

OFFICIAL STATEMENT

**NEW ISSUES**

**STANDARD & POOR'S RATING: "AA-" stable outlook**

**SERIAL BONDS & BOND ANTICIPATION NOTES**

**See "RATING" Herein**

*In the opinion of Roemer Wallens Gold & Mineaux LLP, Bond Counsel, under existing laws, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants and the accuracy of certain representations, (i) interest on the Bonds and Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations although, for certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings,, and (ii) interest on the Bonds and 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 Bonds and 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 Bonds and Notes.*

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

**\$55,393,352**  
**CITY of ALBANY**  
**ALBANY COUNTY, NEW YORK**

**\$7,922,026 General Obligation (Serial) Bonds, 2011 Series A**

**CUSIP BASE: 012428**

**ROOSEVELT & CROSS, INC. AND ASSOCIATES**

**Dated: July 1, 2011**

**Due: July 1, 2012-2021**

**MATURITIES**

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>
2012	\$ 702,026	1.50%	0.50%	4X3	2016	\$775,000	2.00%	1.60	5B0	2019	\$845,000	2.50	2.65	5E4
2013	720,000	1.50	0.70	4Y1	2017	805,000	2.00	2.00	5C8	2020	865,000	3.00	2.90	5F1
2014	740,000	2.00	1.00	4Z8	2018	825,000	2.25	2.35	5D6	2021	890,000	3.00	3.00	5G9
2015	755,000	2.00	1.30	5A2										

(the "Bonds")

And

**\$46,471,326 Bond Anticipation Notes, 2011**

**At an Interest Rate of 1.25% to Yield 0.40%**

**CUSIP #: 012428 5H7**

**TD SECURITIES (USA) LLC**

**Dated: July 7, 2011**

**Due: July 6, 2012**

(the "Notes")

(collectively referred to herein as the "Bonds and Notes")

The Bonds and Notes are general obligations of the City of Albany, Albany County, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to statutory limits. See "New Tax Levy Limitation Law", herein.

The Bonds and Notes may not be suitable investments for all investors. No investor should purchase the Bonds or Notes unless the investor understands and is able to bear the risks described herein (see "MARKET AND RISK FACTORS", "State Aid" and "RATING" herein).

The Bonds will be issued as registered obligations and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Securities Depository for the Bonds. Individual purchases will be made in book-entry form only, in principal denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination maturing July 1, 2012. Purchasers will not receive certificates representing their ownership interest in the Bonds.

Interest on the Bonds will be payable semi-annually on January 1 and July 1 in each year until maturity, commencing January 1, 2012. Principal and interest will be payable when due as described in the "Book-Entry-Only System" herein.

The Notes will be registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the Notes purchased. Such Notes will be issued in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination. 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 in bearer form or registered in "street name". Payment to the Beneficial Owner(s) will be the responsibility of such DTC Direct or Indirect Participants, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System" herein.

The Bonds and Notes are offered when, as and if issued and received by the Purchasers and subject to the receipt of the respective unqualified legal opinions as to the validity of the Bonds and Notes of Roemer Wallens Gold & Mineaux LLP, Bond Counsel, of Albany, New York. It is anticipated that the Bonds and Notes will be available for delivery through the facilities of DTC in New York, New York on or about July 7, 2011.

June 23, 2011

THIS FINAL OFFICIAL STATEMENT SUPPLEMENTS THE PRELIMINARY OFFICIAL STATEMENT OF THE CITY DATED JUNE 14, 2011 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN.

**CITY of ALBANY**  
**ALBANY COUNTY, NEW YORK**

GERALD D. JENNINGS  
MAYOR

KATHERINE M. SHEEHAN  
TREASURER

LEIF C. ENGSTROM  
CHIEF CITY AUDITOR

**COMMON COUNCIL**

CAROLYN McLAUGHLIN, PRESIDENT

RICHARD CONTI, PRESIDENT PRO TEMPORE

Ronald E. Bailey  
Dominick Calsolaro  
Frank Comisso, Jr.  
Jacqueline Jenkins-Cox  
Catherine M. Fahey

Lester Freeman  
Leah Golby  
Daniel Herring  
Joseph Igoe

Anton Konev  
Michael O'Brien  
John Rosenzweig  
James P. Sano  
Barbara Smith

**CITY OFFICIALS**

PHILIP F. CALDERONE  
Deputy Mayor

CHRISTOPHER J. HEARLEY, SR.  
Budget Director

JOHN MARSOLAIS  
City Clerk

JOHN REILLY, ESQ.  
Corporation Counsel

ROEMER WALLENS GOLD & MINEAUX LLP  
Bond Counsel

FISCAL ADVISORS & MARKETING, INC.  
Financial Advisor

No person has been authorized the City of Albany 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 Bonds and 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 of Albany.

**TABLE OF CONTENTS**

	<u>Page</u>		<u>Page</u>
<b>INTRODUCTION</b> .....	4	<b>CITY INDEBTEDNESS</b> .....	31
<b>THE BONDS</b> .....	5	Constitutional Requirements .....	31
Description of the Bonds .....	5	Debt Limit .....	31
Optional Redemption.....	5	Statutory Procedure .....	32
Book-Entry-Only System .....	5	Debt Outstanding End of Fiscal Year.....	32
<b>CERTIFICATED BONDS</b> .....	7	Details of Outstanding Indebtedness .....	33
<b>CERTIFICATED NOTES</b> .....	7	Debt Statement Summary .....	33
Purpose of Issue – Bonds .....	8	Estimate of Obligations to be Issued .....	33
Purpose of Issue – Notes .....	8	Revenue and Tax Anticipation Notes.....	33
<b>SOURCES OF PAYMENT OF THE BONDS</b> .....	8	Bonded Debt Service .....	33
<b>THE CITY OF ALBANY</b> .....	8	Authority Indebtedness.....	34
General Information.....	8	Estimated Overlapping Indebtedness .....	34
City Services.....	12	Debt Ratios .....	34
Solid Waste.....	12	<b>MARKET AND RISK FACTORS</b> .....	35
Wealth and Income Indicators.....	12	<b>CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO THE BONDS</b> .....	35
Population .....	13	<b>MATERIAL EVENT NOTICES WITH RESPECT TO THE NOTES</b> .....	37
Real Property Tax Base .....	13	<b>SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT</b> .....	38
Building Permit.....	14	<b>TAX MATTERS</b> .....	38
Employment.....	15	<b>DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS</b> .....	39
Ten Largest Employers in the City.....	15	Legal Matters .....	39
Unemployment Rates.....	16	<b>ABSENCE OF LITIGATION</b> .....	40
Government Organization .....	17	<b>RATING</b> .....	40
Employees.....	18	<b>MISCELLANEOUS</b> .....	40
<b>DISCUSSION OF FINANCIAL OPERATIONS</b> .....	19	<b>APPENDIX - A</b>	
Budgetary Procedure .....	19	<b>GENERAL FUND - Balance Sheets</b>	
2011 Budget.....	19	<b>APPENDIX - A1</b>	
Five-Year Capital Plan .....	20	<b>GENERAL FUND – Revenues, Expenditures and Changes in Fund Balance</b>	
Financial Control Procedures .....	21	<b>APPENDIX - A2</b>	
Accounting Practice and Independent Audits .....	21	<b>GENERAL FUND – Revenues, Expenditures and Changes in Fund Balance - Budget</b>	
<b>FINANCIAL HISTORY OF THE CITY</b> .....	21	<b>APPENDIX - B</b>	
General Fund .....	21	<b>BONDED DEBT SERVICE</b>	
Albany Municipal Water Finance Authority and Albany Water Board.....	21	<b>APPENDIX - C</b>	
Revenues .....	22	<b>AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES DECEMBER 31, 2009</b>	
Expenses .....	25		
Other Information .....	27		
<b>TAX INFORMATION</b> .....	28		
Valuations.....	28		
Tax Rate Per \$1,000 (Assessed).....	28		
Tax Collection Record.....	28		
Tax Collection Procedure.....	28		
Largest Taxpayers - (2011 Tax Roll) .....	29		
Constitutional Tax Margin .....	29		
Additional Tax Information.....	29		
<b>NEW TAX LEVY LIMITATION LAW</b> .....	30		

PREPARED WITH THE ASSISTANCE OF

**FA FISCAL ADVISORS & MARKETING, INC.**

**CORPORATE HEADQUARTERS**

120 Walton Street • Suite 600

Syracuse NY 13202

Ph • 315.752.0051 • Fax • 315.752.0057

Internet • <http://www.fiscaladvisors.com>

OFFICIAL STATEMENT  
of the  
**CITY of ALBANY**

**ALBANY COUNTY, NEW YORK**

Relating to

**\$7,922,026 General Obligation (Serial) Bonds, 2011 Series A**

**And**

**\$46,471,326 Bond Anticipation Notes, 2011**

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 \$7,922,026 General Obligation Refunding (Serial) Bonds, 2011 Series A (referred to herein as the "Bonds") and \$46,471,326 Bond Anticipation Notes, 2011 (referred to herein as the "Notes") (collectively referred to herein as the "Bonds and Notes").

The factors affecting the City's financial condition and the Bonds and 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 Bonds and Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and Notes and such proceedings.

**INTRODUCTION**

Albany, the State capital, is a center of business, commerce, government, culture and transportation. Albany's 2010 Census population is 97,856. Albany continues to experience revitalization in all sectors. Joint public and private development efforts, through the Capitalize Albany Campaign and the City's Economic Development Department, have resulted in significant development throughout the City.

"The General Fund - Summary of Revenues, Expenditures, Fund Balance" (APPENDIX - A) has been prepared on a generally accepted accounting principles basis and shows the unaudited 2010 total General Fund balance as \$22,160,560, of which \$16,680,151 is unreserved.

Audited year end results for 2010 were not available at the time this Official Statement was prepared. In an effort to control costs, the City's 2010 budget eliminated vacant positions, instituted cost saving benefits changes including changes to prescription plans and froze wages for City employees.

During 2010, the Mayor appointed a committee to find additional savings opportunities and engaged an audit firm to perform a management audit of the City's four largest departments. The City's 2011 budget was adopted by the Common Council in December 2010. It includes cuts in personnel, cuts in City programs, cuts in operating expenses by an aggregate total of nearly \$3 million and no pay increases for City employees.

## THE BONDS

### Description of the Bonds

The Bonds 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 Bonds 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 Bonds and interest thereon, subject to statutory limitations. See “New Tax Levy Limitation Law”, herein..

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in principal denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination maturing July 1, 2012. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable semi-annually on January 1 and July 1 in each year until maturity, commencing January 1, 2012. Principal and interest will be paid to the Beneficial Owners of the Bonds, as described in the “Book-Entry-Only System” herein. The record date of the Bonds will be the fifteenth day of the calendar month preceding an interest payment date. The Bonds, are not subject to redemption prior maturity. See “No Optional Redemption” herein. Interest on the Bonds shall be calculated assuming a calendar year of 360 days and twelve 30-day months.

### 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 statutory limits. See “New Tax Levy Limitation Law”, herein.

The Notes are dated July 7, 2011 and will mature, without option of prior redemption, on July 6, 2012. The Notes may be issued as registered notes or as bearer notes, at the option of the successful bidder. If the Notes are issued in bearer form, principal of and interest on the Notes will be payable in Federal Funds at maturity at such bank or trust company authorized to do business in the State of New York as may be selected by the successful bidder. In such case, the Notes will be issued in bearer form 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 registered form, the Notes will be 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 Bonds and 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 Bonds, and if requested, the Notes. The Bonds and 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 Bond certificate will be issued for each maturity of the Bonds will be deposited with DTC. One fully-registered Note certificate will be issued for 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 is the holding company for DTC, National Securities Clearing Corporation and fixed income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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”). DTC has Standard & Poor’s highest rating: AAA. 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds and 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 or Note (“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 Bonds and 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 Bonds and Notes, except in the event that use of the book-entry system for the Bonds and Notes is discontinued.

To facilitate subsequent transfers, all Bonds and 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 Bonds and 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 Bonds and Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds and 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds and Notes within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Bonds and 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 Bonds and Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Bond and Note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond and/or Note certificates will 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 BONDS AND NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS OR NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS AND 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 OR REDEMPTION PREMIUM ON THE BONDS OR 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 BONDS AND 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 BONDS**

DTC may discontinue providing its services with respect to the Bonds 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 transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof, except for one necessary odd denomination maturing July 1, 2012, for any single maturity within each series of the Bonds. Principal of the Bonds when due will be payable upon presentation and surrender at the office of the fiscal agent bank to be named by the City upon termination of the book-entry-only system. Interest on the Bonds will be payable semi-annually on January 1 and July 1 in each year until maturity, commencing January 1, 2012. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Certificate of Determination of the City Treasurer authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

#### **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 bearer form in denominations of \$5,000 or integral multiples thereof, except for a necessary odd denomination. Principal of and interest on the Notes will be payable at a bank or trust company located and authorized to do business in the State of New York to be named by the City. The Notes will remain not subject to redemption prior to their stated maturity date.

## **Purposes of Issue - Bonds**

The Bonds 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 the purchase of land, equipment and vehicle purchases as well as costs associated with the expansion of the City's landfill.

The proceeds of the Bonds, along with \$350,471 available funds, will redeem the \$8,187,000 of the \$63,890,049 Bond Anticipation Notes, 2010 maturing July 8, 2011 and will provide \$85,497 new monies for the aforementioned purposes.

## **Purposes of Issue - Notes**

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 the purchase of land, equipment and vehicle purchases as well as costs associated with the expansion of the City's landfill.

The proceeds of the Notes, along with \$16,757,723 available funds, will redeem \$55,703,049 of the \$63,890,049 Bond Anticipation Notes, 2010 maturing July 8, 2011 and will provide \$7,526,000 new monies for the aforementioned purposes.

## **SOURCES OF PAYMENT OF THE BONDS AND NOTES**

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

The Bonds and 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 statutory limits. See "New Tax Levy Limitation Law", herein. 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 Bonds and Notes.

## **THE CITY OF ALBANY**

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.

### **General Information**

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 2010 census, the City's population has grown nearly 3.8% to nearly 98,000. Albany, located in a region known as Tech Valley, is home to Albany NanoTech, a \$6.5 billion university driven research and development 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 Albany-Colonie Regional Chamber of Commerce, the area 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 is the development of the College of Nanoscale Science and Engineering (CNSE) of the University at Albany, which has been ranked the world's number one college for nanotechnology and microtechnology. The Albany NanoTech complex has grown to nearly 1 million square feet of research and development space in less than 10 years of operation. It is also home to 25 semiconductor firms and over 2,500 researchers. This was a major attraction for the \$4.2 billion, 1.3 million square foot Global Foundries chip fabrication facility in nearby Malta (approximately 20 miles from the Albany NanoTech Complex). Global Foundries is currently the largest construction project in North America. When completed, it is expected to employ over 1,400 people directly and create more than 5,000 spinoff jobs. The first 200 workers moved into a completed portion of the new facility in May of 2011.

In June of 2009, the City of Albany was awarded a national honor with the designation as an All-America City. The National Civic League chose Albany as one of ten cities across the country from over 300 applications. The award was largely based on the City's effective economic development track record over the prior 16 years and youth programming and services. This economic development track record includes documenting close to \$7 billion in investment and more than 350 major construction projects during this time frame.

The City of Albany is a center of commerce and distribution for agricultural and manufactured products between western New York State, the New England States, northeastern New York, Canada, New York City and points south. Albany's central location supports infrastructure like the Port of Albany, rail connections and access to the interstate highway.

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 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, the latter three being divisions of Union University. Located nearby are Siena College in the Town of Colonie, Union College in Schenectady and Rensselaer Polytechnic Institute and Russell Sage College in Troy.

The City is 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 not only serve as centers of health care, but are also major economic engines in the City of Albany, providing significant job opportunities and investment. For example, Albany Medical Center is currently undergoing a \$360 million expansion which is expected to result in the creation of 1,000 new jobs. Albany Medical Center and the VA have been partners in neighborhood revitalization efforts in Park South, where a new VA administration building was recently constructed along New Scotland Avenue. Both St Peter's Hospital and Albany Memorial Hospital have recently undergone major capital improvement projects, investing significant dollars into their operations.

The City of Albany is a crossroads of all forms of transportation, including air, truck, bus, rail and water. 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 Port is operated by the Albany Port District Commission and receives cargo originating in and being shipped to foreign countries and other cities in the United States. The Port of Albany is completing Phase II of a major wharf improvement and replacement project, which represents approximately \$14.2 million invested in the maritime operations. This project means roughly 810 feet of wharf will be replaced and 1,100 feet of rail lines will be extended for improved commerce activity. This major investment was largely due to federal support from stimulus funding, also known as the American Recovery and Reinvestment Act. The wharf replacement project is designed to provide the Port with the ability to handle larger vessels and continue to maximize year-round access while enhancing its competitive advantage for attracting commerce.

When the American Recovery and Reinvestment Act passed in 2009, the City of Albany responded swiftly in order to capture funding opportunities for eligible projects. As a result of this work, in 2010 the City experienced residual benefits from this source of funding. In addition to the first New York State stimulus funded project with the \$13.5 million reconstruction of Delaware Avenue, a number of other road and infrastructure projects were funded, including Central Avenue and parts of Washington and Western Avenues. In 2010, the \$5.1 million Neighborhood Stabilization Program was well underway with the rehabilitation of blighted homes in Albany's Arbor Hill neighborhood. Rehabilitation work on fifteen buildings is on schedule to be completed in 2011. The American Recovery and Reinvestment Act also funded \$1.1 million through the DOE Energy and Sustainability program, which initiated the creation of the Mayor's Office for Energy and Sustainability. This office completed the greenhouse gas inventory of City offices and operations in 2010 and made recommendations for cost and other efficiencies. Through an additional source of grant funds, the City is studying the feasibility of installing infrastructure to support electric vehicles.

In addition, 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. 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.

More than \$400 million in new projects are planned and underway in downtown Albany, including a new Convention Center, Wellington Row, Sheridan Place, Chapel Street Condominiums and others. The Albany Convention Center Authority (the "Authority"), is managing predevelopment work for the preferred site of a proposed Convention Center on lower Broadway. The Convention Center would be a very significant economic development project for the region, and is being designed to help attract thousands of new visitors to the City and millions of dollars in economic development benefits. The facility projects generating \$32 billion dollars in total spending in the regional economy, and is projected to support more than 1,700 jobs. The Authority has assembled nearly 100% of the land necessary to start development of this project. This is a huge step forward to gain site control for a major development site in downtown Albany. The City has no obligation to finance the construction or operation of the proposed project.

A \$500,000 NYS Department of Housing and Community Development grant was secured by the City's economic development team in 2010. The funding will go toward projects that are adaptively converting vacant upper floors to new residential units in downtown. This grant is expected to leverage close to \$6 million in private project development. Currently 38 new apartments are underway, representing \$3.8 million in private investment with the assistance of this program.

The University at Albany's College of Nanoscale Science and Engineering (CNSE), the world's first college devoted solely to nanotechnology, has attracted \$6 billion in public and private investments and over 250 global corporate partners. The complex continues to grow at a rapid pace with nearly one million square feet of space now constructed on-site and additional construction underway.

The Harriman Campus (originally the site of State offices) with its close proximity to Albany Nano Tech and the University at Albany is well positioned to attract significant new businesses to the City. The campus, which currently is owned by the State, has the potential to host a minimum of one million square feet of newly constructed state-of-the art commercial space. In 2010, the State of New York approved the sale of 6 acres to a private developer for the purpose of constructing a 55,000 square foot commercial building. The new tenant is not yet announced, but is expected to complement the research, development and commercial activity occurring in this district. In addition, Patroon Creek Corporate Center across from Harriman, has added the newly constructed home of First Niagara Bank's regional headquarters. The bank has already expressed interest to expand and develop into a nearby vacant parcel of land, adding to the Corporate Center's tenant base. The Center has a number of other commercial office buildings representing more than \$100 million in private investment. Only one development site remains at the Patroon Creek, which is expected to attract a 50,000 square foot commercial building.

Albany Medical Center has received State approval and is already well underway with a \$360 million expansion situated in front of the current patient tower facing the corner of New Scotland and Myrtle Avenues. In addition, several new buildings have been constructed on adjacent sites, including a five-story commercial office building on the southeastern corner of Myrtle and New Scotland Avenues and a three story mixed-use building on the northeastern corner. A new privately financed parking garage is under construction in front of the Veterans Administration Hospital along with a new office and retail building to be situated along New Scotland Avenue. In total, over the past 5 years, more than \$135 million has been invested in construction projects along New Scotland Avenue and in the Park South neighborhood. The development and investment in Park South also produced significant quality of life improvements, including increased market values and decreased calls for public safety assistance.

Since 2003, the City of Albany Industrial Development Agency (the "IDA") has assisted with the creation and retention of more than 3,000 jobs in the City and provided financing assistance for projects that leveraged close to \$800 million in investment in new and expanding facilities in the City. The State legislation authorizing this tool expired in January of 2008. For this reason, the City of Albany Common Council adopted legislation authorizing the creation of the Capital Resource Corporation (CRC) which enables the organization to act in place of the IDA for civic facility projects. The Board of the CRC is identical to the City of Albany IDA Board and will assist civic facility or not for profit organizations with financing. The fees generated from the transactions of the CRC will provide funding for a variety of economic development initiatives. These funds are dispersed based upon the recommendations of Capitalize Albany Corporation, a local, not-for-profit economic development organization. In 2010, the CRC issued Bonds for St Peter's Hospital.

The City's Empire Zone program has been an important tool for attracting business - large and small - and for creating new job opportunities in the City of Albany. Since the City of Albany Empire Zone program was designated in 1994, more than \$700 million has been invested in the City of Albany by Empire Zone certified companies. This business investment has gone toward new construction or renovation, business or real property acquisition, equipment or improvements. Businesses certified in the program employ over 5,000 people. This program expired in June of 2010. Without another business or economic development program in place, the City of Albany has taken a lead in creating or refining development programs at a local level to continue to attract new investment and job creation activity to the City. In 2010, the City worked with the Albany City School District to participate in a real property tax program that is designed to attract new investment and project activity. The 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 or residential development. The program is designed to attract investment, decrease the commercial vacancy rate and increase the long term real property tax base in the City. This program is helping to facilitate the City's downtown residential initiative. A number of mid-scale conversion projects are underway with the assistance of this incentive.

In addition to the business investments occurring in Albany, the City continued developing and implementing programs and initiatives, including the Park South Plan, the Midtown Homeownership Plan, the Arbor Hill Neighborhood Plan and the Capital South Plan.

The Park South Urban Renewal Plan was designed to stimulate neighborhood revitalization and improve the quality of life in the nine-block Park South area. Already complete is the first phase of the Plan, the \$12 million historic rehabilitation project on Knox Street. The Knox Street project, undertaken by Winn Development, has resulted in the rehabilitation of 18 row houses in the historic district. The buildings, which once housed 62 sub-standard units, has been renovated into 47 spacious and affordable apartments with modern amenities. The next phase of the Park South Plan, currently underway, is the series of new construction projects along New Scotland Avenue. This will expand amenities and retail services in this vital neighborhood bounded by Washington Park, Albany Medical Center and University Heights.

Another key neighborhood initiative, the Arbor Hill Neighborhood Plan, has resulted in significant investment – over \$58 million since the Plan was completed in 2003. Construction of a new library branch on Henry Johnson Boulevard is complete. North Swan Street is the focus of a mixed-use housing and commercial redevelopment project. Seven new first floor commercial spaces have come on line to foster local business development. In 2009, the City of Albany was awarded a \$5 million Restore NY grant, the largest award in the Capital Region for the redevelopment of St Joseph's Academy on North Swan Street. This project will renovate a long-vacant 40,000 square foot building into commercial and residential use. In 2010, the City received a \$5.1 million Neighborhood Rehabilitation Program grant that is targeted for use in Arbor Hill.

In 2007, the Capital South Plan was completed and presents a three-phased revitalization strategy for the City's South End neighborhood. The Plan calls for stabilizing the neighborhood to provide the foundation for market renewal to capitalize on current projects and to attract new investment and growing the neighborhood to link the Capital South area to the greater City. Phase I encompasses 53 new units along Morton Avenue, and represents a \$22 million project that is now complete. The Second Phase is a \$10 million, 43 unit scattered site redevelopment project which will continue the positive momentum in the South End community.

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, including major improvements to the Howe Library which were completed in 2010.

Since the completion of the Capital South Plan, over \$69 million has been invested in the South End, including funding from the City, County, State, Federal Government, and local non-profit organizations.

## 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 is housed in five facilities and 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, 11 major parks, three swimming pools, a municipal sports stadium and various other recreational and athletic programs. 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 has created the Albany Theater Arts District and encourages cultural events, such as chamber music concerts and outdoor theater, as well as numerous festivals and events. 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 receives approximately \$11 million in revenue annually. The City is currently in the process of expanding the existing landfill. It is projected that, without the expansion the landfill would have had a closure date of June 25, 2010. Phase I of the expansion is complete and is receiving solid waste. Phase II of the expansion has been approved by the New York State Department of Environmental Conservation, but construction cannot proceed until the U.S. Army Corp of Engineers approves a required easement. Further delays in the construction of Phase II could impact the timing of revenue from the landfill. The expansion is expected to provide an additional six to seven years of capacity. The additional capacity is expected to generate approximately \$11-12 million in annual revenue.

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.

## Wealth and Income Indicators

Per capita income statistics are available for the City, County and State. Listed below are select figures from the 1990, 2000 and 2009 Census reports.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2009</u>	<u>1990</u>	<u>2000</u>	<u>2009</u>
City of:						
Albany	\$ 13,742	\$ 18,281	\$ 23,855	\$ 34,493	\$ 30,041	\$ 61,085
County of:						
Albany	16,363	23,345	30,200	41,670	56,724	77,693
State of:						
New York	16,501	23,389	30,804	39,741	51,691	67,229

Source: U.S. Bureau of the Census.

## Population

According to U.S. Census data, the City had a 2010 population of 94,301. 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:

	<b>Population <sup>(1)</sup></b>			
	<b>City of Albany</b>	<b>Albany MSA</b>	<b>New York State</b>	<b>United States</b>
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

<sup>(1)</sup> Data compiled by the U.S. Department of Commerce, Bureau of the Census as of April 1 of each year based on the census for that year.

## Real Property Tax Base

Approximately 55% 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. 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 and in 2006 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 2039. See "State Aid" herein for further details. The City also receives payments from the State for properties occupied by the Dormitory Authority, the State Comptrollers Office and the New York State Department of Environmental Conservation.

**Building Permit****Dollar Value of Construction by Type**

	<b>Residential</b>	<b>Apartments</b>	<b>Commercial And Industrial</b>	<b>Other</b>	<b>Total Dollar Value</b>	<b>Total Building Permits</b>
1991	\$ 5,119,569	\$ 96,000	\$ 29,489,716	\$ 46,310,220	\$ 81,015,505	4,188
1992	4,022,200	75,000	13,455,266	41,590,534	59,143,000	3,866
1993	3,286,885	192,000	18,081,300	71,157,248	92,717,433	3,583
1994	1,316,445	-	41,722,946	66,706,368	109,745,759	3,532
1995	1,678,250	6,245,000	5,704,000	51,692,053	59,698,803	3,173
1996	627,100	4,400,000	13,729,675	47,727,564	66,484,339	3,173
1997	4,191,627	4,120,000	30,611,702	18,255,523	57,178,852	2,769
1998	5,146,580	3,351,057	26,326,048	26,798,477	61,622,162	1,509
1999	7,246,421	10,522,236	100,608,787	2,026,473	120,403,917	1,600
2000	18,647,272	51,052,882	34,305,146	20,311,694	124,316,994	1,772
2001	23,995,534	20,342,752	24,063,879	5,810,562	74,212,727	1,694
2002	10,706,826	1,237,891	50,660,198	29,370,351	92,370,351	1,807
2003	7,752,041	182,714	87,846,417	6,536,784	102,317,956	1,844
2004	15,857,832	491,245	55,082,116	107,085	71,538,288	2,045
2005	22,158,794	217,940	56,020,532	68,180	78,465,446	2,259
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

Source: City Officials.

## Employment

A major portion of non-agricultural workers have historically been employed by federal, state, or local governments. In recent years, this sector has increased to approximately one-third of the non-agricultural workforce in Albany County. The following table provides a historical comparison among employment sectors for the Albany MSA.

### Non-Agricultural Employment by Industry Groups, Albany MSA

	<u>2000</u>	<u>2001</u>	<u>2002</u> <sup>(1)</sup>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	(thousands)									
Contract Construction	18.0	17.9	18.1	18.3	17.9	18.1	18.4	18.2	18.3	17.1
Manufacturing	38.1	37.2	28.7	26.8	22.8	23.1	23.2	23.1	22.5	20.6
Transportation and Public Utilities	19.1	19.8	81.0	81.6	79.6	80.1	79.4	77.5	76.2	73.4
Wholesale and Retail Trade	95.1	95.6	96.7	96.8	66.9	66.5	65.5	64.1	62.9	60.2
Finance, Insurance, and Real Estate	25.1	25.7	20.2	20.7	20.3	20.6	21.1	26.2	25.9	25.1
Services and Miscellaneous	151.2	153.8	158.1	157.8	179.8	182.6	180.2	132.1	137.5	138.0
Government	110.6	111.0	112.7	111.4	108.0	107.6	106.6	107.8	108.9	108.3
Total	457.2	461.0	515.5	513.4	495.3	498.6	494.4	449.0	452.2	442.7

<sup>(1)</sup> The Federal government changed the industry group classifications during 2002. The classifications for 2002 do not directly compare to previous years.

Note: 2010 Annual Average data is not available at the time this Official Statement was prepared.

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

### Ten Largest Employers in the City

<u>Name</u>	<u>Type</u>	<u>Number</u>
State of New York*	Government	49,314
Albany Medical Center	Hospital	7,000
St. Peter's Hospital	Hospital	4,760
University at Albany	Education	4,700
Verizon Communications	Utility	3,000
United States	Government	2,858
Albany County	Government	2,738
Empire Blue Cross	Insurance	2,600
Center for Disabled	Health Care	2,200
City of Albany	Government	1,213

Source: Employers as listed above (2010).

- The 2011-2012 Executive Budget includes \$450 million expected workforce concessions and \$100 million through closures, consolidation and mergers. If such concessions are not realized, the Governor has indicated 9,800 layoffs of State workers may be required. As the capital of State government, State employment in Albany would be negatively impacted.

## Unemployment Rates

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

**Unemployment Rates <sup>(1)</sup>**

	<b>City of Albany<sup>(2)</sup></b>	<b>Albany MSA</b>	<b>New York State</b>	<b>United States</b>
1990	3.3%	3.6%	5.3%	5.5%
1991	5.5%	5.7%	7.3%	6.7%
1992	7.0%	6.0%	8.6%	7.4%
1993	5.8%	4.9%	7.9%	6.8%
1994	5.8%	4.8%	6.9%	6.1%
1995	5.9%	4.9%	6.4%	5.6%
1996	5.4%	4.6%	6.3%	5.4%
1997	4.7%	4.2%	6.5%	5.7%
1998	4.2%	3.6%	5.7%	4.5%
1999	4.1%	3.6%	5.2%	4.2%
2000	4.0%	3.4%	4.5%	4.0%
2001	3.7%	3.2%	4.9%	4.8%
2002	4.4%	3.8%	6.2%	5.8%
2003	5.0%	4.0%	6.4%	6.0%
2004	5.0%	4.2%	5.8%	5.5%
2005	4.6%	3.9%	5.0%	4.9%
2006	4.6%	3.7%	4.5%	4.6%
2007	4.5%	3.9%	4.5%	4.6%
2008	5.6%	4.9%	5.4%	5.8%
2009	8.1%	7.1%	8.4%	9.3%
2010	8.6%	7.3%	8.6%	9.6%
4/2011	7.9%	6.8%	7.7%	9.0%

<sup>(1)</sup> These are annual averages of actual labor force and employment estimates.

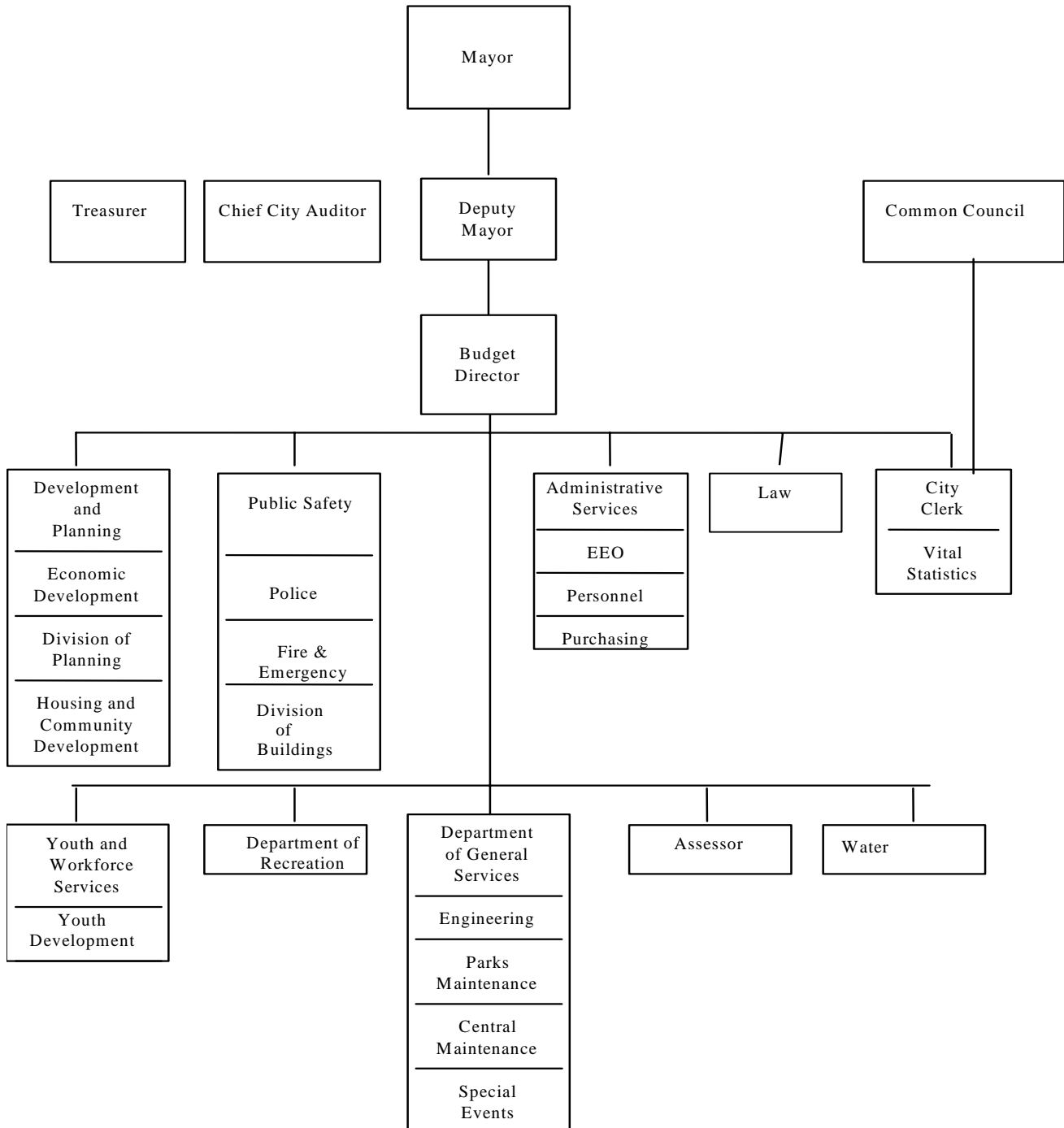
<sup>(2)</sup> City unemployment rates are estimated by the New York State Department of Labor based on the relationship between City and County labor force statistics.

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

## 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.

### **CITY OF ALBANY ORGANIZATIONAL CHART EXECUTIVE BRANCH**



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; he is elected in the general election to a four-year term without restriction as to number of terms. He 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 ten major City staff units in addition to the separately elected Treasurer and Chief City Auditor as shown in the City of Albany Organizational Chart on the previous page. Two elected officials, the Chief City Auditor and the Treasurer, and the appointed Budget Director 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, internal audit 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 and personnel transactions. 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.

**Employees**

The City provides services through approximately 1,213 regular employees. The following information is for the 954 unionized employees:

<u>Bargaining Unit</u>	<u>Approximate Number of Employees</u>	<u>Contract Expiration Date</u>
Albany Police Officers-Council 82 Sergeant & Lieutenant	275	December 31, 2009 <sup>(1)</sup>
Albany Firefighters-AFL-CIO	53	December 31, 2009 <sup>(1)</sup>
Albany Police Non-Sworn	235	December 31, 2009 <sup>(1)</sup>
Council 66-AFSCME-Local 1961	55	December 31, 2009 <sup>(1)</sup>
Communications Unit, Council 82	264	December 31, 2009 <sup>(1)</sup>
Communication Workers of America (TSAs & PSOs)	40	December 31, 2009 <sup>(1)</sup>
International Union of Operating Engineers	20	December 31, 2009 <sup>(1)</sup>
Teamsters Local 294	9	December 31, 2009 <sup>(1)</sup>
	3	December 31, 2009 <sup>(1)</sup>

While there has been litigation relative to certain union contracts in the past, there is no record of strikes against the City. Most of the City's employees are prohibited from participating in or encouraging a strike under New York law.

<sup>(1)</sup> Currently under negotiations.

## 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 early March, the Budget Director distributes budget instructions to each department along with requests for the City's five-year capital plan.

In mid-May, 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. The Common Council may accept or amend the Mayor's proposed budget. If the Common Council chooses to amend the proposed budget, the Mayor has the right to veto any portion, or all of, the Common Council's amendments. The Common Council may override any Mayoral veto with a two-thirds vote of the full Common Council members.

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. The Common Council approved the 2010 budget on November 16, 2009 and approved the 2011 budget on December 20, 2010.

### 2011 Budget

A summary of the 2011 Budget is outlined below:

	<u><b>Budget 2011</b></u>
<u><b>REVENUES</b></u>	
Real Property Taxes	\$ 54,148,000
Sales and Use Tax	28,500,000
Intergovernmental Revenues	1,155,000
State Aid	18,418,500
Charges for Services	13,690,000
Other Revenues	42,978,500
Appropriated Fund Balance	<u>6,134,000</u>
Total Revenues	\$ 165,024,000
<u><b>EXPENDITURES</b></u>	
Public Safety and Regulation	\$ 83,636,172
General Government	23,775,593
Employee Benefits	15,905,000
Debt Service	18,053,000
Other Expenditures	<u>23,654,235</u>
Total Expenditures	\$ 165,024,000

## 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 2011 budget, as well as the projected sources of funds for financing its capital projects.

<i>Department of General Services</i>	2011	2012	2013	2014	2015	Total Cost	Financing Method
Street Sweeper	\$140,000	\$0	\$145,000	\$0	\$0	\$285,000	Borrowings
Medium Duty Dump Truck (3)	380,000	400,000	0	0	0	780,000	Borrowings
Replacement Vehicles (4)	95,000	0	0	0	40,000	135,000	Borrowings
Pick Up Trucks (5)	135,000	60,000	65,000	0	0	260,000	Borrowings
Loader Mounted Snow Blower	100,000	0	0	0	0	100,000	Borrowings
One Ton Dump Truck (2)	75,000	85,000	0	0	90,000	250,000	Borrowings
Landfill Expansion Project	2,200,000	500,000	2,500,000	2,425,000	2,425,000	10,050,000	Borrowings
Landfill Final Cap Project	0	0	3,300,000	3,300,000	3,300,000	9,900,000	Borrowings
Heavy Duty CDL Trucks	0	225,000	0	0	0	225,000	Borrowings
Garbage Truck.	0	0	175,000	0	175,000	350,000	Borrowings
<i>Engineering</i>							
Street Reconstruction	\$3,745,000	\$3,245,000	\$3,245,000	\$3,245,000	\$3,245,000	\$16,725,000	Borr./CHIPS
Sidewalk Reconstruction	680,000	680,000	680,000	680,000	680,000	3,400,000	Borr./CDBG
A.D.A. Compliance	255,000	255,000	255,000	255,000	255,000	1,275,000	Borr./CDBG
Energy Conservation	15,000	15,000	15,000	15,000	15,000	75,000	Operating
Renovations to City Buildings	85,000	85,000	85,000	85,000	85,000	425,000	Operating
City Hall Window Replacement	300,000	0	0	0	0	300,000	Borrowings
Energy Conservation	200,000	80,000	50,000	50,000	50,000	430,000	Borrowings
Roof Improvements	300,000	0	170,000	0	170,000	640,000	Borrowings
Mechanical System Improvements	0	450,000	100,000	100,000	100,000	750,000	Borrowings
<i>Parks</i>							
Parks Vehicles and Mowers	\$30,000	\$50,000	\$50,000	\$50,000	\$50,000	230,000	Operating
Golf Course Equipment	10,000	40,000	40,000	40,000	40,000	170,000	Operating
Chipper	35,000	0	0	0	0	35,000	Borrowings
Zero Turn Mower (2)	120,000	0	0	0	0	120,000	Borrowings
Washington Park Improvements	150,000	75,000	75,000	75,000	75,000	450,000	Borrowings
Golf Course Improvements	0	300,000	150,000	20,000	20,000	490,000	Borrowings
Normanskil Farm Renovations	0	75,000	75,000	75,000	75,000	300,000	Borrowings
Total	\$9,050,000	\$6,620,000	\$11,175,000	\$10,415,000	\$10,890,000	\$48,150,000	
<i>Police Department</i>							
Vehicles	\$0	\$425,000	\$440,000	\$455,000	\$470,000	\$1,790,000	Borrowings
Special Use Vehicles	0	100,000	100,000	0	100,000	300,000	Borrowings
Traffic Signals	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,500,000	Borrowings
Madison Ave. Traffic Study & Design	100,000	0	0	0	0	100,000	Borrowings
Message Boards	60,000	60,000	30,000	30,000	30,000	210,000	Borrowings
Total	\$660,000	\$1,085,000	\$1,070,000	\$985,000	\$1,100,000	\$4,900,000	
<i>Fire Department</i>							
Replacement Vehicle (3)	\$0	\$0	\$35,000	\$0	\$0	35,000	Borrowings
Pumper	425,000	0	0	0	0	425,000	Borrowings
Defibrillators	45,000	45,000	0	0	0	90,000	Operating
Total	\$470,000	\$45,000	\$35,000	\$0	\$0	\$550,000	
<i>Recreation Department</i>							
Resurface Courts	\$0	\$200,000	\$0	\$200,000	\$0	\$400,000	Borrowings
Bleecker Stadium Lighting	0	400,000	0	0	0	400,000	Borrowings
Total	\$0	\$600,000	\$0	\$200,000	\$0	\$800,000	
Operating	\$185,000	\$235,000	\$190,000	\$190,000	\$190,000	\$990,000	Operating
Borrowings	8,400,000	6,520,000	10,495,000	9,815,000	10,205,000	45,435,000	Borrowings
Other	1,595,000	1,595,000	1,595,000	1,595,000	1,595,000	7,975,000	Other
Grand Total	<u>\$10,180,000</u>	<u>\$8,350,000</u>	<u>\$12,280,000</u>	<u>\$11,600,000</u>	<u>\$11,990,000</u>	<u>\$54,400,000</u>	

Source: City of Albany 2011 Budget.

## **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 2002 through 2009 is derived from the City's audited financial statements.

The City's 2003, 2004, 2005, 2006, 2007, 2008 and 2009 audited financial statements are in full compliance with Government Accounting Standards Board (GASB) Statement 34. Upon completion of the City's 2010 audited financial statements, it too will be in compliance with Government Accounting Standards Board (GASB) Statement 34.

## **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, 2006, 2007, 2008, 2009, 2010 and amounts budgeted for 2011.

### **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 2011 from real estate taxes, 20% from intergovernmental (including State Aid) and departmental charges (including the landfill), 18% from sales and use taxes and 29% from miscellaneous other sources.

### 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 Comptroller 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 2011 is \$54,148,000 an increase of \$1,000,000 or nearly 2% from 2010's tax levy.

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 \$25,282,915, \$25,613,049 and \$25,974,566 in 2008, 2009 and 2010, respectively. The 2011 budget anticipates \$18,916,000 in PILOT payments. This reduction results from a reduction in payments for the Empire State Plaza complex, which is the source of the largest PILOT payment received by the City. 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> <sup>(1)</sup>	<u>NEW AMOUNT</u> <sup>(1)</sup>
2007	\$16,130,000	\$ 22,850,000 <sup>(2)</sup>
2008	15,410,000	22,850,000 <sup>(2)</sup>
2009	14,690,000	22,850,000 <sup>(2)</sup>
2010	13,970,000	22,850,000 <sup>(2)</sup>
2011	13,250,000	15,000,000
2012	12,530,000	15,000,000
2013	11,810,000	15,000,000
2014	11,090,000	15,000,000
2015	10,370,000	15,000,000
2016	9,650,000	15,000,000
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	15,000,000
2033	0	15,000,000
2034	0	15,000,000
2035	0	15,000,000
2036	0	15,000,000
2037	0	15,000,000
2038	0	15,000,000
2039	0	15,000,000

Beginning in 2011, the City has the ability to pledge the difference between the originally scheduled 19-a payments and the new amount as credit for the construction of a hotel in connection with the proposed Albany Convention Center. At this time, it is anticipated that the hotel will be privately funded, so no pledge from the City is contemplated at this time.

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

<sup>(2)</sup> The City has received the payments as shown.

## Sales Taxes

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 32.01% or 12.8% of the total. Based on 2010 census results the City's share of the county population increased to 32.17%, which could result in a slight increase of its share of sales tax revenue. 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 November 30, 2011.

The City's independent audit firm UHY LLP Certified Public Accountants has not audited the City's financial information in this document relating to 2010. The City anticipates the financial audit to be complete by September 30, 2011.

The following table shows the City's sales tax receipts for the four years ended December 31, 2006 to 2010 and the amount budgeted for 2011.

<u>Sales Tax Receipts</u>	
<u>For Fiscal Year Ending December 31</u>	
<u>Year</u>	<u>Amounts</u>
2006	\$ 29,238,536
2007	25,559,266
2008	30,413,353
2009	28,447,851
2010	28,451,534
2011 (Budgeted)	28,500,000

The following table shows the City's utilities gross receipts tax revenues for the four years ended December 31, 2006 to 2010 and budgeted receipts for 2011. 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.

<u>Utilities Gross Receipts Tax Revenues</u>	
<u>For Fiscal Year Ending December 31</u>	
<u>Year</u>	<u>Amounts</u>
2006	\$2,009,666
2007	2,061,752
2008	1,961,710
2009	1,524,960
2010	1,891,561
2011 (Budgeted)	2,000,000

## Intergovernmental Charges

The following table shows the City's receipts for intergovernmental charges for the four years ended December 31, 2006 to 2010 and budgeted receipts for 2011. The main component of intergovernmental charges include tipping fees from municipalities served by the Albany landfill. It also includes municipal contracts with Albany Police Department Computer aided dispatch system.

### Intergovernmental Charges For Fiscal Year Ending December 31

<u>Year</u>	<u>Amounts</u>
2006	\$2,879,591
2007	3,461,324
2008	2,594,489
2009	1,440,382
2010	1,253,522
2011 (Budgeted)	1,155,000

## State Aid

From 2006 to 2009, State aid (excluding 19-a PILOT payments) constituted between 11 and 13% 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 2011 fiscal year, the City budgeted \$18,418,500, or 10% of General Fund Revenue in State Aid.

The following table sets forth the percentage of General Fund revenues of the City comprised of State Aid for each of the fiscal years 2003-2010 and budgeted 2011:

### State Aid Payments Fiscal Year Ending December 31

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>State Aid <sup>(1)</sup></u>	<u>State Aid as a Percentage of General Fund Revenue</u>
2003	\$118,536,321	\$ 11,603,682	9.1%
2004	133,812,557	12,440,686	9.3%
2005	146,069,049	15,833,188	10.8%
2006	153,271,848	17,234,612	11.2%
2007	152,239,618	18,452,110	12.1%
2008	157,821,291	20,760,558	13.1%
2009	155,570,456	18,045,461	11.6%
2010	159,739,794	17,326,865	10.8%
2011*	165,024,000	18,418,500	11.2%

<sup>(1)</sup> Includes amounts received from the New York State Mortgage Recording Tax.

\* Budgeted, not actual amounts.

Source: City of Albany Treasurer's Office.

The Aid and Incentives for Municipalities (the "AIM") program is the State's primary vehicle for providing direct aid to local governments. The 2011-2012 State Executive Budget recalibrates the AIM program by directing aid to the neediest municipalities and contains provisions intended to encourage and reward local government efficiency through targeted aid that incentivizes more cost effective operations. This effort is aimed at encouraging all levels of government to economize while maintaining necessary services. The 2011-2012 State Executive Budget reduces AIM for all cities, towns and villages by 2% from current year levels.

### 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 2006-2011 as well as the amount actually applied for 2006-2009 in 2010 the City ended the year with an un-audited surplus of \$907,452:

<u>Fiscal Year</u>	<u>Fund Balance Appropriated in Budget</u>	<u>Actual Fund Bal. (Used) / * Surplus</u>	<u>Year End Total Un-appropriated Fund Balance</u>
2007	\$ (3,347,285)	\$ (1,713,536)	\$ 20,095,387
2008	(7,878,327)	(164,785)	19,930,802
2009	(1,663,000)	(3,805,821)	16,124,981
2010	(5,261,000)	907,452	17,032,434
2011 (budgeted)	(6,134,000)	N/A	N/A

### **Expenses**

In 2011, General Fund expenditures were budgeted at \$165,024,000 compared to actual expenditures of \$158,145,398 in 2010. Of this amount, public safety constituted 35%, general government expenses constituted 11%, debt service constituted 11%, employee benefits constituted 30%, culture and recreation constituted 3%, transportation constituted 4%, community service constituted 5% 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 2011 were as follows:

#### Debt Service For Fiscal Year Ending December 31

<u>Year</u>	<u>Amounts</u>
2006	\$15,454,326
2007	16,801,751
2008	17,022,738
2009	16,625,296
2010	16,725,695
2011 (Budgeted)	18,053,000

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 System which the City supplies to the System, the State Systems bill the City annually. The State administers the program and distributes all benefits.

On December 12, 2009, the Governor signed a new Tier V into law. The law is effective for new ERS hires beginning on January 1, 2010. New ERS employees will now contribute 3 percent of their salaries. There is no provision for these contributions to cease after a certain period of service. Overtime in excess of \$15,000 will not be subject to ERS either in contribution from the City or the employee.

The following table shows the total actual payments made by the City to the State Systems in the years 2003-2010 and budgeted payments in 2011.

City Payments  
Fiscal Year Ending December 31:

<u>Year</u>	<u>Amounts</u>
2003	\$ 4,403,435
2004	16,448,062 *
2005	9,123,752
2006	9,871,479
2007	8,109,295
2008	8,491,029
2009	9,376,446
2010	11,531,207
2011 (Budgeted)	14,008,000

\* Includes \$6.3 million buy-in for fire fighters pensions pursuant to Section 384e of the NYS Retirement and Social Security Law.

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.

On September 3, 2009, the New York State Comptroller's office announced the employer contribution rates for the ERS would increase in 2011. The impact of the global recession on the \$116.5 billion New York State Common Retirement Fund (Fund) increased the average ERS rate up to 11.9 percent (up from 7.4 percent in 2010). On September 2, 2010, the New York State Comptroller's office announced that the average contribution rate for ERS will increase from 11.9 percent of salaries to 16.3 percent in 2012. For 2007, 2008 and 2009 ERS rates were 10.7%, 9.6% and 8.5%, respectively.

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for the ERS and PFRS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts. Under this system, the State advises such employers over one year in advance concerning the actual pension contribution rates for the next annual billing cycle.

In 2004, the State passed Chapter 260, which set the payment date for annual pension contributions as February 1<sup>st</sup>, created special authorization to create a pension reserve fund under the General Municipal Law and extended the period of time over which municipalities and school districts could amortize pension debt.

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 Retirement 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 County which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement 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.

**GASB 45 and OPEB.** OPEB refers to "other post-employment benefits," meaning other than pension benefits. OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, 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 requires municipalities and school districts to account for OPEB liabilities much like they already account 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. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is 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 does 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.

Actuarial Valuation is required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

As of December 31, 2010 the actuarial accrued liability (AAL), the portion of the actuarial present value of the total future benefits based on the employees' service rendered to the measurement date, was \$270,263,808. The actuarial value of the Plan's assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$270,263,808. The UAAL is amortized over a fixed period and the City makes annual payments on a pay-as-you-go funding basis. The City's net OPEB obligation at the beginning of any year is the cumulative unfunded OPEB obligation since the fiscal year during which the GASB 45 was implemented. As of January 1, 2010, the City's net OPEB obligation was \$49,714,900. During fiscal year ending December 31, 2010, the City paid \$11,346,913 in OPEB obligations, resulting in a net OPEB obligation of \$53,415,527 as of January 1, 2011.

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.

### **Other Information**

No principal or interest upon any obligation of the City is past due.

The fiscal year of the City ends December 31.

This Official Statement does not include the financial data of any political subdivision having power to levy taxes within the City.

## TAX INFORMATION

### Valuations

<u>Years Ending December 31:</u>	<u>2007</u>	<u>2008</u> <sup>(1)</sup>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Assessed Valuation	\$ 3,417,949,312	\$ 5,352,808,731	\$ 5,134,573,172	\$ 5,022,587,812	\$ 4,940,294,807
State Equalization Rate	71.00%	100.00%	101.30%	98.00%	99.40%
Full Valuation	\$ 4,814,013,115	\$ 5,352,808,731	\$ 5,068,680,328	\$ 5,125,089,604	\$ 4,970,115,500

<sup>(1)</sup> The City completed a citywide revaluation during 2007 effective for the 2008 tax roll.

### Tax Rate Per \$1,000 (Assessed)

<u>Years Ending December 31:</u>	<u>2007</u>	<u>2008</u> <sup>(1)</sup>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Homestead Rate	\$ 12.82	\$ 8.14	\$ 8.07	\$ 9.27	\$ 9.97
Non –Homestead Rate	16.09	13.06	13.19	12.98	12.82

<sup>(1)</sup> The City completed a citywide revaluation during 2007 effective for the 2008 tax roll.

### Tax Collection Record

<u>Years Ending December 31:</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Tax Levy	\$ 48,700,000	\$ 48,700,000	\$ 50,648,000	\$ 53,148,000	\$ 53,148,000
Uncollected End of Year	3,038,126	2,756,231	2,614,555	3,462,888	3,426,304
% Uncollected End of Year (1)	6.24%	5.44%	5.16%	6.52%	6.45%

Note: The 2011 Tax Levy is \$54,148,000.

<sup>(1)</sup> 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 - (2011 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	Utility	\$ 156,780,676
99 Washington Avenue	Office Building	43,200,000
Crossgate Commons	Commercial	26,200,000
Wal-Mart Stores	Commercial	24,500,000
Patroon Creek Blvd., LLC	Office Building	17,640,000
80 State Street Partners	Office Building	15,500,000
Chapel 25 Hotel Assoc.	Commercial	15,074,000
P.S. 30 Associates	Office Building	15,000,000
Verizon	Utility	14,746,010
136 Washington Avenue LLC	Office Building	12,750,000

The largest taxpayers listed above have a total estimated assessed valuation of \$341,390,686, which represents approximately 6.91% of the tax base of the City.

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

The following are the payments in lieu of taxes received in 2006-2010 and budgeted payments for 2011:

### Payments In Lieu of Taxes For Fiscal Year Ending December 31

<u>Year</u>	<u>Amount</u>
2006	\$25,097,709
2007	25,420,554
2008	25,282,915
2009	25,613,049
2010	25,974,566
2011 (Budgeted)	18,916,000

## Constitutional Tax Margin

Computation of Constitutional Tax Margin for fiscal years ending December 31, 2007, 2008, 2009, 2010 and 2011:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Five-Year Average Full Valuation	\$ 3,417,949,312	\$ 4,280,672,341	\$ 4,580,105,811	\$ 4,882,637,812	\$ 5,067,024,254
Tax Limit - 2% of Five-Year Average	77,332,281	85,613,447	91,602,116	97,652,755	101,340,485
Add: Exclusions From Tax Limit	<u>17,408,000</u>	<u>16,637,000</u>	<u>16,922,000</u>	<u>16,323,750</u>	<u>18,238,000</u>
Total Taxing Power	\$ 94,740,281	\$ 102,250,447	\$ 108,524,116	113,976,505	119,578,485
Less Total Levy	<u>48,700,000</u>	<u>50,648,000</u>	<u>53,148,000</u>	<u>53,148,000</u>	<u>54,148,000</u>
Tax Margin	<u>\$ 46,040,281</u>	<u>\$ 51,602,447</u>	<u>\$ 55,376,116</u>	<u>\$ 60,828,505</u>	<u>\$ 65,430,485</u>

## Additional Tax Information

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

The City completed a citywide revaluation during 2007 which was reflected in the 2008 assessed values. Such reassessment resulted in an approximately 53 percent increase in assessed valuation.

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 \$2,646 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.

## NEW 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 all local governments, including school districts (with the exception of New York City, the counties comprising New York City and the Big 5 City School Districts (Buffalo, Rochester, Syracuse, Yonkers and New York). 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. It expires on June 16, 2016 unless extended. 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 or 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 municipality’s governing body, 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 permissible 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 rate of the tax levy limitation provisions.

Article 8 Section 2 of the State Constitution requires every issuer of general obligation notes and bonds in the State to pledge its faith and credit for the payment of the principal thereof and the interest thereon. This 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 that is what courts have held they mean.”

Article 8 Section 12 of the State Constitution specifically provides as follows:

“It shall be the duty of the legislature, subject to the provisions of this constitution, to restrict the power of taxation, assessment, borrowing money, contracting indebtedness, and loaning the credit of counties, cities, towns and villages, so as to prevent abuses in taxation and assessments and in contracting of indebtedness by them. Nothing in this article shall be construed to prevent the legislature from further restricting the powers herein specified of any county, city, town, village or school district to contract indebtedness or to levy taxes on real estate. The legislature shall not, however, restrict the power to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.”

On the relationship of the Article 8 Section 2 requirement to pledge the faith and credit and the Article 8 Section 12 protection of the levy of real property taxes to pay debt service on bonds subject to the general obligation pledge, the Court of Appeals in the Flushing National Bank case stated:

“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 of 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 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.

Therefore, while the New 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 New 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 New 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.

It is likely that the New Tax Levy Limitation Law will be subject to judicial review to resolve the constitutional issues raised by its adoption.

## **CITY 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 Bonds include the following:

#### Purpose and Pledge

Subject to certain enumerated exceptions, the City shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The City may contract indebtedness only for a City purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

#### 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 or, in the alternative (in the use of level debt service described below), the weighted average period of probable usefulness of the several purposes, for which it is contracted and in no event may this period exceed forty years. No installment may be more than fifty per centum in excess of the smallest prior installment unless the City authorizes and determines to issue debt amortizing on the basis of substantially level or declining annual debt service. 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 bonds and bond anticipation 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 New York 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.

## 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 City Charter, the General City Law 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 ordinance is published with a statutory form of notice, the validity of the bonds 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 issued or renewed from time to time provided annual principal installments are made in reduction of the total amount of such bond anticipation notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such notes or renewals do not exceed five years beyond the original date of borrowing. See "Payment and Maturity" under "Constitutional Requirements" herein.

The Local Finance Law contains provisions providing the City with power to issue certain other short-term general obligation indebtedness including budget and capital notes. The City Common Council has delegated to the City Treasurer, as permitted under the Local Finance Law, the power to authorize the issuance of revenue anticipation notes and tax anticipation notes.

## Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending December 31:</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Bonds	\$ 101,395,000	\$ 94,047,849	\$ 85,286,962	\$ 95,777,420	\$ 85,460,000
Bond Anticipation Notes	2,250,000	11,375,000	28,525,600	43,982,049	63,890,049
Revenue Anticipation Notes	10,000,000	10,000,000	0	12,500,000	0
Other Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 113,645,000</u>	<u>\$ 115,422,849</u>	<u>\$ 113,812,562</u>	<u>\$ 152,259,469</u>	<u>\$ 149,350,049</u>

**Details of Outstanding Indebtedness**

The following table sets forth the indebtedness of the City evidenced by bonds and notes as of June 8, 2011:

<u>Bonds</u>	<u>Maturity</u>	<u>Amount</u>
	2011-2025	\$ 82,945,000
<u>Bond Anticipation Notes</u>		
Various Capital Improvements	July 8, 2011	<u>\$ 63,890,049</u>
	Total Indebtedness	<u>\$ 146,835,049</u>

**Debt Statement Summary**

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 8, 2011:

Five-Year Average Full Valuation of Taxable Real Property .....	<u>\$ 5,066,141,456</u>
Debt Limit - 7% thereof .....	354,629,902
<u>Inclusions:</u>	
Bonds .....	\$ 82,945,000
Bond Anticipation Notes .....	<u>63,890,049</u>
Total Inclusions.....	\$ 146,835,049
<u>Exclusions:</u>	
Appropriations.....	<u>\$ 7,270,000</u>
Total Exclusions.....	<u>\$ 7,270,000</u>
Total Net Indebtedness Subject to Debt Limit .....	<u>\$ 139,565,049</u>
Net Debt-Contracting Margin.....	<u>\$ 215,064,853</u>
Percent of Debt Contracting Power Exhausted .....	39.36%

Note: The issuance of the Bonds and Notes will not increase the net indebtedness of the City. Upon issuance of the Bond and Notes the net indebtedness of the City will decrease by \$9,496,697 due to the principal reductions the City will make on the currently outstanding bond anticipation notes; which are being redeemed by the Bonds and Notes.

**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 has requested and received accelerated payments of State Aid and Sales Tax to assist in meeting cash flow requirements during the last part of the year. In light of greater uncertainty than in past years as to the likelihood of receiving such accelerated payments, the City issued Revenue Anticipation Notes in the amount of \$12,500,000 on December 10, 2009, which notes matured on January 29, 2010. The City currently does not have any revenue anticipation notes or tax anticipation notes outstanding.

**Bonded Debt Service**

A schedule of Bonded Debt Service, including principal of this issue, may be found attached hereto as APPENDIX - B of 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 upon 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 as of the close of the last fiscal year of respective municipalities, adjusted to include subsequent bond issues, if any.

<u>Unit</u>	<u>Outstanding Indebtedness</u>	<u>Exclusions</u> <sup>(1)</sup>	<u>Net Indebtedness</u>	<u>Approx. % Applicable</u>	<u>Approx. Net Overlapping Indebtedness</u>
County of Albany	\$ 247,087,893	\$ 30,853,728 <sup>(2)</sup>	\$ 216,234,165	23.35%	\$ 50,490,678
City School District of the City of Albany	191,183,644	139,755,244 <sup>(3)</sup>	51,428,400	100.00%	<u>51,428,400</u>
					<u>\$ 101,919,078</u>

<sup>(1)</sup> Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.

<sup>(2)</sup> Sewer and water exclusions and budgeted appropriations.

<sup>(3)</sup> Estimated State Building aid.

Source: New York State Comptroller's Special Report on Municipal Affairs for fiscal years ending 2009.

**Debt Ratios**

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

**Debt Ratios  
As of June 8, 2011**

	<u>Amount Indebtedness</u>	<u>Per Capita</u> <sup>(a)</sup>	<u>Percentage of Full Valuation</u> <sup>(b)</sup>
Gross Indebtedness .....	\$ 146,835,049	\$1,500.52	2.90%
Gross Indebtedness Plus Net Overlapping Indebtedness <sup>(c)</sup> .....	248,875,127	2,542.04	4.89%

<sup>(a)</sup> The 2000 Census population of the City is 97,856.

<sup>(b)</sup> The City's five-year average full value of taxable real estate is \$5,066,141,456.

<sup>(c)</sup> Estimated net overlapping indebtedness is \$101,919,078.

## MARKET AND RISK FACTORS

The financial and economic condition of the City as well as the market for the Bonds and 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 Bonds and 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 Bonds and Notes, could be adversely affected.

The City is dependent in part on financial assistance from the State whose 2011-2012 Executive Budget is designed to close a \$10 billion deficit without raising taxes or incurring additional debt. As part of its closing measures, the 2011-2012 State Executive Budget recalibrates the AIM program by directing aid to the neediest municipalities and contains provisions intended to encourage and reward local government efficiency through targeted aid that incentivizes more cost effective operations. This effort is aimed at encouraging all levels of government to economize while maintaining necessary services. The 2011-2012 State Executive Budget reduces AIM for all cities, towns and villages by 2% from current year levels.

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 UNDERTAKING WITH RESPECT TO THE BONDS

In accordance with the requirements 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"), the City has agreed to provide, or cause to be provided, during the period in which the Bonds are outstanding, in a timely manner, 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:

- (i) during any succeeding fiscal year in which the Bonds are outstanding, certain annual financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced under the headings "The City", "Tax Information", "City Indebtedness", "Status of Indebtedness," "Litigation" and all Appendices (other than any related to bond insurance) and a copy of the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of audit) for the preceding fiscal year, if any; such information, data and audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if audited financial statements are prepared, sixty days following receipt by the City of audited financial statements for the preceding fiscal year, but, in no event, not later than the last business day of each such succeeding fiscal year.
- (ii) in a timely manner, not in excess of ten (10) business days after the occurrence of a listed event, to EMMA notice of the occurrence of any of the following events ("Event Notices").
  - (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 Bonds, 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 Bonds, or other material events affecting the tax status of the Bonds
  - (g) modifications to rights of Bondholders, if material
  - (h) bond calls, if material and tender offers

- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Bonds
- (k) rating changes
- (l) tender offers
- (m) bankruptcy, insolvency, receivership or similar event of the City
- (n) 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
- (o) appointment of a successor or additional trustee or the change of name of a trustee, if material

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 Bonds.

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 Bonds.

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 Bonds; 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.

- (iii) in a timely manner, to the MSRB or any other facility designated or authorized by the Commission to receive Reports pursuant to the Rule, notice of its failure to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

The Annual Information and the Event Notices, if any, will be filed with the Municipal Securities Rulemaking Board and its Electronic Municipal Market Access system for municipal securities disclosures.

The City reserves the right to terminate its obligations to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, and Event Notices, as set forth above, if and when the City no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The City acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bonds (including holders of beneficial interests in the Bonds). The right of holders of the Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the City's obligations under its continuing disclosure undertaking and any failure by the City to comply with the provisions of the undertaking will neither be a default with respect to the Bonds nor entitle any holder of the Bonds to recover monetary damages.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City; provided that the City agrees that any such modification will be done in a manner consistent with the Rule.

A Continuing Disclosure Undertaking Certificate to this effect shall be provided to the purchaser at closing.

The City is in compliance with all prior undertakings pursuant to the Rule.

## MATERIAL EVENT NOTICES WITH RESPECT TO THE NOTES

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 Notes are 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 Bonds, 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 Bonds, or other material events affecting the tax status of the Bonds
- (g) modifications to rights of Bondholders, if material
- (h) bond calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Bonds
- (k) rating changes
- (l) tender offers
- (m) bankruptcy, insolvency, receivership or similar event of the City
- (n) 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
- (o) appointment of a successor or additional trustee or the change of name of a trustee, if material

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 securities.

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 Notes within the meaning of the Rule. The City 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 Notes to recover monetary damages.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, provided that the City agrees that any such modification will be done in a manner consistent with the Rule.

A Material Event Notices Certificate to this effect shall be provided to the purchaser(s) at closing.

The City is in compliance with all prior undertakings pursuant to the Rule.

## **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.

## **TAX MATTERS**

In the opinion of Roemer Wallens Gold & Mineaux LLP, Bond Counsel, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, (i) interest on the Bonds and 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, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings, and (ii) interest on the Bonds and 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 Bonds and Notes.

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 Bonds and 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 Bonds and 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 Bonds and Notes. The City has covenanted to take the actions required of it for the interest on the Bonds and 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.

Under the Code a portion of the interest on the Bonds and Notes earned by certain corporations may be subject to a corporate alternative minimum tax. In addition, interest on the Bonds and Notes may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds and Notes. Bond Counsel will express no opinion regarding those consequences.

Future legislative proposals, if enacted into law or clarification of the Code or court decisions may cause interest on the Bonds and 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 owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposal or clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds and Notes. Prospective purchasers of the Bonds and Notes should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds and Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Purchasers of the Bonds and Notes at other than their original issuance at the respective price(s) indicated on the cover of this Official Statement should consult their own tax advisers regarding other tax considerations such as the consequences of market discount.

## **DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS AND NOTES**

### **Legal Matters**

Legal matters incident to the authorization, issuance, and sale of the Bonds and 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 Bonds and Notes and will be to the effect that the Bonds and Notes are valid and legally binding general obligations of the City, for the payment of which the City has validly pledged its 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 "New Tax Levy Limitation Law", herein), for payment of the principal of and interest on the Bonds and 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 Bonds and Notes, (a) interest on the Bonds and 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 although, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings; and (b) interest on the Bonds and 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 Bonds and 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. The enforceability of the Bonds and 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 Bonds and Notes, the City shall furnish a certificate of the City Corporation Counsel, dated the date of delivery and payment for the Bonds and 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 Bonds and Notes, or in any way contesting or affecting the validity of the Bonds and 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 Bonds and 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 Bonds and Notes, which has not been disclosed in this Official Statement.

## **RATING**

Standard & Poor's Credit Market Services has assigned its bond rating of "AA-" with a stable outlook to the Bonds. Such rating reflect 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 – 38<sup>th</sup> Floor, New York, New York 10041, (212) 438-7983. 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 such rating could have an adverse effect on the market price of the Bonds, Notes and outstanding bonds.

## **MISCELLANEOUS**

Any statements made in this Official Statement and indicated to involve matters of opinion, forecasts, projections or estimates are represented to be opinions, forecasts, projections or estimates in good faith. No assurance can be given, however, that the facts will materialize as so opined forecasted, projected or estimated. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds and Notes.

Roemer Wallens Gold & Mineaux LLP has not verified the accuracy, completeness or fairness of the factual information contained in this Official Statement, except with respect to the statements contained in this Official Statement under the caption "Description of the Bonds and Notes" (not including information regarding the Book-Entry-Only System), "Tax Exemption", "Legal Matters", and accordingly, the firm's legal opinion will state that no opinion is expressed as to whether the City, in connection with the sale of the Bonds and Notes, has made any untrue statement of a material fact, or omitted to reflect a material fact necessary in order to make any statements made, in light of the circumstances under which they were made, not misleading.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at [www.fiscaladvisors.com](http://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 Bonds.

If the purchaser(s) requests that the Notes be issued in registered form, the City will act as Paying Agent for the Notes. If the purchaser(s) requests that the Notes be issued in bearer form, the purchaser will select a bank or trust company located and authorized to do business in the State of New York to act as Paying Agent for the Notes. Paying agent fees, if any, shall be paid by the purchaser.

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) 434-5023, Telefax: (518) 434-5098, Email: bennek@ci.albany.ny.us.

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

**CITY OF ALBANY**

**Dated: June 23, 2011**

**/s/ Katherine M. Sheehan**  
**Honorable Katherine M. Sheehan**  
**City Treasurer**  
**and Chief Fiscal Officer**

GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>ASSETS</b>					
Cash on Hand	\$ 12,655,323	\$ 14,546,836	\$ 14,642,856	\$ 20,242,159	\$ 13,474,371
Receivables:					
Taxes - net	4,161,573	3,925,424	4,571,208	5,999,881	5,679,653
Landfill, net	1,111,595	876,608	674,708	962,780	1,698,725
Accounts Receivable	1,159,555	911,462	961,487	730,663	1,783,506
Other - net	-	-	-	-	-
State and Federal	14,476,374	1,980,375	2,518,477	3,654,657	2,470,097
Due from Other Funds	7,914,491	7,145,175	6,230,455	7,331,678	4,607,108
Due From Other Governments	8,866,201	22,627,165	13,493,430	10,787,414	10,549,883
Other Assets	2,571,556	2,397,197	2,253,827	2,828,583	3,346,226
<b>TOTAL ASSETS</b>	<b>\$ 52,916,668</b>	<b>\$ 54,410,242</b>	<b>\$ 45,346,448</b>	<b>\$ 52,537,815</b>	<b>\$ 43,609,569</b>
<b>LIABILITIES AND FUND EQUITY</b>					
Accounts Payable	\$ 7,742,440	\$ 9,442,915	\$ 9,963,822	\$ 7,344,111	\$ 6,072,303
Accrued Liabilities	-	-	-	-	-
Due to Component Units	134,556	200,974	-	-	-
Notes Payable (RAN's)	10,000,000	10,000,000	-	12,500,000	-
Other Liabilities	142,871	201,054	435,594	544,504	361,905
Due to Other Funds	62,361	-	114,642	117,642	117,642
Due to Other Governments	10,016,943	10,182,171	10,411,511	10,833,361	14,897,159
Deferred Revenue	-	-	-	-	-
Accrued Interest on CABs	1,569,707	1,745,066	1,895,915	632,033	-
<b>TOTAL LIABILITIES</b>	<b>29,668,878</b>	<b>31,772,180</b>	<b>22,821,484</b>	<b>31,971,651</b>	<b>21,449,009</b>
<b>FUND EQUITY</b>					
Reserved	\$ 1,692,528	\$ 3,471,374	\$ 2,678,416	\$ 4,517,416	\$ 5,180,409
Unreserved:					
Appropriated	-	-	-	-	-
Unappropriated	21,555,262	19,166,688	19,846,548	16,048,748	16,980,151
<b>TOTAL FUND EQUITY</b>	<b>23,247,790</b>	<b>22,638,062</b>	<b>22,524,964</b>	<b>20,566,164</b>	<b>22,160,560</b>
<b>TOTAL LIABILITIES and FUND EQUITY</b>	<b>\$ 52,916,668</b>	<b>\$ 54,410,242</b>	<b>\$ 45,346,448</b>	<b>\$ 52,537,815</b>	<b>\$ 43,609,569</b>

2010 financial information has not been audited.

Source: Audited financial reports of the City for 2006-2009 and unaudited financial reports of the City for 2010.

This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>REVENUES</b>					
Real Property Taxes	\$ 48,444,733	\$ 47,746,506	\$ 49,610,386	\$ 52,349,690	\$ 53,056,844
Sales and Use Tax	29,238,536	29,559,266	30,413,353	28,447,851	28,451,534
Other Taxes	3,541,435	3,529,722	3,441,185	3,032,331	3,426,539
Payments in Lieu of Taxes	25,097,709	25,420,554	25,282,915	25,613,049	25,974,566
Intergovernmental Revenues	19,655,317	20,862,857	23,490,231	19,907,183	20,156,743
Charges for Services	14,210,229	12,561,945	12,506,730	13,431,651	13,357,796
Fines, interest and penalties	5,196,544	4,761,955	5,103,037	5,164,173	6,507,569
Uses of money and properties	1,689,254	1,908,564	1,255,415	446,116	333,791
License and permits	1,409,511	1,680,354	1,652,391	1,784,939	2,323,870
Miscellaneous	4,778,033	3,859,114	5,065,648	4,780,620	5,710,542
Total Revenues	<u>\$ 153,261,301</u>	<u>\$ 151,890,837</u>	<u>\$ 157,821,291</u>	<u>\$ 154,957,603</u>	<u>\$ 159,299,794</u>
<b>EXPENDITURES</b>					
Public Safety and Regulation	\$ 72,662,917	\$ 78,057,580	\$ 80,810,776	\$ 82,367,318	\$ 85,475,630
General Government	21,097,406	22,106,573	22,836,045	22,654,624	21,249,059
Highway and Streets	6,664,985	7,350,905	6,931,126	6,714,878	6,693,113
Recreation and Culture	6,279,572	6,245,517	6,102,450	5,822,650	5,776,182
Community Service	9,403,467	9,319,306	10,399,671	9,586,415	9,900,779
Economic development and assistance	50,733	41,636	328,861	82,209	10,685
Employee Benefits	13,067,046	13,308,027	13,502,722	14,353,523	12,314,255
Debt Service	15,454,326	16,801,751	16,118,738	14,817,296	16,055,695
Total Expenditures	<u>\$ 144,680,452</u>	<u>\$ 153,231,295</u>	<u>\$ 157,030,389</u>	<u>\$ 156,398,913</u>	<u>\$ 157,475,398</u>
Excess of Revenues Over (Under) Expenditures	<u>8,580,849</u>	<u>(1,340,458)</u>	<u>790,902</u>	<u>(1,441,310)</u>	<u>1,824,396</u>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	10,550	241,758	-	612,853	440,000
Operating Transfers to Other Funds	-	-	(904,000)	(1,808,000)	(670,000)
Proceeds from sale of property	-	107,022	-	-	-
Proceeds from general obligation bonds/notes	-	-	-	-	-
Proceeds from other debt	-	-	-	-	-
Other sources	-	381,950	-	677,657	-
Total Other Financing	<u>10,550</u>	<u>730,730</u>	<u>(904,000)</u>	<u>(517,490)</u>	<u>(230,000)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>8,591,399</u>	<u>(609,728)</u>	<u>(113,098)</u>	<u>(1,958,800)</u>	<u>1,594,396</u>
<b>FUND BALANCE</b>					
Fund Balance - Beginning of Year	14,656,391 <sup>(1)</sup>	23,247,790	22,638,062	22,524,964	20,566,164
Residual Equity Transfers	-	-	-	-	-
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 23,247,790</u>	<u>\$ 22,638,062</u>	<u>\$ 22,524,964</u>	<u>\$ 20,566,164</u>	<u>\$ 22,160,560</u>

(1) Change from previous year due to audit adjustment.

2010 financial information has not been audited.

Source: Audited financial reports of the City for 2006-2009 and unaudited financial reports of the City for 2010.

This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget

Fiscal Years Ending December 31:	2007	2008	2009	2010	2011
	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget
<b>REVENUES</b>					
Real Property Taxes & Items	\$ 48,700,000	\$ 50,648,000	\$ 53,148,000	\$ 53,148,000	\$ 54,148,000
Sales & Use Tax	29,705,000	30,016,000	31,360,000	29,100,000	28,500,000
Other Taxes	3,610,000	3,629,000	3,669,000	3,339,000	3,539,000
Payments in Lieu of Taxes	25,132,000	25,132,000	25,132,000	25,984,000	18,917,000 (1)
Interest and Penalty on Taxes	225,000	250,000	275,000	275,000	275,000
Intergovernmental Revenues	1,681,000	1,779,000	1,699,000	1,299,000	1,085,000
Charges for Services	15,230,000	14,075,000	15,008,000	15,575,000	15,674,000
Traffic Violation Fines	4,070,000	4,703,000	4,535,000	4,920,000	5,305,000
Interest and Rental Income	232,000	227,000	227,000	387,000	1,322,000
Miscellaneous	3,695,000	4,187,000	2,875,000	3,151,000	5,658,000
State Aid	14,532,000	16,501,000	18,509,000	17,079,500	18,418,500
Federal Aid	286,000	116,000	80,000	919,500	958,500
Transfer from Fund Balance	-	-	-	-	-
Interfund Revenues	110,000	85,000	90,000	90,000	5,090,000
Debt Reserve	-	-	-	-	-
Total Revenues	<u>\$ 147,208,000</u>	<u>\$ 151,348,000</u>	<u>\$ 156,607,000</u>	<u>\$ 155,267,000</u>	<u>\$ 158,890,000</u>
<b>EXPENDITURES</b>					
Public Safety and Regulation	\$ 71,836,084	\$ 76,918,137	\$ 77,648,151	\$ 80,426,810	\$ 83,636,172
General Government	26,349,937	28,274,739	26,914,228	25,130,963	23,775,593
Highway and Streets	6,311,878	7,067,555	7,320,536	7,350,981	6,955,705
Recreation and Culture	6,703,172	6,482,363	5,889,525	5,985,909	4,497,343
Community Service	8,114,922	9,168,869	9,941,133	9,988,337	12,201,187
Employee Benefits	13,830,000	14,734,625	13,452,259	15,271,000	15,905,000
Miscellaneous	253,292	268,039	262,168	-	-
Debt Service	17,156,000	16,312,000	16,842,000	16,374,000	18,053,000
Total Expenditures	<u>\$ 150,555,285</u>	<u>\$ 159,226,327</u>	<u>\$ 158,270,000</u>	<u>\$ 160,528,000</u>	<u>\$ 165,024,000</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,347,285)</u>	<u>(7,878,327)</u>	<u>(1,663,000)</u>	<u>(5,261,000)</u>	<u>(6,134,000)</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>(3,347,285)</u>	<u>(7,878,327)</u>	<u>(1,663,000)</u>	<u>(5,261,000)</u>	<u>(6,134,000)</u>
<b>FUND BALANCE</b>					
Fund Balance - Beginning of Year	3,347,285	7,878,327	1,663,000	5,261,000	6,134,000
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>

(1) Significant decrease from prior year due to a \$7,850,000 reduction in the annual payment received from the amendment to Section 19-A of the Public Lands Law of the State of New York.

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

**BONDED DEBT SERVICE**

Fiscal Year Ending December 31st	Excluding this Issue			Principal of This Issue	Total Principal All Issues
	Principal	Interest	Total		
2011	\$9,305,000	\$ 3,506,156.03	\$ 12,811,156.03	\$0	\$9,305,000
2012	9,435,000	3,156,279.73	12,591,279.73	702,026	10,137,026
2013	9,775,000	2,789,535.91	12,564,535.91	720,000	10,495,000
2014	9,320,000	2,404,687.23	11,724,687.23	740,000	10,060,000
2015	9,260,000	2,020,707.24	11,280,707.24	755,000	10,015,000
2016	7,480,000	1,638,419.70	9,118,419.70	775,000	8,255,000
2017	7,330,000	1,325,978.21	8,655,978.21	805,000	8,135,000
2018	7,365,000	998,269.65	8,363,269.65	825,000	8,190,000
2019	4,050,000	699,324.30	4,749,324.30	845,000	4,895,000
2020	4,220,000	500,787.15	4,720,787.15	865,000	5,085,000
2021	2,740,000	324,062.45	3,064,062.45	890,000	3,630,000
2022	2,235,000	204,011.95	2,439,011.95		2,235,000
2023	2,025,000	109,562.50	2,134,562.50		2,025,000
2024	215,000	22,000.00	237,000.00		215,000
2025	225,000	11,250.00	236,250.00		225,000
<b>TOTALS</b>	<b>\$84,980,000</b>	<b>\$19,711,032.05</b>	<b>\$104,691,032.05</b>	<b>\$7,922,026</b>	<b>\$92,902,026</b>

**CITY OF ALBANY**  
**ALBANY COUNTY, NEW YORK**

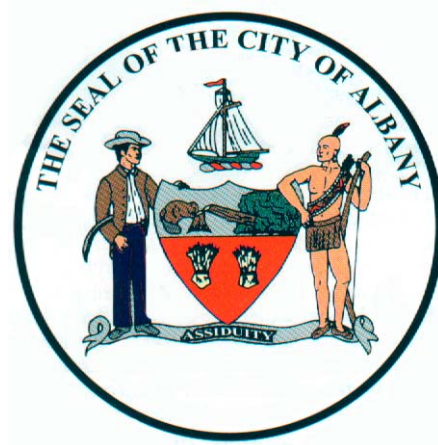
**AUDITED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2009**

**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**

AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

Year ended December 31, 2009



# CITY OF ALBANY, NEW YORK

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report on the Financial Statements</b>	1
<b>Management's Discussion and Analysis</b>	2-14
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
<b>Fund Financial Statements</b>	
Balance Sheet – Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Balance Sheet – Governmental Funds with the Statement of Net Assets	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds with the Statement of Activities	20
Combining Balance Sheet – Discretely Presented Component Units	21
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Discretely Presented Component Units	22
Combining Statement of Cash Flows – Discretely Presented Component Units	23
Statement of Fiduciary Net Assets – Fiduciary Funds	24
Notes to Financial Statements	25-49
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures and Modified Budget and Actual – General and Special Revenue Funds	50

## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Albany, New York

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, 2009, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Albany Parking Authority, the Albany Water Board or the Albany Industrial Development Agency, which represent approximately 66 percent and 82 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

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, 2009, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*UHY* LLP

Albany, New York  
September 28, 2010

# 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 of Albany and an overview and analysis of the financial statements of the City of Albany for the calendar year that ended December 31, 2009. 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, 2008.

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 Assets*

*Statement of Activities*

The *Statement of Net Assets* includes Assets and Liabilities of the City as a whole, with the difference between Assets and Liabilities reported as Net Assets. The *Statement of Activities* presents financial information as to how the City's Net Assets 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 Assets 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 assets. Increases in net assets may also create recurring expenses for staffing, maintenance, repair, and litigation, which may not be immediately recognizable. Moreover, an asset may or may not prove useful in achieving the purpose for which it was acquired. The *Statement of Net Assets* 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 units<sup>1</sup>. 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 *Statement of Revenue, 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 neither long-term liabilities such as bonds payable, nor 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 and outflows, and resources still available at the end of the fiscal year. This measurement focus is known as the modified accrual basis of accounting.

---

<sup>1</sup> 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, Albany Local Development Corporation and the three Business Improvement Districts. Independent accounting firms separately audit these entities. Financial information from these entities has been reported the City's financial statements. The fiduciary funds consist of an antiquated police and firefighter pension fund prior to participation in the NYS Retirement System, 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 fund statement and the government-wide 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 Assets**

Balances and activities accounted for in the *balance sheet* (governmental funds financial statements) and those accounted for in the *statement of net assets* (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 and sick time, and pending and estimated judgments and claims are included in the *statement of net assets*, 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 assets*, but are not reported on the *balance sheet*. Other long-term assets, such as receivables resulting from property transactions, are not reported as assets on the *balance sheet* but are reflected in the *statement of net assets*.

A more complete reconciliation between financial statements is presented in the financial statements.

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

The *revenues, expenditures and fund balance* 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 Assets*. Long-term debt interest is reported as 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**

2009 General fund revenues totaled \$154.95 million and were under budget by \$4.22 million. While the 2009 City budget planned for a reduction in fund balance (loss) of \$1.66 million, the actual reduction (loss) totaled \$3.8 million. This loss is offset by gain in the Special Reserve fund of \$1.86 million and because the two funds are combined in the financial statements the General Fund loss shown is \$1.96 million. General Fund Revenues were \$4.21 million less than budget. General Fund expenses were \$4.47 million lower than budget.

## Government-Wide Financial Statements

### Statement of Net Assets

Primary government total assets exceeded total liabilities by \$25.46 million -- a decrease of approximately \$3.46 million from 2008.

Total assets (\$304.8 million) increased from 2008 by \$48.47 million. The areas of increase are Cash and cash equivalents (increased by \$27.06 million), cash and cash equivalents, restricted (increased \$7.5 million). Scheduling of cash payments from State of New York for 19-A and State Aid provides the City with critical operating cash. The timing of these payments made it necessary to issue Revenue Anticipation Notes in 2009. In the absence of this borrowing Cash and cash equivalents would have been \$50.3 million and the increase would have been \$11 million. Also, during 2009 due from other government and capital assets increased approximately \$17 million, partially due to American Recovery and Reinvestment Act, with various decreases in other asset categories.

Total Liabilities (\$279.34 million) increased by \$51.93 million. This increase in liabilities reflects the increased liability of the *accrued post employment benefit obligation (pursuant to GASB 45)*; *the accrued OPEB liability increased by \$14 million, bond obligations increased by \$10.6 million, and note obligations increased by \$27.9 million.* If the temporary revenue anticipation notes were excluded, then note obligations would have increased by \$15.4 million and total obligations would have increased by \$39.43 million. The City of Albany's large post employment benefit liability (\$251.9 million) is driven by the costly health care plan guaranteed by contract to public safety employees and which has traditionally been extended to retirees. The liability recognized in the Statement of Net Assets is \$39.67 million; \$251.9 million amortized over 30 years at a 5% discount rate.

Of the assets, \$90.13 million is *invested in capital assets, net of related debt*, and \$3.86 million is *restricted for debt service*, leaving a deficit balance in unrestricted net assets of \$68.53 million -- an increase to the deficit from 2008 of \$3.12 million.

Total capital assets including property and equipment after depreciation are valued at \$181.65 million, with increases of \$25.8 million of additions to capital assets. The additions to capital assets include \$20.7 million in streets and sidewalk reconstruction, and \$3.95 million in equipment and expenses related to landfill operation, construction and expansion. Of the approximately \$34.89 million of assets not subject to depreciation, approximately \$4.5 million is land, and \$30.43 million is construction in progress, primarily state and federally funded transportation projects. A more detailed description of capital assets is found in Footnote 7.

---

### Governmental Activities - Primary Government Net Assets at December 31, 2009 (in Millions)

	<u>2009</u>	<u>2008</u>	<u>Increase/ (Decrease)</u>
Total assets	\$304.80	\$256.33	\$ 48.47
Total liabilities	<u>279.34</u>	<u>227.41</u>	<u>51.93</u>
<b>Excess (deficiency) of assets over (under) liabilities</b>	<b>25.46</b>	<b>28.92</b>	<b>(3.46)</b>
Invested in capital assets, net of related debt	90.13	91.04	(0.91)
Restricted for debt service and program activities	3.86	3.29	0.57
Unrestricted net assets (deficiency)	<u>(68.53)</u>	<u>(65.41)</u>	<u>(3.12)</u>
<b>Total Net Assets</b>	<b><u>\$ 25.46</u></b>	<b><u>\$ 28.92</u></b>	<b><u>\$ (3.46)</u></b>

---

## Component Units

Total assets exceeded total liabilities by \$22.36 million – an increase of \$6.16 million from 2008. Total assets (\$132.20 million) decreased by \$3.46 million. Invested in capital assets, net of related debt increased by \$6.49 million.

Total liabilities (\$109.84 million) decreased by \$9.62 million as a result of reduction in *bond and loans payable* (\$8.09 million) and *due to primary government* (\$1.8 million) offset by an increase of \$1.05 million in the accrued post employment benefit obligation. Unrestricted net assets did not change significantly from 2008 to 2009. Water Board/Authority due to primary government (\$255 thousand) declined by \$1.81 million.

---

### Governmental Activities - Component Units Net Assets at December 31, 2009 (in Millions)

	<u>2009</u>	<u>2008</u>	<u>Increase/ (Decrease)</u>
Total assets	\$ 132.20	\$ 135.66	\$ (3.46)
Total liabilities	<u>109.84</u>	<u>119.46</u>	<u>(9.62)</u>
<b>Excess of assets over liabilities</b>	<b>22.36</b>	<b>16.20</b>	<b>6.16</b>
Invested in capital assets, net of related debt	(16.82)	(23.31)	6.49
Restricted for debt service and program activities	5.67	6.06	(0.39)
Unrestricted net assets	<u>33.51</u>	<u>33.45</u>	<u>0.06</u>
<b>Total Net Assets</b>	<b><u>\$ 22.36</u></b>	<b><u>\$ 16.20</u></b>	<b><u>\$ 6.16</u></b>

---

## 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.

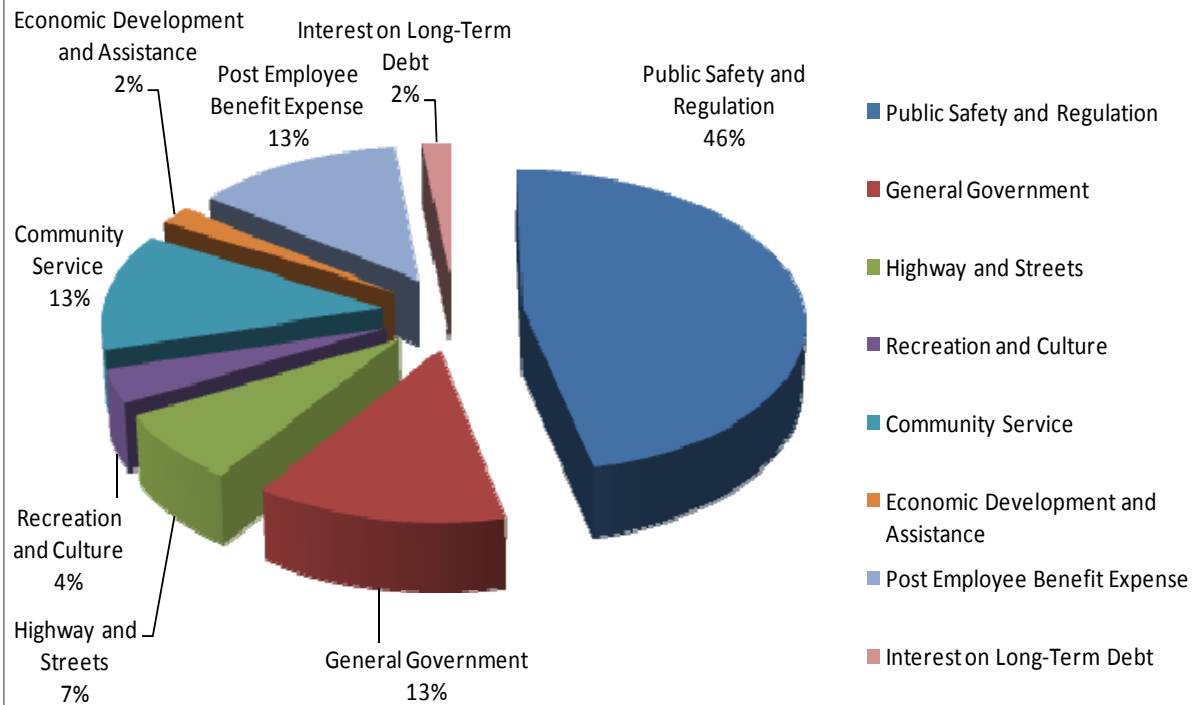
---

### Governmental Activities - Expenses (in Millions)

<u>Governmental Functions</u>	<u>2009</u>	<u>2008</u>	<u>Increase/ (Decrease)</u>	<u>% of Change</u>
Public Safety and Regulation	\$ 88.00	\$ 84.92	\$ 3.08	4%
General Government	24.75	31.44	(6.69)	-21%
Highway and Streets	14.02	7.55	6.47	86%
Recreation and Culture	6.78	7.04	(0.26)	-4%
Community Service	23.89	22.13	1.76	8%
Economic Development and Assistance	3.75	3.31	0.44	13%
Post Employee Benefit Expense	24.74	24.74	-	0%
Interest on Long-Term Debt	<u>3.19</u>	<u>5.61</u>	<u>(2.42)</u>	<u>-43%</u>
<b>Total</b>	<b><u>\$ 189.12</u></b>	<b><u>\$ 186.74</u></b>	<b><u>\$ (2.67)</u></b>	<b><u>-1%</u></b>

---

## Functional Expenses - Primary Government



Public Safety accounts for 46 percent of expenses, while General Government and Community Services account for 13 percent each. Post Employment Benefits, which consists of retiree health care costs as well as the accrued liability for health care costs for active employees upon retirement accounts for 8 percent of expenses. This statement further delineates the major sources of revenue, which in the case of the City consists of Property Taxes, Sales Tax, Landfill Revenue, Grants (including State Aid), and Payments in Lieu of Taxes (PILOTs).

Expenses decreased from 2008 by \$2.67 million.

Public safety expenses increased from 2008 by \$3.08 million, reflecting the budgeted increase in cost of salaries and unbudgeted increases in overtime and health benefits. Public Safety expenses of \$88 million are offset by \$8.85 million in charges for services and \$2.96 million in grant funds for urban security, truancy, and motor vehicle theft prevention programs. Community Service expenses of \$23.89 million increased by \$1.76 million and are offset by \$4.76 million in grants related to the Albany Community Development Agency, Youth and Workforce Development Agency and \$12 million in charges for services, the largest part of which is revenue generated from other localities who use the city-owned regional landfill.

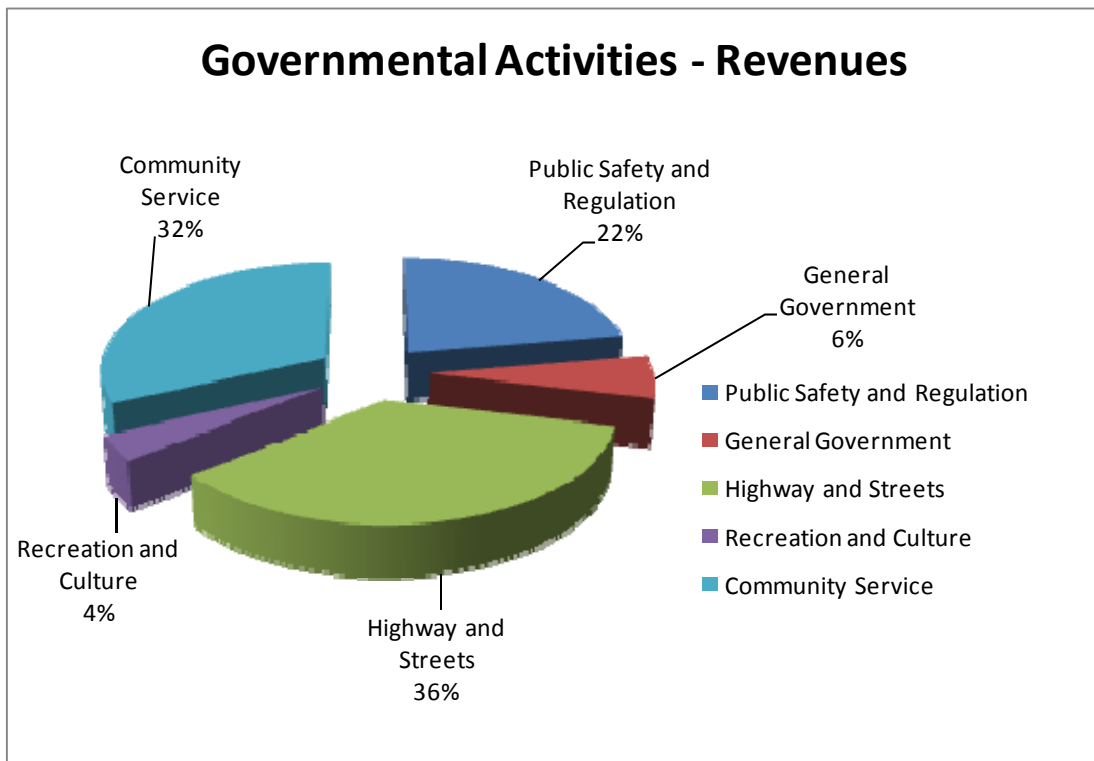
Revenues decreased from 2008 by \$5.19 million.

*Total general revenues* (\$132.77 million) increased by \$77 thousand. *Grants and entitlements not restricted to specific programs* (\$6.96 million) increased by \$75 thousand and *Intergovernmental revenue not program-restricted* (\$15.29 million) decreased by \$1.03 million, which includes a decrease in the mortgage tax of \$96 thousand dollars. Property tax revenue (\$52.35 million) increased by \$ 2.74 million, which was due to a 4.9% increase in the real property tax levy. Property tax revenue did not increase as much as anticipated due to assessment challenges. Intergovernmental revenue (15.29 million) is 12% of total revenues and decreased 6% due to decreased revenue from the mortgage tax. Sales tax revenue was \$2.38 lower than in 2008.

**Governmental Activities - Revenues**  
(in Millions)

<b>Governmental Functions</b>	<b>2009</b>	<b>2008</b>	<b>Increase/ (Decrease)</b>	<b>% of Change</b>
Public Safety and Regulation	\$ 11.81	\$ 13.10	\$(1.29)	-10%
General Government	3.31	4.11	(0.80)	-19%
Highway and Streets	18.95	12.18	6.77	56%
Recreation and Culture	2.05	2.10	(0.05)	-2%
Community Service	16.78	16.22	0.56	3%
<b>Total</b>	<b>\$ 52.90</b>	<b>\$ 47.71</b>	<b>\$ 5.19</b>	<b>11%</b>

The following chart indicates the relative percentages of general revenues:



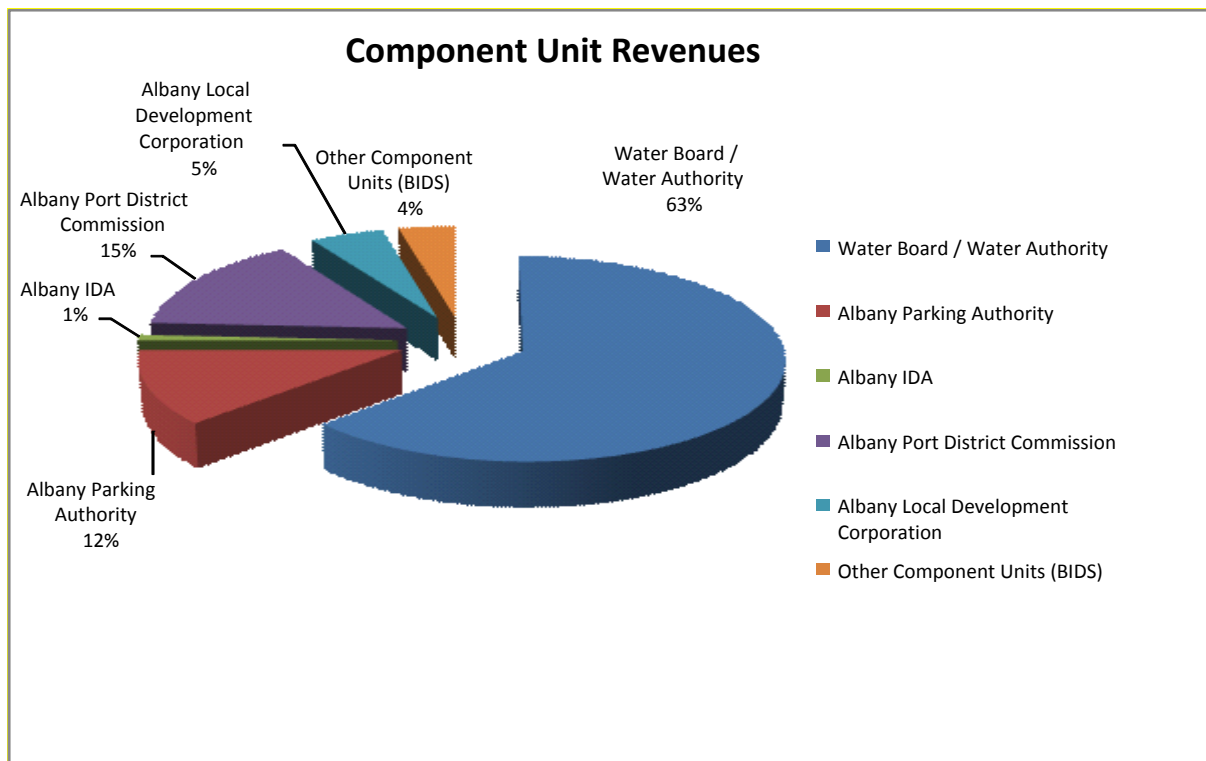
**Component Units**

Revenues of the Component Units totaled \$49.96 million, which is a decrease of \$2.06 million from 2008. The overall expenses of the Component Units totaled \$43.35 million – an increase of \$84 thousand. The Water Board/Water Authority accounts for 65 percent of the overall spending among 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 following table indicates the relative value of revenues for the component units:

<b>Component Units - Expenses</b> <i>(in Millions)</i>				
<b>Component Units</b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>Increase / (Decrease)</u></b>	<b><u>% of Change</u></b>
Water Board / Water Authority	\$31.54	\$34.37	(\$2.83)	-8%
Albany Parking Authority	5.94	5.93	(0.05)	-1%
Albany IDA	0.43	2.01	(1.58)	-79%
Albany Port District Commission	7.64	5.82	0.48	8%
Albany Local Development Corporation	2.49	1.63	0.01	1%
Other Component Units (BIDS)	1.92	2.26	0.22	10%
<b>Total</b>	<b><u>\$49.96</u></b>	<b><u>\$52.02</u></b>	<b><u>(\$2.06)</u></b>	<b><u>-4%</u></b>

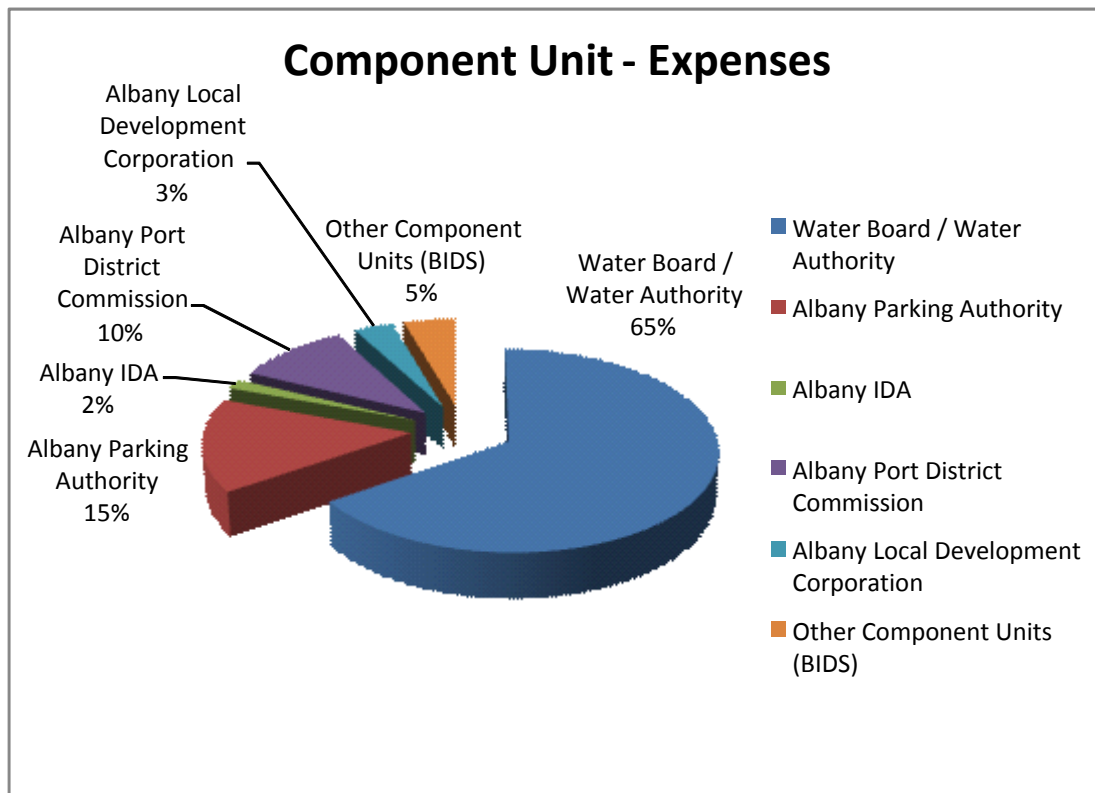
The following chart indicates the relative percentage of revenues for the Component units:



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

<b>Component Units - Expenses</b> <i>(in Millions)</i>				
<b>Component Units</b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>Increase / (Decrease)</u></b>	<b><u>% of Change</u></b>
Water Board / Water Authority	\$28.37	\$26.21	\$2.16	8%
Albany Parking Authority	6.55	5.69	0.86	15%
Albany IDA	0.68	1.96	(1.28)	-65%
Albany Port District Commission	4.32	5.00	(0.68)	-14%
Albany Local Development Corporation	1.48	1.48	0.00	0%
Other Component Units (BIDS)	1.96	2.16	(0.20)	-9%
<b>Total</b>	<b><u>\$43.36</u></b>	<b><u>\$42.50</u></b>	<b><u>\$0.86</u></b>	<b><u>2%</u></b>

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



**CITY OF ALBANY, NEW YORK**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, MODIFIED BUDGET AND ACTUAL -  
GENERAL AND SPECIAL REVENUE FUNDS  
(in Millions)**

	<u>General Fund</u>				<u>Special Revenue Fund</u>			
	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Original Budget</u>	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Original Budget</u>
<b>REVENUES</b>								
Real property taxes	\$53.14	\$53.95	\$52.35	(\$1.60)	\$0.00	\$0.00	\$0.00	\$0.00
Sales and use taxes	31.36	31.36	28.03	(3.33)	0.00	0.00	0.00	0.00
Other taxes	3.67	3.67	3.03	(0.64)	0.00	0.00	0.00	0.00
Payments in lieu of taxes	25.13	25.13	26.03	0.90	0.00	0.00	0.00	0.00
Intergovernmental revenue	20.29	21.97	20.04	(1.93)	2.86	3.77	3.18	(3.77)
Charges for services	12.90	12.93	13.43	0.50	0.00	0.00	0.00	0.00
Fines, interest and penalties	5.03	5.04	5.55	0.51	0.00	0.00	0.00	0.00
Use of money and properties	0.49	0.49	0.45	(0.04)	0.00	0.00	0.00	0.00
Licenses and permits	1.71	1.72	1.78	0.06	0.00	0.00	0.00	0.00
Other revenues	2.88	2.92	4.26	1.34	0.00	0.00	0.07	0.07
<b>Total revenues</b>	<b>156.60</b>	<b>159.18</b>	<b>154.95</b>	<b>(4.23)</b>	<b>2.86</b>	<b>3.77</b>	<b>3.25</b>	<b>(0.52)</b>
<b>EXPENDITURES</b>								
Public safety and regulation	77.65	81.84	82.37	0.53	0.00	0.00	0.00	0.00
General government	27.18	24.52	22.65	(1.87)	0.00	0.00	0.00	0.00
Highways and streets	7.32	7.45	6.71	(0.74)	0.00	0.00	0.00	0.00
Recreation and culture	5.89	5.97	5.82	(0.15)	0.00	0.00	0.00	0.00
Community service	9.94	10.08	9.59	(0.49)	0.00	0.00	0.00	0.00
Employee benefits	13.45	13.50	14.35	0.85	0.00	0.00	0.00	0.00
Economic development and assistance	0.00	0.00	0.08	0.08	2.86	3.26	3.33	0.07
Debt service	16.84	16.84	14.14	(2.70)	0.00	0.00	0.00	0.00
<b>Total expenditures</b>	<b>158.27</b>	<b>160.20</b>	<b>155.71</b>	<b>(4.49)</b>	<b>2.86</b>	<b>3.26</b>	<b>3.33</b>	<b>0.07</b>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	<u>(1.67)</u>	<u>(1.02)</u>	<u>(0.76)</u>	<u>0.26</u>	<u>0.00</u>	<u>0.51</u>	<u>(0.08)</u>	<u>(0.59)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
General fund allocation	1.66	1.01	1.96	0.95	0.00	0.00	0.00	0.00
Proceeds from bonds/lease	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payment to bond escrow agent	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers	0.00	0.00	(1.20)	(1.20)	0.00	0.00	0.00	0.00
Proceeds from sale of property	0.01	0.01	0.00	(0.01)	0.00	0.00	0.00	0.00
<b>Total other financing sources (uses)</b>	<b>1.67</b>	<b>1.02</b>	<b>0.76</b>	<b>(0.26)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	<u>\$0.00</u>	<u>(\$0.00)</u>	<u>(\$0.00)</u>	<u>(\$0.00)</u>	<u>\$0.00</u>	<u>\$0.51</u>	<u>(\$0.08)</u>	<u>(\$0.59)</u>

**Governmental Funds Financial Statements**

**Balance Sheet**

Assets decreased by \$1.78 million. The largest decrease (\$2.47 million) is in due from component units. Cash and cash equivalents increased slightly. Restricted Cash increased by \$7.54 million due to issuing revenue anticipation notes at the end of the year.

Liabilities decreased slightly in total; a decrease of \$2.38 million in accounts payable and accrued interest was offset by the increased liability of issuing Revenue anticipation notes for \$12.5 million.

The City's fund balance at year-end totaled \$20.57 million, of which \$3.26 million is reserved for debt service and \$909 thousand is reserved for landfill post closure expenses. Total fund balance (\$20.57 million) decreased by \$2.07 million. Undesignated fund balance (\$16.32 million) decreased \$2.84 million and is 10.48% of expenses.

### Combined Statement of Revenue and Expenditures -- Budget to Actual

General Fund revenues (excluding other financing sources) totaled \$154.95 million. Sales and use tax revenue came in under budget by \$3.33 million. General fund expenses total \$155.72 million. Unreserved fund balance was reduced by \$2.61 million in 2009. This was more than the planned reduction to fund balance (\$1.66) million due to lower than expected revenues. At year-end, fund balance totaled \$20.57 million comprised of \$4.24 million in reserved funds and \$16.32 in unreserved funds.

The City's budget, which is effective on January 1<sup>st</sup>, is proposed by the Mayor prior to October 1<sup>st</sup> 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 original budget.

#### Revenues

General Fund revenues of \$154.95 million were \$1.64 million less than budget, and \$2.85 million less than 2008. The most significant variances in revenue include the following:

**Real property taxes** were under budget by \$800 thousand. The 4.9% tax increase provided additional revenue, but Supreme Court orders reduced the actual revenue to 98.5% of original budget.

**Sales Tax revenue** was \$3.3 million under budget, and \$2.38 million less than 2008, which reflects conservative county-wide economic activity.

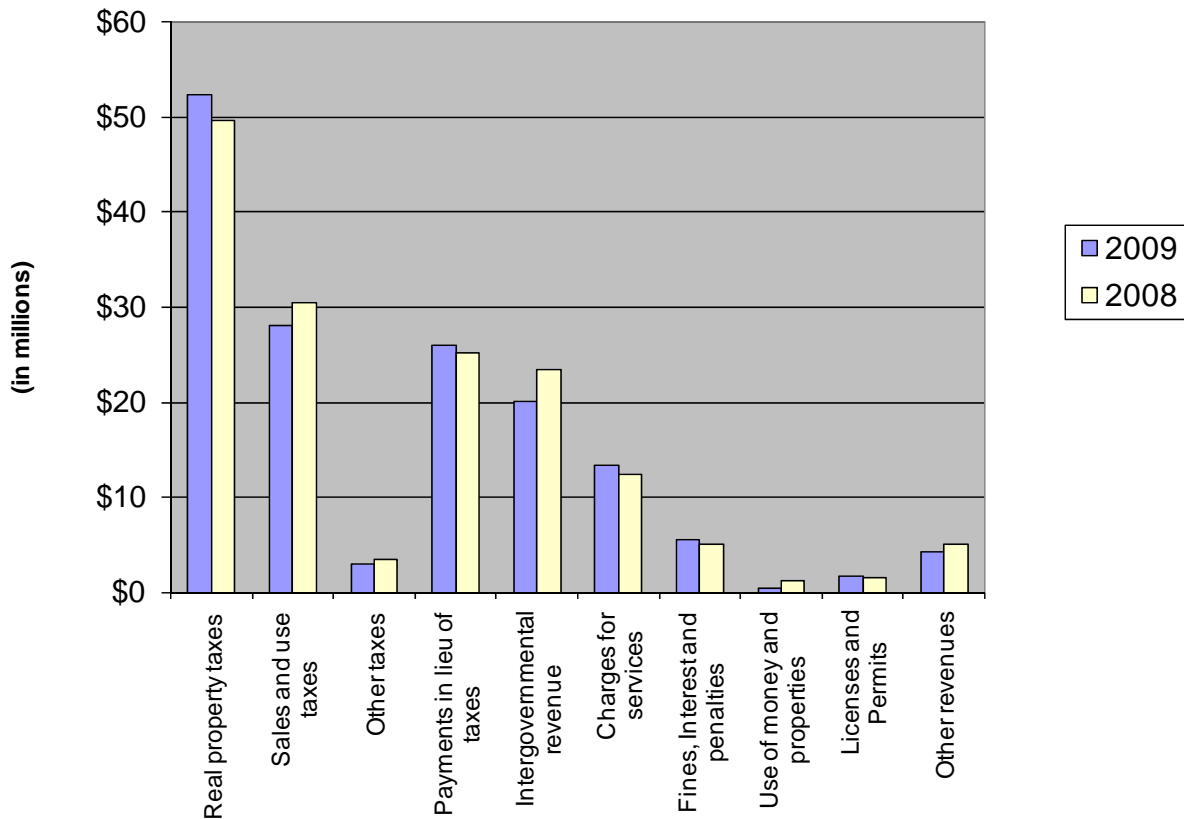
**Intergovernmental Revenue** was slightly less than budget. *State Aid Revenue Sharing* was \$1.41 less than budget. Revenue from the *mortgage recording tax* was \$300 thousand under budget, and was lower than 2008 as anticipated.

**Other Revenues** decreased \$794 thousand as anticipated by budget and was higher than budget by \$1.38 million (148% of original budget). Most of the unplanned revenue came from Medicare Part D rebates (\$381 thousand), Reimbursable police overtime revenue (\$242 thousand), Reimbursable fire overtime revenue (\$109 thousand), and health insurance rebates (\$179 thousand.)

#### Governmental Funds – General Fund Revenues 2009 to 2008 Variance (in Millions)

<u>Revenues</u>	<u>2009</u>	<u>2008</u>	<u>2009 Over/(Under) 2008</u>
Real property taxes	\$52.35	\$49.61	\$2.74
Sales and use taxes	28.03	30.41	(2.38)
Other taxes	3.03	3.44	(0.41)
Payments in lieu of taxes	26.03	25.28	0.75
Intergovernmental revenue	20.04	23.49	(3.45)
Charges for services	13.43	12.51	0.92
Fines, interest and penalties	5.55	5.10	0.45
Use of money and properties	0.45	1.26	(0.81)
Licenses and permits	1.78	1.65	0.13
Other revenues	4.26	5.05	(0.79)
Total revenues	<u>\$154.95</u>	<u>\$157.80</u>	<u>(\$2.85)</u>

Governmental Funds - General Fund Revenues 2009 to 2008 Variance



**Expenses**

Total expenditures of \$155 million were \$2.52 million less than budget and \$3.8 million more than 2008.

**Public Safety** spending (\$82.4 million) increased by \$1.56 million and was \$4.71 million more than original budget. Overtime and line-up pay along with retro pay from the settlement of collective bargaining agreements were the main causes for the increase.

- *Public Safety Overtime* exceeded budgeted amounts by \$2.65 million. Police regular overtime totaled \$4.44 million on a budget of \$ 3.74 million. Reimbursable overtime totaled \$1.58 million on a budget of \$725 thousand. Fire Department overtime totaled approximately \$1.86 million on a budget of \$900 thousand.

**General Government** spending (\$22.65 million) was \$4.52 million less than original budget and \$181 thousand less than 2008. The original budget planned for retroactive Police contract expense in the contingency account, which is under General Government but the expense was actually recorded under Police.

**Highway and streets** spending (\$5.82 million) was \$605 thousand less than budgeted and \$216 thousand less than 2008.

**Recreation and Culture** spending (\$6.1 million) was \$ 66 thousand less than budget and \$279 thousand less than 2008.

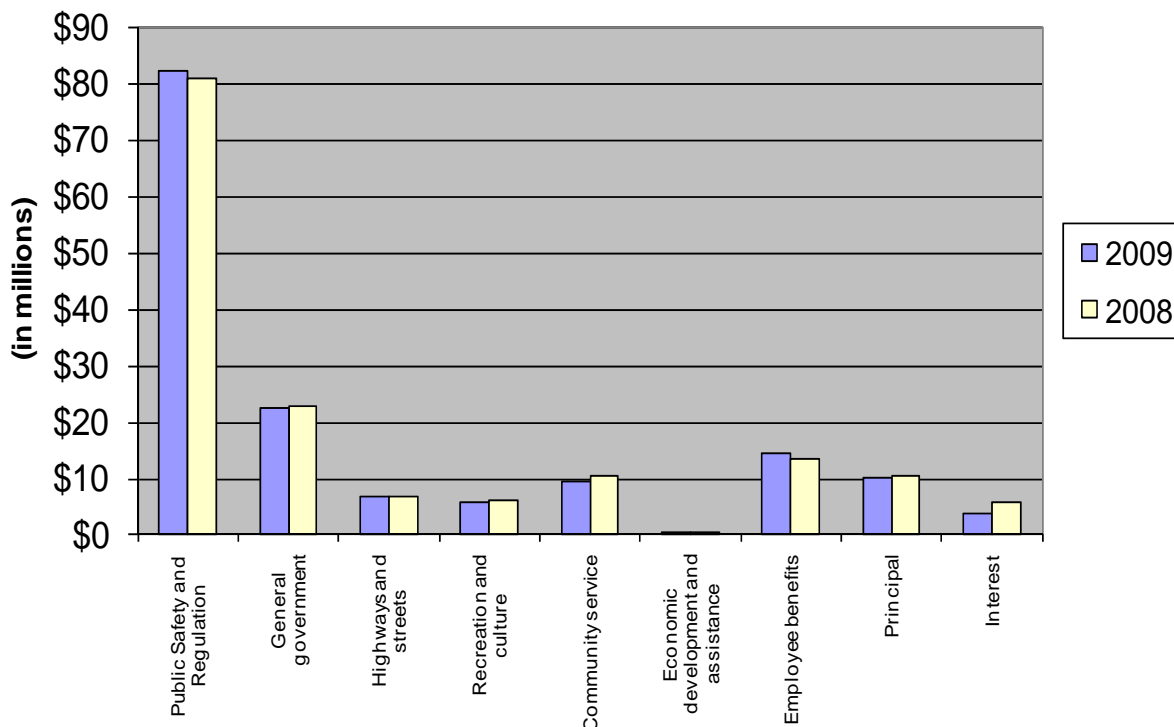
**Undistributed Employee Benefits** expense (\$14.4 million) was \$900 thousand over budget and \$850 thousand higher than 2008.

**Debt Service** payments (\$14.1 million) decreased by almost \$1.98 million. This decrease is in large part due to paying down older bond issues and deferring some principal expense by issuing Bond Anticipation Notes for the past two years.

**Governmental Funds – General Fund Expenditures  
2009 to 2008 Variance**

<u>Expenditures</u>	<u>2009</u>	<u>2008</u>	<u>2009 Over/(Under) 2008</u>
Public safety and regulation	\$ 82.37	\$ 80.81	\$ 1.56
General government	22.65	22.84	(0.19)
Highways and streets	6.71	6.93	(0.22)
Recreation and culture	5.82	6.10	(0.28)
Community service	9.59	10.40	(0.81)
Economic development and assistance	0.08	0.33	(0.25)
Employee benefits	14.35	13.50	0.85
Principal	10.18	10.39	(0.21)
Interest	3.96	5.73	(1.77)
<b>Total expenditures</b>	<b>\$ 155.71</b>	<b>\$ 157.03</b>	<b>\$ (1.32)</b>
Excess of operating revenues over expenditures	\$ (0.77)	\$ 0.78	\$ (1.54)

**General Government - General Fund Expenditures 2009 to 2008 Variance**



## DEBT

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

In July 2009, the City issued \$29,337,049 in BANS at an interest rate of 4.25%. The notes are for expenses of current capital projects, including some transportation projects for which there is state and federal reimbursement.

### Capital Leases

The City entered into no new capital lease agreements in 2009.

### Debt Ceiling

Of the outstanding indebtedness, approximately \$152,259,000 was subject to the statutory debt limit, using approximately 49% of the City's \$313,156,000 statutory debt limit.

## CREDIT RATINGS AND BOND INSURANCE

The City of Albany currently has three outstanding credit ratings and they are: Moody's Investors Service A1, Standard & Poor's AA-, and Fitch Ratings AA-. 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 2009 the City expended \$25.6 million on capital projects and acquisitions. This includes 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:

<b><u>Capital Acquisition, Construction and Expenditures</u></b>	
Street and Sidewalk Construction	\$15.9 Million
Street and Sidewalk Maintenance Equipment	\$4.77 Million
Landfill Equipment and Expansion	\$3.95 Million
Public Safety Equipment	\$860 Thousand

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.

Treasurer, City of Albany  
City Hall Room 109  
24 Eagle Street  
Albany, NY 12207

[Bennek@ci.albany.ny.us](mailto:Bennek@ci.albany.ny.us)  
[Perksd@ci.albany.ny.us](mailto:Perksd@ci.albany.ny.us)

**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF NET ASSETS**  
**December 31, 2009**

	<b>Primary Government</b>	<b>Component Units</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 62,810,943	\$ 11,597,687
Cash and cash equivalents - restricted	14,130,143	4,511,235
Investments, restricted	-	14,047,806
Taxes receivable	5,999,881	-
Accounts receivable, net	1,693,443	13,440,017
Mortgage loans receivable	12,511,999	1,885,362
Due from primary government	-	192,153
Due from other governments	20,112,323	-
Due from other funds	26,578	-
Due from component units	1,767,576	-
Intangible assets, net	-	2,981,348
Prepaid and other assets	4,041,874	3,603,243
Property held for investment, lease or sale	51,889	4,307,128
Capital assets, net	<u>181,652,757</u>	<u>75,632,510</u>
Total assets	<u><u>\$ 304,799,406</u></u>	<u><u>\$ 132,198,489</u></u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 15,049,450	\$ 3,360,728
Capital lease obligations	5,295,232	-
Bonds and loans payable	96,423,164	99,117,291
Bond and revenue anticipation notes payable	56,482,049	-
Accrued post employment benefit obligation	49,714,503	1,070,698
Accrued interest payable	1,895,138	2,647,131
Deferred revenue	12,108,111	1,848,889
Due to other governments	10,459,252	-
Due to primary government	-	553,559
Compensated absences	18,940,960	-
Landfill post-closure costs	6,045,811	-
Judgments and claims	5,731,508	-
Other liabilities	<u>1,191,137</u>	<u>1,240,033</u>
Total liabilities	<u>279,336,315</u>	<u>109,838,329</u>
<b>NET ASSETS (DEFICIENCY)</b>		
Invested in capital assets, net of related debt	90,131,831	(16,824,407)
Restricted for:		
Program specific activities	-	5,493,017
Debt service	3,864,837	177,732
Unrestricted net assets (deficiency)	<u>(68,533,577)</u>	<u>33,513,818</u>
Total net assets	<u>25,463,091</u>	<u>22,360,160</u>
Total liabilities and net assets	<u><u>\$ 304,799,406</u></u>	<u><u>\$ 132,198,489</u></u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2009**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	Component Units
Primary Government:						
Public safety and regulation	\$ 87,996,005	\$ 8,847,352	\$ 2,962,392	\$ -	\$ (76,186,261)	\$ -
General government	24,750,615	3,312,331	-	-	(21,438,284)	-
Highways and streets	14,015,027	83,575	-	18,863,813	4,932,361	-
Recreation and culture	6,780,204	2,048,280	-	-	(4,731,924)	-
Community service	23,894,795	12,020,058	4,762,098	-	(7,112,639)	-
Economic development and assistance	3,754,846	-	-	-	(3,754,846)	-
Post employment benefit expense	24,743,500	-	-	-	(24,743,500)	-
Interest on long-term debt	3,192,769	-	-	-	(3,192,769)	-
Total governmental activities	<u>189,127,760</u>	<u>26,311,596</u>	<u>7,724,490</u>	<u>18,863,813</u>	<u>(136,227,861)</u>	<u>-</u>
Component Units:						
Albany Water Board and Municipal Water Finance Authority	28,367,761	31,540,593	-	-	-	3,172,832
Albany Parking Authority	6,545,956	5,938,524	-	-	-	(607,432)
Albany Industrial Development Agency	679,213	426,690	-	-	-	(252,523)
Albany Port District Commission	4,316,190	4,067,312	3,577,141	-	-	3,328,263
Albany Local Development Corporation	1,482,985	2,493,324	-	-	-	1,010,339
Other component units	1,959,999	1,920,183	-	-	-	(39,816)
Total component units	<u>\$ 43,352,104</u>	<u>\$ 46,386,626</u>	<u>\$ 3,577,141</u>	<u>\$ -</u>	<u>-</u>	<u>6,611,663</u>
General Revenues:						
Property tax					52,349,690	-
Sales tax					28,031,384	-
Other tax					3,032,331	-
Payments in lieu of taxes					26,029,516	-
Grants and entitlements not restricted to specific programs					6,962,638	-
Intergovernmental revenue not program-restricted					15,290,669	-
Gain on sale of capital assets					4,065	-
Other revenues					718,301	-
Proceeds of obligations					-	-
Interfund revenues					7,758	-
Unrestricted investment earnings					343,468	481,720
Total general revenues					<u>132,769,820</u>	<u>481,720</u>
Change in net assets					(3,458,041)	7,093,383
Net assets, beginning of year					<u>28,921,132</u>	<u>5,996,402</u>
Net assets, end of year					<u>\$ 25,463,091</u>	<u>\$ 13,089,785</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2009**

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,081,867	\$ 832,828	\$ 51,806,924	\$ 1,089,324	\$ 62,810,943
Cash and cash equivalents - restricted	13,418,128	-	606,656	105,359	14,130,143
Taxes receivable	5,999,881	-	-	-	5,999,881
Accounts receivable, net	730,663	-	-	-	730,663
Landfill receivable, net	962,780	-	-	-	962,780
Mortgage loans receivable	-	-	-	12,511,999	12,511,999
Due from other funds	4,692,357	-	3,000	374,630	5,069,987
Due from component units	2,464,604	-	-	-	2,464,604
Due from federal and state governments	3,654,657	221,304	7,205,477	1,224,802	12,306,240
Due from other governments	7,806,083	-	-	-	7,806,083
Other assets	3,824,031	20,488	-	197,355	4,041,874
	<u>\$ 52,635,051</u>	<u>\$ 1,074,620</u>	<u>\$ 59,622,057</u>	<u>\$ 15,503,469</u>	<u>\$ 128,835,197</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Bond and revenue anticipation notes payable	\$ 12,500,000	\$ -	\$ 43,982,049	\$ -	\$ 56,482,049
Accounts payable and accrued expenses	7,066,719	105,048	7,179,060	698,623	15,049,450
Due to other funds	492,272	738,807	3,295,602	516,728	5,043,409
Due to component units	697,028	-	-	-	697,028
Due to other governments	10,220,394	-	-	238,858	10,459,252
Deferred revenue	255,413	307,325	-	11,545,373	12,108,111
Accrued interest	632,032	-	-	-	632,032
Other liabilities	205,030	-	187,904	798,203	1,191,137
Total liabilities	<u>32,068,888</u>	<u>1,151,180</u>	<u>54,644,615</u>	<u>13,797,785</u>	<u>101,662,468</u>
Fund Balance:					
Reserved for:					
Encumbrances	76,233	-	6,012,582	-	6,088,815
Debt service	3,258,181	-	606,656	-	3,864,837
Landfill postclosure	909,900	-	-	-	909,900
Downpayment Assistance Program	-	-	-	100,000	100,000
Unreserved:					
Undesignated, reported in:					
General fund	16,321,849	-	-	1,382,930	17,704,779
Special revenue fund (deficiency)	-	(76,560)	-	222,754	146,194
Capital projects fund (deficiency)	-	-	(1,641,796)	-	(1,641,796)
Total fund balances (deficiency)	<u>20,566,163</u>	<u>(76,560)</u>	<u>4,977,442</u>	<u>1,705,684</u>	<u>27,172,729</u>
Total liabilities and fund balances	<u>\$ 52,635,051</u>	<u>\$ 1,074,620</u>	<u>\$ 59,622,057</u>	<u>\$ 15,503,469</u>	<u>\$ 128,835,197</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, 2009**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Real property taxes	\$ 52,349,690	\$ -	\$ -	\$ -	\$ 52,349,690
Sales and use taxes	28,031,384	-	-	-	28,031,384
Other taxes	3,032,331	-	-	-	3,032,331
Payments in lieu of taxes	26,029,516	-	-	-	26,029,516
Intergovernmental revenue	20,043,804	3,249,037	19,339,734	6,903,406	49,535,981
Charges for services	13,431,651	-	-	516,172	13,947,823
Fines, interest and penalties	5,547,106	-	-	-	5,547,106
Uses of money and properties	446,116	-	-	-	446,116
License and permits	1,784,939	-	-	-	1,784,939
Other revenues	4,256,998	-	-	453,572	4,710,570
Total revenues	<u>154,953,535</u>	<u>3,249,037</u>	<u>19,339,734</u>	<u>7,873,150</u>	<u>185,415,456</u>
<b>EXPENDITURES</b>					
Public safety and regulation	82,367,318	-	442,960	-	82,810,278
General government	22,654,624	-	8,054,934	-	30,709,558
Highways and streets	6,714,878	-	13,162,493	-	19,877,371
Recreation and culture	5,822,650	-	22,089	-	5,844,739
Community service	9,586,415	-	9,060,113	6,584,205	25,230,733
Economic development and assistance	82,209	3,330,690	-	-	3,412,899
Employee benefits	14,353,523	-	-	-	14,353,523
Debt service:					
Principal	10,183,014	-	-	209,544	10,392,558
Interest	3,956,623	-	-	98,203	4,054,826
Total expenditures	<u>155,721,254</u>	<u>3,330,690</u>	<u>30,742,589</u>	<u>6,891,952</u>	<u>196,686,485</u>
Excess (deficiency) of revenues over expenditures	<u>(767,719)</u>	<u>(81,653)</u>	<u>(11,402,855)</u>	<u>981,198</u>	<u>(11,271,029)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of property	4,065	-	-	-	4,065
Proceeds of obligations	-	-	19,974,950	-	19,974,950
Transfers in	612,853	-	1,808,000	-	2,420,853
Transfers out	(1,808,000)	-	(605,095)	-	(2,413,095)
Total other financing sources (uses)	<u>(1,191,082)</u>	<u>-</u>	<u>21,177,855</u>	<u>-</u>	<u>19,986,773</u>
Excess (deficiency) of revenues over expenditures and other financing sources	<u>(1,958,801)</u>	<u>(81,653)</u>	<u>9,775,000</u>	<u>981,198</u>	<u>8,715,744</u>
FUND BALANCE , beginning of year,	<u>22,524,964</u>	<u>5,093</u>	<u>(4,797,558)</u>	<u>724,486</u>	<u>18,456,985</u>
FUND BALANCE (DEFICIENCY), ending	<u>\$ 20,566,163</u>	<u>\$ (76,560)</u>	<u>\$ 4,977,442</u>	<u>\$ 1,705,684</u>	<u>\$ 27,172,729</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**WITH THE STATEMENT OF NET ASSETS**  
**December 31, 2009**

Total fund balance - governmental funds \$ 27,172,729

Amounts reported in the statement of net assets 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 is	\$ 51,889	
The cost of capital assets is	383,088,323	
Accumulated depreciation is	<u>(201,435,566)</u>	181,704,646

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	(96,423,164)	
Accrued post employment benefit obligation	(49,714,503)	
Accrued interest on bonds	(1,263,106)	
Compensated absences	(18,940,960)	
Landfill closure and postclosure obligation	(6,045,811)	
Capital lease obligations	(5,295,232)	
Judgments and claims	<u>(5,731,508)</u>	<u>(183,414,284)</u>

Net assets of governmental activities		<u><u>\$ 25,463,091</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, 2009**

Total net change in fund balance - governmental funds \$ 8,715,744

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	25,255,323	
Depreciation expense	(12,769,847)	
Capital outlays for property held for sale	<u>51,891</u>	12,537,367

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	(1,922,242)	
Landfill closure and postclosure costs	(65,093)	
Judgments and claims	<u>169,181</u>	(1,818,154)

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.

Other reduction in long term payables	242,440	
Bond proceeds	(19,974,950)	
Principal repaid	<u>10,392,558</u>	(9,339,952)

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	(24,743,500)	
Post employment benefit contribution paid	<u>10,328,397</u>	(14,415,103)

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.

		<u>862,057</u>
Change in net assets of governmental activities		<u><u>\$ (3,458,041)</u></u>

**CITY OF ALBANY**  
**COMBINING BALANCE SHEET –**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**December 31, 2009**

	Albany Water Board and Municipal Water Finance Authority	Albany Parking Authority	City of Albany Industrial Development Agency	Albany Port District Commission	Albany Local Development Corporation	Other Component Units	Totals
<b>ASSETS</b>							
Cash and cash equivalents	\$ 4,708,370	\$ 1,312,014	\$ 460,637	\$ -	\$ 4,306,861	\$ 809,805	\$ 11,597,687
Cash and cash equivalents, restricted	-	2,418,743	-	1,476,066	616,426	-	4,511,235
Investments, restricted	6,425,508	2,981,226	-	2,106,439	2,534,633	-	14,047,806
Receivables, net:							
Accounts	12,506,842	18,175	10,125	484,730	-	-	13,019,872
Other	-	63,277	-	-	227,912	128,956	420,145
Mortgage loans and notes receivable	-	-	143,155	-	1,742,207	-	1,885,362
Due from primary government	-	-	-	-	100,000	92,153	192,153
Prepaid and other assets	752,082	29,614	-	197,633	2,595,337	28,577	3,603,243
Property held for investment, lease or sale	-	-	-	-	4,307,128	-	4,307,128
Intangible assets, net	1,623,840	1,357,508	-	-	-	-	2,981,348
Capital assets, net	<u>34,912,322</u>	<u>17,355,072</u>	<u>-</u>	<u>22,916,849</u>	<u>261,572</u>	<u>186,695</u>	<u>75,632,510</u>
Total assets	<u>\$ 60,928,964</u>	<u>\$ 25,535,629</u>	<u>\$ 613,917</u>	<u>\$ 27,181,717</u>	<u>\$ 16,692,076</u>	<u>\$ 1,246,186</u>	<u>\$ 132,198,489</u>
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	\$ 2,311,840	\$ 259,790	\$ 158,090	\$ 388,167	\$ 193,720	\$ 49,121	\$ 3,360,728
Current maturities of long-term debt	3,215,000	1,360,000	-	368,274	292,312	12,939	5,248,525
OPEB obligation, current portion	-	-	-	44,000	-	-	44,000
Accrued interest payable	-	470,929	-	-	-	-	470,929
Due to primary government	255,714	-	131,970	-	165,875	-	553,559
Deferred revenues	884,386	-	-	-	954,970	9,533	1,848,889
Revolving loan fund	-	-	-	-	794,419	-	794,419
Other liabilities	-	-	-	307,231	-	138,383	445,614
Accrued interest on capital appreciation bonds	-	2,176,202	-	-	-	-	2,176,202
OPEB obligation, net of current portion	-	538,649	-	488,049	-	-	1,026,698
Bonds and notes payable	<u>65,404,925</u>	<u>21,865,962</u>	<u>-</u>	<u>1,570,927</u>	<u>4,840,269</u>	<u>186,683</u>	<u>93,868,766</u>
Total liabilities	<u>72,071,865</u>	<u>26,671,532</u>	<u>290,060</u>	<u>3,166,648</u>	<u>7,241,565</u>	<u>396,659</u>	<u>109,838,329</u>
<b>FUND BALANCE (DEFICIT) AND OTHER CREDITS</b>							
Reserved for							
Program specific activities	-	5,399,969	-	-	93,048	-	5,493,017
Debt service	-	-	-	-	177,732	-	177,732
Invested in capital assets, net of related debt	(33,707,600)	(5,870,890)	-	20,977,648	1,776,435	-	(16,824,407)
Unreserved	<u>22,564,699</u>	<u>(664,982)</u>	<u>323,857</u>	<u>3,037,421</u>	<u>7,403,296</u>	<u>849,527</u>	<u>33,513,818</u>
Total fund balance (deficit) and other credits	<u>(11,142,901)</u>	<u>(1,135,903)</u>	<u>323,857</u>	<u>24,015,069</u>	<u>9,450,511</u>	<u>849,527</u>	<u>22,360,160</u>
Total liabilities and fund balance	<u>\$ 60,928,964</u>	<u>\$ 25,535,629</u>	<u>\$ 613,917</u>	<u>\$ 27,181,717</u>	<u>\$ 16,692,076</u>	<u>\$ 1,246,186</u>	<u>\$ 132,198,489</u>

See notes to financial statements.

**CITY OF ALBANY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**December 31, 2009**

	<b>Albany Water Board and Municipal Water Finance Authority</b>	<b>Albany Parking Authority</b>	<b>Albany Industrial Development Agency</b>	<b>Albany Port District Commission</b>	<b>Albany Local Development Corporation</b>	<b>Other Component Units</b>	<b>Totals</b>
Operating revenue	\$ 31,540,593	\$ 5,938,524	\$ 426,690	\$ 4,067,312	\$ 2,493,324	\$ 1,920,183	\$ 46,386,626
Operating expenses							
Costs of services	-	3,191,900	291,004	714,600	1,761,707	1,638,590	7,597,801
Source of supply and purification	3,134,842	-	-	-	-	-	3,134,842
Transmission and distribution	3,336,561	-	-	-	-	-	3,336,561
General and administrative	2,183,222	954,066	-	2,038,043	-	272,642	5,447,973
Real estate taxes paid to other governments	1,803,691	-	-	-	-	-	1,803,691
Sewer contract	8,099,539	-	-	-	-	-	8,099,539
Depreciation and amortization	3,219,217	692,462	-	1,248,113	197,885	48,767	5,406,444
Grants	-	-	388,209	-	-	-	388,209
Miscellaneous	-	215,095	-	-	219,775	-	434,870
Total operating expenses	<u>21,777,072</u>	<u>5,053,523</u>	<u>679,213</u>	<u>4,000,756</u>	<u>2,179,367</u>	<u>1,959,999</u>	<u>35,649,930</u>
Excess (deficiency) of operating revenue over expenses before nonoperating revenue (expenses)	<u>9,763,521</u>	<u>885,001</u>	<u>(252,523)</u>	<u>66,556</u>	<u>313,957</u>	<u>(39,816)</u>	<u>10,736,696</u>
Nonoperating revenue (expenses)							
Amortization of bond issue costs	-	(112,356)	-	-	-	-	(112,356)
Increase in fair value of investments	126,109	(80,721)	-	(26,604)	-	-	18,784
Interest income	280,505	178,652	2,742	19,821	-	-	481,720
Interest expense	(3,320,798)	(1,299,356)	-	(72,790)	232,376	-	(4,460,568)
Bad debt expense	(3,396,000)	-	-	-	-	-	(3,396,000)
Waterfront development expenses	-	-	-	(216,040)	-	-	(216,040)
Net nonoperating expenses	<u>(6,310,184)</u>	<u>(1,313,781)</u>	<u>2,742</u>	<u>(295,613)</u>	<u>232,376</u>	<u>-</u>	<u>(7,684,460)</u>
Excess of revenue over expenses before transfers	<u>3,453,337</u>	<u>(428,780)</u>	<u>(249,781)</u>	<u>(229,057)</u>	<u>81,581</u>	<u>(39,816)</u>	<u>2,587,484</u>
Grant funding	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,577,141</u>	<u>-</u>	<u>-</u>	<u>3,577,141</u>
Excess of revenue over expenses	<u>3,453,337</u>	<u>(428,780)</u>	<u>(249,781)</u>	<u>3,348,084</u>	<u>81,581</u>	<u>(39,816)</u>	<u>6,164,625</u>
FUND BALANCE (DEFICIT) AND OTHER CREDITS, beginning of year	<u>(14,596,238)</u>	<u>(707,123)</u>	<u>573,638</u>	<u>20,666,985</u>	<u>9,368,930</u>	<u>889,343</u>	<u>16,195,535</u>
FUND BALANCE (DEFICIT) AND OTHER CREDITS, end of year	<u>\$ (11,142,901)</u>	<u>\$ (1,135,903)</u>	<u>\$ 323,857</u>	<u>\$ 24,015,069</u>	<u>\$ 9,450,511</u>	<u>\$ 849,527</u>	<u>\$ 22,360,160</u>

See notes to financial statements.

**CITY OF ALBANY**  
**COMBINING STATEMENT OF CASH FLOWS –**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**December 31, 2009**

	Albany Water Board and Municipal Water Finance Authority	Albany Parking Authority	Albany Industrial Development Agency	Albany Port District Commission	Albany Local Development Corporation	Other Component Units*	Totals
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>							
Excess (deficiency) of operating revenue over expense	\$ 9,763,521	\$ 885,001	\$ (252,523)	\$ 66,556	\$ 313,957	\$ (39,816)	\$ 10,736,696
Adjustments to reconcile excess of operating expenses over revenue to net cash provided (used) by operating activities:							
Depreciation and amortization	3,219,217	692,462	-	1,248,113	197,885	48,767	5,406,444
Flood Loss	-	-	-	-	-	29,035	29,035
Realized gain on sale of investments and assets	-	-	-	-	(365,390)	-	(365,390)
Provision for losses on mortgage costs, accrued interest, and other receivables	-	-	-	-	(10,488)	-	(10,488)
Interest income on cash and cash equivalents and investments	-	-	-	-	(62,657)	-	(62,657)
Deferred program support recognized as program income	-	-	-	-	(5,330)	-	(5,330)
Changes in:							
Accounts receivable	(640,579)	-	-	69,240	(3,488)	151,846	(422,981)
Due from primary government	-	-	-	-	-	15,560	15,560
Other receivables	-	6,019	-	-	-	-	6,019
Prepaid expenses and other assets	(4,327)	12	-	(45,144)	-	(5,516)	(54,975)
Accounts payable and accrued expenses	(215,591)	(57,342)	-	49,794	(94,762)	13,701	(304,200)
Due to City of Albany	-	-	-	-	(31,211)	-	(31,211)
Other liabilities	-	538,649	(412,240)	175,330	4,144	1,686	307,569
Other assets	20,000	-	(10,125)	-	-	-	9,875
Deferred revenue	-	-	-	(2,869)	(42,380)	-	(45,249)
Net cash provided by (used in) operating activities	<u>12,142,241</u>	<u>2,064,801</u>	<u>(674,888)</u>	<u>1,561,020</u>	<u>(99,720)</u>	<u>215,263</u>	<u>15,208,717</u>
<b>CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from long-term debt	-	-	-	-	-	39,279	39,279
Principal payments on long-term debt	(3,598,001)	(1,300,000)	-	(355,568)	(249,999)	(8,380)	(5,511,948)
Interest payments on long-term debt	(3,320,798)	(1,190,896)	-	(72,790)	(162,881)	-	(4,747,365)
Cash payments for (proceeds from sale of) capital assets	-	-	-	(4,253,731)	3,465,158	-	(788,573)
Net payments to City of Albany	(2,434,533)	-	-	-	-	(3,586)	(2,438,119)
Proceeds from grant fundings	-	-	-	3,369,518	-	-	3,369,518
Net cash provided by (used in) capital and related financing activities	<u>(9,353,332)</u>	<u>(2,490,896)</u>	<u>-</u>	<u>(1,312,571)</u>	<u>3,052,278</u>	<u>27,313</u>	<u>(10,077,208)</u>
<b>CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>							
Purchase of property, plant, and equipment	(1,832,905)	(48,799)	-	-	(21,745)	(14,508)	(1,917,957)
Issuance of mortgage notes	-	-	-	-	(254,555)	-	(254,555)
Net decrease in restricted cash	-	-	-	-	76,815	-	76,815
Cash received on sale of investments	316,031	3,420,821	-	7,844,941	-	-	11,581,793
Cash paid for purchase of investments	-	(2,784,330)	-	(7,161,315)	(2,250,349)	-	(12,195,994)
Repayments received on mortgage loans	-	-	-	-	157,414	-	157,414
Interest on investments	280,569	166,450	2,742	22,651	48,908	-	521,320
Net advances on line of credit	-	-	-	-	(2,710,600)	-	(2,710,600)
Interest paid on line of credit	-	-	-	-	(67,206)	-	(67,206)
Principal payments received under direct financing leases	-	-	-	-	142,509	-	142,509
Repayment from (advances to) City agencies net	-	-	-	-	79,230	-	79,230
Net cash provided by (used in) investing activities	<u>(1,236,305)</u>	<u>754,142</u>	<u>2,742</u>	<u>706,277</u>	<u>(4,799,579)</u>	<u>(14,508)</u>	<u>(4,587,231)</u>
Net increase (decrease) in cash and cash equivalents	1,552,604	328,047	(672,146)	954,726	(1,847,021)	228,068	544,278
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,155,766</u>	<u>3,402,710</u>	<u>1,132,783</u>	<u>521,340</u>	<u>6,153,882</u>	<u>581,737</u>	<u>14,948,218</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,708,370</u>	<u>\$ 3,730,757</u>	<u>\$ 460,637</u>	<u>\$ 1,476,066</u>	<u>\$ 4,306,861</u>	<u>\$ 809,805</u>	<u>\$ 15,492,496</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
December 31, 2009

	<u>Agency</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 801,436
Cash and equivalents - restricted	<u>680,559</u>
Total assets	<u><u>\$1,481,995</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 3,436
Seized forfeitures	680,559
Due to other funds	26,578
Other liabilities	<u>771,422</u>
Total liabilities	<u>1,481,995</u>
<b>NET ASSETS</b>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$1,481,995</u></u>

See notes to financial statements.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**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 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.

*Blended Component Unit*

Albany Community Development Agency (ACDA) 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.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*Blended Component Unit (Continued)*

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:

*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**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*Discretely Presented Component Units (Continued)*

*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 five-member board appointed by the City Common Council.

*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.

*Albany Local Development Corporation*

Albany Local Development Corporation (ALDC), which commenced business on October 1, 1979 was formed under the Not-for-Profit Corporation Laws of the State of New York for the purposes of reducing adult unemployment and promoting the training of individuals to improve or develop job opportunities within certain areas of the City. ALDC's mission is accomplished by encouraging the development and/or retention of business and industry primarily through the loaning of money to enterprises at below market interest rates. Additionally, ALDC has invested in certain real estate, and leased such real estate to businesses, in order to further develop job opportunities and aid the City.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*Other Component Units*

*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.

*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.

The BID, Association, and CBID have been combined for financial statement reporting purposes and are reported as "other component units" in the combining balance sheet, combining statement of revenues, expenditures and changes in equity and in the combining statement of cash flows.

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.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*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 assets 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.

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.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

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 funds*

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.

*Fiduciary funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Albany's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. In 2009, the remaining assets of approximately \$7,750 of the private purpose trust fund were transferred to the general fund and paid to the beneficiary.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 Assets***

*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.

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.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*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

*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.

*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.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, bond premiums and discounts, as well as bond issuance costs 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.

**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 Assets of Governmental Activities**

Total fund balances of the City's governmental funds differs from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the additional long-term economic focus of the statement of net assets 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.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**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)**

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 assets.

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. The total cost of postemployment benefits to be paid, as estimated in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is being amortized over a thirty year period. The cost of retirement benefits earned within the reporting period, including that which is not expected to be paid with expendable available resources is reported in the government-wide financial statements as a liability and expensed in the statement of activities.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**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, 2009, cash and cash equivalents and cash and cash equivalents - restricted are comprised of interest bearing and non-interest bearing deposits in various financial institutions.

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, 2009, 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 \$14,130,000 in cash and cash equivalents that have been restricted as follows:

<b>General Fund</b>		
Debt service	\$ 5,178,000	
Landfill postclosure	910,000	
Retirement of BAN liability	7,025,000	
Prescription plan, insurance claims and other	305,000	
	<u>                    </u>	13,418,000
<b>Capital Fund</b>		
Debt service	171,000	
Purchase of capital lease equipment	435,000	
	<u>                    </u>	606,000
<b>Other Governmental Funds</b>		
Debt service	106,000	
	<u>                    </u>	106,000
		<u>                    </u>
Cash and cash equivalents - restricted		<u><u>\$ 14,130,000</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.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**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, 2009, the City had outstanding landfill receivables of approximately \$965,000.

**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, 2009.

The taxable assessed value of real property, as adjusted by New York State, included in the tax levy of 2008 (revenue in 2009), was \$5,352,808,731. The City completed a citywide revaluation during 2007 which was reflected in the 2008 assessed values. Such reassessment resulted in an approximately 53 percent increase in assessed valuation. The effective tax rate on this value is \$8.07 per thousand for residential and \$13.19 per thousand for non-residential properties. The constitutional tax limit is 2% of the 5-year average of the full value assessment. The 2008 levy represents approximately 49.5% of the constitutional tax limit. The taxable assessed value of real property included in the tax levy of 2009 (revenue in 2010), was \$5,134,573,172. The effective tax rate on this value is \$9.27 per thousand for residential and \$12.98 per thousand for non-residential properties. The 2009 levy represents approximately 49% of the constitutional tax limit.

**NOTE 7 — CAPITAL ASSETS**

Property and equipment is comprised of the following:

	<b>Balance December 31, 2008</b>	<b>Additions</b>	<b>Deletions and Adjustments</b>	<b>Balance December 31, 2009</b>
Capital assets not being depreciated:				
Land	\$ 4,352,949	\$ 98,210	\$ -	\$ 4,451,159
Construction in process	11,488,087	19,450,626	(499,972)	30,438,741
	<u>15,841,036</u>	<u>19,548,836</u>	<u>(499,972)</u>	<u>34,889,900</u>
Capital assets being depreciated:				
Buildings, capital leases and improvements	47,543,040	-	-	47,543,040
Machinery and equipment	52,863,889	1,523,020	-	54,386,909
Infrastructure	241,585,035	4,683,439	-	246,268,474
	<u>357,833,000</u>	<u>25,755,295</u>	<u>(499,972)</u>	<u>383,088,323</u>
Less accumulated depreciation for:				
Buildings, capital leases and improvements	22,666,343	1,218,776	-	23,885,119
Machinery and equipment	38,273,295	4,000,178	-	42,273,473
Infrastructure	127,726,081	7,550,893	-	135,276,974
	<u>188,665,719</u>	<u>12,769,847</u>	<u>-</u>	<u>201,435,566</u>
 Total capital assets, net	 <u>\$ 169,167,281</u>			 <u>\$ 181,652,757</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 7 — CAPITAL ASSETS (Continued)**

Depreciation expense was \$12,769,847 for the year ended December 31, 2009. 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	\$ 2,778,708
General government	4,973,521
Highway and streets	2,627,696
Recreation and culture	379,055
Community service	1,885,582
Economic development and assistance	125,286
	<u>\$ 12,769,847</u>

**NOTE 8 — MORTGAGE LOANS RECEIVABLE AND DEFERRED REVENUES**

The City, through ACDA, lends monies received through Federal grants (principally from Housing and Urban Development Community Development Block Grants (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.

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 as long as the beneficiary is in compliance with the loan agreement.

Funds received from the New York Housing Trust Fund Corporation (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 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.

The balance of mortgage loans receivable, net of related allowances, is comprised of the following at December 31, 2009:

<u>Program</u>	<u>Balance</u>
HUD CDBG	\$ 11,754,500
NYSHTFC	757,499
	<u>\$ 12,511,999</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 9 — INTERFUND RECEIVABLES AND PAYABLES**

A summary of interfund receivables and payables at December 31, 2009 is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 4,692,357	\$ 492,272
Special Revenue	-	738,807
Capital Projects	3,000	3,295,602
Albany Community Development Agency	<u>374,630</u>	<u>516,728</u>
	5,069,987	5,043,409
Fiduciary Fund	<u>-</u>	<u>26,578</u>
	<u>\$ 5,069,987</u>	<u>\$ 5,069,987</u>

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 assets – fiduciary funds.

**NOTE 10 — DUE FROM/TO COMPONENT UNITS**

The City has reported approximately \$1,768,000 as the amount due from the Component Units at December 31, 2009. The Component Units reported approximately \$554,000 as the amount due to the primary government. The net difference as reported by the City and its Component Units is approximately \$1,214,000 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.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 11 — PENSION PLANS** (Continued)

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The City of Albany is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2009	\$2,318,239	\$7,058,207
2008	\$2,375,789	\$6,115,240
2007	\$2,645,737	\$6,198,299

The City of Albany's contributions made to the Systems were equal to 100 percent of the contributions required for each year.

**NOTE 12 — NOTES PAYABLE**

**(a) Bond Anticipation Notes**

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 July 2009, the City issued \$29,337,049 in BANS at an interest rate of 4.25%. The proceeds of the Notes, along with \$642,000 available funds, were used to redeem \$6,844,049 of the \$28,525,600 Bond Anticipation Notes, 2008 and provided \$23,135,000 new monies for various capital purposes. These BANS were redeemed in July 2010 (see Note 15).

In August 2009, the City issued \$14,645,000 in BANS at an interest rate of 2.00%. The proceeds of the notes were used for various capital purposes. These BANS were redeemed in July 2010 (see Note 15).

Interest expense on BANS totaled approximately \$784,000 for the year ended December 31, 2009.

**(b) Revenue Anticipation Notes**

The City may also issue Revenue Anticipation Notes (RANS), in anticipation of proceeds from the subsequent receipt of anticipated revenues other than property taxes. These notes are recorded as current liabilities of the funds that will actually receive non-tax proceeds. On December 10, 2009, the City issued \$12,500,000 in RANS at an interest rate of 2.00%. The notes were issued to provide moneys to provide additional cash flows for the period they were outstanding. The RANS matured and were paid in full on January 29, 2010. Interest expense on RANS approximated \$2,000 for the year ended December 31, 2009.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**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, 2009:

	<b>Balance January 1, 2009</b>	<b>New Issues/ Increase in Estimates</b>	<b>Payments/ Decrease in Estimates</b>	<b>Balance December 31, 2009</b>
Litigation and contingent liabilities	\$ 5,900,689	\$ -	\$ (169,181)	\$ 5,731,508
Vacation/sick pay obligations	17,018,718	1,922,242	-	18,940,960
Landfill closure and postclosure care costs	5,980,718	65,093	-	6,045,811
Capital lease obligations	6,612,650	-	(1,317,418)	5,295,232
Accrued interest	4,021,078	-	(2,125,940)	1,895,138
Bonds	85,286,962	19,974,950	(9,290,641)	95,971,271
Post employment benefit obligation (Note 14)	35,299,400	24,743,500	(10,328,397)	49,714,503
Loans payable (ACDA)	478,832	-	(26,939)	451,893
<b>Total</b>	<b>\$ 160,599,047</b>	<b>\$ 46,705,785</b>	<b>\$ (23,258,516)</b>	<b>\$ 184,046,316</b>

Of the total outstanding indebtedness of the City at December 31, 2009, approximately \$152,453,000 was subject to the statutory debt limit. Amounts subject to the statutory debt limit include bonds and notes payable. This represents approximately 49% of the City's \$313,156,000 statutory debt limit.

**(a) Bonds**

Serial and EFC bonds, the proceeds of which have been used primarily to provide funds for various capital projects, consists of the following at December 31, 2009:

<b>Interest Rate</b>	<b>Date Issued</b>	<b>Maturity Date</b>	<b>Amount of Original Issue</b>	<b>Outstanding December 31, 2009</b>	<b>Annual Principal Installments (Range)</b>
<b>Serial Bonds</b>					
6.90 - 7.00%	1990	2010	\$ 29,750,000	\$ 20,000	\$ 20,000 - 115,000
2.70 - 5.70%	1993	2010	39,847,849	437,470	437,470 - 4,205,000
4.40 - 5.00%	1998	2017	11,375,000	2,060,000	190,000 - 1,065,000
4.90 - 5.50%	2000	2025	17,555,000	7,480,000	260,000 - 1,300,000
3.50 - 5.00%	2001	2014	6,675,000	1,965,000	355,000 - 665,000
3.50 - 5.00%	2001	2021	14,098,000	7,620,000	625,000 - 863,000
2.50 - 4.50%	2002	2013	10,085,000	3,200,000	785,000 - 1,160,000
4.07%	2002	2013	500,000	193,851	193,851
2.75 - 4.25%	2003	2018	21,908,218	14,525,000	1,956,165 - 1,961,806
3.00 - 4.00%	2004	2015	14,262,338	8,570,000	1,565,352 - 1,638,000
4.00 - 4.125%	2006	2018	15,500,000	12,320,000	1,015,000 - 1,610,000
3.62%	2009	2023	19,974,950	19,974,950	1,059,950 - 1,860,000
<b>EFC Bonds</b>					
3.75 - 5.35%	1998	2017	3,788,500	1,595,000	158,500 - 235,000
4.31 - 5.74%	2000	2020	7,057,467	4,335,000	280,000 - 445,000
1.21 - 5.00%	2002	2022	4,641,106	3,155,000	205,000 - 445,000
<b>Pension Bonds</b>					
5.25%	2006	2020	10,095,000	8,520,000	495,000 - 1,000,000
				<u>\$ 95,971,271</u>	

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 13 — INDEBTEDNESS (Continued)**

**(a) Bonds (continued)**

The following are details of bonds outstanding at December 31, 2009:

During 1990 the City issued \$29,750,000 in General Obligation Bonds with interest rates from 6.9% to 7.0%, were priced to yield from 6.0% to 7.05%. The issue was partially refunded in 1993. The issue matures on January 15, 2010 and has remaining annual principal payments of \$20,000. Proceeds were used for construction projects, public improvements, and vehicle and equipment purchases.

During 1993, the City issued \$39,847,849 in General Obligation Refunding Bonds with an average interest rate of 4.35% to advance refund \$2,030,000 of outstanding 1986 General Obligation Bonds with an average interest rate of 7.5%, \$3,910,000 of outstanding 1986 General Obligation Refunding Bonds with an average interest rate of 6.5%, \$7,300,000 of outstanding 1987 Public Improvement Bonds with an average interest rate of 6% and \$22,240,000 of outstanding 1990 General Obligation Serial Bonds with an average interest rate of 7% (the 1986, 1987 and 1990 bonds). The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the aforementioned bonds. As a result, the 1986, 1987 and 1990 bonds are considered to be defeased. Of the total bonds defeased in 1993, no amounts remain outstanding at December 31, 2009.

During 1998 the City issued \$11,375,000 in General Obligation Bonds with interest rates ranging from 4.4% to 5.0%. The issue matures on 2017.

During 2000 the City issued \$17,555,000 in General Obligation Bonds, with interest rates from 4.9% to 5.5% priced to yield from 4.2% to 5.57%. The issue matures on September 15, 2025. Proceeds were used for construction projects, public improvements, and vehicle and equipment purchases.

During 2001, the City issued \$6,675,000 in General Obligation Refunding Bonds with an average interest rate of 4.45% to advance refund \$6,210,000 of outstanding 1994 General Obligation Bonds with an average interest rate of 6.10%. The net proceeds were deposited in an irrevocable trust with an escrow agent. The escrow agent subsequently purchased non-callable direct obligations of the United States of America ("Governmental Obligations"). The principal of and investment income on the portfolio of Government Obligations together with other available cash on deposit in the irrevocable trust are expected to provide for all future debt service payments on the aforementioned bonds. As a result, the 1994 bonds are considered to be defeased. The amount of the defeased bonds outstanding at December 31, 2009 for the 1994 bonds is approximately \$1,965,000.

During 2001 the City issued \$14,098,000 in General Obligation Bonds with interest rates ranging from 3.5% to 5% priced to yield from 2.15% to 5.13%. The issue matures on October 1, 2021. Proceeds were used for construction projects, public improvements, and vehicle and equipment purchases.

During 2002, the City issued \$10,085,000 in General Obligation Refunding Bonds with an average interest rate of 3.75% to advance refund \$9,660,000 of outstanding 1993 General Obligation Bonds with an average interest rate of 5.08%. The issue matures in 2013.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 13 — INDEBTEDNESS (Continued)**

**(a) Bonds (continued)**

During 2003, ACDA issued \$500,000 in General Obligation Bonds with an interest rate of 4.07%. The bonds have a maturity date of October 2013. Bond proceeds will fund loans granted through the Albany Down Payment Assistance Program. Principal payments are required to be paid in conjunction with payments received from loan beneficiaries.

During 2003, the City issued \$21,908,218 in General Obligation Bonds with interest rates from 2.75% to 4.25% and priced to yield from .94% to 4.25%. The bonds carry an average interest rate of 3.94% and the average life of the bonds is 8.75 years. The issue matures on August 1, 2018. Proceeds are being used for ongoing and additional capital projects.

During 2004, the City issued \$14,262,338 in General Obligation Bonds with interest rates from 3.00% to 4.00% and priced to yield from 1.50% to 4.00%. The bonds carry an average interest rate of 3.50% and the average life of the bonds is 8.75 years. The issue matures on July 15, 2015. Proceeds are being used for ongoing and additional capital projects.

During 2006, the City issued \$25,595,000 in General Obligation Bonds. The issue included \$15,500,000 in tax exempt bonds to be used for ongoing and additional capital projects and \$10,095,000 in federally taxable bonds used to convert the federally taxable BANS originally issued in 2004 to finance additional retirement participation costs of City employees participating in the New York State Retirement System.

The 2006 tax exempt bonds bear interest rates from 4.00% to 4.125%. The issue matures in 2018. The 2006 taxable bonds bear interest of 5.75% and mature in 2020 with annual payments range from \$495,000 to \$1,000,000.

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.

During 1998, the City received bond proceeds in the amount of \$3,788,500 from NYS Environmental Facilities Corporation with interest rates ranging from 3.75% to 5.35% maturing in 2017. The proceeds were used to expand the City-owned regional landfill.

During 2000, the City received bond proceeds in the amount of \$7,057,467 from NYS Environmental Facilities Corporation with interest rates ranging from 4.31% to 5.74% maturing in 2020. The proceeds were used to remove petroleum storage tanks and expand the City-owned regional landfill.

During 2002, the City received additional bond proceeds in the amount of \$4,641,106 from NYS EFC with an average interest rate of 4.22%, maturing on October 15, 2022. The proceeds were used for the expansion and improvement of the City's landfill and the purchase of a street sweeping vehicle.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2009

**NOTE 13 — INDEBTEDNESS (Continued)**

**(a) Bonds (continued)**

Future maturities of general long-term debt as of December 31, 2009 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 10,317,420	\$ 4,729,752	\$ 15,047,172
2011	9,460,000	3,658,765	13,118,765
2012	9,530,000	3,271,491	12,801,491
2013	9,913,851	2,875,935	12,789,786
2014	9,290,000	2,468,151	11,758,151
2015-2019	35,560,000	6,854,116	42,414,116
2020-2024	11,640,000	1,224,705	12,864,705
2025	260,000	14,300	274,300
	<u>\$ 95,971,271</u>	<u>\$ 25,097,215</u>	<u>\$ 121,068,486</u>

Interest expense for bonds and loans payable was approximately \$3,193,000 for the year ended December 31, 2009.

**(b) Capital lease obligations**

City

During 2005, the City entered into a one year master equipment lease/purchase agreement (the "agreement") with a bank. The agreement provided capital for the City to use to purchase certain equipment from various vendors to be used by the City in executing day to day delivery of general government services to its constituency. Lease purchases are authorized by the City's Common Council and identified by ordinance numbers in the agreements. Approved ordinances became part of the distinct subordinate lease/purchase agreements. The one year agreement provided for renewal of the agreement at the City's discretion for up to two additional years. During 2006, the City renewed the agreement adding three new distinct subordinate lease/purchase agreements. Proceeds under the separate agreements are transferred by the bank to an escrow account to be used by the City to purchase the designated equipment identified in the subordinate agreements. These amounts are recognized by the City as other financing sources on the statement of revenues, expenditures, and change in fund balance in the period in which the cash is transferred by the bank. The unspent proceeds under the agreements of approximately \$435,000 were recorded as restricted cash in the capital fund on the governmental funds balance sheet at December 31, 2009. The total acquisition cost is deferred in the lease/purchase schedules and bear interest ranging from 3.15% to 3.65%. The purchases qualify as capital leases. The interest portion of the future minimum lease payments approximate \$433,000 and the net present value of the lease payments approximate \$4,202,000. Payments of interest and principal are semi-annual and are made in accordance with each subordinate agreement payment schedule.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 13 — INDEBTEDNESS (Continued)**

**(b) Capital lease obligations (continued)**

IDA

The City entered into a capital lease with the IDA, whereby the City has agreed to lease the City of Albany Municipal Golf Course clubhouse and related parcel of land (collectively the “property”). The lease payments made under the agreement shall be in an amount equal to the amount payable as principal and interest on the IDA’s Revenue Bonds, 1991 Series A and B. The lease payments are due monthly through 2012. The agreement qualifies as a capital lease. The interest portion of the future minimum lease payments approximates \$77,000 and the net present value at December 31, 2009 approximates \$439,000. Title of the property transfers to the City upon satisfaction of the outstanding debt service.

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 City of Albany Local Development Corporation (“the ALDC”) through 2018. The agreement qualifies as a capital lease. The interest portion of future minimum lease payments approximate \$298,000 and the net present value at December 31, 2009 approximates \$1,463,000.

A summary of future minimum lease payments and future minimum maturities of the capital lease obligations as of December 31, 2009 is as follows:

<u>Year Ending December 31</u>	<u>CITY</u>	<u>IDA</u>	<u>ACDA</u>	<u>Total</u>
2010	\$ 1,044,731	\$ 190,309	\$ 158,538	\$ 1,393,578
2011	729,830	248,710	163,025	1,141,565
2012	517,160	-	162,119	679,279
2013	1,909,872	-	160,950	2,070,822
2014	-	-	164,388	164,388
Thereafter	-	-	654,049	654,049
Total minimum lease payments	4,201,593	439,019	1,463,069	6,103,681
Less amounts representing interest	<u>(433,027)</u>	<u>(77,353)</u>	<u>(298,069)</u>	<u>(808,449)</u>
Total principal	<u>\$ 3,768,566</u>	<u>\$ 361,666</u>	<u>\$ 1,165,000</u>	<u>\$ 5,295,232</u>

**(c) Litigation and contingent liabilities**

**(1) Judgments and Claims**

There are various suits and claims pending against the City. In the opinion of City officials and Corporation Counsel, there are no 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. The City has recognized an accrued liability of approximately \$378,000 related to future claims on certain other matters.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 13 — INDEBTEDNESS (Continued)**

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

**(2) *Self Insurance***

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, 2009 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 since December 31, 2008 resulted from the following:

	<b>Balance as of December 31, 2008</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance as of December 31, 2009</b>
Workers' compensation liability	<u>\$ 5,358,189</u>	<u>\$ 344,084</u>	<u>\$ (348,765)</u>	<u>\$ 5,353,508</u>

**(3) *Grant Programs***

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.

**(d) *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 the expansion added in 1997, are still accepting waste at December 31, 2009.

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 \$6,046,000 at December 31, 2009, represent the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of all previously closed landfills and 91 percent of the estimated capacity of the AIL and expansion currently being used as determined by an independent engineer. The estimated remaining life of the AIL, together with the 1997 expansion is less than one year. The City will recognize the remaining estimated cost of closure and post closure care of \$551,000 as the remaining AIL and expansion estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2009. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 13 — INDEBTEDNESS (Continued)**

**(d) Landfill closure and post closure care costs (continued)**

The City currently has a cash reserve of approximately \$910,000 and a surety bond of \$2,500,000 to demonstrate viability for payment of closure and post closure care costs.

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. The renewal permit also included a modification provision authorizing an approximate 15 acre expansion which ultimately doubles the existing capacity of the landfill. Based on current landfill operations this expansion is expected to result in an extension of the estimated useful life of the landfill by approximately 7 years. As of December 31, 2009, the City had not begun accepting waste in the 2009 expansion.

**(e) Loans payable**

Loans payable are further broken down as follows:

	<u>Balance January 1, 2009</u>	<u>New Issues/ Increase in Estimates</u>	<u>Retirement/ Decrease in Estimates</u>	<u>Balance December 31, 2009</u>
Note payable (1)	\$100,000	\$ -	\$ -	\$100,000
Note payable (2)	213,000	-	(19,000)	194,000
Note payable (3)	<u>165,832</u>	<u>-</u>	<u>(7,939)</u>	<u>157,893</u>
	<u>\$478,832</u>	<u>\$ -</u>	<u>\$(26,939)</u>	<u>\$451,893</u>

- (1) During 2002, ACDA borrowed \$100,000 from the Albany Local Development Corporation (ALDC) to establish a fund for collateral for the Albany Down Payment Assistance Program. The proceeds of this loan are required to be maintained in a segregated bank account until maturity. The term of the loan shall be identical to the length of the City of Albany Down Payment Assistance Program but no longer than August 9, 2013. ACDA will pay interest earned on the secured funds upon repayment of the loan. There are no scheduled monthly payments for this loan.
- (2) As part of ACDA's capitalized lease obligation, described above, ACDA executed a loan payable to ALDC to pay for all previously unreimbursed tenant expenses. The note has a sixteen year term and the agreement requires ACDA to remit semi-annual payments to the ALDC through 2018.
- (3) Note payable from ALDC to fund improvements made to one of the Agency's properties. 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%. The rate in effect at December 31, 2009 is 4.25%.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**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.

**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 2009, the City contributed approximately \$10,328,000 for current costs. The costs of administering the plan are paid by the City.

**Funded Status and Funding Progress**

The schedule of funding progress 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 February 1, 2008, the latest valuation date.

<u>Actuarial Accrued Liability (AAL)</u>	
Currently retired	\$ 135,363,800
Actives eligible to retire	41,251,000
Actives not yet eligible to retire	75,320,000
Actuarial accrued liability	<u>251,934,800</u>
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 251,934,800</u></u>
Funded ratio	<u>0%</u>
2009 normal cost	<u><u>\$ 8,630,400</u></u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Funded Status and Funding Progress** (Continued)

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

UAAL	\$ 251,934,900
Amortization period (years)	30
Amortization discount rate	5%
Present value factor	16.1411
2009 UAAL amortization amount	\$ 15,608,200

**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 2009:

Normal cost	\$ 8,630,400
Amortization of UAAL	15,608,200
Interest	504,900
ARC	<u>24,743,500</u>
Interest on OPEB obligation	-
Adjustment to ARC	<u>-</u>
OPEB expense	<u><u>\$ 24,743,500</u></u>

The City's OPEB obligation for the current and preceding years were as follows:

	<u>2009</u>	<u>2008</u>
Net OPEB obligation at beginning of year	\$ 35,299,400	\$ 20,507,900
OPEB expense	24,743,500	24,743,500
OPEB contributions	<u>(10,328,000)</u>	<u>(9,952,000)</u>
Net OPEB obligation at end of year	49,714,900	35,299,400
Less: estimated current portion of OPEB obligation	<u>10,040,900</u>	<u>11,993,200</u>
Estimated long-term portion of OPEB obligation	<u><u>\$ 39,674,000</u></u>	<u><u>\$ 23,306,200</u></u>
Percentage of expense contributed	<u>41.7%</u>	<u>40.2%</u>

**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

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009**

**NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Actuarial Methods and Assumptions** (Continued)

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.

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 measurement date for the calculation was February 1, 2008 and the discount rate utilized was 5%. 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 Increase</u>
2010	8.3%
2011	6.1%
2012	6.1%
2013	6.1%
2014	6.0%

**NOTE 15 — SUBSEQUENT EVENTS**

In July 2010 the City issued \$63,890,049 in Bond Anticipation Notes (BANS). The Notes are due on July 8, 2011 and carry an interest rate of 2.00%.

The proceeds of the BANS detailed above redeemed the \$29,337,049 Bond Anticipation Notes, 2009 maturing July 9, 2010 and the \$14,645,000 Bond Anticipation Notes, 2009 maturing August 27, 2010 and will also provide \$20,578,000 new monies for the purchase of land, equipment and vehicle purchases as well as costs associated with the expansion of the City's landfill.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ALBANY, NEW YORK**  
**SCHEDULE OF REVENUES, EXPENDITURES AND MODIFIED BUDGET AND ACTUAL –**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**For the Year Ended December 31, 2009**

	General Fund				Special Revenue Funds			
	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget
<b>REVENUES</b>								
Real property taxes	\$ 53,149,000	\$ 53,948,310	\$ 52,349,690	\$ (1,598,620)	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	31,360,000	31,360,000	28,031,384	(3,328,616)	-	-	-	-
Other taxes	3,669,000	3,669,000	3,032,331	(636,669)	-	-	-	-
Payments in lieu of taxes	25,131,000	25,131,000	26,029,516	898,516	-	-	-	-
Intergovernmental revenue	20,287,000	21,974,737	20,043,804	(1,930,933)	2,858,989	3,766,800	3,183,997	(582,803)
Charges for services	12,893,000	12,928,853	13,431,651	502,798	-	-	-	-
Fines, interest and penalties	5,027,000	5,035,300	5,547,106	511,806	-	-	-	-
Use of money and properties	491,000	491,000	446,116	(44,884)	-	-	-	-
Licenses and permits	1,715,000	1,715,000	1,784,939	69,939	-	-	-	-
Other revenues	2,875,000	2,920,250	4,256,998	1,336,748	-	-	65,040	65,040
Total revenues	<u>156,597,000</u>	<u>159,173,450</u>	<u>154,953,535</u>	<u>(4,219,915)</u>	<u>2,858,989</u>	<u>3,766,800</u>	<u>3,249,037</u>	<u>(517,763)</u>
<b>EXPENDITURES</b>								
Public safety and regulation	77,648,151	81,842,386	82,367,318	524,932	-	-	-	-
General government	27,176,396	24,519,504	22,654,624	(1,864,880)	-	-	-	-
Highways and streets	7,320,536	7,447,304	6,714,878	(732,426)	-	-	-	-
Recreation and culture	5,889,525	5,968,022	5,822,650	(145,372)	-	-	-	-
Community service	9,941,133	10,080,567	9,586,415	(494,152)	-	-	-	-
Employee benefits	13,452,259	13,496,259	14,353,523	857,264	-	-	-	-
Economic development and assistance	-	-	82,209	82,209	2,858,989	3,260,203	3,330,690	70,487
Debt service	16,842,000	16,842,000	14,139,637	(2,702,363)	-	-	-	-
Total expenditures	<u>158,270,000</u>	<u>160,196,042</u>	<u>155,721,254</u>	<u>(4,474,788)</u>	<u>2,858,989</u>	<u>3,260,203</u>	<u>3,330,690</u>	<u>70,487</u>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	<u>(1,673,000)</u>	<u>(1,022,592)</u>	<u>(767,719)</u>	<u>254,873</u>	<u>-</u>	<u>506,597</u>	<u>(81,653)</u>	<u>(588,250)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
General fund allocation	1,663,000	1,012,592	1,958,801	946,209	-	-	-	-
Transfers	-	-	(1,195,147)	(1,195,147)	-	-	-	-
Other proceeds	-	-	-	-	-	-	-	-
Proceeds from sale of property	10,000	10,000	4,065	(5,935)	-	-	-	-
Total other financing sources (uses)	<u>1,673,000</u>	<u>1,022,592</u>	<u>767,719</u>	<u>(254,873)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 506,597</u>	<u>\$ (81,653)</u>	<u>\$ (588,250)</u>