



2014 FISCAL PROFILE

CITY OF ALBANY

Overview

The City of Albany, the New York State capital, is located approximately 140 miles north of New York City on the west bank of the Hudson River. Settled by Europeans in 1624, Albany was first chartered as a city in 1686 and became the permanent State capital in 1797.¹

Today, Albany is the sixth-largest city in the State, with a population of 97,856. It sits at the crossroads of two major interstate highways in close proximity to rail service and an international airport facility. It is also home to the Port of Albany on the Hudson River, which handled 7.5 million tons of cargo in 2012, making it the 60th-busiest port in the nation.²

In addition to its position as the center of State government, the City has three hospitals and several college and university campuses that provide a stable employment base. However, higher-than-average poverty rates in the City drive demand for social services, while the large proportion of tax-exempt property reduces the tax base used to support them.

In order to spur more economic activity, the City has been pursuing the development of a \$65 million convention facility project through the Albany Convention Center Authority. Work has already started on preparing the property and building an associated hotel.³

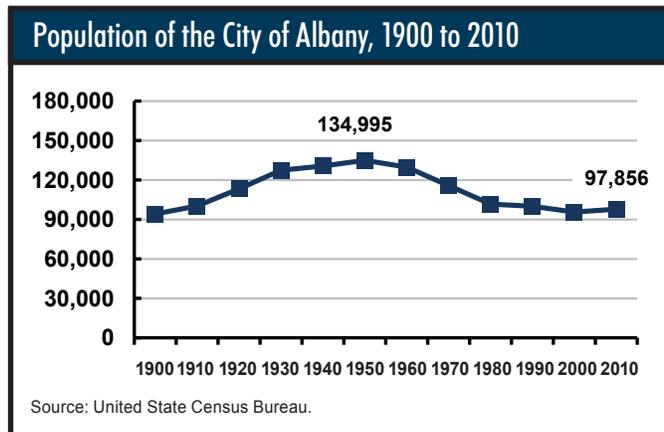
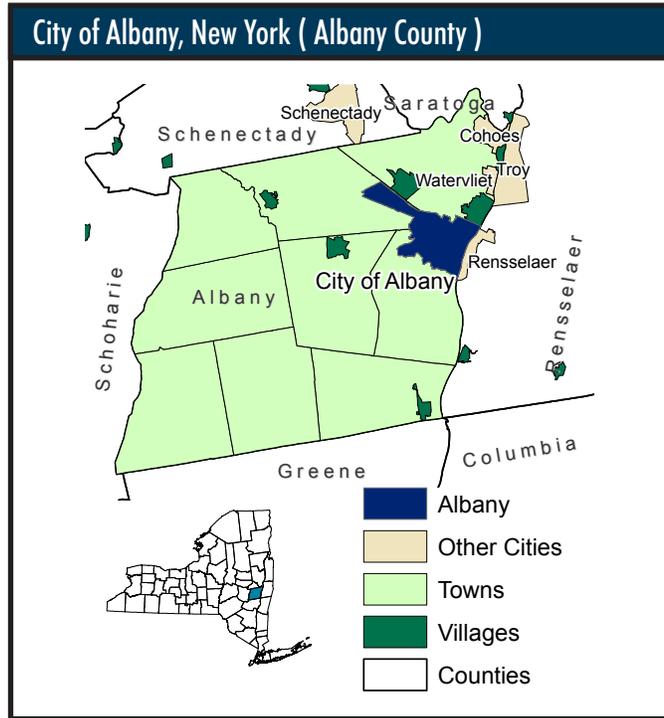
- The City of Albany is the seat of New York State government, as well as being a regional medical center and the location of several universities and colleges.
- Due in large measure to State-owned properties, nearly 60 percent of the City's full value is tax exempt, the sixth-highest proportion among New York cities.
- Between 1950 and 2000, Albany's population fell by 29 percent, from nearly 135,000 to 95,658. Between 2000 and 2010, the population grew by 2.3 percent.
- Albany's 2013 unemployment rate of 7.2 percent is slightly lower than the statewide rate of 7.7 percent.
- Albany's child poverty rate is 34.2 percent—higher than both the median for all cities (28.4 percent) and the statewide rate (21.0 percent).
- The closure of the City's landfill, expected in six or seven years, will result in a drop in general fund revenues and significant post-closure costs.

Population and Economic Factors

The City's population increased from 94,151 to nearly 135,000 during the first half of the twentieth century before falling back to 95,658 by 2000. Between 2000 and 2010, the population grew by 2.3 percent, to 97,856.

In 2013, Albany's unemployment rate was 7.2 percent, compared to a statewide rate of 7.7 percent.

Albany is wealthier than most other New York cities when measured by household income. Albany's median household income in 2012 was \$40,145, higher than the median for all cities of \$38,913, although lower than the \$57,683 statewide median.⁴ However, the City also has relatively high levels of poverty. Approximately one in three children in Albany lived in poverty in 2012 (34.2 percent), compared to a city median of 28.4 percent and a statewide rate of 21.0 percent.



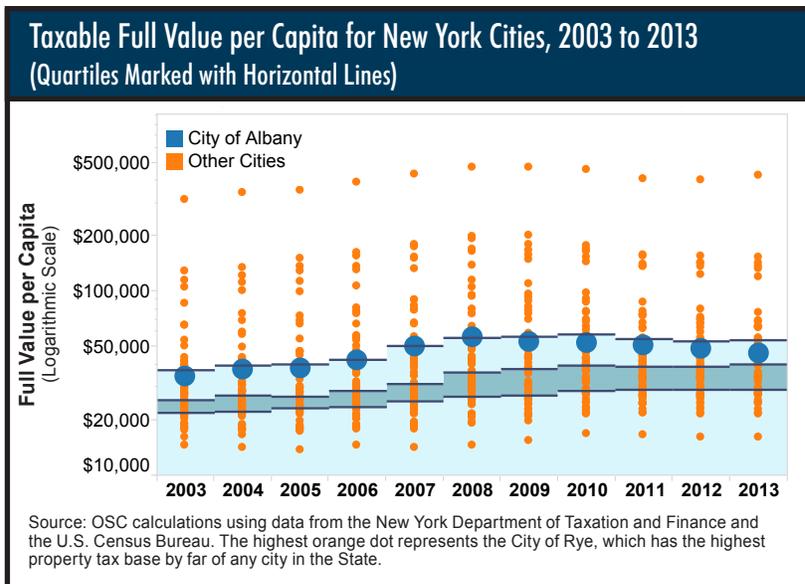
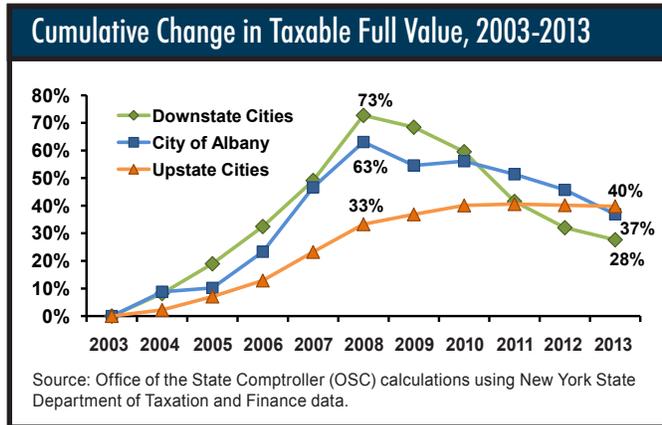
Tax Base

The City's home ownership rate is 40.3 percent compared to 49.9 percent for the median city and 54.5 percent for the State as a whole. While the home ownership rate is low compared to that of the median city, the vacancy rate is high. Approximately 1 in 6 properties is vacant (16.5 percent) compared to roughly 1 in 10 for all cities and for the State as a whole (10.5 percent city median and 10.8 percent statewide).

Albany's \$180,100 median home value is higher than the city median of \$102,300, but substantially lower than the statewide median value of \$295,300.⁵

From 2003 to 2008, the taxable full value of properties for downstate cities rose by 73 percent. In comparison, upstate cities in aggregate did not experience a sharp rise or fall; instead their taxable full value increased more slowly and then leveled off in the wake of the recession. Albany's full value trend resembles that of the downstate cities: from 2003 to 2008, it increased by 63 percent, before beginning a decline that lasted through 2013.

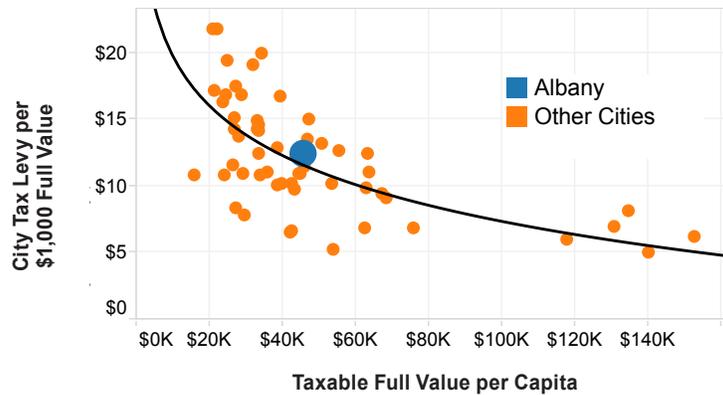
Albany's property tax base, measured as taxable full value per capita, was \$45,919 in 2013. The City ranked 21st out of the 58 New York cities with data (excluding New York City). Over the past decade, Albany has consistently fallen within a range from the 50th to the 75th percentile among cities on this measure. However, since the recession of 2007-09, Albany's tax base has been falling not only in absolute terms, but also relative to other cities.



The City tax levy of \$55.1 million for 2013 works out to an implicit rate of \$12.27 per \$1,000 of taxable full value, higher than the median of \$11.12 for all cities.

In 2013, Albany had exhausted 38 percent of its Constitutional Tax Limit (CTL), less than the median city (45 percent).⁶

Real Property Tax City Levy Rate by Taxable Full Value per Capita, 2013
(Each dot represents a city; the line shows the expected value.)



Source: OSC calculations using data from the New York Department of Taxation and Finance and the U.S. Census Bureau. The Levy rate is an implied rate obtained by dividing the tax levy for city purposes by the taxable full value divided by 1,000. The expected value is based on a logarithmic (exponential) model.

City of Albany's Fiscal Stress Monitoring System Designation

OSC's Fiscal Stress Monitoring System (FSMS) uses a number of financial stress indicators, as well as demographic and economic metrics known as "environmental stress indicators," to create scores for every municipality and school district in the State.

For fiscal year 2012, Albany had a 35.4 percent Fiscal Score and a 24.6 percent Environmental Score. Albany's scores are below the respective thresholds for the lowest levels of fiscal stress (45 percent) and environmental stress (30 percent).

For additional information and a description of the indicators used in the FSMS, please visit: <http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm>

Property Tax Exemptions

Fifty-nine percent of the City of Albany's property is exempt from city and county taxes, the sixth-highest proportion among New York cities.⁷ Just over half of the exempt property for city purposes consists of State-owned property, including the State Capitol and other State office buildings. This represents 51 percent of the equalized assessed value of exempt property.⁸ An additional 2 percent is State property owned by public authorities and other State entities. The remaining share of exempt value is attributable to property owned by numerous other tax-exempt organizations, including large universities, hospitals, religious entities and many smaller organizations.⁹

Since 2000, the State has compensated the City for tax-exempt State-owned property in and around the Empire State Plaza in downtown Albany (sometimes referred to as the South Mall) by providing annual payments according to a schedule set forth in State Public Lands Law, Section 19-a. Numerous amendments have adjusted the amounts over the years. Between 2005 and 2010, the City received \$22.85 million annually. The following year, the amount decreased to \$15 million.

In 2012 and 2013, the payment went back up to \$22.85 million, due to one-time "spin ups" of a portion of the payments originally scheduled for 2032 and 2033. However, the 2014 payment was left at \$15 million.

The Homestead Tax Option

Albany uses what is sometimes referred to as the "homestead tax option," authorized by the Real Property Tax Law, to establish separate property tax rates for the "homestead class" (primarily certain residential property) and the "non-homestead class" (all property not in the homestead class).¹⁰ This is a local option available if certain conditions are met and must be adopted by local enactment. Statewide, 12 cities use the homestead option. School districts that are wholly contained within the boundaries of a city or town that uses the homestead option must also use it unless they pass a resolution to opt out of it. The Albany City School District has not passed such a resolution.

For 2013, the City tax rate for homestead property is 25 percent lower than for non-homestead property (\$10.28 per \$1,000 of assessed value compared to \$13.76). For the 2013-14 school year, the school district tax rate for homestead property is 29 percent lower than for non-homestead property (\$20.34 compared to \$28.61).¹¹ The disparity between the homestead and non-homestead tax rates places pressure on local businesses that could impact economic development, although the reduced rates on homes reduce pressure on homeowners. A local enactment authorizing the use of the homestead tax option may be rescinded; however, in many cases, this will result in a shift of the tax burden to the homestead class, which could be met with strong opposition from residential property owners.

Revenues and Expenditures

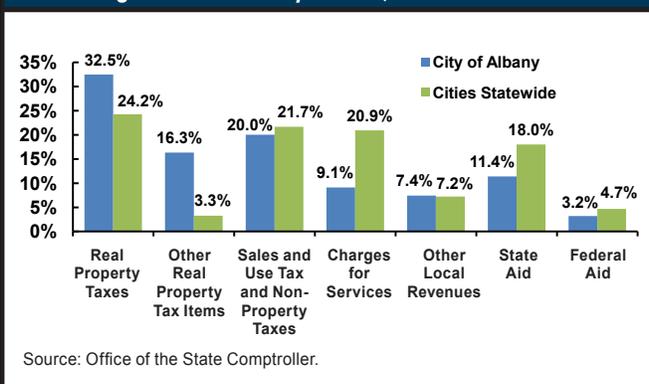
Albany collected \$168.4 million in revenues in 2012, 45 percent more than in 2002, for an average annual increase of 3.8 percent during that period. This compares to an average annual growth rate of 3.3 percent for all cities in the State.¹² Real property taxes accounted for nearly one-third of City revenues in 2012, compared to just under one-quarter for cities statewide. Real property tax revenues grew at an average annual rate of 4.2 percent from 2002 to 2012, slightly faster than the rate for cities overall (3.8 percent). In addition, the City relies on Public Lands Law, Section 19-a payments, payments in lieu of taxes (PILOTS), and various other property-tax-related sources for another 16.3 percent of its revenues. Since 2005, the City has received between \$25 million and \$27 million each year in this category, with the exception of 2011 when the City received \$15 million.

Charges for services account for only 9.1 percent of revenues, much less than the 20.9 percent share for cities statewide. This is due primarily to the fact that this revenue does not include water and sewer charges, as it would in most cities. Instead, these are imposed and collected by the Albany Water Board, a local public authority that operates the water and sewerage systems in the City.¹³ Revenues from charges for services have remained largely flat over the past decade.

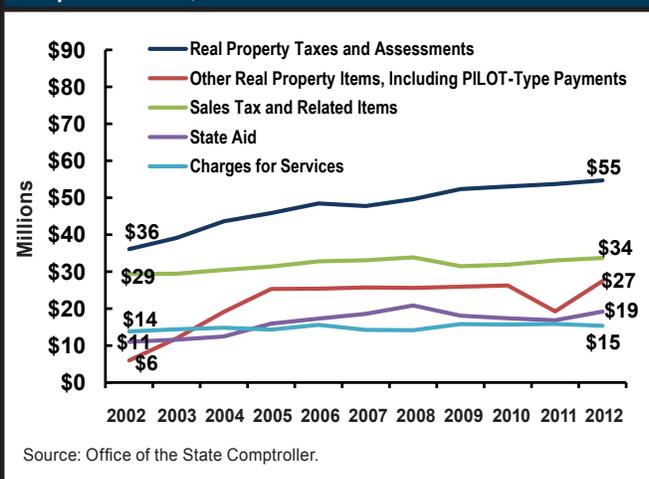
Included in the charges for services are the tipping fees charged by the City's landfill to private haulers. In contrast, tipping fees from other municipalities appear in the "other local revenues" category. The landfill generated approximately \$11 million in revenues for the City in 2012. The City has expanded the landfill, and expects to continue operating it through 2020.¹⁴ The anticipated closure of the landfill will have a significant impact on the City's finances. Not only will Albany lose the revenues from tipping fees, but it will also be responsible for post-closure expenses, including capping the landfill and extensive environmental remediation.

The City will also have to find another trash disposal solution and determine how to pay for it. The City's audited financial statement for 2012 lists an \$8.4 million liability for landfill post-closure costs and a restricted fund balance of \$0.9 million in the general fund to pay for those costs.

Percentage of Revenues by Source, 2012



Major Revenues, 2002 to 2012



Sales tax and other non-property tax items accounted for 20.0 percent of Albany’s revenues in 2012, just slightly less than the 21.7 percent figure for cities statewide. This revenue category grew by an average annual rate of 1.4 percent between 2002 and 2012, lower than the 3.6 percent rate for all cities.

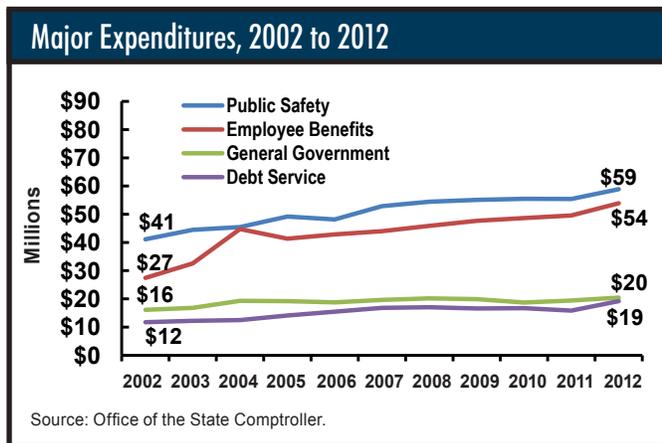
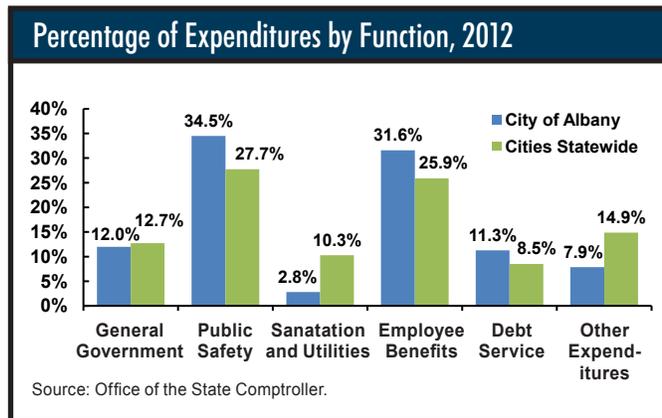
State aid other than State “PILOT”-type payments accounted for 11.4 percent of revenues. The bulk of that consists of Aid and Incentives for Municipalities (AIM) revenue sharing aid. Since the 2011-12 State fiscal year, Albany has received \$12.6 million in AIM each year, or \$128.84 per capita. This is slightly below the median of \$146.80 for all cities.

The City’s federal aid amounted to 3.2 percent of revenues compared to 4.7 percent for cities statewide.

Albany’s expenditures in 2012 totaled \$170.6 million. Public safety and employee benefits accounted for the largest shares of expenditures, at 34.5 percent and 31.6 percent of expenditures, respectively. By comparison, cities overall allocated 27.7 percent of expenditures to public safety and 25.9 percent to employee benefits. Debt service payments comprised 11.3 percent of Albany’s expenditures, compared to 8.5 percent for all cities.

Albany spends less on utilities and sanitation than other cities: 2.8 percent of expenditures compared to 10.3 percent for cities overall, again due to the fact that the Albany Water Board rather than the City handles water and sewer functions.

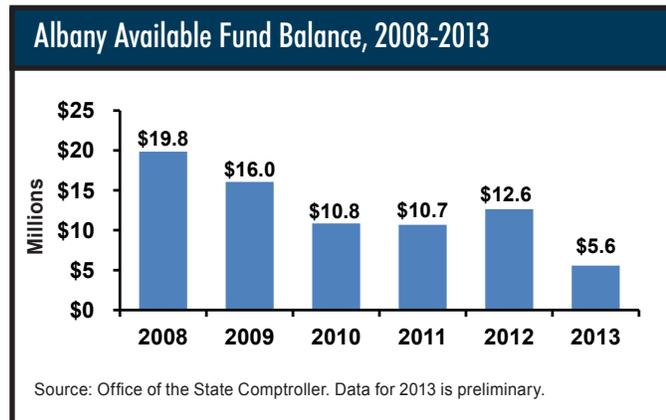
Between 2002 and 2012, expenditures grew at an average annual rate of 4.0 percent, higher than the 3.3 percent growth rate for cities statewide. As is the case for municipalities across the State, employee benefits—primarily pension and health care contributions—has been the fastest growing expenditure category. Albany’s expenditures on employee benefits grew at an average annual rate of 7.0 percent between 2002 and 2012, compared to a growth rate of 8.7 percent for cities statewide. Debt service was Albany’s second-fastest growing expenditure category, with a 5.1 percent average annual growth rate from 2002 to 2012. This is more than double the rate for cities statewide.



Current Budget Condition

Albany had no available general fund balance between 2002 and 2006. Subsequently, the City's available balance grew to a high of \$19.8 million in 2008 before declining in the wake of the 2007-09 recession.¹⁵ Between 2008 and 2013, fund balance dropped by \$14.2 million, or from 12.6 percent of expenditures to 3.3 percent.¹⁶

Albany has a lower cash ratio than most cities. The cash ratio is the sum of cash and short-term investments divided by current liabilities. Ideally, cash and investments should cover at least 100 percent of current liabilities. The median for New York cities in 2012 was 199 percent. Albany's cash ratio in 2012 was 72.6 percent, the seventh-lowest among cities in the State. However, this is an improvement over earlier in the decade. Between 2002 and 2010, the City's cash ratio ranged between 26 and 48 percent.



The City has formally applied to the Governor's Financial Restructuring Board for Local Governments for assistance and has been accepted by the Board.

Bond Ratings and Debt

Standard and Poor's Rating Services rates the City of Albany's general obligation debt at AA-, at the low end of its second-highest rating category. Standard and Poor's cites the City's stable employment base, recent development of a nanotechnology industry, healthy reserves, moderate debt level and rapid debt amortization as justifications for the rating. The rating agency identifies unresolved collective bargaining agreements and uncertainty regarding the City's ability to maintain reserves in the face of budgetary pressures as factors that could warrant a downgrade.¹⁷

At the end of 2012, the City had \$134 million in outstanding debt and had exhausted 21.5 percent of its Constitutional Debt Limit.¹⁸ The City's total debt per capita was \$1,370, close to the median city debt per capita of \$1,385. However, debt service as a percentage of total revenues was somewhat higher compared to many cities: 12.3 percent compared to a city median of 8.7 percent. In 2012, Albany issued \$34 million in general obligation bonds to convert bond anticipation notes to long-term bond debt and to provide funding for the landfill expansion.¹⁹

- ¹ City of Albany website:
<http://www.albanyny.org/Government/CityHistory.aspx>.
- ² U.S. Army Corps of Engineers, Navigation Data Center,
<http://www.navigationdatacenter.us/wcsc/portname12.html>.
- ³ Jordan Carleo-Evangelist, *Albany Times Union*, “Land Buy Advances Albany Convention Center Project,” February 26, 2014.
- ⁴ United States Census Bureau, *Census of Population*. Throughout this report, references to all cities or the median city exclude New York City.
- ⁵ Housing statistics are from the United States Census Bureau, *American Community Survey, Five-Year Estimates, 2008-2012*.
- ⁶ The Constitutional Tax Limit caps the total amount of property tax a city can levy at two percent of the five-year average of its full value with certain exclusions.
- ⁷ New York State Department of Taxation and Finance, MuniPro, 2012. The ranking is based on exemptions for county purposes.
- ⁸ Equalized assessed value is a measure of the full value of real property determined by dividing the assessed value of the property by the appropriate State “equalization rate.” The equalization rate is a measure of the percentage of full value at which taxable real property is assessed, determined by dividing the assessed value of taxable real property by the full value of the property. See the Department of Taxation and Finance’s website for a detailed explanation of equalization rates: <http://www.tax.ny.gov/pit/property/learn/eqrates.htm>.
- ⁹ Taxation and Finance, MuniPro, 2012, City of Albany: “Summary of Exemptions by Roll Year” and “Summary of Exemptions by Property Group and Exemption Code.”
- ¹⁰ See, “The Homestead Tax Option,” New York State Department of Taxation and Finance, publication 1023 (Sept. 2011). Available at: <http://www.tax.ny.gov/pdf/publications/orpts/homestead.pdf>. For a list of local governments using the homestead option, see, <http://www.tax.ny.gov/research/property/legal/localop/art19.htm>.
- ¹¹ City of Albany website:
www.albanyny.org/Government/Departments/AssessmentAndTaxation/PropertyAssessment.aspx.
- ¹² For the purposes of these revenues and expenditure analyses, “all cities” excludes Amsterdam, Ithaca, and Mechanicville (for which data were not available) and New York City. Expenditures and revenues presented in this section exclude fund “H” (capital projects), the “other uses” and “proceeds of debt” expenditure categories, and the “other sources” revenue category.
- ¹³ Because Article X, Section 5 of the State Constitution prohibits the creation of a single public authority within a city with the power to both impose fees and issue debt for a service formerly performed by a city, there is also a separate Albany Water Finance Authority, which issues bonds and notes for the water and sewer functions.
- ¹⁴ City of Albany, Official Statement regarding \$30,576,085 Issuance of General Obligation Bonds and Bond Anticipation Notes (2013), at www.fiscaladvisors.com/statements/062513-albanycity-OS-30576085.pdf, p. 8.
- ¹⁵ For this purpose, “available fund balance” is all fund balance that is not restricted, committed, or appropriated. According to the National Bureau of Economic Research, the most recent U.S. recession lasted from December 2007 to June 2009.
- ¹⁶ For the purpose of this calculation, expenditures include “other uses.”
- ¹⁷ RatingsDirect, “Summary: Albany, New York; General Obligation; Note,” June 19, 2013.
- ¹⁸ The Constitutional Debt Limit caps the amount of total debt that may be contracted by a city with a population of 125,000 or less for city purposes to 7 percent of the five-year average of its full value, with certain exclusions.
- ¹⁹ City of Albany, 2012 *Audited Financial Statement*, pp. 44-45.

Albany vs. All Cities and New York State

Population 2010: 97,856	City of Albany	All Cities (excluding NYC)		New York State
		Median	Aggregate	
Demographic Statistics				
Percentage Change in Population, 1950-2010	-28%	-20%	-25%	31%
Percentage Change in Population, 2000-2010	2.3%	0.5%	-1.4%	2.1%
Median Household Income, 2012	\$40,145	\$38,913	N/A	\$57,683
Child Poverty Rate, 2012	34.2%	28.4%	N/A	21.0%
Unemployment Rate, Annual 2013	7.2%	N/A	N/A	7.7%
Property Value Statistics				
Median Home Value, 2012	\$180,100	\$102,300	N/A	\$295,300
Owner-Occupied Housing Units, 2012	40.3%	49.9%	46.8%	54.5%
Property Vacancy Rate, 2012	16.5%	10.5%	12.7%	10.8%
Percentage of Property Value that is Tax Exempt, 2012	59.1%	33.0%	34.2%	26.7%
Revenue and Tax Statistics				
State Aid per Capita, 2012	\$196.36	\$197.06	\$339.21	N/A
Available General Fund Balance as a Percentage of Expenditures, 2012 ^(a)	7.6%	9.0%	6.8%	N/A
Constitutional Tax Limit Exhausted, 2013	38%	45%	N/A	N/A
Cash Ratio, 2012 ^(b)	73%	199%	120%	N/A
Debt Service as a Percentage of Revenues, 2012	12.3%	8.7%	8.7%	N/A

(a) For these purposes, available fund balance is all fund balance that is not restricted, committed, or appropriated.

(b) Cash Ratio is combined funds cash and investments divided by current liabilities.

Source: U.S. Census Bureau; New York Department of Taxation and Finance; New York State Labor Department; Office of the State Comptroller.

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