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STRATTON ANNOUNCES \$8.1 M SURPLUS FOR SCH'DY IN 2006

Completed Audit Shows City's Second Consecutive Surplus in Two Years

Mayor: "The momentum from recovery to resurgence continues for Schenectady"

SCHENECTADY – Mayor Brian U. Stratton today announced that completed audited financial statements for 2006 show the City of Schenectady finished the fiscal period with an audited unreserved surplus of \$8.1 million across all funds. It is the second straight year under the Stratton administration that the city has achieved a surplus in all four fund divisions, including the general fund, water fund, sewer fund and golf fund.

“There is no better indicator of Schenectady’s continued financial recovery and our increasingly strong financial position than the information that is contained in the completed 2006 audit,” said Mayor Stratton. “For the second straight year, through a professional financial management team, responsible budgeting and working in cooperation with the City Council, Schenectady has achieved a healthy surplus in each of its four fund divisions.”

The 2006 fiscal period, from January 1 through December 31, was completed under the second consecutive budget to be proposed and administered by the Stratton administration.

The \$8.1 million unreserved surplus across all fund divisions – together with a reserved fund balance of \$17.8 million -- is the largest cumulative surplus (reserved and unreserved) to have been achieved in Schenectady in more than 25 years.

Just three years ago, Schenectady finished the 2003 fiscal with an audited unreserved deficit of \$6.6 million in all funds. In January 2004, the State Comptroller’s office projected the city would finish the year with a \$10.2 million deficit if immediate action was not taken. At year end, the actual audited shortfall was \$1.2 million. Since then, the Stratton administration and the City Council have put into place a range of measures to correct and significantly strengthen the city’s annual fiscal performance and its long-term financial outlook.

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“We have done the hard work necessary to bring back financial responsibility and stability and to ensure our city’s financial future. Clearly, the momentum from recovery and resurgence continues for Schenectady,” Mayor Stratton added.

Overall, Schenectady finished 2006 with an unreserved surplus of \$8.1 million across all fund divisions, as follows:

<u>Fund Division</u>	<u>Unreserved Surplus Amount</u>
• General Fund	\$ 3.8 million
• Water Fund	\$ 1.7 million
• Sewer Fund	\$ 2.3 million
• <u>Golf Fund</u>	<u>\$ 300,000</u>

Total ‘06 Unreserved Surplus \$ 8.1 million

The 2006 audited surplus (unreserved) in all fund divisions represents a more than 65 percent increase from 2005, when Schenectady finished with an all-funds audited surplus of \$4.9 million. According to the audit, unreserved surplus levels recorded in each fund division grew from the previous year, including the general fund surplus which more than doubled from \$1.6 million in 2005 to \$3.8 million in 2006.

Mayor Stratton said the continuation of the city’s operating in the black, with a significant level of growth surplus in each fund division, will continue to provide positive benefits for Schenectady taxpayers.

Making the Case for Another Credit Rating Upgrade

The mayor and city finance officials recently met with Moody’s representatives in Schenectady to review preliminary results of the 2006 audit. Based upon those results, and the city’s record of continued improvement, Mayor Stratton said the city will seek an immediate credit upgrade from Moody’s Investors Service.

“We will use the audit results of the 2006 fiscal period to report to Moody’s on our continued significant progress and to justify the case for elevating Schenectady’s credit rating further into the investment-grade range,” Mayor Stratton said.

In April of last year, Moody’s returned Schenectady’s credit rating to BAA 3 (investment grade) after the city had been downgraded six consecutive times from 2000 to 2004 under the previous administration to junk-bond status at BA 3, at that time the single lowest credit rating by Moody’s of any municipality in New York State.

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Stratton Projects More Tax Relief On the Way for '08

Mayor Stratton pledged to use a percentage of the surplus to provide continued tax relief for Schenectady property owners.

“Just as we tapped the benefit of our improved financial performance in 2005 to provide our citizens with an actual property tax cut this year, it will again be my goal to dedicate a percentage of our audited surplus this year to provide more needed relief for Schenectady property tax payers in my proposed 2008 budget.

In his 2007 budget presented to the City Council in September last year, Mayor Stratton included a tax stabilization reserve of \$1.25 million, providing for a 1.09 percent property tax cut for Schenectady homeowners. It was the first actual property tax cut in years, standing in sharp contrast to 2003 when the previous administration and city council raised city property taxes by more than 26 percent.

While Mayor Stratton said it is too early to predict the detailed aspects of the 2008 budget year, the city’s continued financial improvement, and growing unreserved surplus, will likely make another property tax cut possible for homeowners next year. The Mayor is expected to present the City Council with his proposed 2008 budget in September.

Police, Fire Departments Again Finish the Year Under Budget

For the second consecutive year, Schenectady’s public safety departments each finished the fiscal year well below budget, with a combined surplus of nearly \$200,000. Respectively, the Police Department finished the year \$44,236 below budget and the Fire Department closed the year \$148,180 under budget.

“Again, the number of vacant positions in the Police Department served to drive overtime expenditures upward in 2006, but overall our total spending in both Police and Fire was significantly less than budgeted, which is good news for taxpayers,” the Mayor said.

Mayor Stratton said a number of factors -- begun under his administration and with the support of the City Council – again contributed to Schenectady’s improved financial performance during the year. They include: a significant increase in unrestricted state aid for Schenectady; the city’s continued sale of tax liens to American Tax Funding; the city’s daily investment of cash; and better earnings on investments.

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Since 2004, Schenectady has sold more than \$19 million in property tax liens to American Tax Funding to provide millions in additional revenue and significantly improving the city's tax collection rate, while successfully lobbying to increase the city's share of unrestricted state aid by 90 percent – from \$5.7 million in 2004 to \$10.8 million under the approved 2007-08 state budget.

Stratton said the cumulative effect of these budgetary measures has eliminated the need for year-end borrowing in Schenectady, which in past years has cost city taxpayers hundreds of thousands of dollars in annual interest payments. Mayor Stratton said the city's year-end borrowing has gone from a high of \$14.4 million in tax anticipation note (TAN) borrowing in 2003 to just \$2 million in 2006 ... and zero in 2007 and beyond.