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## OFFICE OF THE ALBANY CITY TREASURER

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**DATE:** June 14, 2017

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

**FROM:** Hon. Darius Shahinfar

**CC:** Rachel McEneny, Mike Wheeler

**RE:** YTD 2016 Performance

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The following is a summary of the unaudited results for 2016. The final numbers present a positive financial picture as **the City generated a year-end surplus for the first time since 2012**. In short, **revenues rose by \$9.6M and spending was cut by \$1.2M from 2015**, and the 2016 budget overall generated **a surplus of nearly \$6 million**.

Notable budget variations for 2016 include under-budget spending on salaries overall (\$67K), workers' compensation (\$2.4M), retirement expenses (\$2.3M), Employee health care (\$500K), Medicare refunds / UIB / FICA (\$1M) and DGS road / snow removal expenses (\$700K). Most departments came in under budget overall. Police was \$1.4M under budget, Fire was \$750K under budget and DGS was \$3.7M under budget. These savings were due largely to lower than budgeted employee benefits, and lower non-labor operations costs resulting from management and contracting improvements and by mild weather and lower energy prices. One of the largest over-budget expenses was overtime at nearly \$1.8M.

The **surplus** is evidence of reduced expenditures that were **related to the 2016 hiring freeze, strict attention to costs, as well as management improvements on contractual expenditures**. It should be cautioned however, that about 2/3 of the surplus is due to one-time events such as lower Workers' Comp and health care costs, and snow removal and energy cost reductions from the warm 2016 winter. It should be further cautioned that **without the \$12.5M assistance from NYS, there would have been a deficit**.

Revenue in 2016, including debt reserve funds, totaled \$174.1M which was almost \$9.6M more than last year, an increase of 6%. Expenses including debt reserve expenses totaled over \$168.1M and decreased almost 0.7%, about (\$1.2M) compared to 2015. Revenues were \$9.3M less than budgeted and expenditures \$15.4M less than budgeted, which was due to grant revenue and expenditures that were not realized.

## REVENUE (Thousands)

|                      | Dec     | Dec     |          | %    | Dec     | Annual  |          | %      |
|----------------------|---------|---------|----------|------|---------|---------|----------|--------|
| REVENUE              | YTD 16  | YTD 15  | Variance |      | YTD 16  | Budget  | Variance | Budget |
| PROPERTY TAX         | 56,313  | 56,706  | (393)    | -1%  | 56,313  | 56,528  | (215)    | 100%   |
| SALES/USE TAX        | 33,150  | 32,864  | 286      | 1%   | 33,150  | 33,304  | (154)    | 100%   |
| PILOTS/19-a          | 32,488  | 20,785  | 11,703   | 56%  | 32,488  | 20,470  | 12,018   | 159%   |
| OTHER LOCAL SOURCES  | 2,910   | 3,158   | (248)    | -8%  | 2,910   | 3,193   | (283)    | 91%    |
| LANDFILL             | 11,019  | 12,500  | (1,481)  | -12% | 11,019  | 9,819   | 1,200    | 112%   |
| OTHER DEPARTMENTS    | 5,667   | 2,792   | 2,875    | 103% | 5,667   | 6,025   | (358)    | 94%    |
| INTER GOVERNMENT     | 250     | 286     | (36)     | -13% | 250     | 245     | 5        | 102%   |
| FINES                | 4,382   | 4,335   | 47       | 1%   | 4,382   | 7,158   | (2,776)  | 61%    |
| LICENSES AND PERMITS | 3,418   | 3,317   | 101      | 3%   | 3,418   | 4,180   | (762)    | 82%    |
| STATE AID            | 16,740  | 17,969  | (1,229)  | -7%  | 16,740  | 29,683  | (12,943) | 56%    |
| SALE P/COMP/LOSS     | 654     | 364     | 290      | 80%  | 654     | 394     | 260      | 166%   |
| MISCELLANEOUS        | 5,030   | 7,575   | (2,545)  | -34% | 5,030   | 9,212   | (4,182)  | 55%    |
| OTHER                | 1,090   | 387     | 703      | 182% | 1,090   | 2,178   | (1,088)  | 50%    |
| DEBT RESERVE         | 1,000   | 1,500   | (500)    | -33% | 1,000   | 1,000   | 0        | 100%   |
| TOTAL REVENUE        | 174,111 | 164,538 | 9,573    | 6%   | 174,111 | 183,389 | (9,278)  | 95%    |

The chart above summarizes the City's sources of revenue for 2016.

1. **Property Tax revenue** is lower than last year by \$393K as a result of paying more SCOs compared to last year and finished below budget by \$215K.
2. **Sales Tax revenue** the year-end sales tax revenue increased nearly 1% and totaled almost \$33.2M which was roughly \$286K higher compared to last year.
3. **PILOTS/19-a revenue** was 56% higher than last year from receiving all of the \$12.5M in additional 19-a funds for 2016. PILOT revenue was \$5.3M higher compared to last year. This exceeded budget by 59% as Capital City Funding was budgeted under state aid.
4. **Other Local sources revenue** was 8% lower than year-end 2015. Interest and penalties on property taxes was down by \$168K and utilities gross receipts tax decreased by \$88K. These decreases resulted in a 9% (\$283K) negative variance to Budget.
5. **Landfill revenue** decreased by 12% compared to last year at the same time due to planned waste inflow reductions. Despite these planned reductions overall landfill revenue exceeded budgeted amounts by \$1.2M.

Coupon sales also increased by \$162K. Contaminated soil revenue decreased by \$400K compared to 2015.

6. **Other Departmental revenue** was 103% higher than year-end 2015. Most of the increase was the result of the new waste collection fees (\$1.8M). APD Event Security revenue increased by more than \$476K and EMS and rental registry revenue increased by \$278K. Golf fees and permits and golf cart and range fees increased by roughly \$227K collectively, from last year. Despite these increases overall revenue did fall \$358K short of optimistic budget projections.
7. **Fines and Forfeitures revenue** increased by 1% from year-end 2015. Both parking ticket fines and surcharges increased. Traffic court fines were up from last year by \$88K. However, Red Light Camera revenue did not materialize, resulting in this budget line coming in under at year's end.
8. **Licenses and Permits revenue** increased by 3% (\$101K) compared to last year. Safety Inspection permit revenue increased by \$64K, while street opening revenue increased by \$73K.
9. **State aid** decreased by 7%. Some of this decrease is related to a decrease in mortgage tax revenue which decreased by \$250K from last year. The majority can be attributed to the Inter budget water fund (\$750K) being moved to the right classification in 2016. The large variance to budget is due to Capital City funding being budgeted to State aid, but actually applied to 19-a funding.
10. **Miscellaneous revenue** decreased 34% (\$2.5M) compared to 2015. This large variance can be attributed to the combination of receiving \$3.9M in one-time funding from the State Finance Restructuring Board last year and moving the Inter Budget Water Fund (\$1.15M) to the correct classification. The large variance to budget is due to the \$3.5M that is added to 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.
11. **Other revenue** increased by \$703K compared to last year. Most of this revenue is derived from federal government grants and the timing of these payments varies from one year to the next.

## DISBURSEMENTS

| Category/Account               | Dec         | Dec         |             | %      | Annual      |              | %      |
|--------------------------------|-------------|-------------|-------------|--------|-------------|--------------|--------|
|                                | YTD 16      | YTD 15      | Variance    |        | Budget      | Variance     | Budget |
| Personal Benefits 7100-7199    | 75,442,605  | 74,635,769  | 806,836     | 1.1%   | 75,509,325  | (66,720)     | 100%   |
| Fringe Benefits 7801-7863      | 49,341,824  | 49,913,963  | (572,139)   | -1.1%  | 54,824,778  | (5,482,954)  | 90%    |
| Non-Personal Service 7210-7701 | 42,349,925  | 43,283,828  | (933,903)   | -2.2%  | 52,235,133  | (9,885,208)  | 81%    |
| Use of Debt Reserve            | 1,000,000   | 1,500,000   | (500,000)   | -33.3% | 1,000,000   | 0            | 100%   |
| Total                          | 168,134,354 | 169,333,560 | (1,199,206) | -0.7%  | 183,569,236 | (15,434,882) | 92%    |
| Number of weeks in period      | 53          | 52          | 1           |        | 53          |              | 100%   |

In 2016, total disbursements decreased by almost \$1.2M or 0.7% compared to 2015 and was \$15.4M under budget for 2016. Spending was down in Fringe Benefits and in Non-Personal Service while Personal Benefits increased compared to last year.

1. **Salary expense (Personal Benefits) was slightly under budget** at \$67K for 2016. Salary expense increased as expected compared to the same period as last year (\$800K), but again this increase was less than budgeted. This increase was related to police overtime and firefighter's salary expenses. Police O/T increased by \$923K and firefighter's salaries increased by \$550K from 2015. Most of the other City departments with a few exceptions were level or had slightly lower salary expenses for the year.
2. **Fringe Benefit expenses decreased by 1.1% (\$570K) from 2015 and finished the year almost \$5.5M under budget.** Most of the decrease in this category is related to a decrease in workers' compensation costs which decreased by \$900K and were \$2.4M under budget. The Police department alone had a decrease of over \$700K in workers' compensation costs from 2015. Retiree health insurance costs decreased by \$800K from last year. NYS Retirement expenses increased by \$1.2M from last year but ended the year \$2.3M under budget. Other benefits expenses (Medicare refunds, NYS unemployment insurance and FICA) combined came in under budget by almost \$1M.

3. **Non-Personal Service spending decreased by 2.2% (\$930K) from 2015 and is below budget for the year by \$9.9M.** This category includes utilities, contracted services, supplies, materials, small equipment, consulting fees and debt service. DGS saw decreases in the following accounts: gasoline expense decreased \$188K, motor vehicle repair expense decreased \$88K and snow removal supplies and expense decreased \$418K, as well as savings resulting from restructuring of purchase contracts. Debt service decreased by \$1.0M and was under budget by \$1.7M. Most of the decrease in debt service is from paying off a capital lease in 2015, older debt maturing and recent debt refunding. The ACDA pass thru funds are budgeted in this category and ended the year almost \$2.4M under budget. Most of the City departments were below budget for the year and when combined make up the savings to the budget for 2016. Some of the following expenses had increases: Demolition expenses increased by \$476K. Utilities expense increased \$250K which was mostly due to an increase in street lighting expense.

## OVERTIME

| Department                  | 2016      | 2015      | Change    | %    | 2016      | Budget    | % of Budget |
|-----------------------------|-----------|-----------|-----------|------|-----------|-----------|-------------|
| Police (non-reimbursable)   | 5,253,876 | 4,331,149 | 922,727   | 21%  | 5,253,876 | 4,050,000 | 130%        |
| Fire                        | 1,168,951 | 1,975,296 | (806,345) | -41% | 1,168,951 | 439,000   | 266%        |
| Communications              | 221,020   | 179,209   | 41,811    | 23%  | 221,020   | 175,000   | 126%        |
| Parks Maintenance           | 163,128   | 160,296   | 2,832     | 2%   | 163,128   | 200,000   | 82%         |
| Waste Collection            | 193,101   | 182,774   | 10,327    | 6%   | 193,101   | 205,000   | 94%         |
| Landfill                    | 91,943    | 133,726   | (41,783)  | -31% | 91,943    | 96,000    | 96%         |
| Central Maint.              | 47,127    | 78,118    | (30,991)  | -40% | 47,127    | 70,000    | 67%         |
| Street Maintenance          | 227,244   | 218,985   | 8,259     | 4%   | 227,244   | 300,000   | 76%         |
| Recreation                  | 13,086    | 14,195    | (1,109)   | -8%  | 13,086    | 12,000    | 109%        |
| Traffic Engineering         | 39,269    | 37,421    | 1,848     | 5%   | 39,269    | 45,000    | 87%         |
| Capital Hills               | 22,034    | 22,640    | (606)     | -3%  | 22,034    | 26,000    | 85%         |
| Central Garage              | 10,721    | 12,944    | (2,223)   | -17% | 10,721    | 28,000    | 38%         |
| Bleeker Stadium             | 94        | 41        | 53        | 129% | 94        | 600       | 16%         |
| Buildings                   | 77,234    | 37,095    | 40,139    | 108% | 77,234    | 50,000    | 154%        |
| DGS Administration          | 1,385     | 410       | 975       | 238% | 1,385     | 5,000     | 28%         |
| Control of Animals          | 8,445     | 9,132     | (687)     | -8%  | 8,445     | 9,000     | 94%         |
| Special Events              | 14,756    | 9,401     | 5,355     | 57%  | 14,756    | 15,000    | 98%         |
| General Fund                | 7,553,414 | 7,402,832 | 150,582   | 2%   | 7,553,414 | 5,725,600 | 132%        |
| Police (reimbursable)       | 1,239,562 | 1,038,718 | 200,844   | 19%  | 1,239,562 | 1,192,658 | 104%        |
| Traffic Eng. (reimbursable) | 224       | 160       | 64        | 0%   | 224       | 3,000     | 7%          |
| Water                       | 663,134   | 580,725   | 82,409    | 14%  | 663,134   | 580,000   | 114%        |
| Totals                      | 9,456,334 | 9,022,435 | 433,899   | 5%   | 9,456,334 | 7,501,258 | 126%        |

**2016 General Fund, non-reimbursable overtime increased by 2% (\$150K) from 2015, and was at 132% of budget for the year (\$1.8M).** Reimbursable OT

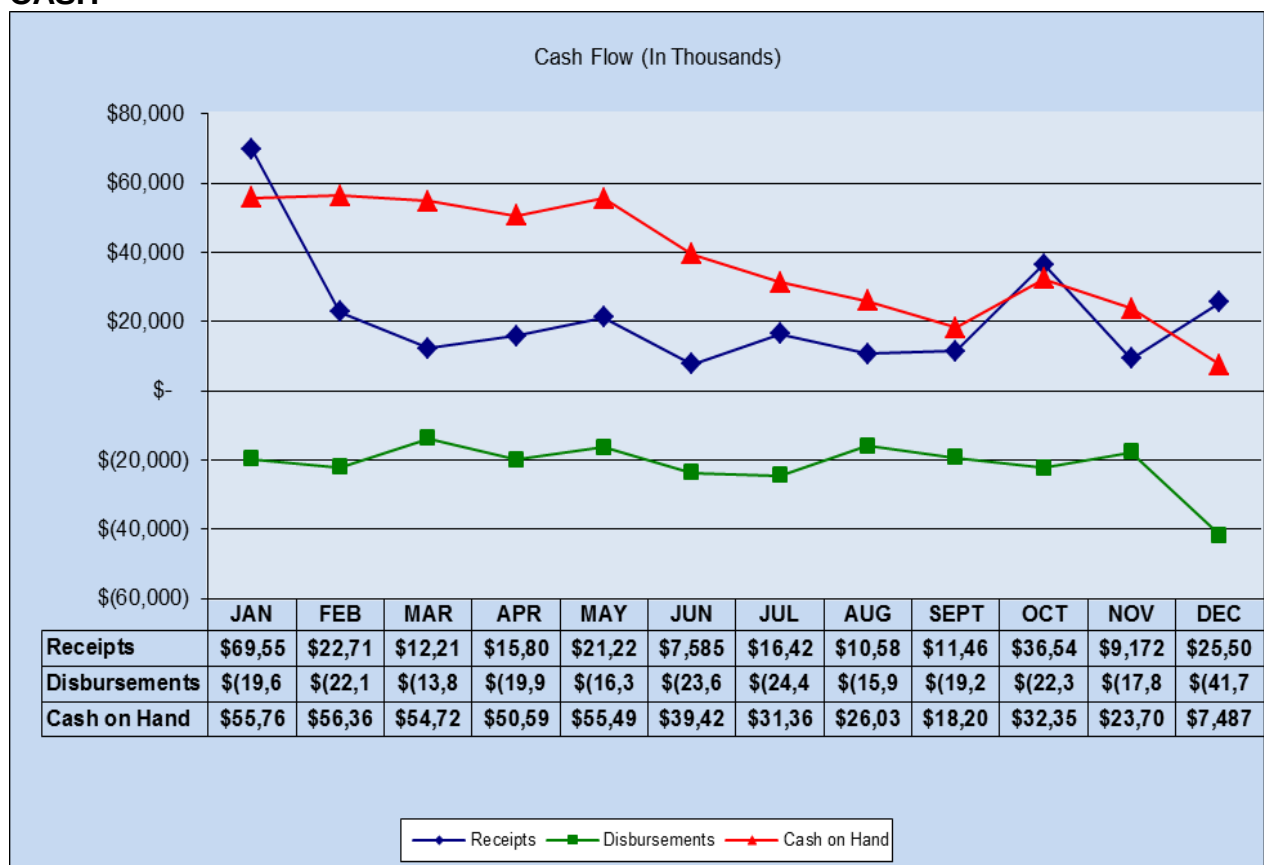
includes the Water Department (for which the City is reimbursed) and a portion of Police overtime.

The Police department had the biggest increase in overtime payments which were up by almost \$923K compared to 2015 and \$1.2M over budget for 2016. 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 a portion of the Police OT costs were caused by unfilled vacancies that resulted in lower than budgeted regular-time personnel costs.

AFD OT decreased by over \$800K from 2015, but ended the year at 266% of budget (\$600K). The decrease from 2015 was caused by the receipt of the SAFER grant, which put AFD staffing at full strength, and the negotiated reduction of vacation day usage from 12 to 8 individuals off at any one time. Most of the OT spending over the budgeted amount is related to the training of new recruits (2 new classes, training for which comes from OT), and \$25K is reimbursable. OT is expected to be reduced going forward as new recruits fill staffing gaps and training costs are reduced.

The list includes a few departments that had increases in overtime expenses from last year, but again, most departments were below budget for the year.

## CASH



The City's cash position was \$7.5M or 21% more than forecasted and almost \$1.6 million higher than the same period last year. Most of the increase is the result of NYS providing an additional \$12.5 million in 19-a money to the City in 2016. Without the additional 19-a money the City's cash balance at the end the year would have been almost \$5.0 million short for operations and would have required us to issue RANs.

## **CONCLUSION**

It is a positive sign that many smaller efforts to increase revenue and cut costs are being successfully implemented (parking ticket collections, landfill and other departmental revenue, attrition, workers' comp, bond refinancing). However, while the surplus of \$6 million is a positive development, not all of the savings and/or revenue increases are 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, as well as other revenue declines and cost increases.