CITY OF SARATOGA SPRINGS
OFFICE OF COMMISSIONER OF FINANCE

PRELIMINARY FINANCIAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

Dated: April 15, 2014

CITY OF SARATOGA SPRINGS
OFFICE OF THE COMMISSIONER OF FINANCE
DECEMBER 31, 2013 PRELIMINARY FINANCIAL REPORT

DATED: April 15, 2014

2013 Annual Update Document and 2013 Audited Financial Statements

The Annual Update Document (AUD) for the City of Saratoga Springs for fiscal year ended December 31, 2013 was completed on March 29, 2014 and must be filed with the State Comptroller's Office by April 30, 2014.

The Finance office is preparing the 2013 Financial Statements for an audit to commence May 12, 2014. Upon completion of the audit, the Commissioner of Finance will release the audited figures.

Please note that all numbers in the written report are rounded to the nearest thousand, unless otherwise stated.

General Fund 2013

The AUD indicates a **$15,439,000** General Fund fund balance as of 12/31/13, of which **$7,818,000** is unrestricted and unassigned. The General Fund had an operating **surplus** of **$2,740,000**.

At this time the unrestricted unassigned fund balance is predicted to be in excess of the 10% to 15% range as outlined in the fund balance policy adopted by the City Council on June 18, 2013 by **$1,752,000.** The amount is calculated by taking "the audited balance available in the unrestricted unassigned fund balance of the City's General Fund for the most recently audited fiscal year, divided by the adopted expenditure budget for the ensuing fiscal year for the City's General Fund." The excess will be reported on following the release of the audit.

Copies of the fund balance policy are available in the Finance Office or on the public drive.

The calculation prior to audit is as follows:

FUND BALANCE CALCULATION

A	$ 7,818,072	12/31/13 UNRESTRICTED UNASSIGNED FUND BALANCE
B	$ 40,440,022	2014 ADOPTED BUDGET (ENSUING YEAR)
A/B	19.33%	% OF ADOPTED BUDGET
A/B	10% - 15%	ACCEPTABLE RANGE
	(If below 10%, considered a shortfall or deficiency. If above 15% considered a surplus or excess. Within 10% to 15%, no action needed.)	
B*15%=C	$ 6,066,003	15% LIMIT AMOUNT
A-C	**$ 1,752,069**	SURPLUS/EXCESS
10%	$4,044,002	10% LIMIT AMOUNT

FIGURES ARE NOT AUDITED AND ARE SUBJECT TO CHANGE.

The **restricted/assigned fund balance** is comprised of the following items:

1. $3,398,246 is restricted in the form of retirement reserve, insurance reserve, capital reserves, tax stabilization reserve, and other miscellaneous reserves.
2. $483,000 is appropriated to balance the general fund and debt service fund budgets in 2013.
3. $575,576 is assigned by the City Council for labor relation and/or retirement costs in 2014, $276,913 is assigned by City Council to balance future year's budgets and $1,842,027 represents encumbrances. Encumbrances are expenditures committed to on or before 12/31/13 but paid after12/31/13.

The City also has non-spendable fund balance in the amount of $1,045,580, which primarily represents the prepayment of the annual retirement bill on 12/15/13 for 01/01/14-03/31/14 expenses.

The following is a **roll forward of the AUD restricted and unrestricted fund balance** for 2013 (numbers are rounded to nearest dollar):

BEGINNING REST/ASSG	BEGINNING UNREST/UNASSG	ADJUSTED BEGINNING UNREST/UNASSG	SURPLUS (DEFICIENCY)	ENDING REST/ASSG	ENDING UNREST/UNASSG
6,537,839	6,161,905	6,161,905	2,739,670	7,621,342	7,818,072

(Refer to the General Fund fund balance roll forward for 2009-2013 at Attachment B and for further explanation of fund balance and surplus, please refer to Attachment C.)

Below is a list of **items which contributed to the AUD General Fund financial position for the fiscal year** ended December 31, 2013.

GENERAL FUND REVENUES

1. Sales tax increased from 2012 by 7% and exceeded the budget. 2013 sales tax collections were $10,650,000, a $732,000 increase from 2012 actual collections, and $50,000 more than the 2013 adopted budget.
2. Hotel Room Occupancy Tax increased by 4%. 2013 actual collections were $498,000, an increase of $19,400 from 2012. Actual amounts however did not meet the 2013 adopted budget.
3. Utilities Gross Receipts Tax also increased in 2013 by 6%. Amounts received were $463,000 which was $25,000 more than in 2012. Receipts did not meet the 2013 adopted budget.
4. Franchise Fees increased $30,000 in 2013, or 6%. Actual receipts of $513,000 exceeded the adopted budget by $33,000.
5. Ambulance Fees increased in 2013 by $225,000. This was a new revenue source in April 2012, so 2013 was the first full year of operation. $812,000 was collected for Ambulance services, a 38% increase from last year. Actual amounts exceeded the budget by $91,000.
6. Planning Fees increased $158,000, or 249% from 2012. Actual amounts received for 2013 were $221,000. The budget was exceeded by $123,000.
7. Rental of Property increased by more than $182,000. This was due to the rent received from National Grid for the Weibel Avenue facility. It was recorded in the Capital Projects fund in prior years. Rent for Weibel Avenue was $213,000, which exceeded the adopted budget of $187,000.
8. VLT Aid was $1,827,000 in 2013. This was an increase of $331,000 or 22% from 2012. The adopted budget was $1,496,000.
9. Mortgage Tax receipts were stronger in 2013 than in 2012. Actual receipts for 2013 were $1,752,000, 51% higher than 2012. The budget for 2013 was $1,200,000.
10. Overall revenues were strong in 2013. Total revenues for the General Fund were $41.6 million, $849,000 higher than budgeted and $2.4 million greater than in 2012.

GENERAL FUND EXPENSES

1. Health insurance costs were $5,872,000 in 2013. This was an increase of 4% from 2012 and was $257,000 less than the revised budget for 2013.
2. Retirement costs increased 10% for police and fire and 13% for all other employees. 2013 actual expenses of $4,759,000 were $40,000 less than budgeted.
3. Heath reimbursement costs were $41,000 in 2013. These costs were less than 2012, when costs totaled $52,000. $335,000 was budgeted in 2013.
4. Social Security expenses in 2013 were $1,371,000, $105,000 less than budgeted.
5. Utility costs were budgeted for $603,000 and actual expenses were $556,000.
6. Overtime costs totaled $882,000 in 2013 which was a 6% increase from 2012. Overtime was budgeted as $952,000 for 2013.
7. Unemployment costs were budgeted for $92,000 in 2013. The actual expenses were $5,000. Unemployment in 2012 decreased by $23,000 from 2012.

8. Payments for compensatory time amounted to $678,000, a 4.5% increase from 2012. Compensatory time pay outs were budgeted for $711,000.
9. Total General Fund expenses were $1.8 million more than those in 2012, but $3.6 million less than budgeted. It is important to note that of this $3.6 million, $1.8 million was encumbered at year end. Encumbrances are goods or services which are ordered or committed to in 2013 but will be received and paid for in 2014. Therefore, the actual unspent/uncommitted variance was $1.8 million. The primary reasons for this budget versus actual variance are noted above, as well as the increase in actual expenses from 2012 to 2013.

Other Funds:

1. The Water Fund ended 2013 with a positive assigned unappropriated fund balance of $360,000. Total fund balance increased $495,000. While this is encouraging news for the water fund, the City still needs to follow the recommendations in the rate study to pay back the general fund and to cover future debt service obligations.
2. The Sewer Fund's assigned unappropriated fund balance for 2013 was $817,000, an increase of approximately $309,000. This is the fourth consecutive year that the sewer fund reported an operating surplus. The sewer fund also needs to follow the recommendations in the rate study to pay back the general fund and to cover future debt service obligations.
3. The City Center's fund balance as of December 31, 2013 was $20,647,000. $6,402,000 is restricted for capital projects and the remainder is restricted for City Center operations.

Other Items

Debt Limit

The City's self-imposed debt limit was $75,451,000 as of 12/31/13. There were outstanding bonds of $44,423,000; of which $12,748,000 represents projects whose debt was excluded from the calculation, leaving $43,776,000 available for future bonding. The City made $1,991,000 in principal payments during 2013.

Long-term Liabilities

- The value of accumulated sick and compensatory time on December 31, 2013 for all City employees was $3,533,000, an increase of $174,000 from 2012.
- The City is obligated to the New York State Retirement System in the amount of $1,343,000 for past service costs for 384e for firefighters, 384e and 384eb for police officers and for a portion of the 2004 retirement bills, all of which were amortized over a ten year period. The 2004 amortization will be paid on 12/15/2014, the 384e for firefighters was paid in full on 12/15/2013, and the 384e, 384eb and 384d for police officers will be paid for on 12/15/2016.
- The City also owes $596,000 in future lease payments on various equipment and vehicles.
- The long term liability calculated for post employment benefits provided to employees at retirement was valued at $38,649,000 as of December 31, 2013.
- These obligations added to the outstanding bonded debt noted above amounts to $88,545,000 in long term liabilities. Total long term liabilities in 2012 were $81,281,000. Therefore long term debt increased 9%.

Cash balances

- Cash balances as of December 31, 2013 in the General Fund were $2.4 million higher than in 2012. This is a direct correlation to the City having an operating surplus in 2013.

Comments for Future Years

As mentioned in previous years, the City needs to continue to be conservative when budgeting for the general, water and sewer funds, focus on spending reserves when appropriate and maintain and/or build fund balances. The City needs to analyze one time revenues when they occur to determine how and when they should be used. In addition the City needs to be conservative in its budgeting practices for all revenues and expenditures. Over estimation of revenues and under estimation of expenditures can have a detrimental impact on the overall position of the City in the short and long-term.

The Commissioner of Finance will be drafting fund balance policies for the water and sewer funds, similar to general funds policy. This policy, along with the recommendations in the rate study, should help ensure stability in the water and sewer funds.

CITY OF SARATOGA SPRINGS

ATTACHMENT A - PAGE 1 of 2

General Fund	Amounts
Beginning Fund Balance	$ 12,699,744
Add 2013 Revenues	41,585,774
Subtract 2013 Expenditures	38,846,104
Ending Fund Balance	$ 15,439,414

City Center Authority	Amounts
Beginning Fund Balance	$ 21,034,817
Prior Period Adj - Inc Fund Balance	28,041
Beginning Fund Balance	21,062,858
Add 2013 Revenues	2,001,731
Subtract 2013 Expenditures	2,417,237
Ending Fund Balance	$ 20,647,352

Water Fund	Amounts
Beginning Fund Balance	$ 1,070,697
Add 2013 Revenues	3,367,121
Subtract 2013 Expenditures	2,872,499
Ending Fund Balance	$ 1,565,319

Sewer Fund	Amounts
Beginning Fund Balance	$ 547,760
Add 2013 Revenues	4,055,633
Subtract 2013 Expenditures	3,742,553
Ending Fund Balance	$ 860,840

CITY OF SARATOGA SPRINGS

ATTACHMENT A - PAGE 2 of 2

Capital Fund	Amounts
Beginning Fund Balance	$ 3,790,911
Add 2013 Revenues	4,644,394
Subtract 2013 Expenditures	4,209,450
Ending Fund Balance	$ 4,225,855

Debt Service Fund	Amounts
Beginning Fund Balance	$ 1,359,321
Add 2013 Revenues	3,370,901
Subtract 2013 Expenditures	3,203,915
Ending Fund Balance	$ 1,526,306

ATTACHMENT B - PAGE 1 of 2
GENERAL FUND FUND BALANCE ROLL FORWARD
DECEMBER 31, 2009 - 2013

YEAR	BEGINNING REST/ASSG	BEGINNING UNREST/UNASSG	PRIOR PERIOD ADJUSTMENT	ADJUSTED BEGINNING UNREST/UNASSG	SURPLUS (DEFICIENCY)	ENDING REST/ASSG	ENDING UNREST/UNASSG
2009	3,882,856	3,836,774	(3,019)	3,833,755	(1,809,265)	3,054,802	2,852,544
2010	3,054,802	2,852,544	(2,100)	2,850,444	1,106,611	2,809,809	4,202,048
2011	2,809,809	4,202,048	(27,000)	4,175,048	3,539,871	4,320,114	6,204,614
2012	4,320,114	6,204,614	(30,321)	6,174,293	2,205,337	6,537,839	6,161,908
2013	***6,537,839***	***6,161,905***	-	***6,161,905***	***2,739,670***	***7,621,342***	***7,818,072***

CITY OF SARATOGA SPRINGS

ATTACHMENT B - PAGE 2 of 2
WATER FUND FUND BALANCE ROLL FORWARD
DECEMBER 31, 2009 - 2013

YEAR	BEGINNING REST/ASSG	BEGINNING UNREST/UNASSG	SURPLUS (DEFICIENCY)	ENDING REST/ASSG	ENDING UNREST/UNASSG
2009	539,820	(197,425)	98,125	648,281	(207,761)
2010	648,281	(207,761)	272,377	764,506	(51,609)
2011	764,506	(51,609)	(86,849)	755,053	(129,005)
2012	755,053	(129,005)	444,649	1,070,697	-
2013	***1,070,697***	*-*	***494,622***	***1,565,319***	*-*

SEWER FUND FUND BALANCE ROLL FORWARD
DECEMBER 31, 2009 - 2013

YEAR	BEGINNING REST/ASSG	BEGINNING UNREST/UNASSG	SURPLUS (DEFICIENCY)	ENDING REST/ASSG	ENDING UNREST/UNASSG
2009	17,109	140,163	(156,018)	21,313	(20,059)
2010	21,313	(20,059)	214,868	17,752	198,370
2011	17,752	198,370	51,151	267,273	-
2012	267,273	-	280,487	547,760	-
2013	***547,760***	*-*	***313,080***	***860,840***	*-*

ATTACHMENT C Page 1 of 2
City of Saratoga Springs
Surplus and Fund Balance as of December 31, 2013

What is surplus?

Surplus is the excess of revenues over expenses, calculated for the current period.
However, if expenses are greater than revenues, it is called a deficiency.

General Fund	2013 Amounts	2012 Amounts	2011 Amounts
12/31 Revenues	41,585,774	39,207,838	38,944,093
Less: 12/31 Expenditures	38,846,104	37,002,501	35,404,222
Operating Surplus/(Deficiency)	**2,739,670**	**2,205,337**	**3,539,871**
Beginning Fund Balance	12,699,744	10,524,728	7,011,857
Prior Period Adjustment - Decrease Fund Balance	-	(30,321)	(27,000)
12/31 Fund Balance	**15,439,414**	**12,699,744**	**10,524,728**

What is Fund Balance and how is it broken down?

Fund balance is the amount available for future spending, adjusted annually for either the surplus or deficiency, and it can be either restricted or unrestricted. It is a cumulative figure from period to period. It is calculated by first allocating nonspendable items, restrictions, commitments or assignments. Whatever amount is remaining is the unrestricted unassigned fund balance. Unlike nonspendables, restrictions, commitments, or assignments, the City Council may be able to us a portion of the positive unrestricted unassigned fund balance at it's own discretion subject to the requirements outlined in the Fund Balance Policy. An unrestricted unassigned fund balance that falls below 10% of the ensuing years adopted expenditure budget indicates a need for a plan to rebuild.

Restrictions/Assignments	2013 Amounts	2012 Amounts	2011 Amounts
Non Spendable	1,045,580	901,143	7,161
Restricted - Retirement Reserve	472,592		
Restricted - Insurance Reserve	130,010		
Restricted - Capital Reserves	1,214,786	1,269,421	1,013,025
Restricted - Tax Stabilization Reserve	1,502,227	1,501,439	1,000,491
Other Restricted Fund Balance	78,631	78,552	78,451
Assigned Appropriated Fund Balance for Next Years Budget	483,000	550,000	2,220,986
Assigned Unappropriated Fund Balance - Encumbrances and Council Assignments	2,694,516	2,237,284	-
Total Restrictions/Assignments	**7,621,342**	**6,537,839**	**4,320,114**
Unrestricted Unassigned Fund Balance	**7,818,072**	**6,161,905**	**6,204,614**
12/31 Fund Balance	***15,439,414***	***12,699,744***	***10,524,728***

(Reserves plus Unrestricted/Unassigned Fund Balance)

ATTACHMENT C Page 2 of 2
City of Saratoga Springs
FUND BALANCE CALCULATION

A	$	7,818,072	12/31/13 UNRESTRICTED UNASSIGNED FUND BALANCE
B	$	40,440,022	2014 ADOPTED BUDGET (ENSUING YEAR)
A/B		19.33%	% OF ADOPTED BUDGET
A/B		10% - 15%	ACCEPTABLE RANGE

(If below 10%, considered a shortfall or deficiency. If above 15% considered a surplus or excess. Within 10% to 15%, no action needed.)

B*15%=C	$	6,066,003	15% LIMIT AMOUNT
A-C	**$**	**1,752,069**	SURPLUS/EXCESS
10%	$	4,044,002	10% LIMIT AMOUNT

FIGURES ARE NOT AUDITED AND ARE SUBJECT TO CHANGE.

CITY OF SARATOGA SPRINGS
BUDGET EXPENSE COMPARISON
DECEMBER 31, 2013

ATTACHMENT D

Department	2013 Adopted Budget	2013 Revised Budget	2013 Actual	2012 Adopted Budget	2012 Revised Budget	2012 Actual	2011 Adopted Budget	2011 Revised Budget	2011 Actual	2010 Adopted Budget	2010 Revised Budget	2010 Actual	2009 Adopted Budget	2009 Revised Budget	2009 Actual
Mayor	$ 2,062,515	$ 2,360,126	$ 2,000,574	$ 2,013,132	$ 2,299,758	$ 1,935,644	$ 2,039,630	$ 2,288,311	$ 1,820,642	$ 2,098,743	$ 2,321,691	$ 1,870,994	$ 2,362,758	$ 2,499,519	$ 2,138,753
Finance	3,403,751	3,061,488	2,902,556	2,396,518	2,374,111	2,276,785	2,267,874	2,316,068	2,139,421	2,160,347	2,198,428	2,128,141	2,151,939	2,107,621	2,034,810
DPW	9,046,187	9,973,742	9,149,100	8,740,876	9,474,958	8,598,088	8,443,331	9,397,131	8,725,688	8,936,416	9,480,310	8,383,665	9,374,807	9,633,035	8,631,205
DPS	21,996,774	23,108,780	21,943,110	20,784,367	22,123,820	21,024,928	20,033,356	21,032,435	19,945,059	19,168,488	19,651,119	18,844,359	19,786,037	19,944,474	19,225,184
Accounts	1,224,480	1,865,527	961,351	1,247,113	1,961,063	1,343,340	1,270,836	1,971,257	1,075,345	1,267,800	1,886,335	1,166,992	1,070,298	1,579,953	1,025,377
Recreation	2,132,928	2,131,950	1,889,414	2,066,670	2,007,675	1,823,716	1,966,000	2,028,107	1,698,068	1,815,678	1,831,504	1,454,609	1,992,718	1,994,484	1,767,900
Total	$ 39,866,635	$ 42,501,613	$ 38,846,104	$ 37,248,676	$ 40,241,385	$ 37,002,501	$ 36,021,027	$ 39,033,309	$ 35,404,222	$35,447,472	$ 37,369,386	$33,848,760	$36,738,557	$37,759,086	$34,823,229
		6.61%			8.03%			8.36%			5.42%			2.78%	

Increase in Revised Budget due to Encumbrances carried forward from prior years and Amendments.

City of Saratoga Springs
Departmental Expense Report
December 31, 2013
COMPARED TO PREVIOUS YEARS

ATTACHMENT E

Department	2013 Revised Budget	2013 Actual	2012 Revised Budget	2012 Actual	2011 Revised Budget	2011 Actual	2010 Revised Budget	2010 Actual	2009 Revised Budget	2009 Actual
Mayor	$ 2,360,126	$ 2,000,574	$ 2,299,758	$ 1,935,644	$ 2,288,311	$ 1,820,642	$ 2,321,691	$ 1,870,994	$ 2,499,519	$ 2,138,753
Finance	3,061,488	2,902,556	2,374,111	2,276,785	2,316,068	2,139,421	2,198,428	2,128,141	2,107,621	2,034,810
DPW	9,973,742	9,149,100	9,474,958	8,598,088	9,397,131	8,725,688	9,480,310	8,383,665	9,633,035	8,631,205
DPS	23,108,780	21,943,110	22,123,820	21,024,928	21,032,435	19,945,059	19,651,119	18,844,359	19,944,474	19,225,184
Accounts	1,865,527	961,351	1,961,063	1,343,340	1,971,257	1,075,345	1,886,335	1,166,992	1,579,953	1,025,377
Recreation	2,131,950	1,889,414	2,007,675	1,823,716	2,028,107	1,698,068	1,831,504	1,454,609	1,994,484	1,767,900
Totals	$ 42,501,613	$ 38,846,104	$ 40,241,385	$ 37,002,501	$ 39,033,309	$ 35,404,222	$ 37,369,386	$ 33,848,760	$ 37,759,086	$ 34,823,229

CITY OF SARATOGA SPRINGS
ACTUAL DEPARTMENTAL EXPENDITURES
AS OF DECEMBER 31
2009 - 2013

ATTACHMENT F

Department	**2013 Actual**	2012 Actual	2011 Actual	2010 Actual	2009 Actual
Mayor	**$ 2,000,574**	$ 1,935,644	$ 1,820,642	$ 1,870,994	$ 2,138,753
Finance	**2,902,556**	2,276,785	2,139,421	2,128,141	2,034,810
DPW	**9,149,100**	8,598,088	8,725,688	8,383,665	8,631,205
DPS	**21,943,110**	21,024,928	19,945,059	18,844,359	19,225,184
Accounts	**961,351**	1,343,340	1,075,345	1,166,992	1,025,377
Recreation	**1,889,414**	1,823,716	1,698,068	1,454,609	1,767,900
TOTALS	**$ 38,846,104**	$ 37,002,501	$ 35,404,222	$ 33,848,760	$ 34,823,229
% Change From Prior Year	***4.98%***	*4.51%*	*4.60%*	*-2.80%*	*-5.03%*