facility	432,859	-	-	-	432,859
Other	65,117	-	-	-	65,117
Committed for:					
Choose Albany Program	-	-	-	82,900	82,900
Neighborhood Commercial Façade Program	-	-	-	23,800	23,800
West Hill Neighborhood Strategic Plan	-	-	-	35,000	35,000
Public access coordinator	-	-	-	38,400	38,400
Swan Park	-	-	-	30,000	30,000
Dream Center	-	-	-	135,000	135,000
Washington Park Skate Park	-	-	-	-	-
City High-Speed Internet Grant	-	-	-	-	-
Assigned for:					
Other purposes	-	-	-	4,444,101	4,444,101
Unassigned balances (deficiency):	6,879,508	(415,408)	(13,762,971)	-	(7,298,871)
Total fund balances (deficiency)	<u>13,126,545</u>	<u>(367,022)</u>	<u>(13,762,971)</u>	<u>4,794,325</u>	<u>3,790,877</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 50,716,536</u>	<u>\$ 376,607</u>	<u>\$ 31,753,492</u>	<u>\$ 11,191,990</u>	<u>\$ 94,038,625</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Real property taxes	\$ 56,313,118	\$ -	\$ -	\$ -	\$ 56,313,118
Sales and use taxes	33,150,041	-	-	-	33,150,041
Other taxes	2,753,707	-	-	-	2,753,707
Payments in lieu of taxes	32,435,189	-	-	-	32,435,189
Intergovernmental revenue	19,807,162	2,333,695	23,050,600	4,603,332	49,794,789
Charges for services	15,987,790	-	-	4,284,899	20,272,689
Fines, interest and penalties	4,590,813	-	-	-	4,590,813
Uses of money and properties	128,673	-	-	-	128,673
License and permits	3,417,214	-	-	-	3,417,214
Other revenues	3,461,855	-	-	430	3,462,285
Total revenues	<u>172,045,562</u>	<u>2,333,695</u>	<u>23,050,600</u>	<u>8,888,661</u>	<u>206,318,518</u>
<b>EXPENDITURES</b>					
Public safety and regulation	91,923,460	-	5,872,208	-	97,795,668
General government	18,712,485	-	4,722,877	-	23,435,362
Highways and streets	8,053,523	-	4,682,425	-	12,735,948
Recreation and culture	3,776,378	-	629,506	-	4,405,884
Community service	6,762,945	-	2,042,559	4,894,673	13,700,177
Economic development and assistance	-	2,325,661	4,455,732	-	6,781,393
Employee benefits	15,605,649	-	-	-	15,605,649
Debt service:					
Principal	13,395,042	-	-	225,332	13,620,374
Interest	3,527,433	-	-	45,092	3,572,525
Total expenditures	<u>161,756,915</u>	<u>2,325,661</u>	<u>22,405,307</u>	<u>5,165,097</u>	<u>191,652,980</u>
Excess of revenues over expenditures	<u>10,288,647</u>	<u>8,034</u>	<u>645,293</u>	<u>3,723,564</u>	<u>14,665,538</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Premium on bonds and bond anticipation notes issued	698,787	-	-	-	698,787
Transfers in	868,271	-	3,717,548	-	4,585,819
Transfers out	(3,717,548)	-	(868,271)	-	(4,585,819)
Proceeds of obligations, refunding - including bond premium	-	-	-	10,699,830	10,699,830
Payment to refunded bond escrow agent	-	-	-	(10,699,830)	(10,699,830)
Total other financing sources (uses)	<u>(2,150,490)</u>	<u>-</u>	<u>2,849,277</u>	<u>-</u>	<u>698,787</u>
Net change in fund balance	8,138,157	8,034	3,494,570	3,723,564	15,364,325
FUND BALANCE (DEFICIENCY), beginning of year	<u>4,988,388</u>	<u>(375,056)</u>	<u>(17,257,541)</u>	<u>1,070,761</u>	<u>(11,573,448)</u>
FUND BALANCE (DEFICIENCY), ending	<u>\$ 13,126,545</u>	<u>\$ (367,022)</u>	<u>\$ (13,762,971)</u>	<u>\$ 4,794,325</u>	<u>\$ 3,790,877</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**WITH THE STATEMENT OF NET POSITION**  
**December 31, 2016**

Total fund balance - governmental funds \$ 3,790,877

Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Property held for sale is	\$ 522,913	
The cost of capital assets is	506,708,911	
Accumulated depreciation is	<u>(291,709,761)</u>	215,522,063

Long-term liabilities, including bonds payable, that are not due and payable in the current period are not reported as liabilities in the funds. Long-term liabilities not due and payable at year end consist of:

Bonds and loans payable	(73,155,436)	
Bond Premium	(2,018,288)	
Due to NYS Retirement System	(12,956,026)	
Net pension liability	(60,898,458)	
Accrued post employment benefit obligation	(84,976,521)	
Accrued interest on bonds	(1,111,422)	
Compensated absences	(18,105,174)	
Landfill closure and postclosure obligation	(9,022,917)	
Capital lease obligations	(310,000)	
Judgments and claims	<u>(19,930,050)</u>	(282,484,292)

Prepaid expenses relating to net pension liability are recorded in the funds, however are included in deferred outflows of resources in the statement of net position. Deferred outflows and inflows of resources related to net pension liability are not recorded in the funds.

Prepaid expenses	(3,165,468)	
Deferred outflows and inflows	<u>61,518,287</u>	<u>58,352,819</u>
Net position of governmental activities		<u><u>\$ (4,818,533)</u></u>

**CITY OF ALBANY, NEW YORK**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**WITH THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2016**

Total net change in fund balance - governmental funds \$15,364,325

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	23,037,349	
Depreciation expense	(15,624,392)	
Loss on disposal of assets and other	<u>(73,651)</u>	7,339,306

In the statement of activities, certain operating expenses are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Thus, the change in net assets differs from the change in fund balance as follows:

Compensated absences	(1,607,150)	
Landfill closure and postclosure costs	(289,871)	
Retainage incurred in current year	-	
Retainage incurred in prior year	207,092	
Judgments and claims	<u>(4,267,082)</u>	(5,957,011)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets.

Bond proceeds	(23,684,579)	
Premiums on Bonds	(786,941)	
Amortization of Bond Premium	752,717	
Amortization of Deferred Outflow resulting from refunding of debt	(13,340)	
Due to NYS retirement system	(1,118,589)	
Payment to NYS retirement system	1,291,467	
Principal repaid	<u>24,196,899</u>	637,634

Accrued post employment benefit obligation liability increases long-term liabilities in the statement of net assets and related expenditures in the statement of activities, but not to governmental funds. Net post employment benefit contribution is an expenditure in governmental funds, but the contribution reduces long-term liabilities in the statement of net assets. This is the amount by which accrued post employment benefit liability adjustment exceeds the contribution.

Accrued post employment benefit liability adjustment	(27,883,470)	
Post employment benefit contribution paid	<u>16,589,455</u>	(11,294,015)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

373,593

Changes in prepaids, accrued liabilities, deferred inflows and outflows of resources related to net pension liability

(5,679,828)

Change in net position of governmental activities

\$ 784,004

*See notes to financial statements.*

**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
December 31, 2016

	<u>Agency</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 506,319
Cash and equivalents - restricted	1,275,450
Accounts receivable	21,286
Due from other funds	<u>24,606</u>
Total assets	<u>\$ 1,827,661</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ -</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 4,082
Seized forfeitures	1,275,450
Due to other funds	-
Other liabilities	<u>548,129</u>
Total liabilities	<u>\$ 1,827,661</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ -</u>
<b>NET POSITION</b>	<u><u>\$ -</u></u>

*See notes to financial statements.*

**CITY OF ALBANY**  
**COMBINING STATEMENT OF NET POSITION – DISCRETELY PRESENTED COMPONENT UNITS**  
**December 31, 2016**

	Albany Water Board and Municipal Water Finance Authority	Albany Parking Authority	City of Albany Industrial Development Agency	Albany Port District Commission	Other Component Units	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 6,591,885	\$ 800,427	\$ 1,867,362	\$ 2,371,583	\$ 651,578	\$ 12,282,835
Cash and cash equivalents, restricted	1,275,197	3,887,260	-	-	-	5,162,457
Investments	16,425,184	-	-	3,296,761	-	19,721,945
Investments, restricted	4,439,996	1,077,500	-	-	-	5,517,496
Receivables, net:						
Accounts	11,520,578	18,638	-	435,081	-	11,974,297
Other	-	22,124	-	-	96,126	118,250
Mortgage loans and notes receivable	-	-	131,970	-	-	131,970
Due from primary government	7,044,927	-	-	-	-	7,044,927
Prepaid and other assets	1,040,720	88,199	-	34,004	8,355	1,171,278
Capital assets, net	39,003,917	14,863,159	-	42,937,259	243,169	97,047,504
Total assets	<u>\$ 87,342,404</u>	<u>\$ 20,757,307</u>	<u>\$ 1,999,332</u>	<u>\$ 49,074,688</u>	<u>\$ 999,228</u>	<u>\$ 160,172,959</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows resulting from refunding of debt, net	\$ -	\$ 228,718	\$ -	\$ -	\$ -	\$ 228,718
Deferred bond insurance premiums, net	-	118,268	-	-	-	118,268
Deferred outflows related to net pension liability	-	915,123	-	594,722	-	1,509,845
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 1,262,109</u>	<u>\$ -</u>	<u>\$ 594,722</u>	<u>\$ -</u>	<u>\$ 1,856,831</u>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 5,331,752	\$ 406,987	\$ 74,481	\$ 346,881	\$ 79,110	\$ 6,239,211
Current maturities of long-term debt	4,025,000	1,255,291	-	452,527	128,004	5,860,822
OPEB obligation, current portion	-	50,184	-	77,000	-	127,184
Current installments of capital lease obligation	-	401,727	-	-	8,079	409,806
Accrued interest payable	-	306,385	-	-	-	306,385
Accrued Interest, capital appreciation bonds	-	546,569	-	-	-	546,569
Due to primary government	-	96,786	131,970	-	-	228,756
Unearned revenues	-	118,321	-	24,749	-	143,070
Other liabilities	-	-	-	127,098	-	127,098
Accrued interest on capital appreciation bonds, less maturities	-	-	-	-	-	-
OPEB obligation, net of current portion	-	2,053,881	-	2,238,790	-	4,292,671
Net pension liability	-	769,869	-	634,538	-	1,404,407
Capital lease obligation, less current installments	-	657,051	-	-	5,387	662,438
Bonds and notes payable	31,556,388	13,355,675	-	1,661,117	-	46,573,180
Total liabilities	<u>\$ 40,913,140</u>	<u>\$ 20,018,726</u>	<u>\$ 206,451</u>	<u>\$ 5,562,700</u>	<u>\$ 220,580</u>	<u>\$ 66,921,597</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to net pension liability	\$ -	\$ 110,751	\$ -	\$ 75,214	\$ -	\$ 185,965
Deferred inflows related to sales of future revenues	184,384	-	-	-	-	184,384
Total deferred inflows of resources	<u>\$ 184,384</u>	<u>\$ 110,751</u>	<u>\$ -</u>	<u>\$ 75,214</u>	<u>\$ -</u>	<u>\$ 370,349</u>
<b>NET POSITION</b>						
Net invested in capital assets	5,476,374	4,544,259	-	40,823,615	-	50,844,248
Restricted	-	1,227,765	-	-	-	1,227,765
Unrestricted (deficit)	40,768,506	(3,882,085)	1,792,881	3,207,881	778,648	42,665,831
Total net position	<u>\$ 46,244,880</u>	<u>\$ 1,889,939</u>	<u>\$ 1,792,881</u>	<u>\$ 44,031,496</u>	<u>\$ 778,648</u>	<u>\$ 94,737,844</u>

See notes to financial statements.

**CITY OF ALBANY**  
**COMBINING STATEMENT OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNITS**  
**December 31, 2016**

	<b>Albany Water Board and Municipal Water Finance Authority</b>	<b>Albany Parking Authority</b>	<b>City of Albany Industrial Development Agency</b>	<b>Albany Port District Commission</b>	<b>Other Component Units</b>	<b>Totals</b>
Operating revenue	\$ 37,406,909	\$ 7,272,081	\$ 176,788	\$ 5,028,974	\$ 807,105	\$ 50,691,857
Operating expenses						
Costs of services	-	3,288,582	407,540	696,248	1,096,147	5,488,517
Source of supply and purification	3,072,273	-	-	-	-	3,072,273
Transmission and distribution	4,625,522	-	-	-	-	4,625,522
General and administrative	5,300,837	240,854	-	3,282,828	159,232	8,983,751
Real estate taxes paid to other governments	1,945,030	-	-	-	-	1,945,030
Sewer contract	9,028,170	-	-	-	-	9,028,170
Depreciation and amortization	3,359,333	930,743	-	2,018,463	-	6,308,539
Grants	-	-	314,879	-	-	314,879
Miscellaneous	-	1,330,184	-	-	-	1,330,184
Total operating expenses	<u>27,331,165</u>	<u>5,790,363</u>	<u>722,419</u>	<u>5,997,539</u>	<u>1,255,379</u>	<u>41,096,865</u>
Excess of operating revenue over expenses before nonoperating revenue (expenses)	<u>10,075,744</u>	<u>1,481,718</u>	<u>(545,631)</u>	<u>(968,565)</u>	<u>(448,274)</u>	<u>9,594,992</u>
Nonoperating revenue (expenses)						
Amortization of bond insurance premiums	-	(38,704)	-	-	-	(38,704)
Decrease in fair value of investments	(2,659)	-	-	-	-	(2,659)
Interest income	495,529	59,368	10,750	29,398	-	595,045
Interest expense	(1,340,749)	(853,104)	-	(49,668)	-	(2,243,521)
Gain (loss) on sale of assets	26,479	(9,242)	-	-	-	17,237
Waterfront development expenses	-	-	-	(243,168)	-	(243,168)
Municipal support agreement expenses	-	-	-	(400,000)	-	(400,000)
Net nonoperating revenue (expenses)	<u>(821,400)</u>	<u>(841,682)</u>	<u>10,750</u>	<u>(663,438)</u>	<u>-</u>	<u>(2,315,770)</u>
Excess of revenue over expenses before transfers	<u>9,254,344</u>	<u>640,036</u>	<u>(534,881)</u>	<u>(1,632,003)</u>	<u>(448,274)</u>	<u>7,279,222</u>
Grant funding	368,434	-	-	610,591	-	979,025
Increase in liability due to transfer of services	-	-	-	-	-	-
Excess of revenue over expenses	<u>9,622,778</u>	<u>640,036</u>	<u>(534,881)</u>	<u>(1,021,412)</u>	<u>(448,274)</u>	<u>8,258,247</u>
NET POSITION, beginning of year	<u>36,622,102</u>	<u>1,249,903</u>	<u>2,327,762</u>	<u>45,052,908</u>	<u>1,226,922</u>	<u>86,479,597</u>
NET POSITION, end of year	<u>\$ 46,244,880</u>	<u>\$ 1,889,939</u>	<u>\$ 1,792,881</u>	<u>\$ 44,031,496</u>	<u>\$ 778,648</u>	<u>\$ 94,737,844</u>

See notes to financial statements.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Reporting Entity***

The City of Albany, New York (City) was established in 1614, chartered in 1686, and is governed by a Mayor and the City's Common Council. The City, as the primary government, performs local governmental functions within its jurisdiction, including general governmental support, public safety, culture and recreation, transportation, health, and economic assistance and opportunity.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), promulgated by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing state and local governmental accounting and financial reporting principles.

In preparing financial statements in conformity with GAAP, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and accordingly data from these units are combined with the data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

The decision to include a component unit in the City's reporting entity is based on several criteria, including legal standing, fiscal dependency, financial accountability, selection of governing authority and ability to significantly influence operations. Based on the application of these criteria, the following is a brief review of significant entities considered in determining the City's reporting entity. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

The City's component units are legally separate entities that are not operating departments of the City. The component units are managed independently, largely outside the appropriated budget process, and their powers generally are vested in a governing board. The governing boards of the component units are either entirely or partially appointed by the mayor.

Substantially all of the financial data was derived from audited annual financial statements and summarized in the financial statements. Additional information about each of the component units can be obtained from their annual financial statements.

*Fund Balance Classifications*

Fund balances are classified as follows:

**Nonspendable** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*Fund Balance Classifications (Continued)*

**Restricted** - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Common Council.

**Assigned** - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Common Council or through the Common Council delegating this responsibility to the Agency director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

**Unassigned** - This classification includes the residual fund balance for the General Fund. The Unassigned classification would also include negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

*Blended Component Unit*

Albany Community Development Agency (ACDA or the Agency) is a public benefit corporation, established by State law and governed by a seven member Board of Directors who are City officials. The objectives of ACDA are to provide a suitable living environment and to expand economic opportunities for persons of low and moderate income within the City. ACDA has been designated by the City to undertake community development programs on behalf of the City and to administer federal community development block grant programs.

The City has the ability to significantly influence operations, select the governing board and participate in fiscal management, accordingly, ACDA is treated as a blended component unit of the City and its activities are included as a special revenue fund of the primary government and reported separately as an other governmental fund in the governmental fund statements.

*Discretely Presented Component Units*

The following discretely presented component units are reported in a separate column to emphasize that they are legally separate from the City:

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*Discretely Presented Component Units (Continued)*

*Albany Water Board and Albany Municipal Water Finance Authority*

The City of Albany Water and Sewer System (the System) provides water supply and distribution, and the collection and disposal of sewage for the City. The System began operations in February 1988, and consists of two legally separate and independent entities, the Albany Municipal Water Finance Authority (the Authority) and the Albany Water Board (the Board).

The Authority, a public benefit corporation, was established in 1986 for the purpose of issuing revenue bonds to pay for the purchase, future improvement, and construction of the System. Among its powers, the Authority may borrow money, issue debt, and require that the Board charge and collect sufficient rates to pay the costs of operating and financing the System. The Authority consists of seven members, two members of which are appointed by the Governor of New York State and five members of which are appointed by the Mayor of the City.

The Board, a corporate municipal instrumentality, was established in 1986 with the power to set and collect water and sewer fees in the amounts sufficient to pay the debt service on the bonds of the Authority, as well as to provide for the costs of the operation and maintenance of the System. The primary responsibility of the Board is to charge, collect, and enforce rates and other charges for the System. The Board consists of five members who are appointed by the Mayor of the City.

*Albany Parking Authority*

The Albany Parking Authority (the Parking Authority) was established in 1982 as a public benefit corporation of the State of New York. The Authority's existence is for a period of fifteen years, and thereafter until all of its liabilities have been met, and its bonds have been discharged. All rights and properties shall pass to the City upon the cessation of the Authority's existence. The Parking Authority is authorized to construct, operate and maintain areas or places in the City for the parking or storing of motor vehicles and is governed by a Board of Directors, which consists of five members appointed by the Mayor of the City with the advice and consent of the City Common Council.

*City of Albany Industrial Development Agency*

The City of Albany Industrial Development Agency (IDA) is a public benefit corporation established July 1, 1983 under the mandate of Article 18-A, "New York State Industrial Development Agency Act," of New York State general municipal law.

The IDA was established to promote and assist in acquiring or constructing various business and recreational facilities and, in the process, advance the job opportunities, health, general prosperity and economic welfare of the people of the City of Albany. A function of the IDA is to authorize the issuance of industrial revenue bonds for industrial development projects. The IDA reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The IDA receives application fees from applicants and closing fees from those accepted for industrial revenue financing. The IDA is governed by a seven-member board appointed by the City Common Council.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*Discretely Presented Component Units (Continued)*

*Albany Port District Commission*

The Albany Port District Commission (the Commission) was established in 1925 by Chapter 192 of the Laws of the State of New York (the State). The law, as amended through December 31, 1986, grants the Commission regulatory powers over the development and operations of the port facilities of the Albany Port District (the Port). The Commission is a public corporation with perpetual existence and has the right of eminent domain, with the power to construct, develop and operate Port facilities including a terminal railroad; to fix fees, rates, rentals and other charges for its facilities; to regulate and supervise the construction and operations of Port facilities by private enterprise; to issue bonds and notes and to do all things necessary to make the Port useful and productive.

The Laws of 1925 provide that the municipalities of Albany and Rensselaer be assessed for the Commission's deficit, if any, from operations and financing. A reapportionment determination made April 1, 1932 established the rates of 88 percent for Albany and 12 percent for Rensselaer. These rates are still in effect and although the rates are subject to change under the provisions of the law, in recent years, there have been no such changes.

*Lark Street Area District Management Association, Inc.*

Lark Street Area District Management Association, Inc. (Association) is a tax exempt organization organized in 1996 under the Not-for-Profit Corporation Laws of New York State. The Association was created to execute responsibilities of a Comprehensive Business Improvement District. These responsibilities include but are not limited to administration, project development, public relations and public improvements in the Lark Street business improvement district. The Association may be dissolved by legislative body with all the assets reverting back to the City.

*Central District Management Association, Inc.*

The Central District Management Association, Inc. doing business as the Central Business Improvement District, Inc. (CBID) is a non-profit organization formed in January 1998 under the Not-for-Profit Corporation Law of New York State. The primary purpose of the CBID is to promote the preservation and development of the Central Avenue business corridor of the City of Albany and to make the area more attractive and accessible. To this end the CBID will work to enhance the public perception of the Central Avenue business corridor through overseeing and managing the appearance, security and cleanliness of the business improvement district. The CBID may be dissolved by legislative body with all the assets reverting back to the City.

*City of Albany Capital Resource Corporation*

The City of Albany Capital Resource Corporation (CRC) a non-profit organization formed in April 2010 under the Not-for-Profit Corporation Law of New York State. The primary purpose of the CRC is to promote community and economic development and the creation of jobs in the non-profit and for-profit sectors for the citizens of the City of Albany by developing and providing programs for not-for-profit institutions, manufacturing and industrial businesses, and other entities to access low interest tax-exempt and non-tax-exempt financing for their eligible projects. The Directors of the CRC are appointed by the City of Albany's governing body.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*Discretely Presented Component Units (Continued)*

The Association, CBID and CRC have been combined for financial statement reporting purposes and are reported as “other component units” in the combining statement of net position and combining statement of activities.

*Downtown Albany Restoration Program, Inc.*

Downtown Albany Restoration Program, Inc. d/b/a Downtown Albany Business Improvement District, Inc. (BID) is a tax-exempt organization organized in 1996 under the Not-for-Profit Corporation Law of New York State. BID was created to execute the responsibility of a comprehensive business improvement district. These responsibilities include but are not limited to administration, project development, public relations and public improvements in the downtown business improvement district. The BID may be dissolved by legislative body with all the assets reverting back to the City.

Since the most recent financial information is not available at the date of the financial statements issuance, the BID is not included in discretely presented component units in the City’s 2016 financial statements. Management believes that the impact of this omission is not material to the City’s 2016 financial statements.

Entities excluded from the reporting entity:

*Albany Housing Authority*

The Albany Housing Authority (Housing Authority) was established by state statute. The Mayor of the City of Albany appoints the Board of Directors of the Housing Authority; however, the City is not financially accountable for the Housing Authority, the City cannot significantly influence the activities of the Housing Authority and the Housing Authority does not provide specific financial benefits to or impose specific financial burdens on the City.

*Albany City School District*

The Albany City School District (the School District) operates the elementary and high schools in the City. The City is not accountable for the School District as the School District has the authority to levy taxes and School District Board members are elected officials.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The effect of interfund, but not interprimary government and component unit, transactions have generally been eliminated from these financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The City’s activities are all classified as governmental activities. The primary government is reported separately from certain legally separate component units for which the City is financially accountable.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset with program revenues. Direct expenses are those which are clearly identifiable with a specific function or activity. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements.

Major individual governmental funds are reported in separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the grantor have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within one year. Expenditures are generally recorded when a liability is incurred, in the same manner as accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, postemployment benefit obligations, claims and judgments and similar long-term liabilities are recorded only when payment is due.

Property taxes, sales taxes, licenses and other fees are all recognized as revenues of the current period. Special assessments are recorded as receivable and deferred revenue at the time the related project is completed and levied. Revenue is recognized as assessments become measurable and available, normally as received.

The City reports the following major governmental funds:

*Governmental fund types*

General Fund – The General Fund is the principal fund of the City. All financial transactions related to revenue and expenditures for delivery of those services traditionally provided by a municipal government, which are not accounted for in other funds, are accounted for in the General Fund.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. *Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)***

Special Revenue Funds – These funds account for the proceeds of specific revenue sources (other than major capital projects that are legally restricted to expenditures for specified purposes). The following Special Revenue Funds operate within financial limits of an annual budget adopted by the City Council. Special Revenue Funds of the City include the following:

Special Grant Fund – Used to account for the use of state and federal monies received under the Workforce Investment Act.

Miscellaneous Special Revenue Fund – Principally used to account for the use of state and federal monies received under the Corporation for National and Community Services program as well as Department of Justice and other youth and recreational funds.

Capital Projects Fund – Resources used to construct or acquire capital improvements, and general fixed assets are accounted for in this fund. Resources are derived principally from proceeds of long-term debt and Federal and State aid.

*Other governmental fund*

Albany Community Development Agency (ACDA) is a public benefit corporation, which has been designated by the City to undertake community development programs on behalf of the City and to administer federal community development block grant programs. As previously discussed, it is accounted for as a blended component unit of the City.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided, operating grants and contributions, and capital grants and charges, including special assessments. Internally dedicated resources are reported as general revenues, which includes all taxes.

**D. *Assets, Liabilities and Net Position***

*Cash and Investments*

The City's investment policies must comply with State statutes as well as their own written investment policy. City monies must be deposited into Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The City is authorized to use money market accounts and certificates of deposit. Permissible investments include obligations of the United States Treasurer, and United States agencies that are backed by the full faith and credit of the United States, repurchase agreements, and with the permission of the State Comptroller, obligations of New York State or its localities.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Assets, Liabilities and Net Position (Continued)***

Deposits in excess of the FDIC limits are required to be fully collateralized by obligations of New York State or Federal agencies, the principal and interest of which are guaranteed by the United States or obligations of New York State local governments. The securities are held in a separate, segregated account in the name of the financial institution for the benefit of the City.

The City considers highly liquid investments (including restricted assets) with an original maturity date of three months or less, and money market accounts to be cash equivalents.

*Receivables and Payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either due to/from other funds or advances to/from other funds.

All landfill and other accounts receivable are shown net of an appropriate allowance for uncollectible accounts, where such a provision is required.

*Inventories and Prepaid Items*

The City does not maintain inventories of supplies and records expenditures when purchased rather than when consumed. Likewise, it records payments to vendors for prepaid expenses as expenditures when paid.

*Restricted Assets*

Restricted assets, which consist principally of cash and cash equivalents, are assets to be used for the reduction of future debt service payments and to provide resources to offset the costs of future capital improvements.

*Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (including roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated life of three years or more. These assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Normal maintenance and repair costs that do not add to the value of the asset or materially extend their lives are not capitalized.

Major classes of capital assets are depreciated using the straight-line method over various useful lives. Useful lives for the major classes of capital assets are summarized as follows:

Buildings, capital leases and improvements	20 - 50 years
Machinery and equipment	3 - 20 years
Infrastructure	30 years

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. *Assets, Liabilities and Net Position (Continued)***

*Compensated Absences*

Employees earn vacation and sick leave as they provide service. Pursuant to collective bargaining agreements, they may accumulate (subject to certain limitations) unused time earned and, upon retirement, termination or death, may be compensated for such accumulated time. In addition, certain employees may accumulate unused sick time earned and upon retirement, termination, or death, may be compensated for such accumulated time. The cost of accumulated vacation pay and sick time expected to be paid from future expendable resources of the Governmental Funds are accounted for as a liability in the General Long-Term Debt Account Group and recognized in the respective Governmental Funds when the expenditures are paid.

Leave paid in the current period is reported as an expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements.

*Retirement Benefits*

The City of Albany provides retirement benefits for its employees through contributions to the New York State Employees' Retirement System (ERS) and the New York State Police and Fire Retirement System (PFRS). These retirement programs provide various plans and options, some of which require employee contributions.

The City uses GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) to recognize the net pension asset (liability), deferred outflows and deferred inflows of resources, pension expense (benefit), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

*Judgments and Claims*

The liability for claims in process represents estimates for all known workers' compensation claims and probable legal settlements at year end.

*Deferred Revenue*

Deferred revenues principally represent unpaid loan balances resulting from various community development home loan programs operated by the City. When loan payments are received, revenue is recognized to the extent of principal received. When grant funds are reloaned, a corresponding expenditure is recorded. When the allowance for loan losses is increased, a corresponding decrease in the amount of deferred revenue is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans.

*Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are recognized as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Position (Continued)**

*Long-Term Obligations (Continued)*

In the fund financial statements, bond premiums and discounts are reported in the current period. The face amount of debt issued is reported as other financing sources. Payments on such debt are recognized as expenditures in the period made. Premiums and discounts are reported as other financing sources or use and issuance costs are reported as debt service expenditures.

**E. Tax Abatements**

The City adopted GASB Statement No. 77, *Tax Abatement Disclosures* effective January 1, 2016, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The City has several real property tax abatement agreements with various entities that generally follow along two methods from two different enabling sources which are used for two different general purposes, with a few agreements that overlap the categories. These agreements all call for a form of Payment In Lieu of Taxes (PILOT) in return for a 100% abatement of real property taxes.

Generally the tax abatements are issued under the NYS Private Housing Finance Law (PHFL) or the City of Albany Industrial Development Agency (CAIDA), incorporated pursuant to State Law. PILOT agreements are in place under both categories, with shelter rents (a percentage of the rents from the housing) being the predominant PILOT method for PHFL agreements, and payments of a percentage of taxable assessed value being the predominant PILOT method for IDA agreements. The PHFL properties are mostly organized under the Albany Housing Authority, which is a separate, but component unit of the City of Albany. These properties contain almost exclusively “affordable housing” units. The IDA properties are commercial properties comprised of a mix of hotel, office, retail, and both market rate and affordable apartment units.

The total assessed value of all affordable housing properties, including the IDA properties, is \$457,284,149 for the Property Tax Year and \$346,243,086 for the School Tax year, with taxable assessed values of \$34,022,709 and \$31,782,493 respectively. The total PILOT payments on these properties to date were \$482,664, \$110,767 and \$911,266 to the City, County and School Districts respectively. (Some of the shelter rents have not yet been received.) This value is an expression of what the total value of collected shelter rents would be if they were collected and apportioned as taxes. This constitutes a \$7,481,578 abatement of County/City property taxes and a \$9,030,831 abatement of school taxes.

The total assessed value of Commercial (almost exclusively IDA) properties is \$159,750,482 for the Property Tax Year and \$247,090,200 for the School Tax Year, with taxable assessed values of \$93,669,414 and \$113,144,927 respectively. The total PILOT payments on these properties to date were \$1,183,564, \$275,771 and \$2,747,407 to the City, County and School Districts respectively. (Some PILOT payments are involved in litigation, and have not yet been paid.) This constitutes a \$1,168,081 abatement of County/City property taxes and a \$3,858,977 abatement of school taxes.

Copies of the agreements may be obtained from the Darius Shahinfar, Albany City Treasurer, City Hall, 24 Eagle St., Rm. 109, Albany, NY 12207, [dshahinfar@albanyny.gov](mailto:dshahinfar@albanyny.gov).

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 — EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENT-WIDE STATEMENTS AND GOVERNMENTAL FUND FINANCIAL STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus of the governmental funds.

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the City's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

**B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities**

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown below represent:

i. Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

ii. Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

iii. Long-term liability transaction differences:

Long-term liability transaction differences relate principally to bonds, post-employment benefits and accrued compensated absences. Both interest and principal payments on bonds and other long-term debt are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

**NOTE 2 — EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENT-WIDE STATEMENTS AND GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)**

**B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (Continued)**

iii. Long-term liability transaction differences: (Continued)

Employees earn vacation and sick leave as they provide service. They may accumulate (subject to certain limitations) unused time earned and, upon retirement, termination or death, may be compensated for such accumulated time. The cost of vacation pay and sick time are recognized in the statement of revenues, expenditures and changes in fund balance when the expenditures are paid. The cost of vacation and sick time earned within the reporting period, including that which is not expected to be paid with expendable available financial resources, is reported in the government-wide financial statements as a liability and expensed in the statement of activities.

Employees earn retirement benefits as they provide service. The benefit is based on factors such as the applicable employee agreement, the employees' hiring date and the number of years of service to the City. The costs of retirement benefits are recognized in the statement of revenues, expenditures and changes in fund balance when the expenditures are paid. Pension benefits are accounted for in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and are reported in the government-wide financial statements as a liability/asset, deferred outflows of resources/deferred inflows of resources and expensed in the statement of activities accordingly. Other postemployment benefits are accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and are reported in the government-wide financial statements as a liability and expensed in the statement of activities accordingly.

**NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

Pursuant to Article 6 of the Second Class Cities Law of the State of New York and its own charter, the City legally adopts calendar year budgets for the General and Special Revenue Funds. Any amendments to the original budget during the year require the approval of the Board of Estimate and Apportionment.

The appropriated budget is prepared by fund, function and department, encumbrance accounting is employed in governmental funds. Encumbrances (such as purchase orders) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4 — CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS - RESTRICTED**

At December 31, 2016, cash and cash equivalents and cash and cash equivalents - restricted are comprised of interest bearing and non-interest bearing deposits in various financial institutions.

It is the City's policy for all deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2016, all cash and cash equivalents, as well as restricted cash and cash equivalents in excess of FDIC insurance, were fully collateralized by securities in the name of the financial institution held in a separate account.

The City has approximately \$2,107,000 in cash and cash equivalents that have been restricted as follows:

<b>General Fund</b>	
Debt service	\$ 1,136,000
Landfill postclosure	916,000
NYS Power Authority grant	<u>55,000</u>
	<u><u>\$ 2,107,000</u></u>

The City's investment policy attempts to limit exposure to losses arising from interest rate risk, credit risk, custodial risk, and concentration of credit risk. Further, statutes authorize the City to invest in obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

**NOTE 5 — LANDFILL RECEIVABLE**

The City currently has one landfill accepting waste from various public and private entities. These entities are billed monthly based on the tonnage deposited at the landfill for the previous month. At December 31, 2016, the City had outstanding landfill receivables of approximately \$921,000, with an allowance of approximately \$10,000.

**NOTE 6 — PROPERTY TAXES**

Property taxes are levied and payable in January. Any property taxes not paid by the following December 31 are purchased without recourse by the County of Albany. Accordingly, the total levy is considered measurable and available, and there is no allowance for uncollectible property taxes at December 31, 2016.

The taxable assessed value of real property, as adjusted by New York State, included in the tax levy of 2015 (revenue in 2016), was \$4,496,969,757. The effective tax rate on this value is \$10.83 per thousand for residential and \$14.07 per thousand for non-residential properties. The constitutional tax limit is 2% of the 5-year average of the full value assessment. The 2015 levy represents approximately 63% of the constitutional tax limit. The taxable assessed value of real property included in the tax levy of 2016 (revenue in 2017), was \$4,837,259,196. The effective tax rate on this value is \$10.79 per thousand for residential and \$14.06 per thousand for non-residential properties. The 2016 levy represents approximately 65% of the constitutional tax limit.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 7 — CAPITAL ASSETS**

Property and equipment is comprised of the following:

	<u>Balance January 1 2016</u>	<u>Additions</u>	<u>Deletions and Reclassifications</u>	<u>Balance December 31, 2016</u>
Capital assets not being depreciated:				
Land	\$ 5,007,396	-	-	\$ 5,007,396
Construction in process	22,602,232	18,430,834	(9,780,997)	31,252,069
	<u>27,609,628</u>	<u>18,430,834</u>	<u>(9,780,997)</u>	<u>36,259,465</u>
Capital assets being depreciated:				
Buildings, capital leases and improvements	52,866,164	14,291	2,079,357	54,959,812
Machinery and equipment	62,145,656	3,582,429	390,783	66,118,868
Infrastructure	342,676,655	1,009,795	5,684,316	349,370,766
	<u>485,298,103</u>	<u>23,037,349</u>	<u>(1,626,541)</u>	<u>506,708,911</u>
Less accumulated depreciation for:				
Buildings, capital leases and improvements	29,556,216	1,236,813	-	30,793,029
Machinery and equipment	52,037,416	3,063,962	(1,552,890)	53,548,488
Infrastructure	196,044,627	11,323,617	-	207,368,244
	<u>277,638,259</u>	<u>15,624,392</u>	<u>(1,552,890)</u>	<u>291,709,761</u>
Total capital assets, net	<u>\$ 207,659,844</u>			<u>\$ 214,999,150</u>

Depreciation expense was approximately \$15,624,000 for the year ended December 31, 2016. In the statement of activities, depreciation expense is allocated to each function as follows:

<u>Function/Programs</u>	<u>Depreciation Expense</u>
Public safety and regulation	\$ 2,225,000
General government	4,732,000
Highway and streets	4,368,000
Recreation and culture	489,000
Community service	3,704,000
Economic development and assistance	106,000
	<u>\$ 15,624,000</u>

**NOTE 8 — MORTGAGE LOANS RECEIVABLE AND DEFERRED REVENUES**

The City, through its blended component unit ACDA, lends monies received through Federal grants (principally HUD CDBG) to individuals, businesses, and non-profit agencies at low interest rates to fund the acquisition and rehabilitation of low income housing and other community development projects in the City. Loan disbursements are recorded as grant expenditures and loan repayments are recorded as program income. Mortgage loans receivable and the related deferred revenue account consist of principal to be collected in future periods or principal amounts that are forgiven annually in accordance with grant provisions.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 8 — MORTGAGE LOANS RECEIVABLE AND DEFERRED REVENUES (Continued)**

Interest rates and loan periods are determined using criteria established by the granting agency. Interest rates on these loans range between 0% and 8% and loan periods are either for a period of up to 15 years or deferred and forgiven as long as the beneficiary is in compliance with the loan agreement.

Funds received from the NYSHTFC were used to establish loans with various not-for-profit organizations, for use in the acquisition and rehabilitation of low income housing. In accordance with applicable grant provisions, loan disbursements are reflected as Due to New York Housing Trust Fund Corporation (NYSHTFC). Funds disbursed to participants generally do not bear interest and are repayable over a period of 15 to 25 years. In accordance with loan agreements, annually, on the anniversary date of completion of the project, one fifteenth or twenty-fifth of the loan is forgiven as long as the beneficiary is in compliance with the loan agreement.

In 2011, the Agency initiated a Choose Albany revolving loan fund utilizing general funds. The revolving loan fund promotes home ownership in Albany and will be for 8% of the purchase price up to \$15,000. The loan can be utilized for down payment assistance or closing costs. The loans have a ten year term with zero percent interest.

The balance of mortgage loans receivable, net of related allowances, is comprised of the following at December 31, 2016:

<u>Program</u>	<u>Balance</u>
HUD	\$2,313,967
HUD, forgivable grant loans	2,009,077
NYSHTFC, net of allowance	71,268
Choose Albany, net of allowance	189,910
	<u>\$4,584,222</u>

**NOTE 9 — INTERFUND RECEIVABLES AND PAYABLES**

A summary of interfund receivables and payables at December 31, 2016 is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 5,590,288	\$ 1,076,519
Special Revenue	26,652	540,505
Capital Projects	2,381	3,389,633
Albany Community Development Agency	9,965	647,235
	<u>5,629,286</u>	<u>5,653,892</u>
Fiduciary Fund	24,606	-
	<u>\$ 5,653,892</u>	<u>\$ 5,653,892</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 9 — INTERFUND RECEIVABLES AND PAYABLES (Continued)**

Fiduciary fund balances are not reported in the government wide financial statements or fund financial statements. Rather, they are reported separately in the statement of fiduciary net position – fiduciary funds.

**NOTE 10 — DUE FROM/TO COMPONENT UNITS**

The City has reported approximately \$3,318,000 as the amount due to the Component Units, net at December 31, 2016. The Component Units reported approximately net \$6,816,000 as the amount due from the primary government, net. The net difference as reported by the City and its Component Units is approximately \$3,498,000 which is primarily caused by timing difference related to the recording of tax assessment adjustments. Other activity giving rise to difference in amounts due between the City and the Component Units relates to payroll, benefits, grant reimbursements and other administrative costs paid for by the City and reimbursed to the City by the Component Units or paid for by the Component Units and reimbursed by the City.

**NOTE 11 — PENSION PLANS**

The City of Albany participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (collectively, the Systems). These are cost-sharing multi-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, NYS Comptroller State Office Building, 110 State Street, Albany, NY 12207.

The Systems are contributory at a rate of 3% of salary, except for employees who joined before July 27, 1976 and Tier 3 and 4 members with ten or more years of membership, or ten years of credited service for whom no contribution is required. Employee contributions are deducted from their salaries and remitted on a current basis to the Systems. Employer contributions are actuarially determined for the Systems.

The City of Albany is required to contribute at an actuarially determined rate. Since 2012, the City of Albany has elected to amortize a portion of its retirement contributions in accordance with the provisions of Chapter 57, laws of 2013 and Chapter 57, laws of 2010. In 2016, the City elected to amortize an additional \$1,198,000 of its calculated pension contribution to the retirement system for its fiscal year ended December 31, 2016. The City's contributions made to the Systems were equal to 100 percent of the minimum required contributions. At December 31, 2016, approximately \$12,956,000 was deferred and recorded as due to New York State Retirement System in the statement of net position (Note 13(c)).

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 11 — PENSION PLANS** (Continued)

**Net Pension Asset (Liability), Pension Expense, and Deferred Outflows and Deferred Inflows of Resources**

At December 31, 2016, the City Reported the following asset / (liability) for its proportionate share of the net pension asset / (liability) for each of the plans.

	<u>PFRS</u>	<u>ERS</u>
Actuarial Valuation Date	April 1, 2015	April 1, 2015
Net Pension Asset / (Liability)	\$ (41,710,392)	\$ (19,188,066)
Proportionate Share of the Plan's		
Total Net Pension Asset / (Liability)	1.4087602%	0.1195497%
Proportionate Share of Pension Expense	\$ 15,343,285	\$ 6,854,872

The PFRS and ERS net pension liability was measured as of March 31, 2016, and the total pension liability was determined by an actuarial valuation as of April 1, 2015, with updated procedures used to roll forward the total pension liability to March 31, 2016. The City's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to PFRS's and ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement date.

At December 31, 2016, the City reported deferred outflows and deferred inflows of resources as follows:

	<u>PFRS</u>		<u>ERS</u>	
	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 374,105	\$ 6,306,110	\$ 96,962	\$ 2,274,425
Net difference between projected and actual earnings on pension plan investments	23,375,302	-	11,383,414	-
Changes in assumptions	17,981,212	-	5,116,879	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	2,588,854	-	1,603,839
City contributions subsequent to the measurement date	11,205,759	-	4,024,697	-
	<u>\$ 52,936,378</u>	<u>\$ 8,894,964</u>	<u>\$ 20,621,952</u>	<u>\$ 3,878,264</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 11 — PENSION PLANS** (Continued)

**Net Pension Asset (Liability), Pension Expense, and Deferred Outflows and Deferred Inflows of Resources** (Continued)

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (increase to net pension asset) in the year ended March 31, 2017 for PFRS and ERS. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>March 31,</u>	<u>PFRS</u>	<u>ERS</u>
2017	\$ 7,772,947	\$ 3,196,055
2018	7,772,947	3,196,055
2019	7,772,947	3,196,055
2020	7,447,475	3,130,823
2021	2,069,339	-
	<u>\$ 32,835,655</u>	<u>\$ 12,718,988</u>

**Actuarial Assumptions**

The total pension liability for the March 31, 2016 measurement date was determined by using an actuarial valuation as of April 1, 2015 with update procedures used to roll forward the total pension liability to March 31, 2016. These actuarial valuations for both ERS and PFRS used the following actuarial assumptions:

**Actuarial cost method** – Entry age normal

**Inflation** – 2.5%

**Salary increases** – 3.8% in ERS, 4.5% in PFRS, indexed by service

**Investment rate of return** – 7.0% compounded annually, net of investment expense, including inflation

**Cost of living adjustments** – 1.3% annually

**Mortality** – Based on the plan’s experience from April 1, 2010 – March 31, 2015 with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2014

**Discount rate** – 7.0%

The long-term expected rate of return on the Systems’ pension plan investments was determined using a building-block method in accordance with Actuarial Standard of Practice No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

**NOTE 11 — PENSION PLANS** (Continued)

**Investment Asset Allocation**

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocations as of the applicable valuation dates are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	38%	7.3%
International equities	13%	8.6%
Private equities	10%	11.0%
Real estate	8%	8.3%
Absolute return strategies	3%	6.8%
Opportunistic portfolio	3%	8.6%
Real assets	3%	8.7%
Bonds and mortgages	18%	4.0%
Cash	2%	2.3%
Inflation-Indexed bonds	2%	4.0%
	<u><b>100%</b></u>	

**Discount Rate**

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset / (liability).

The following presents the City's proportionate share of its net pension asset and liability calculated using the discount rate of 7.0% (ERS and PFRS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	<u>1.0% Decrease</u>	<u>Discount Rate</u>	<u>1.0% Increase</u>
City's proportionate share of the PFRS net pension asset (liability)	<u>\$ (93,164,548)</u>	<u>\$ (41,710,392)</u>	<u>\$ 1,419,342</u>
City's proportionate share of the ERS net pension asset (liability)	<u>\$ (43,267,696)</u>	<u>\$ (19,188,066)</u>	<u>\$ 1,158,192</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 12 — NOTES PAYABLE**

The City may issue Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years.

In June 2016, the City issued various BANs of \$38,846,812 at an interest rate of 2.00%. The proceeds of the BANs, along with available funds, were used to redeem part of the \$43,425,299 BANs issued in 2015 which matured in July 2016 and also provided new funds for various capital purchases and improvements. These BANs were subsequently redeemed in June 2017 (see Note 15 – Subsequent Events).

Interest expense on BANs totaled approximately \$869,000 for the year ended December 31, 2016.

**NOTE 13 — INDEBTEDNESS**

Indebtedness of the City include loans, certain accruals, and serial and Environmental Facilities Corporation (EFC) bonds. Bonds are guaranteed by the full faith and credit of the City.

The following is a summary of certain long-term liability transactions of the City for the year ended December 31, 2016:

	<b>Balance January 1, 2016</b>	<b>New Issues/ Increase in Estimates</b>	<b>Payments/ Decrease in Estimates</b>	<b>Balance December 31, 2016</b>
Bonds	\$ 72,265,000	\$ 23,684,579	\$ (23,225,000)	\$ 72,724,579
Premiums on Bonds	1,984,064	786,941	(752,717)	2,018,288
Loans payable (ACDA)	511,189	-	(80,332)	430,857
Post employment benefit obligation (Note 14)	73,682,506	27,883,470	(16,589,455)	84,976,521
Vacation/sick pay obligations	16,498,024	1,607,150	-	18,105,174
Due to NYS Retirement System	13,128,904	1,118,589	(1,291,467)	12,956,026
Net pension liability	8,526,822	66,115,703	(13,744,067)	60,898,458
Litigation and contingent liabilities	15,662,968	8,500,048	(4,232,966)	19,930,050
Landfill closure and postclosure care costs	8,733,046	289,871	-	9,022,917
Capital lease obligations	455,000	-	(145,000)	310,000
Total	<u>\$ 211,447,523</u>	<u>\$ 129,986,351</u>	<u>\$ (60,061,004)</u>	<u>\$ 281,372,870</u>

Of the total outstanding indebtedness of the City at December 31, 2016, approximately \$111,571,000 was subject to the statutory debt limit. Amounts subject to the statutory debt limit include bonds and bond anticipation notes payable. This represents approximately 33% of the City's \$336,650,207 statutory debt limit.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 13 — INDEBTEDNESS (Continued)**

**(a) Bonds**

Serial and New York State Environmental Facilities (EFC) bonds, the proceeds of which have been used primarily to provide funds for various capital projects, consists of the following at December 31, 2016:

<u>Interest Rate</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding December 31, 2016</u>	<u>Annual Principal Installments (Range)</u>
Serial Bonds					
3.50 - 3.75%	2009	2018	\$ 19,974,950	\$ 2,905,000	\$ 1,420,000 - 1,485,000
3.00 - 5.00%	2011	2025	11,075,000	4,950,000	225,000 - 890,000
3.00 - 4.00%	2011	2017	1,700,000	275,000	275,000
1.50 - 3.00%	2011	2021	7,922,026	4,230,000	805,000 - 890,000
2.00%	2012	2020	24,027,579	12,600,000	3,100,000 - 3,230,000
3.00 - 4.00%	2012	2021	10,010,248	5,875,000	1,110,000 - 1,240,000
2.00 - 5.00%	2012	2018	12,590,000	3,455,000	1,685,000 - 1,770,000
3.00 - 4.50%	2013	2020	9,890,000	5,985,000	1,405,000 - 1,595,000
3.00 - 4.50%	2015	2018	4,545,000	3,035,000	1,490,000 - 1,545,000
3.00 - 4.50%	2015	2020	4,670,000	3,645,000	895,000 - 935,000
2.00 - 5.00%	2016	2023	10,210,000	8,985,000	110,000 - 1,835,000
2.00%	2016	2025	13,474,579	13,474,579	1,359,579 - 1,665,000
EFC Bonds					
4.31 - 5.74%	2011	2020	3,995,000	1,730,000	405,000- 445,000
1.212 - 5.002%	2012	2022	2,730,000	<u>1,580,000</u>	240,000-285,000
				\$ 72,724,579	
Add: Unamortized Premiums				<u>2,018,288</u>	
				<u>\$ 74,742,867</u>	

The following are details of bonds outstanding at December 31, 2016:

During 2009, the City issued \$19,974,950 in General Obligation Bonds. The proceeds, along with \$2,462,000 in available funds, were used to redeem \$28,525,600 Bond Anticipation Notes of 2008, originally issued for various capital projects. \$9,830,000 was refunded in 2016. The final bond issue matures on July 1, 2018.

In March 2011, the City issued \$12,775,000 in General Obligation Refunding Bonds. The Bonds carry interest rates ranging from 3.00% to 5.00% and a premium of \$1,017,305. The final bond issue matures on August 1, 2025. The proceeds of the Bonds were to advance refund \$1,735,000 of outstanding 1997 General Obligation Bonds with interest rates ranging from 4.8% to 5.0%, \$5,565,000 of outstanding 2000 General Obligation Bonds, with interest rates ranging from 5.00% to 5.50%, and \$5,955,000 of outstanding 2001 General Obligation Bonds with interest rates ranging from 4.125% to 5.00%.

In July 2011, the City issued \$7,922,026 in General Obligation Bonds. The Bonds carry interest rates ranging from 1.50% to 3.00%. The final bond issue matures on July 1, 2021.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 13 — INDEBTEDNESS (Continued)**

**(a) Bonds (continued)**

In July 2012, the City issued \$34,037,827 in General Obligation Bonds. The Bonds carry interest rates ranging from 2.00% to 4.00%. The final bond issue matures on July 1, 2021. The proceeds of the Bonds, along with available funds, were used to redeem part of the \$46,471,326 BANS issued in 2011 and matured July 6, 2012 and also provided new funds for the purchase of land, equipment and vehicle purchases as well as costs associated with the expansion of the City's landfill.

In July 2012, the City issued \$12,590,000 in General Obligation Refunding Bonds. The Bonds carry interest rates ranging from 2.00% to 5.00%. The final bond issue matures on July 15, 2018. The proceeds of the Bonds were to advance refund \$10,240,000 of outstanding 2003 General Obligation Bonds with interest rates ranging from 4.0% to 4.25% and \$3,155,000 of outstanding 2004 General Obligation Bonds, with interest rate of 4.00%.

In July 2013, the City issued \$9,890,000 in General Obligation Bonds. The Bonds carry interest rates ranging from 3.00% to 4.50%. The final bond matures on July 1, 2020.

In May 2015, the City issued \$9,215,000 in General Obligation Refunding Bonds. The issue included \$4,545,000 in tax exempt bonds and \$4,670,000 in federally taxable bonds. The 2015 tax exempt Bonds carry interest rates ranging from 0.455% - 2.324%. The issue matures on June 1, 2018. The 2015 taxable bonds bear interest rates from 2.00% - 4.00% and mature on June 1, 2020. The proceeds of the Bonds were to advance refund \$4,630,000 in outstanding callable principal of 2006 tax exempt General Obligation Bonds with interest rates ranging from 4.00% - 4.125% and \$4,495,000 in outstanding callable principal of 2006 federally taxable General Obligation Bonds bearing interest of 5.25%.

In July 2016, the City issued \$10,210,000 in General Obligation Refunding Bonds. The bonds carry interest rates ranging from 1.50% - 5.00%. The issue matures on July 1, 2023. The proceeds of the Bonds are to advance refund \$9,830,000 in outstanding 2009 General Obligation Bonds with interest rates ranging from 3.50 – 4.25%.

In June 2016, the City issued \$13,474,579 in General Obligation Serial Bonds. The Bonds carry an interest rate of 2.00%. The Bonds have maturity dates ranging from June 15, 2017 through June 15, 2025. The proceeds of the Bonds, along with available funds, were used to redeem \$16,089,085 of the \$43,425,299 BANS that were issued in 2015 and matured July 1, 2016.

In March of 2011, EFC completed a refinancing initiative on behalf of the City of Albany that initially financed projects through the State Clean Water and Drinking Water Revolving Funds (SRF) Series 2000B. The EFC refunding reduced the City's future interest cost on the SRF financing that was funded through the Series 2000B bonds. This resulted in refunded principal in the amount of \$3,995,000 from EFC with interest rate of 0.807% maturing in 2020.

In June of 2012, EFC completed a refinancing initiative on behalf of the City of Albany that initially financed projects through the State Clean Water and Drinking Water Revolving Funds (SRF) Series 2002A. The EFC refunding reduced the City's future interest cost on the SRF financing that was funded through the Series 2002A bonds. This resulted in refunded principal in the amount of \$2,730,000 from EFC with interest rates ranging from 4.132% to 5.002% maturing in 2022.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

**NOTE 13 — INDEBTEDNESS** (Continued)

(a) **Bonds** (continued)

Future maturities of general long-term debt as of December 31, 2016 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 15,094,579	\$ 2,249,991	\$ 17,344,570
2018	15,360,000	1,646,290	17,006,290
2019	12,370,000	1,169,832	13,539,832
2020	12,715,000	815,301	13,530,301
2021	6,545,000	455,169	7,000,169
2022-2026	<u>10,640,000</u>	<u>495,818</u>	<u>11,135,818</u>
	<u>\$ 72,724,579</u>	<u>\$ 6,832,401</u>	<u>\$ 79,556,980</u>

Interest expense for bonds and loans payable was approximately \$2,150,401 for the year ended December 31, 2016.

(b) **Loans payable**

Loans payable are further broken down as follows:

	<u>Balance January 1, 2016</u>	<u>New Issues/ Increase in Estimates</u>	<u>Retirement/ Decrease in Estimates</u>	<u>Balance December 31, 2016</u>
Note payable (1)	\$ 71,000	\$ -	\$ (22,000)	\$ 49,000
Note payable (2)	102,777	-	(10,628)	92,149
Note payable (3)	<u>337,412</u>	<u>-</u>	<u>(47,704)</u>	<u>289,708</u>
	<u>\$511,189</u>	<u>\$ -</u>	<u>\$ (80,332)</u>	<u>\$430,857</u>

- (1) As part of the capitalized lease obligation for the Agency's facility located at 200 Henry Johnson Boulevard, the Agency executed a note payable to CAC to pay for all previously unreimbursed tenant expenses. The note has a sixteen year term and the agreement requires the Agency to remit semi-annual payments to CAC through 2018.
- (2) Note payable from CAC to fund improvements made to one of the Agency's properties located at 388 Clinton Avenue. The note is collateralized by a mortgage agreement on the building located at 388 Clinton Avenue. The note is being amortized over a period of twenty years, with monthly principal and interest payments. The interest rate for the first five years of the note is fixed at 4%, and is subject to every five years thereafter to prime plus 1%.
- (3) During 2011, the Agency borrowed the sum of \$500,000 from the Capitalize Albany Corporation to purchase property at 25 Delaware Avenue. The note is collateralized by a mortgage agreement on the property located at 25 Delaware Avenue. The note is being paid over a period of ten years, with monthly principal and interest payments. The balance is due in full at the time of sale or change in ownership of the property. The interest rate is 5.75%. The property acquired was recorded as property held for sale and included in other assets in the statement of net position.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 13 — INDEBTEDNESS (Continued)**

**(c) Due to New York State and Local Retirement System**

During 2016, 2015 and 2014, the City elected to defer part of their New York State Pension contributions. The deferred portions of the contributions are amortized over twelve or ten years, depending on the year of deferral, at rates of 2.62% - 3.76%.

A summary of future NYSLRS payment obligations as of December 31, 2016 is as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ -	\$ -
2018	1,400,668	444,984	1,845,652
2019	1,448,590	397,062	1,845,652
2020	1,498,171	347,482	1,845,653
2021	1,549,469	296,184	1,845,653
2022-2026	6,279,570	736,761	7,016,331
2027-2029	779,558	33,918	813,476
	<u>\$12,956,026</u>	<u>\$ 2,256,390</u>	<u>\$15,212,416</u>

**(d) Litigation and contingent liabilities**

**(1) Judgments and Claims**

There are various suits and claims pending against the City. In the opinion of City officials and Corporation Counsel, there are no proceedings against the City in which the likelihood the City will be held liable is probable and the amount of claims relating to such proceedings are reasonably estimable. The City has recognized an accrued liability of approximately \$305,000 related to future claims on certain other matters.

**(2) Workers' Compensation Claims**

The City self-insures workers' compensation claims. The City and its component units, with the exception of the BID, the Association, and the CBID, all participate in the self-insurance program.

Under the program, the City utilizes a program administrator to process claims as they occur. A liability for unpaid claims based upon individual case estimates for claims incurred as well as claims incurred but not reported (IBNR) at December 31, 2016 has been recorded in the caption "Judgments and Claims." This liability is the City's best estimate based on available information. Changes in the reported liability for 2016 are as follows:

	<u>Balance as of January 1 2016</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance as of December 31, 2016</u>
Workers' compensation liability	<u>\$ 14,922,644</u>	<u>\$ 8,500,048</u>	<u>\$(3,797,642)</u>	<u>\$ 19,625,050</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 13 — INDEBTEDNESS (Continued)**

**(d) *Litigation and contingent liabilities (continued)***

**(3) *Grant Programs***

City

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted periodically in accordance with grantor requirements. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

ACDA

The Agency receives a major portion of its annual revenues through Federal and New York State grants. Any significant reduction in grant funding levels could have a negative impact on the Agency and the services it offers. The Agency's grant funding is typically awarded for specific programs or purposes and is subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the applicable grant. Management believes that all grant funds were expended in accordance with applicable terms and does not expect any significant disallowance claims will be made by grantor agencies.

**(e) *Landfill closure and post closure care costs***

The City has four landfills, three of which stopped accepting waste prior to December 1993. The fourth, Albany Interim Landfill (AIL), together with its expansions added in 2010 and 2012, is still accepting waste at December 31, 2016. In June 2009, the New York State Department of Environmental Conservation (NYSDEC) issued a renewal permit to the City to continue operations of the existing landfill through June 2019.

State and federal laws and regulations require the City to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste. The City reports closure and post closure care costs based on landfill capacity used as of each balance sheet date.

Accrued landfill closure and post closure care costs of approximately \$9,023,000 at December 31, 2016, represent the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of all previously closed landfills and 83 percent of the estimated capacity of the AIL as determined by an independent engineer. The estimated remaining life of the AIL is approximately 3.6 years. The City will recognize the remaining estimated cost of closure and post closure care of \$1,783,000 as the remaining AIL capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2016. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City currently has restricted cash of approximately \$916,000 for payment of closure and post closure care costs.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 13 — INDEBTEDNESS (Continued)**

**(f) Capital lease obligations**

ACDA

ACDA amended its lease for office space at a facility located at 200 Henry Johnson Boulevard. The amended lease has a sixteen year term and the agreement requires ACDA to remit semi-annual payments to the Capitalize Albany Corporation (“CAC”) through 2018. The agreement qualifies as a capital lease. The interest portion of future minimum lease payments approximate \$18,000 and the net present value at December 31, 2016 approximates \$310,000.

A summary of future minimum lease payments and future minimum maturities of the capital lease obligations as of December 31, 2016 is as follows:

<u>Year Ending December 31</u>	<u>ACDA</u>
2017	\$ 163,513
2018	164,600
2019	-
Total minimum lease payments	328,113
Less amounts representing interest	<u>(18,113)</u>
Total principal	<u><u>\$ 310,000</u></u>

**NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS**

City

In addition to providing pension benefits (see Note 11), the City also provides health care benefits for retired employees, their dependents and certain survivors. Substantially all of the City’s employees, as well as employees of the Albany Water Board, may become eligible for those benefits if they reach normal retirement age while working for the City.

The City follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the recognition, measurement, and display of other postemployment benefits (retiree health insurance) expenses and related liabilities and note disclosure.

Plan Description

The City administers its Retiree Medical Plan (the Plan) as a single-employer defined benefit other postemployment benefit (OPEB) plan. The Plan provides for the continuation of medical benefits to certain qualifying retirees of the City and the Albany Water Board, and their dependents and certain survivors and can be amended by action of the City. The Plan does not currently issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Funding Policy**

The obligations of the Plan members, employers and other entities are established by the City. The required contribution rates of the employer and the members vary depending on the retiree's hiring date and number of years of service to the City. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis, with the possibility of prefunding additional benefits if so determined by the City. For 2016, the City contributed approximately \$16,589,000 for current costs. The costs of administering the plan are paid by the City.

**Funded Status and Funding Progress**

The schedule of funding progress presents multi-year (when available) trend information that is useful in determining whether the actuarial value of Plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the Plan as of December 31, 2016 based on January 1, 2016 valuation date.

<u>Actuarial Accrued Liability (AAL)</u>	
Currently retired	\$ 298,796,538
Actives eligible to retire	38,026,679
Actives not yet eligible to retire	56,695,963
Actuarial accrued liability	<u>393,519,180</u>
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 393,519,180</u>
Funded ratio	<u>0%</u>
2016 normal cost	<u>\$ 6,708,528</u>

The following table summarizes the amortization calculation of the UAAL (level annual payment method) as of the latest valuation date:

UAAL	\$ 393,519,180
Amortization period (years)	30
Amortization discount rate	4%
2016 UAAL amortization amount	\$ 12,940,125

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for 2016:

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Annual OPEB Cost and Net OPEB Obligation** (Continued)

Normal cost	\$ 6,708,528
Amortization of UAAL	12,940,125
Interest	517,605
ARC	20,166,258
Interest on OPEB obligation	2,947,300
Adjustment to ARC	4,769,912
OPEB expense	<u>\$ 27,883,470</u>

The City's OPEB obligation for the current year was as follows:

	<b>2016</b>
Net OPEB obligation at beginning of year	\$ 73,682,506
OPEB expense	27,883,470
OPEB contributions	(16,589,455)
Net OPEB obligation at end of year	84,976,521
Less: estimated current portion of OPEB obligation	16,537,523
Estimated long-term portion of OPEB obligation	<u>\$ 68,438,998</u>
Percentage of expense contributed	<u>59.5%</u>

**Trend Information**

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2014	\$ 13,369,221	\$ 9,944,248	74.4%	\$69,862,766
12/31/2015	13,761,575	\$ 9,941,835	72.2%	73,682,506
12/31/2016	27,883,470	\$16,589,455	59.5%	84,976,521

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Actuarial Methods and Assumptions (Continued)**

The actuarial cost method used to calculate the costs of the Plan for age, disability, vested and surviving spouse's benefits is the Projected Unit Credit Actuarial Cost Method. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. For active participants, the AAL is determined by pro-rating the projected benefit based upon service accrued to the valuation date divided by service projected to be accrued at the first age of benefit eligibility. The normal cost is determined by dividing the projected benefit by service projected to be accrued at the first age of benefit eligibility.

The valuation date for the calculation was January 1, 2016 and the discount rate utilized was 4%. No salary increases were assumed since benefits are not based on compensation. Health care costs for governmental activities were assumed to increase as follows:

<u>Year</u>	<u>Trend</u>
2017	8.0%
2018	8.0%
2019	7.5%
2020	7.0%
2021	6.5%
Thereafter	6.0% - 5.0%

**NOTE 15 — SUBSEQUENT EVENTS**

In June 2017, the City issued \$44,596,417 in BANs. The BANs are due June 29, 2018 and carry an interest rate of 1.19%.

The proceeds of the BANs, along with available funds, were used to redeem \$38,846,812 BANs that were issued in 2016 and matured June 30, 2017, and also provide new funds for various capital purposes and improvements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ALBANY, NEW YORK**  
**SCHEDULE OF REVENUES, EXPENDITURES AND MODIFIED BUDGET AND ACTUAL –**  
**GENERAL AND SPECIAL REVENUE FUND**  
**For the Year Ended December 31, 2015**

	General Fund				Special Revenue Fund			
	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget
<b>REVENUES</b>								
Real property taxes	\$ 56,527,890	\$ 56,527,890	\$ 56,313,118	\$ (214,772)	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	33,304,043	33,304,043	33,150,041	(154,002)	-	-	-	-
Other taxes	2,987,500	2,987,500	2,753,707	(233,793)	-	-	-	-
Payments in lieu of taxes	20,458,291	20,458,291	32,435,189	11,976,898	-	-	-	-
Intergovernmental revenue	18,711,393	19,443,345	19,807,162	363,817	2,391,271	2,556,303	2,333,695	(222,608)
Charges for services	15,841,375	15,844,375	15,987,790	143,415	-	-	-	-
Fines, interest and penalties	7,068,400	7,157,650	4,590,813	(2,566,837)	-	-	-	-
Use of money and properties	121,215	244,658	128,673	(115,985)	-	-	-	-
Licenses and permits	3,359,170	4,179,829	3,417,214	(762,615)	-	-	-	-
Other revenues	17,817,667	17,830,067	3,461,855	(14,368,212)	-	-	-	-
Total revenues	<u>176,196,944</u>	<u>177,977,648</u>	<u>172,045,562</u>	<u>(5,932,086)</u>	<u>2,391,271</u>	<u>2,556,303</u>	<u>2,333,695</u>	<u>(222,608)</u>
<b>EXPENDITURES</b>								
Public safety and regulation	93,821,213	95,925,236	91,923,460	(4,001,776)	-	-	-	-
General government	23,408,840	22,900,430	18,712,485	(4,187,945)	-	-	-	-
Highways and streets	9,093,030	9,093,072	8,053,523	(1,039,549)	-	-	-	-
Recreation and culture	4,189,712	4,191,653	3,776,378	(415,275)	-	-	-	-
Community service	7,261,990	7,625,244	6,762,945	(862,299)	-	-	-	-
Economic development and assistance	-	-	-	-	2,493,904	2,659,536	2,325,661	(333,875)
Employee benefits	17,051,251	17,051,251	15,605,649	(1,445,602)	-	-	-	-
Debt service	21,370,908	21,370,908	16,922,475	(4,448,433)	-	-	-	-
Total expenditures	<u>176,196,944</u>	<u>178,157,794</u>	<u>161,756,915</u>	<u>(16,400,879)</u>	<u>2,493,904</u>	<u>2,659,536</u>	<u>2,325,661</u>	<u>(333,875)</u>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	-	(180,146)	10,288,647	10,468,793	(102,633)	(103,233)	8,034	111,267
<b>OTHER FINANCING SOURCES (USES)</b>								
General fund allocation	-	-	-	-	-	-	-	-
Transfers	-	-	(2,849,277)	(2,849,277)	-	-	-	-
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	-
Premium on bonds and bond anticipation notes issued	-	-	698,787	698,787	-	-	-	-
Total other financing sources (uses)	-	-	(2,150,490)	(2,150,490)	-	-	-	-
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ (180,146)</u>	<u>\$ 8,138,157</u>	<u>\$ 8,318,303</u>	<u>\$ (102,633)</u>	<u>\$ (103,233)</u>	<u>\$ 8,034</u>	<u>\$ 111,267</u>

**CITY OF ALBANY, NEW YORK**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION**  
**ASSET / (LIABILITY)**  
**NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM**

<b>As of the measurement date of March 31,</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension asset / (liability)	1.408760%	1.465709%
City's proportionate share of the net pension asset / (liability)	\$(41,710,392)	\$ (4,034,505)
City's covered-employee payroll	\$ 45,463,467	\$ 48,692,865
City's proportionate share of the net pension asset / (liability) as a percentage of its covered-employee payroll	91.74%	8.29%
Plan fiduciary net position as a percentage of the total pension liability	90.20%	97.90%

*Data prior to 2015 is unavailable.*

**CITY OF ALBANY, NEW YORK**  
**SCHEDULE OF CONTRIBUTIONS**  
**NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM**  
**(LAST 10 FISCAL YEARS)**

<u>March 31,</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 10,552,391	\$ 12,094,801	\$ 13,912,995	\$ 11,250,128	\$ 8,931,589	\$ 7,911,276	\$ 7,058,207	\$ 6,115,240	\$ 6,198,299	\$ 6,498,740
Contribution in relation to the contractually required contribution	<u>(10,552,391)</u>	<u>(12,094,801)</u>	<u>(13,912,995)</u>	<u>(11,250,128)</u>	<u>(8,931,589)</u>	<u>(7,911,276)</u>	<u>(7,058,207)</u>	<u>(6,115,240)</u>	<u>(6,198,299)</u>	<u>(6,498,740)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 45,463,467	\$ 48,692,865	\$ 49,765,799	\$ 45,236,096	\$ 45,132,856	\$ 47,211,057	\$ 47,051,033	\$ 42,485,016	\$ 41,743,128	\$ 41,044,807
Contributions as a percentage of covered-employee payroll	<u>23.21%</u>	<u>24.84%</u>	<u>27.96%</u>	<u>24.87%</u>	<u>19.79%</u>	<u>16.76%</u>	<u>15.00%</u>	<u>14.39%</u>	<u>14.85%</u>	<u>15.83%</u>

**CITY OF ALBANY, NEW YORK**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION**  
**ASSET / (LIABILITY)**  
**NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM**

<b>As of the measurement date of March 31,</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension asset / (liability)	0.119550%	0.132978%
City's proportionate share of the net pension asset / (liability)	\$(19,188,066)	\$ (4,492,317)
City's covered-employee payroll	\$ 27,697,230	\$ 31,518,901
City's proportionate share of the net pension asset / (liability) as a percentage of its covered-employee payroll	69.28%	14.25%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	99.00%

*Data prior to 2015 is unavailable.*

**CITY OF ALBANY, NEW YORK**  
**SCHEDULE OF CONTRIBUTIONS**  
**NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM**  
**(LAST 10 FISCAL YEARS)**

<u>March 31,</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 4,859,954	\$ 6,368,984	\$ 6,424,534	\$ 5,449,165	\$ 4,539,660	\$ 3,619,931	\$ 2,318,239	\$ 2,375,239	\$ 2,645,737	\$ 3,372,739
Contribution in relation to the contractually required contribution	<u>(4,859,954)</u>	<u>(6,368,984)</u>	<u>(6,424,534)</u>	<u>(5,449,165)</u>	<u>(4,539,660)</u>	<u>(3,619,931)</u>	<u>(2,318,239)</u>	<u>(2,375,239)</u>	<u>(2,645,737)</u>	<u>(3,372,739)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered-employee payroll	\$ 27,697,230	\$ 31,518,901	\$ 30,963,158	\$ 30,566,919	\$ 31,109,237	\$ 32,607,589	\$ 32,261,084	\$ 31,174,867	\$ 31,004,507	\$ 31,489,632
Contributions as a percentage of covered-employee payroll	<u>17.55%</u>	<u>20.21%</u>	<u>20.75%</u>	<u>17.83%</u>	<u>14.59%</u>	<u>11.10%</u>	<u>7.19%</u>	<u>7.62%</u>	<u>8.53%</u>	<u>10.71%</u>

**BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY****BOND INSURANCE POLICY**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as “APPENDIX – F” to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

**BUILD AMERICA MUTUAL ASSURANCE COMPANY**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

*Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$518.3 million, \$97.4 million and \$420.9 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the “APPENDIX – F, BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

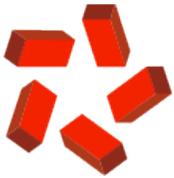
*Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/creditsights/](http://buildamerica.com/creditsights/). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN