
OFFICE OF THE ALBANY CITY TREASURER

DATE: June 21, 2019

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

FROM: Hon. Darius Shahinfar

CC: Rachel McEneny, Mike Wheeler

RE: YTD 2018 Performance

The following is a summary of the unaudited results for 2018. The final numbers present a positive financial picture as **the City generated a year-end surplus of almost \$2.9 million on the fund financials**. Spending was up slightly by \$252K from 2017, although spending was \$6.8M under-budget and revenues exceeded expenses, creating the surplus. The surplus was due to \$1.8M more in sales tax revenue and \$1.6M less in retiree health care costs than were budgeted, which are one-time events and should not be expected to continue.

Generally, although salaries decreased by 0.8% compared to 2017 and were about \$2.5M over budget, fringe benefits decreased by 4.7% compared to 2017 and were \$2.3M under-budget. Most of the over-budget salary figures are based on significant vacancies in the police and fire departments. During 2018, fire had reached a high of 14 vacancies and police 37 vacancies, leading to salaries being more than \$2.0M over-budget from overtime. (Savings due to under-budget spending on salaries due to vacancies is largely used up on buyouts as individuals retire, as well as contract settlements.) The rest of the over-budget figure on salaries in 2018 was largely due to nearly \$400K spent as a result of expanding the summer youth program to include more than 1,000 participants. About half of this amount was offset by a \$200K increase in federal reimbursement for the program.

Other notable budget variations for 2018 include under-budget spending on retirement expenses (\$378K), equipment expense (\$444K) and retiree health care (\$1.6M). There was also over-budget revenue from the Landfill of \$589K, and under-budget revenue from State Aid by \$550K because the Capital City funding was underfunded by the State by \$500K. There was over-budget spending as well, particularly in overtime at \$2.0M.

Revenue in 2017, including debt reserve funds, totaled \$176.4M which was \$3.7M more than last year. Expenses including debt reserve expenses totaled over \$173.5M, decrease of 0.1%, about (\$252K) compared to 2017. Revenues

were almost \$3.9M less than budgeted and expenditures \$6.9M less than budgeted, which was largely due to grant revenue and expenditures that were not realized.

The nearly \$3M **surplus** is welcome but is essentially due to the one time occurrences. This surplus should not be expected to continue, especially in light of the State’s decision to cut \$500K from its Capital City Funding. It should be further cautioned that **without the \$12.0M in assistance from NYS, there would have been a massive deficit**. The City’s Fund Balance, the key criteria used by the State Comptroller’s office to gauge fiscal stress, the unassigned fund balance stands at \$9.1M. This is a big turnaround in the past 3 years, but still well below the \$17.5M (10% of City expenses) in Fund Balance needed to begin the road out of fiscal stress as determined by the State Comptroller.

REVENUE (Thousands)

	DEC	DEC		%	DEC	Annual		%
REVENUE	YTD 18	YTD 17	Variance		YTD 18	Budget	Variance	Budget
PROPERTY TAX	58,252	57,422	830	1%	58,252	58,250	2	100%
SALES/USE TAX	35,425	33,350	2,075	6%	35,425	33,607	1,818	105%
PILOTS/19-a	20,126	18,480	1,646	9%	20,126	21,075	(949)	95%
OTHER LOCAL SOURCES	3,208	3,234	(26)	-1%	3,208	3,086	122	104%
LANDFILL	6,591	7,858	(1,267)	-16%	6,591	6,002	589	110%
OTHER DEPARTMENTS	5,354	5,151	203	4%	5,354	5,807	(453)	92%
INTER GOVERNMENT	413	292	121	41%	413	107	306	386%
FINES	4,969	4,279	690	16%	4,969	5,371	(402)	93%
LICENSES AND PERMITS	4,553	5,011	(458)	-9%	4,553	5,267	(714)	86%
STATE AID	29,110	29,601	(491)	-2%	29,110	29,661	(551)	98%
SALE P/COMP/LOSS	430	380	50	13%	430	996	(566)	43%
MISCELLANEOUS	6,114	5,085	1,029	20%	6,114	8,000	(1,886)	76%
OTHER	836	1,527	(691)	-45%	836	2,048	(1,212)	41%
DEBT RESERVE	1,000	1,000	0	100%	1,000	1,000	0	100%
TOTAL REVENUE	176,381	172,670	3,711	2%	176,381	180,277	(3,896)	98%

The chart above summarizes the City’s sources of revenue for 2018.

1. **Property Tax revenue** was higher than last year by \$830K primarily as result of the expansion of the tax base and less in total SCOs paid out compared to last year.
2. **Sales Tax revenue** increased by almost \$2.1M from last year and was over-budget at 105% for the year. The increase relates to a strong economy with low unemployment and strong retail sales.

3. **PILOTS/19-a revenue** was 9% higher than last year but only 95% of budget. This revenue category fell short of the budget as a result of not receiving payments from some voluntary PILOTS.
4. **Other Local sources revenue** was 1% lower than 2017 although ended the year 104% of budget. Interest and penalties on property taxes was down by \$100K, utilities gross receipts tax increased by \$36K, Time Warner / Spectrum franchise fees were higher by \$11K and OTB receipts increased by \$28K.
5. **Landfill revenue** decreased 16% or almost \$1.3M compared last year. As anticipated, tipping fees decreased by \$1.8M from commercial and municipal customers. However, revenue is at 110% of budget and \$589K over budget for 2018.
6. **Other Departmental revenue** was 4%, or \$203K higher than 2017, but only 92% of budget for the year. APD Event Security revenue increased by \$228K and rental registry fees increased by \$26K. Golf fees were lower by \$102K and golf cart and range fees were down by over \$52K.
7. **Intergovernmental revenue** increased by 41% from last year. Interest income was up almost \$320K from an increase in interest rates. However, the computer aided dispatch revenue (which is no longer invoiced) fell to \$0 after totaling \$131K in 2017.
8. **Fines and Forfeitures revenue** increased by 16% (\$690K) from 2017. The increase is related to an increase in parking violation fines which were up \$399K, handicap fees increased \$95K, parking surcharges increased \$86K and traffic violation fines increased \$71K.
9. **Licenses and Permits revenue** decreased 9% (\$458K) compared to last year. Most of the decrease is from demolition fees which decreased by \$555K and street opening revenue decreased by \$52K. While plumbing permit revenue increased by \$70K, electrical permits increased \$33K, safety inspection permits increased \$86K and parking permit revenue increased \$41K.
10. **State aid** – decreased by 2% (\$491K). Most of the decrease is the result of the State reducing the Capital City Funding from \$12.5M in 2017 to \$12.0M in 2018. It is important to note that without this funding the City would have ended the year with a \$9.1M deficit to its fund balance. The police court security program fees decreased by \$125K. These decreases were off-set slightly by an increase in mortgage taxes which increased \$125K and increases from funds received from multiple state grants.

11. **Miscellaneous revenue** increased 20% (\$1.029M) from 2017. Refund of prior expenses increased by \$713K. Additional revenue was received for reimbursements to DGS, the Buildings Department and Fire and Emergency Services which added to the increase in this category. The large variance to budget is due to the funds that are included with the general fund for Housing & Community Development Reimbursement. This simply acts as a pass through account that does not impact the general fund, but was set up comply with HUD grant disbursement regulations.

12. **Other revenue** decreased 45% (\$691K) compared to last year. Most of the decrease is related to the Fire Department receiving \$914K in funding last year for the SAFER Grant, which ended in 2017. Some of the decrease in 2018 was off-set by increases in FEMA money \$72K and other federal funding from various grants. Most of the revenue in this category is derived from federal government grants, is budget neutral and the timing of these payments varies from one year to the next.

DISBURSEMENTS

Category	DEC	DEC		%	Annual		%
	YTD 18	YTD 17	Variance		Budget	Variance	Budget
Personal Benefits	77,456,108	78,102,932	(646,823)	-0.8%	74,979,540	2,476,568	103%
Fringe Benefits	34,891,899	36,602,377	(1,710,478)	-4.7%	36,866,480	(1,974,581)	95%
Retirement Expense	13,772,401	13,159,656	612,745	4.7%	14,150,603	(378,202)	97%
Total Benefits	48,664,300	49,762,033	(1,097,733)	-2.2%	51,017,083	(2,352,783)	95%
Non-Personal Service	46,381,825	44,384,918	1,996,907	4.5%	53,280,204	(6,898,379)	87%
Use of Debt Reserve	1,000,000	1,000,000	0	0.0%	1,000,000	0	100%
Total	173,502,233	173,249,883	252,350	0.1%	180,276,827	(6,774,594)	96%
Number of weeks in period	52	52	0		52		100%

In 2018, total disbursements increased by \$252K or 0.1% compared to 2017 although they were \$6.7M under-budget for the year. Spending was down in Personal Benefits and Fringe Benefits while Non-Personal Services increased compared to last year.

1. **Salary expense (Personal Benefits) decreased by almost \$647K or 0.8% from last year but finished the year 3% over budget for 2018.**
The Police Department's salary and related expenses decreased by a little over \$1.1M and the Fire Department's salary and related expenses decreased by \$305K from 2017. These savings were reduced by an overall increase in overtime expenses in other departments which increased \$228K from last year. Non-reimbursable overtime expense, which increased by almost \$151K also contributed to reducing the savings in this category. Most of the other City departments had slightly higher salary expenses for the year which was anticipated in the budget.
2. **Fringe Benefit expenses decreased almost \$1.1M or 2.2% from 2017 and were \$2.3M under-budget.** Most of the decrease in this category is related to a decrease in retiree health insurance costs which decreased by \$1.8M from last year and was \$1.6M under-budget. The City is self-insured under the Empire Blue Cross plan and pays its claims directly. These expenses vary from year to year as a result of being self-insured and not paying a set premium. NYS Retirement expenses increased by \$613K from 2018 but ended the year \$378K under-budget.
3. **Non-Personal Service spending increased by almost \$2.0M or 4.5% from last year but was below budget for the year by \$6.9M.** This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. Gasoline expense increased \$265K and snow removal supplies and expenses increased \$138K. Overall contracted services and supplies expenses increased \$1.7M and were higher in most of the departments although they were under-budget by \$5.3M. Most of this variance is related to the ACDA pass thru funds which are budgeted in this category and ended the year almost \$3.4M under-budget. Equipment expense increased by \$1.0M but was under-budget by \$444K.

OVERTIME

Department	2018	2017	Change	%	2018	Budget	% of Budget
Police (non-reimbursable)	5,439,316	5,477,795	(38,479)	-1%	5,439,316	4,050,000	134%
Fire	981,379	893,818	87,561	10%	981,379	439,000	224%
Communications	371,369	349,689	21,680	6%	371,369	325,000	114%
Parks Maintenance	208,252	185,707	22,545	12%	208,252	208,252	100%
Waste Collection	243,680	243,719	(39)	0%	243,680	243,680	100%
Landfill	148,166	140,999	7,167	5%	148,166	150,000	99%
Central Maint.	64,297	48,068	16,229	34%	64,297	70,000	92%
Street Maintenance	364,803	279,672	85,131	30%	364,803	364,304	100%
Recreation Administration	13,098	11,843	1,255	11%	13,098	15,000	87%
Traffic Engineering	36,625	41,966	(5,341)	-13%	36,625	40,000	92%
Capital Hills	19,220	22,548	(3,328)	-15%	19,220	21,000	92%
Fleet Maintenance	21,307	26,635	(5,328)	-20%	21,307	21,308	100%
Recreation Programs	680	0	680	100%	680	500	136%
Buildings	118,762	85,455	33,307	39%	118,762	50,000	238%
DGS Administration	693	639	54	8%	693	2,500	28%
Control of Animals	18,519	10,442	8,077	77%	18,519	18,000	103%
Cultural Affairs	10,055	13,056	(3,001)	-23%	10,055	15,000	67%
General Fund	8,060,221	7,832,051	228,170	3%	8,060,221	6,033,544	134%
Police (reimbursable)	1,416,394	1,265,328	151,066	12%	1,416,394	1,301,443	109%
Traffic Eng. (reimbursable)	0	0	0	0%	0	500	0%
Water	558,590	522,248	36,342	7%	558,590	565,500	99%
Totals	10,035,205	9,619,627	415,578	4%	10,035,205	7,900,987	127%

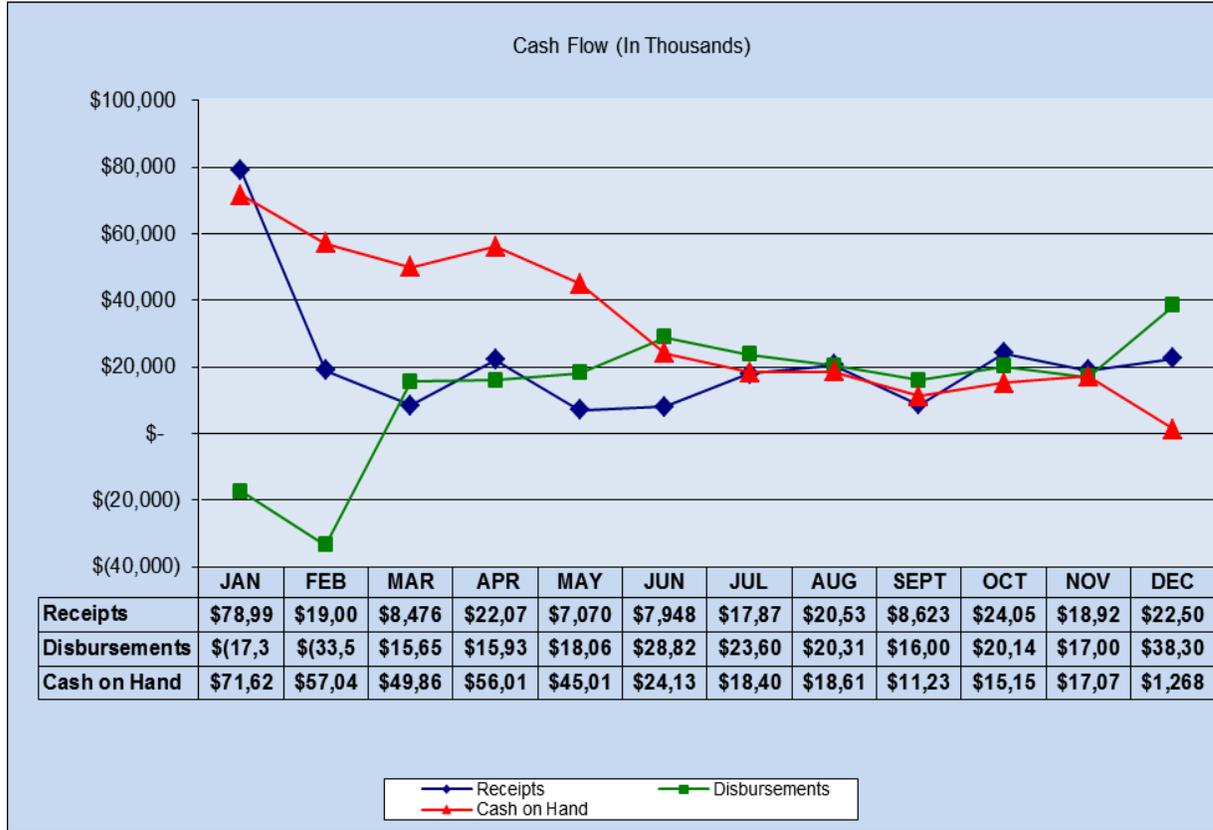
2018 General Fund, non-reimbursable overtime increased by 3% (\$228K) from 2017, and was at 134% of budget for the year and \$2M over budget. Reimbursable OT includes the Water Department (for which the City is reimbursed) and a portion of Police overtime.

The Police department had a decrease in overtime payments which were down by a little over \$38K compared to last year but finished the year \$1.4M over budget. The overage for APD was due to court OT (\$400K), Special Events OT (\$200K, partially caused by increased police presence due to increased general safety concerns) and increased training for the LEAD and Implicit Bias training programs. Additionally much of the Police OT costs were caused by unfilled vacancies.

AFD OT increased by over \$87K from 2017 and ended the year over budget by 224% (\$542K). AFD OT is expected to be reduced going forward as new recruits fill staffing gaps and training costs are reduced.

Most of the departments had increases in overtime expenses from last year although most departments finished the year at budget or below budget.

CASH



The City's cash position was \$1.3M at the end of 2018 and \$8.7M lower than the same period last year. Most of the decrease was the result of the County collecting the corporate property taxes \$5.2M directly. The Water Department transferred almost \$2.1M less to the City than the amount paid by the City on behalf of the AWB. Landfill cash was almost \$2.3M less compared to last year. On the positive side, Sales Tax revenue provided an additional \$1.6M in cash. Delays in PILOT payments to the Albany School District provided us with needed cash to get through the end of 2018. Without the Capital City Funding payment of \$12.0M the City's cash balance at the end the year would have been almost an \$11.0M deficit and would have required us to issue RANs to get through the end of the year.

CONCLUSION

It continues to be a positive sign that the City is managing within its budget overall, and that multiple smaller efforts to cut costs and increase revenue are succeeding. The nearly \$3M surplus is a welcome and positive development for 2018, but this is based largely on a one time savings and revenue increase, and cannot be expected to last or continue. Continued aid in some form from NYS will remain necessary to balance the budget for the foreseeable future.

Therefore, the City will have to continue to find other savings and revenue sources in order to offset increases in salaries and associated expenses (particularly as union contracts come up for renegotiation), as well as other revenue declines and cost increases.