
OFFICE OF THE ALBANY CITY TREASURER

DATE: August 13, 2014

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

FROM: Hon. Darius Shahinfar

CC: Ismat Alam

RE: 2nd quarter YTD 2014 Performance

The 2d quarter numbers for the City of Albany revealed no major surprises. The Budget enacted in 2013 for FY 2014 planned to utilize a combination of revenue from operations, retirement amortization, debt reserve, and the City's Fund Balance (savings) to achieve a balanced budget by matching expenditures.

As detailed below, 2d quarter and YTD increases in some budgeted revenues and expenditures have been partially offset by decreases in other budgeted items on a YTD basis.

For example, increases in snow removal and utility costs during the exceedingly snowy and cold winter and decreases in budgeted revenue from fines and sales taxes, are roughly offset through the first 6 months of 2014 by decreases in payroll expenditures due to turnover in the new Administration.

However, the YTD numbers mean that the City will find it difficult at this point in time to offset expected cost increases, such as health insurance and utilities, for the remainder of the year within the confines of the enacted budget.

Furthermore, given the absence of dramatic decreases in expenditures and/or increases in revenues, the reliance on the Fund Balance and loan from the retirement system to replace unrealized revenue underscores that the City's finances remain structurally imbalanced.

Given that this budget already envisioned utilizing nearly \$10 million of Fund Balance to offset the shortfall in revenue, and given the expected increase in expenditures, the City is heading for an additional use of \$2-4 million from the Fund Balance before the budget year is out. This underscores the fact that, the City has been, and continues to be, essentially operating at approximately a \$10 million loss year-to-year.

If continued, this methodology will essentially render the City without adequate reserves to address unanticipated and/or emergency needs next year, and possibly no reserves to utilize in future budgets.

Thus, while our fiscal situation through the first half of 2014 is roughly where this budget envisioned the City to be, major challenges revolving around our structural imbalance exist in both the short term and long term that must be addressed.

REVENUE (Thousands)

	JUNE	JUNE		%	JUNE	Annual		%
REVENUE	YTD 14	YTD 13	Variance		YTD 14	Budget	Variance	Budget
PROPERTY TAX	55,914	55,037	877	2%	55,914	56,048	(134)	100%
SALES/USE TAX	15,721	15,129	592	4%	15,721	31,930	(16,209)	49%
PILOTS/19-a	3,899	3,119	780	25%	3,899	19,045	(15,146)	20%
OTHER LOCAL SOURCES	776	1,136	(360)	-32%	776	3,690	(2,914)	21%
LANDFILL	5,332	5,647	(315)	-6%	5,332	11,177	(5,845)	48%
OTHER DEPARTMENTS	1,156	1,249	(93)	-7%	1,156	2,792	(1,636)	41%
INTER GOVERNMENT	108	148	(40)	-27%	108	315	(207)	34%
FINES	2,070	2,517	(447)	-18%	2,070	5,115	(3,045)	40%
LICENSES AND PERMITS	1,484	1,070	414	39%	1,484	2,332	(848)	64%
STATE AID	145	2,097	(1,952)	-93%	145	20,511	(20,366)	1%
SALE P/COMP/LOSS	139	213	(74)	-35%	139	290	(151)	48%
MISCELLANEOUS	2,571	2,839	(268)	-9%	2,571	4,534	(1,963)	57%
OTHER	748	293	455	155%	748	5,602	(4,854)	13%
TOTAL REVENUE	90,063	90,494	(431)	0%	90,063	163,381	(73,318)	55%

The chart above summarizes the City's sources of revenue through June 30, 2014. Overall, revenue in the second quarter of 2014 totaled \$90 million which is a \$431,000 decrease compared to the same period last year. Expenses totaled over \$79 million and were up almost 3% (\$2.1 million) compared to the second quarter of 2013. When compared to the same time last year City funds have decreased by \$2.5 million.

1. **Property Tax revenue** increased by \$877,000 as a result of the tax levy increase under the tax cap, but it was under budget by \$134,000 as a result of assessment reductions.
2. **Sales Tax revenue** in the second quarter increased 4% and totaled \$15.7 million which was \$592,000 higher compared to last year at the same time. Overall 1Q and 2Q increase in economic activity in Albany County led to a 3.9% increase in tax collections overall compared to the first 2 quarters of 2013.

3. **PILOTS/19-a revenue** was 25% higher than the same period last year. Most of the increase is due to receiving payments earlier this year than last year.
4. **Other Local sources revenue** was 32% lower than the second quarter of 2013. This is due to timing difference with National Grid's second quarter utilities gross receipts payment which was received in June last year compared to early July this year. National Grid's second quarter payment totaled \$417,539 and makes this revenue category 5% or \$57,000 higher than 2013.
5. **Landfill revenue** decreased 6% compared to the first quarter of 2013. Contaminated soil was lower by \$170,000 and tipping fees decreased by almost \$98,000 from commercial customers. The sale of methane gas is also down by \$71,000 from last year.
6. **Other Departmental revenue** was 7% lower than the same period last year, while rental registries increased almost \$11,000 and planning board fees increased \$24,000, APD Event Security revenue decreased by \$29,000, EMS Ambulatory revenue decreased by \$82,000 and golf course revenue decreased by \$61,000.
7. **Fines and Forfeitures revenue** decreased by 18% from the first quarter of 2013. Both parking ticket and parking ticket surcharges combined for a decrease of \$399,000.
8. **Licenses and Permits revenue** increased 39% (\$414,000) compared to the same period last year. Safety Inspection permit revenue increased by \$335,000 and Plumbing Permit revenue increased \$57,000.
9. **State aid** was 93% lower in the second quarter compared to 2013. Most of the decrease in this category resulted from an accounting requirement from the NYS Comptroller's Office to no longer recognize the amortized pension as revenue. The Comptroller's Office recommended booking the amortized pension as a negative expense.
10. **Miscellaneous revenue** was decreased 9% (\$268,000) compared to the same period last year primarily as a result of a decrease in delinquent debris and demolition charges levied onto 2014 property tax bills.
11. **Other revenue** increased 155% (\$455,000) compared to the same period last year. Most of this revenue is derived from federal government grants and the timing and the amount of these payments varies from one year to the next. The Fire Department received a grant of \$170,000 to purchase firefighting equipment and the Police Department received \$492,000 from a COPS hiring grant during the second quarter.

DISBURSEMENTS

Category/Account	JUNE	JUNE	Variance	%	Annual	Variance
	YTD 14	YTD 13			Budget	
Personal Benefits 7100-7199	36,038,030	36,685,947	(647,918)	-1.8%	75,912,308	(39,874,278)
Fringe Benefits 7801-7863	19,598,903	20,206,552				
Retirement Estimate	5,007,759	4,569,978				
	24,606,662	24,776,530	(169,868)	-0.7%	51,717,084	(32,118,181)
Non-Personal Service 7210-7701	23,919,914	20,570,859	3,349,055	16.3%	45,568,766	(21,648,852)
Total	84,564,606	82,033,337	2,531,269	3.1%	173,198,158	(93,641,311)
Number of weeks in period	26	26	0		52	

Total disbursements increased by 3.1% compared to the same period last year to over \$84.5 million. Spending decreased in Personal Benefits and Fringe Benefits while Non-Personal Service increased \$3.3 million compared to 2013. All the categories combined resulted in an increase in total expenses of over \$2.5 million.

- Salary expense decreased by -1.8%** compared to the same period last year. Salary expenses are level or slightly lower in most of the departments compared to the second quarter of 2013.
- Benefits Expenses decreased by -0.7% for the second quarter of 2014.** Pension expenses decreased compared to the same period last year. This decrease is the result from an accounting requirement from the NYS Comptroller's Office to no longer recognize the amortized pension as revenue. The Comptroller's Office recommended booking the amortized pension as a negative expense. Most of the City departments are showing a decrease in health insurance expense while retiree health insurance expense increased almost \$750,000 from 2013.
- Non-Personal Service spending increased by 16.3% or by \$3.3 million.** This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. The second quarter saw increases over last year in the Fire Department of \$203,000 in equipment expense, most of this increase \$170,000, is offset by a NYS

grant to purchase air packs, DGS saw increases in the following accounts: gasoline expense increased \$56,000, motor vehicle repair expense increased \$114,000 and snow removal supplies and expense increased \$511,000. The City's utilities expenses increased by \$416,000 from the same period last year. Some of the increases in DGS expenses and utilities expense can be attributed to the snow and extreme weather the City had to endure during the first three months of the year. The Police Department increased \$734,000 this is offset by a COPS Technology Grant for the whole amount. The majority of the increase in this category is the result of an increase in debt expense of \$1.6 million. The City made its first payments on the 2013 bonds this year.

5. **Encumbrances (funds reserved for purchases) decreased by \$1.3 million** or almost 21% compared to the same period last year. Encumbrances total \$5.0 million at the end of the second quarter.

OVERTIME

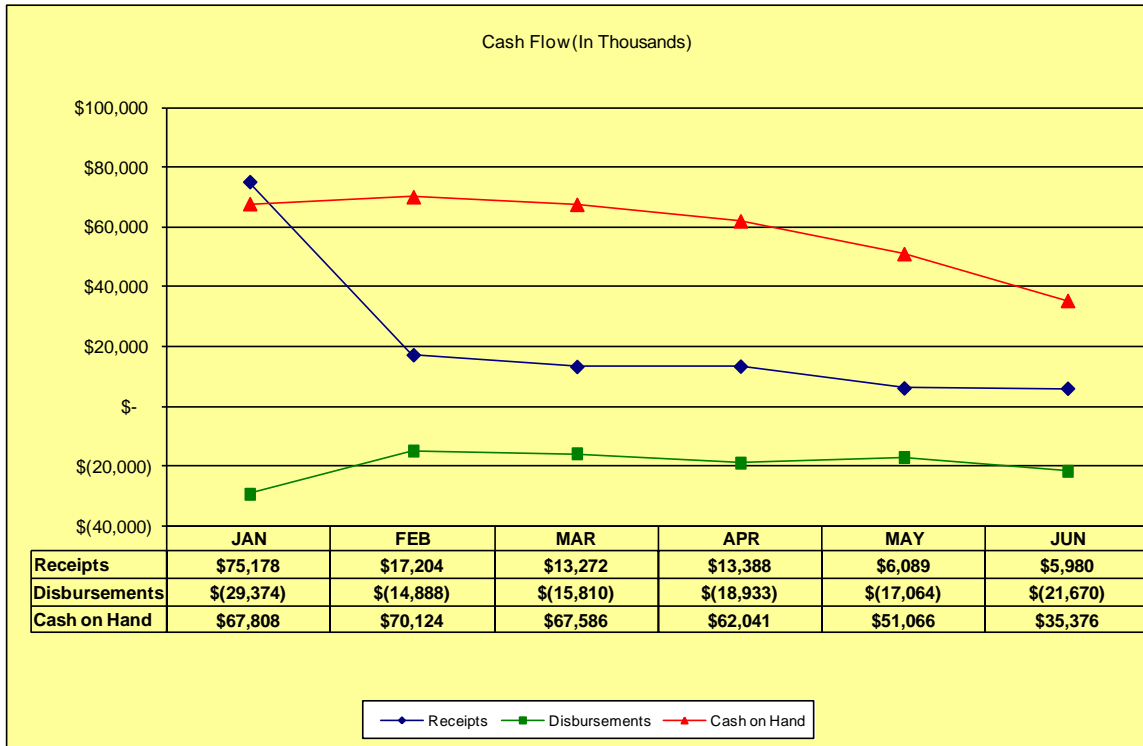
2nd QTR
2014 OT
OVERTIME

Department	2014	2013	Change	%	2014	Budget	% of Budget
Police (non-reimbursable)	1,811,661	1,931,773	(120,112)	-6%	1,811,661	3,800,000	48%
Fire	783,675	659,656	124,019	19%	783,675	1,750,000	45%
Communications	83,775	94,399	(10,624)	-11%	83,775	162,000	52%
Parks Maintenance	131,393	135,793	(4,400)	-3%	131,393	200,000	66%
Waste Collection	119,262	111,160	8,102	7%	119,262	175,000	68%
Landfill	116,188	88,989	27,200	31%	116,188	130,000	89%
Central Maint.	32,789	41,677	(8,888)	-21%	32,789	70,000	47%
Street Maintenance	72,303	86,207	(13,903)	-16%	72,303	130,000	56%
Street Cleaning	101,072	79,543	21,529	27%	101,072	110,000	92%
Recreation	873	24,171	(23,299)	-96%	873	25,000	3%
Traffic Engineering	11,152	13,944	(2,792)	-20%	11,152	20,000	56%
Capital Hills	11,185	11,221	(36)	0%	11,185	26,000	43%
Central Garage	15,898	18,723	(2,826)	-15%	15,898	28,000	57%
Bleeker Stadium	0	996	(996)	-100%	0	1,200	0%
Buildings	21,326	27,926	(6,600)	-24%	21,326	18,000	118%
Control of Animals	3,565	3,462	103	3%	3,565	9,000	40%
Special Events	5,152	8,689	(3,537)	-41%	5,152	20,000	26%
General Fund	3,321,266	3,338,327	(17,060)	-1%	3,321,266	6,674,200	50%
Police (reimbursable)	469,323	473,969	(4,646)	-1%	469,323	950,000	49%
Traffic Eng. (reimbursable)	446	764	(319)	0%	446	0	100%
Water	359,058	322,165	36,894	11%	359,058	605,000	59%
Totals	4,150,094	4,135,225	14,869	0%	4,150,094	8,229,200	50%

General Fund overtime was at 50% of budget at the end of the second quarter. Excluding the Water Department (for which the City is reimbursed) and reimbursable Police overtime, overtime expense was -1% (\$17,060) lower than the same period last year.

The Buildings Department had the biggest increase in overtime expense percentage wise at 118% and was the only department currently over budget even though they were lower than 2013 at this time by \$6,600. The Fire Department had the biggest increase dollar wise over last year at \$124,019. Police overtime was lower by 6% compared to the same period last year and finished the quarter at 48% of budget. The majority of departments have lower overtime expenses this year than last year except for a few.

CASH



The City's cash position was 6% less than forecasted and \$2.3 million lower than the same period last year. The decrease is the result of paying outstanding invoices to our vendors close to 30 days of the date of the invoice, paying an additional \$1.0 million collected on behalf of Albany County and the Albany School District and making the first payments on the 2013 bonds during the second quarter.

CONCLUSION

Revenue is level with last year. Sales Tax revenue showed some improvement in the second quarter with an increase of \$592,000 from 2013. This increase along with additional property tax and PILOT revenue has partially offset the shortfall in budgeted landfill and fines revenue. Expenses are below budget for the second quarter at 46% but 3% or almost \$2.1 million higher than last year at this time. The City will need to monitor expenses closely and try to reduce them where it can in order to stem the structural imbalance that remains.