

JUNE 7, 2019

ERRATUM NOTICE

CITY of ALBANY
ALBANY COUNTY, NEW YORK
(the “City”)

\$34,151,500 Bond Anticipation Notes, 2019
(the “Notes”)

Dated: June 27, 2019

Due: March 27, 2020

CHANGE IN PAR AMOUNT

The dollar amount on the Official Statement and Notice of Sale for the above referenced issue, which is selling via competitive bid on June 11, 2019 at 10:15 A.M., has been revised from \$34,151,500 to \$29,799,600

The section “Purpose of Issue” in the Official Statement has been revised to read as follows:

PURPOSE OF ISSUE

The Notes are being issued pursuant to the Constitution and Laws of the State, including the Local Finance Law, constituting Chapter 33-A of the Consolidated Laws of New York (the “Law”) and various bond ordinances duly adopted by the Common Council, authorizing the issuance of bonds and bond anticipation notes for various capital purchases and improvements.

The proceeds of the Notes, along with a principal payment of \$1,247,000 using available funds of the City, will redeem \$17,607,100 of the \$18,854,100 bond anticipation notes maturing on June 29, 2018 will provide \$12,192,500 in new monies for the aforementioned purposes.

OFFICIAL STATEMENT

NEW/RENEWAL

BOND ANTICIPATION NOTES

In the opinion of Roemer Wallens Gold & Mineaux LLP, Bond Counsel, under existing laws, regulations, rulings and court decisions, and assuming continuing compliance by the City with certain covenants and the accuracy of certain representations, (i) interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and (ii) interest on the Notes is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York. The Notes may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax, on a portion of that interest. See "TAX MATTERS" herein for a discussion of certain Federal taxes applicable to corporate owners of the Notes.

The City will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

\$34,151,500

CITY of ALBANY

ALBANY COUNTY, NEW YORK

\$34,151,500 Bond Anticipation Notes, 2019

CUSIP BASE #012429

Dated: June 27, 2019

Due: March 27, 2020

(the "Notes")

The Notes are general obligations of the City of Albany, Albany County, New York (the "City"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes interest thereon, subject to applicable statutory limitations. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein.

At the option of the Purchaser(s), the Notes will be issued as registered notes registered in the name of the purchaser. If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds. In such case, the Notes will be issued as registered in the name of the purchaser in denominations of \$5,000 or multiples thereof, except for a necessary odd denomination, as may be determined by such successful bidder(s). Paying agent fees, if any, will be paid by the successful bidder(s).

Alternatively, if the Notes are issued in book-entry-only form, the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the notes purchased if the Purchaser(s) elects to register the Notes. Such Notes will be issued in denominations of \$5,000 or integral multiples thereof, except for a necessary odd denomination, as may be determined by such successful bidder(s). If the Notes are issued in book-entry-only form, payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Direct Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in the name of the purchaser or registered in "street name". Payment will be the responsibility of such DTC Direct or Indirect Participants and the City, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the respective approving legal opinion as to the validity of the Notes of Roemer Wallens Gold & Mineaux LLP, Bond Counsel, of Albany, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC, Jersey City, New Jersey on or about June 27, 2019.

June 4, 2019

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com on June 11, 2019 until 10:15 A.M., Eastern Time, pursuant to the Notice of Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction or facsimile to the City, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

THE CITY DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12, (THE "RULE") EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE CITY WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF MATERIAL EVENTS WITH REGARD TO THE NOTES AS DEFINED IN THE RULE. SEE "APPENDIX C - MATERIAL EVENT NOTICES" HEREIN.

CITY OF ALBANY ALBANY COUNTY, NEW YORK



KATHERINE M. SHEEHAN
MAYOR

DARIUS SHAHINFAR
TREASURER

SUSAN RIZZO
CHIEF CITY AUDITOR

COMMON COUNCIL

COREY ELLIS, PRESIDENT

RICHARD CONTI, PRESIDENT PRO TEMPORE

Owusu Anane
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Ginnie Farrell
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Joseph Igoe
Derek Johnson

Kelly Kimbrough
Joyce Love
Michael O'Brien
Jahmel K. Robinson

CITY OFFICIALS

BRIAN SHEA
Chief of Staff

RACHEL McENENY
Commissioner of Administrative Services

CASHAWNA BURT
Acting City Clerk

WILLIAM KELLY, ESQ.
Corporation Counsel



FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor

Roemer Wallens
Gold & Mineaux^{LLP}
Counsellors at Law

ROEMER WALLENS GOLD & MINEAUX LLP
Bond Counsel

No person has been authorized by the City to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City.

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OFFICIAL STATEMENT
of the
CITY of ALBANY

ALBANY COUNTY, NEW YORK

Relating to

\$34,151,500 Bond Anticipation Notes, 2019

This Official Statement, which includes the cover page and appendices, has been prepared by the City of Albany, Albany County, State of New York (the "City," "County," and "State," respectively), in connection with the sale by the City of its aggregate principal amount of \$34,151,500 Bond Anticipation Notes, 2019 (the "Notes").

The factors affecting the City's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the City's tax base, revenues, and expenditures, this Official Statement should be read in its entirety.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

NATURE OF OBLIGATION

Each Note when duly issued and paid for will constitute a contract between the City and the holder thereof.

Holders of any series of bonds or notes of the City may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Notes will be general obligations of the City and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the City has power and statutory authorization to levy ad valorem taxes on all real property within the City subject to such taxation by the City, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the City is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the City's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX LEVY LIMITATION LAW" herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

"A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the city's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean...So, too, although the Legislature is given the duty to restrict municipalities in order to

prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted. While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, "with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations." According to the Court in Quirk, the State Constitution "requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness."

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

THE NOTES

Description of the Notes

The Notes are general obligations of the City, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the City is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limits. See "TAX LEVY LIMITATION LAW" herein.

The Notes are dated June 27, 2019 and will mature, without option of prior redemption, on March 27, 2020. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity. The Notes will be issued in either (i) registered certificated, and, if so issued, registered in the name of the purchaser(s) in denominations of \$5,000 each or multiples thereof, as may be determined by the successful bidder(s) with principal and interest payable in Federal Funds; or (ii) as registered notes, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

NO OPTIONAL REDEMPTION

The Notes shall not be subject to redemption prior to maturity.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes if selected by the purchaser(s). As such, the Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for the Notes bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE CITY MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

CERTIFICATED NOTES

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at the office of the City Treasurer, Albany, New York. The Notes will remain not subject to redemption prior to their stated final maturity date.

PURPOSE OF ISSUE

The Notes are being issued pursuant to the Constitution and Laws of the State, including the Local Finance Law, constituting Chapter 33-A of the Consolidated Laws of New York (the "Law") and various bond ordinances duly adopted by the Common Council, authorizing the issuance of bonds and bond anticipation notes for various capital purchases and improvements.

The proceeds of the Notes, along with a principal payment of \$205,000 using available funds of the City, will redeem \$18,649,100 of the \$18,854,100 bond anticipation notes maturing on June 29, 2018 will provide \$15,502,400 in new monies for the aforementioned purposes.

SOURCES OF PAYMENT OF THE NOTES

Each Note when duly issued and paid for will constitute a contract between the City and the holders thereof.

The Notes will be general obligations of the City and will contain a pledge of the full faith and credit of the City for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest the City has the power and statutory authorization to levy ad valorem taxes on all taxable real property within the City subject to applicable statutory limitations. Under the Constitution of the State, the City is required to pledge its full faith and credit for the payment of the principal of and interest on the Notes and the State is specifically precluded from restricting the power of the City to levy taxes on real property therefore.

THE CITY

General Information

There follows in this Official Statement a general description of the City, together with certain information concerning its location, economy, governmental organization, indebtedness, current major revenue sources, and general and specific funds.

The City of Albany is the capital of the State of New York and the County Seat of Albany County. The City is located on the west bank of the Hudson River, approximately 140 miles north of New York City. According to the 2018 United States Census Bureau, the City's population is 97,279. Located in a region known as Tech Valley, Albany is home to the SUNY Polytechnic Institute's College of Nanoscale Science and Engineering ("SUNY Poly"), a \$20 billion university driven research, development and technology deployment center.

The emergence of Albany as the hub of New York's Tech Valley was a deliberate and tactical economic strategy. Together with the surrounding counties and the Capital Region Chamber of Commerce, the region branded itself in name, as well as by dedicated action and investment, in order to attract world-wide business and research investment. The primary driver of Albany being the heart of Tech Valley was the development of the SUNY Poly, which has been ranked the world's number one college for nanotechnology and microtechnology.

The SUNY Poly complex comprises 1.3 million square feet of research and development space, including the world's first global 450mm wafer consortium. The facility, with over \$24 billion in investment, has employed as many as 4,000 scientists, researchers, engineers and support staff at the complex, many for some of SUNY Poly's 300+ private and public partners.

This was a major attraction for the \$15 billion, 3 million square foot Global Foundries chip fabrication facility in nearby Malta (approximately 20 miles north of the SUNY Poly campus). Global Foundries has been the largest construction project in North America, and it is now fully operational with 3,500 permanent and contract employees. It also created 3,000 construction jobs and has created approximately 20,000 spinoff jobs in the Capital Region.

The City of Albany is a crossroads of all forms of transportation, including air, truck, bus, rail and water, making it a center of commerce and distribution for agricultural and manufactured products between western New York, New England, northeastern New York, Canada, New York City and points south. Northeast rail travel is provided by Amtrak with service at the Rensselaer Station, which is easily accessible from the City. Major bus lines operate in all directions from the Albany bus terminal. Truck traffic is facilitated by the New York State Thruway with two access points in the City. Other major highways serving the City are the Adirondack Northway (U.S. Interstate 87), U.S. Interstate 787, U.S. Routes 9W and 20, and New York State Routes 5, 32, 43, 85, 144, 378, and 443. The Albany International Airport, located nearby in the Town of Colonie, provides passenger and freight service and accommodates both general aviation and military services. Transportation by water service is provided through the Port of Albany, located on the Hudson River.

The City operates under a strong mayor form of government with 15 Council Members elected to four-year terms to the Common Council. Also serving four-year elected positions are the Mayor, the President of the Common Council, the City Treasurer, and the Chief City Auditor. The Common Council is the legislative body of the City with power to pass ordinances, adopt resolutions, and approve the annual budget. The Mayor acts as the administrative head of the City. The Treasurer is the City's Chief Fiscal Officer.

As the capital of New York State, many of the State's agencies and departments are located in various office buildings within the City. The Empire State Plaza, a complex consisting of a 40-story office tower and several smaller office towers and buildings and situated in the City's downtown, is the location of many of the State's agencies and departments.

The City is a center for higher education and is home to not only SUNY Poly, but also the State University at Albany, the College of Saint Rose, The Sage College at Albany, Maria College, Albany Law School, Albany College of Pharmacy, and Albany Medical College. Located nearby are Siena College in the Town of Colonie, Union College in Schenectady, and Rensselaer Polytechnic Institute and Russell Sage College in Troy.

Taking advantage of Albany's location at the crossroads of transportation, the Port of Albany (operated by the Albany Port District Commission) receives cargo originating in and being shipped to foreign countries and other cities in the United States. The Port of Albany recently completed Phase II of a major wharf and rail line improvement and replacement project, and is continuing other improvements, which represent nearly \$50 million invested in the maritime operations over the next 3 years. Included in this investment are New York State grants of \$15 million for dock improvements on the Albany side and \$4 million for terminal improvements, as well as nearly \$18 million in Federal grants for transit and terminal improvements. These improvements provide the Port with the ability to handle larger vessels and cargo, and to continue to maximize year-round access while enhancing its competitive advantage for attracting commerce. These improvements build on the major private and public investments that have occurred at the Port over the past ten years, totaling over \$100 million. These investments are realizing returns as well. Important examples are two new or renewed major tenant commitments and year over year increases in varied economic indicators. An example is Longshore hours worked in 2017 exceeded the number of hours worked in 2016 by almost 40%.

The City has also been proactive in spurring economic development. In 2010, the City worked with the City School District of the City of Albany to initiate a real property tax program that is designed to attract new investment and project activity. This benefit maintains property taxes at the current level for a period of time for projects that invest in rehabbing vacant or underutilized commercial properties into mixed use development. Similar incentives are also available for homeowners' property improvements. These programs are designed to attract investment, decrease the commercial and residential vacancy rate and increase the long term real property tax base in the City. This program, in conjunction with an improved economy, five years of a new City administration and an active Industrial Development Agency has dramatically improved development opportunities and increased our tax base.

These incentives have led to redevelopment all over the city. In Downtown Albany, the Albany Convention Center Authority recently completed the \$78 million convention center located adjacent to the Times Union Center Arena and the Empire State Plaza, and it is already outperforming expectations. Annually, the Capital Center is projected to draw 150,000 visitors, leading to more than \$35 million in direct visitor spending in the City of Albany while creating more than 250 jobs. This activity will generate more than \$1 million in additional County sales tax revenue. Strengthening its ability to better compete for national and regional, sporting and entertainment events, Albany County has completed a transformational \$19.6 million renovation of the Times Union Center. Due to these improvements, the Center has already been selected to host first and second round men's NCAA Basketball Tournament games in 2020, the regional round of the 2019 women's NCAA Basketball Tournament, and hosted the regional round of the 2018 women's NCCA Basketball Tournament. It is important to note that the City has no obligation to finance the construction or operation of either project.

Located adjacent to the new convention center, a half City block has been redeveloped. The \$68 million redevelopment, now open for business, includes a 200-room Renaissance by Marriot Hotel, a parking garage, commercial office/retail space, and luxury apartments. This addition comes on the heels of the recent rebranding and \$16 million renovation of the Hilton, the downtown's largest hotel.

Furthermore, over the past decade, Downtown has begun to evolve into Albany's newest neighborhood as more people seek an urban lifestyle to live, work, learn, and play. Since 2002, more than \$89.5 million invested has created more than 520 market-rate residential units in downtown. Currently there are more than 800 additional units under construction or in the pipeline. Given that a recently updated downtown market potential study has shown that downtown can absorb approximately 100-200 units a year for the next decade, additional development is expected (but not yet proposed or planned). These projects consistently achieve a 97% occupancy rate and market absorption is rapid. Additionally, a transformative project for Downtown Albany was recently announced as another \$73m in investment is underway. The project repurposes historic Downtown properties in the center of downtown for residential and mixed-use development and is perhaps the vital piece of the full revitalization of downtown. Last, but surely not least, Albany was recently named the region's 2018 Downtown Revitalization Initiative Award Winner. This \$10 million grant from Governor Cuomo's DRI Initiative will help bring more transformative projects to fruition in the already growing Clinton Square Area. Applications for projects have been submitted and have been reviewed by our Local Planning Committee. All LPC meetings were open to the public.

The City is also home to several hospitals and healthcare facilities including Albany Medical Center, St. Peter's Hospital, Albany Memorial Hospital, and the Veterans Administration (VA) Hospital. These hospitals are also major economic engines in the City, providing significant job opportunities and investment. Albany Medical Center and the VA have been partners in neighborhood revitalization efforts in the Park South Neighborhood. New Scotland Avenue along with the rest of the Park South Neighborhood has seen over \$630 million of investment, creating over 1,000 jobs, over the past five years including the construction of: a three story mixed-use building; a five-story commercial office building; a 1,250 space parking garage; and the expansion of Albany Medical Center's patient tower. The area continues to see investment as Albany Medical Center recently began a \$22 million renovation project of its facility. This investment is supplemented by the approximate \$110 million redevelopment of two City blocks adjacent to the hospital that broke ground in the fall of 2014. This development, to be completed in 2019, contains a 135,000 square ft. medical office building as well an 800-space parking garage, 268 market-rate apartments and 23,000 square feet of retail space along New Scotland Avenue. The medical office space is already 100 percent leased, and the

residential tenants have been moving in since 2016. Furthermore, over \$30 million of additional private investment has begun in areas immediately adjacent to these important employment nodes.

The universities and colleges within the City also provide significant job opportunities and investment. Investment continues to flow into the campus of SUNY Poly, as it plans to grow its educational offerings as well as foster public/private partnerships with industry leaders. An example of this continuous effort is the construction of \$191 million, 356,000 square foot ZEN Building, which created over 1,500 jobs, and has led to the development of residential apartments adjacent to both SUNY Poly and SUNY Albany. Also, SUNY Poly has made its first investment in downtown with the acquisition, renovation, and tenancing of the vacant, historic Kiernan Plaza with an estimated total investment of \$10 million. SUNY Poly also recently partnered with Applied Materials to plan \$600 million in investment by establishing a materials engineering technology accelerator, called the META Center, on the SUNY Poly campus.

The development of downtown and Park South is indicative of the larger effort in the City to appeal to the 21st century market for urban living to bring more taxpaying residents into the City to take advantage of the job opportunities that exist within City borders. Working with the new Administration, Capitalize Albany Corporation and the City Industrial Development Agency, more than a dozen developers are constructing and/or renovating buildings into modern apartment spaces to appeal to the demonstrated market. Over the past 5 years, over 1,300 market-rate residential rental units have either opened, are under construction, or have received the necessary approvals in all corners of the city from downtown to the areas proximate to Albany Medical Center, SUNY Albany, St. Peter's Hospital, the dilapidated Tobin's First Prize facility and elsewhere.

In addition to the business investments occurring in Albany, the City continues developing and implementing programs and initiatives, including the Park South Plan, the Midtown Plan, the Arbor Hill Neighborhood Plan, the West Albany Plan, and the Capital South Plan. Additionally, two significant future development opportunities also exist on State owned land, including the former convention center site in downtown Albany and the Harriman Campus located in close proximity to SUNY Polytechnic Institute and SUNY Albany.

Long term development plans for the South End neighborhood call for the continued de-densification for Lincoln Square and re-use of the land surrounding it that will tie together the community and enhance its vibrancy. This level of community participation and public-private partnerships is resulting in an unprecedented amount of new investment. The Albany Housing Authority, together with not-for-profit and higher education partners, received a \$5 million HUD grant in 2011 for the Albany Capital South Campus Center, an education and training center that has been serving residents of the South End, Arbor Hill and beyond since 2014.

The Arbor Hill Neighborhood Plan has resulted in millions of dollars of new investment, including the Swan Street Lofts or "Albany Barn", which houses artist studios and lofts for resident artists in a converted vacant 40,000 square foot building through a public/private partnership. Adjacent Sheridan Hollow is also undergoing massive redevelopment, with a \$17 million project providing 100 units of affordable rental and homeownership opportunities, as well as office and commercial space, within easy walking distance to the downtown core. And finally, a large scale rehab project for affordable housing has begun in Arbor Hill, restoring over 70 structures with over 230 units of housing in one of Albany's more challenging neighborhoods.

All of this development and redevelopment has been initiated and/or completed under Albany's 50-year old zoning code which has been the biggest obstacle to streamline permitting and development processes for private developers in the City. On June 1, 2017, the first update of this zoning code in 50 years was enacted after being signed into law by the Mayor. This change has already started to bring a significant impact on streamlining development within the City, and will do so for decades to come.

Finally, Albany has a rich arts and culture scene. It is home to the New York State Museum and the Albany Institute of History and Art. Live performing arts venues include the Palace Theatre, Capital Repertory Theatre, and the Egg. Even the City's culture sector is seeing large swaths of reinvestment. The Palace Theater is currently undertaking a \$65 million upgrade to the 2,800-seat theater, creating an additional 600-seat theater on North Pearl Street next to the Palace, a video post-production center for editing and sound-mixing, and expanding the theater's statehouse, lobby, and box office. The Capital Repertory Theater moving to Arbor Hill with the help of a \$1.8 million Restore New York Communities Initiative grant that will turn the interior into two performance spaces. The main theater will seat 300 people and a second black box venue has room for 70 patrons. With seating capacity of between 6,000 and 17,500, the Times Union Center hosts concerts and professional and college sports teams as well as other events. Many smaller venues also host events, concerts and other performances in neighborhoods throughout the City, and larger venues in Saratoga, Schenectady and Troy are also vital components of this regional scene.

Source: City officials.

City Services

The principal services provided by the City include public safety (including police and fire protection), culture and recreation, solid waste collection and disposal, maintenance and cleaning of City streets (including snow removal) and general government. The Police Department includes a Patrol Division, an Administrative Division, Investigation and Detective Services, Special Services and the Office of Professional Standards. The Fire Department consists of several fire companies stationed in eight firehouses as well as fire investigation and emergency life support units. Water services and sewer services are provided by the Albany Municipal Water Finance Authority and the Albany Water Board. Maintenance of streets and roads and solid waste collection within the City is performed by the City's Department of General Services. Lighting of public streets, roadways, and parks is furnished by the City under contract with the National Grid Companies.

The City provides a variety of other services to City residents through several of its departments. The Department of Recreation administers over 80 recreation areas including 13 community parks and 11 major parks, which contain 29 playgrounds, 21 basketball courts, 22 tennis courts, 16 athletic fields, nine spray grounds, three pools, two community centers, and a nationally-recognized boxing gym. In addition, the City owns and maintains an 18-hole municipal golf course. This Department also administers and supports more than 20 youth programs and activities, including youth centers. The City also provides a substantial number of community service programs. The City encourages cultural events such as music concerts and outdoor theater, as well as numerous festivals. The City provides funding to certain arts organizations and other cultural programs.

Solid Waste

The City operates a landfill that generates revenue for the City's general fund. As lead agency of the multi-municipality ANSWERS Waste Consortium, the City has contracts with several municipalities to accept solid waste. The City owned and operated regional landfill received approximately \$10.7 million in revenue in 2013, \$11.8 million in 2014, \$12.5 million in 2015, \$11 million in 2016, \$7.9 million in 2017 and \$6.6 million in 2018. The City has been reducing the amount of commercial waste that it accepts at the landfill in order to strategically extend the life of the landfill as it plans for the landfill's closure. Upon closure, the City will have to pay for disposal of its municipal solid waste. Under the current plan, the landfill is expected to close in 2026. The City has retained an outside consultant to assist with identifying the most cost effective alternatives for solid waste management disposal.

Under the terms and conditions of the existing landfill permits issued by the New York State Department of Environmental Conservation, the City has been and remains obligated to identify a permanent, long term solution to deal with its solid waste. The City, together with the ANSWERS municipalities, recently completed a draft Solid Waste Management Plan and will act as lead agent in developing a long term solid waste plan for the region.

Selected Wealth and Income Indicators

Per capita income statistics are available for the City, County and State. Listed below are select figures from the 2000 Census Reports, 2006-2010 and 2013-2017 American Community Survey 5 Year Estimates.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>
City of:						
Albany	\$ 18,281	\$ 23,341	\$ 27,632	\$ 30,041	\$ 52,215	\$ 63,426
County of:						
Albany	23,345	30,863	35,278	56,724	76,159	90,031
State of:						
New York	23,389	30,948	31,177	51,691	67,405	70,850

Note: 2014-2018 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2013-2017 American Community Survey data.

Population Trends

According to U.S. Census data, the City had a 2010 population of 97,856. The following table presents population trends of the City, the Albany Metropolitan Statistical Area (the “MSA” consists of the six counties of Albany, Greene, Montgomery, Rensselaer, Saratoga and Schenectady), the State and the United States since 1950:

	Population ⁽¹⁾			
	City of Albany	Albany MSA	New York State	United States
1950	134,995	677,707	14,830,200	151,326,000
1960	129,726	746,115	16,782,300	179,323,000
1970	115,781	811,080	18,241,400	203,235,000
1980	101,727	835,800	17,558,000	226,504,825
1990	100,031	861,623	17,990,455	248,709,873
2000	94,301	892,604	18,976,457	281,421,906
2010	97,856	870,716	19,378,102	308,745,538
2018	97,279	883,169	19,542,209	327,167,434

⁽¹⁾ Data compiled by the U.S. Department of Commerce, Bureau of the Census and Center for Economic Growth.

Employment

A major portion of non-agricultural workers have historically been employed by federal, state, or local governments. This sector comprises approximately 26% of the non-agricultural workforce in the Albany MSA. The following table provides a historical comparison among employment sectors for the Albany MSA.

Non-Agricultural Employment by Industry Groups, Albany MSA

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	(thousands)									
Mining & Construction	17.0	16.5	16.9	17.2	17.5	18.7	19.7	19.3	19.6	19.8
Manufacturing	20.7	20.3	21.5	22.7	23.9	24.1	25.4	26.3	26.6	26.9
Trade, Transportation & Public Utilities	73.4	72.1	72.2	73.4	73.7	74.3	74.7	75.5	74.6	74.5
Wholesale and Retail Trade	60.3	59.3	59.9	60.8	61.1	61.6	61.5	61.9	60.8	60.4
Financial Services	24.9	24.5	24.6	25.2	25.3	25.4	25.9	26.2	26.2	26.4
Education & Health Services	80.8	82.6	83.9	85.8	87.8	89.5	90.4	92.3	94.7	96.5
Government	108.4	105.9	102.1	101.3	101.4	100.7	100.6	101.1	101.6	101.4
Total	385.5	381.2	381.1	386.4	390.7	394.3	398.2	402.6	404.1	405.9

Source: New York State Department of Labor, Division of Employment, Employment by Industry.

Building Permit

	Residential	Apartments	Commercial And Industrial	Other	Total Dollar Value	Total Building Permits
2006	13,980,630	1,740,161	98,251,751	308,297	114,340,339	2,412
2007	21,322,817	206,573	162,587,410	20,088,900	204,205,705	2,408
2008	19,978,206	143,373	99,431,646	6,968,279	126,521,504	2,397
2009	18,535,203	-	115,104,822	30,308,721	163,948,746	3,733
2010	24,529,757	245,203	268,348,020	13,647	293,136,627	4,798
2011	15,656,551	332,570	95,864,293	75,775	111,929,189	2,400
2012	13,858,918	599,200	98,789,544	62,710	113,310,372	2,273
2013	13,573,622	46,602	72,567,794	148,880	86,336,898	2,030
2014	39,297,874	-	117,888,114	16,000	157,201,988	2,047
2015	17,622,250	12,125	104,293,597	32,800	121,960,772	2059
2016	30,975,920	12,169,502	108,297,413	6,624,108	158,066,943	2,215
2017	13,576,138	30,125	103,097,950	2,399,045	119,103,258	1,739
2018	20,121,274	17,521,293	102,139,365	12,992,729	152,774,661	4,176
2019 ⁽¹⁾	5,932,301	9,598,742	32,384,984	4,623,907	52,539,937	1,385

⁽¹⁾ As of May 15, 2019.

Source: City Officials.

Ten Largest Employers in the City

Name	Type	Number of Employees
State of New York	Government	49,000
St. Peter's Health Partners	Hospital	12,500
Albany Medical Center	Hospital	10,000
University at Albany	Education	5,000
Verizon Communications	Utility	3,000
United States	Government	2,800
Center for Disabled	Health Care	2,800
Empire Blue Cross	Insurance	1,800
Albany County	Government	1,701
City of Albany	Government	1,406

Source: Employers as listed above (2018).

Unemployment Rates

The industrial diversity and high proportion of government employees have afforded the City a higher employment level than the rest of the country. The following table gives historic levels of unemployment for the City, the Albany MSA, the State and the United States:

Unemployment Rates ⁽¹⁾

	City of Albany ⁽²⁾	Albany MSA	New York State	United States
2008	5.7%	4.9%	5.4%	5.8%
2009	8.1%	7.1%	8.3%	9.3%
2010	8.3%	7.3%	8.6%	9.6%
2011	8.3%	7.3%	8.2%	8.9%
2012	8.5%	7.5%	8.5%	8.1%
2013	7.2%	6.4%	7.7%	7.4%
2014	5.8%	5.1%	6.3%	6.2%
2015	5.2%	4.5%	5.3%	5.3%
2016	4.8%	4.1%	4.8%	4.9%
2017	5.1%	4.3%	4.7%	4.9%
2018	4.4%	3.8%	4.1%	3.9%

⁽¹⁾ These are annual averages of actual labor force and employment estimates.

⁽²⁾ City unemployment rates are estimated by the New York State Department of Labor based on the relationship between City and County labor force statistics.

Source: New York State Department of Labor, Bureau of Labor Market Information.

Employees

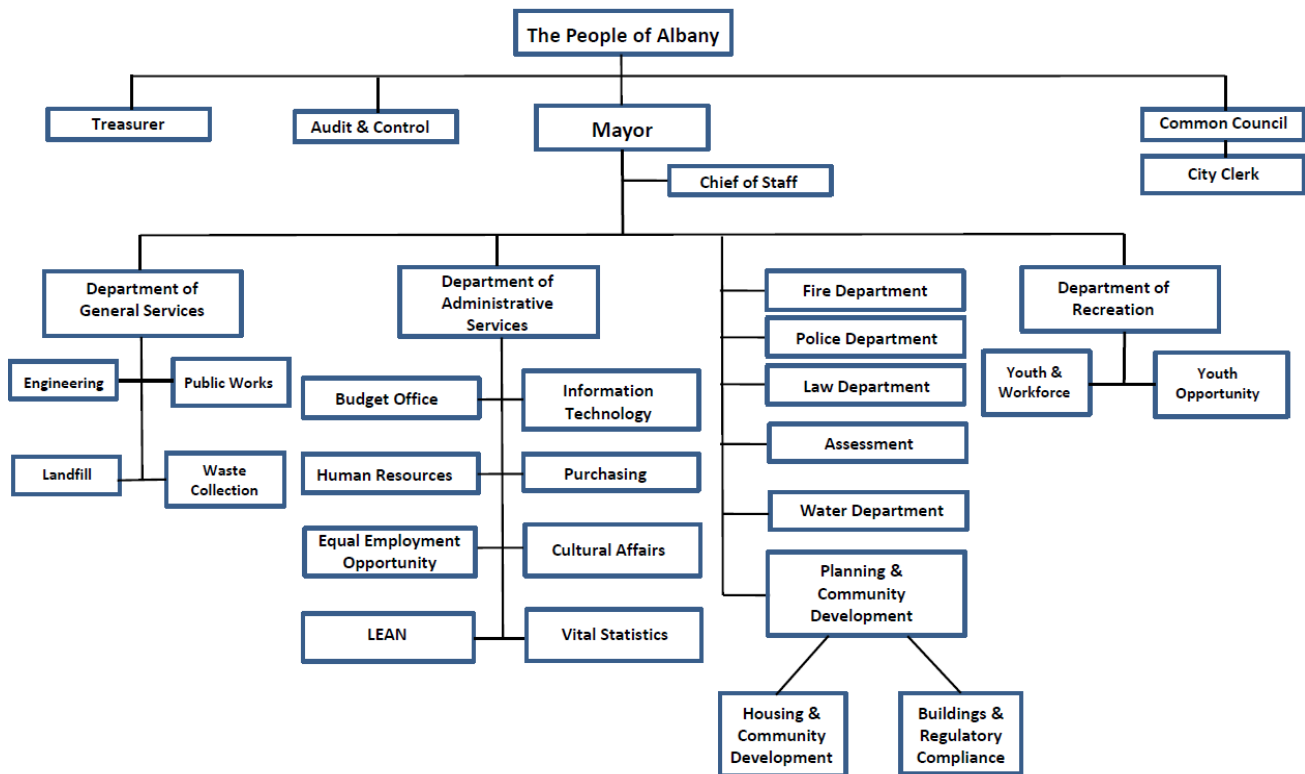
The City provides services through approximately 1,406 regular employees. The following information is for the 1,058 unionized employees:

Bargaining <u>Unit</u>	Approximate Number <u>of Employees</u>	Contract Expiration <u>Date</u>
Albany Police Officers-Council 82	279	December 31, 2013 ⁽¹⁾
Sergeant & Lieutenant	56	December 31, 2013 ⁽¹⁾
Albany Firefighters-AFL-CIO	256	December 31, 2022
Albany Police Non-Sworn	44	December 31, 2019
Council 66-AFSCME-Local 1961	274	December 31, 2019
Communications Unit, Council 82	39	December 31, 2019
International Union of Operating Engineers	6	December 31, 2019
Teamsters Local 294	2	December 31, 2019
Albany DGS Supervisors, CSEA, AFSCME Local 1000	26	December 31, 2019
School Crossing Officers, SEIU	64	December 31, 2019
Buildings and Regulatory Compliance, CSEA	12	December 31, 2019

⁽¹⁾ Currently under negotiations.

Government Organization

The City is governed largely by the provisions of its Charter and functions under provisions of the State Constitution and various statutes. The following is an organizational chart of the City.



The Common Council is the legislative body of the City. The President of the Common Council is elected in the general election to a four-year term. Council members are elected from each of the 15 wards within the City every four years or by special election in the event of a vacancy. The Common Council has the power to establish rules and procedures for itself, adopt local laws, set taxes and other revenue measures, adopt budgets, and approve all matters relevant to the administration of City government. Meetings of the Common Council are open to the public and are held twice a month.

The Mayor is the highest elected official and serves as chief executive officer of the City; she is elected in the general election to a four-year term without restriction as to number of terms. She is charged with the supervision of City government, subject to the provisions of the Charter. The Mayor reports annually to the Common Council on the state of the City, recommends an annual budget, appoints the head of every department and administrative unit of City government, except for the publicly elected Treasurer and Chief City Auditor, and executes contracts. There are twelve major City staff units in addition to the separately elected Treasurer and Chief City Auditor as shown above in the City of Albany Organizational Chart. Two elected officials, the Chief City Auditor and the Treasurer, and the appointed Budget Director, under the Commissioner of Administrative Services, administer the financial affairs of the City. The Treasurer is the chief fiscal officer of the City and is responsible for the fiscal integrity of the City including cash management, claims processing, administering bank accounts and debt issuance. The Treasurer is responsible for the collection, custody, and deposit of all taxes and other funds due the City and processing payroll. The Budget Director's responsibilities include the preparation and administration of the City's operating and capital budgets and establishment and management of fiscal control systems and management studies. The Budget Director works closely with all departments to develop the annual budget and five-year capital plan.

DISCUSSION OF FINANCIAL OPERATIONS

Budgetary Procedure

The budget process begins in mid-February when the Mayor issues a policy statement regarding the upcoming budget. In late April, the Budget Director distributes budget instructions to each department along with requests for the City's five-year capital plan.

During the year, the Budget Director develops the necessary economic and statistical data required for budget forecasting, which include changes in the financial indexes and revenue trends. The City's Assessor submits tentative assessment rolls. The Treasurer along with the Budget Director estimates revenues with each department administrator. The Treasurer submits estimated debt service needs, and the Assessor submits final assessment figures and realty tax data to the Mayor's Office.

On or before October 1, the Mayor submits the proposed budget for the ensuing fiscal year and an accompanying budget message to the Common Council. On or before October 31, the President of the Common Council calls for a public hearing on the budget after having given two weeks' notice to the public. After the public hearing, the Common Council may adopt the budget with or without amendment. The Common Council adopts the budget on or before November 30. No later than December 10, the Mayor shall act on the budget as amended and passed by the Common Council. On or before December 20, the Common Council may override a veto of one or more of its proposed amendments with a two-thirds vote of the full Common Council members.

The City's 2018 budget included a .09% increase in the property tax levy, which was below the City's tax levy limit of 1.6%.

The City's 2019 budget includes a 0% increase in the property tax levy, which was below the City's tax levy limit of 2.7%.

The City has not voted to override the tax cap.

2019 Budget Summary

A summary of the 2019 Budget is outlined below:

	<u>Budget 2019</u>
<u>REVENUES</u>	
Real Property Taxes	\$ 58,250,000
Sales and Use Tax	34,413,722
Intergovernmental Revenues	1,241,880
State Aid	28,935,793
Charges for Services	22,367,101
Other Revenues	31,939,640
Appropriated Fund Balance	<u>0</u>
Total Revenues	\$ 177,148,136
<u>EXPENDITURES</u>	
Personal Services	\$ 76,583,762
Equipment	932,417
Contractual Expenses	29,793,877
Employee Benefits	50,720,087
Debt Service	<u>19,117,993</u>
Total Expenditures	\$ 177,148,136

For additional detail of revenue and expenditures, the City's 2019 budget is available on the City website (albanyny.org).

Five-Year Capital Plan

As part of its budgeting process, the City prepares, on an annual basis, a five-year capital plan. This allows the City to anticipate capital spending and borrowing needs in a manner that lends greater stability and predictability to its budget process. The following table contains a summary of the City's five-year capital plan included in its 2019 budget.

	2019	2020	2021	2022	2023	Total Cost
Department of General Services						
1 Vehicles	2,270,400	2,977,176	2,100,176	1,965,028	1,850,569	11,163,349
2 Equipment	404,000	447,000	199,000	91,000	110,000	1,251,000
3 Transfer Station Engineering	-	-	-	-	-	-
4 Transfer Station Land	-	-	-	-	-	-
5 Transfer Station Construction	-	-	-	-	-	-
6 Landfill Final Closure (Engineering)	-	-	455,000	-	-	455,000
7 Landfill Final Closure (Construction)	-	-	-	-	-	-
General Services Total	2,674,400	3,424,176	2,754,176	2,056,028	1,960,569	12,869,349
Engineering						
1 Street Reconstruction	3,000,000	3,000,000	3,500,000	3,500,000	4,000,000	17,000,000
2 Street Reconstruction (CHIPS)	1,550,000	1,550,000	1,550,000	1,550,000	1,550,000	7,750,000
3 Street Reconstruction (CDBG)	26,061	26,061	26,061	26,061	26,061	130,305
4 Sidewalk Reconstruction	500,000	500,000	600,000	600,000	700,000	2,900,000
5 Sidewalk Reconstruction (CDBG)	104,135	104,135	104,135	104,135	104,135	520,675
6 ADA Compliance	250,000	250,000	300,000	300,000	350,000	1,450,000
7 ADA Compliance (CDBG)	26,061	26,061	26,061	26,061	26,061	130,305
8 Renovations to City Buildings	1,000,000	5,000,000	2,000,000	1,000,000	2,000,000	11,000,000
9 Bridge Improvements	1,500,000	-	100,000	-	500,000	2,100,000
10 Albany Skyway	1,500,000	8,000,000	-	-	-	9,500,000
Engineering Total	9,456,257	18,456,257	8,206,257	7,106,257	9,256,257	52,481,285
Police Department						
1 Vehicles	875,000	901,600	1,270,000	987,600	917,100	4,951,300
2 APD InterVid Video Surveillance System	1,128,000	564,000	564,000	564,000	-	2,820,000
Subtotal	2,003,000	1,465,600	1,834,000	1,551,600	917,100	7,771,300
Traffic Engineering						
1 Pedestrian Safety Action Plan	1,500,000	-	-	-	-	1,500,000
2 Roadway Striping	-	200,000	200,000	200,000	200,000	800,000
3 Vehicles	365,000	-	180,000	-	-	545,000
4 Traffic Signal Improvements	-	800,000	800,000	800,000	800,000	3,200,000
Subtotal	1,865,000	1,000,000	1,180,000	1,000,000	1,000,000	6,045,000
Police Department Total	3,868,000	2,465,600	3,014,000	2,551,600	1,917,100	13,816,300
Fire Department						
1 Fire Apparatus	600,000	1,200,000	1,000,000	800,000	800,000	4,400,000
2 Command Vehicles	220,000	-	-	220,000	-	440,000
3 Support Vehicles	200,000	-	-	-	200,000	400,000
4 Turnout Gear	180,000	-	-	-	-	180,000
Fire Department Total	1,200,000	1,200,000	1,000,000	1,020,000	1,000,000	5,420,000
Recreation						
1 Playground & Sprypad Equipment	150,000	100,000	100,000	140,000	-	490,000
2 Vehicles & Field Maintenance Equipment	30,000	60,000	-	-	-	90,000
3 Infrastructure & Building Improvements	100,000	70,000	50,000	-	-	220,000
Recreation Total	280,000	230,000	150,000	140,000	-	800,000
Grand Total	17,478,657	25,776,033	15,124,433	12,873,885	14,133,926	85,386,934
Non-City Funding	(3,206,257)					
Net Grand Total	14,272,400					

Financial Control Procedures

The Treasurer, the City Auditor and the Budget Director are responsible for controlling municipal expenditures to ensure that budget appropriations for the City are not exceeded and for reviewing all revenues received by the City. The Auditor's Office audits payment requests to ensure budget appropriation, departmental authorization, and compliance with applicable contracts and the City Charter, City ordinances, and State laws.

The Treasurer is empowered by the Common Council to borrow moneys as needed for the uninterrupted operations of the City, subject to the applicable provisions of the Local Finance Law and the General Municipal Law.

Accounting Practice and Independent Audits

Under State law, a uniform system of accounting and reporting is prescribed by the State Comptroller for all municipalities. An annual financial report for every municipality must be filed with the State Comptroller within 120 days after the close of the fiscal year. This report is categorized by fund and shows as of the end of the fiscal year (1) a balance sheet, (2) a statement of revenues, (3) a statement of expenditures, (4) an analysis of fund balances, (5) cash reconciliation, (6) a statement of indebtedness, and (7) any other particular fund data which are required.

The City retains independent certified public accountants to conduct annual audits of its financial statements. The State Comptroller's office also conducts periodic audits of the City to determine compliance with the State Uniform System of Accounts for Cities and submits its report to the Common Council and the Mayor.

Throughout this Official Statement, the financial information for 2013 through 2017 is derived from the City's audited financial statements and 2018 information is derived from the City's unaudited financial statements. The City's 2017 audited financial statement is attached to this Official Statement as APPENDIX – D. The City's 2018 audited financial statement is expected to be completed by September 30, 2019.

Since 2004 the City's audited financial statements have been in compliance with Government Accounting Standards Board (GASB) Statement 34.

Unaudited Results for Fiscal Year Ending December 31, 2018

The City expects to end the fiscal year ending December 31, 2018 with a cumulative unassigned fund balance of \$8,226,651.

Summary unaudited information for the General Fund for the period ending December 31, 2018 is as follows:

Revenues:	\$ 178,760,621
Expenditures:	<u>173,961,667</u>
Excess (Deficit) Revenues Over Expenditures:	<u>\$ 4,798,954</u> ⁽¹⁾
Total Fund Balance at December 31, 2017 (Restated):	\$ 12,838,725
Total Estimated Fund Balance at December 31, 2018:	\$ 17,637,679

⁽¹⁾ The 2018 unaudited surplus includes \$3,700,310 in restricted revenue from premium proceeds from the bond and bond anticipation notes issued in June along with interest earned on these funds and revenue from closed capital projects transferred to the debt reserve fund.

Note: These projections are based upon certain current assumptions and estimates and the audited results may vary therefrom.

FINANCIAL HISTORY OF THE CITY

General Fund

The City prepares and adopts a budget for each year pursuant to Article 6 of the New York Second Class Cities Law and the City of Albany Charter. The City's General Fund budget is prepared on a budgetary legal basis. Such basis is not in accordance with generally accepted accounting principles ("GAAP") in certain respects, principally adjustments for encumbrances. Budgetary accounting treats encumbrances as a charge against current year budgetary appropriations and unreserved fund balance is reduced. Under GAAP, encumbrances are recognized only as a reservation of fund balance. APPENDIX - A to this Official Statement, sets forth the results of operations of the City's General Fund for fiscal years ending December 31, 2014, 2015, 2016, 2017, 2018 and amounts budgeted for 2019.

Albany Municipal Water Finance Authority and Albany Water Board

Pursuant to Chapters 868 and 869 of the Laws of 1986, as amended, the State Legislature, at the request of the City, created the Albany Water Board (the "Water Board") and the Albany Municipal Water Finance Authority (the "Water Authority"). In 1988, the Authority issued \$46,700,000 of its special obligation revenue bonds to finance the acquisition of the City's water and sewer system (the "System") and the construction of certain improvements to the System. A portion of the purchase price for the System was used to defease outstanding general obligation debt issued by the City to finance improvements to the System.

Since 1988, the Authority has issued additional special obligation revenue bonds, both to refund outstanding obligations and to finance new projects undertaken by the Water Board.

Bonds issued by the Water Authority are special obligations of the Water Authority and do not bear the full faith and credit of the City. The bonds issued by the Water Authority are payable solely from and secured by a pledge of the gross revenues of the System, which are collected by the Water Board. The Water Board is empowered to raise water and sewer rates in order to ensure sufficient revenues are available to the Authority to pay debt service on the bonds issued by the Authority.

Following the sale of the System to the Water Board, the City eliminated the Special Revenue Sewer Fund and the Water Fund. The proceeds of the sale of the System were used to retire existing indebtedness of the City and to reimburse the City for monies advanced to the water and sewer funds.

Under the City's operating agreement with the Water Board, expenses of operating the water system are paid by the City and reimbursed by the Water Board as funds from rate payers becomes available.

Revenues

The City has a relatively diversified revenue base, deriving 33% of General Fund revenues budgeted for fiscal 2019 from real estate taxes, 30% from intergovernmental (including State Aid) and departmental charges (including the landfill), 19% from sales and use taxes and 18% from miscellaneous other sources.

Real Property Tax Base

Approximately 63% of the City's property is tax-exempt, which decreases the City's real property tax base without a proportionate decrease in the need for many City services. While some of this property is owned by charitable institutions such as universities and hospitals, the major owner of tax-exempt property in the City is the State (60% of the tax exempt property). The City continues to seek additional special compensation from the State to offset this impairment of its real property tax base. State legislation enacted in 2000 and amended in 2005, 2006, 2012, 2013 and 2016 provides payments under Section 19-a of the Public Lands Law for the Empire State Plaza government complex. The statute provided for annual payments to the City of \$22,850,000 through 2010 and then \$15 million annually from 2011 through 2033. The 2012 amendment provided for a payment of \$22,850,000 in 2012 and \$7,150,000 in 2033. The 2013 amendment provided for a payment of \$22,850,000 in 2013 and \$7,150,000 in 2032. The 2016 amendment provided for a payment of \$27,500,000 in 2016 and \$1,800,000 in 2032. The City also received \$12,500,000 in 2017 without any reduction in future PILOT payments. The City received \$12,000,000 from the State in 2018. The City has budgeted \$12,500,000 in similar assistance for 2019. See "State Aid" and "Real Estate Property Tax" herein for further details. The City also receives PILOT payments from the State for properties occupied by the Dormitory Authority of the State of New York, the State Comptroller's Office and the New York State Department of Environmental Conservation.

Real Estate Property Tax

City tax collection procedures are such that the City bears none of the burden of uncollected or delinquent real estate taxes. One tax bill is presented to City residents for all City and County real estate taxes. The City then collects real estate taxes for both the City and the County, retains a portion of the taxes collected equal to its final tax levy, and remits the remaining portion to the County. Delinquent taxes are accordingly turned over to the County for collection and are retained by the County as a portion of its tax levy. Although the City bears none of the burden of uncollected or delinquent taxes, a reduction in the assessed valuation of real property within the City after establishment of the annual budgeted tax levy would cause the amount of taxes collected to be less than the budgeted amount. Reductions in the assessed valuation of real property within the City are generally a result of certiorari proceedings. The tax levy for fiscal year 2013 was \$55,148,000 which was the same as 2012's tax levy. The tax levy for fiscal year 2014 increased to \$56,048,000 which was an increase of \$900,000 or almost 2%. The tax levy for fiscal year 2015 increased to \$56,827,890 which was an increase of \$779,890 or 1.40%. The tax levy for fiscal year 2016 remained at \$56,827,890. The tax levy for fiscal year 2017 increased to \$58,000,000. The tax levy for fiscal year 2018 increased to \$58,550,000. The tax levy for fiscal year 2019 remained at \$58,550,000.

The City also receives Payment in Lieu of Taxes (PILOT) payments from certain commercial properties and State owned properties in the City. The City received PILOT payments of \$27,191,038, \$26,440,452, \$19,475,487 and \$20,769,510 in 2012, 2013, 2014 and 2015 respectively. The PILOT payments in 2016 totaled \$32,435,189. The reduction in 2014 resulted from a scheduled reduction of \$7,850,000 in the State's 19-a payments for the Empire State Plaza complex, which is the source of the largest PILOT payment received by the City. The increase in PILOT payments for 2016 was the result of a one-time increase of \$12,500,000 in 19-a payments to the City which brought the total Empire State Plaza payment to \$27,500,000.

The 2017 audited PILOT payments totaled \$19,479,096.

The 2018 unaudited PILOT payments totaled \$20,108,047.

The 2019 budget anticipates \$19,675,000 in PILOT payments.

Under Section 19-a of the Public Lands Law, the State makes annual payments to the City with respect to the Empire State Plaza Complex in accordance with the following schedule:

<u>FISCAL YEAR</u>	<u>PREVIOUS AMOUNT</u> ⁽¹⁾	<u>NEW AMOUNT</u> ⁽¹⁾
2007	\$ 16,130,000	\$ 22,850,000 ⁽²⁾
2008	15,410,000	22,850,000 ⁽²⁾
2009	14,690,000	22,850,000 ⁽²⁾
2010	13,970,000	22,850,000 ⁽²⁾
2011	13,250,000	15,000,000 ⁽²⁾
2012	12,530,000	22,850,000 ⁽²⁾
2013	11,810,000	22,850,000 ⁽²⁾
2014	11,090,000	15,000,000 ⁽²⁾
2015	10,370,000	15,000,000
2016	9,650,000	27,500,000
2017	8,930,000	15,000,000
2018	8,210,000	15,000,000
2019	7,490,000	15,000,000
2020	6,770,000	15,000,000
2021	6,050,000	15,000,000
2022	5,330,000	15,000,000
2023	4,610,000	15,000,000
2024	3,890,000	15,000,000
2025	3,170,000	15,000,000
2026	2,450,000	15,000,000
2027	1,730,000	15,000,000
2028	1,010,000	15,000,000
2029	310,000	15,000,000
2030	0	15,000,000
2031	0	15,000,000
2032	0	1,800,000
2033	0	0

⁽¹⁾ For description of the difference between the "PREVIOUS AMOUNT" and the "NEW AMOUNT" please see "Real Property Tax Base", herein.

⁽²⁾ The City has received the payments as shown.

Sales Tax

The City's sales and other non-property tax revenues are comprised of the State sales tax, utilities gross receipts tax, franchise tax, and privilege taxes on coin-operated machines. The sales tax is assessed, collected and monitored by the State. Of the current 8% sales tax collected in the County, the State keeps 4% and pays 4% to the County on a monthly basis. Through a 1986 act of the Albany County Legislature, the County shares 40% of its collected sales tax with the municipalities within its borders. The distribution percentages are based upon the municipalities' share of the County population at the last Federal census. Of the 40% shared with municipalities, the City receives 32.17% of the total. Although the County Legislature can decide to change the allocation of sales tax to its municipalities, the allocation has not been changed since it was first enacted in 1986. Prior to 1992, the sales tax was 7% and the County's share was 3%. Beginning in September 1992, the County Legislature requested the State Legislature to temporarily add 1% to the County's share of the tax, making the County's share 4%. Both the County and State Legislatures have extended the temporary increase every two years. The latest temporary increase expires on November 30, 2020.

The following table shows the City's sales tax receipts for the five years ended December 31, 2013 to 2018 and the amount budgeted for 2019.

Sales Tax Receipts For Fiscal Year Ending December 31	
<u>Year</u>	<u>Amount</u>
2013	\$ 30,972,673
2014	32,303,484
2015	32,864,248
2016	33,150,041
2017	33,349,774
2018 (Unaudited)	35,424,547
2019 (Budgeted)	34,413,722

The following table shows the City's utilities gross receipts tax revenues for the five years ended December 31, 2013 to 2018 and the amounts budgeted for 2019. This tax is levied on commercial and industrial concerns, which produce a utility product and sell the oversupply, and owners or lessees of business buildings who purchase a utility service and resell all or a part of the quantity purchased.

Utilities Gross Receipts Tax Revenues For Fiscal Year Ending December 31	
<u>Year</u>	<u>Amount</u>
2013	\$ 1,547,037
2014	1,569,748
2015	1,371,359
2016	1,283,480
2017	1,357,956
2018 (Unaudited)	1,393,886
2019 (Budgeted)	1,300,000

Intergovernmental Charges

The following table shows the City's receipts for intergovernmental charges for the five years ended December 31, 2013 to 2018 and budgeted amounts for 2019. The main component of intergovernmental charges includes tipping fees from municipalities served by the Albany landfill. It also includes municipal contracts with the Albany Police Department Computer aided dispatch system.

Intergovernmental Charges For Fiscal Year Ending December 31	
<u>Year</u>	<u>Amount</u>
2013	\$ 962,625
2014	1,017,167
2015	990,072
2016	948,543
2017	1,105,607
2018 (Unaudited)	1,587,280
2019 (Budgeted)	1,241,880

State Aid

From 2013 to 2018, State aid (excluding 19-a PILOT payments) constituted between 9.6% and 12.9% of the City's General Fund revenues. State aid includes direct aid and grants and payments for certain services. In its General Fund for the 2017 fiscal year, the audited total \$29,601,181, or 17.1% and for the 2018 fiscal year budgeted \$28,756,885, or 16.3% of General Fund Revenue in State Aid. In 2017, the City received the first Capital City Funding payment of \$12,500,000. In 2018, the City received Capital City Funding payment of \$12,000,000. \$12,500,000 in revenue is included in the budget for 2019.

The following table sets forth the percentage of General Fund revenues of the City comprised of State Aid for each of the fiscal years 2013-2018 and budgeted amounts for 2019:

State Aid Payments
Fiscal Year Ending December 31

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>State Aid</u> ⁽¹⁾	<u>State Aid as a Percentage of General Fund Revenue</u>
2013	\$ 163,637,956	\$ 18,310,161	11.2%
2014	157,811,170	17,052,018	10.8%
2015	162,636,661	21,018,420	12.9%
2016	173,612,620	16,677,313	9.6%
2017	172,670,162	29,601,181 ⁽¹⁾	17.1%
2018 (Unaudited)	178,760,621	29,042,239 ⁽²⁾	16.2%
2019 (Budgeted)	177,148,136	28,520,415 ⁽³⁾	16.1%

⁽¹⁾ 2017 includes the first \$12,500,000 payment from the State for Capital City Funding

⁽²⁾ 2018 includes a second year payment of \$12,000,000 from the State for Capital City Funding.

⁽³⁾ Includes a \$12,500,000 budgeted from the State for Capital City Funding.

Source: City of Albany Treasurer's Office.

Appropriated Fund Balance

The City has used appropriated fund balance to help in balancing its budget for the past several years. The following table sets forth the amount of fund balance the City has appropriated to assist with balancing its budget for each of the fiscal years 2010-2018 as well as the amount actually applied for 2010-2015. In 2017, the City ended the year with an audited deficit of \$2,184,190.

<u>Fiscal Year</u>	<u>Fund Balance Appropriated in Budget</u>	<u>Actual Fund Bal. (Used) / Surplus</u>	<u>Year End Total Fund Balance</u>
2010	\$ (5,261,000)	\$ 907,452	17,032,434
2011	(6,134,000)	2,841,141	19,873,575
2012	(5,635,000)	947,242	20,820,817
2013	(4,269,789)	(801,077)	19,990,783
2014	(9,801,000)	(9,651,855)	9,874,239
2015	(2,000,000)	(4,745,437)	4,988,388
2016	0	8,138,157	13,126,545
2017	0	(2,184,190)	10,942,355
2018	0	4,798,954 ⁽¹⁾	17,637,679

⁽¹⁾ The 2018 unaudited fund balance surplus includes \$4,599,964 in restricted fund balance from premium proceeds from the bond and bond anticipation notes issued in June along with interest earned on these funds and revenue from closed capital projects transferred to the debt reserve fund.

If fund balance is not available in future fiscal years, the City will need to increase other revenues or cut expenses to achieve balanced budgets.

Expenses

In 2018, General Fund expenditures were budgeted at \$176,380,268 compared to actual expenditures of \$173,961,667. Of this amount, public safety constituted 38%, general government expenses constituted 10%, debt service constituted 12%, employee benefits constituted 29%, culture and recreation constituted 2%, transportation constituted 5%, community service constituted 3% and economic assistance and opportunity constituted less than 1%.

Debt Service

The General Fund debt service expenditures for the past five years as well as budgeted amounts for 2019 are as follows:

Debt Service	
<u>For Fiscal Year Ending December 31</u>	
<u>Year</u>	<u>Amount</u>
2013	\$ 18,622,638
2014	21,316,373
2015	20,176,152
2016	20,640,023
2017	20,818,791
2018 (Unaudited)	21,638,159
2019 (Budgeted)	19,117,993

These amounts include principal and interest payments on long-term bonds as well as interest and any required pay down amounts on bond anticipation notes

Pension Payments

All full-time employees of the City are members of the New York State Employees' Retirement System ("ERS") or the New York State Policemen's and Firemen's Retirement System ("PFRS" and collectively with ERS, the "State Systems"). Based on earnings data for each member of the State Systems which the City supplies to the State Systems, the State Systems bill the City annually. The State administers the program and distributes all benefits.

On December 10, 2009, then Governor Paterson signed into law pension reform legislation that will provide (according to a Division of the Budget analysis) more than \$35 billion in long-term savings to State taxpayers over the next thirty years. The legislation created a new Tier V pension level.

Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

On March 16, 2012, Governor Cuomo signed into law the new Tier VI pension program, effective for new ERS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

The 2013-14 State Enacted Budget included a provision that provides local governments, including the City, with the option to "lock-in" long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS (the "State Rate Pension Contribution Option"). For 2014 and 2015 the rate is 12.0% for ERS and 20% for PFRS; the rates applicable to 2016 and thereafter are subject to adjustment. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years. The City is not participating in the Stable Rate Pension Contribution Option and does not intend to do so in the foreseeable future.

The following table shows the total actual payments made by the City to the State Systems in the years 2011-2018 and budgeted payments in 2019.

City Payments
Fiscal Year Ending December 31:

<u>Year</u>	<u>Amount</u>
2011	\$ 11,771,725 ⁽¹⁾
2012	12,763,522 ⁽²⁾
2013	14,331,795 ⁽³⁾
2014	14,898,915 ⁽⁴⁾
2015	14,532,547 ⁽⁵⁾
2016	15,827,925 ⁽⁶⁾
2017	15,733,125 ⁽⁷⁾
2018 (Unaudited Estimate)	16,086,716 ⁽⁸⁾
2019 (Budgeted)	16,027,269

- ⁽¹⁾ In 2011 the City under the Chapter 57, Laws of 2010 amortized \$1,699,524 of the total \$13,471,249 retirement contribution.
- ⁽²⁾ In 2012 the City under the Chapter 57, Laws of 2010 amortized \$3,935,771 of the total \$16,699,293 retirement contribution.
- ⁽³⁾ In 2013 the City under the Chapter 57, Laws of 2012 amortized \$6,005,734 of the total \$20,337,529 retirement contribution.
- ⁽⁴⁾ In 2014 the City under the Chapter 57, Laws of 2012 amortized \$3,564,870 of the total \$18,463,785 retirement contribution.
- ⁽⁵⁾ In 2015 the City under the Chapter 57, Laws of 2012 amortized \$879,798 of the total \$15,412,345 retirement contribution.
- ⁽⁶⁾ In 2016 the City under the Chapter 57, Laws of 2012 amortized \$1,198,171 of the total \$17,026,096 retirement contribution.
- ⁽⁷⁾ In 2017 the City under the Chapter 57, Laws of 2012 amortized \$1,245,976 of the total \$16,979,101 retirement contribution.
- ⁽⁸⁾ In 2018 the City under the Chapter 57, Laws of 2012 amortized \$807,437 of the total \$16,894,153 retirement contribution.

Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and PFRS rates (2016 to 2020) is shown below:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2016	18.2%	24.7%
2017	15.5	24.3
2018	15.3	24.4
2019	14.9	23.5
2020	14.6	23.5

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and PFRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use. The City amortized a portion of its pension costs as described above.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the City’s employees is not subject to the direction of the City. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the State Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future,

requiring significantly increased contributions from the City which could affect other budgetary matters. Concerned investors should contact the State Systems administrative staff for further information on the latest actuarial valuations of the State Systems.

Other Post-Employment Benefits

The City provides post-retirement healthcare benefits to various categories of former employees. Although the City has taken steps to reduce the cost of these benefits, healthcare costs continue to rise and could rise substantially in the future. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB") requires municipalities to account for post-retirement healthcare benefits as it accounts for vested pension benefits.

In June 2015, the GASB issued GASB Statement 75 ("GASB 75") which supersedes GASB 45. GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. GASB 75 was implemented by the City for the fiscal year ending December 31, 2018. Actuarial valuation will be required every two years for GASB 75.

Summary of Changes from the Last Valuation.

The City contracted with Aquarius, actuarial firm, to calculate its OPEB liability in accordance with GASB 75. The following outlines the changes to the Total OPEB Liability during the 2018 fiscal year, by source.

Balance as of December 31, 2017	<u>\$ 483,402,171</u>
<u>Changes for the Year:</u>	
Service cost	\$ 4,083,647
Interest	18,084,292
Changes of Benefit Terms	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	0
Benefit payments	<u>(14,999,483)</u>
Net Changes	<u>7,168,456</u>
Balance at December 31, 2018	<u>\$ 490,570,627</u>

Source: GASB 75 Actuarial Valuation of the City. The above tables are not audited.

OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until 1999, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 required municipalities and school districts to account for OPEB liabilities much like they already accounted for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") was determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 did not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

The City contracted with Aquarius, actuarial firm, to calculate its OPEB liability in accordance with GASB 45. The following tables show the components of the City's annual OPEB cost, the amount actuarially contributed to the plan, changes in the City's net OPEB obligation and funding status for the fiscal years ending December 31, 2016 and December 31, 2017 under GASB 45 which was in effect at that time.

<i>Annual OPEB Cost and Net OPEB Obligation:</i>	<u>2016</u>	<u>2017</u>
Annual required contribution (ARC)	\$ 20,166,258	\$ 20,618,867
Interest on net OPEB obligation	2,947,300	3,399,061
Adjustment to ARC	<u>4,769,912</u>	<u>4,769,912</u>
Annual OPEB cost (expense)	\$ 27,883,470	\$ 28,787,840
Contributions made	<u>(16,589,455)</u>	<u>(16,537,523)</u>
Increase in net OPEB obligation	\$ 11,294,015	\$ 12,250,317
Net OPEB obligation - beginning of year	<u>73,682,506</u>	<u>84,976,521</u>
Net OPEB obligation - end of year	<u>\$ 84,976,521</u>	<u>\$ 97,226,838</u>
Percentage of annual OPEB cost contributed	59.50%	57.45%
 <i>Funding Status:</i>		
Actuarial Accrued Liability (AAL)	\$ 393,519,180	\$ 393,519,180
Actuarial Value of Assets	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 393,519,180</u>	<u>\$ 399,368,543</u>
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

Additional information regarding this information may be obtained from the City Treasurer's Office upon request. The City's audited financial statements are in full compliance with GASB 45.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there are no restrictions on the amount a government can deposit into the trust. The proposed legislation was not enacted into law in the last two legislative sessions. It is not possible to predict whether the Comptroller's proposed legislation will be reintroduced.

Other Information

No principal or interest upon any obligation of the City is past due. On January 3, 2017, the City had an interest payment due in the amount of \$595,106.25, however, due to a clerical oversight, the payment amount sent was \$30,000 less than the expected amount. On January 5, 2017, the City was notified of the payment discrepancy, and once the discrepancy was confirmed and verified by the City, the funds were wired on January 10, 2017. A material event notice was filed on January 25, 2017. The City has no reason to believe there will be any delinquent payments in the future.

The fiscal year of the City ends December 31.

Except for as shown under "STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness", this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the City.

New York State Comptroller Report of Examination

The NYS Comptroller's office released an audit report of the City on September 16, 2015. The purpose of the audit was to review the City's payroll operations for the period January 1, 2013 through September 30, 2014.

Key Findings:

- Seven employees were paid for unused vacation time without adequate leave records to support the payroll calculations.
- The City's payroll recordkeeping processes are not consistent in all departments.
- Employees in the Department of General Services (DGS) were not working their scheduled time by leaving before the end of their work day.

Key Recommendations:

- Ensure that all requests for payment for unused vacation time have adequate supporting documentation for the accrued and unused leave.
- Develop standardized payroll and timekeeping systems across City departments.
- Ensure that DGS employees work their required weekly hours in accordance with their collective bargaining agreement.

The City provided a complete response to the NYS Comptroller's office on August 17, 2015. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no recent State Comptrollers audits of the City that are currently in progress or pending release.

Note: Reference to website implies no warranty of accuracy of information therein.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the past five years for the City are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2017	Moderate Fiscal Stress	59.6%
2016	Significant Fiscal Stress	67.5%
2015	Significant Fiscal Stress	77.5%
2014	Significant Fiscal Stress	67.5%
2013	No Designation	40.0%

Source: Website of the Office of the New York State Comptroller. 2018 information is not available as of the date of this Official Statement.

Note: Reference to websites implies no warranty of accuracy of information therein.

TAX INFORMATION

Valuations

Years Ending December 31:	2015	2016	2017	2018	2019
Assessed Valuation	\$ 4,754,839,169	\$ 4,757,794,003	\$ 4,837,259,196	\$ 4,824,076,379	\$ 4,859,959,051
State Equalization Rate	109.47%	105.80%	100.00%	100.00%	100.00%
Full Valuation	\$ 4,343,508,878	\$ 4,496,969,757	\$ 4,837,259,196	\$ 4,824,076,379	\$ 4,859,959,051

Tax Rate Per \$1,000 (Assessed)

Years Ending December 31:	2015	2016	2017	2018	2019
Homestead Rate	\$ 10.82	\$ 10.83	\$ 10.79	\$ 10.91	\$ 10.86
Non-Homestead Rate	14.19	14.07	14.06	14.50	14.04

Tax Collection Record

Years Ending December 31:	2014 ⁽¹⁾	2015	2016	2017	2018
City Tax Levy	\$ 56,048,000	\$ 56,827,890	\$ 56,827,890	\$ 58,000,000	\$ 58,266,495
County Tax & Relievis	N/A	<u>18,001,680</u>	<u>19,882,634</u>	<u>20,303,904</u>	<u>25,750,830</u>
Total Tax Levy	N/A	<u>\$ 74,829,570</u>	<u>\$ 76,710,524</u>	<u>\$ 78,303,904</u>	<u>\$ 84,017,325</u>
City Tax Uncollected End of Year	\$ 3,237,534	\$ 2,199,549	\$ 1,617,395	\$ 1,517,887	\$ 1,506,126 ⁽²⁾
County Tax & Relievis					
Uncollected End of Year	N/A	<u>1,183,378</u>	<u>1,339,697</u>	<u>1,565,090</u>	<u>3,197,950</u>
Total Tax Levy Uncollected	\$ 3,237,534	\$ 3,382,927	\$ 2,957,092	\$ 3,082,977	\$ 4,704,076
Uncollected End of Year ⁽³⁾	5.78%	4.52%	3.85%	3.94%	5.60%

The City Tax Levy for the Fiscal Year Ending December 31, 2019 is \$58,550,000.

⁽¹⁾ Information relating to the County Tax & Relievis is not available for the fiscal year ending December 31, 2014.

⁽²⁾ Unaudited.

⁽³⁾ The City receives 100% of the Tax Levy (less any reductions in assessments), and uncollected amounts become the responsibility of the County.

Tax Collection Procedure

Tax payments are levied on January 1 of each year and are due and payable by January 31. A penalty of 4% is added for late payments made in February, and for payments made on or after March 1 an additional penalty is included at the rate of 1% per month. After December 31, payments must be made to the County Comptroller.

City and County tax collection procedures are such that the City bears none of the burden of uncollected or delinquent real estate taxes. One tax bill is presented to City residents for all City and County real estate taxes. The City then collects real estate taxes for both the City and the County, retains a portion of the taxes collected equal to its final tax levy, and remits the remaining portion to the County. Delinquent taxes are accordingly turned over to the County Comptroller for collection and are retained by the County as a portion of its tax levy. The City is not responsible for the collection of taxes of any other governmental unit.

Although the City bears none of the burden of uncollected or delinquent taxes, a reduction in the assessed valuation of real property within the City after establishment of the annual budgeted tax levy would cause the amount of taxes collected to be less than the budgeted amount. Reductions in the assessed valuation of real property within the City are generally a result of certiorari proceedings.

Largest Taxpayers - (2019 Tax Roll)

The updated information below is based on highest taxpaying parcels not the highest taxpaying taxpayer.

<u>Name</u>	<u>Type</u>	<u>Estimated Assessed Valuation</u>
National Grid 555.-7	Utility	\$ 154,063,005
National Grid 601.1	Utility	40,627,251
99 Washington Avenue	Office Building	38,750,000
Alexander at Patroon	Apartment	34,000,000 ⁽¹⁾
Washington Commons	Commercial	22,866,700
Wal-Mart Stores	Commercial	22,500,000
Kenwood Commons, LLC	Commercial	18,000,000
HTA-1223 Washington., LLC	Office Building	16,591,400
Albany Downtown Hotel	Commercial	14,121,300
Levine Investments LP	Office Building	13,601,200
HTA-Patroon Creek, LLC	Commercial	12,880,200

The largest taxpayers listed above have a total estimated assessed valuation of \$388,001,056 which represents approximately 7.9% of the tax base of the City.

⁽¹⁾ Alexander at Patroon Creek receives a \$16,092,500 exemption in taxable valuation as an Empire Zone property.

Note: The City receives payments in lieu of taxes from various tax-exempt entities, including the State.

Payments In Lieu of Taxes

The following are the payments in lieu of taxes received in 2013-2018 and budgeted payments for 2019:

<u>Payments In Lieu of Taxes</u>	
<u>For Fiscal Year Ending December 31</u>	
<u>Year</u>	<u>Amount</u>
2013	\$ 26,440,452
2014	19,475,487
2015	20,769,510
2016	32,435,189
2017	19,479,096
2018 (Unaudited)	20,108,047
2019 (Budgeted)	19,675,000

Constitutional Tax Margin

Computation of Constitutional Tax Margin for fiscal years ending December 31, 2015 through 2019:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Five-Year Average Full Valuation	\$ 4,569,969,091	\$ 4,475,479,812	\$ 4,486,240,236	\$ 4,552,362,537	\$ 4,672,354,652
Tax Limit - 2% of Five-Year Average	91,399,382	89,509,596	89,724,805	91,047,251	93,447,093
Add: Exclusions From Tax Limit	<u>21,548,400</u>	<u>20,890,908</u>	<u>21,380,207</u>	<u>21,700,988</u>	<u>19,467,738</u>
Total Taxing Power	112,477,782	110,400,504	111,105,012	112,748,239	112,914,831
Less Total Levy	<u>56,827,890</u>	<u>56,827,890</u>	<u>58,000,000</u>	<u>58,550,000</u>	<u>58,550,000</u>
Tax Margin	<u>\$ 56,119,892</u>	<u>\$ 53,572,614</u>	<u>\$ 53,105,012</u>	<u>\$ 54,198,239</u>	<u>\$ 54,364,831</u>

Additional Tax Information

Real property located in the City is assessed by the City.

Veterans and senior citizens' exemptions are offered to those who qualify.

The estimated total annual property tax bill of a \$200,000 market value residential property located in the City is approximately \$7,606 including County, City, Library and School District taxes.

The City assessment roll, based on the number of parcels, is as follows: 82% residential and 18% commercial.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective City). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

In addition, the Court of Appeals in the case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of municipalities.

While the Tax Levy Limitation Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

Real Property Tax Rebate. Chapter 59 of the Laws of 2014 ("Chapter 59"), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrates "three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the City are uncertain at this time.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the City (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the City and the Notes include the following:

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is authorized and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real estate of the City and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Pursuant to Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the City is calculated by taking 7% of the latest five-year average of the full valuation of all taxable real property.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the City to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the General City Law, the City Charter and the General Municipal Law.

Pursuant to the Local Finance Law and the City Charter, the City authorizes the issuance of bonds by the adoption of a bond ordinance approved by at least two-thirds of the members of the Common Council, subject to the approval of the Board of Estimate and Apportionment, the finance board of the City. Customarily, the Common Council has delegated to the City Treasurer, as chief fiscal officer of the City, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the Notes authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the City is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations
and an action contesting such validity, is commenced within twenty days after the date of such publication, or
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the City complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond ordinance usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. The City has authorized bonds for a variety of City objects or purposes.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the issuance of the first of such bond anticipation notes and, subject to certain exceptions, provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein).

In general, the Local Finance Law contains provisions providing the City with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget and capital notes.

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending December 31:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bonds	\$ 87,505,000	\$ 72,265,000	\$ 72,724,579	\$ 57,630,000	\$ 75,580,417
Bond Anticipation Notes	29,138,785	43,425,299	38,846,812	44,596,417	18,854,100
Revenue Anticipation Notes	0	6,000,000	0	0	0
Other Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 116,643,785</u>	<u>\$ 121,690,299</u>	<u>\$ 111,571,391</u>	<u>\$ 102,226,417</u>	<u>\$ 94,434,517</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City evidenced by serial bonds and bond anticipation notes as of June 4, 2019:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2019-2034	\$ 100,665,417
Bond Anticipation Notes		
Various Capital Improvements	June 28, 2019	<u>\$ 18,854,100</u> ⁽¹⁾
	Total Indebtedness	<u>\$ 119,519,517</u>

⁽¹⁾ To be redeemed at maturity with proceeds of the Notes and \$205,000 available funds of the City.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 4, 2019:

Five-Year Average Full Valuation of Taxable Real Property.....	\$ 4,672,354,652
Debt Limit - 7% thereof	327,064,826
<u>Inclusions:</u>	
Bonds ⁽¹⁾	\$100,665,417
Bond Anticipation Notes	<u>18,854,100</u>
Total Inclusions	\$ 119,519,517
<u>Exclusions:</u>	
Appropriations - Bonds	\$ 14,005,417
Appropriations – Notes.....	<u>205,000</u>
Total Exclusions.....	<u>\$ 14,210,417</u>
Total Net Indebtedness Subject to Debt Limit.....	<u>\$ 105,309,100</u>
Net Debt-Contracting Margin.....	<u>\$ 221,755,726</u>
Percent of Debt Contracting Power Exhausted.....	32.20%

The proceeds of the Notes will increase the net indebtedness of the City by \$15,502,400.

Estimate of Obligations to be Issued

The City expects to have recurring financing needs for capital improvements. It can be anticipated that, depending on market conditions, the City may from time to time issue bond anticipation notes and bonds to finance its capital improvements.

Revenue and Tax Anticipation Notes

The City issued a revenue anticipation note in the amount of \$6,000,000 on December 22, 2015 which matured on January 22, 2016.

Bonded Debt Service

A schedule of bonded debt service may be found in “APPENDIX – B” to this Official Statement.

Authority Indebtedness

In accordance with GAAP, the financial statements of the City treat the Albany Municipal Water Finance Authority and the Albany Parking Authority as a part of the reporting entity due to the fact that the City exercises oversight responsibility for those entities. The City has entered into a Lease Agreement with the Parking Authority whereby the City leases parking spaces in a parking garage owned by the Authority. The Lease Agreement is the primary credit support for the Authority's \$2,631,974 Parking Revenue Refunding Bonds, Series 1991A, issued in November 1991. However, the City is not liable for the indebtedness of either the Water Authority or the Parking Authority. Accordingly, the debt of these entities has not been included in the calculations of the City's constitutional debt limit.

Estimated Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City. Bonded indebtedness, including bond anticipation notes, is estimated of the respective municipalities and is not adjusted to include subsequent bond issues, if any.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>City Share</u>	<u>Applicable Indebtedness</u>
County of:						
Albany	5/14/2019	\$ 276,475,000	\$ 21,019,563 ⁽²⁾	\$ 255,455,437	18.52%	\$ 47,310,347
School District:						
Albany	3/12/2019	226,189,773	192,487,497 ⁽³⁾	33,702,276	100.00%	<u>33,702,276</u>
Total:						<u>\$ 81,012,623</u>

Notes:

- ⁽¹⁾ Outstanding bonds and bond anticipation notes. Not adjusted to include subsequent bond or note sales, if any
- ⁽²⁾ Water and sewer debt and appropriations.
- ⁽³⁾ Estimated State building aid.

Source: County Official Statement dated May 23, 2019.
 School District Official Statement dated March 19, 2019.

Debt Ratios

The following table sets forth certain ratios relating to the City's indebtedness.

**Debt Ratios
As of June 4, 2019**

	<u>Amount Indebtedness</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Valuation</u> ^(b)
Net Indebtedness.....	\$ 105,309,100	\$1,082.55	2.17%
Net Indebtedness Plus Net Overlapping Indebtedness ^(c)	186,321,723	1,915.33	3.83%

- ^(a) The 2018 Census population of the City is 97,279.
- ^(b) The City's 2019 full value of taxable real estate is \$4,859,959,051.
- ^(c) Estimated net overlapping indebtedness is \$81,012,623.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it shall not exceed nine per centum per annum. In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City.

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the City.

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness."

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

MARKET AND RISK FACTORS

The financial and economic condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of other jurisdictions in the country to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

In addition, if the State should opt to borrow and experiences difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in any year, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City. In recent years, the City has received delayed payments of State aid which resulted either from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts or delays in State payments until certain State revenues are realized. (See also "State Aid").

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the City will enter into a Continuing Disclosure Undertaking with respect to the Notes the description of which are attached hereto as "APPENDIX – C", respectively.

Historical Compliance

Except as noted below, the City is in compliance in all material respects within the last five years with all previous undertakings made pursuant to the Rule 15c2-12.

The City did not file material event notices with respect to rating changes for MBIA Insurance Corporation which insured the City's 2006 Bonds. A failure to file notice submitted to EMMA on April 24, 2015.

TAX MATTERS

In the opinion of Roemer Wallens Gold & Mineaux LLP, Bond Counsel, under existing law, regulations, administrative rulings and judicial decisions, (i) interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations although Section 56 of the Code provides that for purposes of calculating the alternative minimum tax on corporations as defined for federal income tax purposes, interest on the Notes is taken into account in determining adjusted current earnings, and (ii) interest on the Notes is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York. Bond Counsel will express no opinion as to any other tax consequences regarding the Notes. Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes but Bond Counsel notes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Notes are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those certifications and representations.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the City may cause the interest on the Notes to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of issuance of the Notes. The City has covenanted to take the actions required of it for the interest on the Notes to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Although Bond Counsel will opine that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other income or deductions. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislations, interpretations or rulings relating to the Code or judicial decisions may cause interest on the Notes to be subject directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. Any such legislation, interpretations or rulings relating to the Code or judicial decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations, or litigation, as to which Bond Counsel expresses no opinion.

ALL PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE NOTES.

DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES

Legal Matters

Legal matters incident to the authorization, issuance, and sale of the Notes will be subject to the final approving opinion of Roemer Wallens Gold & Mineaux LLP, Albany, New York, Bond Counsel to the City. Such opinion will be available at the time of delivery of and payment for the Notes and will be to the effect that the Notes are valid and legally binding general obligations of the City, for the payment of which the City has validly pledged its full faith and credit, and all the real property within the City subject to taxation by the City is subject to the levy by the City of ad valorem taxes, subject to statutory limitation (see "Tax Levy Limitation Law", herein) for payment of the principal of and interest on the Notes.

Said opinion will also contain further statements to the effect that assuming continuing compliance with certain covenants and the accuracy of certain representations of the City contained in the records of proceedings relating to the authorization and issuance of the Notes, (a) interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations pursuant to Section 56 of the Code for purposes of calculating the alternative minimum tax on corporations as defined for federal income tax purposes, interest on the Notes is taken into account in determining adjusted current earnings; and (b) interest on the Notes is exempt from personal income taxes imposed by the State and political subdivisions thereof, including The City of New York. The interest on the Notes may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. Said opinion will also state that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York). No opinion will be rendered by Bond Counsel regarding Federal tax consequences with respect to the Notes. The enforceability of the Notes is subject to bankruptcy laws and other laws affecting creditors' rights and the exercise of judicial discretion.

ABSENCE OF LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs. The City does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the City.

Upon delivery of the Notes, the City shall furnish a certificate of the City Corporation Counsel, dated the date of delivery and payment for the Notes, to the effect that there is no controversy or litigation of any nature pending or threatened to his knowledge to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes and further stating that there is no controversy or litigation of any nature now pending or threatened by or against the City wherein an adverse judgment or ruling could adversely affect the power of the City to levy, collect and enforce the collection of taxes or other revenues for the payment of its Notes, which has not been disclosed in this Official Statement.

RATING

The Notes are not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale pending the approval of the City and at the expense of the purchaser(s), including any fees to be incurred by the City, as such rating action will result in a material event notification to be posted to EMMA which is required by the City's Continuing Disclosure Undertakings. (See "APPENDIX-C" herein.)

S&P Global Ratings has assigned its rating of "A+" (stable outlook) to the City's outstanding bonds. Such rating reflects only the view of such rating agency, and any desired explanation of the significance of such ratings should be obtained from Standard & Poor's Credit Market Services, 55 Water Street – 38th Floor, New York, New York 10041, (212) 438-7983.

S&P has assigned the City's \$18,854,100 Bond Anticipation Notes, 2018 a rating of "SP-1+". The Notes are dated June 28, 2018 and mature on June 28, 2019.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the outstanding bonds may have an adverse effect on the market price of the Notes.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor") is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the City on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the City and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the City or the information set forth in this Official Statement or any other information available to the City with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the City to Fiscal Advisors are partially contingent on the successful closing of the Notes.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes will be paid for by the City provided, however; the City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the City management's beliefs as well as assumptions made by, and information currently available to, the City's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the City's files with the repositories. When used in City documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

Roemer Wallens Gold & Mineaux LLP, Albany, New York, Bond Counsel to the City, expressed no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the City for use in connection with the offer and sale of the Notes, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the City will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the City.

The Official Statement is submitted only in connection with the sale of the Notes by the City and may not be reproduced or used in whole or in part for any other purpose.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the City nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the City disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the City also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The City will act as Paying Agent for the Notes.

The City's contact information is as follows: Mr. Kenneth L. Bennett, Deputy Treasurer, City of Albany, 24 Eagle Street, Albany, New York 12207, Phone: (518) 434-5028, Telefax: (518) 434-5098, Email: kbennett@albanyny.gov.

This Official Statement has been duly executed and delivered by the City Treasurer of the City of Albany.

CITY OF ALBANY

Dated: June 4, 2019

Honorable Darius Shahinfar
City Treasurer
and Chief Fiscal Officer

GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u> (Unaudited)
ASSETS					
Cash on Hand	\$ 11,706,111	\$ 10,929,366	\$ 11,615,318	\$ 16,237,896	\$ 6,855,025
Investments	-	-	-	-	-
Receivables:					
Taxes - net	4,392,376	4,577,005	3,966,018	4,044,679	4,704,076
Landfill, net	1,144,337	1,286,815	911,320	421,472	636,415
Accounts Receivable	1,557,691	2,862,272	4,150,605	5,319,024	5,979,708
Other - net	-	-	-	-	-
State and Federal	1,789,566	1,429,159	1,484,628	2,308,730	2,129,406
Due from Other Funds	6,571,940	7,954,083	5,590,288	8,447,353	7,530,320
Due From Other Governments	15,012,723	15,324,068	19,242,981	20,979,242	29,433,727
Prepaid Expenses	-	-	-	-	-
Other Assets	4,998,704	4,869,243	3,755,378	3,387,268	3,471,123
TOTAL ASSETS	\$ 47,173,448	\$ 49,232,011	\$ 50,716,536	\$ 61,145,664	\$ 60,739,800
LIABILITIES AND FUND EQUITY					
Accounts Payable	\$ 9,352,698	\$ 9,491,963	\$ 7,224,911	\$ 8,859,473	\$ 6,856,563
Accrued Liabilities	-	-	-	-	-
Due to Component Units	11,051,221	11,984,939	12,624,229	12,307,289	12,276,615
Notes Payable (RAN's)	-	6,000,000	-	-	-
Other Liabilities	259,403	257,653	105,125	793,470	759,286
Due to Other Funds	3,509,273	3,266,027	1,076,519	2,053,468	-
Due to Other Governments	13,073,519	13,211,118	16,475,678	23,812,049	23,074,628
Deferred Revenue	53,095	31,923	83,529	136,083	-
Accrued Interest on CABs	-	-	-	-	-
TOTAL LIABILITIES	37,299,209	44,243,623	37,589,991	47,961,832	42,967,092
Deferred inflows of resources	-	-	-	2,241,477	135,029
Total Liabilities plus Deferred inflows of resources	\$ 37,299,209	\$ 44,243,623	\$ 37,589,991	\$ 50,203,309	\$ 43,102,121
FUND EQUITY					
Nonspendable					
Prepayments:	\$ 4,211,079	\$ 4,057,789	\$ 3,697,048	\$ 3,371,252	\$ 3,455,107
Restricted for:					
Debt Service	2,020,243	1,261,574	1,135,933	899,654	4,599,964
Landfill Postclosure	915,714	915,897	916,080	916,081	921,254
Reserve for Solid Waste Mgmt. Facility	610,928	368,601	432,859	434,703	434,703
Other Restricted Fund Balance	-	73,467	65,117	-	-
Assigned for:					
Fund Appropriations	2,000,000	-	-	-	-
Unassigned:	116,275	(1,688,940)	6,879,508	5,320,482	8,226,651
TOTAL FUND EQUITY	9,874,239	4,988,388	13,126,545	10,942,172	17,637,679
TOTAL LIABILITIES and FUND EQUITY	\$ 47,173,448	\$ 49,232,011	\$ 50,716,536	\$ 61,145,481	\$ 60,739,800

Source: 2014-2017 audited financial reports financial reports of the City. 2018 unaudited annual update document.
This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u> (Unaudited)
REVENUES					
Real Property Taxes	\$ 55,798,170	\$ 56,706,034	\$ 56,313,118	\$ 57,422,204	\$ 58,562,201
Real Property Tax Items	-	-	-	-	-
Sales and Use Tax	32,303,484	32,864,248	33,150,041	33,349,774	35,424,547
Other Taxes	3,071,045	2,835,274	2,753,707	2,841,731	2,916,589
Payments in Lieu of Taxes	19,475,487	20,769,510	32,435,189	18,479,096	20,108,047
Departmental Income	-	-	-	-	-
Intergovernmental Revenues	21,815,427	23,079,005	19,807,162	33,216,263	31,097,147
Charges for Services	13,764,918	14,636,411	15,987,790	12,202,411	11,944,416
Fines, interest and penalties	4,369,494	4,675,351	4,590,813	4,671,791	4,968,732
Uses of money and properties	255,480	172,081	128,673	167,136	722,418
License and permits	2,851,219	3,316,918	3,417,212	5,011,325	4,552,644
Sale of Property and Compensation for Loss	-	-	-	-	-
Interfund Revenues	-	-	-	-	-
State Aid	-	-	-	-	-
Federal Aid	-	-	-	-	-
Miscellaneous	3,895,288	3,798,735	3,461,855	3,094,297	4,072,918
Total Revenues	\$ 157,600,012	\$ 162,853,567	\$ 172,045,560	\$ 170,456,028	\$ 174,369,659
EXPENDITURES					
Public Safety and Regulation	\$ 90,457,930	\$ 91,818,649	\$ 91,923,460	\$ 97,114,365	\$ 98,507,409
General Government	20,591,780	19,642,652	18,712,485	18,900,908	20,449,864
Health	-	-	-	-	-
Highway and Streets	6,946,790	6,591,805	8,053,523	8,673,161	9,045,362
Recreation and Culture	4,058,714	3,834,542	3,776,378	4,174,837	4,292,664
Community Service	8,340,571	8,124,298	6,762,945	6,589,861	6,566,002
Economic development and assistance	-	-	-	-	-
Employee Benefits	16,034,421	16,307,471	15,605,649	15,418,935	13,462,207
Debt Service	19,691,373	19,183,678	16,922,475	18,560,091	17,944,159
Total Expenditures	\$ 166,121,579	\$ 165,503,095	\$ 161,756,915	\$ 169,432,158	\$ 170,267,667
Excess of Revenues Over (Under) Expenditures	(8,521,567)	(2,649,528)	10,288,645	1,023,870	4,101,992
Other Financing Sources (Uses):					
Operating Transfers In	-	35,363	868,271	50,640	1,522,532
Operating Transfers to Other Funds	(1,625,000)	(2,972,000)	(3,717,548)	(3,258,700)	(3,694,000)
Proceeds from sale of property	-	-	-	-	-
Proceeds from general obligation bonds/notes	261,531	700,011	698,787	-	2,868,430
Proceeds from other debt	-	-	-	-	-
Other sources	-	-	-	-	-
Total Other Financing	(1,363,469)	(2,236,626)	(2,150,490)	(3,208,060)	696,962
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(9,885,036)	(4,886,154)	8,138,155	(2,184,190)	4,798,954
FUND BALANCE					
Fund Balance - Beginning of Year	22,274,207	9,874,239	4,988,085	13,126,240	12,838,725 ⁽¹⁾
Residual Equity Transfers	-	-	-	-	-
Prior Period Adjustments (net)	(2,514,932)	-	-	-	-
Fund Balance - End of Year	\$ 9,874,239	\$ 4,988,085	\$ 13,126,240	\$ 10,942,050	\$ 17,637,679

⁽¹⁾ Fund Balance restated

Source: 2014-2017 audited financial reports financial reports of the City. 2018 unaudited annual update document.
This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget

Fiscal Years Ending December 31:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget
REVENUES					
Real Property Taxes & Items	\$ 56,527,890	\$ 56,527,890	\$ 57,700,000	\$ 58,250,000	\$58,250,000
Sales & Use Tax	31,972,673	33,304,043	34,111,580	33,606,844	34,593,722
Other Taxes	3,097,500	2,999,500	2,969,000	2,786,000	2,767,500
Payments in Lieu of Taxes	20,989,632	20,458,291	20,428,973	21,075,000	19,675,000
Interest and Penalty on Taxes	236,000	205,000	200,000	300,000	325,000
Intergovernmental Revenues	874,095	885,615	860,880	816,880	1,241,880
Charges for Services	16,997,340	15,076,975	12,136,271	11,099,051	12,267,901
Traffic Violation Fines	7,016,400	7,068,400	5,204,300	5,221,000	5,216,000
Interest and Rental Income	5,393,318	3,752,798	3,460,700	3,707,800	3,665,200
Miscellaneous	12,929,775	21,629,881	8,774,645	9,176,430	9,355,938
State Aid	16,491,010	16,493,188	28,940,653	28,756,885	28,520,415
Federal Aid	204,404	1,140,827	1,130,423	519,000	204,202
Interfund Revenues	1,565,378	1,065,378	1,065,378	1,065,378	1,065,378
Total Revenues	<u>\$ 174,295,415</u>	<u>\$ 180,607,786</u>	<u>\$ 176,982,803</u>	<u>\$ 176,380,268</u>	<u>\$ 177,148,136</u>
EXPENDITURES					
Public Safety and Regulation	\$ 92,517,510	\$ 93,821,215	\$ 92,886,357	\$ 93,343,930	\$94,654,897
General Government	23,004,286	23,408,840	22,117,981	26,413,057	24,152,004
Highway and Streets	7,186,769	9,093,030	8,637,582	4,323,500	9,214,345
Recreation and Culture	4,318,776	4,189,712	4,207,824	3,856,666	4,357,010
Community Service	14,143,019	11,672,832	11,385,747	11,260,389	11,358,780
Employee Benefits	13,200,147	17,051,251	15,901,045	15,490,178	14,293,107
Miscellaneous	-	-	-	-	-
Debt Service	21,924,908	21,370,908	21,846,267	21,692,548	19,117,993
Total Expenditures	<u>\$ 176,295,415</u>	<u>\$ 180,607,786</u>	<u>\$ 176,982,803</u>	<u>\$ 176,380,268</u>	<u>\$ 177,148,136</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating Transfers In	-	-	-	-	-
Operating Transfers to Other Funds	-	-	-	-	-
Operating Transfers to Component Unit	-	-	-	-	-
Proceeds from Obligation	-	-	-	-	-
Other Financing Source	-	-	-	-	-
Total Other Financing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Fund Balance - Beginning of Year	2,000,000				
Residual Equity Transfers	-	-	-	-	-
Elimination of Encumbrances	-	-	-	-	-
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Budgets of the City. This Appendix is not itself audited.

BONDED DEBT SERVICE

Fiscal Year Ending December 31st	Principal	Interest	Total
2019	\$ 14,920,417	\$ 3,069,334	\$ 17,989,751
2020	17,005,000	3,102,426	20,107,426
2021	11,405,000	2,213,994	13,618,994
2022	8,950,000	1,830,468	10,780,468
2023	8,315,000	1,552,400	9,867,400
2024	6,295,000	1,285,550	7,580,550
2025	6,515,000	1,069,400	7,584,400
2026	5,165,000	858,725	6,023,725
2027	5,370,000	665,150	6,035,150
2028	5,525,000	464,950	5,989,950
2029	1,860,000	335,550	2,195,550
2030	1,920,000	278,850	2,198,850
2031	1,985,000	220,275	2,205,275
2032	2,050,000	159,750	2,209,750
2033	2,115,000	97,275	2,212,275
2034	2,185,000	32,775	2,217,775
TOTALS	\$ 101,580,417	\$ 17,236,871	\$ 118,817,288

MATERIAL EVENT NOTICES

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, the City has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Note is outstanding, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Notes
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the City
- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (o) incurrence of a financial obligation (as defined in the Rule) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect Note holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

With respect to event (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other

proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the City determines that any such other event is material with respect to the Notes; but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The City reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the City no longer remains an obligated person with respect to the Note within the meaning of the Rule. The Issuer acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the City's obligations under its material event notices undertaking and any failure by the City to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Note to recover monetary damages.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

CITY OF ALBANY
ALBANY COUNTY, NEW YORK

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2017

Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

CITY OF ALBANY, NEW YORK



FINANCIAL STATEMENTS AND REPORTS REQUIRED UNDER THE UNIFORM GUIDANCE

December 31, 2017

CITY OF ALBANY, NEW YORK

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CITY OF ALBANY, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Albany, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albany, New York (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Albany Parking Authority, the Albany Water Board, the Albany Industrial Development Agency, and certain other component units which collectively represent approximately 66% and 88%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albany, New York, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 55 and other required supplementary information on pages 56 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018, on our consideration of the City of Albany, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Albany, New York's internal control over financial reporting and compliance.

 UHY LLP

Albany, New York
September 27, 2018

Management Discussion & Analysis

OVERVIEW

The Management Discussion and Analysis (MD&A) of the City of Albany, New York is an introduction to the major activities affecting the operation of the City and an overview and analysis of the City's financial statements for the calendar year that ended December 31, 2017. It also provides comparative analysis of the City's overall financial position and results of operations as compared to those reported in the City's financial statements for the calendar year ended December 31, 2016.

The information contained in this MD&A should be considered in conjunction with the information contained in the government-wide financial statements, the governmental funds financial statements, and footnotes to the governmental funds financial statements.

The City's financial statements are prepared using generally accepted accounting principles and are presented in a format prescribed by the Government Accounting Standards Board's (GASB) Statement No. 34 "State and Local Government Financial Statements and MD&A" and other related statements.

FINANCIAL STATEMENTS

In accordance with required reporting standards, the City's financial statements include 1) *government-wide* financial statements and 2) *governmental funds* financial statements.

Government-Wide Financial Statements

Statement of Net Position
Statement of Activities

The *Statement of Net Position* includes Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources of the City as a whole, with the difference between Assets plus Deferred Outflows of Resources and Liabilities plus Deferred Inflows of Resources reported as Net Position. The *Statement of Activities* presents financial information as to how the City's Net Position changed during the fiscal year, with all changes being reported as the underlying event occurs, regardless of the timing of cash flows. Over time, increases or decreases in the City's Net Position are one indicator of whether its financial position is deteriorating or strengthening. However, in contrast to commercial enterprises, the City has no goal of accumulating net position. The *Statement of Net Position* and the *Statement of Activities* delineate between the primary government (the City of Albany, plus the Albany Community Development Agency) and the City's component units¹. Component units are legally separate from the City, but because the City has some financial accountability for them, they are reported in the City's financial statements. Both statements utilize the accrual basis of accounting, the same accounting method used by most private-sector organizations.

Governmental Funds Financial Statements

Balance Sheet
Statement of Revenues, Expenditures and Changes in Fund Balances

The Governmental Funds Financial Statements consist of a *Balance Sheet*, and a *Statement of Revenues, Expenditures and Changes in Fund Balances*. The *Balance Sheet* includes short-term assets such as cash, and short-term liabilities such as accounts payable, but it does not include long-term liabilities such as bonds payable, or capital assets, such as land and buildings. The Statement of Revenues, Expenditures and Changes in Fund Balances report only those revenues and expenditures that were collected in cash or paid with cash during the current period or shortly after the end of the year. The Fund Financial Statements provide financial information about the most significant funds of the City. Governmental Funds focus on near-term inflows, outflows, and resources still available at the end of the fiscal year. This measurement focus is known as the modified accrual basis of accounting.

¹ The component units consist of the Albany Water Board and Municipal Water Finance Authority, the Albany Parking Authority, the Albany Industrial Development Agency, the Albany Port Commission, the three Business Improvement Districts and the City of Albany Capital Resource Corporation. Financial information from these entities, excluding one of the Business Improvement Districts, has been reported in the City's financial statements. The fiduciary funds consist of the City Trust and the payroll accounts. Copies of the complete financial reports for the component units can be obtained by contacting the Treasurer's office of the City of Albany.

Reconciliation of Government-wide Financial Statements with Governmental Funds Financial Statements

Many financial transactions are treated differently on the governmental funds financial statements and the government-wide financial statements. The basic financial statements contain a reconciliation of these items and a full explanation of these differences is contained in Note 2 of the Notes to Financial Statements.

Reconciliation of Balance Sheet with Statement of Net Position

Balances and activities accounted for in the *Balance Sheet* (governmental funds financial statements) and those accounted for in the *Statement of Net Position* (government-wide financial statements) are substantially different because the measurement focus differs between the two statements. For example, long-term liabilities, including bonds payable, vacation, sick time, pending and estimated judgments, and claims are included in the *Statement of Net Position*, but not included in the *Balance Sheet* because they are paid over many years and not with currently available funds.

Net capital assets (fixed assets and infrastructure, minus accumulated depreciation) are reflected in the *Statement of Net Position*, but are not reported on the *Balance Sheet*. Long-term liabilities, such as bonds and loans payable, accrued post-employment benefit obligation, and other long-term liabilities, are not reported as liabilities on the Balance Sheet but are reflected in the Statement of Net Position.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances with Statement of Activities

The *Revenues, Expenditures, and Fund Balances* reported in the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds* differ from those reported on the *Statement of Activities* (government-wide financial statements) in several respects:

- Capital outlays are shown as expenditures on the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. However, only the depreciation expense of capital assets is reported on the *Statement of Activities*.
- Vacation expenses, employee retirement benefits, and judgments and claims are expensed as they are paid on the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. However, the *Statement of Activities* shows those expenses incurred during the reporting period. Long-term debt principal paid is reported as an expenditure on the *Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*, but is not reported as an expenditure on the *Statement of Activities*. Rather, principal paid is reported as a reduction of the bonds and loans payable liability in the *Statement of Net Position*. Long-term debt interest is reported as an expenditure when the interest is paid on the *Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. Interest expense reported in the *Statement of Activities* is the interest expense incurred during the year, irrespective of when the interest is paid.

OVERVIEW OF THE CITY'S FINANCIAL POSITION

City of Albany Highlights

The General Fund revenues for 2017 totaled \$170.4 million and were under the final budget by \$5.0 million. The General Fund expenses totaled \$169.4 million and were \$6.0 million lower than the final budget. While the 2017 City budget did not anticipate a change in the fund balance, the fund balance actually decreased \$2.2 million for the year. The \$1.0 million excess of revenues over expenses is subtracted from other financing uses of \$3.2 million which resulted in the fund balance ending the year at \$10.9 million. The unassigned fund balance was at a \$5.1 million surplus by year end.

Government-Wide Financial Statements

Statement of Net Position

Primary government total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$18.6 million. This resulted in a decrease of net position of approximately \$13.8 million from 2016. Most of this decrease is related to the reporting requirements related to net pension liability (net impact of \$7.8 million) and the accrued post employment benefit obligation (increased by \$12.2 million).

Total assets (\$309.8 million) increased from 2016 by \$9.0 million. The primary areas that increased are cash and cash equivalents (increased by \$3.2 million), due from other governments (increased by \$2.9 million), accounts receivable, net (increased by \$0.7 million), mortgage loans receivable (increased by \$0.5 million) and due from component units (increased by \$2.1 million). The area that decreased is prepaid and other assets (decreased by \$0.4 million). The increase in cash and cash equivalents was primarily related to the delay in payment of funds due to other governments. The increase in due from other governments is related to funds due from the federal and state for capital projects and public safety programs. The increase in accounts receivable, net is related to moneys due to the City for police security details and building demolition expenses. The increase in mortgage loans receivable is the result of the Albany Community Development Agency extending loans for residential home improvements. The increase in due from component units is related to an increase in the receivable from the Albany Water Board for operating expenses paid by the City.

Total liabilities (\$359.6 million) decreased by \$7.4 million from 2016. The primary liabilities which decreased were accrued interest payable (decreased by \$0.7 million), bonds and loans payable (decreased by \$15.9 million), net pension liability (decreased by \$20.1 million) and judgements and claims (decreased by \$2.0 million). The primary liabilities which increased were accounts payable and accrued interest (increased by \$1.7 million), unearned revenue (increased by \$0.9 million), due to other governments (increased by \$7.3 million), bond and revenue anticipation notes payable (increased by \$5.7 million), accrued post employment benefit obligation (increased by \$12.2 million) and compensated absences (increased by \$2.8 million).

The decrease in accrued interest payable is the result of paying off outstanding interest on debt. Bonds and loans payable decreased as a result of paying off outstanding principal on debt. Net pension liability decreased as a result of a decrease in the City's proportionate share of the net pension liability. Judgments and claims decreased as a result of a paying off and settling older worker's compensation claims by the City's third party worker's compensation administrator. Accounts payable and accrued interest increased from receiving and not paying a larger volume of vendor invoices before year end. Unearned revenue increased from the Albany Community Development Agency from recording a larger volume of loans as deferred revenue. Due to other governments increased as a result the City making PILOT payments to the City School District and to the County of Albany after the end of 2017. Bond and revenue anticipation notes increased from issuing additional bond anticipation notes for capital projects. Compensated absences increased primarily as a result of police department and fire department salary increases.

The City of Albany's large Post-Employment Benefit Projected Actuarial Accrued liability (\$399.4 million) is driven by the health care plan which has traditionally been extended to retirees. The post-employment benefit obligation recognized in the Statement of Net Position is almost \$97.2 million.

Deferred outflows of resources decreased by \$29.5 million from 2016, deferred inflows of resources increased by \$0.7 million and net pension liability decreased by \$20.1 million mainly as a result of changes to the City's proportionate share of the New York State and Local Retirement System based on an actuarial valuation.

Of the net position, \$156.0 million is net invested in capital assets, and \$1.3 million is restricted for program specific activities and for debt service, leaving a deficit balance in unrestricted net position of \$175.9 million – an increase from 2016 of \$29.5 million. The total net position decreased by \$13.8 million. Most of this decrease is related to the reporting requirements related to net pension liability (net impact of \$7.8 million) and the accrued post employment benefit obligation (increased by \$12.2 million).

Total capital assets including property and equipment after depreciation are valued at \$215.0 million, with increases of approximately \$16.6 million of additions to capital assets. Approximately \$41.9 million of capital assets are not subject to depreciation, including approximately \$5.0 million of land, and \$36.9 million of construction in progress which is related to the City's landfill expansion project and state and federally funded transportation projects. A more detailed description of capital assets is found in Footnote 7.

Governmental Activities - Primary Government
Net Position at December 31, 2017
(in Millions)

	<u>2017</u>	<u>2016</u>	<u>Increase/ (Decrease)</u>
Total assets	\$ 309.8	\$ 300.8	\$ 9.0
Total deferred outflows of resources	44.8	74.3	(29.5)
Total liabilities	359.6	367.0	(7.4)
Total deferred inflows of resources	<u>13.6</u>	<u>12.9</u>	<u>0.7</u>
Excess (deficiency) of assets and deferred outflows of resources over liabilities and deferred inflows of resources	<u>(18.6)</u>	<u>(4.8)</u>	<u>(13.8)</u>
Net invested in capital assets	156.0	140.0	16.0
Restricted for debt service and program activities	1.3	1.6	(0.3)
Unrestricted (deficiency)	<u>(175.9)</u>	<u>(146.4)</u>	<u>(29.5)</u>
Total Net Position (deficiency)	<u>\$ (18.6)</u>	<u>\$ (4.8)</u>	<u>\$ (13.8)</u>

Component Units

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$106.5 million – an increase of \$11.8 million from 2016. Total assets and deferred outflows of resources (\$184.3 million) increased by \$22.3 million. Net invested in capital assets increased by \$13.7 million.

Total liabilities and deferred inflows of resources (\$77.8 million) increased by \$10.5 million. Bonds and notes payable increased \$9.8 million.

Total net position increased \$11.8 million from 2016 to 2017 due mostly to a significant increase in net position of the Water Board/Authority and the Albany Port District Commission primarily related to an increase in cash and cash equivalents, restricted, investments, accounts receivable and net invested in capital assets.

Governmental Activities - Component Units
Net Assets at December 31, 2017
(in Millions)

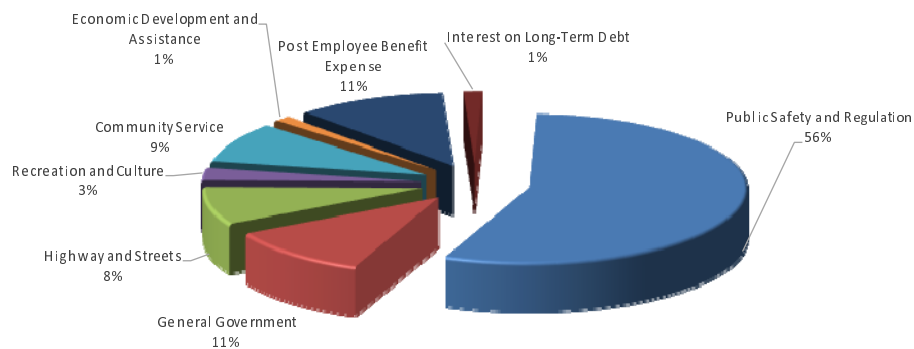
	<u>2017</u>	<u>2016</u>	<u>Increase/ (Decrease)</u>
Total assets and deferred outflows of resources	\$ 184.3	\$ 162.0	\$ 22.3
Total liabilities and deferred inflows of resources	<u>77.8</u>	<u>67.3</u>	<u>10.5</u>
Excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources	106.5	94.7	11.8
Net invested in capital assets	64.5	50.8	13.7
Restricted for debt service and program activities	1.3	1.2	0.1
Unrestricted	<u>40.7</u>	<u>42.7</u>	<u>(2.0)</u>
Total Net Position	<u>\$ 106.5</u>	<u>\$ 94.7</u>	<u>\$ 11.8</u>

Statement of Activities

The *Statement of Activities*: The Statement of Activities describes the cost of the major governmental functions and compares the costs of these functions with revenue attributable to these activities.

Governmental Activities - Expenses (in Millions)				
Governmental Functions	2017	2016	Increase/ (Decrease)	% of Change
Public Safety and Regulation	\$ 110.8	\$ 101.4	\$ 9.4	9%
General Government	21.5	28.7	(7.2)	-25%
Highway and Streets	16.4	14.5	1.9	13%
Recreation and Culture	5.4	5.0	0.4	8%
Community Service	17.6	15.6	2.0	13%
Economic Development and Assistance	2.4	2.6	(0.2)	-8%
Post Employee Benefit Expense	22.2	22.0	0.2	1%
Interest on Long-Term Debt	2.8	2.5	0.3	12%
Total	\$ 199.1	\$ 192.3	\$ 6.8	4%

Functional Expenses – Primary Government



Public Safety accounts for 56 percent of expenses, while General Government is at 11 percent and Community Services accounts for 9 percent. Post-Employment Benefits, which consist of retiree health care costs as well as the accrued liability for health care costs for active employees upon retirement, accounts for 11 percent of expenses.

Expenses increased from 2016 by \$6.8 million.

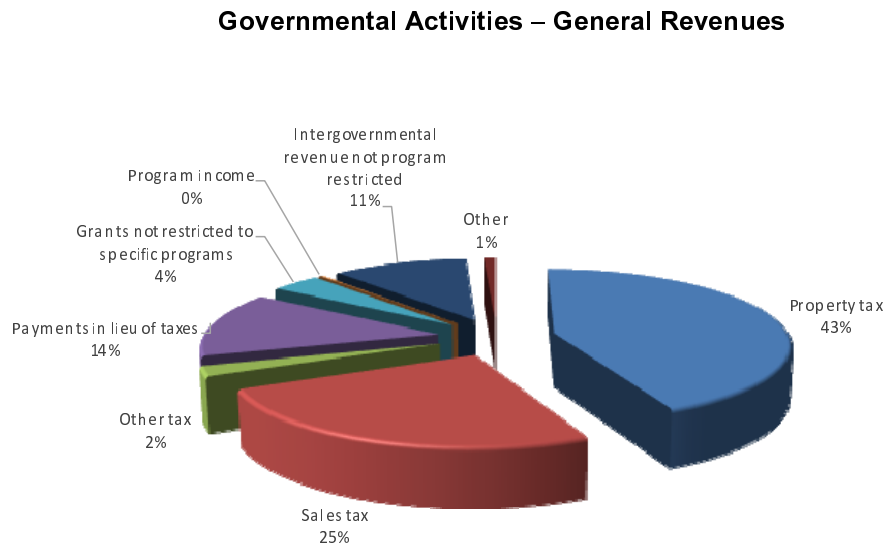
Public Safety and Regulation expenses of \$110.8 million increased by \$9.4 million and are offset by \$15.4 million in charges for services and operating grants SAFER grant, police court security, urban security, truancy, and motor vehicle theft prevention programs. General Government expenses of \$21.5 million decreased by \$7.2 million and are offset by \$2.8 million in charges for services most of which came from permit, license and inspection fees. General Government expenses are also offset by \$12.6 million most of this is the result of the first Capital City Funding revenue received from the State of New York. Highway and Streets expenses of \$16.4 million increased by \$1.9 million are offset \$1.9 million in charges for services and \$5.3 million in capital grants and contributions. Post-Employment benefit expenses \$22.2 million increased by \$0.2 million. Community Service expenses of \$17.6 million increased by \$2.0 million and are offset by \$3.4 million in grants related to the Albany Community Development Agency and \$8.1 million in charges for services, the largest part of which is revenue generated from private companies and other localities who use the city-owned regional landfill. Interest on long-term debt \$2.8 million increased by \$0.3 million. Some of this increase is related to refinancing of prior debt.

Revenues decreased from 2016 by \$14.9 million.

Total general revenues (\$132.9 million) decreased by \$14.9 million. Payments in lieu of taxes (\$18.5 million) decreased by \$14.0 million primarily from a one-time increase in 2016 to the 19a payment from the State of New York. The decrease in 19a funds resulted in most of the year to year decrease in total revenue. Program income (\$0.2 million) also decreased by \$4.1 million. Most of the other revenue categories increased from 2016. Property taxes (\$57.4 million) increased by \$1.1 million, sales tax revenue (\$33.3 million) increased by \$0.2 million. Grants not restricted to specific programs (\$5.2 million) increased by \$0.7 million. Other revenue (\$1.2 million) increased by \$1.0 million.

Governmental Activities - General Revenues				
<i>(in Millions)</i>				
<u>Revenues</u>	<u>2017</u>	<u>2016</u>	<u>Increase/ (Decrease)</u>	<u>% of Change</u>
Property tax	\$ 57.4	\$ 56.3	\$ 1.1	2%
Sales tax	33.3	33.2	0.2	1%
Other tax	2.8	2.8	0.1	3%
Payments in lieu of taxes	18.5	32.4	(14.0)	-43%
Grants not restricted to specific programs	5.2	4.5	0.7	16%
Program income	0.2	4.3	(4.1)	-95%
Intergovernmental revenue not program restricted	14.2	14.1	0.1	1%
Other	1.2	0.2	1.0	500%
Total General Revenues	\$ 132.9	\$ 147.8	\$ (14.9)	-10%

The following chart indicates the relative percentages of general revenues:



Component Units

Revenues of the Component Units totaled \$48.2 million, which is a decrease of \$2.5 million from 2016. The overall expenses of the Component Units totaled \$42.5 million - an increase of \$1.4 million. The Water Board/Water Authority accounts for the majority of the overall revenues and expenses among the component units. The following is a summary of the relative revenues and expenses of the component units, which excludes the Albany Community Development Agency because it is a blended component unit and is therefore included with the Primary Government in the *Statement of Activities*. The Capitalize Albany Corporation conducted a component unit status review and it was determined it is no longer a component unit of the City effective January 1, 2015.

The following table indicates the relative value of revenues for the component units:

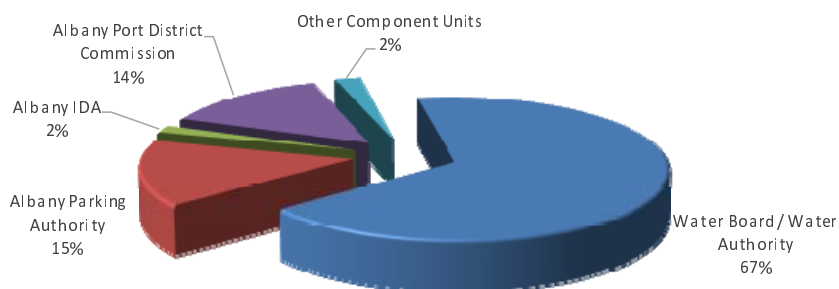
Component Units - Revenues				
<i>(in Millions)</i>				
Component Units	2017	2016	Increase / (Decrease)	% of Change
Water Board / Water Authority	\$ 33.1	\$ 37.4	\$ (4.3)	-11%
Albany Parking Authority	7.6	7.3	0.3	4%
Albany IDA	0.7	0.2	0.5	250%
Albany Port District Commission	5.7	5.0	0.7	14%
Other Component Units	1.1	0.8	0.3	38%
Total	\$ 48.2	\$ 50.7	\$ (2.5)	-5%

The following table indicates the relative value of expenses (including depreciation) for the component units:

Component Units - Expenses				
<i>(in Millions)</i>				
Component Units	2017	2016	Increase / (Decrease)	% of Change
Water Board / Water Authority	\$ 28.6	\$ 27.3	\$ 1.3	5%
Albany Parking Authority	6.3	5.8	0.5	9%
Albany IDA	0.7	0.7	-	0%
Albany Port District Commission	6.0	6.0	-	0%
Other Component Units	0.9	1.3	(0.4)	-31%
Total	\$ 42.5	\$ 41.1	\$ 1.4	3%

The following chart indicates the relative percentage of expenses (including depreciation) for the Component units.

Component Units – 2017 Expenses



Governmental Funds Financial Statements

Governmental Funds Balance Sheet

Assets increased by \$12.1 million with the largest increase (\$3.2 million) in cash and cash equivalents as a result of a delay in payment of PILOT money due to the City School District and the County which was not paid until early in 2018. Overall there were many large variances year over year which resulted in an increase in the total assets. These variances were explained previously in the Statement of Net Position.

Total liabilities and deferred inflows of resources increased by \$20.9 million due mostly to an increase of \$5.7 million in bond and revenue anticipation notes payable from issuing additional bond anticipation notes for capital projects. Accounts payable and accrued expenses increased \$1.7 million from a higher volume of invoices received by year end. Due to other governments increased \$7.3 million as a result of timing differences in paying PILOTs to the City School District and the County after the end of 2017.

The City's fund balance is classified as: non-spendable, restricted, committed, assigned and unassigned. The City's General Fund Balance at year-end was \$10.9 million. The non-spendable portion consists of \$3.4 million in prepayments, primarily to the state retirement plan. The restricted fund balance includes \$0.8 million for debt service, \$0.9 million for landfill post closure expenses and \$0.4 million for the solid waste management facility. There is no assigned fund balance to be appropriated to the 2018 budget. The unassigned general fund balance totals a surplus of \$5.3 million.

Governmental Funds - Balance Sheet

	<u>2017</u>	<u>2016</u>	<u>Increase / (Decrease)</u>
Total assets and deferred outflows of resources	\$ 106.1	\$ 94.0	\$ 12.1
Total liabilities and deferred inflows of resources	111.1	90.2	20.9
Total fund balance (deficiency)	<u>\$ (5.0)</u>	<u>\$ 3.8</u>	<u>\$ (8.8)</u>

Combined Statement of Revenue and Expenditures -- Budget to Actual

CITY OF ALBANY, NEW YORK								
COMBINED STATEMENT OF REVENUES, EXPENDITURES, MODIFIED BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS (in Millions)								
	General Fund				Special Revenue Fund			
	Original Budget	Modified Budget	Actual	Actual Over/ (Under) Final Budget	Original Budget	Modified Budget	Actual	Actual Over/ (Under) Final Budget
REVENUES								
Real property taxes	\$ 57.7	\$ 57.7	\$ 57.4	\$ (0.3)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Sales and use taxes	34.1	34.1	33.3	(0.8)	0.0	0.0	0.0	0.0
Other taxes	3.0	3.0	2.8	(0.2)	0.0	0.0	0.0	0.0
Payments in lieu of taxes	20.4	20.4	18.5	(1.9)	0.0	0.0	0.0	0.0
Intergovernmental revenue	33.4	34.3	33.2	(1.1)	2.6	2.6	2.1	(0.5)
Charges for services	12.9	12.9	12.2	(0.7)	0.0	0.0	0.0	0.0
Fines, interest and penalties	5.2	5.2	4.7	(0.5)	0.0	0.0	0.0	0.0
Use of money and properties	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Licenses and permits	3.5	5.2	5.0	(0.2)	0.0	0.0	0.0	0.0
Other revenues	2.2	2.4	3.1	0.7	0.0	0.0	0.0	0.0
Total revenues	172.5	175.4	170.4	(5.0)	2.6	2.6	2.1	(0.5)
EXPENDITURES								
Public safety and regulation	92.7	96.7	97.1	0.4	0.0	0.0	0.0	0.0
General government	22.2	21.3	18.9	(2.4)	0.0	0.0	0.0	0.0
Highways and streets	8.7	8.7	8.7	(0.0)	0.0	0.0	0.0	0.0
Recreation and culture	4.2	4.2	4.2	(0.0)	0.0	0.0	0.0	0.0
Community service	7.0	7.1	6.6	(0.5)	0.0	0.0	0.0	0.0
Economic development and assistance	0.0	0.0	0.0	0.0	2.6	2.6	2.1	(0.5)
Employee benefits	15.9	15.6	15.4	(0.2)	0.0	0.0	0.0	0.0
Debt service	21.8	21.8	18.5	(3.3)	0.0	0.0	0.0	0.0
Total expenditures	172.5	175.4	169.4	(6.0)	2.6	2.6	2.1	(0.5)
Excess (deficiency) of revenues and appropriated fund balance over expenditures	(0.0)	0.0	1.0	1.0	0.0	0.0	(0.0)	(0.0)
OTHER FINANCING SOURCES (USES)								
Transfers	0.0	0.0	(3.2)	(3.2)	0.0	0.0	0.0	0.0
Total other financing sources (uses)	0.0	0.0	(3.2)	(3.2)	0.0	0.0	0.0	0.0
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	\$ (0.0)	\$ 0.0	\$ (2.2)	\$ (2.2)	\$ 0.0	\$ 0.0	\$ (0.0)	\$ (0.0)

The City's budget, which is effective on January 1st, is proposed by the Mayor prior to October 1st and is enacted by the Common Council by November 30th. This is the *Original Budget*. Changes to the budget throughout the year are made by the Board of Estimate and Apportionment, composed of the Mayor, the Treasurer, the Chief City Auditor, the President of the Common Council, and the Corporation Counsel. This is the *Modified Budget*. *Actual* reflects the operational results, including any audit adjustments. In this analysis actual is compared to final budget.

Revenues

General Fund revenues (excluding other financing sources) totaled \$170.4 million, which were \$5.0 million less than the final adopted budget and \$1.7 million less than 2016. The most significant variances in revenue include the following:

Real property taxes were under budget by \$0.3 million which is the result of paying more in Supreme Court Orders. The total revenue was \$1.1 million higher than 2016 as a result of the expansion of the tax base.

Sales and use taxes revenue was \$0.8 million under budget however it was \$0.1 million higher than 2016, which reflects some improvement in county-wide economic activity.

Other taxes were \$0.2 million under budget. Other tax revenue ended the year the same as 2016. This category includes penalties on property taxes, utility gross receipts taxes and franchise fees.

Payments in lieu of taxes finished the year lower than budget by \$1.9 million and \$13.9 million less than 2016. The decrease in revenue is the result of the State of New York paying the City an additional one-time payment of \$12.5 million in 19a funds last year. This category was below budget as a result of not receiving payments from some voluntary PILOTS.

Intergovernmental revenue was \$1.1 million lower than budget but was \$13.4 million more than 2016. The increase is primarily from receiving \$12.5 million in a first time payment of Capital City Funding from the State of New York in 2017.

Charges for services were \$0.7 million below budget and \$3.8 million less than 2016. Most of this decrease is related to lower landfill revenues which were anticipated in the budget.

Fines, interest and penalties ended the year \$0.5 million under budget. Most of this is related to traffic violation fines that were lower by \$0.3 million.

Use of money and properties was even with the budget but ended the year \$0.1 higher than 2016. Vehicle and equipment auction proceeds and interest income increased slightly.

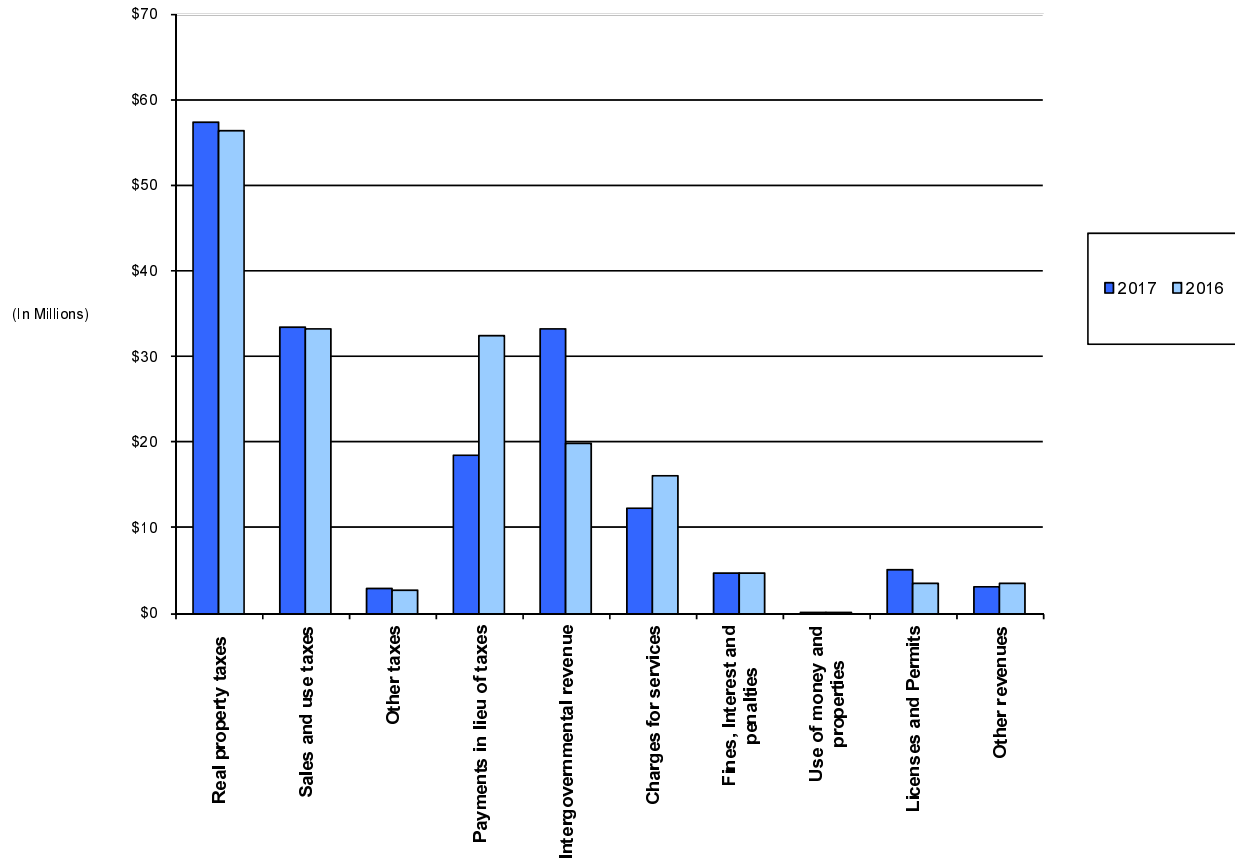
Licenses and permits finished the year \$0.2 million under budget however it was \$1.6 million higher than 2016. Revenues from demolition charges, street opening permits and electrical permits were higher than last year.

Other revenues were \$0.7 million over budget although they were \$0.4 million lower than 2016. Most of the revenue in this category is derived from grants and the timing and amounts received vary from year to year.

Governmental Funds - General Fund Revenues 2017 to 2016 Variance (In Millions)

<u>Revenues</u>	<u>2017</u>	<u>2016</u>	<u>2017 Over/(Under) 2016</u>
Real property taxes	\$ 57.4	\$ 56.3	\$ 1.1
Sales and use taxes	33.3	33.2	0.1
Other taxes	2.8	2.8	(0.0)
Payments in lieu of taxes	18.5	32.4	(13.9)
Intergovernmental revenue	33.2	19.8	13.4
Charges for services	12.2	16.0	(3.8)
Fines, interest and penalties	4.7	4.6	0.1
Use of money and properties	0.2	0.1	(0.1)
Licenses and permits	5.0	3.4	1.6
Other revenues	3.1	3.5	(0.4)
Total revenues	<u>\$ 170.4</u>	<u>\$ 172.1</u>	<u>\$ (1.7)</u>

Governmental Funds – General Fund Revenues 2017 to 2016 Variance



Expenses

Total expenditures of \$169.4 million were \$6.0 million less than the final budget and \$7.6 million higher than 2016.

Public safety and regulation spending (\$97.1 million) was \$0.4 million higher than the final budget and was \$5.2 million more than 2016. The increase is mostly related to police department and fire department salary increases and increases in overtime expenses for these departments.

General government spending (\$18.9 million) was \$2.4 million less than final budget but ended the year \$0.2 million higher than 2016. Judgements and claims expense was \$0.1 million under budget for the year. Gasoline expense and motor vehicle repair expenses when combined came under budget by \$0.2 million under budget for 2016. Most of the departments in this category came in at or below budget in salary expense and operational expenses which provided the most of the savings.

Highway and streets spending (\$8.7 million) was even with the budget for 2017. Actual expenses were \$0.6 million more than 2016. In the early months of 2017 snow storms increased snow removal supplies and expenses by \$0.3 million. Salary and overtime expenses which were related to snow removal increased by \$0.2 million in 2017.

Recreation and culture spending (\$4.2 million) was even with the budget but \$0.4 million more than 2016. Recreation programs which include the summer youth program, boxing, swimming pools and Bleecker Stadium combines for an increase of \$0.4 million.

Community service spending (\$6.6 million) was \$0.5 million less than final budget and \$0.2 million lower than 2016. Landfill waste collection and recycling expenses and landfill disposal expenses were under budget and decreased by \$0.3 million from 2016.

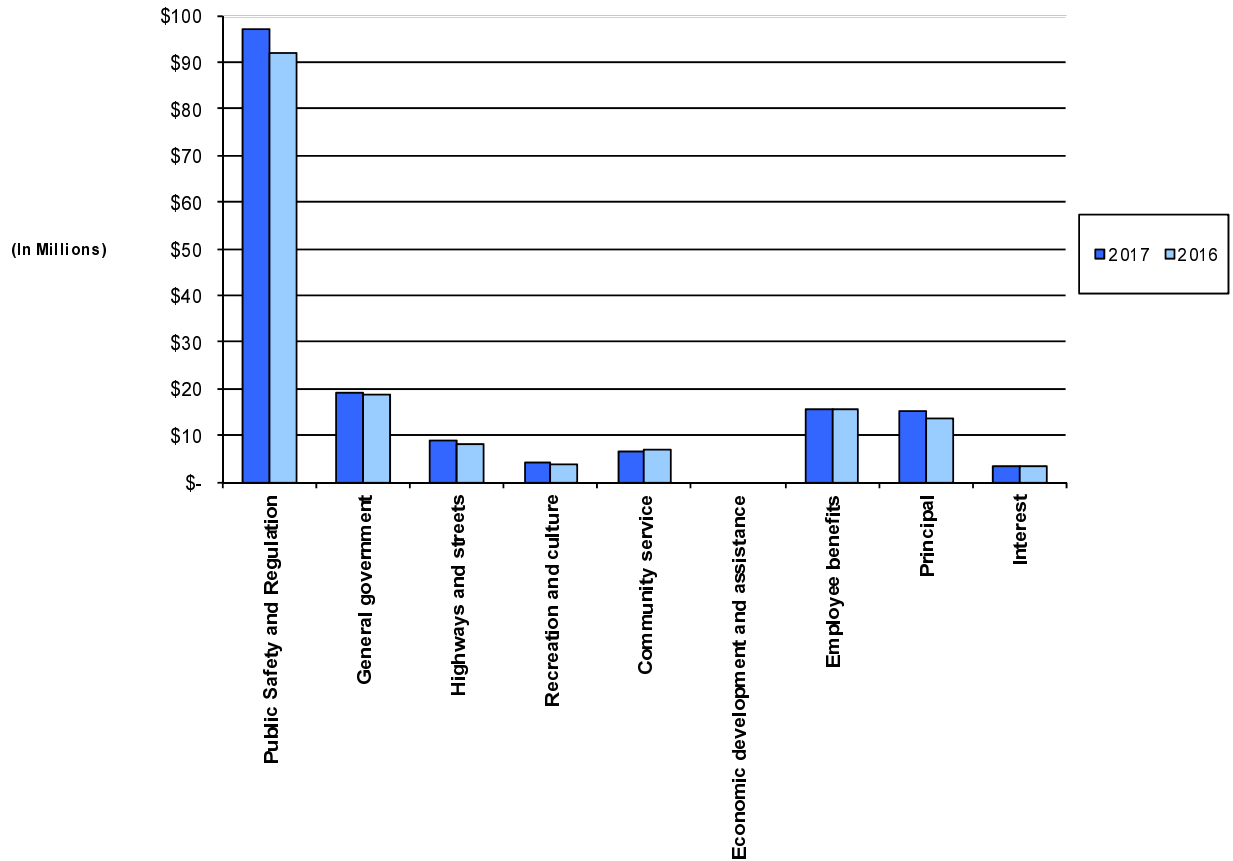
Employee benefits expense (\$15.4 million) was \$0.2 million under budget and \$0.2 million lower when compared to last year. Retiree health insurance expense was \$9.4 million and under budget by \$0.1 million. The City is self-insured and pays the actual claims for employees in the Empire Blue Cross plan. These expenses can vary widely from year to year. Actual expenses related to these claims resulted in a decrease of \$0.1 million in costs from 2016. NYS Retirement expenses were just under budget by \$0.1 million and lower by \$0.2 million from last year. Worker's compensation expenses came in over budget by \$0.1 million but actual expenses increased by \$0.8 million for 2017.

Debt service payments (\$18.5 million) was \$3.3 million below budget but \$1.5 million more than 2016. The increase is the result of making the first payments of the bonds issued in 2016 this year.

**Governmental Funds - General Fund Expense 2017 to 2016 Variance
(In Millions)**

<u>Expenditures</u>	<u>2017</u>	<u>2016</u>	<u>2017 Over/(Under) 2016</u>
Public safety and regulation	\$ 97.1	\$ 91.9	\$ 5.2
General government	18.9	18.7	0.2
Highways and streets	8.7	8.1	0.6
Recreation and culture	4.2	3.8	0.4
Community service	6.6	6.8	(0.2)
Economic development and assistance	0.0	0.0	0.0
Employee benefits	15.4	15.6	(0.2)
Principal	15.1	13.4	1.7
Interest	3.4	3.5	(0.2)
Total expenditures	<u>\$ 169.4</u>	<u>\$ 161.8</u>	<u>\$ 7.6</u>
Excess of operating revenues over expenditures	<u>\$ 1.0</u>	<u>\$ 10.3</u>	<u>\$ (9.3)</u>

General Government – General Fund Expenditures 2017 to 2016 Variance



DEBT

The City's long-term debt and short-term debt are described in detail in Notes 12-13.

In June 2017, the City issued various BANS of \$44,596,417 at an interest rate of 1.19%.

The proceeds of the notes, along with available funds were used to redeem a portion of the \$38,846,812 BANS issued in June 30, 2016 and matured on June 30, 2017 and to provide new funds for the expenses of current capital projects including the landfill expansion.

Capital Leases

The City entered into no new capital lease agreements in 2017.

Debt Ceiling

Of the outstanding indebtedness, approximately \$102,226,000 was subject to the statutory debt limit, using approximately 30% of the City's \$335,487,438 statutory debt limit.

CREDIT RATINGS AND BOND INSURANCE

Standard and Poor's latest rating for the bonds is A+ (with a stable outlook). All outstanding debt is backed by insurance policies from municipal insurance companies except issues secured through the New York State Environmental Facilities Corporation (EFC).

CAPITAL ACQUISITION AND CONSTRUCTION ACTIVITIES

During 2017, the City expended \$16.6 million on capital projects and acquisitions. This includes the landfill expansion and Federal and State funds for transportation and infrastructure projects, funds secured through General Obligation Bonds and Bond Anticipation Notes, and appropriations from the City's General Fund. The following are some of the major sources of capital expenditures:

Capital Acquisition, Construction and Expenditures	
Buildings and Infrastructure Improvements	\$ 1.3 Million
Street and Sidewalk Construction	\$ 7.5 Million
Recreation	\$ 1.2 Million
Vehicles and Equipment	\$ 0.8 Million
Landfill Equipment and Expansion	\$ 0.7 Million
Public Safety Equipment	\$ 3.7 Million
Local Economic Development	\$ 1.4 Million

This Annual Financial Report is intended to provide information on the City of Albany's operations and is available to all with an interest in the financial matters related to the City of Albany, New York. Questions concerning any of the information provided in this report or any request for additional information should be either in writing or by e-mail.

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CITY OF ALBANY, NEW YORK
STATEMENT OF NET POSITION
December 31, 2017

	<u>Primary Government</u>	<u>Component Units</u>
ASSETS		
Cash and cash equivalents	\$ 48,027,028	\$ 13,833,072
Cash and cash equivalents - restricted	1,891,996	14,599,909
Investments	-	23,153,538
Investments, restricted	-	4,439,477
Taxes receivable	4,044,679	-
Accounts receivable, net	5,779,796	13,593,336
Mortgage loans receivable	5,052,753	131,970
Grant receivable	-	95,835
Due from primary government	-	4,245,051
Due from other governments	17,082,584	-
Due from component units	11,394,129	-
Prepaid and other assets	1,000,314	1,373,218
Property held for investment, lease or sale	522,913	-
Capital assets, net	<u>214,986,787</u>	<u>107,647,469</u>
Total assets	<u>309,782,979</u>	<u>183,112,875</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows resulting from refunding of debt, net	588,911	203,155
Deferred bond insurance premiums, net	-	105,127
Deferred outflows related to net pension liability	<u>44,232,639</u>	<u>871,922</u>
Total deferred outflows of resources	<u>44,821,550</u>	<u>1,180,204</u>
LIABILITIES		
Accounts payable and accrued expenses	12,744,237	7,566,947
Accrued interest payable	419,762	280,424
Unearned revenue	6,197,424	167,330
Due to other governments	23,812,049	-
Due to primary government	-	154,133
Due to component units	12,307,289	-
Other liabilities	810,510	131,812
Bond and revenue anticipation notes payable	44,596,417	-
Bonds and loans payable	59,301,203	62,201,462
Accrued post employment benefit obligation	97,226,838	5,217,530
Net pension liability	40,831,070	951,799
Compensated absences	20,918,408	-
Due to NYS Retirement System	13,037,137	-
Judgments and claims	17,895,464	-
Landfill post-closure costs	9,323,017	-
Retainage payable on long-term contracts	54,999	-
Capital lease obligations	<u>160,000</u>	<u>631,101</u>
Total liabilities	<u>359,635,824</u>	<u>77,302,538</u>
DEFERRED INFLOWS OF RESOURCES		
Grant advances	-	169,645
Deferred inflows related to net pension liability	11,353,445	197,081
Deferred inflows related to sales of future revenue	-	84,384
Deferred inflows related to property taxes received in advance	<u>2,241,477</u>	<u>-</u>
Total deferred inflows of resources	<u>13,594,922</u>	<u>451,110</u>
NET POSITION		
Net invested in capital assets	156,048,497	64,537,884
Restricted for:		
Program specific activities	434,703	1,325,677
Debt service	899,654	-
Unrestricted (deficiency)	<u>(176,009,071)</u>	<u>40,675,870</u>
Total net position (deficiency)	<u>\$ (18,626,217)</u>	<u>\$ 106,539,431</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
					Primary Government	Component Units
Primary Government:						
Public safety and regulation	\$ 110,835,479	\$ 11,729,003	\$ 3,668,298	\$ -	\$ (95,438,178)	\$ -
General government	21,467,318	2,761,403	12,568,443	-	(6,137,472)	-
Highways and streets	16,409,058	1,975,858	-	5,326,040	(9,107,160)	-
Recreation and culture	5,399,151	1,473,968	-	1,410,219	(2,514,964)	-
Community service	17,642,467	8,067,686	3,480,225	-	(6,094,556)	-
Economic development and assistance	2,409,970	-	-	-	(2,409,970)	-
Post employment benefit expense	22,239,928	-	-	-	(22,239,928)	-
Interest on long-term debt	2,746,486	-	-	-	(2,746,486)	-
Total governmental activities	<u>199,149,857</u>	<u>26,007,918</u>	<u>19,716,966</u>	<u>6,736,259</u>	<u>(146,688,714)</u>	<u>-</u>
Component Units:						
Albany Water Board and Municipal Water Finance Authority	29,891,711	33,126,630	1,718,407	-	-	4,953,326
Albany Parking Authority	7,146,974	7,593,984	-	-	-	447,010
Albany Industrial Development Agency	678,779	703,885	-	-	-	25,106
Albany Port District Commission	6,287,930	5,722,772	7,836,141	-	-	7,270,983
Other component units	949,332	1,078,081	-	-	-	128,749
Total component units	<u>\$ 44,954,726</u>	<u>\$ 48,225,352</u>	<u>\$ 9,554,548</u>	<u>\$ -</u>	<u>-</u>	<u>12,825,174</u>
General Revenues:						
Property tax					57,422,204	-
Sales tax					33,349,774	-
Other tax					2,841,731	-
Payments in lieu of taxes					18,479,096	-
Grants not restricted to specific programs					5,184,904	-
Program income					182,378	-
Intergovernmental revenue not program-restricted					14,197,947	-
Gain on sale of capital assets					45,533	3,388
Other revenues					1,137,503	-
Unrestricted investment earnings					39,960	559,139
Total general revenues					<u>132,881,030</u>	<u>562,527</u>
Change in net position					<u>(13,807,684)</u>	<u>13,387,701</u>
Net position (deficiency), beginning of year, as previously reported					(4,818,533)	94,737,844
Cumulative effect of adjustments relating to prior periods					-	(1,586,114)
Net position (deficiency), beginning of year, adjusted					<u>(4,818,533)</u>	<u>93,151,730</u>
Net position (deficiency), end of year					<u>\$ (18,626,217)</u>	<u>\$ 106,539,431</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2017

	General	Special Revenue	Capital Projects	Other Governmental Fund	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Cash and cash equivalents	\$ 14,345,900	\$ 402,906	\$ 28,992,766	\$ 4,285,456	\$ 48,027,028
Cash and cash equivalents - restricted	1,891,996	-	-	-	1,891,996
Taxes receivable	4,044,679	-	-	-	4,044,679
Accounts receivable, net	5,319,024	-	39,300	-	5,358,324
Landfill receivable, net	421,472	-	-	-	421,472
Mortgage loans receivable	-	-	-	5,052,753	5,052,753
Due from other funds	8,447,353	-	-	9,965	8,457,318
Due from component units	11,394,129	-	-	-	11,394,129
Due from federal and state governments	2,308,730	32,916	2,911,607	1,918,634	7,171,887
Due from other governments	9,585,113	25,584	300,000	-	9,910,697
Other assets	3,387,268	40,954	-	984,298	4,412,520
Total assets	<u>61,145,664</u>	<u>502,360</u>	<u>32,243,673</u>	<u>12,251,106</u>	<u>106,142,803</u>
Deferred outflows of resources					
Total assets plus deferred outflows of resources	<u>\$ 61,145,664</u>	<u>\$ 502,360</u>	<u>\$ 32,243,673</u>	<u>\$ 12,251,106</u>	<u>\$ 106,142,803</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Bond and revenue anticipation notes payable	\$ -	\$ -	\$ 44,596,417	\$ -	\$ 44,596,417
Accounts payable and accrued expenses	8,859,473	66,690	2,564,625	1,253,449	12,744,237
Due to other funds	2,053,468	648,820	5,019,860	735,170	8,457,318
Due to component units	12,307,289	-	-	-	12,307,289
Due to other governments	23,812,049	-	-	-	23,812,049
Unearned revenue	136,083	210,391	-	5,850,950	6,197,424
Other liabilities	793,470	-	-	17,040	810,510
Total liabilities	<u>47,961,832</u>	<u>925,901</u>	<u>52,180,902</u>	<u>7,856,609</u>	<u>108,925,244</u>
Deferred inflows of resources					
Total liabilities, deferred inflows of resources and fund balances	<u>2,241,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,241,477</u>
Fund Balances					
Nonspendable:					
Prepayments	3,371,252	40,954	-	2,878	3,415,084
Restricted for:					
Debt Service	899,654	-	-	-	899,654
Landfill Postclosure	916,264	-	-	-	916,264
Solid Waste Management Facility	434,703	-	-	-	434,703
Committed for:					
Choose Albany Program	-	-	-	83,112	83,112
Neighborhood Commercial Façade Program	-	-	-	166,089	166,089
West Hill Neighborhood Strategic Plan	-	-	-	35,000	35,000
Dream Center	-	-	-	11,800	11,800
Vacant Buildings	-	-	-	996,245	996,245
Rehabilitation Assistance Program	-	-	-	282,400	282,400
Land Bank	-	-	-	50,000	50,000
Assigned for:					
Other purposes	-	-	-	2,766,973	2,766,973
Unassigned balances (deficiency):	5,320,482	(464,495)	(19,937,229)	-	(15,081,242)
Total fund balances (deficiency)	<u>10,942,355</u>	<u>(423,541)</u>	<u>(19,937,229)</u>	<u>4,394,497</u>	<u>(5,023,918)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 61,145,664</u>	<u>\$ 502,360</u>	<u>\$ 32,243,673</u>	<u>\$ 12,251,106</u>	<u>\$ 106,142,803</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes	\$ 57,422,204	\$ -	\$ -	\$ -	\$ 57,422,204
Sales and use taxes	33,349,774	-	-	-	33,349,774
Other taxes	2,841,731	-	-	-	2,841,731
Payments in lieu of taxes	18,479,096	-	-	-	18,479,096
Intergovernmental revenue	33,216,263	2,075,615	6,736,259	5,896,410	47,924,547
Charges for services	12,202,411	-	-	182,378	12,384,789
Fines, interest and penalties	4,671,791	-	-	-	4,671,791
Uses of money and properties	167,136	-	-	-	167,136
License and permits	5,011,325	-	-	-	5,011,325
Other revenues	3,094,297	-	-	3,535	3,097,832
Total revenues	<u>170,456,028</u>	<u>2,075,615</u>	<u>6,736,259</u>	<u>6,082,323</u>	<u>185,350,225</u>
EXPENDITURES					
Public safety and regulation	97,114,365	-	2,702,482	-	99,816,847
General government	18,900,908	-	3,579,106	-	22,480,014
Highways and streets	8,673,161	-	6,401,347	-	15,074,508
Recreation and culture	4,174,837	-	1,280,609	-	5,455,446
Community service	6,589,861	-	750,685	6,215,593	13,556,139
Economic development and assistance	-	2,132,134	1,404,348	-	3,536,482
Employee benefits	15,418,935	-	-	-	15,418,935
Debt service:					
Principal	15,094,579	-	-	234,610	15,329,189
Interest	3,465,512	-	-	31,948	3,497,460
Total expenditures	<u>169,432,158</u>	<u>2,132,134</u>	<u>16,118,577</u>	<u>6,482,151</u>	<u>194,165,020</u>
Excess (deficiency) of revenues over expenditures	<u>1,023,870</u>	<u>(56,519)</u>	<u>(9,382,318)</u>	<u>(399,828)</u>	<u>(8,814,795)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	50,640	-	3,258,700	-	3,309,340
Transfers out	(3,258,700)	-	(50,640)	-	(3,309,340)
Total other financing sources (uses)	<u>(3,208,060)</u>	<u>-</u>	<u>3,208,060</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(2,184,190)	(56,519)	(6,174,258)	(399,828)	(8,814,795)
FUND BALANCE (DEFICIENCY), beginning of year	<u>13,126,545</u>	<u>(367,022)</u>	<u>(13,762,971)</u>	<u>4,794,325</u>	<u>3,790,877</u>
FUND BALANCE (DEFICIENCY), ending	<u>\$ 10,942,355</u>	<u>\$ (423,541)</u>	<u>\$ (19,937,229)</u>	<u>\$ 4,394,497</u>	<u>\$ (5,023,918)</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET POSITION
December 31, 2017

Total fund balance (deficiency) - governmental funds \$ (5,023,918)

Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Property held for sale	522,913	
Cost of capital assets	522,584,820	
Accumulated depreciation	<u>(307,598,033)</u>	215,509,700

Long-term liabilities, including bonds payable, that are not due and payable in the current period are not reported as liabilities in the funds. Long-term liabilities not due and payable at year end consist of:

Bonds and loans payable	(57,976,247)	
Bond Premium	(1,324,956)	
Deferred outflow relating to bond refunding	588,911	
Due to NYS Retirement System	(13,037,137)	
Net pension liability	(40,831,070)	
Accrued post employment benefit obligation	(97,226,838)	
Accrued interest on bonds	(419,762)	
Compensated absences	(20,918,408)	
Landfill closure and postclosure obligation	(9,323,017)	
Retainage payable on long-term contracts	(54,999)	
Capital lease obligations	(160,000)	
Judgments and claims	<u>(17,895,464)</u>	(258,578,987)

Interest payments on long-term liabilities, that are not due and payable in the current period, are recorded in the funds as prepaid expenses, however are not reported as assets in the statement of net position. Prepaid expenses relating to net pension liability are recorded in the funds, however are included in deferred outflows of resources in the statement of net position. Deferred outflows and inflows of resources related to net pension liability are not recorded in the funds.

Prepaid expenses	(3,412,206)	
Deferred outflows and inflows	<u>32,879,194</u>	<u>29,466,988</u>
Net position (deficiency) of governmental activities		<u><u>\$ (18,626,217)</u></u>

CITY OF ALBANY, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Total net change in fund balance - governmental funds \$ (8,814,795)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	16,611,409	
Depreciation expense	(16,615,720)	
Loss on disposal of assets and other	<u>(8,052)</u>	(12,363)

In the statement of activities, certain operating expenses are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Thus, the change in net assets differs from the change in fund balance as follows:

Compensated absences	(2,813,234)	
Landfill closure and postclosure costs	(300,100)	
Retainage incurred in current year	(54,999)	
Retainage incurred in prior year	-	
Judgments and claims	<u>2,034,586</u>	(1,133,747)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets.

Amortization of Bond Premium	693,332	
Amortization of Deferred Outflow resulting from refunding of debt	(144,273)	
Principal repaid	<u>15,329,189</u>	15,878,248

Accrued post employment benefit obligation liability increases long-term liabilities in the statement of net assets and related expenditures in the statement of activities, but not to governmental funds. Net post employment benefit contribution is an expenditure in governmental funds, but the contribution reduces long-term liabilities in the statement of net assets. This is the amount by which accrued post employment benefit liability adjustment exceeds the contribution.

Accrued post employment benefit liability adjustment	(28,787,840)	
Post employment benefit contribution paid	<u>16,537,523</u>	(12,250,317)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

201,915

Changes in prepaids, accrued liabilities, deferred inflows and outflows of resources related to net pension liability

(7,676,625)

Change in net position of governmental activities

\$ (13,807,684)

CITY OF ALBANY, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
December 31, 2017

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 529,335
Cash and equivalents - restricted	1,478,973
Accounts receivable	21,206
Due from other funds	-
Total assets	<u>2,029,514</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>-</u>
 LIABILITIES	
Accounts payable	7,715
Seized forfeitures	1,478,973
Due to other funds	-
Other liabilities	542,826
Total liabilities	<u>2,029,514</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>-</u>
 NET POSITION	 <u><u>\$ -</u></u>

See notes to financial statements.

CITY OF ALBANY
COMBINING STATEMENT OF NET POSITION – DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2017

	Albany Water Board and Municipal Water Finance Authority	Albany Parking Authority	City of Albany Industrial Development Agency	Albany Port District Commission	Other Component Units	Totals
ASSETS						
Cash and cash equivalents	\$ 5,330,278	\$ 1,107,204	\$ 1,874,123	\$ 4,804,608	\$ 716,859	\$ 13,833,072
Cash and cash equivalents, restricted	10,652,943	3,946,966	-	-	-	14,599,909
Investments	19,832,835	-	-	3,320,703	-	23,153,538
Investments, restricted	4,439,477	-	-	-	-	4,439,477
Receivables, net:						
Accounts	9,004,428	25,511	51,278	4,364,132	147,987	13,593,336
Other	-	-	-	-	95,835	95,835
Mortgage loans and notes receivable	-	-	131,970	-	-	131,970
Due from primary government	4,245,051	-	-	-	-	4,245,051
Prepaid and other assets	1,070,230	68,317	-	226,316	8,355	1,373,218
Capital assets, net	43,937,221	14,337,413	-	48,953,855	418,980	107,647,469
Total assets	<u>98,512,463</u>	<u>19,485,411</u>	<u>2,057,371</u>	<u>61,669,614</u>	<u>1,388,016</u>	<u>183,112,875</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows resulting from refunding of debt, net	-	203,155	-	-	-	203,155
Deferred bond insurance premiums, net	-	105,127	-	-	-	105,127
Deferred outflows related to net pension liability	-	633,068	-	238,854	-	871,922
Total deferred outflows of resources	<u>-</u>	<u>941,350</u>	<u>-</u>	<u>238,854</u>	<u>-</u>	<u>1,180,204</u>
LIABILITIES						
Accounts payable and accrued expenses	5,286,339	292,515	97,226	1,722,011	168,856	7,566,947
Current maturities of long-term debt	3,305,000	2,225,000	-	805,266	6,527	6,341,793
OPEB obligation, current portion	-	51,786	-	77,000	-	128,786
Current installments of capital lease obligation	-	302,528	-	-	-	302,528
Accrued interest payable	-	280,424	-	-	-	280,424
Due to primary government	-	22,163	131,970	-	-	154,133
Unearned revenues	-	104,645	-	62,685	-	167,330
Other liabilities	-	-	-	127,099	4,713	131,812
OPEB obligation, net of current portion	-	2,613,272	-	2,475,472	-	5,088,744
Net pension liability	-	600,192	-	351,607	-	951,799
Capital lease obligation, less current installments	-	328,573	-	-	-	328,573
Bonds and notes payable	39,574,077	11,117,557	-	4,893,927	274,108	55,859,669
Total liabilities	<u>48,165,416</u>	<u>17,938,655</u>	<u>229,196</u>	<u>10,515,067</u>	<u>454,204</u>	<u>77,302,538</u>
DEFERRED INFLOWS OF RESOURCES						
Grant advances	169,645	-	-	-	-	169,645
Deferred inflows related to net pension liability	-	136,804	-	60,277	-	197,081
Deferred inflows related to sales of future revenues	84,384	-	-	-	-	84,384
Total deferred inflows of resources	<u>254,029</u>	<u>136,804</u>	<u>-</u>	<u>60,277</u>	<u>-</u>	<u>451,110</u>
NET POSITION						
Net invested in capital assets	15,748,733	5,534,489	-	43,254,662	-	64,537,884
Restricted	-	1,229,842	-	-	95,835	1,325,677
Unrestricted (deficit)	34,344,285	(4,413,029)	1,828,175	8,078,462	837,977	40,675,870
Total net position	<u>\$ 50,093,018</u>	<u>\$ 2,351,302</u>	<u>\$ 1,828,175</u>	<u>\$ 51,333,124</u>	<u>\$ 933,812</u>	<u>\$ 106,539,431</u>

See notes to financial statements.

CITY OF ALBANY
COMBINING STATEMENT OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2017

	Albany Water Board and Municipal Water Finance Authority	Albany Parking Authority	City of Albany Industrial Development Agency	Albany Port District Commission	Other Component Units	Totals
Operating revenue	\$ 33,126,630	\$ 7,593,984	\$ 703,885	\$ 5,722,772	\$ 1,078,081	\$ 48,225,352
Operating expenses						
Costs of services	-	3,459,552	364,387	853,374	803,448	5,480,761
Source of supply and purification	3,340,516	-	-	-	-	3,340,516
Transmission and distribution	4,506,580	-	-	-	-	4,506,580
General and administrative	5,248,311	260,799	-	3,122,869	145,754	8,777,733
Real estate taxes paid to other governments	1,978,681	-	-	-	-	1,978,681
Sewer contract	9,844,899	-	-	-	-	9,844,899
Depreciation and amortization	3,703,096	1,003,834	-	2,008,017	130	6,715,077
Grants	-	-	314,392	-	-	314,392
Miscellaneous	-	1,601,890	-	-	-	1,601,890
Total operating expenses	<u>28,622,083</u>	<u>6,326,075</u>	<u>678,779</u>	<u>5,984,260</u>	<u>949,332</u>	<u>42,560,529</u>
Excess (deficiency) of operating revenue over expenses before nonoperating revenue (expenses)	<u>4,504,547</u>	<u>1,267,909</u>	<u>25,106</u>	<u>(261,488)</u>	<u>128,749</u>	<u>5,664,823</u>
Nonoperating revenue (expenses)						
Amortization of bond insurance premiums	-	(38,704)	-	-	-	(38,704)
Decrease in fair value of investments	(127,052)	-	-	-	-	(127,052)
Interest income	479,179	39,127	10,188	30,645	-	559,139
Interest expense	(1,142,576)	(782,195)	-	(53,414)	-	(1,978,185)
Gain (loss) on sale of assets	28,162	(24,774)	-	-	-	3,388
Waterfront development expenses	-	-	-	(250,256)	-	(250,256)
Net nonoperating revenue (expenses)	<u>(762,287)</u>	<u>(806,546)</u>	<u>10,188</u>	<u>(273,025)</u>	<u>-</u>	<u>(1,831,670)</u>
Excess (deficiency) of revenue over expenses before transfers	<u>3,742,260</u>	<u>461,363</u>	<u>35,294</u>	<u>(534,513)</u>	<u>128,749</u>	<u>3,833,153</u>
Grant funding	<u>1,718,407</u>	<u>-</u>	<u>-</u>	<u>7,836,141</u>	<u>-</u>	<u>9,554,548</u>
Excess of revenue over expenses	<u>5,460,667</u>	<u>461,363</u>	<u>35,294</u>	<u>7,301,628</u>	<u>128,749</u>	<u>13,387,701</u>
NET POSITION, beginning of year, as previously reported	<u>46,244,880</u>	<u>1,889,939</u>	<u>1,792,881</u>	<u>44,031,496</u>	<u>778,648</u>	<u>94,737,844</u>
Cumulative effect of adjustments relating to prior periods	<u>(1,612,529)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,415</u>	<u>(1,586,114)</u>
NET POSITION, beginning of year, adjusted	<u>44,632,351</u>	<u>1,889,939</u>	<u>1,792,881</u>	<u>44,031,496</u>	<u>805,063</u>	<u>93,151,730</u>
NET POSITION, end of year	<u>\$ 50,093,018</u>	<u>\$ 2,351,302</u>	<u>\$ 1,828,175</u>	<u>\$ 51,333,124</u>	<u>\$ 933,812</u>	<u>\$ 106,539,431</u>

See notes to financial statements.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Albany, New York (City) was established in 1614, chartered in 1686, and is governed by a Mayor and the City's Common Council. The City, as the primary government, performs local governmental functions within its jurisdiction, including general governmental support, public safety, culture and recreation, transportation, health, and economic assistance and opportunity.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), promulgated by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing state and local governmental accounting and financial reporting principles.

In preparing financial statements in conformity with GAAP, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and accordingly data from these units are combined with the data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

The decision to include a component unit in the City's reporting entity is based on several criteria, including legal standing, fiscal dependency, financial accountability, selection of governing authority and ability to significantly influence operations. Based on the application of these criteria, the following is a brief review of significant entities considered in determining the City's reporting entity. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

The City's component units are legally separate entities that are not operating departments of the City. The component units are managed independently, largely outside the appropriated budget process, and their powers generally are vested in a governing board. The governing boards of the component units are either entirely or partially appointed by the mayor.

Substantially all of the financial data was derived from audited annual financial statements and summarized in the financial statements. Additional information about each of the component units can be obtained from their annual financial statements.

Fund Balance Classifications

Fund balances are classified as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Fund Balance Classifications (Continued)

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Common Council.

Assigned - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Common Council or through the Common Council delegating this responsibility to the Agency director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund. The Unassigned classification would also include negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Blended Component Unit

Albany Community Development Agency (ACDA or the Agency) is a public benefit corporation, established by State law and governed by a seven member Board of Directors who are City officials. The objectives of ACDA are to provide a suitable living environment and to expand economic opportunities for persons of low and moderate income within the City. ACDA has been designated by the City to undertake community development programs on behalf of the City and to administer federal community development block grant programs.

The City has the ability to significantly influence operations, select the governing board and participate in fiscal management, accordingly, ACDA is treated as a blended component unit of the City and its activities are included as a special revenue fund of the primary government and reported separately as an other governmental fund in the governmental fund statements.

Discretely Presented Component Units

The following discretely presented component units are reported in a separate column to emphasize that they are legally separate from the City:

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Albany Water Board and Albany Municipal Water Finance Authority

The City of Albany Water and Sewer System (the System) provides water supply and distribution, and the collection and disposal of sewage for the City. The System began operations in February 1988, and consists of two legally separate and independent entities, the Albany Municipal Water Finance Authority (the Authority) and the Albany Water Board (the Board).

The Authority, a public benefit corporation, was established in 1986 for the purpose of issuing revenue bonds to pay for the purchase, future improvement, and construction of the System. Among its powers, the Authority may borrow money, issue debt, and require that the Board charge and collect sufficient rates to pay the costs of operating and financing the System. The Authority consists of seven members, two members of which are appointed by the Governor of New York State and five members of which are appointed by the Mayor of the City.

The Board, a corporate municipal instrumentality, was established in 1986 with the power to set and collect water and sewer fees in the amounts sufficient to pay the debt service on the bonds of the Authority, as well as to provide for the costs of the operation and maintenance of the System. The primary responsibility of the Board is to charge, collect, and enforce rates and other charges for the System. The Board consists of five members who are appointed by the Mayor of the City.

Albany Parking Authority

The Albany Parking Authority (the Parking Authority) was established in 1982 as a public benefit corporation of the State of New York. The Authority's existence is for a period of fifteen years, and thereafter until all of its liabilities have been met, and its bonds have been discharged. All rights and properties shall pass to the City upon the cessation of the Authority's existence. The Parking Authority is authorized to construct, operate and maintain areas or places in the City for the parking or storing of motor vehicles and is governed by a Board of Directors, which consists of five members appointed by the Mayor of the City with the advice and consent of the City Common Council.

City of Albany Industrial Development Agency

The City of Albany Industrial Development Agency (IDA) is a public benefit corporation established July 1, 1983 under the mandate of Article 18-A, "New York State Industrial Development Agency Act," of New York State general municipal law.

The IDA was established to promote and assist in acquiring or constructing various business and recreational facilities and, in the process, advance the job opportunities, health, general prosperity and economic welfare of the people of the City of Albany. A function of the IDA is to authorize the issuance of industrial revenue bonds for industrial development projects. The IDA reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The IDA receives application fees from applicants and closing fees from those accepted for industrial revenue financing. The IDA is governed by a seven-member board appointed by the City Common Council.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Albany Port District Commission

The Albany Port District Commission (the Commission) was established in 1925 by Chapter 192 of the Laws of the State of New York (the State). The law, as amended through December 31, 1986, grants the Commission regulatory powers over the development and operations of the port facilities of the Albany Port District (the Port). The Commission is a public corporation with perpetual existence and has the right of eminent domain, with the power to construct, develop and operate Port facilities including a terminal railroad; to fix fees, rates, rentals and other charges for its facilities; to regulate and supervise the construction and operations of Port facilities by private enterprise; to issue bonds and notes and to do all things necessary to make the Port useful and productive.

The Laws of 1925 provide that the municipalities of Albany and Rensselaer be assessed for the Commission's deficit, if any, from operations and financing. A reapportionment determination made April 1, 1932 established the rates of 88 percent for Albany and 12 percent for Rensselaer. These rates are still in effect and although the rates are subject to change under the provisions of the law, in recent years, there have been no such changes.

Lark Street Area District Management Association, Inc.

Lark Street Area District Management Association, Inc. (Association) is a tax exempt organization organized in 1996 under the Not-for-Profit Corporation Laws of New York State. The Association was created to execute responsibilities of a Comprehensive Business Improvement District. These responsibilities include but are not limited to administration, project development, public relations and public improvements in the Lark Street business improvement district. The Association may be dissolved by legislative body with all the assets reverting back to the City.

Central District Management Association, Inc.

The Central District Management Association, Inc. doing business as the Central Business Improvement District, Inc. (CBID) is a non-profit organization formed in January 1998 under the Not-for-Profit Corporation Law of New York State. The primary purpose of the CBID is to promote the preservation and development of the Central Avenue business corridor of the City of Albany and to make the area more attractive and accessible. To this end the CBID will work to enhance the public perception of the Central Avenue business corridor through overseeing and managing the appearance, security and cleanliness of the business improvement district. The CBID may be dissolved by legislative body with all the assets reverting back to the City.

City of Albany Capital Resource Corporation

The City of Albany Capital Resource Corporation (CRC) a non-profit organization formed in April 2010 under the Not-for-Profit Corporation Law of New York State. The primary purpose of the CRC is to promote community and economic development and the creation of jobs in the non-profit and for-profit sectors for the citizens of the City of Albany by developing and providing programs for not-for-profit institutions, manufacturing and industrial businesses, and other entities to access low interest tax-exempt and non-tax-exempt financing for their eligible projects. The Directors of the CRC are appointed by the City of Albany's governing body.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The Association, CBID and CRC have been combined for financial statement reporting purposes and are reported as “other component units” in the combining statement of net position and combining statement of activities.

Downtown Albany Restoration Program, Inc.

Downtown Albany Restoration Program, Inc. d/b/a Downtown Albany Business Improvement District, Inc. (BID) is a tax-exempt organization organized in 1996 under the Not-for-Profit Corporation Law of New York State. BID was created to execute the responsibility of a comprehensive business improvement district. These responsibilities include but are not limited to administration, project development, public relations and public improvements in the downtown business improvement district. The BID may be dissolved by legislative body with all the assets reverting back to the City.

Since the most recent financial information is not available at the date of the financial statements issuance, the BID is not included in discretely presented component units in the City’s 2017 financial statements. Management believes that the impact of this omission is not material to the City’s 2017 financial statements.

Entities excluded from the reporting entity:

Albany Housing Authority

The Albany Housing Authority (Housing Authority) was established by state statute. The Mayor of the City of Albany appoints the Board of Directors of the Housing Authority; however, the City is not financially accountable for the Housing Authority, the City cannot significantly influence the activities of the Housing Authority and the Housing Authority does not provide specific financial benefits to or impose specific financial burdens on the City.

Albany City School District

The Albany City School District (the School District) operates the elementary and high schools in the City. The City is not accountable for the School District as the School District has the authority to levy taxes and School District Board members are elected officials.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The effect of interfund, but not interprimary government and component unit, transactions have generally been eliminated from these financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The City’s activities are all classified as governmental activities. The primary government is reported separately from certain legally separate component units for which the City is financially accountable.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Government-Wide and Fund Financial Statements (Continued)*

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset with program revenues. Direct expenses are those which are clearly identifiable with a specific function or activity. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements.

Major individual governmental funds are reported in separate columns in the fund financial statements.

C. *Measurement Focus, Basis of Accounting and Basis of Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the grantor have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within one year. Expenditures are generally recorded when a liability is incurred, in the same manner as accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, postemployment benefit obligations, claims and judgments and similar long-term liabilities are recorded only when payment is due.

Property taxes, sales taxes, licenses and other fees are all recognized as revenues of the current period. Special assessments are recorded as receivable and deferred revenue at the time the related project is completed and levied. Revenue is recognized as assessments become measurable and available, normally as received.

The City reports the following major governmental funds:

Governmental fund types

General Fund – The General Fund is the principal fund of the City. All financial transactions related to revenue and expenditures for delivery of those services traditionally provided by a municipal government, which are not accounted for in other funds, are accounted for in the General Fund.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Measurement Focus, Basis of Accounting and Basis of Presentation* (Continued)

Special Revenue Funds – These funds account for the proceeds of specific revenue sources (other than major capital projects that are legally restricted to expenditures for specified purposes). The following Special Revenue Funds operate within financial limits of an annual budget adopted by the City Council. Special Revenue Funds of the City include the following:

Special Grant Fund – Used to account for the use of state and federal monies received under the Workforce Investment Act.

Miscellaneous Special Revenue Fund – Principally used to account for the use of state and federal monies received under the Corporation for National and Community Services program as well as Department of Justice and other youth and recreational funds.

Capital Projects Fund – Resources used to construct or acquire capital improvements, and general fixed assets are accounted for in this fund. Resources are derived principally from proceeds of long-term debt and Federal and State aid.

Other governmental fund

Albany Community Development Agency (ACDA) is a public benefit corporation, which has been designated by the City to undertake community development programs on behalf of the City and to administer federal community development block grant programs. As previously discussed, it is accounted for as a blended component unit of the City.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided, operating grants and contributions, and capital grants and charges, including special assessments. Internally dedicated resources are reported as general revenues, which includes all taxes.

D. *Assets, Liabilities and Net Position*

Cash and Investments

The City's investment policies must comply with State statutes as well as their own written investment policy. City monies must be deposited into Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The City is authorized to use money market accounts and certificates of deposit. Permissible investments include obligations of the United States Treasurer, and United States agencies that are backed by the full faith and credit of the United States, repurchase agreements, and with the permission of the State Comptroller, obligations of New York State or its localities.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

Deposits in excess of the FDIC limits are required to be fully collateralized by obligations of New York State or Federal agencies, the principal and interest of which are guaranteed by the United States or obligations of New York State local governments. The securities are held in a separate, segregated account in the name of the financial institution for the benefit of the City.

The City considers highly liquid investments (including restricted assets) with an original maturity date of three months or less, and money market accounts to be cash equivalents.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either due to/from other funds or advances to/from other funds.

All landfill and other accounts receivable are shown net of an appropriate allowance for uncollectible accounts, where such a provision is required.

Inventories and Prepaid Items

The City does not maintain inventories of supplies and records expenditures when purchased rather than when consumed. Likewise, it records payments to vendors for prepaid expenses as expenditures when paid.

Restricted Assets

Restricted assets, which consist principally of cash and cash equivalents, are assets to be used for the reduction of future debt service payments and to provide resources to offset the costs of future capital improvements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (including roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated life of three years or more. These assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Normal maintenance and repair costs that do not add to the value of the asset or materially extend their lives are not capitalized.

Major classes of capital assets are depreciated using the straight-line method over various useful lives. Useful lives for the major classes of capital assets are summarized as follows:

Buildings, capital leases and improvements	20 - 50 years
Machinery and equipment	3 - 20 years
Infrastructure	30 years

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Assets, Liabilities and Net Position (Continued)*

Compensated Absences

Employees earn vacation and sick leave as they provide service. Pursuant to collective bargaining agreements, they may accumulate (subject to certain limitations) unused time earned and, upon retirement, termination or death, may be compensated for such accumulated time. In addition, certain employees may accumulate unused sick time earned and upon retirement, termination, or death, may be compensated for such accumulated time. The cost of accumulated vacation pay and sick time expected to be paid from future expendable resources of the Governmental Funds are accounted for as a liability in the General Long-Term Debt Account Group and recognized in the respective Governmental Funds when the expenditures are paid.

Leave paid in the current period is reported as an expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements.

Retirement Benefits

The City of Albany provides retirement benefits for its employees through contributions to the New York State Employees' Retirement System (ERS) and the New York State Police and Fire Retirement System (PFRS). These retirement programs provide various plans and options, some of which require employee contributions.

The City uses GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) to recognize the net pension asset (liability), deferred outflows and deferred inflows of resources, pension expense (benefit), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

Judgments and Claims

The liability for claims in process represents estimates for all known workers' compensation claims and probable legal settlements at year end.

Deferred Revenue

Deferred revenues principally represent unpaid loan balances resulting from various community development home loan programs operated by the City. When loan payments are received, revenue is recognized to the extent of principal received. When grant funds are reloaned, a corresponding expenditure is recorded. When the allowance for loan losses is increased, a corresponding decrease in the amount of deferred revenue is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are recognized as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, bond premiums and discounts are reported in the current period. The face amount of debt issued is reported as other financing sources. Payments on such debt are recognized as expenditures in the period made. Premiums and discounts are reported as other financing sources or use and issuance costs are reported as debt service expenditures.

E. Tax Abatements

The City has several real property tax abatement agreements with various entities that generally follow along two methods from two different enabling sources which are used for two different general purposes, with a few agreements that overlap the categories. These agreements all call for a form of Payment In Lieu of Taxes (PILOT) in return for a 100% abatement of real property taxes.

Generally the tax abatements are issued under the NYS Private Housing Finance Law (PHFL) or the City of Albany Industrial Development Agency (CAIDA), incorporated pursuant to State Law. There are also separate PILOT agreements with NYS (19-a PILOTs) that are not included for the purposes of GASB 77, *Tax Abatement Disclosures*. PILOT agreements are in place under both categories, with shelter rents (a percentage of the rents from the housing) being the predominant PILOT method for PHFL agreements, and payments of a percentage of taxable assessed value being the predominant PILOT method for IDA agreements. The PHFL properties are mostly organized under the Albany Housing Authority, which is a separate, but component unit of the City of Albany. These properties contain almost exclusively “affordable housing” units. The IDA properties are commercial properties comprised of a mix of hotel, office, retail, and both market rate and affordable apartment units.

The total assessed value of all affordable housing properties, including the IDA properties, is approximately \$390,000,000 for the Property Tax Year and approximately \$388,500,000 for the School Tax year, with taxable assessed values of approximately \$38,100,000 and \$32,200,000 respectively. The total PILOT payments on these properties to date were approximately \$550,000, \$128,000 and \$885,000 to the City, County and School Districts respectively. (Some of the shelter rents have not yet been received.) This value is an expression of what the total value of collected shelter rents would be if they were collected and apportioned as taxes. This constitutes approximately a \$5,700,000 abatement of County/City property taxes and a \$9,600,000 abatement of school taxes.

The total assessed value of Commercial (almost exclusively IDA) properties is approximately \$235,300,000 for the Property Tax Year and approximately \$261,300,000 for the School Tax Year, with taxable assessed values of approximately \$113,700,000 and \$122,600,000 respectively. The total PILOT payments on these properties to date were approximately \$1,450,000, \$385,000 and \$3,080,000 to the City, County and School Districts respectively. This constitutes approximately a \$2,200,000 abatement of County/City property taxes and a \$3,700,000 abatement of school taxes.

Copies of the agreements may be obtained from the Darius Shahinfar, Albany City Treasurer, City Hall, 24 Eagle St., Rm. 109, Albany, NY 12207, dshahinfar@albanyny.gov.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 — EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENT-WIDE STATEMENTS AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the City's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown below represent:

i. Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

ii. Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

iii. Long-term liability transaction differences:

Long-term liability transaction differences relate principally to bonds, post-employment benefits and accrued compensated absences. Both interest and principal payments on bonds and other long-term debt are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 — EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENT-WIDE STATEMENTS AND GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (Continued)

iii. Long-term liability transaction differences: (Continued)

Employees earn vacation and sick leave as they provide service. They may accumulate (subject to certain limitations) unused time earned and, upon retirement, termination or death, may be compensated for such accumulated time. The cost of vacation pay and sick time are recognized in the statement of revenues, expenditures and changes in fund balance when the expenditures are paid. The cost of vacation and sick time earned within the reporting period, including that which is not expected to be paid with expendable available financial resources, is reported in the government-wide financial statements as a liability and expensed in the statement of activities.

Employees earn retirement benefits as they provide service. The benefit is based on factors such as the applicable employee agreement, the employees' hiring date and the number of years of service to the City. The costs of retirement benefits are recognized in the statement of revenues, expenditures and changes in fund balance when the expenditures are paid. Pension benefits are accounted for in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and are reported in the government-wide financial statements as a liability/asset, deferred outflows of resources/deferred inflows of resources and expensed in the statement of activities accordingly. Other postemployment benefits are accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and are reported in the government-wide financial statements as a liability and expensed in the statement of activities accordingly.

NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Pursuant to Article 6 of the Second Class Cities Law of the State of New York and its own charter, the City legally adopts calendar year budgets for the General and Special Revenue Funds. Any amendments to the original budget during the year require the approval of the Board of Estimate and Apportionment.

The appropriated budget is prepared by fund, function and department, encumbrance accounting is employed in governmental funds. Encumbrances (such as purchase orders) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 4 — CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS - RESTRICTED

At December 31, 2017, cash and cash equivalents and cash and cash equivalents - restricted are comprised of interest bearing and non-interest bearing deposits in various financial institutions.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 — CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS - RESTRICTED (Continued)

It is the City's policy for all deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2017, all cash and cash equivalents, as well as restricted cash and cash equivalents in excess of FDIC insurance, were fully collateralized by securities in the name of the financial institution held in a separate account.

The City has approximately \$1,892,000 in cash and cash equivalents that have been restricted as follows:

General Fund	
Debt service	\$ 900,000
Landfill postclosure	916,000
NYS Power Authority grant	<u>76,000</u>
	<u><u>\$ 1,892,000</u></u>

The City's investment policy attempts to limit exposure to losses arising from interest rate risk, credit risk, custodial risk, and concentration of credit risk. Further, statutes authorize the City to invest in obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

NOTE 5 — LANDFILL RECEIVABLE

The City currently has one landfill accepting waste from various public and private entities. These entities are billed monthly based on the tonnage deposited at the landfill for the previous month. At December 31, 2017, the City had outstanding landfill receivables of approximately \$431,000, with an allowance of approximately \$10,000.

NOTE 6 — PROPERTY TAXES

Property taxes are levied and payable in January. Any property taxes not paid by the following December 31 are purchased without recourse by the County of Albany. Accordingly, the total levy is considered measurable and available, and there is no allowance for uncollectible property taxes at December 31, 2017.

The taxable assessed value of real property, as adjusted by New York State, included in the tax levy of 2016 (revenue in 2017), was \$4,837,259,196. The effective tax rate on this value is \$10.79 per thousand for residential and \$14.06 per thousand for non-residential properties. The constitutional tax limit is 2% of the 5-year average of the full value assessment. The 2016 levy represents approximately 65% of the constitutional tax limit. The taxable assessed value of real property included in the tax levy of 2017 (revenue in 2018), was \$4,824,076,379. The effective tax rate on this value is \$10.91 per thousand for residential and \$14.50 per thousand for non-residential properties. The 2017 levy represents approximately 64% of the constitutional tax limit.

In 2017, the City accepted payments of 2018 property taxes beginning on December 28, 2017 as a result of the amended federal tax code and the suspension of the New York State law prohibiting prepayment of such taxes. Approximately \$2,240,000 was recorded in deferred inflows of resources as of December 31, 2017.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 — CAPITAL ASSETS

Property and equipment is comprised of the following:

	<u>Balance January 1 2017</u>	<u>Additions</u>	<u>Deletions and Reclassifications</u>	<u>Balance December 31, 2017</u>
Capital assets not being depreciated:				
Land	\$ 5,007,396	-	-	\$ 5,007,396
Construction in process	31,252,069	12,893,053	(7,286,848)	36,858,274
	<u>36,259,465</u>	<u>12,893,053</u>	<u>(7,286,848)</u>	<u>41,865,670</u>
Capital assets being depreciated:				
Buildings, capital leases and improvements	54,959,812	-	2,406,820	57,366,632
Machinery and equipment	66,118,868	3,718,356	(472,392)	69,364,832
Infrastructure	349,370,766	-	4,616,920	353,987,686
	<u>470,449,446</u>	<u>3,718,356</u>	<u>6,551,348</u>	<u>480,719,150</u>
Less accumulated depreciation for:				
Buildings, capital leases and improvements	30,793,029	1,518,924	-	32,311,953
Machinery and equipment	53,548,488	3,328,018	(727,448)	56,149,058
Infrastructure	207,368,244	11,768,778	-	219,137,022
	<u>291,709,761</u>	<u>16,615,720</u>	<u>(727,448)</u>	<u>307,598,033</u>
Total capital assets, net	<u>\$ 214,999,150</u>			<u>\$ 214,986,787</u>

Depreciation expense was approximately \$16,616,000 for the year ended December 31, 2017. In the statement of activities, depreciation expense is allocated to each function as follows:

<u>Function/Programs</u>	<u>Depreciation Expense</u>
Public safety and regulation	\$ 2,379,976
General government	4,968,068
Highway and streets	4,757,143
Recreation and culture	499,119
Community service	3,820,797
Economic development and assistance	190,617
	<u>\$ 16,615,720</u>

NOTE 8 — MORTGAGE LOANS RECEIVABLE AND DEFERRED REVENUES

The City, through its blended component unit ACDA, lends monies received through Federal grants (principally HUD CDBG) to individuals, businesses, and non-profit agencies at low interest rates to fund the acquisition and rehabilitation of low income housing and other community development projects in the City. Loan disbursements are recorded as grant expenditures and loan repayments are recorded as program income. Mortgage loans receivable and the related deferred revenue account consist of principal to be collected in future periods or principal amounts that are forgiven annually in accordance with grant provisions.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 — MORTGAGE LOANS RECEIVABLE AND DEFERRED REVENUES (Continued)

Interest rates and loan periods are determined using criteria established by the granting agency. Interest rates on these loans range between 0% and 8% and loan periods are either for a period of up to 15 years or deferred and forgiven as long as the beneficiary is in compliance with the loan agreement.

Funds received from the NYSHTFC were used to establish loans with various not-for-profit organizations, for use in the acquisition and rehabilitation of low income housing. In accordance with applicable grant provisions, loan disbursements are reflected as Due to New York Housing Trust Fund Corporation (NYSHTFC). Funds disbursed to participants generally do not bear interest and are repayable over a period of 15 to 25 years. In accordance with loan agreements, annually, on the anniversary date of completion of the project, one fifteenth or twenty-fifth of the loan is forgiven as long as the beneficiary is in compliance with the loan agreement.

In 2011, the Agency initiated a Choose Albany revolving loan fund utilizing general funds. The revolving loan fund promotes home ownership in Albany and will be for 8% of the purchase price up to \$15,000. The loan can be utilized for down payment assistance or closing costs. The loans have a ten year term with zero percent interest.

The balance of mortgage loans receivable, net of related allowances, is comprised of the following at December 31, 2017:

<u>Program</u>	<u>Balance</u>
HUD	\$2,343,526
HUD, forgivable grant loans	2,530,742
NYSHTFC, net of allowance	17,040
Choose Albany, net of allowance	161,445
	<u>\$5,052,753</u>

NOTE 9 — INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables at December 31, 2017 is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 8,447,353	\$ 2,053,468
Special Revenue	-	648,820
Capital Projects	-	5,019,860
Albany Community Development Agency	9,965	735,170
	<u>\$ 8,457,318</u>	<u>\$ 8,457,318</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 9 — INTERFUND RECEIVABLES AND PAYABLES (Continued)

Fiduciary fund balances are not reported in the government wide financial statements or fund financial statements. Rather, they are reported separately in the statement of fiduciary net position – fiduciary funds.

NOTE 10 — DUE FROM/TO COMPONENT UNITS

The City has reported approximately \$913,000 as the amount due to the Component Units, net at December 31, 2017. The Component Units reported approximately net \$4,091,000 as the amount due from the primary government, net. The net difference as reported by the City and its Component Units is approximately \$3,178,000 which is primarily caused by timing difference related to the recording of tax assessment adjustments. Other activity giving rise to difference in amounts due between the City and the Component Units relates to payroll, benefits, grant reimbursements and other administrative costs paid for by the City and reimbursed to the City by the Component Units or paid for by the Component Units and reimbursed by the City.

NOTE 11 — PENSION PLANS

The City of Albany participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (collectively, the Systems). These are cost-sharing multi-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, NYS Comptroller State Office Building, 110 State Street, Albany, NY 12207.

The Systems are contributory at a rate of 3% of salary, except for employees who joined before July 27, 1976 and Tier 3 and 4 members with ten or more years of membership, or ten years of credited service for whom no contribution is required. Employee contributions are deducted from their salaries and remitted on a current basis to the Systems. Employer contributions are actuarially determined for the Systems.

The City of Albany is required to contribute at an actuarially determined rate. Since 2012, the City of Albany has elected to amortize a portion of its retirement contributions in accordance with the provisions of Chapter 57, laws of 2013 and Chapter 57, laws of 2010. In 2017, the City elected to amortize an additional \$1,605,000, approximately, of its calculated pension contribution to the retirement system for its fiscal year ended December 31, 2017. The City's contributions made to the Systems were equal to 100 percent of the minimum required contributions. At December 31, 2017, approximately \$13,037,000 was deferred and recorded as due to New York State Retirement System in the statement of net position (Note 13(c)).

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 11 — PENSION PLANS (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At December 31, 2017, the City reported the following liability for its proportionate share of the net pension liability for each of the plans.

	<u>PFRS</u>	<u>ERS</u>
Actuarial Valuation Date	April 1, 2016	April 1, 2016
Net Pension Asset Liability	\$ (30,147,273)	\$ (10,683,797)
Proportionate Share of the Plan's Total Net Pension Liability	1.4545265%	0.1137031%
Proportionate Share of Pension Expense	\$ 17,734,489	\$ 6,118,146

The PFRS and ERS net pension liability was measured as of March 31, 2017, and the total pension liability was determined by an actuarial valuation as of April 1, 2016, with updated procedures used to roll forward the total pension liability to March 31, 2017. The City's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to PFRS's and ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement date.

At December 31, 2017, the City reported deferred outflows and deferred inflows of resources as follows:

	<u>PFRS</u>		<u>ERS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,954,803	\$ 5,208,781	\$ 267,726	\$ 1,622,395
Net difference between projected and actual earnings on pension plan investments	4,502,451	-	2,133,987	-
Changes in assumptions	14,852,294	-	3,649,977	-
Changes in proportion and differences between City contributions and proportionate share of contributions	170,174	2,818,991	-	1,703,278
City contributions subsequent to the measurement date	10,718,641	-	3,982,586	-
	<u>\$ 34,198,363</u>	<u>\$ 8,027,772</u>	<u>\$ 10,034,276</u>	<u>\$ 3,325,673</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 11 — PENSION PLANS (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources (Continued)

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2018 for PFRS and ERS. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended March 31,</u>	<u>PFRS</u>	<u>ERS</u>
2018	\$ 5,270,566	\$ 1,449,873
2019	5,270,566	1,449,873
2020	4,934,520	1,394,798
2021	(628,572)	(1,568,527)
2022	604,870	-
	<u>\$ 15,451,950</u>	<u>\$ 2,726,017</u>

Actuarial Assumptions

The total pension liability for the March 31, 2017 measurement date was determined by using an actuarial valuation as of April 1, 2016 with update procedures used to roll forward the total pension liability to March 31, 2017. These actuarial valuations for both ERS and PFRS used the following actuarial assumptions:

Actuarial cost method – Entry age normal

Inflation – 2.5%

Salary increases – 3.8% in ERS, 4.5% in PFRS, indexed by service

Investment rate of return – 7.0% compounded annually, net of investment expense, including inflation

Cost of living adjustments – 1.3% annually

Mortality – Based on the plan’s experience from April 1, 2010 – March 31, 2015 with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2014

Discount rate – 7.0%

The long-term expected rate of return on the Systems’ pension plan investments was determined using a building-block method in accordance with Actuarial Standard of Practice No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 11 — PENSION PLANS (Continued)

Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocations as of the applicable valuation dates are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	36%	4.55%
International equities	14%	6.35%
Private equities	10%	7.75%
Real estate	10%	5.80%
Absolute return strategies	2%	4.00%
Opportunistic portfolio	3%	5.89%
Real assets	3%	5.54%
Bonds and mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-Indexed bonds	4%	1.50%
	<u>100%</u>	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset / (liability).

The following presents the City's proportionate share of its net pension asset and liability calculated using the discount rate of 7.0% (ERS and PFRS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	<u>1.0% Decrease</u>	<u>Discount Rate</u>	<u>1.0% Increase</u>
City's proportionate share of the PFRS net pension asset (liability)	<u>\$ (85,465,771)</u>	<u>\$ (30,147,273)</u>	<u>\$ 16,251,404</u>
City's proportionate share of the ERS net pension asset (liability)	<u>\$ (34,121,933)</u>	<u>\$ (10,683,797)</u>	<u>\$ 9,133,101</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 12 — NOTES PAYABLE

The City may issue Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years.

In June 2017, the City issued various BANs of \$44,596,417 at an interest rate of 1.19%. The proceeds of the BANs, along with available funds, were used to redeem part of the \$38,846,812 BANs issued in 2016 which matured in June 2017 and also provided new funds for various capital purchases and improvements. These BANs were subsequently redeemed in June 2018 (see Note 15 – Subsequent Events).

Interest expense on BANs totaled approximately \$777,000 for the year ended December 31, 2017.

NOTE 13 — INDEBTEDNESS

Indebtedness of the City include loans, certain accruals, and serial and Environmental Facilities Corporation (EFC) bonds. Bonds are guaranteed by the full faith and credit of the City.

The following is a summary of certain long-term liability transactions of the City for the year ended December 31, 2017:

	Balance January 1, 2017	New Issues/ Increase in Estimates	Payments/ Decrease in Estimates	Balance December 31, 2017
Bonds	\$ 72,724,579	\$ -	\$ (15,094,579)	\$ 57,630,000
Premiums on Bonds	2,018,288	-	(693,332)	1,324,956
Loans payable (ACDA)	430,857	-	(84,610)	346,247
Post employment benefit obligation (Note 14)	84,976,521	28,787,840	(16,537,523)	97,226,838
Vacation/sick pay obligations	18,105,174	2,813,234	-	20,918,408
Due to NYS Retirement System	12,956,026	1,503,291	(1,422,180)	13,037,137
Net pension liability	60,898,458	23,992,897	(44,060,285)	40,831,070
Litigation and contingent liabilities	19,930,050	2,616,513	(4,651,099)	17,895,464
Landfill closure and postclosure care costs	9,022,917	300,100	-	9,323,017
Retainage payable on long-term contracts	-	54,999	-	54,999
Capital lease obligations	310,000	-	(150,000)	160,000
Total	<u>\$ 281,372,870</u>	<u>\$ 60,068,874</u>	<u>\$ (82,693,608)</u>	<u>\$ 258,748,136</u>

Of the total outstanding indebtedness of the City at December 31, 2017, approximately \$102,226,000 was subject to the statutory debt limit. Amounts subject to the statutory debt limit include bonds and bond anticipation notes payable. This represents approximately 30% of the City's \$335,487,438 statutory debt limit.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 — INDEBTEDNESS (Continued)

(a) Bonds

Serial and New York State Environmental Facilities (EFC) bonds, the proceeds of which have been used primarily to provide funds for various capital projects, consists of the following at December 31, 2017:

<u>Interest Rate</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding December 31, 2017</u>	<u>Annual Principal Installments (Range)</u>
Serial Bonds					
3.75%	2009	2018	\$ 19,974,950	\$ 1,485,000	\$ 1,485,000
4.00 - 5.00%	2011	2025	11,075,000	4,175,000	195,000 - 890,000
2.25 - 3.00%	2011	2021	7,922,026	3,425,000	825,000 - 890,000
2.00%	2012	2020	24,027,579	9,500,000	3,120,000 - 3,230,000
4.00%	2012	2021	10,010,248	4,765,000	1,114,000 - 1,240,000
5.00%	2012	2018	12,590,000	1,770,000	1,770,000
4.50%	2013	2020	9,890,000	4,580,000	1,460,000 - 1,595,000
4.00%	2015	2018	4,545,000	1,545,000	1,545,000
1.588 - 2.324%	2015	2020	4,670,000	2,750,000	900,000 - 935,000
2.00 - 5.00%	2016	2023	10,210,000	8,875,000	110,000 - 1,835,000
2.00%	2016	2025	13,474,579	12,115,000	1,285,000 - 1,665,000
EFC Bonds					
3.301 - 3.829%	2011	2020	3,995,000	1,310,000	430,000- 445,000
4.862 - 5.002%	2012	2022	2,730,000	<u>1,335,000</u>	250,000-285,000
				\$ 57,630,000	
Add: Unamortized Premiums				<u>1,324,956</u>	
				<u>\$ 58,954,956</u>	

The following are details of bonds outstanding at December 31, 2017:

During 2009, the City issued \$19,974,950 in General Obligation Bonds. The proceeds, along with \$2,462,000 in available funds, were used to redeem \$28,525,600 Bond Anticipation Notes of 2008, originally issued for various capital projects. \$9,830,000 was refunded in 2016. The final bond issue matures on July 1, 2018.

In March 2011, the City issued \$12,775,000 in General Obligation Refunding Bonds. The Bonds carry interest rates ranging from 3.00% to 5.00% and a premium of \$1,017,305. The final bond issue matures on August 1, 2025. The proceeds of the Bonds were to advance refund \$1,735,000 of outstanding 1997 General Obligation Bonds with interest rates ranging from 4.8% to 5.0%, \$5,565,000 of outstanding 2000 General Obligation Bonds, with interest rates ranging from 5.00% to 5.50%, and \$5,955,000 of outstanding 2001 General Obligation Bonds with interest rates ranging from 4.125% to 5.000%.

In July 2011, the City issued \$7,922,026 in General Obligation Bonds. The Bonds carry interest rates ranging from 1.50% to 3.00%. The final bond issue matures on July 1, 2021.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 — INDEBTEDNESS (Continued)

(a) Bonds (continued)

In July 2012, the City issued \$34,037,827 in General Obligation Bonds. The Bonds carry interest rates ranging from 2.00% to 4.00%. The final bond issue matures on July 1, 2021. The proceeds of the Bonds, along with available funds, were used to redeem part of the \$46,471,326 BANS issued in 2011 and matured July 6, 2012 and also provided new funds for the purchase of land, equipment and vehicle purchases as well as costs associated with the expansion of the City's landfill.

In July 2012, the City issued \$12,590,000 in General Obligation Refunding Bonds. The Bonds carry interest rates ranging from 2.00% to 5.00%. The final bond issue matures on July 15, 2018. The proceeds of the Bonds were to advance refund \$10,240,000 of outstanding 2003 General Obligation Bonds with interest rates ranging from 4.0% to 4.25% and \$3,155,000 of outstanding 2004 General Obligation Bonds, with interest rate of 4.00%.

In July 2013, the City issued \$9,890,000 in General Obligation Bonds. The Bonds carry interest rates ranging from 3.00% to 4.50%. The final bond matures on July 1, 2020.

In May 2015, the City issued \$9,215,000 in General Obligation Refunding Bonds. The issue included \$4,545,000 in tax exempt bonds and \$4,670,000 in federally taxable bonds. The 2015 tax exempt Bonds carry interest rates ranging from 0.455% - 2.324%. The issue matures on June 1, 2018. The 2015 taxable bonds bear interest rates from 2.00% - 4.00% and mature on June 1, 2020. The proceeds of the Bonds were to advance refund \$4,630,000 in outstanding callable principal of 2006 tax exempt General Obligation Bonds with interest rates ranging from 4.00% - 4.125% and \$4,495,000 in outstanding callable principal of 2006 federally taxable General Obligation Bonds bearing interest of 5.25%.

In July 2016, the City issued \$10,210,000 in General Obligation Refunding Bonds. The bonds carry interest rates ranging from 1.50% - 5.00%. The issue matures on July 1, 2023. The proceeds of the Bonds are to advance refund \$9,830,000 in outstanding 2009 General Obligation Bonds with interest rates ranging from 3.50 – 4.25%.

In June 2016, the City issued \$13,474,579 in General Obligation Serial Bonds. The Bonds carry an interest rate of 2.00%. The Bonds have maturity dates ranging from June 15, 2017 through June 15, 2025. The proceeds of the Bonds, along with available funds, were used to redeem \$16,089,085 of the \$43,425,299 BANS that were issued in 2015 and matured July 1, 2016.

In March of 2011, EFC completed a refinancing initiative on behalf of the City of Albany that initially financed projects through the State Clean Water and Drinking Water Revolving Funds (SRF) Series 2000B. The EFC refunding reduced the City's future interest cost on the SRF financing that was funded through the Series 2000B bonds. This resulted in refunded principal in the amount of \$3,995,000 from EFC with interest rate of 0.807% maturing in 2020.

In June of 2012, EFC completed a refinancing initiative on behalf of the City of Albany that initially financed projects through the State Clean Water and Drinking Water Revolving Funds (SRF) Series 2002A. The EFC refunding reduced the City's future interest cost on the SRF financing that was funded through the Series 2002A bonds. This resulted in refunded principal in the amount of \$2,730,000 from EFC with interest rates ranging from 4.132% to 5.002% maturing in 2022.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 — INDEBTEDNESS (Continued)

(a) Bonds (continued)

Future maturities of general long-term debt as of December 31, 2017 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 15,360,000	\$ 1,646,290	\$ 17,006,290
2019	12,370,000	1,169,832	13,539,832
2020	12,715,000	815,301	13,530,301
2021	6,545,000	455,169	7,000,169
2022	3,905,000	255,168	4,160,168
2023-2025	<u>6,735,000</u>	<u>240,650</u>	<u>6,975,650</u>
	<u>\$ 57,630,000</u>	<u>\$ 4,582,410</u>	<u>\$ 62,212,410</u>

Interest expense for bonds was approximately \$2,192,000 for the year ended December 31, 2017.

(b) Loans payable

Loans payable are further broken down as follows:

	<u>Balance January 1, 2017</u>	<u>New Issues/ Increase in Estimates</u>	<u>Retirement/ Decrease in Estimates</u>	<u>Balance December 31, 2017</u>
Note payable (1)	\$ 49,000	\$ -	\$ (23,000)	\$ 26,000
Note payable (2)	92,149	-	(11,089)	81,060
Note payable (3)	<u>289,708</u>	<u>-</u>	<u>(50,521)</u>	<u>239,187</u>
	<u>\$430,857</u>	<u>\$ -</u>	<u>\$ (84,610)</u>	<u>\$346,247</u>

- (1) As part of the capitalized lease obligation for the Agency's facility located at 200 Henry Johnson Boulevard, the Agency executed a note payable to CAC to pay for all previously unreimbursed tenant expenses. The note has a sixteen year term and the agreement requires the Agency to remit semi-annual payments to CAC through 2018.
- (2) Note payable from CAC to fund improvements made to one of the Agency's properties located at 388 Clinton Avenue. The note is collateralized by a mortgage agreement on the building located at 388 Clinton Avenue. The note is being amortized over a period of twenty years, with monthly principal and interest payments. The interest rate for the first five years of the note is fixed at 4%, and is subject to every five years thereafter to prime plus 1%.
- (3) During 2011, the Agency borrowed the sum of \$500,000 from the Capitalize Albany Corporation to purchase property at 25 Delaware Avenue. The note is collateralized by a mortgage agreement on the property located at 25 Delaware Avenue. The note is being paid over a period of ten years, with monthly principal and interest payments. The balance is due in full at the time of sale or change in ownership of the property. The interest rate is 5.75%. The property acquired was recorded as property held for sale and included in other assets in the statement of net position.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 — INDEBTEDNESS (Continued)

(c) Due to New York State and Local Retirement System

Each year from 2011 through 2017, the City elected to defer part of their New York State Pension contributions. The deferred portions of the contributions are amortized over twelve or ten years, depending on the year of deferral, at rates of 2.62% - 3.76%.

A summary of future NYSLRS payment obligations as of December 31, 2017 is as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ -	\$ -
2019	1,554,004	444,204	1,998,207
2020	1,606,923	391,283	1,998,206
2021	1,661,666	336,540	1,998,206
2022	1,718,294	279,912	1,998,206
2023-2027	5,835,051	644,681	6,479,732
2028-2029	661,199	34,870	696,069
	<u>\$13,037,137</u>	<u>\$ 2,131,489</u>	<u>\$15,168,626</u>

(d) Litigation and contingent liabilities

(1) Judgments and Claims

There are various suits and claims pending against the City. The City has recognized an accrued liability of approximately \$720,000 related to future claims on certain other matters. In the opinion of City officials and Corporation Counsel, there are no other proceedings against the City in which the likelihood the City will be held liable is probable and the amount of claims relating to such proceedings are reasonably estimable.

(2) Workers' Compensation Claims

The City self-insures workers' compensation claims. The City and its component units, with the exception of the BID, the Association, and the CBID, all participate in the self-insurance program.

Under the program, the City utilizes a program administrator to process claims as they occur. A liability for unpaid claims based upon individual case estimates for claims incurred as well as claims incurred but not reported (IBNR) at December 31, 2017 has been recorded in the caption "Judgments and Claims." This liability is the City's best estimate based on available information. Changes in the reported liability for 2017 are as follows:

	<u>Balance as of January 1 2017</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance as of December 31, 2017</u>
Workers' compensation liability	<u>\$ 19,969,210</u>	<u>\$ 1,857,353</u>	<u>\$ (4,651,099)</u>	<u>\$ 17,175,464</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 — INDEBTEDNESS (Continued)

(d) *Litigation and contingent liabilities (continued)*

(3) *Grant Programs*

City

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted periodically in accordance with grantor requirements. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

ACDA

The Agency receives a major portion of its annual revenues through Federal and New York State grants. Any significant reduction in grant funding levels could have a negative impact on the Agency and the services it offers. The Agency's grant funding is typically awarded for specific programs or purposes and is subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the applicable grant. Management believes that all grant funds were expended in accordance with applicable terms and does not expect any significant disallowance claims will be made by grantor agencies.

(e) *Landfill closure and post closure care costs*

The City has four landfills, three of which stopped accepting waste prior to December 1993. The fourth, Albany Interim Landfill (AIL), together with its expansions added in 2010 and 2012, is still accepting waste at December 31, 2017. In June 2009, the New York State Department of Environmental Conservation (NYSDEC) issued a renewal permit to the City to continue operations of the existing landfill through June 2019.

State and federal laws and regulations require the City to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste. The City reports closure and post closure care costs based on landfill capacity used as of each balance sheet date.

Accrued landfill closure and post closure care costs of approximately \$9,323,000 at December 31, 2017, represent the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of all previously closed landfills and 85 percent of the estimated capacity of the AIL as determined by an independent engineer. The estimated remaining life of the AIL is approximately 3.2 to 3.8 years. The City will recognize the remaining estimated cost of closure and post closure care of \$1,586,000 as the remaining AIL capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City currently has restricted cash of approximately \$916,000 for payment of closure and post closure care costs.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 — INDEBTEDNESS (Continued)

(f) Capital lease obligations

ACDA

ACDA amended its lease for office space at a facility located at 200 Henry Johnson Boulevard. The amended lease has a sixteen year term and the agreement requires ACDA to remit semi-annual payments to the Capitalize Albany Corporation (“CAC”) through 2018. The agreement qualifies as a capital lease. The interest portion of future minimum lease payments approximate \$4,600 and the net present value at December 31, 2017 approximates \$160,000.

A summary of future minimum lease payments and future minimum maturities of the capital lease obligations as of December 31, 2017 is as follows:

<u>Year Ending December 31</u>	<u>ACDA</u>
2018	<u>\$ 164,600</u>
Total minimum lease payments	164,600
Less amounts representing interest	<u>(4,600)</u>
Total principal	<u><u>\$ 160,000</u></u>

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS

City

In addition to providing pension benefits (see Note 11), the City also provides health care benefits for retired employees, their dependents and certain survivors. Substantially all of the City’s employees, as well as employees of the Albany Water Board, may become eligible for those benefits if they reach normal retirement age while working for the City.

The City follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the recognition, measurement, and display of other postemployment benefits (retiree health insurance) expenses and related liabilities and note disclosure.

Plan Description

The City administers its Retiree Medical Plan (the Plan) as a single-employer defined benefit other postemployment benefit (OPEB) plan. The Plan provides for the continuation of medical benefits to certain qualifying retirees of the City and the Albany Water Board, and their dependents and certain survivors and can be amended by action of the City. The Plan does not currently issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy

The obligations of the Plan members, employers and other entities are established by the City. The required contribution rates of the employer and the members vary depending on the retiree's hiring date and number of years of service to the City. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis, with the possibility of prefunding additional benefits if so determined by the City. For 2017, the City contributed approximately \$16,538,000 for current costs. The costs of administering the plan are paid by the City.

Funded Status and Funding Progress

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year (when available) trend information that is useful in determining whether the actuarial value of Plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the Plan as of December 31, 2017 based on January 1, 2016 valuation date.

<u>Actuarial Accrued Liability (AAL)</u>	
Currently retired	\$ 293,880,126
Actives eligible to retire	46,524,615
Actives not yet eligible to retire	58,963,802
Actuarial accrued liability	<u>399,368,543</u>
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 399,368,543</u>
Funded ratio	<u>0%</u>
Annual covered payroll	\$ 84,405,263
Ratio of unfunded actuarial accrued liability to covered payroll	473%
2017 normal cost	<u>\$ 6,976,869</u>

The following table summarizes the amortization calculation of the UAAL (level annual payment method) as of the latest valuation date:

UAAL	\$ 399,368,543
Amortization period (years)	30
Amortization discount rate	4%
2017 UAAL amortization amount	\$ 13,117,306

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for 2017:

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Normal cost	\$ 6,976,869
Amortization of UAAL	13,117,306
Interest	524,692
ARC	20,618,867
Interest on OPEB obligation	3,399,061
Adjustment to ARC	4,769,912
OPEB expense	<u>\$ 28,787,840</u>

The City's OPEB obligation for the current year was as follows:

	2017
Net OPEB obligation at beginning of year	\$ 84,976,521
OPEB expense	28,787,840
OPEB contributions	(16,537,523)
Net OPEB obligation at end of year	97,226,838
Less: estimated current portion of OPEB obligation	16,673,713
Estimated long-term portion of OPEB obligation	<u>\$ 80,553,125</u>
Percentage of expense contributed	<u>57.4%</u>

Trend Information

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2015	\$ 13,761,575	\$ 9,941,835	72.2%	\$73,682,506
12/31/2016	\$ 27,883,470	\$16,589,455	59.5%	\$84,976,521
12/31/2017	\$ 28,787,840	\$16,537,523	57.4%	\$97,226,838

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

The actuarial cost method used to calculate the costs of the Plan for age, disability, vested and surviving spouse's benefits is the Projected Unit Credit Actuarial Cost Method. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. For active participants, the AAL is determined by pro-rating the projected benefit based upon service accrued to the valuation date divided by service projected to be accrued at the first age of benefit eligibility. The normal cost is determined by dividing the projected benefit by service projected to be accrued at the first age of benefit eligibility.

The valuation date for the calculation was January 1, 2016 and the discount rate utilized was 4%. No salary increases were assumed since benefits are not based on compensation. Health care costs for governmental activities were assumed to increase as follows:

<u>Year</u>	<u>Trend</u>
2018	8.0%
2019	7.5%
2020	7.0%
2021	6.5%
2022	6.0%
Thereafter	5.5% - 5.0%

NOTE 15 — SUBSEQUENT EVENTS

In June 2018, the City issued \$33,310,417 in General Obligation Serial Bonds. The Bonds carry an interest rate of 4.0%, with a premium of \$2,711,918. The Bonds have maturity dates ranging from June 15, 2019 through June 15, 2028.

The proceeds of the Bonds, along with available funds, were used to redeem \$39,390,417 of the \$44,596,417 BANs that were issued in 2017 and matured June 29, 2018, and also provide new funds for various capital purposes and improvements.

In June 2018, the City issued \$18,854,100 in BANs. The BANs are due June 28, 2019 and carry an interest rate of 2.75%, with a premium of \$153,474.

The proceeds of the BANs, along with available funds, were used to redeem \$5,206,000 of the \$44,596,417 BANs that were issued in 2017 and matured June 29, 2018, and also provide new funds for various capital purposes and improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALBANY, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES AND MODIFIED BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUND
For the Year Ended December 31, 2017

	General Fund				Special Revenue Fund			
	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget
REVENUES								
Real property taxes	\$ 57,700,000	\$ 57,700,000	\$ 57,422,204	\$ (277,796)	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	34,111,580	34,111,580	33,349,774	(761,806)	-	-	-	-
Other taxes	2,969,000	2,969,000	2,841,731	(127,269)	-	-	-	-
Payments in lieu of taxes	20,428,973	20,428,973	18,479,096	(1,949,877)	-	-	-	-
Intergovernmental revenue	33,480,021	34,332,335	33,216,263	(1,116,072)	2,587,825	2,587,825	2,075,615	(512,210)
Charges for services	12,900,271	12,900,271	12,202,411	(697,860)	-	-	-	-
Fines, interest and penalties	5,204,300	5,204,300	4,671,791	(532,509)	-	-	-	-
Use of money and properties	96,880	235,342	167,136	(68,206)	-	-	-	-
Licenses and permits	3,460,700	5,235,421	5,011,325	(224,096)	-	-	-	-
Other revenues	2,199,000	2,349,000	3,094,297	745,297	-	-	-	-
Total revenues	172,550,725	175,466,222	170,456,028	(5,010,194)	2,587,825	2,587,825	2,075,615	(512,210)
EXPENDITURES								
Public safety and regulation	92,664,787	96,650,835	97,114,365	463,530	-	-	-	-
General government	22,247,374	21,286,152	18,900,908	(2,385,244)	-	-	-	-
Highways and streets	8,729,759	8,716,682	8,673,161	(43,521)	-	-	-	-
Recreation and culture	4,207,823	4,207,824	4,174,837	(32,987)	-	-	-	-
Community service	6,953,670	7,104,748	6,589,861	(514,887)	-	-	-	-
Economic development and assistance	-	-	-	-	2,580,460	2,580,460	2,132,134	(448,326)
Employee benefits	15,901,045	15,653,714	15,418,935	(234,779)	-	-	-	-
Debt service	21,846,267	21,846,267	18,560,091	(3,286,176)	-	-	-	-
Total expenditures	172,550,725	175,466,222	169,432,158	(6,034,064)	2,580,460	2,580,460	2,132,134	(448,326)
Excess (deficiency) of revenues and appropriated fund balance over expenditures	-	-	1,023,870	1,023,870	7,365	7,365	(56,519)	(63,884)
OTHER FINANCING SOURCES (USES)								
Transfers	-	-	(3,208,060)	(3,208,060)	-	-	-	-
Total other financing sources (uses)	-	-	(3,208,060)	(3,208,060)	-	-	-	-
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ (2,184,190)	\$ (2,184,190)	\$ 7,365	\$ 7,365	\$ (56,519)	\$ (63,884)

CITY OF ALBANY, NEW YORK
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET / (LIABILITY)
NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM

As of the measurement date of March 31,	2017	2016	2015
City's proportion of the net pension liability	1.454527%	1.408760%	1.465709%
City's proportionate share of the net pension liability	\$(30,147,273)	\$(41,710,392)	\$ (4,034,505)
City's covered-employee payroll	\$ 49,618,689	\$ 45,463,467	\$48,692,865
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.76%	91.74%	8.29%
Plan fiduciary net position as a percentage of the total pension liability	93.50%	90.20%	97.90%

Data prior to 2015 is unavailable.

The following is a summary of assumption changes:

	2016	2015
Inflation	2.5%	2.7%
Salary increases	4.5%	6.0%
Cost of living adjustments	1.3%	1.4%
Investment rate of return	7.00%	7.5%
Discount rate	7.00%	7.5%

No changes in assumptions from 2016 to 2017.

CITY OF ALBANY, NEW YORK
SCHEDULE OF CONTRIBUTIONS
NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM
(LAST 10 FISCAL YEARS)

<u>March 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 12,145,867	\$ 10,552,391	\$ 12,094,801	\$ 13,912,995	\$ 11,250,128	\$ 8,931,589	\$ 7,911,276	\$ 7,058,207	\$ 6,115,240	\$ 6,198,299
Contribution in relation to the contractually required contribution	<u>(12,145,867)</u>	<u>(10,552,391)</u>	<u>(12,094,801)</u>	<u>(13,912,995)</u>	<u>(11,250,128)</u>	<u>(8,931,589)</u>	<u>(7,911,276)</u>	<u>(7,058,207)</u>	<u>(6,115,240)</u>	<u>(6,198,299)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 49,618,689	\$ 45,463,467	\$ 48,692,865	\$ 49,765,799	\$ 45,236,096	\$ 45,132,856	\$ 47,211,057	\$ 47,051,033	\$ 42,485,016	\$ 41,743,128
Contributions as a percentage of covered-employee payroll	<u>24.48%</u>	<u>23.21%</u>	<u>24.84%</u>	<u>27.96%</u>	<u>24.87%</u>	<u>19.79%</u>	<u>16.76%</u>	<u>15.00%</u>	<u>14.39%</u>	<u>14.85%</u>

CITY OF ALBANY, NEW YORK

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET / (LIABILITY) NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM

As of the measurement date of March 31,	2017	2016	2015
City's proportion of the net pension liability	0.113703%	0.119550%	0.132978%
City's proportionate share of the net pension liability	\$(10,683,797)	\$(19,188,066)	\$ (4,492,317)
City's covered-employee payroll	\$ 27,923,236	\$ 27,697,230	\$ 31,518,901
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.26%	69.28%	14.25%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	99.00%

Data prior to 2015 is unavailable.

The following is a summary of assumption changes:

	2016	2015
Inflation	2.5%	2.7%
Salary increases	3.8%	4.9%
Cost of living adjustments	1.3%	1.4%
Investment rate of return	7.0%	7.5%
Discount rate	7.0%	7.5%

No changes to assumptions from 2016 to 2017.

CITY OF ALBANY, NEW YORK
SCHEDULE OF CONTRIBUTIONS
NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM
(LAST 10 FISCAL YEARS)

<u>March 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 4,880,229	\$ 4,859,954	\$ 6,368,984	\$ 6,424,534	\$ 5,449,165	\$ 4,539,660	\$ 3,619,931	\$ 2,318,239	\$ 2,375,239	\$ 2,645,737
Contribution in relation to the contractually required contribution	<u>(4,880,229)</u>	<u>(4,859,954)</u>	<u>(6,368,984)</u>	<u>(6,424,534)</u>	<u>(5,449,165)</u>	<u>(4,539,660)</u>	<u>(3,619,931)</u>	<u>(2,318,239)</u>	<u>(2,375,239)</u>	<u>(2,645,737)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 27,923,236	\$ 27,697,230	\$ 31,518,901	\$ 30,963,158	\$ 30,566,919	\$ 31,109,237	\$ 32,607,589	\$ 32,261,084	\$ 31,174,867	\$ 31,004,507
Contributions as a percentage of covered-employee payroll	<u>17.48%</u>	<u>17.55%</u>	<u>20.21%</u>	<u>20.75%</u>	<u>17.83%</u>	<u>14.59%</u>	<u>11.10%</u>	<u>7.19%</u>	<u>7.62%</u>	<u>8.53%</u>

ADDITIONAL REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Mayor and Members of the City Council
City of Albany

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Albany, New York (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Albany, New York's basic financial statements, and have issued our report thereon dated September 27, 2018. Our report includes a reference to other auditors who audited the financial statements of the Albany Parking Authority, the Albany Water Board or the Albany Industrial Development Agency, which are component units, as described in our report on the City of Albany, New York's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

Albany, New York
September 27, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Mayor and Members of the City Council
City of Albany

Report on Compliance for Each Major Federal Program

We have audited City of Albany, New York's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of Albany Community Development Agency (ACDA), a blended component unit, which expended \$5,323,694 in Federal awards. Our audit, described below, did not include the operations of ACDA because this component unit was separately audited in accordance with Uniform Guidance and the related reports have been separately submitted. Federal expenditures, if any, relating to other component units are not included since they are audited and reported as separate entities.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Albany, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

UHY LLP

Albany, New York
September 27, 2018

CITY OF ALBANY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Total Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct Program				
Community Development Block Grants/Entitlement Grants	14.218	Not Applicable	\$ 3,556,433	\$ 3,406,284
Emergency Solutions Grant Program	14.231	Not Applicable	280,737	280,737
Home Investment Partnerships Program	14.239	Not Applicable	1,103,015	1,103,015
Housing Opportunities for Persons with AIDS	14.241	Not Applicable	533,658	533,658
Total Department of Housing and Urban Development			5,473,843	5,323,694
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Passed Through NYS Office for Victims of Crime				
Antiterrorism Emergency Reserve	16.321	Not Applicable	16,380	-
Total Passed Through NYS Office for Victims of Crime			16,380	-
Passed Through NYS Bureau of Justice Assistance:				
Edward Byrne Memorial Justice Assistance Grant Program 2015	16.738	2015-DJ-BX-0078	17,843	-
Edward Byrne Memorial Justice Assistance Grant Program 2016	16.738	2016-DJ-BX-0087	29,109	-
Bulletproof Vest Partnership Program	16.607	Not Applicable	45,265	-
Total Passed Through NYS Bureau of Justice Assistance			92,217	-
Total U.S. Department of Justice			108,597	-
<u>U.S. DEPARTMENT OF LABOR</u>				
Passed Through NYS Department of Labor				
WIA Cluster				
Workforce Investment and Opportunity Act - WIOA Adult Program	17.258	Not Applicable	394,357	-
Workforce Investment and Opportunity Act - WIOA Youth Activities	17.259	Not Applicable	724,398	-
Workforce Investment and Opportunity Act - WIOA Dislocated Worker	17.278	Not Applicable	383,587	-
Total WIA Cluster			1,502,342	-
Trade Adjustment Assistance	17.245	Not Applicable	47,842	-
Employment Service/Wagner-Peyser Funded Activities	17.207	Not Applicable	207,561	-
Total Passed Through NYS Department of Labor			1,757,745	-
Total U.S. Department of Labor			\$ 1,757,745	\$ -

The accompanying notes are an integral part of this Schedule.

CITY OF ALBANY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended December 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Total Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed Through National Highway Traffic Safety Administration				
Police Traffic Services Grant	20.600	Not Applicable	\$ 36,138	\$ -
Total Passed Through National Highway Traffic Safety Administration			<u>36,138</u>	<u>-</u>
Passed Through NYS Department of Transportation				
Highway Planning and Construction				
Madison Ave Road Diet	20.205	1759.74 & 1760.25	1,418,847	-
ITS Washington/Western Ave	20.205	1756.63	335,009	-
Pavement Preservation Project	20.205	1759.79.121	879,281	-
Albany Waterfront/Corning Riverfront	20.205	1756.86.322	381,891	-
Henry Johnson Boulevard Bridge	20.205	1760.13.121	86,287	-
New Scotland and Pearl Street Pavement Preservation	20.205	1760.27.121	43,130	-
Total Highway Planning and Construction			<u>3,144,445</u>	<u>-</u>
Total U.S. Department of Transportation			<u>3,180,583</u>	<u>-</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Passed Through NYS Corps Collaboration				
AmeriCorps	94.006	Not Applicable	84,112	-
Total Passed Through NYS Corps Collaboration			<u>84,112</u>	<u>-</u>
Total Corporation for National and Community Service			<u>84,112</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Passed Through U.S. Federal Emergency Management Agency				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2014-FH-00588	914,423	-
Total Passed Through U.S. Federal Emergency Management Agency			<u>914,423</u>	<u>-</u>
Passed Through NYS Division of Homeland Security and Emergency Services				
Tactical Team Targeted Program	97.067	WM14164259	18,626	-
LETPP/SLETPP 2015	97.067	WM15153652	217,718	-
LETPP/SLETPP 2017	97.067	WM17883972	4,524	-
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	473V0	303,818	-
Total Passed Through NYS Division of Homeland Security and Emergency Services			<u>544,686</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>1,459,109</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 12,063,989</u></u>	<u><u>\$ 5,323,694</u></u>

The accompanying notes are an integral part of this Schedule.

CITY OF ALBANY, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

NOTE A – SUMMARY OF ACCOUNTING POLICIES

1. Scope of Single Audit

The accompanying Schedule of Expenditures of Federal Awards presents all activity of federal award programs of the City of Albany (City) (primary government) but does not include the activity of the federal awards programs, if any, of the component units for the year ended December 31, 2017. Only the primary government's awards received directly from federal and state agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting used by the City in reporting these programs to the federal government.

NOTE B – NONCASH ASSISTANCE

The City had no awards expended in the form of noncash assistance during the year ended December 31, 2017.

NOTE C – LOANS AND LOAN GUARANTEES

The City had no federal loans or federal loan guarantees outstanding as of December 31, 2017.

NOTE D – INSURANCE

The City did not participate in any federal insurance programs as of December 31, 2017.

NOTE E – INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented.

CITY OF ALBANY, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2017

Section I—Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
97.036	Disaster Grants- Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II—Financial Statement Findings

None Reported

Section III—Federal Award Findings and Questioned Costs

None Reported

CITY OF ALBANY, NEW YORK
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended December 31, 2017

Finding Number 2016-001

CFDA Number: 97.083 Staffing for Adequate Fire and Emergency Response (SAFER)

Condition: For 1 of the 2 submissions tested, the FFR failed to meet the criteria of submission within 30 days of the end of each semi-annual reporting period.

Current Year Status: No such instances were noted in connection with the City's financial statement audit for the year ended December 31, 2017.