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Office of State Comptroller
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March 21, 2005

Re: Four Year Financial Plan

Per your recommendation and review of the 2004 and 2005, City of Troy General, Water, and Sewer budgets, I am enclosing a four-year financial plan for the City. The financial plan was initiated in FY-2004 and will be updated with actual figures upon the submission of the 2004 audited statements. Additionally, the City has included the necessary appropriations in the 2005 budget to cover operations in the current year. As you know, the 2005 budget was previously reviewed by the Office of State Comptroller and found to be structurally balanced.

Based on the current level of spending and a relatively flat increase in revenues, we have projected costs through 2007. Major category expenses included an assumption of salaries at an increase of 3% for each year (2005, 2006, and 2007). Salary increases at this rate (3%) are in place for the CSEA and UFA bargaining groups per their contracts through December 31, 2006. The other large group (PBA) is currently undergoing bargaining negotiations. However, based on prior negotiations, we feel safe in assuming a three percent (3%) salary increase for that group as well. Furthermore, given the current trends, we have assumed an additional 30% of total salary costs to account for employee benefits, and an increase in other operating categories of 3.9%.

Given the increases as noted, and keeping revenues level with 2005, the plan as presented indicates a budget gap for 2006 and 2007. The administration expects to close the budget gap(s), by aggressively increasing revenues while continuing to cut costs. On the revenue side, this will be accomplished through a program of evaluating current sources and by seeking out new revenue sources. For instance, in early 2005, the administration recommended an increase to many fees including parking lots and garages, meters, and recreation (golf, skating, etc.) charges. Although these changes will bring about more revenue in 2005, the anticipated increases were not factored into the projected 2005 budget. New sources of revenue will come from a hard line strategy to increase the tax base with major economic development. Again in 2005, plans are moving forward to redevelop Congress Street, a major thoroughfare in

the City of Troy. Additionally, zoning has been changed for Hoosick Street (another major thoroughfare) that will too allow for increased development and ultimately a stronger tax base.

A similarly aggressive approach is also being taken with respect to expenditures. All city department heads have the task of taking their 2005 budgets and cutting operating costs by at least 5%. Like the past budget year, this will be accomplished by eliminating unnecessary spending, sharing services, and evaluating programs for efficiency and affordability.

It is ultimately this administrations goal to close these budget gaps through the measures described above. However, if these means are not sufficient, an alternative plan will be presented which includes a potential tax increase and/or layoff. In the worst-case scenario, the budget gap in 2006 (\$1,202,474) would be closed by implementing a 7% property tax increase equating to approximately \$1,050,000. In addition, the City would implement an employee reduction of at least 5 positions through attrition and/or layoff. This reduction would equate to approximately \$208,000 provided the average salary of each is \$32,000 and fringe benefits of 30% are anticipated.

In 2007, provided the implementation of the 2006 analysis, and no further additional revenues or cost reductions, the worst case scenario to close the budget gap would be an approximate tax increase of \$9.8% and another employee reduction of another 5 positions through attrition and/or layoff. Again, this reduction would equate to approximately \$208,000 provided the average salary of each is \$32,000 and fringe benefits of 30% are anticipated.

Lastly, the administration is committed to seeking out additional aid from grants, state and federal government, and other sources for capital expenses including vehicles and equipment. In 2005, a complete analysis on prior year capital accounts was conducted and residual balances funded from distressed cities aid was utilized for certain capital improvements. Furthermore, and again in efforts to move the City forward and save additional monies, more and more projects and related work are being done in-house. In the past, the City spent tremendous dollars on consulting services and outside engineering work. Today, the majority of this work is conducted in-house utilizing City staff, and possibly allowing the City of Troy to reap the benefits of some funding reimbursements.

We are hopeful that this plan is a satisfactory response to your recommendation from the budget review audit. As such, this office pledges to periodically review and revise the attached to allow for continuation of a rolling four-year financial plan. Should you have any questions regarding this, please feel free to contact me at 270-4631.

Sincerely yours,

Deborah A. Witkowski
City Comptroller

Cc: Mayor Harry J. Tutunjian

CITY OF TROY
Water Fund - Four Year Financial Plan

	2003 Actual	2004	2005	2006	2007
Revenues					
Metered Sales	8,450,366	8,466,000	8,415,000	8,668,194	8,780,419
Intergovernmental Charges	20,475				
Use of Money and Property	93,220	83,600	100,000	100,000	100,000
Licenses and Permits	11,473	15,000	12,500	12,500	12,500
Sale of Property and Compensation for Loss	35,770	104,000	69,500	69,500	69,500
Miscellaneous	45,821	18,500	18,500	18,500	18,500
Interfund Revenues	289,000	327,000	327,000	289,000	289,000
Federal Aid	84,710				
TOTAL REVENUES	9,030,835	9,014,100	8,942,500	9,157,694	9,269,919

	2003 Actual	2004	2005	2006	2007
Expenditures					
Current:					
General Government Support:	246,649	301,024	304,629	320,354	330,500
Community Development and Other Services	6,492,575	8,441,200	8,365,852	8,567,355	8,669,355
Debt Service					
Principal	291,562	165,652	169,878	174,247	178,762
Interest	119,535	106,224	102,141	95,738	91,302
Interfund Transfers	1,595,000				
TOTAL EXPENDITURES	8,745,321	9,014,100	8,942,500	9,157,694	9,269,919
Total Surplus/Deficit		0	0	0	0

CITY OF TROY
General Fund - Four Year Financial Plan

	2003 Actual	2004	2005	2006	2007
Revenues					
Real Property Taxes and Tax Items	18,517,473	17,663,614	18,751,803	18,845,500	18,900,000
Non-Property Taxes	11,941,814	11,725,100	11,735,100	12,000,000	12,200,000
Departmental Income	3,927,938	3,433,000	3,410,000	3,500,000	3,600,000
Intergovernmental Charges	371,248	316,130	314,130	350,000	365,000
Use of Money and Property	252,772	357,500	282,500	285,000	287,000
Licenses and Permits	453,540	515,576	514,300	525,000	530,000
Fines and Forfeitures	1,197,442	1,170,000	1,140,000	1,220,000	1,250,000
Sale of Property and Compensation for Loss	30,953	390,000	390,000	390,000	390,000
Miscellaneous	323,041	220,000	218,667	220,000	220,000
Interfund Revenues	1,907,673	1,994,002	1,990,725	1,990,725	1,990,725
State Aid	9,791,187	9,469,794	9,519,794	9,520,000	9,520,000
Federal Aid	102,690	241,500	241,500	241,500	241,500
Interfund Transfers	1,876,483	1,630,173	1,630,173	1,700,000	1,700,000
TOTAL REVENUES	50,694,254	49,126,389	50,138,692	50,787,725	51,194,225

Expenditures	2003 Actual	2004	2005	2006	2007
Current:					
General Government Support:	7,579,769	7,631,450	7,512,327	7,812,000	8,124,000
Public Safety	22,151,342	23,775,362	24,271,835	24,897,210	25,893,000
Health	122,474	127,688	133,960	142,400	148,000
Transportation	3,078,440	3,024,488	3,036,212	3,080,212	3,203,400
Culture and Recreation	2,732,960	2,205,934	2,260,101	2,673,700	2,780,700
Community Development and Other Services	3,379,530	3,395,758	3,554,397	3,614,397	3,759,000
Employee Benefits (Retirees)	2,544,245	2,837,100	3,289,533	3,782,963	4,000,500
Debt Service					
Principal	3,361,354	3,779,287	3,646,569	3,457,246	3,564,569
Interest	2,203,538	2,314,322	2,383,758	2,480,071	2,538,345
Interfund Transfers	2,109,400	35,000	50,000	50,000	50,000
TOTAL EXPENDITURES	49,263,052	49,126,389	50,138,692	51,990,199	54,061,514
Surplus/Deficit				-1,202,474	-2,867,289

CITY OF TROY
Sewer Fund - Four Year Financial Plan

	2003 Actual	2004	2005	2006	2007
Revenues					
Sewer Rents	1,865,817	1,898,175	1,867,675	1,928,100	1,982,615
Intergovernmental Charges	0				
Use of Money and Property	0	12,500	100	100	100
Sale of Property and Compensation for Loss	3,380	1,300	1,300	1,200	1,200
Miscellaneous	0	2,600	200	500	500
Interfund Revenues	0	100	100	100	100
Federal Aid	0				
TOTAL REVENUES	1,869,197	1,914,675	1,869,375	1,930,000	1,984,515

Expenditures	2003 Actual	2004	2005	2006	2007
Current:					
Community Development and Other Services	1,596,588	1,787,444	1,772,497	1,856,356	1,910,787
Debt Service					
Principal	120,000	115,231	56,940	36,740	37,710
Interest	8,640	12,000	39,938	36,904	36,018
Interfund Transfers	10,226				
TOTAL EXPENDITURES	1,735,454	1,914,675	1,869,375	1,930,000	1,984,515
Total Surplus/Deficit		0	0	0	0