



City of Saratoga Springs

**2017 BUDGET MESSAGE OF THE
COMMISSIONER OF FINANCE**

Office of Finance

October 4, 2016

2017 BUDGET MESSAGE OF THE COMMISSIONER OF FINANCE

To the Members of the Saratoga Springs City Council and the People of the City of Saratoga Springs:

I am pleased to present the 2017 Comprehensive Budget, the fifth budget that I have submitted to the City Council **for the taxpayers of our City**. The City Budget is one of our most important policy documents. It is the bridge between our vision for the City of Saratoga Springs and the realization of that vision. **The City Budget documents our commitment to delivering:**

- **Excellent City Services**
- **Sustainable City Government**

For each of my past four budgets I have succeeded in re-aligning fiscal priorities with fiscal realities. **We now have solid reserves, an improved bond rating of AA+ that has remained high and steady, funds for contingencies, and a healthy fund balance, all with virtually no tax increases.**

The 2017 Comprehensive Budget is driven by my continued commitment to a stable tax rate in the face of the rising costs of good government and the NYS property tax cap. The NYS tax levy cap is 2% *or* the rate of inflation, whichever is lower. This year the rate of inflation is substantially lower, resulting in a 2017 allowable levy growth factor of 0.68%. This factor is even lower than last year's allowable levy growth. Absent growth in the City's property tax base (either through increased assessed values, the addition of properties to our tax roll, or both), funds raised by property tax effectively cannot increase. And at this time, the City does not have other revenue sources to fill the gap.

This is not a new message. Each of the last four years we have come to the first meeting in October to discuss the difficulties of matching expenses to revenue without raising taxes. Each year we bemoan unfunded mandates, rising health care costs, unsettled collective bargaining agreements, capital needs that are wanting, and limited revenues. None of these issues have disappeared and they will not be changing anytime soon. But we know all this. As a legislative body, the majority of us have shared this table for almost five years. We are experts in this. Moreover, we are experts at adopting City budgets that make this City shine in spite of budget confines.

This year I would like to present a new message. It is time to shift the focus from the cuts and sacrifices we must make in the face of limited resources, from the challenges of establishing priorities where all priorities seem equal. These are the realities of our jobs, realities that it is our responsibility to face, realities that we have become good at, and realities that we need to work through efficiently and without fanfare. **Revenue may always constrain expenses but it doesn't have to constrain good ideas for good government. The City of Saratoga Springs must look forward. It is time to envision a Smart City and to ensure that the City of Saratoga Springs is on that path.**

When people say "Smart City" they often think of WiFi, broadband, fiber optics, and other IT related matters. I have learned that "Smart City" means different things to different groups. I have also learned that "Smart City" means much more than a computer running the street lights. In the context of the City budget I believe that it means we must be innovative and resourceful to become a leader in a very modern world, all within the confines of what we have. And yes, we do want WiFi, broadband, fiber optics, and computers running the street lights. Not just because

these things are “cool”, which they are, but because these things promote efficiency, economic development, and equality. In short, they save money, make money and create parity.

Being a “Smart City” is a frame of mind about approaching our challenges. This is the conversation we should be having as visionary legislators, and this is the message I want us to bear in mind as we work through the 2017 City Budget.

Expenses - General Fund

The total proposed 2017 Comprehensive General Fund Budget is as follows:

Total 2017 Comprehensive General Fund: **\$45,527,282.49**
General Fund Change from 2016 Adopted Budget: **\$ 1,514,266.98**

PERSONAL SERVICES AND HEALTH CARE. The 2017 Budget is defined by employee costs. The year over year increase in the General Fund for personal services and health insurance totals \$1,599,668.45. This accounts for *virtually all* of the change between 2016 to 2017 budget years.

- **Personal Services - \$1,090,552 increase.** This administration settled two collective bargaining agreements in 2016, four in 2015, and one in 2014, bringing all seven collective bargaining agreements up to date for the first time in many years. Council is to be commended for this accomplishment. It is both a success and a challenge, as we now work with the realities of fully budgeted personnel costs. The 2017 General Fund budget for wages/social security is *over half* of the entire City operating budget (over \$25 million).

Each collective bargaining agreement contract includes 2-2.5% raises plus annual step increases plus new salary schedule structures. The simple fact is that these far outstrip budget increases allowed under the NYS tax cap.

We will begin this process again next year, as three employee contracts will be expired year-end 2016 and two will expire year-end 2017.¹ The City must continue to settle these in a manner that is consistent with its resources and the economy.

- **Health Insurances - \$509,116 increase.** The health insurance rate for the City’s main carrier is estimated to increase by almost 8%. The City has three other carriers (two for retirees and an additional one for the PBA) which have rate increases ranging from 4.8%-14%. The total cost of health and vision insurance allocated to the general fund is approximately **\$7,762,734** or about 17.1% of the operating budget. The average family plan for most employees costs about \$23,200 per employee per year.

There are two personnel investments that are new to the 2017 Comprehensive Budget. One is offset by revenue; the other is offset by expense reductions. Staffing otherwise remains at 2016 levels.

¹ 3 expire in 2016 (CSEA-CH, CSEA-DPW, and Police Lieutenants); 2 expire in 2017 (PBA and Fire Admin); 1 expires in 2018 (Firefighters); 1 expires in 2019 (PO Admin).

SAFER Grant Firefighters. **The Department of Public Safety has applied for its second SAFER Grant (“Staffing for Adequate Fire & Emergency Response”), requesting funding for eight firefighters for two years.** Grant funds cover all wages and benefits (about \$573,214 for year 1); the City covers incidentals such as training, protective clothing, travel and HVCC Paramedic (about \$114,400 annually). SAFER grant objectives are to provide funding directly to fire departments to help them increase or maintain the number of trained, "front line" firefighters available in their communities and to comply with staffing, response and operational standards established by the NFPA. The City was awarded a SAFER grant in 2010 for seven firefighters. A huge success, the grant helped the Fire Department recover from the 2010 lay-offs and contributed to what is now the City's thriving ambulance program. The ambulance program is slated to contribute \$860,000 in revenue to the 2017 General Fund operating budget. The eight additional firefighters will bring the City's total number of firefighters to 68, and assist the department in staffing its second ambulance which will be essential in meeting the growing need for emergency medical care and transport.

Director of Risk and Safety. The position of Director of Risk and Safety is salaried well below all other director titles. Most director titles are in the CSEA-City Hall union at Grade 18, which has step wages ranging from \$105,364 to \$130,893. The Director of Risk and Safety is covered by a Resolution for Non-Union Full-time Employees and would be paid \$87,770 in 2017. This position is in charge of City-wide liability insurance and the countless responsibilities that go with this task. The 2017 Budget includes \$25,000 to bring this title towards parity with other City directors. This is offset by substantial decreases in 2017 liability insurance premiums, and it allows the Council to decide whether and how to apply these funds.

OTHER EXPENSES. The remaining City expenses include *Equipment, Contracted Services* (all outside purchases, both services and goods), *Principal, Interest, Benefits*, and *Contingency/Interfund Transfers*. **Across these categories, increases are more than offset by decreases, resulting in a net year to year reduction.**

While we cannot control certain cost increases, we have all worked to find smarter ways of delivering City services. Some budget items were maintained at 2016 adopted budget amounts – the City is doing well under these amounts and it is anticipated that it can continue to do so. But many expenses are decreased, providing significant offsets for the increases required.

Other increased expenses include:

- Hardware and Software - \$72,836 increase. Computers are the driving force behind most City functions and this is reflected in increased hardware and software needs. The Police Department requires \$48,428 to implement the new County 911 system; the IT Department estimates \$22,079 in required increases; the City telephones require a \$2,329 upgrade.
- Professional Services for Landfill and Loughberry Dam - \$70,000 increase. There are two projects that require special and increased professional service funds – a legal matter and the City landfill and tests/review of the Loughberry Dam. Both matters were initiated during the former administration and both are being addressed by the current administration.
- Service Contracts for Equipment – \$49,303 increase. Equipment needs and usage has increased and become more complicated, and most if it requires service contracts. IT, Police

and Fire Departments account for the bulk of the increases. The Fire Department’s needs are dictated in part by changes to the County CAD system.

- Vehicle for ‘Trees’ Department - \$45,000 increase. Public Works is dependent on vehicles to get its job done. The department works with a replacement plan to ensure that its fleet is safe and accessible. The Trees department needs a pickup truck. City trees are a valuable resource, as reflected in the City’s Urban and Community Forest Master Plan.
- Interfund Transfer out - \$39,756 increase. The Interfund transfer line varies from year to year depending on whether and which reserve or other fund balance amounts are used in funds other than the General Fund. Amounts in this line are ***budget neutral***, as amounts are entered in both expenses (Interfund Transfers out) and revenue (Use of Restricted Fund Balance, Use of Unassigned Fund Balance, Real Property Tax).

Amounts tapped from the Building Reserve are greater in 2017 as City Hall building improvements are required. This reserve has been replenished each of the past several years and is a valuable resource for the City. 2017 does not include funds from the Parkland Reserve or Youth Parking and Vernon Surplus. The Parkland Reserve is not being used in the 2017 budget and the Vernon Ice Rink debt has been paid in full.

2017 Comprehensive Budget		2016 Adopted Budget	
\$0	Parkland Reserve is not used in 2017 Budget, and is almost depleted.	\$100,000	from Parkland Reserve to the Capital Budget for the Waterfront project.
\$250,000	from Building Reserve to the Capital Budget for City Building Upgrades (\$250K).	\$50,000	from Building Reserve to the Capital Budget for City Building Upgrades (\$50K) .
\$0	Vernon Ice Rink Debt has been paid in full (per CCM 4/15/97 & 12/17/2002)	\$60,000	from Youth Parking (\$20K) and Vernon Surplus (\$40K) to the Debt Service Budget for the Vernon Ice Rink Debt (per CCM 4/15/97 & 12/17/2002)
\$136,724	from real property tax collected on “hotel” parcels to the City Center per the 12/21/2005 lease agreement.	\$136,968	from real property tax collected on “hotel” parcels to the City Center per the 12/21/2005 lease agreement.
\$386,724	TOTAL	\$346,968	TOTAL

- Senior Center, SLPID, Franklin Community Center- \$29,000 increase. The Saratoga Springs Senior Center has repeatedly requested funds for a new outreach program. CDBG has been unable to respond to this request, so the Center has turned to the City to help start a buddy program that provides increased safety and companionship for City seniors. The City has included \$20,000 towards the launch of this program.

The Saratoga Lake Protection and Improvement District (SLPID) requested \$5,000 in 2016 for lake clean-up (with particular attention to weeds and invasive species), and has repeated this request for 2017. A majority of jurisdictions that touch the lake’s boundaries contribute to this organization.

The Franklin Community Center has recently contracted with the City to pay utility bills, resulting in a \$4,000 increase.

- Professional Services for the Finance Department - \$28,900 increase. The Finance Department professional services budget includes the City’s actuarial and independent

auditor. This year, funds are added to cover rented space for department staff during a long deferred renovation of the finance offices.

- Professional Services for the IT Department - \$21,411 increase. The IT Department is critical to every City function. In addition to increased hardware, software, and service contracts for equipment, its service contracts for professional services have increased to cover City-wide server support, Security software, the City Website, the City agenda package (NOVUS), the City's financial management program (MUNIS) and OpenGov (financial transparency portal).
- DRC CLG Grant - \$18,000 increase. This is a grant obtained by the Planning Department for the City, in partnership with the Saratoga Springs Preservation Foundation, to conduct an economic impact study of historic preservation in Saratoga Springs. The study will inform government officials, business leaders, and others within the community and across the state of New York about the importance of historic preservation to the economy of Saratoga Springs and the role of the Design Review Commission in ensuring that the historic resources of City of Saratoga Springs are preserved. The grant is budget neutral as grant revenue and expenses are budgeted equally; each is included in the 2017 Comprehensive Budget at \$18,000.
- Fire and Police Department Professional Services - \$14,000 increase. Fire Department costs are affected by changes County CAD, Computer data systems upgrades, and maintenance fees. Police Department costs are affected by service contracts for Nixel notification systems, Taser, e911 and Zone 5.
- Building Repairs for Recreation - \$13,275 increase. A small increase was included for the ice rinks and the indoor recreation facility. Both require upkeep and maintenance for the safety of users, many of whom are children.
- Risk and Safety Initiatives - \$12,412 increase. The Risk and Safety Department must expand its security camera maintenance program as more cameras are added to the City's fleet.
- Paving Materials - \$10,000 increase. NYSDOT has revised its paint regulations, causing an uptick in the cost of pavement paint and materials.
- WiFi at the Ice Rink - \$6,300 increase. The Recreation Department has brought WiFi to the ice rinks, which will be offset by increased programs as more Vendors are attracted to these venues.

Other decreased expenses include:

- Liability Insurance - \$141,564 decrease. Liability insurance costs are considerably reduced in both 2016 and 2017 due to a soft insurance market and the diligence of our Risk and Safety Director.
- Contingency - \$125,000 decrease. This expense line covers unexpected issues, emergency situations and occasional opportunities. It is also budgeted to cover costs associated with the settlement of employee contracts. All collective bargaining agreements are currently settled. Three will expire at the end of 2016; two more will expire at the end of 2017.

- Other Supplies for the City Engineer-\$57,600 decrease. This reflects the completion of a one-time 2016 purchase of an updated CAD system.
- Professional Services for Courtroom Space-\$50,000 decrease. This reflects the completion of planning documents in connection with the State mandated courtroom upgrade.
- Gas & Oil, Salt & Sand, Tipping Fees-\$76,750 decrease. Gas & Oil costs are reduced by \$36,750; Salt & Sand are reduced by \$30,000; Tipping Fees (transfer station fees for dumping waste) are reduced by \$10,000.
- Various Professional Services-\$38,200 decrease. Funds available for outside legal assistance to the City Attorney's office have been reduced by \$15,000. Other reductions include the contract for Cemetery care (\$15,000), Visitors Center, now run by the SCBT (\$4,000), taxes on city-owned property (\$3,200), outside assistance with Trees (\$1,000).
- Vehicles (Fire Department) - \$35,000 decrease. Fire Chief vehicle has been replaced.
- NYS Retirement System Contribution - \$28,240 decrease. The City has completed a large and amortized payment that covered tier changes for several members, lowering costs for its contribution for Police & Fire substantially. New York state pension mandates will cost the City's general fund \$ 4,327,584 in 2017. This is about 10% of the entire 2017 operating budget.
- Various Utilities-\$10,000 decrease. Utilities for the City Hall and the Police Department have been reduced by \$7,000 and \$3,000 respectively.

There are a total of \$2.675 million in expenditure increases, offset by \$1.16 million in expenditure decreases. Short of eliminating an entire department, a \$1.5 million gap cannot be closed with expense reductions. The City must look at the other side of the budget and examine its revenues, fund balance and reserves.

Revenues – General Fund

The City's revenue resources are finite and new revenue sources are scarce. Municipalities have limited taxing powers and fees are carefully considered. Revenue growth may be anticipated but it is not a certainty, and it is not always in sync with obligatory expense increases. These issues are manifest in the 2017 General Fund Revenue Budget.

MAIN REVENUE SOURCES. The majority of the City's General Fund budget is supported by five main revenue sources:

- **Sales tax**
- **Mortgage tax**
- **State aid**
- **VLT Aid**
- **Real property tax**

There is no growth in any of the City's main revenue sources, though VLT Aid has been increased to reflect amounts received for the past three years. Changes to these revenues can be summarized as follows:

- **Sales Tax - \$1,099 increase.** Sales tax collection through the end of July 2016 was running about on par with actual amounts collected at the same time last year. If this trend continues, the 2016 collection will be below amounts included in the 2016 Adopted Budget.

For the past several years sales tax has had an uptick during the holiday seasons. With this in mind, sales tax is included in the 2017 Comprehensive General Fund Budget at a conservative 4% increase over amounts projected for 2016, in the amount of \$12,275,000.

This is effectively the same as amounts in the 2016 Adopted Budget, and while it is a strong sales tax collection, it will not provide relief for increases in wages and health care.

- **Mortgage Tax – \$0 increase.** The City of Saratoga Springs has had a strong housing market, but 2016 mortgage tax collection is running slightly lower than 2015 at this time. Amounts currently projected through year-end are about the same as the 2016 budget. Accordingly, 2017 mortgage tax has been budgeted the same as amounts in the 2016 Adopted Budget, in the amount of \$1,530,000, and will not provide relief for increases in wages and health care.
- **State revenue sharing - \$0 increase.** State Aid has been a longstanding resource for the City though it does not keep pace with state mandate escalation. The state has given no indication that support will increase. For 2017, amounts budgeted are equal to amounts received in 2011, 2012, 2013, 2014, 2015, and 2016, and will not provide relief for increases in wages and health care - \$1,649,701.
- **VLT Aid - \$498,341 increase.** Under State Finance Law, the City receives a share of video lottery terminal revenue. Amounts received under this legislation are not actual VLT monies, but are state assistance based on a percent of what was received in the year 2008. The City is required to use its share to 1. defray local costs of VLT's, or 2. minimize or reduce real property taxes.

VLT Aid revenue is significant not only because of its amount, but also because of its erratic history. While it was originally touted as a recurring revenue designed to assist host cities, the State has been inconsistent in its delivery.

- First received in 2007, it was pulled altogether in 2009 and 2010. This was a loss to the City of over \$3.3 million per year in anticipated revenue.
- In June of 2011 it was unexpectedly reinstated at the reduced amount of 45% of the 2008 award (\$1.496 million).
- In April 2013 it was restored to 55% of the 2008 award (\$1.827 million).

- In April 2014 and 2015, by legislative initiative, it was further restored to 70% of the 2008 award (\$2.325 million).
- In April 2016, by the governor's executive budget, VLT Aid was maintained at 70% of the 2008 award (\$2.325 million).

For the past three years, the City has budgeted \$1.827 million but received \$2.325 million. Unlike 2014 and 2015, 2016 amounts did not require legislative action, but were included in the Governor's executive budget. 2017 is not the year to leave money on the table. In the face of large and obligatory expense increases, it is time to include these funds in the City's adopted budget. Accordingly, **VLT Aid is in the 2017 Comprehensive budget at \$2,325,592.**

FUND BALANCE. There are now five distinct categories of Fund Balance according to the 2009 Governmental Accounting Standards Board (GASB) Statement 54. Two of these are reflected in the 2017 Comprehensive Budget: Restricted and Unassigned. Together these total **\$1,866,112, an increase of \$1,116,112 from 2016 amounts.** Most will be used towards the General Fund Budget; the remainder will be transferred to the Capital and Debt Service Funds.

The 2017 Comprehensive Budget uses a significant albeit necessary amount of City Reserves and Unassigned funds. **The City has built these funds up with taxpayer dollars; using them to reduce the tax rate to an allowable range gives those dollars directly back to the taxpayer. Transitioning to a budget based on a completely updated payroll, with a near 0% allowable tax levy increase and otherwise flat revenue resources, is the time that taxpayers deserve their funds the most.**

- **Restricted Fund Balance - \$850,000 increase.** Restricted fund balance includes amounts from Reserves. The total Restricted Fund balance included in the 2017 Budget is **\$1,325,000.** Most will be used in the General Fund Budget (\$1,075,000); some will be transferred to the Capital Fund Budget (\$250,000).

Tax Stabilization Reserve Fund. I have included **\$775,000 from the City's Tax Stabilization Reserve.** This reserve may be used to lessen or prevent any projected increase in excess of two and one-half percent in the amount of the real property tax levy needed to finance the general fund portion of the annual budget for the next succeeding fiscal year².

With no new revenue sources, little revenue growth, an almost 8% increase in health care costs and contracts that the Council unanimously supported that are in excess of an unrealistic NYS property tax levy allowable growth, I can think of few better circumstances to use this reserve. It was created for this purpose. It is funded with taxpayer dollars. Taxpayers deserve to use their reserve rather than pay more taxes or received diminished services.

² See NYS General Municipal Law (GMU) Article 2, Section 6-E. The maximum amount that may be used is equal to the difference between the projected amount of real property tax required to balance the 2017 budget and 102.5% of 2016 general fund real property tax levy.

The parameters of the Tax Stabilization Reserve are strict. It may only be used in limited situations. Once funded, it can lie fallow and untappable for years. **In the face of one of the few situations for which the reserve is designed, the Council should not withhold taxpayer dollars from the taxpayer while asking them to pay more.** At the September 20, 2016 City Council meeting the Council agreed, and unanimously approved a Resolution authorizing its use in the 2017 Budget.

Retirement System Reserve Fund. I have also included **\$300,000 from the City's Retirement Reserve** towards the annual unfunded retirement liability allocated to the **General Fund**. Current reserve amounts are \$439,146, and I will be making replenishment recommendations.

Buildings Reserve Fund. I have recommended that **\$250,000 from the Buildings Reserve** be used to support City building repairs/upgrades. The City should use its full range of financial resources to fund capital projects under this budget rather than rely solely on property tax. Current reserve amounts are \$527,198 and I will be making replenishment recommendations.

- Unassigned Fund Balance - \$241,112 increase. Unassigned fund balance is all fund balance remaining that is not classified or restricted and can be made available for any purpose. The total Unassigned Fund balance included in the 2017 Budget is **\$541,112**. These amounts are available for any purpose.

The City has a healthy unassigned fund balance. Our Fund Balance Policy dictates an unassigned fund balance range of not less than 10% and not more than 25% of the total General Fund adopted budgeted expenditures. Based on our most recent audited financial statements, the City's unassigned fund balance is about 21% or \$9,359,498. Using a moderate amount of unassigned fund balance to help to smooth obligatory expense increases in a year of low revenue growth is a reasonable way to return taxes paid to taxpayers.

OTHER REVENUE SOURCES. Increases in other revenue sources are briefly summarized as follows:

- Employee Contributions to Health Insurance – \$49,840. Employee contributions to health insurance increase as rates increase. Contributions are capped under the federal Affordable Care Act.
- SAFER Grant - \$31,303 increase. SAFER is a federal grant that allows for reimbursement of all wages and benefits for firefighters hired under its sponsorship. This amount covers the wages and benefits for 8 new firefighters budgeted in the Public Safety Department. The City applied for this grant last year. This amount for this year's application has increased, as wages and benefit costs have increased. SAFER amounts in the 2017 Comprehensive Budget total **\$573,214**.
- Ambulance Transport Charges - \$25,000 increase. The City and the public continue to reap the benefits of the highly successful Ambulance program. Revenue continues to increase and, more importantly, public safety services have been improved. Ambulance transport fees are included in the 2017 Comprehensive Budget at **\$825,000**.

- Special Events Overtime - \$21,000 increase. Both the Police and Fire Departments estimate a \$10,000 increase each in fees collected for overtime due to special events. The Traffic Control Department estimates an additional \$1,000. Total budgeted for Police is **\$40,000**. Total budget for Fire is **\$90,000**. Total budgeted for Traffic Control is **\$6,000**.
- DRG CLG Grant - \$18,000 Increase. This is a grant obtained by the Planning Department to review the economic value of historic properties. It is budget neutral as grant revenue and expenses are budgeted equally, both included in the 2017 Comprehensive Budget at **\$18,000**.
- Recreation Department Summer Program Fees - \$18,000 increase. The Recreation Department has seen an uptick in Summer Program revenue due to new programming. Total estimated revenue in the 2017 Comprehensive Budget is **\$123,000**.
- Civil Service Fees - \$8,586 increase. Civil Service estimates an increase in fees based on historical trends. The total budgeted in the 2017 Comprehensive Budget is **\$40,300**.
- County Hazardous Material Contract - \$5,750. The City has contracted with the County to provide Hazardous Material Services for which it will be paid **\$5,750**.
- Franchise Tax - \$5,000 increase. Franchise tax collected in 2016 is running slightly higher than amounts budgeted. Accordingly, this has been increased slightly and included in the 2017 Comprehensive Budget at **\$550,000**
- Recreation School Contract - \$5,000 increase. This contract is between the City and the School for care and improvements to the East and West Side recreation fields that are owned by the school district. Under its terms, there is an increase for 2017 and amounts budgeted are **\$110,000**.

Decreases in other revenue sources are summarized as follows:

- Interfund Transfer In - \$96,008 decrease (total 2017 budgeted amounts, \$48,112). The Water and Sewer Funds established fees to pay back loans from the General Fund. Amounts collected are reflected in this revenue line. However, the Sewer fund has completely extinguished its debt and the Water Fund is close behind.
- Hotel Occupancy Tax - \$70,108 decrease (total 2017 budgeted amounts, \$620,000). 2016 occupancy tax collection is running lower than 2015, and amounts have been adjusted for the 2017 budget .
- Transfer Station Bags - \$15,000 decrease (total 2017 budgeted amounts, \$150,000).
- Hazardous Waste Revenue - \$10,000 decrease (total 2017 budgeted amounts, \$0). This program is expensed in one year and reimbursed the next year.
- Compost Material Sales - \$10,000 decrease (total 2017 budgeted amounts, \$40,000).
- Fire Services - \$10,000 decrease (total 2017 budgeted amounts, \$10,000).

- Workman’s Comp Reimbursement - \$10,000 decrease (total budgeted amount, **\$100,000**).
- Finance Fees - \$6,000 decrease (total budgeted amount, **\$70,000**).
- Truck Enforcement Fines - \$5,000 decrease (total budgeted amount, **\$0**).

The City of Saratoga Springs has a *combined* tax rate – property tax supports both the General fund (our operating budget) and the Debt service fund (the budget which reflects principal and interest payments on amounts bonded for capital projects). Accordingly, the Capital and corresponding Debt Service funds must also be considered in light of our property tax burden and the City’s essential needs.

Capital and Debt Service Budgets

CAPITAL BUDGET. The Capital Budget process involves a thorough review and ranking of the City’s Capital needs over the next 6 years. The 2017 Comprehensive Budget includes 21 projects from the requested capital projects recommended by the Capital Committee and approved by the City Council.

The total project cost for all 21 Capital projects is **\$6,367,936**. Of this, about \$3,883,336 requires bonding; \$250,000 will be drawn from the Building Reserve Fund; \$199,600 will be covered by the Recreation Trust Fund; and \$35,000 is from the City School District. There are three projects totaling \$2,000,000 that are funded through the Water or Sewer Fund budgets for budget year 2017.

The top two priorities in the 2017 Comprehensive Budget are among the top priorities of the Capital Committee and include two of the four top priorities of the City’s Safety Committee:

	PROJECT	TOTAL PROJECT COST	BONDED AMOUNT
1.	<u>Public Safety Department Emergency Services Dispatch Renovation</u>	\$1,056,432	\$1,056,432
2.	<u>Pedestrian Safety Improvement Proposal-Community Safety Initiative</u>	\$283,800	\$283,800

The remaining projects included in the 2017 Comprehensive Budget are listed in the order of the Capital Committee priorities:

	PROJECT	TOTAL PROJECT COST	BONDED AMOUNT	OTHER FUNDING SOURCES	
3.	Arial Bucket Truck Replacement	\$150,000	\$150,000		
4.	Dump Truck with Lift (International, replace #75)	\$110,000	\$110,000		
5.	City Buildings and Facilities Repairs	\$749,104	\$549,104	\$200,000	Building Reserve

	and Upgrades-Finance Offices				
6.	Court Resurfacing	\$55,000	\$0	\$55,000	Recreation Trust
7.	Bicycle-Pedestrian Crossing-Crescent Ave/Rt. 9	\$49,500	\$0	\$49,500	Recreation Trust
8.	Canfield Casino Rehabilitation Program: Final Plaster Repairs Phase-Ballroom & Parlor	\$600,000	\$600,000		
9.	Dump Truck (International, replace #8)	\$89,000	\$89,000		
10.	Dump Truck with Plow Equipment (replace #13)	\$174,000	\$174,000		
11.	Dump Truck with Plow Equipment (replace #53)	\$174,000	\$174,000		
12.	Dump Truck with Plow Equipment (replace #26)	\$174,000	\$174,000		
13.	City Buildings and Facilities Repairs and Upgrades	\$200,000	\$150,000	\$50,000	Building Reserve
14.	Spider Slope Lawn Mower	\$33,000	\$33,000		
15.	East Side Storm Water Project Phase III	\$250,000	\$250,000		
16.	Katrina Trask Stairway-Congress Park	\$90,000	\$90,000		
17.	Field Rehabilitation	\$95,100	\$0	\$95,100	Recreation Trust
18.	East Side and West Side Rec Improvements	\$35,000	\$0	\$35,000	School Contract

Projects funded through the Sewer and Water Fund budgets include:

	PROJECT	TOTAL PROJECT COST	BONDED AMOUNT
19.	Water Treatment Plant Intake Valve Replacement Project	\$900,000	\$900,000
20.	Water Treatment Plant Flocculation Tank Equipment Upgrade Project	\$375,000	\$375,000
21.	Sanitary Pump Station Upgrade Project	\$725,000	\$725,000

Principal and interest payments on bonds for these projects are supported by the Sewer and Water Funds, respectively, and paid for by user fees. Each fund now has a Reserve for Capital Improvements which is funded by a special fee for capital improvements that is recited in the annual Water and Sewer Rates Resolutions.

Modifications. The Budget Chair is required to ensure that there are sufficient estimated revenue to match expenses. In order to comply with this Charter mandate and present a balanced budget, I have modified six requested Capital Budget items.

- ✓ Water Treatment Plant Security Systems Project - \$77,000
- ✓ Security System Infrastructure - \$39,566
- ✓ Ice Rink Rehabilitation – \$24,000

These three items are removed from the 2017 Capital Budget with the recommendation to amend the 2016 Capital Budget for each project. They are for relatively small amounts that are better paid for at once than over time with interest. The two security systems projects may be funded using 2016 VLT revenue that was collected over amounts budgeted. The Ice Rink Rehabilitation can be accommodated with general fund budget amounts.

✓ Saratoga Greenbelt Trail Greenbelt Downtown Connector (Excelsior) - \$2,268,665

This is a \$2.2 million dollar project with a 50% City match. It would be funded by \$1.134 million grant, \$150,000 from the Recreation Trust Fund, \$151,095 in donations, and \$833,238 in bonded funds. Responses to grant applications are unknown, and the City may not receive the full amount requested. This is an inordinate burden for taxpayers to bear when we do not know if we will actually get the grant. I have moved this project to the 2018 Capital Program, and recommend that Council consider a 2017 Capital Budget Amendment should we receive the grant.

In the event that the City does receive the grant, the Council should have a thorough discussion about what the City can afford in the face of a virtual standstill in our tax levy and many challenging and required infrastructure needs (911 system, Loughberry Lake Dam required upgrades, Courtroom mandate). This project is a fine culmination of the hard work of City staff and citizens alike, but like all projects, it must be considered in the context of all priorities, mandated and otherwise.

✓ Pedestrian Safety Improvement Proposal-Community Safety Initiative - \$283,800

In consultation with the Public Safety Department that is sponsoring this project, it has been reduced from 11 improvement sites to 6 in 2017 and 5 in 2018, thereby reducing the cost by \$240,000, from \$523,800 to \$283,400.

✓ City Buildings and Facilities Repairs and Upgrades

Funding from the Building Reserve in the amount of \$250,000 has been used to defray the costs of City Buildings and Facilities Repairs and Upgrades. These projects remain fully funded and in the 2017 Capital Budget.

DEBT SERVICE BUDGET. The Debt Service Budget reflects principal and interest payments on *all* the City's outstanding bonds for capital projects except those included in the Water and Sewer Funds. Revenue used to support the Debt Service Budget's expenditures include property tax, as well as other Council approved sources.

The total proposed 2017 Debt Service budget is \$3,604,244. The main revenue source supporting these expenditures is property tax in the amount of \$2,814,699. **This is an increase of \$238,153 over the prior year tax levy.**

Various other Debt Service Fund revenue sources total \$789,545, and include the Reserve Fund for the Payment of Bonded Indebtedness, Recreation Trust fund, certain Planning Board fees, and interest on investments. Under the City's self imposed 2% debt limit and after

subtracting amounts already bonded and not excludable, the amount available to bond in 2017 is an estimated **\$38,636,365**.

The City of Saratoga Springs retained one of its highest bond ratings to date in the spring of 2016. Standard & Poor's Rating Services sustained the City's rating of "AA+". In addition, it gave the City a "stable outlook" as well as a financial management practice assessment of "good". This is a high rating for a municipality and it served the City well when our Bond Issue went out to bid.

S&P states "The city has exhibited strong budgetary performance with positive operating results in each of the last six fiscal years. ... Given the city's strong historical results, and management's expectations for fiscal 2016, we expect the city's budgetary performance to remain strong. ...Saratoga Springs' budgetary flexibility is very strong, in our view. ... the sewer fund has fully paid back its loan [to the general fund] and...the water fund will complete paying back its loan in fiscal 2016. ... The city has consistently had very strong liquidity and we do not expect a change to these ratios." S&P expressed faith in the City's management, stating "we believe management will continue to make the necessary budget adjustments to maintain balanced operations. As such, we do not anticipate changing the rating during the two-year outlook horizon." It also anticipated raising the bond rate if the City continues to maintain its strong budgetary performance (and economic indicators increase) while mitigating the effects of fixed costs associated with long term liabilities (such as pension and other postemployment benefits (OPEB)).

My recommendations to replenish the City's Reserves and Assignments are integral to the City's continued financial health. I will present these now.

Recommendations for Reserves and Assignments

The City has numerous Reserves and Assignments, many of which have been established during my tenure when fund balance was over the maximum amount allowed under the City's Fund Balance Policy. Though fund balance is not at this time over the current maximum allowable, it is very strong. As Finance Commissioner, I am including recommendations to replenish reserves and establish assignments that can be used as tools to work through 2017 budgetary issues and smooth the transition to 2018.

- **Assignment for expenses associated with "right-sizing" amounts appropriated in the 2017 Budget for employee wages, benefits and other costs carried to maintain the current workforce, not new hires, in an amount of up to \$300,000.**

City budgets are usually funded for current employees based on full year employment, but employees are not always hired on day one of the fiscal year. This is especially the case for Police and Fire, where a full roster requires training and mentoring that cannot be scheduled until available, which is often mid-way through the year (though it can happen in any department). The result is that taxpayers are taxed for the cost of full year employment, lines are over budgeted, and surpluses are accumulated. "Right-sizing" appropriations involve reducing appropriations based on these trends. It is NOT about reducing the number of allowable hires, downsizing, or layoffs.

This Assignment will be available in the event that appropriations were reduced below amounts required for current employees. It is designed to ensure that funds are available to cover budgetary requirements for current employees; it is not for new hires. This Assignment will expire at the year-end 2017 at which time all amounts remaining shall go to the Reserve Fund for the Payment of Bonded Indebtedness.

➤ **Contribution to the Reserve Fund for the Payment of Bonded Indebtedness in the amount of \$100,000.**

Debt service is critical to capital infrastructure and improvement, and largely dependent on property tax. Balancing general fund needs with capital needs will be an ongoing issue in the City's budget management, and this reserve will help provide tax stabilization in those years when it may be needed most. **Current Amount: \$545,608. New Amount: \$645,608. Amounts used in the 2017 Comprehensive Budget: \$400,000.**

➤ **Contribution to the Retirement Reserve in the amount of \$100,000.**

While the past two years were exceptions, the New York State mandated contribution has increased almost every year since its inception. The City can be prepared for future hikes in the employer mandated contribution and support with budget transitions by replenishing the retirement reserve **Current Amount: \$439,146. New Amount: \$539,146. Amounts used in the 2017 Comprehensive Budget: \$300,000.**

➤ **Contribution to the Capital Reserve for Buildings in the amount of \$100,000.**

The City's Capital Reserve for Buildings has been critical to capital improvements, covering unexpected contingencies for large projects and allowing smaller projects to be paid for without incurring interest costs. Historic and older buildings are challenging under any circumstances, and good opportunities can be as unpredictable as disasters. City Hall itself requires improvements to the central hallway, the Courts, and several departments, and the Capital Reserve should be maintained to meet the City's needs. **Current Amount: \$527,198. New Amount: \$627,198. Amounts used in the 2017 Comprehensive Budget: \$250,000.**

➤ **Contribution to the Insurance Reserve in the amount of \$50,000.**

Based on my recommendation, the City established an Insurance Reserve under NYS General Municipal Law (GMU) Article 2, Section 6-n for the purpose of paying liability, casualty and other types of losses, except those incurred for which the certain types of insurance may be purchased. This provides the City with a fund for losses that cannot be insured, such as deductibles or uninsurable losses. These costs can be unpredictable and difficult to budget since it is unclear whether or when funds will be needed. The Insurance Reserve has provided protection, planning, and reduced annual taxes. **Current Amount: \$117,472. New Amount: \$ 167,472. Amounts used in the 2017 Comprehensive Budget: \$0.**

Real Property Tax

The total real property tax is as significant to the citizens of Saratoga Springs as the policy and programs that it supports. It is the first and last piece of the budget - considered at the outset of a budget plan and finalized at the conclusion of a budget plan.

The real property tax levy, tax rate, and amount of taxes paid are different but related items. The tax *levy* is the total amount of money raised by charging a tax on real property. The tax *rate* is the amount paid for every \$1,000 of assessed real property value. It is determined by the tax levy and the total assessed value of all taxable property. The tax *paid* is the tax rate as it is applied to an individual's property, and this is determined by the individual's assessed property value.

PROPERTY TAX LEVY CAP. The 2017 Budget year marks the sixth year of the cap imposed by New York State on the property tax levy. This caps the growth of the total tax levy from year to year and provides the parameter for the City's tax rate. The NY State property tax levy cap formula allows a total property tax levy of **\$19,343,846**.

NYS PROPERTY TAX LEVY CAP FORMULA		
	Calculation Factors	2017
Prior Fiscal Year Tax Levy (12/31/16)		\$19,002,632
Multiplied by Tax Base Growth Factor	1.0114	\$19,219,262
Plus PILOTs Receivable in the Prior Fiscal Year (12/31/16)	\$92,348	\$19,311,610
Multiplied by Allowable Levy Growth Factor	1.0068	\$19,442,929
Minus PILOTs Receivable in Next Fiscal Year (12/31/17)	\$99,083	\$19,343,846
Plus Levy Increase Allowable for % Pension Payments		
TRS	\$0.00	
ERS	\$0.00	
PFRS	\$0.00	
Total Exclusions	\$0	\$19,343,846
Total allowable Tax Levy Limit –all Funds (Adjusted)		\$19,343,846

PROPERTY TAX LEVIES. The City has four property tax levies: the General Fund, the Debt Service Fund, and two Special Assessment Districts. All four combined must be equal to or less than the tax levy cap. The 2017 total of these four is **\$19,200,472** (General Fund \$16,199,484, Debt Service Fund \$2,814,699, and Special Assessment Districts \$166,173, plus an "omitted tax" adjustment of \$20,115). **This is allowable under the Property Tax cap, and may result in carry-over to 2018.**

COMBINED TAX RATES. The proposed tax levies and corresponding tax rates are shown below:

2017 PROPOSED PROPERTY TAX RATE	
Proposed General Fund Tax Levy:	\$16,199,484.49
Proposed Debt Service Fund Tax Levy:	\$2,814,699.46
Proposed Combined Tax Levy:	\$19,014,183.95
Proposed Capital Tax Rate	\$0.8917
Proposed Inside District Tax Rate	\$5.1661
Proposed Outside District Tax Rate	\$5.0920
Proposed Combined Inside Tax Rate:	\$6.0578
Proposed Combined Outside Tax Rate:	\$5.9837
Inside District-Percent Change	-0.03%
Outside District-Percent Change	0.03%
Average Percent Change:	0.00%

Under the 2017 Comprehensive Budget, Saratoga Springs taxpayers will receive a 0% tax increase. The 2017 Comprehensive Budget uses taxpayer dollars wisely. It does not ask the taxpayer to pay more when it already has taxpayer dollars in its coffers. The 2017 Comprehensive Budget is the budget of a Smart City, with no increase in the tax rate.

PROPERTY TAX FREEZE CREDIT. The 2017 Budget year marks the third year of a new State program known as the Property Tax Freeze Credit. If the City stays within the tax levy cap and receives State approval of a timely Government Efficiencies Plan, qualified homeowners will receive a Freeze Credit equal to the **greater of:**

- ✓ the actual increase in their homeowner’s tax bill, **OR**
- ✓ the previous year’s tax bill multiplied by the allowable tax levy growth factor (0.68% for the City’s 2017 fiscal year).

The Freeze Credit will be received regardless of whether property tax increases or decreases.

Home Assessed for \$350,000 (inside district)						
	2017 Bill	\$2,120.21	WHICH IS GREATER 		2016 Bill	\$2,120.77
<i>minus</i>	2016 Bill	\$2,120.77		<i>multiply</i>	Allowable Levy Growth Factor	0.68%
		(\$0.56)				\$14.42
<p>Homeowner's Tax Decrease = (\$3.78) Homeowner's previous bill x 0.68% = \$15.51 ***** Homeowner's Freeze Credit = \$14.42</p>						

Under the 2017 Comprehensive Budget, Saratoga Springs taxpayers have NO tax increase, as well as a rebate through the NYS Freeze Credit.

Each budget is framed by a unique set of issues, but my goal has remained the same. **I am committed to maintaining a stable tax rate and I believe we can do so again this year.** Taxpayer funds have been set aside to be used for the taxpayer, and this year represents the best opportunity to do so.

It is our responsibility as a City Council to use the resources we have to set the budget that is required. We have what we need to do so. The 2017 Comprehensive Budget puts it together in a way that sustains our vision for the City of Saratoga Springs, a smart budget for a Smart City.

Conclusion

The 2017 Comprehensive Budget is straightforward and challenging. **Safety and security requirements are being satisfied, infrastructure needs are being addressed, mandates and employee contracts are settled, planning, development, recreation and the environment are all being attended, and cached taxpayer funds are being used to their benefit. I hope we can move towards a new vision of what we can do for this City with the resources we have. I think that the 2017 Comprehensive Budget accomplishes this step toward a Smart City.**

Before I close, I would like to personally thank my fellow Council members – Commissioner Mathiesen, Commissioner Scirocco, Commissioner Franck, and Mayor Yepsen. I believe that we all approach our tasks with only the best at heart for the City of Saratoga Springs. I look forward to the 2017 Budget season, and thank you for your dedication to the City of Saratoga Springs.