

OFFICIAL STATEMENT

NEW ISSUE

REVENUE ANTICIPATION NOTES

In the opinion of Roemer Wallens & 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 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, and (ii) interest on the Notes is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York. The Notes may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. See "TAX MATTERS" herein for a discussion of certain Federal taxes applicable to corporate owners of the Notes.

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

\$12,500,000
CITY of ALBANY
ALBANY COUNTY, NEW YORK
\$12,500,000 Revenue Anticipation Notes, 2009
At an Interest Rate of 2.00% to Yield 0.29%
CUSIP #: 012428 3X4

Dated: December 10, 2009

Due: January 29, 2010

(referred to herein as the "Notes")

The 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 Notes and interest thereon, without limitation as to rate or amount.

The Notes will be issued as registered notes, and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the Notes purchased.

Payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System" herein.

The Notes are offered when, as and if issued and received by the purchaser and subject to the receipt of the unqualified legal opinion as to the validity of the Notes by Roemer Wallens & Mineaux LLP, Bond Counsel, of Albany, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC in New York, New York on or about December 10, 2009.

December 2, 2009

THIS REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE CITY DATED NOVEMBER 24, 2009 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12. OTHER THAN AS SET FORTH ON THE REVISED COVER AND THE DATED DATE ON PAGE 33, THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

PiperJaffray

CITY of ALBANY
ALBANY COUNTY, NEW YORK

GERALD D. JENNINGS
MAYOR

KENNETH L. BENNETT
ACTING CITY COMPTROLLER

BETTY J. BARNETTE
TREASURER

COMMON COUNCIL

SHAWN MORRIS, PRESIDENT

RICHARD CONTI, PRESIDENT PRO TEMPORE

Dominick Calsolaro
Glen Casey
Corey L. Ellis
Catherine M. Fahey
Sandra Fox

Daniel Herring
Joseph Igoe
Carolyn McLaughlin
Michael O'Brien

John Rosenzweig
James P. Sano
James R. Scalzo, Jr.
Barbara Smith
Willard Timmons

CITY OFFICIALS

PHILIP F. CALDERONE
Deputy Mayor

CHRISTOPHER J. HEARLEY, SR.
Budget Director

JOHN MARSOLAIS
City Clerk

JOHN REILLY, ESQ.
Corporation Counsel

ROEMER WALLENS & 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 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.

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**PREPARED WITH THE ASSISTANCE OF
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OFFICIAL STATEMENT
of the
CITY of ALBANY

ALBANY COUNTY, NEW YORK

Relating to

\$12,500,000 Revenue Anticipation Notes, 2009

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 \$12,500,000 Revenue Anticipation Notes, 2009 (referred to herein as the "Notes").

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

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

INTRODUCTION

Albany, the State capital, is a center of business, commerce, government, culture and transportation. Albany's 2000 Census population is 94,301. 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 audited 2008 total General Fund balance as \$22,524,964, of which \$18,936,648 million is unreserved.

The City's 2009 budget was adopted by the Common Council in November 2008. Highlights include reduction of General Fund Budget through a variety of measures including eliminating vacant positions, instituting a Medicare advantage plan, changes to prescription plans and renegotiating landfill contracts with commercial haulers.

DESCRIPTION OF THE NOTES

Description of the Notes

The Notes are general obligations of the City, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the City is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount.

The Notes are dated December 10, 2009. The Notes mature, without option of prior redemption, on January 29, 2010.

Interest on the Notes is payable at maturity. Interest on the Notes is calculated on the basis of a 360-day calendar year of twelve 30-day months. The Notes will be issued in bearer form, in the denominations of \$5,000 each or multiples thereof, as determined by the successful bidder(s) without the option of prior redemption. If issued in bearer certificated form, principal and interest will be payable at maturity in Federal Funds as such bank(s) or trust company(ies) located and authorized to do business in the State of New York as may be selected by such successful bidder(s). Paying agent fees, if any, will be paid by the successful bidder(s). At the option of the purchasers thereof, the Notes will be issued as registered notes, registered of the owner of the Notes in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, if DTC is acting as the securities depository for the Notes. Individual purchases may be made in principal denominations of \$5,000 or integral multiples thereof. See "Book-Entry-Only System" herein.

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”), various bond ordinances duly adopted by the Common Council, authorizing the issuance of bonds, bond anticipation notes and revenue anticipation notes.

The Common Council has the power to enact bond ordinances and to authorize the issuance of bonds and bond anticipation notes in anticipation of the issuance of such bonds. The Common Council, pursuant to the Law, has delegated the power to issue and sell bonds and notes to the City Comptroller, the chief fiscal officer of the City.

The Law provides a twenty-day estoppel period after publication of a bond ordinance, which is intended to bar legal challenges to the validity of obligations authorized by such bond ordinance except for alleged constitutional violations. The publication procedure set forth in the Law has been complied with in connection with the adoption of the Common Council ordinances relating to the Notes. The estoppel period for all involved Common Council actions shall be completed as of the date of delivery of the Notes. Each of the underlying authorizing ordinances was adopted by a vote of not less than two-thirds of the voting strength of the Common Council. The Law does not require a referendum before a bond ordinance of the City becomes effective.

In addition, the Law contains provisions authorizing the City to issue general obligation revenue anticipation, tax anticipation and budget notes. No such obligations are currently outstanding. The City Common Council has by ordinance delegated to the City Comptroller authority to issue revenue anticipation notes and tax anticipation notes.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each Note bearing the same rate of interest and CUSIP number, in the aggregate principal amount of such issue, 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). 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 and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser(s) of each 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 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

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

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

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

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

Source: The Depository Trust Company.

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. In the event that such book-entry-only system is utilized by a purchaser(s) of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in bearer form in denominations of \$5,000 or integral multiples thereof. Interest on the Notes will remain payable on January 29, 2010. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State to be named as fiscal agent by the City. The Notes will remain not subject to redemption prior to their stated final maturity date.

Purpose of Issue

The Notes are issued pursuant to the Constitution and statutes of the State, including among others the City Law and the Local Finance Law in anticipation of the receipt of State Aid and payment pursuant to Section 19-a of the Public Lands Law and a portion of the City's share of sales and use tax for the City's fiscal year commencing January 1, 2010 and ending December 31, 2010. The Notes are issued pursuant to an ordinance duly adopted by the Common Council on February 1, 1960 delegating the City Comptroller authority to issue such notes.

Section 25.00 of the Local Finance Law authorized the City to issue Notes in anticipation of the collection of revenues for such fiscal year, including taxes other than real property taxes and monies received from the state or federal government.

The Notes are being issued to provide moneys to meet a cash flow deficit expected to occur during the period that the Notes are outstanding (see "ESTIMATED MONTHLY CASH FLOW"). Such cash flow deficit is the result of the timing of the receipt of State Aid Revenue Sharing, Aid to Certain Cities, from the State 19a payments, Sales Tax receipts, and the lack of synchronization between the dates of receipt of such revenues and the expected operating needs of the City.

SOURCES OF PAYMENT OF THE NOTES

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

The Notes will be general obligations of the City and will contain a pledge of the full faith and credit of the City for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest the City has the power and statutory authorization to levy ad valorem taxes on all taxable real property within the City without limitation as to rate or amount. Under the Constitution of the State, the City is required to pledge its full faith and credit for the payment of the principal of and interest on the Notes and the State is specifically precluded from restricting the power of the City to levy taxes on real property therefore.

THE CITY 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. The City of Albany is the heart of Tech Valley and is home to Albany NanoTech, a \$4.5 billion university driven research and development center. This complex and its emerging developments, are catapulting Albany and the Capital Region to the center of the global nanotech industry.

The City of Albany is also a distribution center for agricultural and manufactures products between western New York State, the New England States, northeastern New York, Canada and New York City, and points south. It 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 and the City Treasurer. 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 Comptroller is the City's Chief Financial Officer.

As the capital of the 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 the site of the State University at Albany, the college of Saint Rose, the Sage College at Albany, 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 and Rensselaer Polytechnic Institute and the Sage College in Troy.

The City is home to numerous hospitals and healthcare facilities including Albany Medical Center, St. Peter's Hospital, Memorial Hospital, and the Veterans Administration Hospital.

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. 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 currently undertaking an estimated \$8 Million wharf improvement and replacement project. This will enable the Port to handle larger vessels and continue to maximize the year-round access.

More than \$400 Million in new projects are planned for downtown Albany, including a new Convention Center, Wellington Row, Sheridan Place, Chapel Street Condominiums and others. The Albany Convention Center, a facility that will further dramatically transform downtown is in predevelopment, with site assemblage and property acquisition underway.

The Albany Convention Center Authority is managing predevelopment work for the preferred site on lower Broadway. The Convention Center will be one of the region's most significant economic development projects, and will help attract thousands of new visitors to the City and millions of dollars in economic development benefits. The facility plans to successfully generate \$32 billion dollars in total spending in the regional economy, and will support more than 1,700 jobs.

The University at Albany's College of Nanoscale Science and Engineering, the world's first college devoted solely to nanotechnology, has attracted \$4.5 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 constructed on-site, and its growth will continue to transform the City. New residential units are being successfully developed downtown to attract young professional and empty nesters expected to move to this area as a result of the growth of Tech Valley.

The Harriman Campus with its close proximity of Albany Nano Tech and the University is well positioned to attract significant new businesses to the City, which will result in new job opportunities and, in time, increased tax revenue for the City. The campus has the potential to host a minimum of one million square feet of newly constructed state-of-the-art commercial space. Across Washington Avenue, land formerly owned by New York State is resulting in new private development and investment. Spanos Company, a nationally renowned residential developer, is well underway with construction of 300 luxury apartments. In addition, Patroon Creek Corporate Center now hosts the newly constructed home of First Niagara bank's regional headquarters. The center has a number of other commercial office buildings representing more than \$85 million in private investment.

Albany Medical Center has received state approval for the largest hospital expansion project in the history of northeastern New York - a \$360 million complex to be situated right in front of the current patient tower facing the corner of New Scotland and Myrtle avenues. While the expansion is in progress several new buildings will be constructed on adjacent sites, which taken together will dramatically change the dynamic on upper New Scotland Avenue. Columbia Development recently completed a five-story commercial office building on the southeastern corner of Myrtle and New Scotland Avenues; and a three-story mixed-use building is in the works for the northeastern corner. In addition, a new privately financed parking garage will be constructed in front of the Veterans Hospital along with a new residential and retail building to be situated along New Scotland Avenue. These projects will connect the successful development at the Hilton Garden Inn and the neighborhood commercial center in Park South. Once the projects have all been constructed, the stretch of New Scotland Avenue between Madison and Holland Avenues will be a thriving retail and commercial destination that promotes walkability and community vibrancy.

The past two years have been record-setting years for project development via the City of Albany IDA - including financing the state's largest construction project at St. Peter's Hospital. The construction of new space coupled with the enhancement and reconfiguration of existing space will result in a less stressful, organized, and user friendly patient experience. This project sets a standard for future large-scale projects across the City and will positively impact the surrounding neighborhoods; benefit patients, hospital staff and visitors. Ultimately, this project enhances the primary and ancillary delivery systems at St. Peter's while positioning the hospital as a responsible and contributing member of the community. The fees generated from the transaction will provide funding for a variety of economic development initiatives that are recommendations of ReCapitalize Albany.

Since 2003, the Albany IDA has assisted with the creation and retention of more than 3,000 jobs in the City and provided financing assistance for 37 projects that leveraged more than \$626 million in investment in new and expanding facilities in the City of Albany. This bonding marks a milestone for the City's IDA and demonstrates the IDA's ability to deliver creative, low-cost financing solutions for projects of various sizes and complexities.

The City's Empire Zone program has been a tremendous 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 \$663,000,000 has been invested in the City of Albany by Empire Zone certified companies.

This business investment of nearly three quarters of a billion dollars - has gone toward new construction or renovation, business or real property acquisition, equipment or improvements. Currently, 221 businesses are certified in the program and in total, over 5,000 people are currently employed by zone businesses.

Just this past year - companies in Albany's Empire Zone invested \$86 Million and created 447 new jobs. Fourteen (14) new businesses were approved for Empire Zone certification and half of them were start-up enterprises. We utilize this program to help a range of business types and to encourage investment in our more distressed areas in the City. These newly certified companies are planning to create more than 240 jobs and invest an estimated \$20 million in new or expanded facilities, equipment or improvements.

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, and 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 building, which once housed 62 sub-standard units, has been transformed into 47 spacious and affordable apartments with modern amenities. The next phase of the Park South Plan, currently underway, is the construction of a \$20 million mixed-use development 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. A \$3.3 million Restore New York grant award will greatly jumpstart this revitalization effort. With this award, the City and developer are moving forward with the demolition of several blighted structures to make way for the construction of a new building that will result in approximately 55,000 square feet of new mixed-use space. This will be the first significant commercial development in this urban renewal plan area, which, when complete, will transform this neighborhood into one of the most desirable places in the Capital Region.

Another key neighborhood initiative, the Arbor Hill Neighborhood Plan, has resulted in significant investment – over \$30 million since the Plan was completed in 2003. Construction of a new library branch on Henry Johnson Boulevard is currently underway. North Swan Street is the focus of a mixed-use housing and commercial redevelopment project. Seven new first floor commercial spaces are coming on-line to foster local business development.

In the South End, the Capital South Plan was completed in July 2007 and presents a three-phased revitalization strategy to realize the South End community's vision of once again being a community of choice. The Plan calls for stabilizing the neighborhood to provide the foundation for market renewal; energizing the neighborhood to capitalize on current projects and attract new investment and growing the neighborhood to link the Capital South area to the greater City. Phase I, currently underway, encompasses 53 new units along Morton Avenue, and represents a \$22 million project.

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 investment, new construction projects, including major improvements to the Howe Library, and new investment interest in the South End.

City Services

The principal services provided by the City involve 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 the Palace Theater, Albany Institute of History and Art, the Capital Repertory Theatre, the Albany Symphony Orchestra, among other arts organizations and other cultural programs.

Solid Waste

One of the City’s major revenue sources has been revenue generated by the City’s landfill. As lead agency of the multi-municipality ANSWERS Waste Consortium, the City has contracts with 11 municipalities to accept solid waste. The City owns and operates a regional landfill that generates approximately \$11.2 million annually in revenue. The City is currently in the permitting process for an expansion of the existing landfill, which would provide an additional six to seven years of capacity. The additional capacity would generate approximately \$11-12 million in annual revenue and will allow the City to continue its pursuit of a longer-term solution to deal with its solid waste.

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. In that regard, the City undertook a thorough landfill site selection process, identified and purchased a 300+ acre tract of land in the Town of Coeymans. Due to protracted litigation, the City has not, as of yet been able to license this facility.

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 2008 Census reports.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2008</u>	<u>1990</u>	<u>2000</u>	<u>2008</u>
City of:						
Albany	\$ 13,742	\$ 18,281	\$ 23,180	\$ 34,493	\$ 30,041	\$ 52,058
County of:						
Albany	16,363	23,345	30,814	41,670	56,724	76,267
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 2000 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:

	Population ⁽¹⁾			
	City of Albany	Albany MSA	New York State	United States
1950	134,995	677,707	14,830,200	151,326,000
1960	129,726	746,115	16,782,300	179,323,000
1970	115,781	811,080	18,241,400	203,235,000
1980	101,727	835,800	17,558,000	226,504,825
1990	100,031	861,623	17,990,455	248,709,873
2000	94,301	892,604	18,976,457	281,421,906

⁽¹⁾ 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 53% 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 State Aid payments to the City for the State owned Empire State Plaza government complex. The statute provides for annual payments to the City of \$22.85 million annually through 2010 and then \$15 million annually through 2039. See "State Aid" herein for further details. Earlier, the Dormitory Authority entered into a PILOT Agreement with the City in regard to its new downtown Albany headquarters, which was completed on January 1, 1998. Additionally, in 2002 the City began collecting taxes on a newly constructed privately owned 400,000 square foot office building, which serves as the headquarters of the New York State Department of Environmental Conservation. This new building has been assessed at \$40,680,000. In 2003, the City began receiving additional payments from the State for the State Comptroller's building of \$731,349 annually.

Building Permit

Dollar Value of Construction by Type

	Residential	Apartments	Commercial And Industrial	Other	Total Dollar Value	Total Building Permits
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	22,137,55	21,940	56,017,532	68,180	78,441,167	2,258
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

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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u> ⁽¹⁾	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u> ⁽²⁾
	(thousands)									
Contract Construction	17.4	18.0	17.9	18.1	18.3	17.9	18.1	18.4	18.2	18.2
Manufacturing	38.1	38.1	37.2	28.7	26.8	22.8	23.1	23.2	23.1	22.5
Transportation and Public Utilities	17.9	19.1	19.8	81.0	81.6	79.6	80.1	79.4	25.4	25.1
Wholesale and Retail Trade	94.2	95.1	95.56	96.7	96.8	66.9	66.5	65.5	64.1	62.7
Finance, Insurance, and Real Estate	25.3	25.1	25.7	20.2	20.7	20.3	20.6	21.1	26.2	26
Services and Miscellaneous	146.3	151.2	153.8	158.1	157.8	179.8	182.6	180.2	184.2	188.3
Government	110.4	110.6	111.0	112.7	111.4	108.0	107.6	106.6	107.8	108.1
Total	449.6	457.2	461.0	515.5	513.4	495.3	498.6	494.4	449.0	450.9

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

⁽²⁾ Data for 2008 is preliminary and subject to change.

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	51,800
United States	Government	5,085
Albany Medical Center	Hospital	7,000
St. Peter's Hospital	Hospital	5,000
Verizon Communications	Utility	3,000
Albany County	Government	2,897
University at Albany	Education	4,000
Empire Blue Cross	Insurance	1,550
Center for Disabled	Health Care	2,400
Key Corp	Bank	1,400

Source: Employers as listed above (2009).

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 ⁽¹⁾

	City of Albany⁽²⁾	Albany MSA	New York State	United States
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	5.7%	5.0%	5.4%	5.8%
6/2009	7.6%	7.4%	8.6%	9.7%

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

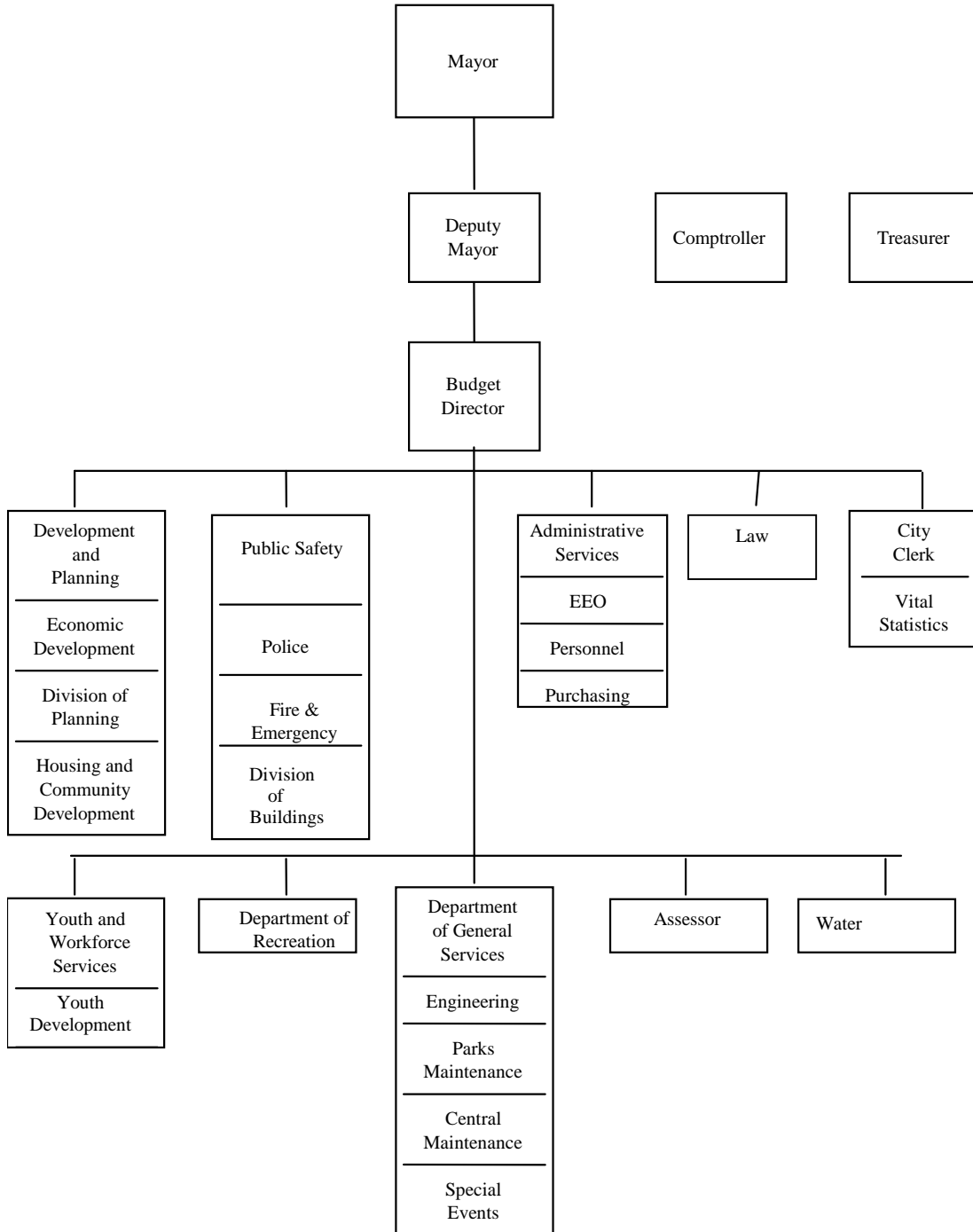
⁽²⁾ City unemployment rates are estimated by the New York State Department of Labor based on the relationship between City and County labor force statistics.

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

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 Comptroller, and executes contracts. There are ten major City staff units in addition to the separately elected Treasurer and Comptroller as shown in the City of Albany Organizational Chart on the previous page. Two elected officials, the Comptroller and the Treasurer, and the appointed Budget Director administer the financial affairs of the City. The Comptroller is the chief fiscal officer of the City and is responsible for the fiscal integrity of the City including cash management, claims processing, auditing payment vouchers, 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 1,452 regular employees. The following information is for the 973 unionized employees:

<u>Bargaining Unit</u>	<u>Approximate Number of Employees</u>	<u>Contract Expiration Date</u>
Albany Police Officers-Council 82	275	December 31, 2009
Sergeant & Lieutenant	56	December 31, 2009
Albany Firefighters-AFL-CIO	235	December 31, 2009
Albany Police Non-Sworn	55	December 31, 2009
Council 66-AFSCME-Local 1961	284	December 31, 2009
Communications Unit, Council 82	36	December 31, 2009
Communication Workers of America (TSAs & PSOs)	20	December 31, 2009
International Union of Operating Engineers	9	December 31, 2009
Teamsters Local 294	3	December 31, 2009

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.

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 Comptroller along with the Budget Director estimates revenues with each department administrator. The Comptroller 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 2009 budget on November 27, 2008.

2009 & 2010 Proposed Budget

A summary of the 2009 Budget and 2010 Proposed Budget is outlined below:

	<u>Budget 2009</u>	<u>Proposed Budget 2010</u>
<u>REVENUES</u>		
Real Property Taxes	\$ 53,148,000	\$ 53,148,000
Sales and Use Tax	31,360,000	29,100,000
Intergovernmental Revenues	1,699,000	1,299,000
State Aid	18,509,000	17,079,500
Charges for Services	15,008,000	15,575,000
Other Revenues	34,883,000	41,810,500
Fund Balance	<u>1,663,000</u>	<u>5,261,000</u>
Total Revenues	\$ 158,270,000	\$ 163,273,000
<u>EXPENDITURES</u>		
Public Safety and Regulation	\$ 77,648,151	\$ 80,692,733
General Government	26,914,228	25,015,040
Employee Benefits	13,452,259	15,271,000
Debt Service	16,842,000	16,371,000
Other Expenditures	<u>23,413,362</u>	<u>25,290,227</u>
Total Expenditures	\$ 158,270,000	\$ 163,273,000

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 2009 budget, as well as the projected sources of funds for financing its capital projects.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total Cost</u>	<u>Financing Method</u>
<i>Department of General Services</i>							
Garbage Truck.	\$ 175,000	\$ 175,000	\$ 0	\$ 175,000	\$ 0	\$ 525,000	Borrowings
One Ton Flipper Truck (2)	80,000	0	0	0	145,000	80,000	Borrowings
Farm Tractor (2)	90,000	0	0	0	0	90,000	Borrowings
Loader Mounted Snowblower	150,000	0	0	0	0	300,000	Borrowings
Landfill Expansion	11,870,000	12,477,000	7,100,000	3,160,000	6,535,000	41,142,000	Borrowings
Forklift	50,000	0	0	0	0	50,000	Borrowings
Medium Duty Cab/Chassis	90,000	0	0	85,000	0	173,000	Borrowings
One Ton Dump Truck (2)	88,000	345,000	90,000	220,000	135,000	790,000	Borrowings
Utility Carts	0	0	40,000	40,000	0	80,000	Borrowings
Medium Dump Trucks	0	245,000	380,000	400,000	0	1,025,000	Borrowings
Heavy Duty Trucks	0	0	0	225,000	0	225,000	Borrowings
<i>Engineering</i>							
Street Reconstruction	\$ 6,740,000	\$ 3,040,000	\$ 3,040,000	\$ 3,040,000	\$ 3,040,000	\$ 18,900,000	Borr./CHIPS
Sidewalk Reconstruction	625,000	625,000	625,000	625,000	625,000	3,125,000	Borr./CDBG
A.D.A. Compliance	251,000	251,000	251,000	251,000	251,000	1,255,000	Borr./CDBG
Energy Conservation	15,000	15,000	15,000	15,000	15,000	75,000	Operating
Renovations to City Buildings	415,000	85,000	85,000	85,000	85,000	755,000	Oper/Borr.
Wetland Hills Brownfield Remediation	100,000	0	0	0	0	100,000	Borrowings
Elevator Renovations	65,000	0	0	400,000	0	465,000	Borrowings
City Hall Roof & Bell Tower Design	200,000	0	0	0	0	200,000	Borrowings
Roof Improvements	325,000	0	0	500,000	0	825,000	Borrowings
City Hall Window Replace.	0	300,000	0	0	0	300,000	Borrowings
Bridge Inspections & Repairs	0	50,000	50,000	50,000	50,000	200,000	Borrowings
Roof Improvements	0	0	500,000	0	0	500,000	Borrowings
<i>Parks</i>							
Parks Vehicles and Mowers	\$ 75,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 475,000	Operating
Golf Course Equipment	40,000	50,000	50,000	50,000	50,000	240,000	Operating
Washington Pk. Improvements	0	75,000	75,000	75,000	75,000	300,000	Borrowings
Litter Vacuums	0	35,000	35,000	0	0	70,000	Borrowings
Normanskil Farm Renov.	0	0	150,000	0	0	150,000	Borrowings
Total.....	\$ 21,444,000	\$ 17,673,000	\$ 12,496,000	\$ 9,726,000	\$ 10,926,000	\$ 72,265,000	
<i>Police Department</i>							
Vehicles	\$ 530,000	\$ 545,000	\$ 560,000	\$ 575,000	\$ 590,000	\$ 2,800,000	Borrowings
Special Use Vehicles	108,000	118,000	128,000	138,000	148,000	640,000	Borrowings
<i>Traffic Engineering</i>							
ITS Local Signal Project	\$ 629,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 629,000	Borr./Other
Traffic Signals	250,000	250,000	250,000	250,000	250,000	1,250,000	Borrowings
Total	\$ 1,517,000	\$ 913,000	\$ 938,000	\$ 963,000	\$ 988,000	\$ 5,319,000	
<i>Fire Department</i>							
Defibrillators	\$ 45,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,000	Operating
Pumper	0	475,000	0	500,000	0	975,000	Borrowings
Total	\$ 45,000	\$ 475,000	\$ 0	\$ 500,000	\$ 0	\$ 1,020,000	
<i>Recreation Department</i>							
Resurface Courts	\$ 0	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000	\$ 340,000	Operating
Bleeker Stadium Lighting	0	0	400,000	0	0	400,000	Borrowings
Total	\$ 0	\$ 85,000	\$ 485,000	\$ 85,000	\$ 85,000	\$ 740,000	
Operating	\$ 260,000	\$ 335,000	\$ 335,000	\$ 335,000	\$ 335,000	\$1,600,000	Operating
Borrowings	19,875,000	17,340,000	12,113,000	9,468,000	10,193,000	68,989,000	Borrowings
Other	2,871,000	1,471,000	1,471,000	1,471,000	1,471,000	8,755,000	Other
Grand Total	<u>\$ 23,006,000</u>	<u>\$ 19,146,000</u>	<u>\$ 13,919,000</u>	<u>\$ 11,274,000</u>	<u>\$ 11,999,000</u>	<u>\$ 79,344,000</u>	

Source: City of Albany 2009 Budget.

Financial Control Procedures

The Comptroller 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 Comptroller'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. Additionally, the Comptroller's Audit Division conducts periodic internal audits and reviews of City Departments.

The Comptroller 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 2001 through 2008 is derived from the City's audited financial statements.

The City's 2003, 2004, 2005, 2006, 2007 and 2008 audited financial statements are in full 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, 2004, 2005, 2006, 2007, 2008 and amounts budgeted for 2009 and 2010.

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 2009 from real estate taxes, 13% from intergovernmental and departmental charges (including the landfill), 20% from sales and use taxes and 34% 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 budget tax levy for fiscal 2009 and 2010 is \$53,148,000.

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% 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. 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. 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 amount collected in the County 8%. Both the County and State Legislatures have extended the temporary increase every two years. The latest temporary increase expires November 30, 2009. The total Sales Tax paid in Albany County is now 8.00%.

City sales tax receipts for the five years ended December 31, 2004 through December 31, 2008 were \$27,143,332, \$27,919,977, \$29,238,536, \$29,559,266 and \$30,413,353, respectively. The budget for 2009 projects sales tax receipts of \$31,360,000. Third quarter receipts totaled \$21,089,874.

The City's utilities gross receipts tax revenues for the five years ended December 31, 2004 to 2008 amounted to \$1,980,981, \$1,993,643, \$2,009,666, \$2,061,752 and \$1,961,710, respectively. 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. Budgeted receipts for 2009 are \$2,100,000.

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Intergovernmental Charges

For fiscal year 2008, the City received \$3,550,284 in revenues for intergovernmental charges (excluding State Aid and the City’s share of mortgage taxes), \$3,079,374 in 2007, \$2,879,591 in 2006, \$2,362,074 in 2005, \$3,463,333 in 2004 and \$2,345,073 in 2003.

The City is currently in the permitting process for a landfill expansion, which would provide an additional nine years of capacity at the existing landfill site. The additional capacity generates approximately \$11-\$12 million in annual income and has allowed the City to continue its pursuit of a longer-term solution to solid waste disposal.

State Aid

State aid constitutes a comparatively significant portion 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 2008 fiscal year, the City received \$19,524,050 from the State as State Aid. During 2008, the City received an additional \$1.6 million from the State under the Aid and Incentives for Municipalities Program.

State Law enacted provides State aid payments to the City for the State owned Empire State Plaza complex. Beginning in 2011 the difference in the amount between the originally scheduled 19-a payments and the newly proposed payments will be pledged as a credit enhancement on any bonds that may be issued for the construction of the hotel as part of the Albany Convention Center. Shortfalls in hotel operating revenues needed for debt service would result in a reduction in payments to the City. The previous payment schedule along with the new payment schedule are as follows:

<u>FISCAL YEAR</u>	<u>PREVIOUS AMOUNT</u>	<u>NEW AMOUNT</u>
2007	\$ 16,130,000	\$ 22,850,000
2008	15,410,000	22,850,000
2009	14,690,000	22,850,000
2010	13,970,000	22,850,000
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

The following table sets forth the percentage of General Fund revenues of the City comprised of State Aid for each of the fiscal years 2001-2008 and budgeted 2009:

State Aid Payments
Fiscal Year Ending December 31

Fiscal Year	General Fund Revenues	State Aid ⁽¹⁾	State Aid as a Percentage of General Fund Revenue
2001	\$ 110,154,126	\$ 11,217,530	10.0%
2002	109,923,396	11,012,004	10.0%
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 *	158,270,000	18,509,000	11.7%

* Budgeted.

⁽¹⁾ Includes amounts received from the New York State Mortgage Recording Tax.

Source: City of Albany Comptroller's Office.

Expenses

In 2008, General Fund expenditures and transfers to other funds totaled \$157,939,389 compared to \$153,231,293 in 2007. Of this amount, public safety constituted 35%, general government expenses constituted 14%, debt service constituted 11%, employee benefits constituted 26%, culture and recreation constituted 4%, transportation constituted 4%, community service constituted 4%, economic assistance and opportunity constituted 1% and transfers to other funds constituted 1%.

Debt Service

The General Fund debt service expenditures for the past five years were as follows: \$12,636,828 in 2002; \$12,207,496 in 2003, \$12,485,023 in 2004, \$14,267,308 in 2005, \$15,454,326 in 2006, \$16,801,751 in 2007 and \$17,022,738 in 2008. 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.

In the State of New York, 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.

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 that will advise such employers over one year in advance concerning the actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS and PFRS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year will be based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

On July 30, 2004, Governor Pataki signed into law Chapter 260 of the Laws of 2004 ("Chapter 260"). Chapter 260 contains three components which alter the way municipalities and school districts contribute to the State pension system: (1) revision of the payment due date, (2) extension of the period of time for pension debt amortization, and (3) authorization to establish a pension reserve fund. Prior to the effective date of the provisions of Chapter 260, the annual retirement bill sent to municipalities and school districts from the State has reflected pension payments due between April 1 and March 31, consistent with the State fiscal year.

Chapter 260 provides for the following changes:

- **Contribution Payment Date Change:** The law changes the date on which local pension contributions are due to the State. Effective immediately, the annual required contribution is due Feb. 1 annually instead of Dec. 15. As a result, no payment was due in calendar year 2004.
- **Pension Contributions Reserve Fund:** The law creates special authorization to create a new category of reserve fund under the General Municipal Law. Municipalities and school districts may now establish a retirement contribution reserve fund that can be funded from other available current government resources.

While the City is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

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.

It should also be noted that, although not required pursuant to collective bargaining agreements, the City provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that will require governmental entities, such as the City, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting. Although GASB 45 encourages earlier adoption, implementation is required by the following dates, based on the size of government measured by annual revenue:

Annual Revenue	Effective for Fiscal Year Beginning After:
Greater than \$100 million	December 15, 2007
Between \$10 million and \$100 million	December 15, 2008
Less than \$10 million	December 15, 2009

GASB 45 and OPEB. OPEB refers to “other post-employment benefits,” meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until 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 will require 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”) will be 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. The City expects to be in compliance with the requirements of GASB 45 by or before the applicable effective date.

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

The City contracted with an actuarial firm to calculate post employment benefits obligations in advance of the requirements of GASB 45. The City of Albany’s estimated actuarial accrued liability is \$251,935,000. Additional information regarding this information may be obtained from the City Comptroller upon request. The City’s audited financial statements are in full compliance with GASB 45.

The following table shows the total actual payments made by the City to the New York State Employees’ Retirement System or the New York State Policemen’s and Firemen’s Retirement System.

City Payments
Fiscal Year Ending December 31:

<u>Year</u>	<u>Amounts</u>
2001	\$ 812,296
2002	998,961
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 (Budgeted)	8,679,227

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

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Assessed Valuation	\$ 3,440,361,143	\$ 3,417,949,312	\$ 5,352,808,731	\$ 5,134,573,172	\$ 5,022,587,812
State Equalization Rate	85.00%	71.00%	100.00%	101.3%	98.00%
Full Valuation	\$ 4,047,483,698	\$ 4,814,013,115	\$ 5,352,808,731	\$ 5,068,680,328	5,125,089,604

⁽¹⁾ The City completed a citywide revaluation during 2003 effective for the 2004 tax roll.

Tax Rate Per \$1,000 (Assessed)

<u>Years Ending December 31:</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Homestead Rate	\$ 12.17	\$ 12.74	\$ 12.82	\$ 8.14	\$ 8.07
Non –Homestead Rate	14.86	15.95	16.09	13.06	13.19

Note: The 2010 Tax Rate is not available as of the date of this Official Statement.

Tax Collection Record

<u>Years Ending December 31:</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Tax Levy	\$ 46,700,000	\$ 48,700,000	\$ 48,700,000	\$ 50,648,000	\$ 53,148,000
Uncollected End of Year	2,613,237	3,038,126	2,756,231	2,614,555	N/A
% Uncollected End of Year (1)	5.6%	6.24	5.44%	5.16%	N/A

Note: The 2010 Tax Levy is \$53,148,000.

⁽¹⁾ City is made whole by County.

Tax Collection Procedure

Tax payments are levied on January 1 of each year and are due and payable within 30 days. 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 - (2009 Tax Roll)

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

<u>Name</u>	<u>Type</u>	<u>Estimated Assessed Valuation</u>
National Grid	Utility	\$ 111,769,543
625 Broadway Corp.	Office Building	60,236,300
99 Washington Avenue	Office Building	43,200,000
Crossgate Commons	Commercial	26,200,000
Wal-Mart Stores	Commercial	25,700,000
New Holland Avenue, LLC	Office Building	22,405,600
Verizon	Utility	16,672,283
80 State Street Partners	Office Building	15,500,000
P.S. 30 Associates	Office Building	15,000,000
1367 Washington LLC	Office Building	12,750,000

The largest taxpayers listed above have a total estimated assessed valuation of \$349,433,726, which represents approximately 6.96% of the tax base of the City.

Note: The City receives payments in lieu of taxes from various tax-exempt entities. The City received \$25,282,915 for such payments in 2008, \$25,420,554 in 2007, \$25,097,709 in 2006, \$25,040,758 in 2005 and \$18,769,230 in 2004.

Constitutional Tax Margin

Computation of Constitutional Tax Margin for fiscal years ending December 31, 2006, 2007, 2008, 2009 and 2010:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Five-Year Average Full Valuation	\$ 3,563,256,969	\$ 3,417,949,312	\$ 4,280,672,341	\$ 4,580,105,811	\$ 4,882,637,812
Tax Limit - 2% of Five-Year Average	71,265,139	77,332,281	85,613,447	91,602,116	97,652,755
Add: Exclusions From Tax Limit	<u>15,329,000</u>	<u>17,408,000</u>	<u>16,637,000</u>	<u>16,922,000</u>	<u>16,323,750</u>
Total Taxing Power	\$ 86,594,139	\$ 94,740,281	\$ 102,250,447	\$ 108,524,116	113,976,505
Less Total Levy	<u>48,700,000</u>	<u>48,700,000</u>	<u>50,648,000</u>	<u>53,148,000</u>	<u>53,148,000</u>
Tax Margin	<u>\$ 32,894,139</u>	<u>\$ 46,040,281</u>	<u>\$ 51,602,447</u>	<u>\$ 55,376,116</u>	<u>\$ 60,828,505</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 \$5,426 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.

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 Notes 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 Comptroller, 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 revenue and tax anticipation notes and budget and capital notes. The City Common Council has delegated to the City Comptroller, 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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Bonds	\$ 97,050,385	\$ 88,852,849	\$ 101,395,000	\$ 94,047,849	\$ 85,286,962
Bond Anticipation Notes	5,710,000	18,945,000	2,250,000	11,375,000	28,525,600
Revenue Anticipation Notes	10,000,000	10,000,000	10,000,000	10,000,000	0
Other Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 112,760,385</u>	<u>\$ 117,797,841</u>	<u>\$ 113,645,000</u>	<u>\$ 115,422,849</u>	<u>\$ 113,812,562</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City evidenced by bonds and notes as of November 17, 2009:

<u>Bonds</u>	<u>Maturity</u>	<u>Amount</u>
	2009-2025	\$ 92,214,950
<u>Bond Anticipation Notes</u>		
Various Capital Improvements	July 9, 2010	\$ 29,337,049
Various Capital Improvements	August 27, 2010	<u>14,645,000</u>
	Total Bond Anticipation Notes	\$ 43,982,049
	Total Indebtedness	<u>\$ 136,196,999</u>

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of November 17, 2009:

Five-Year Average Full Valuation of Taxable Real Property	\$ 4,881,615,095
Debt Limit - 7% thereof	341,713,057
<u>Inclusions:</u>	
Bonds	\$ 92,214,950
Bond Anticipation Notes	<u>43,982,049</u>
Total Inclusions.....	\$ 136,196,999
<u>Exclusions:</u>	
Appropriations.....	<u>\$ 305,000</u>
Total Exclusions.....	<u>\$ 305,000</u>
 Total Net Indebtedness Subject to Debt Limit	 <u>\$ 135,891,999</u>
Net Debt-Contracting Margin.....	<u>\$ 205,821,058</u>
Percent of Debt Contracting Power Exhausted	39.77%

Note: The issuance of the Notes will not increase the net indebtedness of the City.

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 ultimately fund the same from the proceeds of serial bond issues.

The City currently has authorized, but unissued \$860,000 for the purchase of a ladder truck.

Revenue and Tax Anticipation Notes

The City had not utilized cash flow borrowing for several years prior to the 2002 Revenue Anticipation Note borrowing. The City has in the past, 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 has determined to issue Revenue Anticipation Notes.

Bonded Debt Service

A schedule of Bonded Debt Service, including principal of the Bonds, 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> ⁽¹⁾	<u>Net Indebtedness</u>	<u>Approx. % Applicable</u>	<u>Approx. Net Overlapping Indebtedness</u>
County of Albany	\$ 218,164,463	\$ 5,906,979 ⁽²⁾	\$ 212,257,484	23.35%	\$ 49,562,123
City School District of the City of Albany	178,756,303	130,492,101 ⁽³⁾	48,264,202	100.00%	<u>48,264,202</u>
					<u>\$ 97,826,325</u>

- ⁽¹⁾ Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.
- ⁽²⁾ Sewer and water exclusions and budgeted appropriations.
- ⁽³⁾ Estimated State Building aid.

Source: New York State Comptroller’s Special Report on Municipal Affairs.

Debt Ratios

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

**Debt Ratios
As of November 17, 2009**

	<u>Amount Indebtedness</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Valuation</u> ^(b)
Gross Indebtedness	\$ 136,196,999	\$ 1,444.28	2.79%
Gross Indebtedness Plus Net Overlapping Indebtedness (c)	234,023,324	2,481.66	4.79%

- ^(a) The 2000 Census population of the City is 94,301.
- ^(b) The City’s five-year average full value of taxable real estate is \$ 4,881,615,095.
- ^(c) Estimated net overlapping indebtedness is \$97,826,325.

MARKET AND RISK FACTORS

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

The City is dependent in part on financial assistance from the State. However, if the State should experience 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 several recent years, the City has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

MATERIAL EVENT NOTICES

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 Notes 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, notice of the occurrence of any of the following events with respect to the Notes, if such event is material:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions or events affecting the tax-exempt status of the Notes
- (g) modifications to rights of Noteholders
- (h) bond calls
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Notes
- (k) rating changes

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.

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 & 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 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, and (ii) interest on the Notes is exempt from personal income taxes imposed by the State of New York and political subdivisions thereof, including The City of New York. Bond Counsel will express no opinion as to any other tax consequences regarding the Notes.

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

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

Under the Code a portion of the interest on the Notes earned by certain corporations may be subject to a corporate alternative minimum tax. In addition, interest on the 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 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 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 Notes. Prospective purchasers of the 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 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 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 NOTES

Legal Matters

Legal matters incident to the authorization, issuance, and sale of the Notes will be subject to the final approving opinion of Roemer Wallens & Mineaux LLP, Albany, New York, Bond Counsel to the City. Such opinion will be available at the time of delivery of and payment for the Notes and will be to the effect that the Notes are valid and legally binding general obligations of the City, for the payment of which the City has validly pledged its 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, without limitation as to rate or amount, for payment of the principal of and interest on the Notes.

Said opinion will also contain further statements to the effect that assuming continuing compliance with certain covenants and the accuracy of certain representations of the City contained in the records of proceedings relating to the authorization and issuance of the Notes, (a) interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (b) interest on the Notes is exempt from personal income taxes imposed by the State and political subdivisions thereof, including The City of New York. The interest on the Notes may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. The enforceability of the Notes is subject to bankruptcy laws and other laws affecting creditors' rights and the exercise of judicial discretion.

ABSENCE OF LITIGATION

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

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

RATING

The Notes are not rated; however, Standard & Poor's Credit Market Services has given the City's outstanding bonds a rating of "AA-". Such rating reflects only the view of such rating agency, and any desired explanation of the significance of such rating should be obtained from Standard & Poor's Credit Market Services, 55 Water Street – 38th 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 judgement 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.

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 Notes.

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

The City will act as Paying Agent for the Notes. If the purchaser(s) requests the Note to be issued in registered form, the City will act as Paying Agent for the Notes. If the purchaser(s) requests the Notes to be issued in bearer form, the purchaser(s) will act as Paying Agent for the Notes. The City's contact information is as follows: Mr. Kenneth L. Bennett, Acting City Comptroller, 24 Eagle Street, Albany, New York 12207, Phone: (518) 434-5023, Telefax: (518) 434-5098, Email: bennek@ci.albany.ny.us.

CITY OF ALBANY

Dated: December 2, 2009

KENNETH L. BENNETT
Acting City Comptroller
and Chief Fiscal Officer

GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>ASSETS</u>				
Cash on Hand	\$ 11,217,579	\$ 12,655,323	\$ 14,546,836	\$ 14,642,856
Receivables:				
Taxes - net	3,619,926	4,161,573	3,925,424	4,571,208
Landfill, net	1,172,468	1,111,595	876,608	674,708
Accounts Receivable	1,171,301	1,159,555	911,462	961,487
Other - net	0	0	0	0
State and Federal	1,021,615	14,476,374	1,980,375	2,518,477
Due from Other Funds	7,729,047	7,914,491	7,145,175	6,230,455
Due From Other Governments	16,735,683	8,866,201	22,627,165	13,493,430
Other Assets	2,258,854	2,571,556	2,397,197	2,253,828
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 44,926,473</u>	<u>\$ 52,916,668</u>	<u>\$ 54,410,242</u>	<u>\$ 45,346,449</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Accounts Payable	\$ 8,727,427	\$ 7,742,440	\$ 9,442,915	\$ 9,963,822
Accrued Liabilities	0	0	0	0
Due to Component Units	357,918	134,556	200,974	0
Notes Payable (RAN's)	10,000,000	10,000,000	10,000,000	0
Other Liabilities	133,672	142,871	201,054	435,595
Due to Other Funds	0	62,361	0	114,642
Due to Other Governments	9,647,219	10,016,943	10,182,171	10,411,511
Accrued Interest on CABs	1,403,846	1,569,707	1,745,066	1,895,915
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>30,270,082</u>	<u>29,668,878</u>	<u>31,772,180</u>	<u>22,821,485</u>
<u>FUND EQUITY</u>				
Reserved	\$ 747,530	\$ 1,692,528	\$ 3,471,374	\$ 3,588,316
Unreserved:				
Appropriated	0	0	0	0
Unappropriated	13,908,861	21,555,262	19,166,688	18,936,648
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	<u>14,656,391</u>	<u>23,247,790</u>	<u>22,638,062</u>	<u>22,524,964</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES and FUND EQUITY	<u>\$ 44,926,473</u>	<u>\$ 52,916,668</u>	<u>\$ 54,410,242</u>	<u>\$ 45,346,449</u>

Source: Audited financial reports.
This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
REVENUES					
Real Property Taxes	\$ 43,619,644	\$ 45,873,681	\$ 48,444,733	\$ 47,746,506	\$ 49,610,386
Sales and Use Tax	27,143,332	27,919,976	29,238,536	29,559,266	30,413,353
Other Taxes	3,353,075	3,478,162	3,541,435	3,529,722	3,441,185
Payments in Lieu of Taxes	18,769,230	25,040,758	25,097,709	25,420,554	25,282,915
Intergovernmental Revenues	15,421,115	18,679,691	19,655,317	20,862,857	23,490,231
Charges for Services	13,923,951	12,941,058	14,210,229	12,561,945	12,506,730
Fines, interest and penalties	4,068,352	4,077,919	5,196,544	4,761,955	5,103,037
Uses of money and properties	523,932	943,689	1,689,254	1,908,564	1,255,415
License and permits	1,163,931	1,378,306	1,409,511	1,680,354	1,652,391
Miscellaneous	4,450,122	5,487,597	4,778,033	3,859,114	5,050,638
Total Revenues	<u>\$ 132,436,684</u>	<u>\$ 145,820,837</u>	<u>\$ 153,261,301</u>	<u>\$ 151,890,837</u>	<u>\$ 157,806,281</u>
EXPENDITURES					
Public Safety and Regulation	\$ 73,052,225	\$ 72,633,382	\$ 72,662,917	\$ 78,057,580	\$ 80,810,776
General Government	21,572,454	21,510,363	21,097,406	22,106,573	22,836,045
Highway and Streets	6,093,275	6,431,042	6,664,985	7,350,905	6,931,126
Recreation and Culture	5,773,149	5,981,162	6,279,572	6,245,517	6,102,450
Community Service	6,834,338	7,606,936	9,403,467	9,319,306	10,399,671
Economic development and assistance	114,971	107,506	50,733	41,636	328,861
Employee Benefits	12,425,394	12,903,525	13,067,046	13,308,027	13,502,722
Debt Service	12,485,023	14,110,521	15,454,326	16,801,751	16,118,738
Total Expenditures	<u>\$ 138,350,829</u>	<u>\$ 141,284,437</u>	<u>\$ 144,680,452</u>	<u>\$ 153,231,295</u>	<u>\$ 157,030,389</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,914,145)</u>	<u>4,536,400</u>	<u>8,580,849</u>	<u>(1,340,458)</u>	<u>775,892</u>
Other Financing Sources (Uses):					
Operating Transfers In	1,302,000	242,914	10,550	241,758	0
Operating Transfers to Other Funds	(2,960,000)	(1,230,000)	0	0	(904,000)
Proceeds from sale of property	1,440,921	5,300	0	107,022	0
Proceeds from general obligation bonds/notes	175,216	0	0	0	15,010
Proceeds from other debt	10,700,000	0	0	0	0
Other sources	0	0	0	381,950	0
Total Other Financing	<u>10,658,137</u>	<u>(981,786)</u>	<u>10,550</u>	<u>730,730</u>	<u>(888,990)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>4,743,992</u>	<u>3,554,614</u>	<u>8,591,399</u>	<u>(609,728)</u>	<u>(113,098)</u>
FUND BALANCE					
Fund Balance - Beginning of Year	6,785,897	11,101,777 ⁽¹⁾	14,656,391	23,247,790	22,638,062
Residual Equity Transfers	0	0	0	0	0
Prior Period Adjustments (net)	0	0	0	0	0
Fund Balance - End of Year	<u>\$ 11,529,889</u>	<u>\$ 14,656,391</u>	<u>\$ 23,247,790</u>	<u>\$ 22,638,062</u>	<u>\$ 22,524,964</u>

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

Source: Audited financial reports.

This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget

Fiscal Years Ending December 31:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	Adopted Budget	Adopted Budget	Adopted Budget	Adopted Budget	Proposed Budget
REVENUES					
Real Property Taxes & Items	\$ 48,700,000	\$ 48,700,000	\$ 50,648,000	\$ 53,148,000	\$ 53,148,000
Sales & Use Tax	28,840,000	29,705,000	30,016,000	31,360,000	29,100,000
Other Taxes	3,510,000	3,610,000	3,629,000	3,669,000	3,339,000
Payments in Lieu of Taxes	19,445,000	25,132,000	25,132,000	25,132,000	25,984,000
Interest and Penalty on Taxes	226,000	225,000	250,000	275,000	275,000
Intergovernmental Revenues	1,575,000	1,681,000	1,779,000	1,699,000	1,299,000
Charges for Services	13,800,000	15,230,000	14,075,000	15,008,000	15,575,000
Traffic Violation Fines	3,670,000	4,070,000	4,703,000	4,535,000	4,920,000
Interest and Rental Income	392,000	232,000	227,000	227,000	387,000
Miscellaneous	8,021,000	3,695,000	4,187,000	2,875,000	5,896,000
State Aid	13,741,000	14,532,000	16,501,000	18,509,000	17,079,500
Federal Aid	345,000	286,000	116,000	80,000	919,500
Transfer from Fund Balance	2,809,000	0	0	0	0
Interfund Revenues	0	110,000	85,000	90,000	90,000
Debt Reserve	50,000	0	0	0	0
Total Revenues	<u>\$ 145,124,000</u>	<u>\$ 147,208,000</u>	<u>\$ 151,348,000</u>	<u>\$ 156,607,000</u>	<u>\$ 158,012,000</u>
EXPENDITURES					
Public Safety and Regulation	\$ 69,012,978	\$ 71,836,084	\$ 76,918,137	\$ 77,648,151	\$ 80,692,733
General Government	23,685,030	26,349,937	28,274,739	26,914,228	25,015,040
Highway and Streets	5,900,137	6,311,878	7,067,555	7,320,536	7,350,981
Recreation and Culture	6,283,076	6,703,172	6,482,363	5,889,525	6,629,775
Community Service	10,952,779	8,114,922	9,168,869	9,941,133	11,939,471
Employee Benefits	14,177,000	13,830,000	14,734,625	13,452,259	15,271,000
Miscellaneous	0	253,292	268,039	262,168	0
Debt Service	15,113,000	17,156,000	16,312,000	16,842,000	16,374,000
Total Expenditures	<u>\$ 145,124,000</u>	<u>\$ 150,555,285</u>	<u>\$ 159,226,327</u>	<u>\$ 158,270,000</u>	<u>\$ 163,273,000</u>
Excess of Revenues Over (Under) Expenditures	<u>0</u>	<u>(3,347,285)</u>	<u>(7,878,327)</u>	<u>(1,663,000)</u>	<u>(5,261,000)</u>
Other Financing Sources (Uses):					
Operating Transfers In	0	0	0	0	0
Operating Transfers to Other Funds	0	0	0	0	0
Operating Transfers to Component Unit	0	0	0	0	0
Proceeds from Obligation	0	0	0	0	0
Other Financing Source	0	0	0	0	0
Total Other Financing	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>0</u>	<u>(3,347,285)</u>	<u>(7,878,327)</u>	<u>(1,663,000)</u>	<u>(5,261,000)</u>
FUND BALANCE					
Fund Balance - Beginning of Year	0	3,347,285	7,878,327	1,663,000	5,261,000
Residual Equity Transfers	0	0	0	0	0
Elimination of Encumbrances	0	0	0	0	0
Prior Period Adjustments (net)	0	0	0	0	0
Fund Balance - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

BONDED DEBT SERVICE

Fiscal Year Ending December 31st	Principal	Interest	Total
2009	\$9,203,036	\$3,929,892	\$13,132,928
2010	10,317,420	4,302,233	14,619,653
2011	9,460,000	3,919,679	13,379,679
2012	9,530,000	3,557,633	13,087,633
2013	10,001,456	3,176,646	13,178,102
2014	9,290,000	2,789,172	12,079,172
2015	9,235,000	2,410,469	11,645,469
2016	7,470,000	2,032,178	9,502,178
2017	7,340,000	1,733,876	9,073,876
2018	7,415,000	1,414,584	8,829,584
2019	4,100,000	1,119,842	5,219,842
2020	4,280,000	931,183	5,211,183
2021	2,800,000	309,325	3,109,325
2022	2,260,000	216,737	2,476,737
2023	2,055,000	117,988	2,172,988
2024	245,000	27,775	272,775
2025	260,000	14,300	274,300
TOTALS	\$105,261,912	\$32,003,509	\$137,265,421

CITY OF ALBANY
ALBANY COUNTY, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2008

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

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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, 2008, 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 67 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, 2008, 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, 2009

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, 2008. 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, 2007.

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 units¹. Component units are legally separate from the City, but because the City has some financial accountability for them, they are reported in the City's financial statements. Both statements utilize the accrual basis of accounting, the same accounting method used by most private-sector organizations.

Governmental Funds Financial Statements

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

The Governmental Funds Financial Statements consist of a *Balance Sheet* and *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* reports 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

¹ The component units consist of the Albany Water Board and Municipal Water Finance Authority, the Albany Parking Authority, the Albany Industrial Development Agency, the Albany Port Commission, 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 in 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 Comptroller's office of the City of Albany.

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.

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 an expenditure when the interest is paid on the *Revenues, Expenditures and Changes in Fund Balances – Governmental Funds*. Interest expense reported in the statement of activities is the interest expense incurred during the year, irrespective of when the interest is paid.

OVERVIEW OF THE CITY'S FINANCIAL POSITION

City of Albany Highlights

For the City of Albany, 2008 was a better than expected year. While the 2008 City budget planned for a reduction in fund balance (loss) of \$7.9 million, the actual reduction (loss) totaled only \$0.11 million. Revenues were \$6.14 million greater than the original budget. Expenses were \$2.52 million lower than

original budget. Expenses and transfers out (\$157.9 million) exceeded revenues (\$157.8 million) resulting in a loss of approximately \$113,000.

Government-Wide Financial Statements

Statement of Net Assets

Primary government total assets exceeded total liabilities by \$28.92 million -- a decrease of approximately \$7 million from 2007.

Total assets (\$256.33 million) increased from 2007 by \$4.9 million. Cash and cash equivalents increased by \$7.3 million. Scheduling of cash payments from State of New York for 19-a (\$25.5 million) and State Aid (\$17.5 million) provided the City with critical operating cash. The timing of these payments made it possible to forgo the need to issue Revenue Anticipation Notes in 2008, which enabled the City to end the year with a strong cash balance.

Total Liabilities (\$227.41 million) increased by \$11.93 million. This increase in liabilities reflects the increased liability of the *accrued post employment benefit obligation (OPEB)* (pursuant to GASB 45); the *accrued OPEB liability increased by \$14 million*. The City of Albany's large 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.

Of the assets, \$91.04 million is *invested in capital assets, net of related debt*, and \$3.29 million is *restricted for debt service*, leaving a deficit balance in unrestricted net assets of \$65.4 million -- an increase to the deficit from 2007 of \$22.94 million.

Total capital assets including property and equipment after depreciation are valued at \$169.17 million, which is an increase of \$4.7 million. The additions to capital assets include \$7.3 million in streets and sidewalk reconstruction, and \$4.3 million in equipment and expenses related to landfill operation and expansion. Of the approximately \$15.8 million of assets not subject to depreciation, approximately \$4.3 million is land, and \$11.48 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, 2008 (in Millions)

	<u>2008</u>	<u>2007</u>	<u>Increase/ (Decrease)</u>
Total assets	\$ 256.33	\$ 251.43	\$ 4.90
Total liabilities	<u>227.41</u>	<u>215.48</u>	<u>11.93</u>
Excess (deficiency) of assets over (under) liabilities	28.92	35.95	(7.03)
Invested in capital assets, net of related debt	91.04	75.77	15.27
Restricted for debt service and program activities	3.29	2.64	0.64
Unrestricted net assets (deficiency)	<u>(65.41)</u>	<u>(42.47)</u>	<u>(22.94)</u>
Total Net Assets	<u>\$ 28.92</u>	<u>\$ 35.95</u>	<u>\$ (7.03)</u>

Component Units total assets exceeded total liabilities by \$16.2 million – an increase of \$10.20 million from 2007.

Governmental Activities - Component Units
Net Assets at December 31, 2008
(in Millions)

	<u>2008</u>	<u>2007</u>	<u>Increase/ (Decrease)</u>
Total assets	\$ 135.66	\$ 132.99	\$ 2.67
Total liabilities	<u>119.46</u>	<u>126.99</u>	<u>(7.53)</u>
Excess of assets over liabilities	16.20	6.00	10.20
Invested in capital assets, net of related debt	(23.31)	(23.58)	0.27
Restricted for debt service and program activities	6.06	5.72	0.33
Unrestricted net assets	<u>33.45</u>	<u>23.85</u>	<u>9.60</u>
Total Net Assets	<u>\$ 16.20</u>	<u>\$ 6.00</u>	<u>\$10.20</u>

Total assets (\$135.66 million) increased by \$2.67 million. *Invested in capital assets, net of related debt* increased by \$.27 million, which is mostly the result of additions by the Water Board/Authority.

Total liabilities (\$119.46 million) decreased by \$7.53 million as a result of reduction in *bond and loans payable* (\$5.2 million) and *due to primary government* (\$7.23 million) offset by an increase of \$2.7 million in line of credit and \$2.3 million in current maturities. Unrestricted net assets total \$33.45 million, which is an increase from 2007 of \$9.6 million. Water Board/Authority due to primary government (\$2 million) declined by \$7.5 million.

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.

Public Safety accounts for 45 percent of expenses, while General Government and Community Services account for 17 percent and 12 percent respectively. 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 13 percent of expenses. However, a disproportionate share of this expense is attributable to public safety employees and retirees.

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 2007 by \$2.67 million.

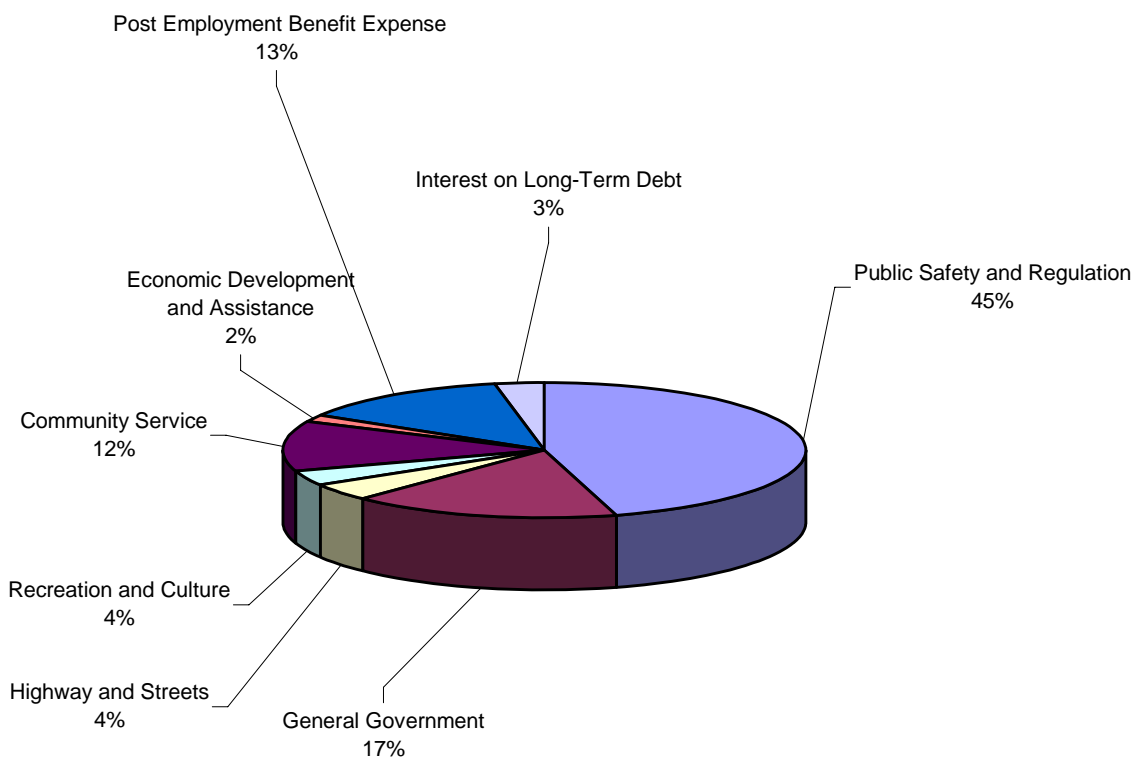
Governmental Activities - Expenses
(in Millions)

Governmental Functions	2008	2007	Increase/ (Decrease)	% of Change
Public Safety and Regulation	\$ 84.92	\$ 81.97	\$ 2.95	4%
General Government	31.44	28.62	2.82	10%
Highway and Streets	7.55	9.13	(1.58)	-17%
Recreation and Culture	7.04	6.94	0.10	1%
Community Service	22.13	23.20	(1.07)	-5%
Economic Development and Assistance	3.31	3.49	(0.18)	-5%
Post Employee Benefit Expense	24.74	30.36	(5.62)	-19%
Interest on Long-Term Debt	<u>5.61</u>	<u>5.70</u>	<u>(0.09)</u>	<u>-2%</u>
Total	<u>\$186.73</u>	<u>\$189.40</u>	<u>\$ (2.67)</u>	<u>-1%</u>

Post Employment Benefit Expense decreased by \$5.62 million. This number reflects the unfunded liability of active employees' post employment health care costs, as required by GASB 45. A disproportionate share of this expense is attributable to public safety employees and retirees.

Public safety expenses increased from 2007 by \$2.95 million, reflecting the budgeted increase in cost of salaries and unbudgeted increases in overtime and health benefits. Public Safety expenses of \$84.92 million are offset by \$8.35 million in charges for services and \$4.75 million in grant funds for urban security, truancy, and motor vehicle theft prevention programs.

**2008 Functional Expenses –
Primary Government**



Community Service expenses of \$22.13 million decreased by \$1.07 million and are offset by \$4.54 million in grants related to the Albany Community Development Agency, Youth and Workforce Development Agency and \$11.68 million in charges for services, the largest part of which is revenue generated from other localities who use the city-owned regional landfill.

Employee benefits largely reflect retiree health care costs.²

Revenues

Total general revenues (\$132 million) decreased by \$1.53 million. Grants and entitlements not restricted to specific programs (\$5.79 million) decreased by \$3.53 million and Intergovernmental revenue not program-restricted (\$16.32 million) increased by \$0.62 million, which reflects some increase in state aid. Property tax revenue (\$49.61 million) increased by \$ 1.86 million, which was due to the rate increase. Property tax revenue did not increase as much as anticipated due to assessment challenges. Intergovernmental revenue (\$16.32 million) is 12% of total general revenues and increased 4% and is comprised mostly of State Aid (Per Capita revenue.)

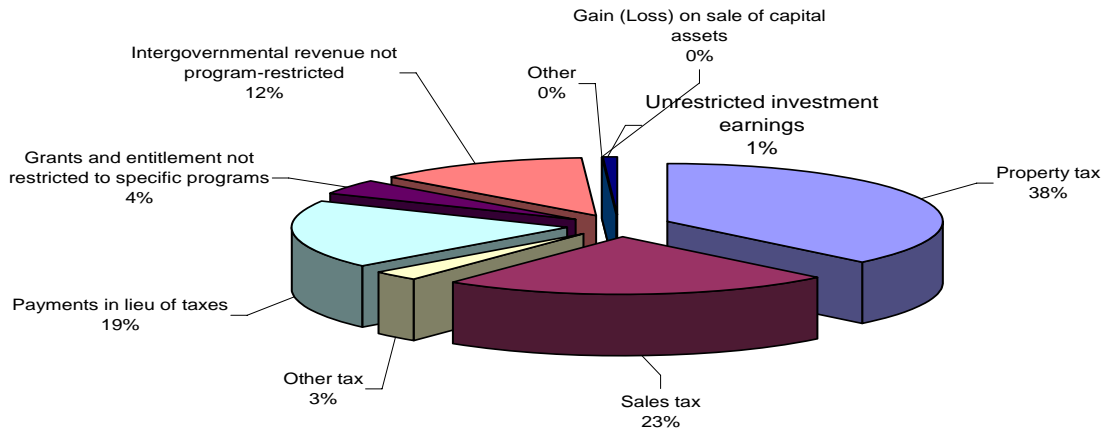
Governmental Activities - General Revenues (in Millions)

<u>Revenues</u>	<u>2008</u>	<u>2007</u>	<u>Increase/ (Decrease)</u>	<u>% of Change</u>
Property tax	\$ 49.61	\$ 47.75	\$ 1.86	4%
Sales tax	30.41	29.56	0.85	3%
Other tax	3.44	3.53	(0.09)	-3%
Payments in lieu of taxes	25.28	25.42	(0.14)	-1%
Grants and entitlement not restricted to specific programs	5.79	9.32	(3.53)	-38%
Intergovernmental revenue not program restricted	16.32	15.69	0.62	4%
Gain (loss) on sale of capital assets	0.01	0.15	(0.13)	-91%
Other	-	0.38	(0.38)	0%
Unrestricted investment earnings	1.13	1.73	(0.60)	-34%
Total General Revenues	<u>\$ 132.00</u>	<u>\$ 133.53</u>	<u>\$(1.53)</u>	<u>-1%</u>

The following chart indicates the relative percentages of general revenues:

² Retiree health care expenses reflect the cost of premiums paid for retirees, but substantially understate the actual expense, because the City's claims experience is heavily weighted towards retirees.

**Governmental Activities – General Revenues
(in \$ Millions)**



Component Units:

Revenues of the Component Units totaled \$52.02 million, which is an increase of \$8.6 million from 2007. The overall expenses of the Component Units totaled \$42.5 million – an increase of \$0.43 million. The Water Board/Water Authority accounts for 63 percent of the overall spending among component units. Increased system revenues caused significant improvement from 2007. The following is a summary of the relative 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*.

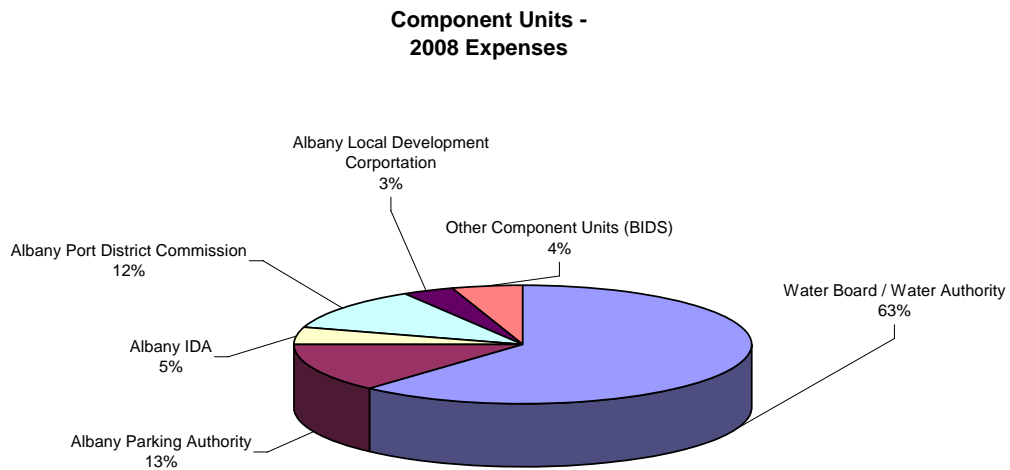
The following table indicates the relative value of revenues for the component units:

Component Units - Revenues (in Millions)			
Component Units	<u>2008</u>	<u>2007</u>	<u>Increase / (Decrease)</u>
Water Board / Water Authority	\$34.37	\$27.87	\$6.50
Albany Parking Authority	5.93	6.04	(0.11)
Albany IDA	2.01	1.00	1.01
Albany Port District Commission	5.82	4.75	1.07
Albany Local Development Corporation	1.63	1.72	(0.09)
Other Component Units (BIDS)	2.26	2.04	0.21
Total	<u>\$52.02</u>	<u>\$43.43</u>	<u>\$8.60</u>

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

Component Units - Expenses <i>(in Millions)</i>			
Component Units	<u>2008</u>	<u>2007</u>	<u>Increase / (Decrease)</u>
Water Board / Water Authority	\$26.21	\$27.68	(\$1.47)
Albany Parking Authority	5.69	5.75	(0.05)
Albany IDA	1.96	0.71	1.25
Albany Port District Commission	5.00	4.53	0.48
Albany Local Development Corporation	1.48	1.48	0.01
Other Component Units (BIDS)	2.16	1.93	0.22
Total	<u>\$42.51</u>	<u>\$42.08</u>	<u>\$0.43</u>

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)

	Governmental Fund Types				Special Revenue Funds*			
	Original Budget	Modified Budget	Actual	Actual Over (Under) Original Budget	Original Budget	Modified Budget	Actual	Actual Over (Under) Original Budget
REVENUES								
Real property taxes	\$50.65	\$50.65	\$49.61	(\$1.04)	\$0.00	\$0.00	\$0.00	\$0.00
Sales and use taxes	30.02	30.11	30.41	0.40	0.00	0.00	0.00	0.00
Other taxes	3.63	3.63	3.44	(0.19)	0.00	0.00	0.00	0.00
Payments in lieu of taxes	25.38	25.13	25.28	(0.10)	0.00	0.00	0.00	0.00
Intergovernmental revenue	18.40	21.51	23.49	5.09	0.00	0.00	0.00	0.00
Charges for services	11.70	12.51	12.51	0.81	3.37	3.39	2.65	(0.72)
Fines, interest and penalties	4.92	5.22	5.10	0.18	0.00	0.00	0.00	0.00
Use of money and properties	0.68	0.68	1.26	0.57	0.00	0.00	0.00	0.00
Licenses and permits	1.78	1.78	1.65	(0.12)	0.00	0.00	0.00	0.00
Other revenues	4.52	4.67	5.05	0.53	0.00	0.00	0.00	0.00
Total revenues	<u>151.67</u>	<u>155.88</u>	<u>157.81</u>	<u>6.14</u>	<u>3.37</u>	<u>3.39</u>	<u>2.65</u>	<u>(0.72)</u>
EXPENDITURES								
Public safety and regulation	76.92	81.00	80.81	3.89	0.00	0.00	0.00	0.00
General government	28.54	25.33	22.84	(5.71)	0.00	0.00	0.00	0.00
Highways and streets	7.07	7.16	6.93	(0.14)	0.00	0.00	0.00	0.00
Recreation and culture	6.48	6.65	6.10	(0.38)	0.00	0.00	0.00	0.00
Community service	9.17	10.96	10.40	1.23	0.00	0.00	0.00	0.00
Employee benefits	14.73	14.73	13.50	(1.23)	0.00	0.00	0.00	0.00
Economic development and assistance	0.33	0.33	0.33	0.00	3.03	3.05	2.65	(0.38)
Debt service	16.31	16.31	16.12	(0.19)	0.00	0.00	0.00	0.00
Total expenditures	<u>159.56</u>	<u>162.48</u>	<u>157.03</u>	<u>(2.52)</u>	<u>3.03</u>	<u>3.05</u>	<u>2.65</u>	<u>(0.38)</u>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	<u>(7.89)</u>	<u>(6.60)</u>	<u>0.78</u>	<u>8.66</u>	<u>0.34</u>	<u>0.34</u>	<u>0.00</u>	<u>(0.34)</u>
OTHER FINANCING SOURCES (USES)								
Appropriated from fund balance	7.88	6.59	0.00	(7.88)	0.00	0.00	0.00	0.00
Allocated from debt service	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Proceeds from bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers	0.00	0.00	(0.90)	(0.90)	0.00	0.00	0.00	0.00
Proceeds from sale of property	0.01	0.01	0.02	0.01	0.00	0.00	0.00	0.00
Total other financing sources (uses)	<u>7.89</u>	<u>6.60</u>	<u>(0.88)</u>	<u>(8.77)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
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>(\$0.10)</u>	<u>(\$0.11)</u>	<u>\$0.34</u>	<u>\$0.34</u>	<u>\$0.00</u>	<u>(\$0.34)</u>

*Includes special grant and miscellaneous special revenue funds only.

Governmental Funds Financial Statements

Balance Sheet

Assets decreased by \$9.06. The largest decrease (\$7.97 million) is in due from component units. Cash and cash equivalents increased by \$2.65 million. Restricted Cash decreased by \$2.55 million.

Liabilities decreased by \$8.95 million. Most of the decrease was because the City did not issue Revenue Anticipation Notes in 2008.

The City's fund balance at year-end totaled \$22.52 million, of which \$2.58 million is reserved for debt service and \$0.91 million for landfill post closure expenses. Total fund balance (\$22.52 million) decreased by \$0.1 million. Undesignated fund balance (\$18.94 million) decreased by almost \$0.23 million and is 12.1% of expenses.

Combined Statement of Revenue and Expenditures -- Budget to Actual

General Fund revenues (excluding other financing sources) totaled \$157.8 million, which is \$5.92 million more than 2007, and \$6.14 million more than originally budgeted. General fund expenses total \$157 million, which was \$3.79 million more than 2007 and almost \$2.52 million less than budgeted. Fund balance was reduced by \$0.11 million in 2008. However, this was significantly less than the budgeted reduction to fund balance of almost \$7.8 million.

At year-end, fund balance totals \$22.5 million, which is 14.3 percent of expenditures.

The City's budget, which is effective on January 1st, is proposed by the Mayor prior to October 1st and is enacted by the Common Council by November 30th. This is the *Original Budget*. Changes to the budget throughout the year are made by the Board of Estimate and Apportionment, composed of the Mayor, the Comptroller, the President of the Common Council, and two designees of the Mayor³. This is the *Modified Budget*. *Actual* reflects the operational results, including any audit adjustments.

Revenues

General Fund revenues of \$157.8 million were approximately \$1.9 million more than budget, and \$5.9 million more than 2007. The most significant variances in revenue include the following:

Real property taxes were under budget by almost \$1 million. The 4% tax increase provided additional revenue, but supreme court orders reduced the actual revenue to 98% of budget.

Sales Tax revenue was \$0.4 million over budget, and \$0.9 million more than 2007, which reflects relatively stable county-wide economic activity.

Intergovernmental Revenue was \$5.09 million more than budget. *State Aid Revenue Sharing* was better than expected. Revenue from the *mortgage recording tax* was \$0.1 million over budget, but was lower than 2007 (by \$0.9 million) as anticipated.

Charges for Services revenue was \$0.1 million less than in 2007. This is the result of reduced landfill revenue.

Fines, Interest and Penalties were up by almost \$0.3 million. Insurance recoveries were substantially higher in 2008.

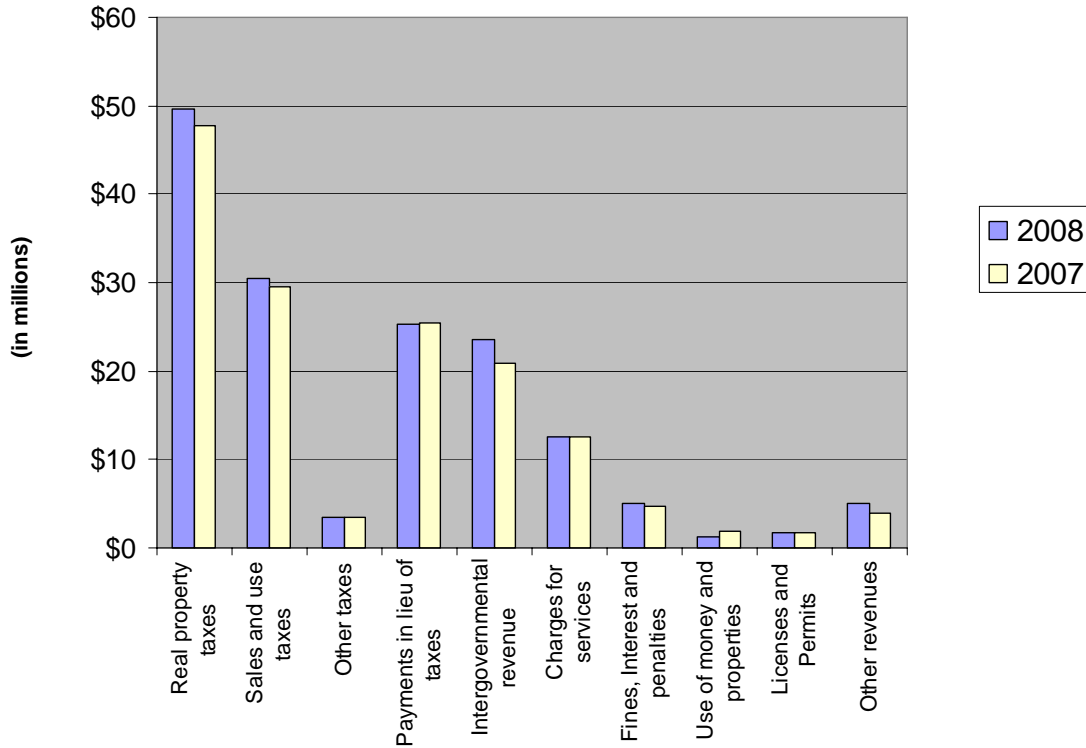
Other Revenues increased by almost \$1.19 million and was at 102% of budget. Most of the increase came from the Albany Industrial Development Agency for support of the Albany Plan (the City's summer youth employment program) and the management agreement with the Albany County Convention Visitors Bureau, respectively. The rest of the increase is from the reimbursement for Medicare part D.

³ Effective January 1, 2007 the two mayoral appointees are replaced with the Corporation Council and the City Treasurer.

**Governmental Funds – General Fund Revenues 2008 to 2007 Variance
(in Millions)**

<u>Revenues</u>	<u>2008</u>	<u>2007</u>	<u>2008 Over/(Under) 2007</u>
Real property taxes	\$49.61	\$47.75	\$1.86
Sales and use taxes	30.41	29.56	0.85
Other taxes	3.44	3.53	(0.09)
Payments in lieu of taxes	25.28	25.42	(0.14)
Intergovernmental revenue	23.49	20.86	2.63
Charges for services	12.51	12.56	(0.06)
Fines, interest and penalties	5.10	4.76	0.34
Use of money and properties	1.26	1.91	(0.65)
Licenses and permits	1.65	1.68	(0.03)
Other revenues	5.05	3.86	1.19
Total revenues	<u>\$157.81</u>	<u>\$151.89</u>	<u>\$5.92</u>

Governmental Funds – General Fund Revenues 2008 to 2007 Variance



Expenses

Total expenditures of \$157 million were \$2.52 million less than budget and \$3.8 million more than 2007.

Public Safety spending (\$80.8 million) increased by \$2.75 million and was \$3.89 million more than 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 \$3.15 million. Police regular overtime totaled \$5.65 million on a budget of \$4.55 million. Reimbursable overtime totaled \$1.55 million on a budget of \$0.6 million. Fire Department overtime totaled approximately \$1.35 million on a budget of \$0.5 million.

General Government spending (\$22.84 million) was \$5.71 million less than budget and \$0.73 million more than 2007. 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 (\$6.93 million) was \$0.14 million less than budgeted and \$0.42 million less than 2007.

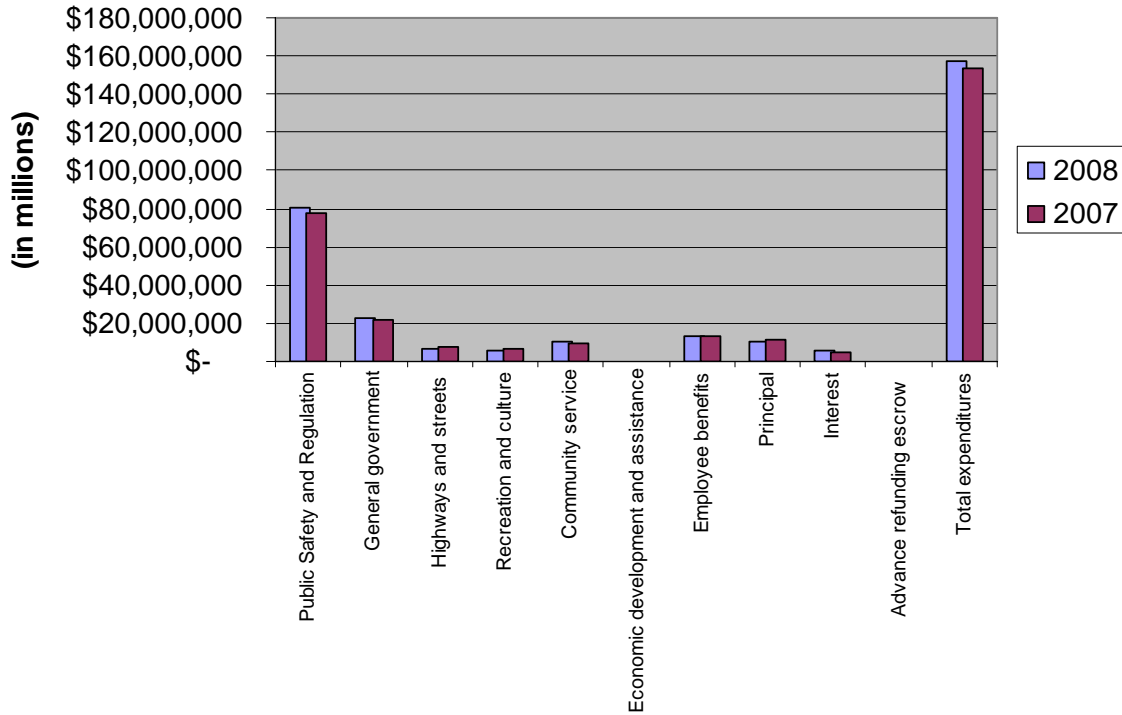
Recreation and Culture spending (\$6.1 million) was \$0.38 million less than budget, and just \$0.1 million less than 2007.

Undistributed Employee Benefits expense was \$1.2 million under budget and not significantly higher than 2007.

Debt Service payments (\$16.1 million) decreased by almost \$0.6 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.

<u>Expenditures</u>	<u>2008</u>	<u>2007</u>	2008
			Over/(Under) 2007
Public safety and regulation	\$ 80.81	\$ 78.06	\$ 2.75
General government	22.84	22.11	0.73
Highways and streets	6.93	7.35	(0.42)
Recreation and culture	6.10	6.25	(0.14)
Community service	10.40	9.32	1.08
Economic development and assistance	0.33	0.04	0.29
Employee benefits	13.50	13.31	0.19
Principal	10.39	11.73	(1.35)
Interest	5.73	5.07	0.67
Total expenditures	<u>\$ 157.03</u>	<u>\$ 153.23</u>	<u>\$ 3.80</u>
Excess of operating revenues over expenditures	<u>\$ 0.78</u>	<u>\$ (1.34)</u>	<u>\$ 2.12</u>

EXPENDITURES 2008 TO 2007



Debt

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

Long-Term Debt

The City issued no long-term debt during 2008.

Short-Term Debt

The City issued Bond anticipation notes during 2008. \$28,525,600 in bond anticipation notes were issued July 10, 2008 to fund capital projects expenditures.

Capital Leases

The City entered into no new capital lease agreements in 2008.

Debt Ceiling

Of the outstanding indebtedness, approximately \$113,530,000 was subject to the statutory debt limit, using approximately 39.17% of the City's statutory debt limit.

CREDIT RATINGS AND BOND INSURANCE

The City's credit rating was last evaluated in 2008 by Standard & Poor's and was upgraded from "A" to "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). These EFC issues have the following rating: Moody's Investors Service, Aaa, Standard & Poor's, AAA, and FITCH Ratings, AAA.

CAPITAL ACQUISITION AND CONSTRUCTION ACTIVITIES

During 2008 the City expended \$15.3 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:

<u>Capital Acquisition, Construction and Expenditures</u>	
Street and Sidewalk Construction	\$14.5 Million
Public Safety Equipment	\$2.9 Million
Landfill Equipment and Expansion	\$1.3 Million

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

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City Hall Room 111
24 Eagle Street
Albany, NY 12207

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Kenneth L. Bennett
Acting Comptroller

CITY OF ALBANY, NEW YORK
STATEMENT OF NET ASSETS
December 31, 2008

	Primary Government	Component Units
ASSETS		
Cash and cash equivalents	\$ 35,749,883	\$ 12,329,275
Cash and cash equivalents - restricted	6,591,256	3,284,352
Investments, restricted	-	13,360,132
Taxes receivable	4,571,208	-
Accounts receivable, net	1,943,785	15,729,956
Mortgage loans receivable	14,082,907	1,775,070
Due from primary government	-	107,713
Due from other governments	15,502,369	-
Due from other funds	1,419,308	-
Due from component units	4,935,969	-
Intangible assets, net	-	3,181,416
Prepaid and other assets	2,363,317	3,727,064
Property held for investment, lease or sale	-	7,625,519
Capital assets, net	169,167,279	74,535,632
	<u>\$ 256,327,281</u>	<u>\$ 135,656,129</u>
Total assets		
LIABILITIES		
Accounts payable and accrued expenses	\$ 12,848,207	\$ 3,453,712
Capital lease obligations	6,612,650	-
Bonds and loans payable	85,765,794	109,388,792
Bond and revenue anticipation notes payable	28,525,600	-
Accrued post employment benefit obligation	35,299,400	356,719
Accrued interest payable	4,021,078	493,190
Deferred revenue	12,941,730	1,995,115
Due to other governments	10,538,903	-
Due to primary government	-	2,392,011
Compensated absences	17,018,718	-
Landfill post-closure costs	5,980,718	-
Judgments and claims	5,900,689	-
Other liabilities	1,952,662	1,381,055
	<u>227,406,149</u>	<u>119,460,594</u>
Total liabilities		
NET ASSETS (DEFICIENCY)		
Invested in capital assets, net of related debt	91,044,272	(23,312,477)
Restricted for:		
Program specific activities	-	5,879,786
Debt service	3,287,121	177,726
Unrestricted net assets (deficiency)	(65,410,261)	33,450,500
	<u>28,921,132</u>	<u>16,195,535</u>
Total net assets		
Total liabilities and net assets	<u>\$ 256,327,281</u>	<u>\$ 135,656,129</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Functions/Programs	Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		Net (Expense) Revenue and Changes in Net Assets	
	Expenses						Primary Government	Component Units
Primary Government:								
Public safety and regulation	\$ 84,919,303	\$ 8,350,182	\$ 4,750,437	\$ -	\$ (71,818,684)	\$ -		
General government	31,435,452	4,108,102	-	-	(27,327,350)	-		
Highways and streets	7,552,057	71,018	-	12,112,878	4,631,839	-		
Recreation and culture	7,036,676	2,101,325	-	-	(4,935,351)	-		
Community service	22,131,204	11,679,063	4,536,362	-	(5,915,779)	-		
Economic development and assistance	3,311,003	-	-	-	(3,311,003)	-		
Post employment benefit expense	24,743,234	-	-	-	(24,743,234)	-		
Interest on long-term debt	5,605,574	-	-	-	(5,605,574)	-		
Total governmental activities	<u>186,734,503</u>	<u>26,309,690</u>	<u>9,286,799</u>	<u>12,112,878</u>	<u>(139,025,136)</u>	<u>-</u>		
Component Units:								
Albany Water Board and Municipal Water Finance Authority	26,214,246	34,373,830	-	-	-	-	8,159,584	
Albany Parking Authority	5,693,948	5,928,833	-	-	-	-	234,885	
Albany Industrial Development Agency	1,959,092	2,013,507	-	-	-	-	54,415	
Albany Port District Commission	5,001,823	5,002,026	819,374	-	-	-	819,577	
Albany Local Development Corporation	1,482,985	1,630,145	-	-	-	-	147,160	
Other component units	2,155,107	2,255,036	-	-	-	-	99,929	
Total component units	<u>\$ 42,507,201</u>	<u>\$ 51,203,377</u>	<u>\$ 819,374</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>9,515,550</u>	
General Revenues:								
Property tax					49,610,386			
Sales tax					30,413,353			
Other tax					3,441,185			
Payments in lieu of taxes					25,282,915			
Grants and entitlements not restricted to specific programs					5,788,120			
Intergovernmental revenue not program-restricted					16,317,497			
Gain on sale of capital assets					12,897			
Other					-			
Unrestricted investment earnings					1,132,320		683,583	
Total general revenues					<u>131,998,673</u>		<u>683,583</u>	
Change in net assets					(7,026,463)		10,199,133	
Net assets, beginning of year					35,947,595		5,996,402	
Net assets, end of year					<u>\$ 28,921,132</u>		<u>\$ 16,195,535</u>	

See notes to financial statements.

CITY OF ALBANY, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2008

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,763,110	\$ 507,725	\$ 25,755,427	\$ 723,621	\$ 35,749,883
Cash and cash equivalents - restricted	5,879,746	-	606,597	104,913	6,591,256
Taxes receivable	4,571,208	-	-	-	4,571,208
Accounts receivable, net	961,487	-	307,590	-	1,269,077
Landfill receivable, net	674,708	-	-	-	674,708
Mortgage loans receivable	-	-	-	14,082,907	14,082,907
Due from other funds	6,230,455	-	-	-	6,230,455
Due from component units	4,935,969	-	-	-	4,935,969
Due from federal and state governments	2,518,477	239,442	3,207,508	979,481	6,944,908
Due from other governments	8,557,461	-	-	-	8,557,461
Other assets	2,253,828	24,854	-	84,635	2,363,317
	<u>\$ 45,346,449</u>	<u>\$ 772,021</u>	<u>\$ 29,877,122</u>	<u>\$ 15,975,557</u>	<u>\$ 91,971,149</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Bond and revenue anticipation notes payable	\$ -	\$ -	\$ 28,525,600	\$ -	\$ 28,525,600
Accounts payable and accrued expenses	9,963,822	51,848	2,186,245	646,292	12,848,207
Due to other funds	114,642	463,017	3,700,881	532,607	4,811,147
Due to component units	-	-	-	-	-
Due to other governments	10,411,511	-	-	127,392	10,538,903
Deferred revenue	-	-	-	12,941,730	12,941,730
Accrued interest	1,895,915	-	-	-	1,895,915
Other liabilities	435,595	252,063	261,954	1,003,050	1,952,662
Total liabilities	<u>22,821,485</u>	<u>766,928</u>	<u>34,674,680</u>	<u>15,251,071</u>	<u>73,514,164</u>
Fund Balance:					
Reserved for:					
Encumbrances	97,892	-	551,646	-	649,538
Debt service	2,580,524	-	606,597	100,000	3,287,121
Landfill postclosure	909,900	-	-	-	909,900
Unreserved:					
Undesignated, reported in:					
General fund	18,936,648	-	-	316,687	19,253,335
Special revenue fund	-	5,093	-	307,799	312,892
Capital projects fund (deficiency)	-	-	(5,955,801)	-	(5,955,801)
Total fund balances (deficiency)	<u>22,524,964</u>	<u>5,093</u>	<u>(4,797,558)</u>	<u>724,486</u>	<u>18,456,985</u>
Total liabilities and fund balances	<u>\$ 45,346,449</u>	<u>\$ 772,021</u>	<u>\$ 29,877,122</u>	<u>\$ 15,975,557</u>	<u>\$ 91,971,149</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, 2008

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes	\$ 49,610,386	-	-	-	\$ 49,610,386
Sales and use taxes	30,413,353	-	-	-	30,413,353
Other taxes	3,441,185	-	-	-	3,441,185
Payments in lieu of taxes	25,282,915	-	-	-	25,282,915
Intergovernmental revenue	23,490,231	2,648,255	12,112,878	6,465,645	44,717,009
Charges for services	12,506,730	-	-	668,783	13,175,513
Fines, interest and penalties	5,103,037	-	-	-	5,103,037
Uses of money and properties	1,255,415	-	-	-	1,255,415
License and permits	1,652,391	-	-	-	1,652,391
Other revenues	5,050,638	-	-	-	5,050,638
Total revenues	<u>157,806,281</u>	<u>2,648,255</u>	<u>12,112,878</u>	<u>7,134,428</u>	<u>179,701,842</u>
EXPENDITURES					
Public safety and regulation	80,810,776	-	1,921,282	-	82,732,058
General government	22,836,045	-	5,183,022	-	28,019,067
Highways and streets	6,931,126	-	9,637,167	-	16,568,293
Recreation and culture	6,102,450	-	198,199	-	6,300,649
Community service	10,399,671	-	2,454,695	8,055,773	20,910,139
Economic development and assistance	328,861	2,650,030	-	-	2,978,891
Employee benefits	13,502,722	-	-	-	13,502,722
Debt service:					
Principal	10,386,022	-	-	177,696	10,563,718
Interest	5,732,716	-	-	102,315	5,835,031
Total expenditures	<u>157,030,389</u>	<u>2,650,030</u>	<u>19,394,365</u>	<u>8,335,784</u>	<u>187,410,568</u>
Excess (deficiency) of revenues over expenditures	775,892	(1,775)	(7,281,487)	(1,201,356)	(7,708,726)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property	15,010	-	-	-	15,010
Other	-	-	(32,875)	-	(32,875)
Transfers in (out)	(904,000)	-	904,000	-	-
Total other financing sources (uses)	<u>(888,990)</u>	<u>-</u>	<u>871,125</u>	<u>-</u>	<u>(17,865)</u>
Excess (deficiency) of revenues over expenditures and other financing sources	(113,098)	(1,775)	(6,410,362)	(1,201,356)	(7,726,591)
FUND BALANCE, beginning of year,	22,638,062	6,868	1,612,804	1,925,842	26,183,576
FUND BALANCE (DEFICIENCY), ending	<u>\$ 22,524,964</u>	<u>\$ 5,093</u>	<u>\$ (4,797,558)</u>	<u>\$ 724,486</u>	<u>\$ 18,456,985</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, 2008

Total fund balance - governmental funds \$ 18,456,985

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.

The cost of capital assets is	357,841,815	
Accumulated depreciation is	<u>(188,674,536)</u>	169,167,279

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	(85,765,794)	
Accrued post employment benefit obligation	(35,299,400)	
Accrued interest on bonds	(2,125,163)	
Compensated absences	(17,018,718)	
Landfill closure and postclosure obligation	(5,980,718)	
Capital lease obligations	(6,612,650)	
Judgments and claims	<u>(5,900,689)</u>	<u>(158,703,132)</u>

Net assets of governmental activities		<u>\$ 28,921,132</u>
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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, 2008

Total net change in fund balance - governmental funds \$ (7,726,591)

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	17,748,959	
Depreciation expense	(13,014,546)	
Loss in donated property and sale of other assets	<u>(5,562)</u>	4,728,851

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	14,430	
Landfill closure and postclosure costs	(303,706)	
Judgments and claims	<u>331,568</u>	42,292

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	29,625	
Principal repaid	<u>10,563,718</u>	10,593,343

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>9,952,000</u>	(14,791,500)

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.

	127,142	
Change in net assets of governmental activities		<u><u>\$ (7,026,463)</u></u>

CITY OF ALBANY
COMBINING BALANCE SHEET --
DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2008

	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
ASSETS							
Cash and cash equivalents	\$ 3,155,765	\$ 1,305,108	\$ 1,132,783	\$ -	\$ 6,153,882	\$ 581,737	\$ 12,329,275
Cash and cash equivalents, restricted	-	2,087,602	-	493,509	693,241	-	3,284,352
Investments, restricted	6,615,430	3,698,438	-	2,814,670	231,594	-	13,360,132
Receivables, net:							
Accounts	14,635,034	24,194	-	348,947	-	-	15,008,175
Other	-	51,075	-	-	389,904	280,802	721,781
Mortgage loans and notes receivable	-	-	143,155	-	1,631,915	-	1,775,070
Due from primary government	-	-	-	-	-	107,713	107,713
Prepaid and other assets	747,755	29,626	-	188,776	2,737,846	23,061	3,727,064
Property held for investment, lease or sale	-	-	-	-	7,625,519	-	7,625,519
Intangible assets, net	1,711,552	1,469,864	-	-	-	-	3,181,416
Capital assets, net	36,230,922	17,998,735	-	19,784,207	271,778	249,990	74,535,632
Total assets	\$ 63,096,458	\$ 26,674,642	\$ 1,275,938	\$ 23,630,109	\$ 19,735,679	\$ 1,243,303	\$ 135,656,129
LIABILITIES							
Accounts payable and accrued expenses	\$ 2,427,431	\$ 317,132	\$ -	\$ 308,767	\$ 286,193	\$ 114,189	\$ 3,453,712
Current maturities of long-term debt	3,155,456	1,300,000	-	354,722	279,998	11,890	5,102,066
OPEB obligation, current portion	-	-	-	42,000	-	-	42,000
Accrued interest payable	-	493,190	-	-	-	-	493,190
Due to primary government	2,062,955	-	131,970	-	197,086	-	2,392,011
Line of credit	-	-	-	-	2,710,600	-	2,710,600
Deferred revenues	984,384	-	-	2,869	1,000,015	7,847	1,995,115
Revolving loan fund	-	-	-	-	790,275	-	790,275
Other liabilities	-	-	570,330	-	-	20,450	590,780
Accrued interest on capital appreciation bonds	-	1,998,382	-	-	-	-	1,998,382
OPEB obligation, net of current portion	-	-	-	314,719	-	-	314,719
Bonds and notes payable	69,062,470	23,273,061	-	1,940,047	5,102,582	199,584	99,577,744
Total liabilities	77,692,696	27,381,765	702,300	2,963,124	10,366,749	353,960	119,460,594
FUND BALANCE (DEFICIT) AND OTHER CREDITS							
Fund balances	-	-	573,638	-	-	-	573,638
Reserved for:							
Program specific activities	-	5,796,040	-	-	83,746	-	5,879,786
Debt service	-	-	-	-	177,726	-	177,726
Invested in capital assets, net of related debt	(36,231,207)	(6,523,275)	-	17,489,438	1,952,567	-	(23,312,477)
Unreserved	21,634,969	20,112	-	3,177,547	7,154,891	889,343	32,876,862
Total fund balance (deficit) and other credits	(14,596,238)	(707,123)	573,638	20,666,985	9,368,930	889,343	16,195,535
Total liabilities and fund balance	\$ 63,096,458	\$ 26,674,642	\$ 1,275,938	\$ 23,630,109	\$ 19,735,679	\$ 1,243,303	\$ 135,656,129

See notes to financial statements.

**CITY OF ALBANY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --
 DISCRETELY PRESENTED COMPONENT UNITS
 December 31, 2008**

	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
Operating revenue	\$ 34,373,830	\$ 5,928,833	\$ 2,013,507	\$ 5,002,026	\$ 1,630,145	\$ 2,255,036	\$ 51,203,377
Operating expenses							
Costs of services	-	2,412,382	145,810	1,535,181	1,031,805	1,856,809	6,981,987
Source of supply and purification	3,430,688	-	-	-	-	-	3,430,688
Transmission and distribution	3,052,392	-	-	-	-	-	3,052,392
General and administrative	2,593,755	986,996	-	1,839,945	-	246,255	5,666,951
Real estate taxes paid to other governments	1,753,934	-	-	-	-	-	1,753,934
Sewer contract	7,991,603	-	-	-	-	-	7,991,603
Depreciation and amortization	3,747,348	705,168	-	1,307,554	198,909	52,043	6,011,022
Grants	-	-	1,813,282	-	-	-	1,813,282
Miscellaneous	-	230,317	-	-	28,333	-	258,650
Total operating expenses	<u>22,569,720</u>	<u>4,334,863</u>	<u>1,959,092</u>	<u>4,682,680</u>	<u>1,259,047</u>	<u>2,155,107</u>	<u>36,960,509</u>
Excess (deficiency) of operating revenue over expenses before nonoperating revenue (expenses)	11,804,110	1,593,970	54,415	319,346	371,098	99,929	14,242,868
Nonoperating revenue (expenses)							
Amortization of bond issue costs	-	(112,356)	-	-	-	-	(112,356)
Decrease in fair value of investments	-	92,715	-	-	-	-	92,715
Interest income	332,372	237,962	50,072	63,177	-	-	683,583
Interest expense	(3,644,526)	(1,339,444)	-	(84,721)	223,938	-	(4,844,753)
Waterfront development expenses	-	-	-	(234,422)	-	-	(234,422)
Net nonoperating expenses	<u>(3,312,154)</u>	<u>(1,121,123)</u>	<u>50,072</u>	<u>(255,966)</u>	<u>223,938</u>	<u>-</u>	<u>(4,415,233)</u>
Excess of revenue over expenses before transfers	8,491,956	472,847	104,487	63,380	147,160	99,929	9,379,759
Grant funding	-	-	-	819,374	-	-	819,374
Excess of revenue over expenses	<u>8,491,956</u>	<u>472,847</u>	<u>104,487</u>	<u>882,754</u>	<u>147,160</u>	<u>99,929</u>	<u>10,199,133</u>
FUND BALANCE (DEFICIT) AND OTHER CREDITS, beginning of year	(23,088,194)	(1,179,970)	469,151	19,784,231	9,221,770	789,414	5,996,402
FUND BALANCE (DEFICIT) AND OTHER CREDITS, end 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>

See notes to financial statements.

CITY OF ALBANY
COMBINING STATEMENT OF CASH FLOWS --
DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2008

	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
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Excess (deficiency) of operating revenue over expense	\$ 11,804,110	\$ 1,593,970	\$ 54,415	\$ 319,346	\$ 371,100	\$ 99,929	\$ 14,242,870
Adjustments to reconcile excess of operating expenses over revenue to net cash provided (used) by operating activities:							
Depreciation and amortization	3,747,348	705,168	-	1,307,554	198,909	52,043	6,011,022
Realized gain on sale of investments and assets	-	-	-	-	(113,352)	-	(113,352)
Provision for losses on mortgage costs, accrued interest, and other receivables	-	-	-	-	(100,810)	-	(100,810)
Interest income on cash and cash equivalents and investments	-	-	-	-	(158,804)	-	(158,804)
Deferred program support recognized as program income	-	-	-	-	(9,963)	-	(9,963)
Changes in:							
Accounts receivable	(1,468,958)	-	-	(157,321)	(13,066)	(654)	(1,639,999)
Due from primary government	-	-	-	-	-	(107,713)	(107,713)
Other receivables	-	7,226	-	-	-	7,226	7,226
Prepaid expenses and other assets	9,286	1,993	-	(5,596)	-	(10,524)	(4,841)
Accounts payable and accrued expenses	(5,281)	(168,766)	-	(165,075)	43,535	(14,703)	(310,290)
Due to City of Albany	-	-	-	175,960	4,343	-	(47,685)
Other liabilities	-	-	514,571	-	-	(73,837)	621,037
Other assets	396,942	-	-	-	-	-	396,942
Deferred revenue	-	-	-	(42,227)	(181,706)	-	(223,933)
Net cash provided by (used in) operating activities	14,483,447	2,139,591	568,986	1,432,641	(7,499)	(55,459)	18,561,707
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from long-term debt	-	-	-	-	-	18,500	18,500
Principal payments on long-term debt	(1,037,158)	(1,165,000)	-	(432,644)	(262,637)	(6,614)	(2,904,053)
Interest payments on long-term debt	(3,644,526)	(1,228,182)	-	(84,721)	(196,521)	-	(5,153,950)
Cash payments for capital assets	-	-	-	(1,074,087)	407,556	-	(666,531)
Net payments to City of Albany	(7,508,458)	-	-	794,474	-	-	(7,508,458)
Proceeds from grant fundings	-	-	-	-	-	-	794,474
Net cash provided by (used in) capital and related financing activities	(12,190,142)	(2,393,182)	-	(796,978)	(51,602)	11,886	(15,420,018)

Continued...

See notes to financial statements.

CITY OF ALBANY
COMBINING STATEMENT OF CASH FLOWS --
DISCRETELY PRESENTED COMPONENT UNITS, Continued
December 31, 2008

	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
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES							
Purchase of property, plant, and equipment	(1,202,000)	(134,868)	-	-	(3,313,447)	(30,600)	(4,680,915)
Issuance of mortgage notes	-	-	-	-	(145,000)	-	(145,000)
Net decrease in restricted cash	-	-	-	-	140,239	-	140,239
Cash received on sale of investments	-	2,655,216	-	5,289,661	570,000	-	8,514,877
Cash paid for purchase of investments	(36,450)	(2,655,216)	-	(6,034,659)	(636)	-	(8,726,961)
Repayments received on mortgage loans	334,532	238,107	50,072	75,853	375,900	-	375,900
Interest on investments	-	-	-	-	164,818	-	164,818
Net advances on line of credit	-	-	-	-	(24,641)	-	(24,641)
Interest paid on line of credit	-	-	-	-	131,690	-	131,690
Principal payments received under direct financing leases	-	-	-	-	(54,920)	-	(54,920)
Repayment from (advances to) City agencies net	(903,918)	103,239	50,072	(663,145)	554,603	2,880	(892,869)
Net cash provided by (used in) investing activities	<u>1,389,387</u>	<u>(150,352)</u>	<u>619,058</u>	<u>(33,482)</u>	<u>495,502</u>	<u>(71,293)</u>	<u>2,248,820</u>
Net increase (decrease) in cash and cash equivalents	1,766,378	3,553,062	513,725	526,991	5,658,380	653,030	12,671,566
CASH AND CASH EQUIVALENTS, beginning of year	<u>\$ 3,155,765</u>	<u>\$ 3,402,710</u>	<u>\$ 1,132,783</u>	<u>\$ 493,509</u>	<u>\$ 6,153,882</u>	<u>\$ 581,737</u>	<u>\$ 14,920,386</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
December 31, 2008

	<u>Expendable Trust</u>	<u>Agency</u>
ASSETS		
Cash and equivalents	\$ 7,751	\$ 1,867,915
Cash and equivalents - restricted	-	555,691
Total assets	<u>\$ 7,751</u>	<u>\$ 2,423,606</u>
LIABILITIES		
Accounts payable	\$ -	\$ 3,486
Seized forfeitures	-	555,691
Due to other funds	-	1,419,308
Other liabilities	-	445,121
Total liabilities	<u>-</u>	<u>2,423,606</u>
NET ASSETS	<u>7,751</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,751</u>	<u>\$ 2,423,606</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
For the Year Ended December 31, 2008

	<u>Expendable Trust</u>
Additions	
Other	\$ 84
Total additions	<u>83</u>
Deductions	
Fire retirement	<u>1,834</u>
Change in net assets	(1,751)
Net assets, beginning of year	<u>9,502</u>
Net assets, end of year	<u><u>\$ 7,751</u></u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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, 2008

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, 2008

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 assessments.

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, 2008

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, 2008

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, 2008

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.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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 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, 2008

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 for 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 December 31, 2008.

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, 2008

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.

Future Impacts of Accounting Pronouncements

The City has not completed its evaluation of the potential impact from adopting the GASB Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for the year ending December 31, 2009, GASB 51 *Accounting and Financial Reporting for Intangible Assets*, effective for the year ending December 31, 2009 and GASB Statement No.54 *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for the year ending December 31, 2011. However, the impact that the adoption of these statements will have on the City's financial position and results of operations is not expected to be significant.

The City has adopted GASB Statement No. 50 *Pension Disclosure* in 2008. There has been no significant impact on the City's financial position and results of operation as a result of the adoption of this accounting pronouncement.

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.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

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

i. Long-term revenue and expense differences:

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

ii. Capital related differences:

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

iii. Long-term liability transaction differences:

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

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

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

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

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.

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, 2008, 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, 2008, 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.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

The City has approximately \$6,591,000 in cash and cash equivalents that have been restricted as follows:

General Fund		
Debt service	\$ 4,569,000	
Landfill postclosure	910,000	
Retirement of BAN liability	25,000	
Prescription plan, insurance claims and other	<u>376,000</u>	
		\$ 5,880,000
Capital Fund		
Debt service	171,000	
Purchase of capital lease equipment	<u>435,000</u>	
		606,000
Other Governmental Funds		
Debt service	<u>105,000</u>	
		<u>105,000</u>
		<u>\$ 6,591,000</u>
Cash and cash equivalents - restricted		<u>\$ 6,591,000</u>

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

NOTE 5 — LANDFILL RECEIVABLE

The City currently has one landfill accepting waste from various public and private entities. These entities are billed monthly based on the tonnage deposited at the landfill for the previous month. At December 31, 2008, the City had outstanding landfill receivables of approximately \$678,000. Management has established an allowance for doubtful accounts for this receivable balance of approximately \$3,200 which is netted against the receivable balance in the financial statements at December 31, 2008.

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, 2008.

The taxable assessed value of real property, as adjusted by New York State, included in the tax levy of 2007 (amount to be received in 2008), was \$4,280,672,341. The effective tax rate on this value is \$8.14 per thousand for residential and \$13.06 per thousand for non-residential properties. The constitutional tax limit is 2% of the 5-year average of the full value assessment. The 2007 levy represents approximately 49.5% of the constitutional tax limit.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 7 — CAPITAL ASSETS

Property and equipment is comprised of the following:

	Balance December 31, 2007	Additions	Deletions and Adjustments	Balance December 31, 2008
Capital assets not being depreciated:				
Land	\$ 4,326,758	\$ -	\$ -	\$ 4,326,758
Construction in process	11,315,589	10,664,925	(10,492,427)	11,488,087
	<u>15,642,347</u>	<u>10,664,925</u>	<u>(10,492,427)</u>	<u>15,814,845</u>
Capital assets being depreciated:				
Buildings, capital leases and improvements	47,486,273	97,595	(5,817)	47,578,051
Machinery and equipment	49,515,316	3,967,571	(619,000)	52,863,887
Infrastructure	228,090,876	13,494,157	-	241,585,033
	<u>340,734,812</u>	<u>28,224,248</u>	<u>(11,117,244)</u>	<u>357,841,816</u>
Less accumulated depreciation for:				
Buildings, capital leases and improvements	21,371,259	1,303,904	(3)	22,675,160
Machinery and equipment	34,586,546	4,323,140	(636,390)	38,273,296
Infrastructure	120,338,579	7,387,502	-	127,726,081
	<u>176,296,384</u>	<u>13,014,546</u>	<u>(636,393)</u>	<u>188,674,537</u>
Total capital assets, net	<u>\$ 164,438,428</u>			<u>\$ 169,167,279</u>

Depreciation expense was \$13,014,546 for the period ending December 31, 2008. In the statement of activities, depreciation expense is allocated to each function as follows:

Function/Programs	Depreciation Expense
Public safety and regulation	\$ 3,031,787
General government	5,410,830
Highway and streets	2,338,682
Recreation and culture	362,266
Community service	1,734,739
Economic development and assistance	136,242
	<u>\$ 13,014,546</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.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

Interest rates and loan periods are determined using criteria established by the granting agency. Interest rates on these loans range between 0% and 8% and loan periods are either for a period of up to 15 years or deferred 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, 2008:

<u>Program</u>	<u>Balance</u>
HUD CDBG	\$ 13,212,112
NYSHTFC	870,785
	<u>\$ 14,082,897</u>

NOTE 9 — INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables at December 31, 2008 is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 6,230,455	\$ 114,642
Special Revenue	-	463,017
Capital Projects	-	3,700,881
Albany Community Development Agency	-	532,607
	<u>6,230,455</u>	<u>4,811,147</u>
Fiduciary Fund	-	1,419,308
	<u>\$ 6,230,455</u>	<u>\$ 6,230,455</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.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 10 — DUE FROM/TO COMPONENT UNITS

The City has reported approximately \$4,936,000 as the amount due from the Component Units at December 31, 2008. The Component Units reported approximately \$2,392,000 as the amount due from the primary government. The net difference as reported by the City and its Component Units is approximately \$2,500,000 which is primarily caused by timing difference related to the recording of tax assessment adjustments. Other activity giving rise to difference in amounts due between the City and the Component Units relates to payroll, benefits, grant reimbursements and other administrative costs paid for by the City and reimbursed to the City by the Component Units or paid for by the Component Units and reimbursed by the City.

NOTE 11 — PENSION PLANS

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

The Systems are 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>
2008	\$2,375,789	\$6,115,240
2007	\$2,645,737	\$6,198,299
2006	\$3,372,739	\$6,498,740

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

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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 2008, the City issued \$28,525,600 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. These BANS were repaid in July 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. The City paid off 2007 RANS in January of 2008. The City did not issue any RANS during 2008.

Interest expense on both BANS and RANS totaled approximately \$611,000 and \$39,000, respectively, for the period ended December 31, 2008.

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, 2008:

	Balance January 1, 2008	New Issues/ Increase in Estimates	Debt Retirement/ Decrease in Estimates	Balance December 31, 2008
Judgments and claims	\$ 6,232,257	\$ -	\$ (331,568)	\$ 5,900,689
Vacation/sick pay obligations	17,033,148	-	(14,430)	17,018,718
Landfill closure and postclosure care costs	5,677,012	303,706	-	5,980,718
Capital lease obligations	8,075,954	-	(1,463,304)	6,612,650
Accrued interest	3,997,371	23,707	-	4,021,078
Bonds (a)	94,391,893	-	(9,104,931)	85,286,962
Post employment benefit obligation (Note 14)	20,507,900	24,743,500	(9,952,000)	35,299,400
Loans payable (ACDA)	503,940	-	(25,108)	478,832
Total	\$ 156,419,475	\$ 25,070,913	\$ (20,891,341)	\$ 160,599,047

Of the total outstanding indebtedness of the City at December 31, 2008, approximately \$113,530,000 was subject to the statutory debt limit. This represents approximately 39.17% of the City's \$289,839,719 statutory debt limit.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 13 — INDEBTEDNESS (Continued)

(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, 2008:

<u>Interest Rate</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding December 31, 2008</u>	<u>Annual Principal Installments (Range)</u>
Serial Bonds					
6.90 - 7.00%	1990	2010	\$ 29,750,000	\$ 40,000	\$ 20,000 - 115,000
2.70 - 5.70%	1993	2010	39,847,849	935,506	437,470 - 4,205,000
4.40 - 5.00%	1998	2017	11,375,000	2,365,000	190,000 - 1,065,000
4.90 - 5.50%	2000	2025	17,555,000	8,720,000	260,000 - 1,300,000
3.50 - 5.00%	2001	2014	6,675,000	2,570,000	355,000 - 665,000
3.50 - 5.00%	2001	2021	14,098,000	8,415,000	625,000 - 863,000
2.50 - 4.50%	2002	2013	10,085,000	3,985,000	785,000 - 1,160,000
6.14%	2002	2013	700,000	281,456	95,536
2.75 - 4.25%	2003	2018	21,908,218	15,845,000	1,956,165 - 1,961,806
3.00 - 4.00%	2004	2015	14,262,338	9,800,000	1,565,352 - 1,638,000
4.00 - 4.125%	2006	2018	15,500,000	13,425,000	1,015,000 - 1,610,000
EFC Bonds					
3.75 - 5.35%	1998	2017	3,788,500	1,800,000	158,500 - 235,000
4.31 - 5.74%	2000	2020	7,057,467	4,670,000	280,000 - 445,000
1.21 - 5.00%	2002	2022	4,641,106	3,360,000	205,000 - 445,000
Pension Bonds					
3.57%	2004	2020	10,700,000	<u>9,075,000</u>	158,500 - 235,000
				<u>\$ 85,286,962</u>	

The following are details of bonds outstanding at December 31, 2008:

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, 2008.

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.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 13 — INDEBTEDNESS (Continued)

(a) Bonds (continued)

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, 2008 for the 1994 bonds is approximately \$2,570,000.

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

During 2003 and 2002, ACDA issued \$500,000 and \$200,000, respectively, in General Obligation Bonds with an interest rate of 6.14%. 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. As of December 31, 2008, the balance under the general obligation bonds was approximately \$281,500.

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.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 13 — INDEBTEDNESS (Continued)

(a) Bonds (continued)

During 2004, the City issued \$10,700,000 in federally taxable BANS to finance additional retirement participation costs of City employees participating in the New York State Retirement System. Of this expense, \$6.3 million was a one-time cost of moving City firefighters to a new retirement plan pursuant to Section 38-E of the Retirement and Social Security Law. The remaining \$4.4 million was the City's pension contribution in excess of seven percent of payroll that was to be bonded pursuant to Chapter 260 of Laws of 2004 of New York State. The City converted this obligation to long-term debt, as noted above, during 2006 through the issuance of federally taxable bonds.

The 2006 tax exempt bonds bear interest rates from 4.00% to 4.13%. The issue matures in 2018 with annual payments ranging from \$1,015,000 to \$1,610,000. 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 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 for expense of expanding 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 for expense of removing petroleum storage tanks and the expenses of expanding 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 are to be used for the expansion and improvement of the City's landfill and the purchase of a street sweeping vehicle.

Future maturities of general long-term debt as of December 31, 2008 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 9,203,036	\$ 4,391,755	\$ 13,594,791
2010	9,217,470	4,007,273	13,224,743
2011	8,330,000	2,969,283	11,299,283
2012	8,355,000	2,615,910	10,970,910
2013	8,776,456	2,255,603	11,032,059
2014 - 2018	33,845,000	6,114,130	39,959,130
2019 - 2023	7,055,000	849,086	7,904,086
2024 - 2025	505,000	42,075	547,075
	<u>\$ 85,286,962</u>	<u>\$ 23,245,115</u>	<u>\$ 108,532,077</u>

Interest expense for bonds and loans payable was approximately \$5,605,500 for the year ended December 31, 2008.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 13 — INDEBTEDNESS (Continued)

(b) Capital leases

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, 2008. 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 \$594,000 and the net present value of the lease payments approximate \$4,853,000. Payments of interest and principal are semi-annual and are made in accordance with each subordinate agreement payment schedule.

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 \$133,000 and the net present value at December 31, 2008 approximates \$500,000. 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 \$362,000 and the net present value at December 31, 2008 approximates \$1,260,000.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 13 — INDEBTEDNESS (Continued)

(b) Capital leases (continued)

A summary of future minimum lease payments and future minimum maturities of the capital lease obligations as of December 31, 2008 is as follows:

<u>Year Ending December 31</u>	<u>CITY</u>	<u>IDA</u>	<u>ACDA</u>	<u>Total</u>
2009	\$ 1,245,178	\$ 193,641	\$ 158,656	\$ 1,597,475
2010	1,044,749	190,309	158,538	1,393,596
2011	729,830	248,710	163,025	1,141,565
2012 - 2016	2,427,032	-	814,985	3,242,017
2017 - 2018	-	-	326,523	326,523
Total minimum lease payments	5,446,789	632,660	1,621,727	7,701,176
Less amounts representing interest	(594,139)	(132,660)	(361,727)	(1,088,526)
Total principal	<u>\$ 4,852,650</u>	<u>\$ 500,000</u>	<u>\$ 1,260,000</u>	<u>\$ 6,612,650</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 has been deemed possible or probable and could have a material adverse effect on the City's financial position or results of operations. The City has recognized an accrued liability of approximately \$542,500 to allow for future claims on certain matters.

(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 of approximately \$5,358,000 for unpaid claims based upon individual case estimates for claims incurred as well as claims incurred but not reported (IBNR) at December 31, 2008 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, 2007 resulted from the following:

	<u>Balance as of December 31, 2007</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance as of December 31, 2008</u>
Workers' compensation liability	<u>\$ 5,617,257</u>	<u>\$ 45,515</u>	<u>\$ (304,583)</u>	<u>\$ 5,358,189</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 13 — INDEBTEDNESS (Continued)

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

(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, 2008.

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 \$5,981,000 at December 31, 2008, represent the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of all previously closed landfills and 89 percent of the estimated capacity of the AIL and expansion currently being used as determined by an independent engineer. The estimated remaining life of this landfill is approximately one year. The City will recognize the remaining estimated cost of closure and post closure care of \$909,000 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 2008. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City currently has a cash reserve of approximately \$909,000 for the payment of post-closure care costs. The City makes deposits of approximately \$38,000 into the reserve annually.

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 that will ultimately double 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.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 13 — INDEBTEDNESS (Continued)

(e) Loans payable

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.

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.

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 employment agreements. The required contribution rates of the employer and the members varies depending on the applicable agreement covering the retiree, 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 2008, the City contributed approximately \$9,952,000 for current costs. The costs of administering the plan are paid by the City.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

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	41,351,100
Actives not yet eligible to retire	75,220,000
Actuarial accrued liability	<u>251,934,900</u>
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 251,934,900</u>
Funded ratio	<u>0%</u>
Annual covered payroll	<u>not available</u>
Ratio of unfunded actuarial accrued liability to covered payroll	<u>not available</u>
2008 normal cost	<u>\$ 8,630,400</u>

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

UAAL	\$ 251,934,900
Amortization period (years)	30
Amortization discount rate	5%
Present value factor	16.1411
2008 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 2008:

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	-
OPEB expense	<u>\$ 24,743,500</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

	<u>2008</u>	<u>2007</u>
Net OPEB obligation at beginning of year	\$ 20,507,900	\$ -
OPEB expense	24,743,500	30,363,900
OPEB contributions	(9,952,000)	(9,856,000)
Net OPEB obligation at end of year	<u>35,299,400</u>	<u>20,507,900</u>
Less: estimated current portion of OPEB obligation	<u>11,993,200</u>	<u>10,866,000</u>
Estimated long-term portion of OPEB obligation	<u>\$ 23,306,200</u>	<u>\$ 9,641,900</u>
Percentage of expense contributed	<u>40.2%</u>	<u>32.5%</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 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 December 31st 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>
2009	9.5%
2010	8.3%
2011	6.1%
2012	6.1%
2013	6.1%

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 15 — SUBSEQUENT EVENTS

During July 2009 the City issued \$29,337,049 in Bond Anticipation Notes (BANS). The Notes are due on July 9, 2010 and carry an interest rate of 1.25%.

During 2009, the City issued \$19,974,950 in General Obligation Bonds, with interest rates from 3.0% to 4.25% priced to yield from 1.0% to 4.3%. The issue matures July 1, 2023 with annual principal payments ranging from \$1,099,950 to \$1,825,000. Proceeds are to be used for various capital projects.

The proceeds of the General Obligation Bonds and BANS detailed above will redeem \$28,525,600 in BANS currently outstanding at December 31, 2008, and will provide approximately \$20,000,000 for various capital projects.

Additionally, during August 2009, the City issued \$14,645,000 in Bond Anticipation Notes (BANS). The Notes are due on August 27, 2010 and carry an interest rate of 2.00%. The proceeds of the BAN will be used to finance the landfill expansion project (NOTE 13).

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, 2008

	Governmental Fund Types			Special Revenue Funds*			
	Original Budget	Final Adopted Budget	Actual	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget
REVENUES							
Real property taxes	\$ 50,648,000	\$ 50,649,000	\$ 49,610,386	-	-	-	\$ -
Sales and use taxes	30,016,000	30,110,811	30,413,353	-	-	-	-
Other taxes	3,629,000	3,629,000	3,441,185	-	-	-	-
Payments in lieu of taxes	25,382,000	25,131,000	25,282,915	-	-	-	-
Intergovernmental revenue	18,400,000	21,505,804	23,490,231	3,366,800	3,387,208	2,648,255	(738,953)
Charges for services	11,700,000	12,506,736	12,506,730	-	-	-	-
Fines, interest and penalties	4,920,000	5,217,413	5,103,037	-	-	-	-
Use of money and properties	681,000	681,000	1,255,415	-	-	-	-
Licenses and permits	1,775,000	1,775,000	1,652,391	-	-	-	-
Other revenues	4,515,861	4,671,412	5,050,638	-	-	-	-
Total revenues	<u>151,666,861</u>	<u>155,877,176</u>	<u>157,806,281</u>	<u>3,366,800</u>	<u>3,387,208</u>	<u>2,648,255</u>	<u>(738,953)</u>
EXPENDITURES							
Public safety and regulation	76,918,137	81,001,517	80,810,776	-	-	-	-
General government	28,542,778	25,332,534	22,836,045	-	-	-	-
Highways and streets	7,067,555	7,157,654	6,931,126	-	-	-	-
Recreation and culture	6,482,363	6,651,158	6,102,450	-	-	-	-
Community service	9,168,869	10,958,379	10,399,671	-	-	-	-
Employee benefits	14,734,625	14,734,625	13,502,722	-	-	-	-
Economic development and assistance	328,861	328,861	328,861	3,029,000	3,048,194	2,650,030	(398,164)
Debt service	16,312,000	16,312,000	16,118,738	-	-	-	-
Total expenditures	<u>159,555,188</u>	<u>162,476,728</u>	<u>157,030,389</u>	<u>3,029,000</u>	<u>3,048,194</u>	<u>2,650,030</u>	<u>(398,164)</u>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	<u>(7,888,327)</u>	<u>(6,599,552)</u>	<u>775,892</u>	<u>337,800</u>	<u>339,014</u>	<u>(1,775)</u>	<u>(340,789)</u>
OTHER FINANCING SOURCES (USES)							
General fund allocation	7,878,327	6,589,552	-	-	-	-	-
Transfers	-	-	(904,000)	-	-	-	-
Other proceeds	-	-	-	-	-	-	-
Proceeds from sale of property	10,000	10,000	15,010	-	-	-	-
Total other financing sources (uses)	<u>7,888,327</u>	<u>6,599,552</u>	<u>(888,990)</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>\$ (113,098)</u>	<u>\$ 337,800</u>	<u>\$ 339,014</u>	<u>\$ (1,775)</u>	<u>\$ (340,789)</u>

* Includes special grant and miscellaneous special revenue funds only.