CITY OF SARATOGA SPRINGS
OFFICE OF COMMISSIONER OF FINANCE

PRELIMINARY FINANCIAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

Dated: April 22, 2015

CITY OF SARATOGA SPRINGS
OFFICE OF THE COMMISSIONER OF FINANCE
DECEMBER 31, 2014 PRELIMINARY FINANCIAL REPORT

DATED: April 22, 2015

2014 Annual Update Document and 2014 Audited Financial Statements

The Annual Update Document (AUD) for the City of Saratoga Springs for fiscal year ended December 31, 2014 was completed on April 22, 2015 and was filed with the State Comptroller's Office on April 29, 2015.

The Finance office is preparing the 2014 Financial Statements for an audit to commence May 11, 2015. 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 2014

The AUD indicates a **$15,530,000** General Fund fund balance as of 12/31/14, of which **$7,802,000** is unrestricted and unassigned and $7,728,000 is restricted, assigned or nonspendable. The General Fund had an operating **surplus** of **$91,000**.

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 July 15, 2014 by **$1,538,000.** 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:

GENERAL FUND FUND BALANCE CALCULATION

A	$ 7,802,065	12/31/14 UNRESTRICTED UNASSIGNED FUND BALANCE
B	$ 41,759,521	2015 ADOPTED BUDGET (ENSUING YEAR)
A/B	18.68%	% 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	$ 6,263,928	15% LIMIT AMOUNT
A-C	**$ 1,538,137**	SURPLUS/EXCESS
10%	$4,175,952	10% LIMIT AMOUNT

FIGURES ARE NOT AUDITED AND ARE SUBJECT TO CHANGE.

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

1. $3,353,000 is restricted in the form of retirement reserve, insurance reserve, capital reserves, tax stabilization reserve, and other miscellaneous reserves.
2. $380,000 is appropriated to balance the general fund and debt service fund budgets in 2013.
3. $642,000 is assigned by the City Council for labor relation and/or retirement costs in 2015, $277,000 from in rem proceeds is assigned by City Council to balance the 2015 budget, $149,000 is assigned for IT initiatives, $20,000 is assigned for the centennial celebration, $594,000 is assigned for settlement of tax certori cases and $1,268,000 represents encumbrances. Encumbrances are expenditures committed to on or before 12/31/14 but paid after12/31/14.

The City also has non-spendable fund balance in the amount of $1,045,000, which primarily represents the prepayment of the annual retirement bill on 12/15/14 for 01/01/15-03/31/15 expenses.

The following is a **roll forward of the AUD restricted and unrestricted fund balance** for 2014 (numbers are rounded to nearest dollar):

BEGINNING REST/ASSG	BEGINNING UNREST/UNASSG	SURPLUS (DEFICIENCY)	ENDING REST/ASSG	ENDING UNREST/UNASSG
7,621,342	7,818,072	91,082	7,728,431	7,802,065

(Refer to the General Fund fund balance roll forward for 2010-2014 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, 2014.

GENERAL FUND REVENUES

1. Sales tax increased from 2013 by 5% and exceeded the budget. 2014 sales tax collections were $11,234,000, a $583,000 increase from 2013 actual collections, and $734,000 more than the 2014 adopted budget.
2. Hotel Room Occupancy Tax increased by 11%. 2014 actual collections were $554,000, an increase of $56,000 from 2013. Actual amounts exceeded the 2014 adopted budget.
3. Utilities Gross Receipts Tax remained constant. Amounts received were $463,000 in 2013 and 2014. Receipts did not meet the 2014 adopted budget by $36,000.
4. Franchise Fees increased $34,000 in 2014, or 6.5%. Actual receipts of $547,000 exceeded the adopted budget by $63,000.
5. Ambulance Fees decreased in 2014 by $14,000. $798,000 was collected for Ambulance services, a 2% decrease from last year. Actual amounts exceeded the budget by $13,000.
6. Admission Tax increased $132,000, or 31% from 2013. Actual amounts received for 2014 were $563,000. The budget was exceeded by $122,000.
7. VLT Aid was $2,326,000 in 2014. This was an increase of $498,000 or 27% from 2013. The adopted budget was $1,827,000.
8. Mortgage Tax receipts declined in 2014. Actual receipts for 2014 were $1,193,000, 32% lower than 2013. The budget for 2014 was $1,450,000.
9. Overall revenues were not as strong in 2014 as they were in 2013. Total revenues for the General Fund were $41.3 million, $1,355,000 less than budgeted and $302,000 below 2013.

GENERAL FUND EXPENSES

1. Health insurance costs were $6,093,000 in 2014. This was an increase of 4% from 2013. However 2014 actual expenses were $215,000 less than the revised budget.
2. Retirement costs decreased 3% for police and fire and other employees increased by 1%. 2014 actual expenses of $4,697,000 were $148,000 less than budgeted.
3. Social Security expenses in 2014 were $1,442,000, $97,000 less than budgeted.
4. Utility costs were budgeted for $505,000 and actual expenses were $472,000. Actual expenses in 2014 were $84,000 less than fiscal year 2013.
5. Overtime costs totaled $927,000 in 2014 which was a 5% increase from 2013. Overtime was budgeted as $972,000 for 2014.
6. Payments for compensatory time amounted to $565,000, a 20% decrease from 2013. Compensatory time pay outs were budgeted for $582,000.
7. Total personal services costs were $1,009,000 higher in 2014. This was primarily the result of the settlement of numerous union contracts.

8. Total General Fund expenses were $2.3 million more than in 2013, but $3.3 million less than budgeted. It is important to note that of this $3.2 million, $1.3 million was encumbered at year end. Encumbrances are goods or services which are ordered or committed to in 2014 but will be received and paid for in 2015. Therefore, the actual unspent/uncommitted variance was $1.9 million. The primary reasons for this budget versus actual variance are noted above, as well as the increase in actual expenses from 2013 to 2014.

Other Funds:

1. The Water Fund ended 2014 with a positive assigned unappropriated fund balance of $636,000. Total fund balance increased $468,000. This is the third consecutive year that the water fund reported an operating surplus. 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. The balance of the interfund loan as of 12/31/14 is $253,000. (Refer to attachment G for a history of the interfund loan.)
2. The Sewer Fund's assigned unappropriated fund balance for 2014 was $869,000, an increase of approximately $52,000. This is the fifth 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. The balance of the interfund loan as of 12/31/14 is $313,000. (Refer to attachment G for a history of the interfund loan.)
3. The City Center's fund balance as of December 31, 2013 was $19,915,000. $6,399,000 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 $75,034,000 as of 12/31/14. There were outstanding bonds of $46,619,000; of which $14,272,000 represents projects whose debt was excluded from the calculation, leaving $32,347,000 available for future bonding. The City made $1,903,000 in regular principal payments during 2014.

The City issued $19,370,000 of general obligation refunding bonds to provide resources to purchase U. S. Treasury securities – State and Local Government Series, SLGS that were placed in an irrevocable escrow account and held therein until all Refunded Bonds are redeemed. As a result the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by $2,261,000.

Long-term Liabilities

- The value of accumulated sick and compensatory time on December 31, 2014 for all City employees was $3,647,000, an increase of $94,000 from 2013.
- The City is obligated to the New York State Retirement System in the amount of $840,000 for past service costs for 384d, 384e and 384eb for police officers, all of which were

amortized over a ten year period. The 384e, 384eb and 384d for police officers will be paid for on 12/15/2016.

- The City also owes $550,000 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 $44,092,000 as of December 31, 2014.
- These obligations added to the outstanding bonded debt noted above amounts to $95,748,000 in long term liabilities. Total long term liabilities in 2013 were $88,545,000. Therefore long term debt increased 8%.

Cash balances

- Cash balances as of December 31, 2014 in the General Fund were $1.2 million less than in 2013. This is a direct correlation to the City having less of an operating surplus in 2014.

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.

Dated: April 22, 2015
Presented to City Council: May 5, 2015

CITY OF SARATOGA SPRINGS

ATTACHMENT A - PAGE 1 of 2

General Fund	Amounts
Beginning Fund Balance	$ 15,439,414
Add 2014 Revenues	41,283,865
Subtract 2014 Expenditures	41,192,783
Ending Fund Balance	$ 15,530,496

City Center Authority	Amounts
Beginning Fund Balance	$ 20,647,352
Add 2014 Revenues	2,114,566
Subtract 2014 Expenditures	2,846,882
Ending Fund Balance	$ 19,915,036

Water Fund	Amounts
Beginning Fund Balance	$ 1,565,319
Add 2014 Revenues	3,360,810
Subtract 2014 Expenditures	2,892,544
Ending Fund Balance	$ 2,033,585

Sewer Fund	Amounts
Beginning Fund Balance	$ 860,840
Add 2014 Revenues	3,950,767
Subtract 2014 Expenditures	3,820,883
Ending Fund Balance	$ 990,724

CITY OF SARATOGA SPRINGS

ATTACHMENT A - PAGE 2 of 2

Capital Fund	Amounts
Beginning Fund Balance	$ 4,225,855
Prior Period Adjustment - Increase	5,043.00
Restated Beginning Fund Balanceq	$ 4,230,898
Add 2014 Revenues	6,201,996
Subtract 2014 Expenditures	6,927,871
Ending Fund Balance	$ 3,505,023

Debt Service Fund	Amounts
Beginning Fund Balance	$ 1,526,306
Add 2014 Revenues	24,891,145
Subtract 2014 Expenditures	24,622,616
Ending Fund Balance	$ 1,794,835

ATTACHMENT B - PAGE 1 of 2
GENERAL FUND FUND BALANCE ROLL FORWARD
DECEMBER 31, 2010 - 2014

YEAR	BEGINNING REST/ASSG	BEGINNING UNREST/UNASSG	PRIOR PERIOD ADJUSTMENT	ADJUSTED BEGINNING UNREST/UNASSG	SURPLUS (DEFICIENCY)	ENDING REST/ASSG	ENDING UNREST/UNASSG
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
2014	***7,621,342***	***7,818,072***	*-*	***7,818,072***	***91,082***	***7,728,431***	***7,802,065***

CITY OF SARATOGA SPRINGS

ATTACHMENT B - PAGE 2 of 2
WATER FUND FUND BALANCE ROLL FORWARD
DECEMBER 31, 2010 - 2014

YEAR	BEGINNING REST/ASSG	BEGINNING UNREST/UNASSG	SURPLUS (DEFICIENCY)	ENDING REST/ASSG	ENDING UNREST/UNASSG
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	-
2014	***1,565,319***	***-***	***468,266***	***2,033,585***	***-***

SEWER FUND FUND BALANCE ROLL FORWARD
DECEMBER 31, 2010 - 2014

YEAR	BEGINNING REST/ASSG	BEGINNING UNREST/UNASSG	SURPLUS (DEFICIENCY)	ENDING REST/ASSG	ENDING UNREST/UNASSG
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	-
2014	***860,840***	***-***	***129,884***	***990,724***	***-***

ATTACHMENT C Page 1 of 2
City of Saratoga Springs
Surplus and Fund Balance as of December 31, 2014

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	2014 Amounts	2013 Amounts	2012 Amounts
12/31 Revenues	41,283,865	41,585,774	39,207,838
Less: 12/31 Expenditures	41,192,783	38,846,104	37,002,501
Operating Surplus/(Deficiency)	**91,082**	**2,739,670**	**2,205,337**
Beginning Fund Balance	15,439,414	12,699,744	10,524,728
Prior Period Adjustment - Decrease Fund Balance	-	-	(30,321)
12/31 Fund Balance	**15,530,496**	**15,439,414**	**12,699,744**

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	2014 Amounts	2013 Amounts	2012 Amounts
Non Spendable	1,045,452	1,045,580	901,143
Restricted - Retirement Reserve	637,935	472,592	
Restricted - Insurance Reserve	175,530	130,010	
Restricted - Capital Reserves	957,264	1,214,786	1,269,421
Restricted - Tax Stabilization Reserve	1,503,230	1,502,227	1,501,439
Other Restricted Fund Balance	78,709	78,631	78,552
Assigned Appropriated Fund Balance for Next Years Budget	380,000	483,000	550,000
Assigned Unappropriated Fund Balance - Encumbrances and Council Assignments	2,950,311	2,694,516	2,237,284
Total Restrictions/Assignments	**7,728,431**	**7,621,342**	**6,537,839**
Unrestricted Unassigned Fund Balance	**7,802,065**	**7,818,072**	**6,161,905**
12/31 Fund Balance	***15,530,496***	***15,439,414***	***12,699,744***

(Reserves plus Unrestricted/Unassigned Fund Balance)

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

A	$	7,802,065	12/31/14 UNRESTRICTED UNASSIGNED FUND BALANCE
B	$	41,759,521	2015 ADOPTED BUDGET (ENSUING YEAR)
A/B		18.68%	% 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	$	6,263,928	15% LIMIT AMOUNT
A-C	**$**	**1,538,137**	SURPLUS/EXCESS
10%	$	4,175,952	10% LIMIT AMOUNT

WATER FUND FUND BALANCE CALCULATION

A	$	636,001	12/31/14 ASSIGNED UNAPPROPRIATED FUND BALANCE
B	$	3,486,836	2015 ADOPTED BUDGET (ENSUING YEAR)
A/B		18.24%	% OF ADOPTED BUDGET WITHIN RANGE
A/B		10% - 25%	ACCEPTABLE RANGE

(If below 10%, considered a shortfall or deficiency. If above 25% considered a surplus or excess. Within 10% to 25%, no action needed.)

B*25%=C	$	871,709	25% LIMIT AMOUNT
10%		348,684	10% LIMIT AMOUNT

SEWER FUND FUND BALANCE CALCULATION

A	$	868,518	12/31/14 ASSIGNED UNAPPROPRIATED FUND BALANCE
B	$	4,247,241	2015 ADOPTED BUDGET (ENSUING YEAR)
A/B		20.45%	% OF ADOPTED BUDGET - WITHIN RANGE
A/B		10% - 25%	ACCEPTABLE RANGE

(If below 10%, considered a shortfall or deficiency. If above 25% considered a surplus or excess. Within 10% to 25%, no action needed.)

B*25%=C	$	1,061,810	25% LIMIT AMOUNT
10%		424,724	10% LIMIT AMOUNT

FIGURES ARE NOT AUDITED AND ARE SUBJECT TO CHANGE.

CITY OF SARATOGA SPRINGS
BUDGET EXPENSE COMPARISON
DECEMBER 31, 2014

ATTACHMENT D

Department	2014 Adopted Budget	2014 Revised Budget	2014 Actual	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
Mayor	$ 2,156,900	$ 2,413,258	$ 2,063,652	$ 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
Finance	2,716,260	3,500,042	3,318,679	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
DPW	9,196,078	10,441,652	9,948,805	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
DPS	23,125,219	23,890,385	22,624,770	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
Accounts	1,142,188	2,119,179	1,324,308	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
Recreation	2,103,376	2,116,516	1,912,568	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
Total	$ 40,440,021	$ 44,481,032	$ 41,192,783	$ 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
		9.99%			6.61%			8.03%			8.36%			5.42%	

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

City of Saratoga Springs
Departmental Expense Report
December 31, 2014
COMPARED TO PREVIOUS YEARS

ATTACHMENT E

Department	2014 Revised Budget	2014 Actual	2013 Revised Budget	2013 Actual	2012 Revised Budget	2012 Actual	2011 Revised Budget	2011 Actual	2010 Revised Budget	2010 Actual
Mayor	$ 2,413,258	$ 2,063,652	$ 2,360,126	$ 2,000,574	$ 2,299,758	$ 1,935,644	$ 2,288,311	$ 1,820,642	$ 2,321,691	$ 1,870,994
Finance	3,500,042	3,318,679	3,061,488	2,902,556	2,374,111	2,276,785	2,316,068	2,139,421	2,198,428	2,128,141
DPW	10,441,652	9,948,805	9,973,742	9,149,100	9,474,958	8,598,088	9,397,131	8,725,688	9,480,310	8,383,665
DPS	23,890,385	22,624,770	23,108,780	21,943,110	22,123,820	21,024,928	21,032,435	19,945,059	19,651,119	18,844,359
Accounts	2,119,179	1,324,308	1,865,527	961,351	1,961,063	1,343,340	1,971,257	1,075,345	1,886,335	1,166,992
Recreation	2,116,516	1,912,568	2,131,950	1,889,414	2,007,675	1,823,716	2,028,107	1,698,068	1,831,504	1,454,609
Totals	$ 44,481,032	$ 41,192,783	$ 42,501,613	$ 38,846,104	$ 40,241,385	$ 37,002,501	$ 39,033,309	$ 35,404,222	$ 37,369,386	$ 33,848,760

CITY OF SARATOGA SPRINGS
ACTUAL DEPARTMENTAL EXPENDITURES
AS OF DECEMBER 31
2010 - 2014

ATTACHMENT F

Department	**2014 Actual**	2013 Actual	2012 Actual	2011 Actual	2010 Actual
Mayor	**$ 2,063,652**	$ 2,000,574	$ 1,935,644	$ 1,820,642	$ 1,870,994
Finance	**3,318,679**	2,902,556	2,276,785	2,139,421	2,128,141
DPW	**9,948,805**	9,149,100	8,598,088	8,725,688	8,383,665
DPS	**22,624,770**	21,943,110	21,024,928	19,945,059	18,844,359
Accounts	**1,324,308**	961,351	1,343,340	1,075,345	1,166,992
Recreation	**1,912,568**	1,889,414	1,823,716	1,698,068	1,454,609
TOTALS	**$41,192,783**	$38,846,104	$37,002,501	$35,404,222	$33,848,760
% Change From Prior Year	***6.04%***	*4.98%*	*4.51%*	*4.60%*	*-2.80%*

CITY OF SARATOGA SPRINGS
HISTORY OF INTERFUND LOANS - WATER AND SEWER
2005-2014 AS OF DECEMBER 31

ATTACHMENT G

YEAR	WATER	(DEC)/INC	SEWER	(DEC)/INC
2005	34,442.96		361,118.02	
2006	437,654.92	403,211.96	381,153.84	20,035.82
2007	692,537.21	254,882.29	728,570.50	347,416.66
2008	882,955.51	190,418.30	978,673.56	250,103.06
2009	816,201.45	(66,754.06)	1,040,618.61	61,945.05
2010	780,834.99	(35,366.46)	1,174,926.11	134,307.50
2011	809,750.35	28,915.36	1,002,452.88	(172,473.23)
2012	672,662.56	(137,087.79)	763,732.21	(238,720.67)
2013	643,787.99	(28,874.57)	614,924.94	(148,807.27)
2014	253,418.02	(390,369.97)	312,883.45	(302,041.49)

Since 12/31/2011, Interfund Loans have decreased in both the water and the sewer funds.
2014 numbers are unaudited.