

---

---

## OFFICE OF THE ALBANY CITY TREASURER

---

---

DATE: JUNE 18, 2012

TO: HON. GERALD D. JENNINGS  
MEMBERS OF THE COMMON COUNCIL

FROM: HON. KATHY SHEEHAN

CC: PHIL CALDERONE, CHRIS HEARLEY

RE: 2011 PERFORMANCE

---

### **Executive Summary**

The following is a summary of the unaudited results for the City of Albany's fiscal year ending December 31, 2011. The results for the year were better than expected. Revenue came in at nearly 100% of budget and spending was 6% below budget, resulting in an increase to the City's fund balance of nearly \$3 million.

Revenue for the year totaled nearly \$162 million, an increase of almost \$500,000 from 2010. Expenses decreased almost \$2 million compared to last year to nearly \$159.

The \$2.9 million increase to fund balance compares to a \$900,000 increase last year and brings the total fund balance to \$19.9 million as of December 31, 2011. This compares favorably to budget, which anticipated the use of \$6.1 million of fund balance in 2011.

The City's 2012 budget includes the use of \$5,635,000 of fund balance, which would bring the fund balance down to approximately \$14 million at the end of 2012.

### **Results of Operations**

Below are the unaudited results for Fiscal Year 2011, ending December 31, 2011. The City's outside auditors are expected to commence their audit in July and provide audited financial statements in September 2012.

REVENUE (Thousands)

REVENUE	Dec	Dec			Dec	Annual		
	YTD 11	YTD 10	Variance	%	YTD 11	Budget	Variance	%
PROPERTY TAX	53,707	53,057	650	1%	53,707	54,148	(441)	99%
SALES/USE TAX	29,679	28,452	1,227	4%	29,679	28,500	1,179	104%
PILOTS/19-a	18,968	26,001	(7,033)	-27%	18,968	18,916	52	100%
OTHER LOCAL SOURCES	3,648	3,688	(40)	-1%	3,648	3,815	(167)	96%
LANDFILL	11,496	11,320	176	2%	11,496	11,740	(244)	98%
OTHER DEPARTMENTS	2,724	2,863	(139)	-5%	2,724	2,750	(26)	99%
INTER GOVERNMENT	536	429	107	25%	536	355	181	151%
FINES	5,474	6,218	(744)	-12%	5,474	5,410	64	101%
LICENSES AND PERMITS	2,524	2,324	200	9%	2,524	1,984	540	127%
STATE AID	18,485	17,299	1,186	7%	18,485	20,994	(2,509)	88%
SALE P/COMP/LOSS	1,617	553	1,064	192%	1,617	1,324	293	122%
MISCELLANEOUS	6,142	6,549	(407)	-6%	6,142	5,838	304	105%
OTHER	1,827	1,908	(81)	-4%	1,827	1,485	342	123%
<b>DEBT RESERVE</b>	<b>5,000</b>	<b>670</b>	<b>4,330</b>	<b>646%</b>	<b>5,000</b>	<b>5,000</b>	<b>0</b>	<b>100%</b>
<b>TOTAL REVENUE</b>	<b>161,827</b>	<b>161,331</b>	<b>496</b>	<b>0%</b>	<b>161,827</b>	<b>162,259</b>	<b>(432)</b>	<b>100%</b>

The chart above summarizes the City's sources of revenue for FY 2011.

1. **Property Tax revenue** was under budget, but 1% higher than the previous year. The City's \$1 million tax increase in 2011 yielded an additional \$650,000 in revenue. The variance from budget resulted from reductions in assessments that occurred throughout the 2011 fiscal year.
2. **Sales Tax revenue** for 2011 was 4% higher than last year and 4% more than budget. The increase resulted from stronger sales and from an increase in the City's share of sales tax revenue under a county-wide formula based on population. Fourth quarter growth was the strongest at 8% higher than the same quarter of 2010.
3. **Pilots/19-a and Other Local Sources revenue** finished the year nearly on budget but significantly lower than 2010. The State's 19-a payment to the City was \$7.85 million lower in 2011 compared to the prior year. This payment reduction was reflected in the 2011 budget.
4. **Landfill revenue** was 2% higher compared to 2010, but was 2%, or \$244,000, below budget. Revenue from commercial haulers and area municipalities that are part of the Capital Region Solid Waste Management Planning Unit were at or close to budget, while revenue from methane gas and contaminated soil performed below budget.

5. **Other Departments revenue** finished the year on budget, but 5% lower than 2010. EMS reimbursements and golf course fees were at 56% and 83% of budget, respectively.
6. **Fines and Forfeitures revenue** finished the year on budget, but below 2010 levels. Revenue in 2010 was higher because the City succeeded in collecting on a large backlog of parking tickets after it implemented a new ticket collection system. In 2011, parking fine revenue finished the year nearly 12% above budget, while traffic fines, which are collected by the state, were approximately 21% below budget.
7. **Licenses and Permits revenue** increased by approximately \$200,000, or 9% compared to 2010 and finished the year 27% ahead of budget. Virtually all revenue categories finished at or ahead of budget with the exception of building permits, ROP's, board ups and vacant building registry.
8. **State Aid** increased by 7% from 2010, but was \$2.5 million (22%) below budget. In addition to a reduction in per capita State Aid, the City experienced a continued decline in mortgage tax revenue which was \$346,000 below budget and 10% below 2010 levels. Approximately \$2 million of the budget shortfall is related to timing issues for state grants, which should be received in the 2012 fiscal year.
9. **Revenue from Sales of Property and Compensation of Losses** was ahead of budget and significantly higher than 2010. The City sold the former Senior Services building to the Albany Community Development Agency, a component unit of the City, and sold an option to purchase the former Traffic Safety building on Central Avenue to Capitalize Albany Corporation. These sales comprised \$1 million of the revenue in this category.
10. **Miscellaneous and other revenue** were lower in 2011 than in 2010, but finished the year ahead of budget.

## DISBURSEMENTS

Category/Account	DEC		%	Annual		%	
	YTD 11	YTD 10		Variance	Budget		Variance
Personal Benefits	73,444,089	75,815,898	(2,371,808)	-3.1%	73,340,497	103,592	100%
Fringe Benefits	44,878,028	43,846,840	1,031,188	2.4%	48,361,016	(3,482,988)	93%
Non-Personal Service	<u>35,617,921</u>	<u>40,395,038</u>	<u>(4,777,118)</u>	<u>-11.8%</u>	<u>42,776,278</u>	<u>(7,158,358)</u>	<u>83%</u>
Use of Debt Reserve	5,000,000	670,000	4,330,000	646.3%	5,000,000	0	100%
<b>Total</b>	<b>158,940,037</b>	<b>160,727,776</b>	<b>(1,787,739)</b>	<b>-1.1%</b>	<b>169,477,791</b>	<b>(10,537,754)</b>	<b>94%</b>
Number of weeks in period	52	53	-1		52		100%

**Total disbursements in 2011 decreased by approximately \$1.8 million compared to 2010 and were nearly \$10.5 million below budget.** The most significant cost savings came from retiree health insurance, which finished the year at \$4.25 million below the original budget. Debt service was \$2.2 million lower than budget primarily because of reimbursements the City received for certain road improvement projects.

1. **Personal Services spending was slightly higher than budget, and was nearly \$2.4 million lower than 2010.** While most City departments were at or slightly below budget for personal services, these savings were offset by higher than budgeted overtime spending in the Fire, General Services and Recreation departments. Spending for the Summer Youth work program was more than \$330,000 lower than in 2010, but exceeded budget by 33%, or more than \$160,000.
2. **Benefits Expenses were \$1 million higher in 2011 than in 2010, but were nearly \$3.5 million (7%) below budget.** As noted above, retiree healthcare benefits were significantly below budget at just over \$5.45 million compared to a budget of \$9.7 million. This represents a 22%, or nearly \$1.6 million decrease compared to 2010.
3. **Non-Personal Service spending in 2011 decreased by 11.8%, or nearly \$4.8 million, compared to 2010 and was 17%, or \$7 million below budget.** This category includes utilities, contracted services, supplies, materials, equipment, consulting fees and debt service. Spending was down in virtually all departments and categories and debt service came in \$2.2 million under budget.

## OVERTIME

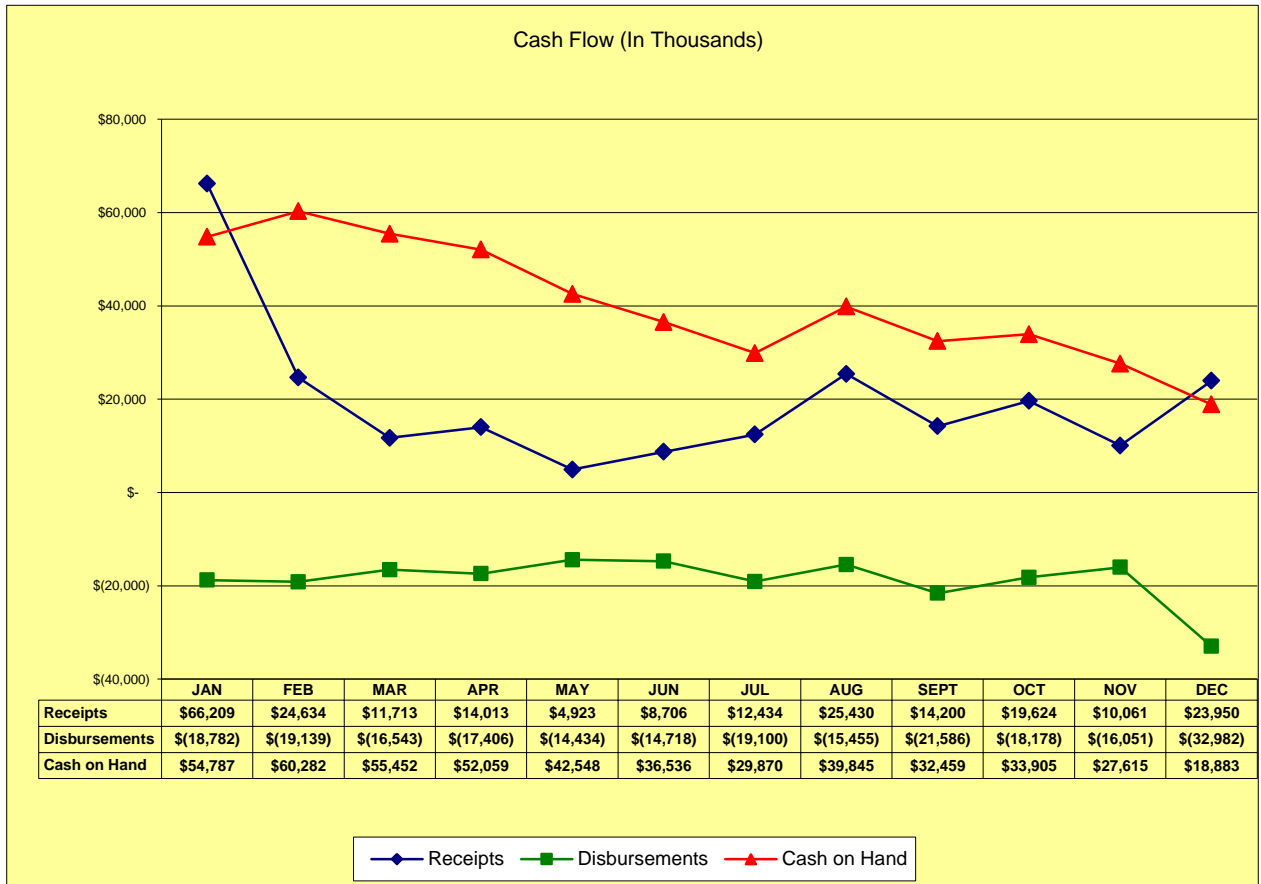
Dept	2011	2010	Change	%	Budget	to Actual	Budget
Police (non-reimbursable)	3,706,717	4,478,292	(771,575)	-17%	4,037,000	(330,283)	92%
Fire	2,599,449	2,086,418	513,031	25%	1,800,000	799,449	144%
Communications	162,217	249,859	(87,642)	-35%	160,538	1,679	101%
Parks Maintenance	268,929	261,056	7,873	3%	190,000	78,929	142%
Waste Collection	198,438	275,824	(77,386)	-28%	230,000	(31,562)	86%
Landfill	141,275	204,804	(63,529)	-31%	135,000	6,275	105%
Central Maint.	126,390	172,886	(46,496)	-27%	100,000	26,390	126%
Street Maintenance	158,730	146,320	12,410	8%	150,000	8,730	106%
Street Cleaning	150,626	157,823	(7,197)	-5%	170,000	(19,374)	89%
Recreation	44,499	60,385	(15,886)	-26%	32,000	12,499	139%
Traffic Engineering	23,628	28,390	(4,762)	-17%	25,000	(1,372)	95%
Capital Hills	30,651	30,962	(311)	-1%	20,000	10,651	153%
Central Garage	36,449	31,361	5,088	16%	30,000	6,449	121%
Bleeker Stadium	2,620	11,291	(8,671)	-77%	4,500	(1,880)	58%
Buildings	18,795	19,470	(675)	-3%	10,000	8,795	188%
Control of Animals	8,551	13,912	(5,361)	-39%	10,000	(1,449)	86%
Special Events	20,388	24,001	(3,613)	-15%	25,000	(4,612)	82%
<b>General Fund</b>	<b>7,698,352</b>	<b>8,253,054</b>	<b>(554,702)</b>	<b>-7%</b>	<b>7,129,038</b>	<b>569,314</b>	<b>108%</b>
Police (reimbursable)	1,243,532	1,392,581	(149,049)	-11%	1,000,000	243,532	124%
Traffic Eng. (reimbursable)	0	0	0		3,000	(3,000)	0%
<b>Water</b>	<b>670,669</b>	<b>500,754</b>	<b>169,915</b>	<b>34%</b>	<b>655,000</b>	<b>15,669</b>	<b>102%</b>
<b>Totals</b>	<b>9,612,553</b>	<b>10,146,389</b>	<b>(533,836)</b>	<b>-5%</b>	<b>8,787,038</b>	<b>825,515</b>	<b>109%</b>

**Non-reimbursable overtime was 7% (\$555,000) lower in 2011 compared to 2010, but exceeded budget by 8%.** Fire Department overtime was 25% higher than 2010 and exceeded budget by 44%. Police Department overtime was 17% lower than 2010 and 8% below budget.

The Department of General Services exceeded its overtime budget mainly as a result of snow emergencies, but overall overtime expenses for DGS were below 2010 levels.

The City is reimbursed for Water Department overtime, and it receives revenue from Police reimbursable overtime.

## CASH



**The City's cash position improved in 2011 over 2010.** The City ended the year with nearly \$19 million in cash compared to approximately \$7 million in 2009. The cash position benefited from lower than budgeted spending.

Cash flow also was positively impacted earlier in the year when the City received its 19a payment for the Empire State Plaza in September, thus avoiding the need to issue revenue anticipation notes in the fall to cover its cash needs.

## DEBT

At the end of 2011, the City had approximately \$130 million in outstanding bonds and bond anticipation notes. The City had capital lease obligations in the amount of \$2,214,834. The City also incurred \$1,699,524 in debt when it elected to amortize its pension payment to the New York State Retirement System. In 2011, the City paid \$16 million in principal and interest payments in connection with its outstanding debt and

used \$5 million of debt reserve to make debt payments. The 2012 budget anticipates borrowing an additional \$18 million for capital equipment and projects.

## CONCLUSION

The City ended the year with a gain of nearly \$3 million. While this is a positive development, the City's financial outlook remains challenging. The 2012 budget includes a one time "spin up" of the State's 19-a payment and the use of \$5.6 million of fund balance bringing the structural imbalance in the City's budget to \$13,485,000, or 8% of budgeted revenue.

The actual imbalance is higher because the City does not accrue for known future expenses associated with its landfill operations. Fully accruing for these expenses would increase the structural imbalance by approximately \$5 million in 2012, to a total of \$18.5 million, or 11% of budgeted revenue.

On a positive note, in 2011, the City demonstrated financial restraint by holding spending at just under \$159 million. If it were able to maintain spending at this level, the City would cut its structural deficit by more than half. Upward pressure on pension and healthcare costs, coupled with increased borrowing make it difficult to hold down spending, but increasing property taxes is also untenable. Accordingly, absent an increase in state aid or from other revenue sources, the administration will have to identify additional reductions in spending in order to address the deficit.