



**City of Saratoga Springs**

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**2018 BUDGET MESSAGE  
COMMISSIONER OF FINANCE MICHELE MADIGAN**

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**Office of Finance**

**October 3, 2017**

## **2018 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 2018 Comprehensive Budget, the sixth budget that I have submitted to the City Council for the taxpayers of our City. Over the years our budget has served as a roadmap for the City, through which we aim to match the wants and needs of each of our Departments within the tight fiscal framework we reside in.

The current City Council has been through multiple City budgets, and I'm happy to say that by working together over the years we have been able to provide excellent services to City residents at a cost they can afford. Through this "exceptional-and-affordable" mantra we go into 2018 with solid reserves, a high bond rating, and a healthy fund balance. This has all been achieved with virtually no tax increases over the past several years, and all while Saratoga Springs remains one of the most desirable places in the State to live and to do business.

All that being said, as I have mentioned in recent City Council meetings, the 2018 Budget has shown itself to be one of the most difficult City budgets I've had to construct in my time as Finance Commissioner. Along with material increases in contractual personnel wages and healthcare-related costs, there are over a dozen retirements expected in 2018, which puts a further strain on the City's limited resources. This unavoidable expense increase is occurring as the City works under the New York State property tax cap, which is 1.84% for 2018. While this cap is up from 0.68% last year, the fact of the matter remains that funds raised by an increase in property tax would have a de-minimus impact on the City's budget, given that the gap between 2018 Requested Expenses and Projected Revenues exceeded \$5 million before any usage of Fund Balance. This dilemma forced the Finance Department to make some tough decisions when crafting the 2018 Comprehensive Budget, many of which I'll go into more detail about in this message and at budget workshops to come.

Before we get to the Comprehensive Budget itself, I wanted to review the budget process at a high level for both Council members and the general public. Per the City Charter, as Commissioner of Finance, I am required to bring the Comprehensive Budget forward at the first City Council Meeting in October. The process of constructing the Comprehensive Budget begins with a Budget Call Letter to Departments in July of each year for Requested Budgets. Following this, each Department submits their Budgetary Requests and Projections, and then Finance begins the process of meeting with representatives from each Department to review departmental and City-wide priorities.

Following tonight's submission of this Comprehensive Budget there will be two public hearings on the budget, along with several workshops to review the budget in more detail. Per the City Charter, "the Council shall adopt the budget on or before November 30th each year", and it is my full intention to do just that. I would note that in the event the City Council fails to pass a budget by November 30th, the Comprehensive Budget shall become the budget for the ensuing fiscal year. That said, it is my goal to work with each and every Department to bring a budget this November that addresses the needs of City Hall, and to do so in a way that works for the whole of the City and within the confines of our fiscal means. As I've said in years past, this Council has done an expert job making the City shine in spite of fiscal realities, and I look forward to working with you all as we continue through this budgetary process.

## **2017 Recap**

As a final note before getting to the Comprehensive Budget, I did want to highlight what the City has done since my last Comprehensive Budget presentation, as a reminder of what the City can accomplish even within our fiscal constraints. The 2017 General Fund Adopted Budget was \$45.5 million, and the 2017 Capital Adopted Budget was \$6.4 million. This Capital Budget allowed for much needed improvements and renovations for City infrastructure, along with new equipment that will benefit residents across Saratoga Springs. With our Adopted 2017 Budget we have:

- Made key personnel additions, including our recently hired HR Administrator Miriam Dixon;
- Finalized or made significant headway in a variety of City endeavors, including the completion of the 2.5 MW Spa Solar Park, continued IT hardware and software upgrades across Departments, and we are consistently being awarded grants thanks to the work done across City Hall, notably by Tina Carton in the Mayor’s Office, among others;
- Continued to be recognized for achievements that directly relate to decisions made by this City Council, including our recent designation as a Tree City by the Arbor Day Foundation, and as a SolSmart Silver Community from the U.S. Department of Energy thanks to our many solar initiatives, and;
- Done all of this while maintaining our AA+ bond rating from S&P, stable property taxes for the last seven years, and remaining one of the safest municipalities in New York State.

This is just a sampling of what we’ve been able to achieve in the past year, and I personally look forward to seeing what the City can achieve in 2018.

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## **2018 Comprehensive Budget Overview – General Fund**

The 2018 Comprehensive Budget calls for a General Fund Operating Budget of approximately \$46.1 million, a 1.3% increase from the 2017 Adopted Budget. As you can see in the Expense summary below, Personnel and Benefits were the largest drivers of this increase. Increases in these categories are especially important, as they represent 83% of the total General Fund Operating Budget.

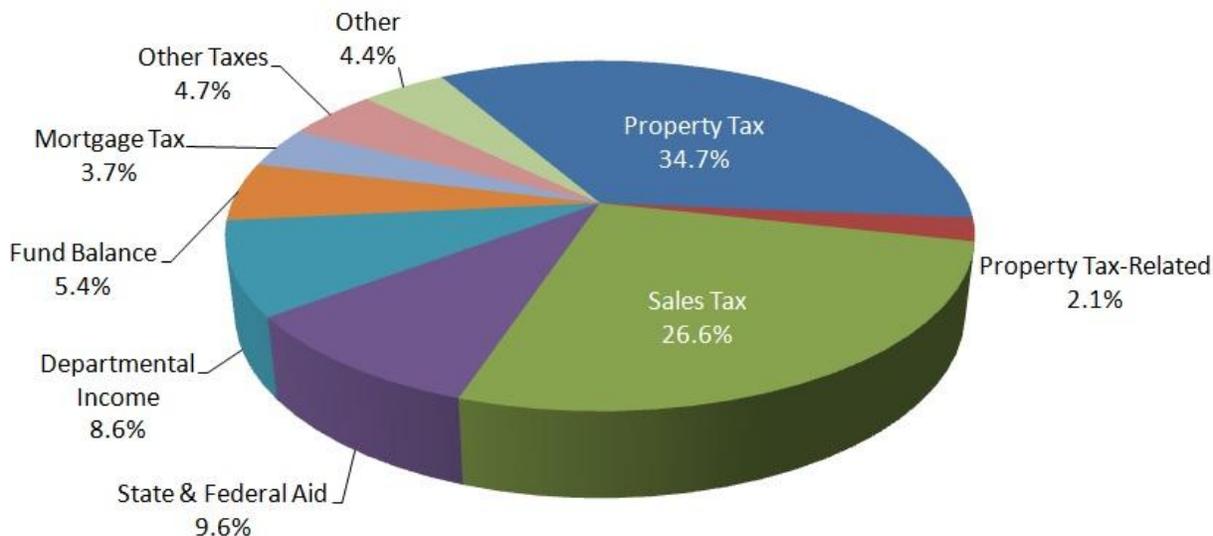
<b>Revenues</b>	<b>2017 Adopted</b>	<b>2018 Comp.</b>	<b>% Change</b>
<b>TOTAL</b>	<b>\$45,527,282</b>	<b>\$46,128,422</b>	<b>+1.3%</b>
<b>Expenses</b>	<b>2017 Adopted</b>	<b>2018 Comp.</b>	<b>% Change</b>
<b>TOTAL</b>	<b>\$45,527,282</b>	<b>\$46,128,422</b>	<b>+1.3%</b>
Personnel	\$24,890,325	\$25,710,617	+3.3%
Benefits	\$12,384,961	\$12,624,129	+1.9%
Equipment	\$753,793	\$466,420	-38.1%
Contracted Services	\$6,841,894	\$6,596,316	-3.6%
Other	\$656,312	\$730,940	+11.4%

I would note that the 2017 Adopted Budget included the Public Safety SAFER grant and matching expenses of roughly \$545,000 that the City did not receive in 2017 and that wasn’t

budgeted for in 2018. If we were to exclude this grant from the 2017 Adopted Budget, 2018 General Fund Revenues and Expenses would be up approximately 2.6%.

### **2018 Comprehensive Budget Revenue Overview**

Total City inflows continue to be largely driven by Property Tax and Sales Tax. Revenue the City receives from the State and Federal government, such as VLT Aid, State Revenue Sharing, and the Consolidated Local Street and Highway Improvement Program, or “CHIPS,” provides for an additional 9.6% of the City’s budget. I would highlight that 5.4% of the 2018 Comprehensive Budget is Fund Balance usage, up from 4.2% in 2017.



- Property Tax-Related includes Special Assessment District revenue, PILOTs, and related interest/penalties
- State & Federal Aid includes VLT Aid, State Revenue Sharing, and CHIPS, among others
- Departmental Income includes City fees, licenses, fines, and permits
- Other Taxes includes Utilities, Hotel Occupancy, NYRA Admissions, and Franchise taxes
- Other includes County Revenue, Interest, Rental Income, and Benefit Contributions, among others

### **Property Tax**

The largest single revenue source for the City is Property Taxes. In years past, I’ve concluded my Comprehensive Budget presentation detailing how City Property Taxes are calculated, and almost every one ended with a 0% tax increase. This year, given the struggles the City faced with unavoidable expense increases and the sheer volume of information we’re reviewing tonight, I’ve decided to discuss property tax earlier in my message. This allows us to focus on some of the more important data points that play not only into the tax calculation, but also into the Finance Department’s thought process as we crafted the overall 2018 Comprehensive Budget.

First, let me say that the Comprehensive Budget assumes no property tax increase for 2018. This was not an easy decision, or one I made lightly, but the reality of the situation is that we live in a tax-capped State, and even increasing Property Taxes to their allowable limit would barely have impacted the \$5 million-plus deficit submitted in the Requested Budgets. More importantly,

there are several material budgetary items outstanding that the City should learn more about in the coming weeks.

<b>Property Tax Levies</b>	<b>2017 Adopted</b>	<b>2018 Comp.</b>
General Fund	\$16,193,984	\$16,003,984
Debt Service Fund	\$2,814,699	\$3,273,221
Other	\$186,286	\$233,915
<b>Total</b>	<b>\$19,194,969</b>	<b>\$19,511,121</b>
<b>Combined Rate</b>	<b>Proposed Rate</b>	<b>Change</b>
Inside District	\$6.0545	-0.03%
Outside District	\$5.9833	+0.02%
Average		<b>0.00%</b>

I felt it rash to burden City residents with a tax increase while so much is still to be determined. As I said earlier, submitting the Comprehensive Budget tonight is not the end of the process, but an important step along budgetary path; one that began in July of 2017 with the Budget Call Letter and shall conclude sometime in November with its anticipated successful adoption.

The Property Tax rate calculation itself is computed using the taxable assessed value of property within the City as well as the tax levy needed for the general operating budget and the City's debt service budget. I would highlight that our City's debt service levy goes up materially in 2018, in part due to the City being a net issuer of debt in 2017 to the tune of \$7.9 million. Additionally, the City used \$400,000 from the Reserve for Bonded Indebtedness to balance the 2017 Adopted Budget. This same reserve currently has a balance of \$250,000, with the 2018 Comprehensive Budget calling for the use of \$100,000. That's a funding loss of \$300,000.

The Capital Budget is a valuable tool that lets the City fund needed and important projects, but I want to remind the Council and public that accessing the bond market comes with a Debt Service obligation that is ultimately passed on to City taxpayers.

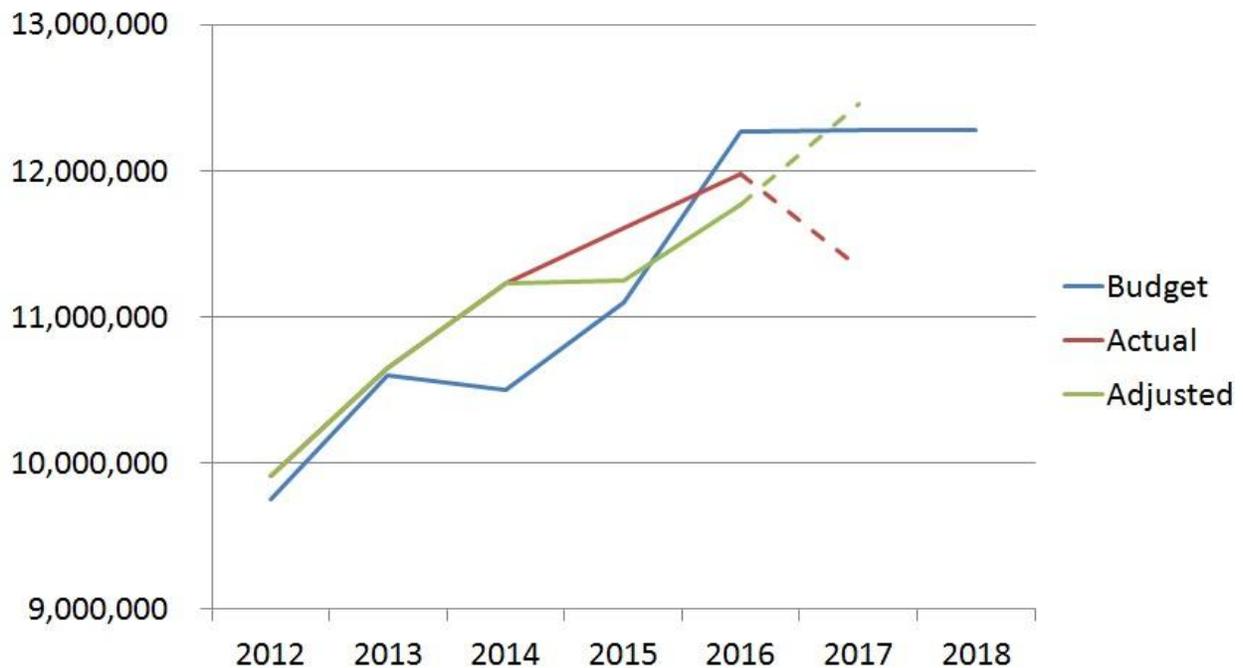
Debt Servicing represents the total principal and interest paid on City debt, excluding Water and Sewer. The 2018 Debt Service totals \$3.6 million and is funded through the aforementioned Property Tax Levy along with the use of Restricted Fund Balance and a variety of smaller funding sources, as shown below.

<b>Debt Service Revenue</b>	<b>2018 Comp.</b>
Property Tax Levy	\$3,273,221
Restricted Fund Balance	\$223,442
Other (Planning Board Fees, Meadowbrook Tax, Interest)	\$97,017
<b>Total</b>	<b>\$3,593,680</b>

### **Sales Tax**

The second largest revenue source is Sales Tax, and from 2012 to 2016 sales tax revenue has increased steadily as the Saratoga Springs economy has performed exceptionally well. Unfortunately, based on 2017 sales tax revenue received to date this streak of annual sales tax revenue growth looks like it may come to an end as the current estimate for 2017 is roughly \$11.3 million. This total is well below the \$12.3 million budgeted for in 2017, and should this

trend hold true it will most certainly put a strain on the 2017 budget and potentially our fund balance. That said I caution anyone from reading too much into this as this estimated 2017 decline is not related to 2017 economic stagnation but instead reflects prior period adjustments that were processed in 2017 by NYS Dept. of Taxation and Finance.



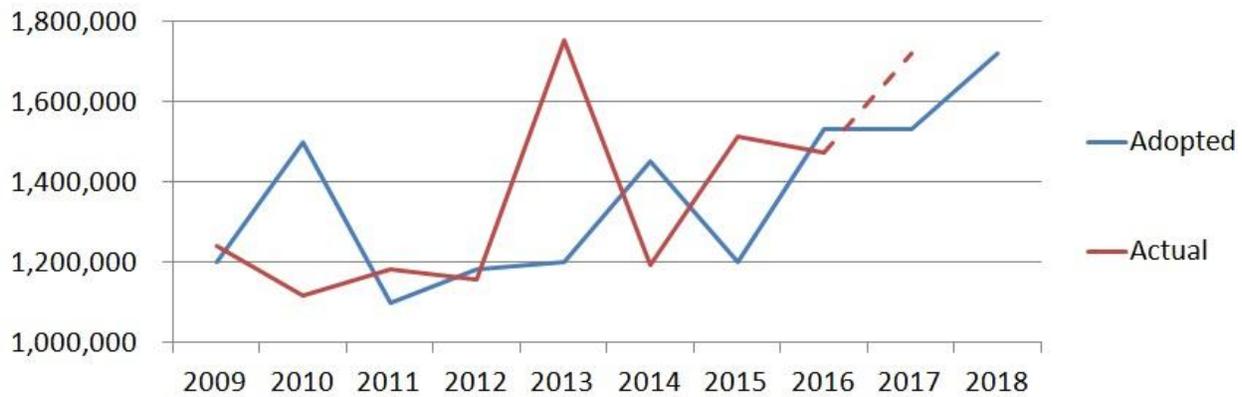
We believe the sales tax graph above, which includes a green line labeled “Adjusted,” better represents the City’s actual sales tax revenue performance over the past three years. Based on reports made available by the New York State Department of Taxation and Finance, we have been able to estimate what our sales tax revenue would have looked like if City sales tax had been accounted for in the correct time period.

Through this adjustment we move the large negative adjustments that were processed in 2017 to their correct time periods, specifically 2015 and 2016. Doing this shows a more muted sales tax growth in 2015 and 2016, followed by a big increase in 2017. Had it not been for these adjustments, and assuming 2017 followed along a similar trajectory as in past years, Finance estimates that 2017 would have seen the strongest sales tax performance in the City’s history.

As I’ve said, the negative adjustments processed this year will certainly put a strain on the 2017 budget, but for 2018 I’ve decided to keep sales tax stable at \$12.3 million as I believe it is in-line with the adjusted 2017 sales tax total we’ve calculated.

### **Mortgage Tax**

The graph below shows Mortgage Tax collection dating back to 2009. While the red line representing the actual totals received is fairly volatile, the trend has been largely upward, with 2017 likely to be at least the second highest year of collections on record based on what we have received to date.



Our current 2017 estimate is \$1.7 million, and we expect to receive our final mortgage tax distribution for 2017 in mid-November. Should that number exceed our conservative expectations the Adopted Budget may be adjusted accordingly.

### **Other Revenue**

<b>Other Revenue</b>	<b>2017 Adopted</b>	<b>2018 Comp.</b>	<b>% Change</b>
VLT Aid	\$2,325,592	\$2,325,592	0.0%
State Revenue Sharing	\$1,649,701	\$1,649,701	0.0%
Hotel Occupancy Tax	\$625,500	\$625,500	0.0%
NYRA Admissions Tax	\$591,000	\$591,000	0.0%
Departmental Income	\$3,528,640	\$3,989,940	+13.1%

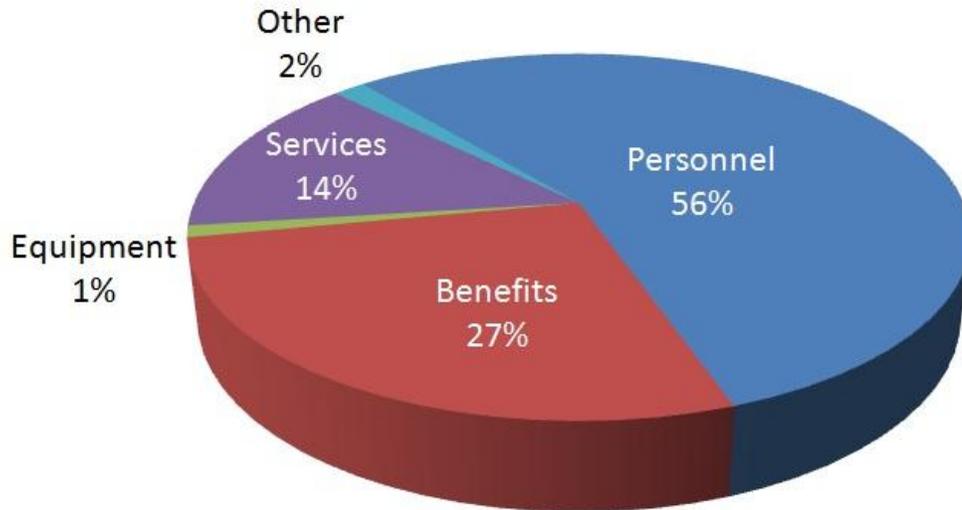
Much like Mortgage Tax, several material items are expected to be updated in the coming weeks and months. Based on guidance we’ve received from the State, we’ve kept our State-related revenue items, such as VLT Aid, flat for 2018. We’ve also kept Occupancy Tax flat for 2018, as the Finance Department is still reviewing recently released Occupancy Tax-related numbers that cover our most recent racing season.

Speaking of our racing season, I would like to congratulate the New York Racing Association (“NYRA”) for drawing over 1.1 million paid admissions for the second year in a row. As a result we expect the related Admissions Tax we receive from NYRA to remain stable.

One revenue item I would like to highlight is Departmental Income, which is up materially compared to 2017, largely due to increased efficiencies across City Hall. I’d like to recognize and thank the Recreation Department and the Department of Public Safety in particular for their notable year-over-year increases.

### **2018 Comprehensive Budget Expense Overview**

Turning to Expenses, as I’ve said in years past the largest expenses for the City are related to Personnel and Benefits. As shown on the initial Overview table, Personnel-related expenses are up 3.3% in 2018 due to increased headcount across City Hall along with contractual wage increases. Benefit-related costs are up 1.9% in 2018 due to increased healthcare costs and 14 expected retirements in 2018.



Throughout the Revenue section I tried to convey my cautiously hopeful view about Revenue items that we expect to learn more about in the near future, and that may contribute positively to the 2018 Adopted Budget. In regard to Expenses, I would caution all Council members that these numbers, particularly Personnel- and Benefit-related line items, are likely to grow rather than shrink in the near term, as three union contract negotiations the City Council is well aware of continue to progress. Based on currently available information, Finance was able to include one of these proposed contracts into the 2018 budget, but when the other two outstanding union contracts settle, and if the potential agreement currently included in the 2018 Comprehensive Budget changes, the expense burden on the City will increase putting additional strain on what is already a tight budget. I would ask that as these contracts continue to progress, each Department is mindful of our budgetary situation and process and that the Finance Department is included as early as possible so that any potential increases can be budgeted for appropriately.

**Benefits**

While Benefits represent a smaller portion of the City’s Expenses compared to Personnel expenses, I want to focus on the Benefit line items first, as the overall increases therein are a bit more complicated than the straightforward contractual-and-headcount-related increases within Personnel. As you can see, Benefit-related expenses increased by 1.9% from the 2017 Adopted Budget to the 2018 Comprehensive Budget. This overall increase is relatively tame, though when you drill down into the details you can see a far more troubling trend for the City. Costs specifically related to Healthcare are up 6.4% year over year. This increase is largely attributable to an increase in the cost of health insurance itself, with rates up an average of 3.3% across the various City Hall plans. The other component to this increase is the high number of retirees planned for 2018.

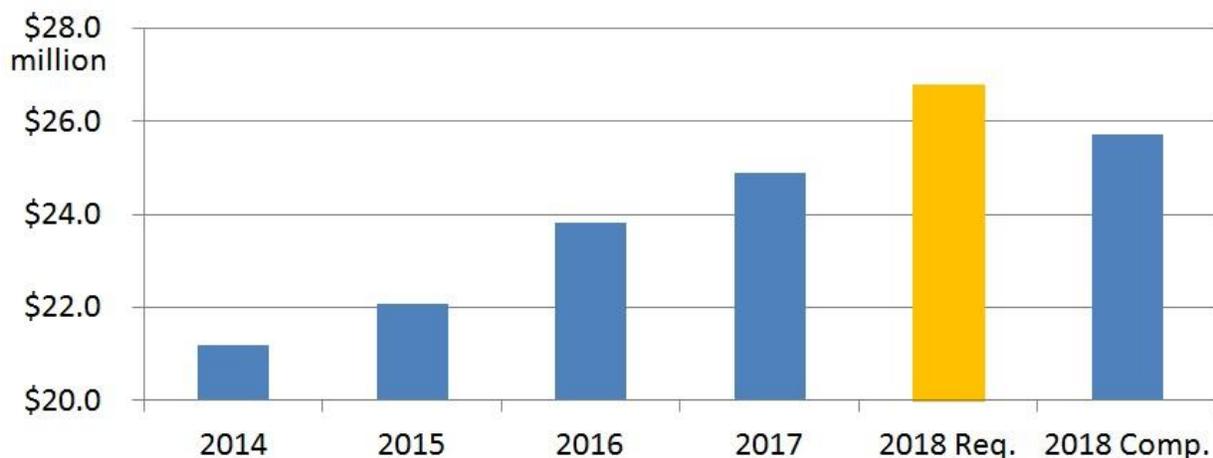
<b>BENEFITS</b>	<b>2017 Adopted</b>	<b>2018 Comp.</b>	<b>% Change</b>
<b>Total</b>	<b>\$12,384,961</b>	<b>\$2,325,592</b>	<b>+1.9%</b>
Healthcare	\$7,819,492	\$8,322,280	+6.4%
Retirement System	\$4,327,583	\$4,080,936	-7.1%
Other Benefits	\$237,886	\$220,913	-5.7%

When an employee retires, the City bears the burden of both the retirees benefit costs and the benefit costs of the new employee hired. With fourteen 2018 retirements currently planned in the Comprehensive Budget, this impact is material. Retirements are unavoidable, and I want to personally thank all of the employees who have worked for the City for so many years. Upcoming retirees include police officers, firefighters, and vital City Hall staff, all of whom need to be replaced. Based on my own experience with some of these expected retirees, and the conversations I've had with each Department, I don't believe the City could function as well as it does by leaving these positions unfilled. Attrition is not a realistic option.

The overall Benefits increase is being partially offset this year by a decrease in Retirement System related line items, which decreased 7.1% from the 2017 Adopted Budget to the 2018 Comprehensive Budget. This decrease isn't due to cost saving measures put in place for 2018, but instead reflects an inflated 2017 Adopted Budget total which included expenses related to the SAFER grant we did not receive, as well as payments made for certain union negotiated benefits which have been satisfied. This is worrisome for City Budgets going forward, because while the 2017 to 2018 Retirement System decrease helps to lessen the overall increase in Benefit-related expenses when comparing these two years, there aren't any similar decreases we can plan for in the future. That means the City's Benefits expense total will largely move in-line with healthcare cost increases and the impact of retiree benefit packages. As I've shown, these changes can result in a material increase in City Expenses. I'll touch on Benefit-related expenses, and how we may manage them, a little later in the message as we look to the future.

## **Personnel**

Turning to Personnel, the graph below shows how the City's largest expense has grown over the past few years. These increases are due to contractual salary increases, the settlement of union contracts, and necessary headcount additions to City Hall as the City, and the related responsibilities of the government, have grown. The orange bar represents the total Personnel Expense of the 2018 Requested Budgets submitted by the various departments, which was up 7.6%, or \$1.9 million. This massive increase was in part due to 15 new hires and 10 position upgrades requested. Given the City's revenue expectations and the unavoidable expenses I've mentioned previously, all new hire and upgrade requests were excluded from the 2018 Comprehensive Budget. Excluding these expense increases, Personnel Expenses in the 2018 Comprehensive Budget are still up 3.3%, or approximately \$800,000, compared to the 2017 Adopted Budget.



Let me stress two things in regard to Personnel. First, the Comprehensive Budget is just a step in the budgetary process. We will discuss requested items, and their priority, in budget workshops to come. Second, as I said earlier, three union contracts are expected to settle in the near future, which will be an added unavoidable increase in Personnel expenses.

**Other Expenses**

As for Other Expenses, I’ve highlighted some of the largest increases and decreases year-over-year below.

<b>Largest Expense Increases</b>	<b>2017 Adopted</b>	<b>2018 Comp.</b>	<b>% Change</b>
Increased Ambulance Coverage	\$-	\$100,000	n/a
Contingency	\$200,000	\$300,000	+50.0%
Liability Insurance	\$660,372	\$734,370	+11.2%
Discounts Issued	\$193,722	\$239,931	+23.9%
Street Lighting	\$432,000	\$475,500	+10.1%
<b>Largest Expense Decreases</b>	<b>2017 Adopted</b>	<b>2018 Comp.</b>	<b>% Change</b>
Gas & Oil	\$416,470	\$244,900	-41.2%
Utilities	\$637,500	\$482,300	-24.3%
Vehicles	\$274,000	\$78,000	-71.5%

In regard to increases, the first item listed is a new expense related to the Department of Public Safety staffing a second ambulance. This staffing has a related Revenue offset included in Departmental Income. The Finance Department is increasing Contingency from \$200,000 to \$300,000, which we believe is prudent given the ongoing union contract negotiations across City Hall. Liability Insurance across Departments is the third largest increase, driven by the City having more assets to insure in 2018 than it did in 2017, by changes in the City’s claim history, and due to municipal insurance nationwide becoming more expensive. The increase in Discounts Issued is related to more and more people paying their taxes before March 1<sup>st</sup>, which is available to taxpayers at a 2.25% discount per the City Charter. This increase is expected as interest rates remain low, and as people become more comfortable paying bills on-line. The ability to pay with a credit card is also attractive to those who can earn rewards such as airline miles or cash back. One benefit of this expense increase is that it allows the City to receive tax revenue earlier than we have historically, which improves the City’s cash management. Expenses related to Street Lighting are expected to increase in 2018 as the City continues to grow. The City is also replacing older lights with more efficient LED lights, which we expect will positively impact expenses related to Street Light maintenance and energy usage.

Looking at to decreases, the largest expected decreases are in Utilities and Oil & Gas. Both of these items benefit from commodity prices being relatively low. Additionally, the Accounts Department was able to successfully negotiate exceptionally low utility rates for both 2018 and 2019. Speaking of energy, the City expects to see an increase in revenue related to credits earned through the Spa Solar Park, though those savings are not included in the 2018 Comprehensive Budget, as the Finance Department continues to work with National Grid and Onyx Renewable on estimates. We hope to include an estimate in the 2018 Adopted Budget. Finally, Vehicle expenses are expected to decrease in 2018 as the City purchases fewer

automobiles. There were several vehicles included in the Requested Budgets that were not included in the Comprehensive Budget as I tried to focus on the more immediate needs of the City. In the workshops to come I look forward to reviewing each department's priorities again and determining what changes can be made, if any.

### **Fund Balance**

For the 2018 Comprehensive Budget the City utilizes two types of Fund Balance: Restricted and Unassigned. Restricted Fund Balance represents reserves which are funded throughout the year for a variety of reasons, including capital projects, retirement expenses, and City debt, among others. The maintenance and management of the City's reserves and unassigned fund balance allows the City to finance capital improvements at an affordable cost.

<b>Fund Balance</b>	<b>Reserve</b>	<b>2018 Comp.</b>
Restricted	Tax Stabilization	\$732,800
	Retirement Reserve	\$250,000
<b>Restricted Total</b>		<b>\$982,800</b>
<b>Unassigned Total</b>		<b>\$1,516,442</b>
<b>Fund Balance Total</b>		<b>\$2,499,242</b>

As you can see on the table above, total Fund Balance usage in the 2018 Comprehensive Budget is \$2.5 million. This total is made up of roughly \$1.0 million of Restricted Fund Balance and \$1.5 million of Unassigned Fund balance.

### **2018 Capital Budget**

The 2018 Capital Budget, which the Mayor transmitted to the Commissioner of Finance following the September 5, 2017 City Council Meeting totals \$8.1 million, or \$5.2 million excluding Water and Sewer which are funded through their own revenues. This is an increase from the 2017 Adopted Budget, which was \$6.4 million, or \$4.4 million excluding Water and Sewer. The 2018 Capital Budget included in the Comprehensive Budget largely mirrors what was transmitted by the Mayor and I would highlight that the top four items on the list were also the top requests of the City's Safety Committee. The 2018 Capital Budget, excluding Water and Sewer, is below, as is the specific Water and Sewer 2018 Capital Budget.

<b>Rank</b>	<b>Capital Budget Project (ex-Water and Sewer)</b>	<b>2018 Request</b>	<b>Source</b>
1	Radio System-City Radio Tower	\$1,300,000	Bond
2	Loughberry Lake Dam Embankment Stabilization and Spillway Project	\$825,000	Bond
3	Traffic Signals	\$306,669	Bond
4	Station One Doors	\$169,550	Bond
5	Katrina Trask Stairway: Congress Park	\$60,000	Bond
6	Complete Streets: Implementation & Improvements	\$100,000	Bond
7	Loader/Tool Carrier Machine (replace #6)	\$150,000	Bond
8	Dump Truck w/ Plow and Spreader (replace #34)	\$175,776	Bond
9	Dump Truck w/ Plow and Spreader (replace #42)	\$175,776	Bond
10	Dump Truck w/ Plow and Spreader (replace #26)	\$175,776	Bond
11	Dump Truck w/ Plow and Spreader (replace #13)	\$175,776	Bond

12	City Building/Facilities Repairs and Upgrades	\$200,000	Bond
13	OCA Required Courtroom	\$300,000	Bond
14	Greenbelt Trail System: Implementation & Improvements	\$200,000	Bond
15	Canfield Casino Rehabilitation Program	\$300,000	Bond
16	Parks and Trail Wayfinding Program	\$100,000	Bond
17	Field Rehabilitation: Veteran's	\$30,000	Rec. Trust
18	East-Side and West-Side Rec. Improvements	\$35,000	School Contract

Rank	Capital Budget Project (Water & Sewer)	2018 Request	Source
S1	Sanitary Pump Station Upgrades	\$550,000	Sewer
W1	Water Main Capital Improvements: Kaydeross Ave. West Pipe	\$1,215,000	Water
W2	Gear Reduction Valve Capital Improvement: Distribution System (Year 1 of 3)	\$400,000	Water
W3	Improvements at City Water Treatment Facilities	\$100,000	Water
W4	Water Treatment Plant Pole Barn for Water Tanks	\$570,000	Water

### **2018 Capital Budget Changes**

Two items have been removed from the budget as presented to the Commissioner of Finance. The first is the replacement of a fire engine for \$455,000, which has been moved to the 2019 Capital Budget Program at the request of the Department of Public Safety. The second item is the East Side Fire/EMS Facility, which was included in the initial 2018 Capital Budget request for \$3 million. Commissioner Mathiesen, members of the City Council, and residents in the area have been very vocal about their desire to see this Facility. However, the Facility was removed because to date we have not identified or purchased the actual land to build such a Facility. Additionally, as we've discussed in previous City Council meetings, accessing the bond market comes with obligations that require the City to be prudent in deciding how, and when, to move forward with a project.

When the City issues a bond, two notable events occur: the clock starts on when we need to actually fund the project, and the City, and its taxpayers, are now on the hook for repaying the Debt Service associated with the bond. Given that we do not have an available parcel of land or updated plan for this Facility, I excluded this item from the 2018 Comprehensive Budget, as it is not fiscally prudent to place an increased tax burden on the taxpayers for a multi-million dollar project that is still, unfortunately, so early in its process.

That said, I would remind everyone about how the 2017 Capital Budget was amended by \$3.8 million to accommodate the Saratoga Greenbelt Trail. The Trail, which was initially excluded from the 2017 Adopted Budget, was added later as the project's plan and related grant award made funding the Trail through the Capital Program viable. While the details around the Fire/EMS Facility differ, the way the Finance Department handled the Saratoga Greenbelt Trail illustrates how the Capital Budget and Program can be flexible, especially with large projects, and arrange financing outside of the Adopted Budget when appropriate.

## **The City's Future**

As the City looks to the future, I believe our focus needs to be on managing costs and driving efficiencies, all while ensuring Saratoga Springs continues to be one of the most desirable places in New York State to live and work.

In regard to efficiencies, the increase in Departmental Income shows how improved processes can impact the City's bottom line. One way we have accomplished this is by thoughtfully rolling out new Information Technology initiatives to update existing processes, as shown by our current plan to provide the Building Department with iPads equipped with Inspection-specific functionality, which should result in a better experience for both Building employees and City residents. IT has implemented similar processes for our Fire Department to assist with their inspections. Many other initiatives have been implemented, such as automatic forms processing, and many other departmental technology projects are in process.

As I mentioned earlier, Healthcare is one of the largest expenses borne by the City, and as such, the City needs to look for related cost-savings when possible. This includes increasing the City's flexibility when deciding on the benefit plans available to City employees, and looking at new ways to provide exceptional care at an affordable cost. One recent innovation I believe fits this mandate is tele-medicine, which along with being more convenient for City Employees, has the potential to reduce healthcare-related expenses for the City.

The main goals of Enforcement are to ensure the safety of City residents and visitors, and to provide a level playing field for businesses throughout the City. Departments across City Hall, specifically Public Works, Public Safety, and the Mayor's Office, have done an admirable job with Enforcement to date, and the City should look to not only continue this trend, but remain open to modifying existing laws, or creating new laws, when appropriate. This includes addressing both the safety and financial concerns created by the introduction and expansion of companies like AirBNB and HomeAway into the City's short-term rental market. Technology has drastically changed the way the world operates, and we need to ensure that the City keeps pace so that City residents and guests continue to feel safe in Saratoga Springs, and that City businesses are governed fairly.

I believe a City goal for 2018 should be improving the IT infrastructure across the City for residents and businesses, especially as the City continues to roll out various Smart City initiatives. Some of the forthcoming Smart City ventures should allow City residents and businesses technological functionality that exceeds what was previously thought possible, and can lead to continued strong economic development opportunities in our City. Saratoga Springs has positioned itself as a Smart City, and to develop the City-wide infrastructure to go along with that vision will be boon to those who live and work within the City, and would also entice tech-minded businesses to set up shop in Saratoga Springs.

These advances would also allow the City to tackle outstanding issues like a City-wide Parking Management System. Such Systems are used successfully in municipalities across the nation, and I believe they would not only provide a new revenue stream but would also improve parking efficiency and satisfaction across Saratoga Springs. I've heard countless stories about people avoiding our Downtown area due to the anxiety of finding a spot, or not even knowing where to look. With greater broadband coverage and a high-quality Parking Management System, residents and visitors would know exactly where City lots are, get an alert when spots open up, and be notified when their parking time is up. This would not only lessen the traffic burden and

environmental impact of people driving around looking for a spot, but also make people more likely to visit the wonderful shops and restaurants throughout our great City. Technology is changing the way people and businesses transact in unprecedented ways, and the City needs to meet these demands, or risk the sterling reputation we've rightfully earned.

Finally, I'd be remiss not to mention the Proposed City Charter referendum to change our current Commission form of government to a City Manager-form of government that will be on the ballot this November 7th. The projections Finance has used for the 2018 Comprehensive Budget and Presentation assumes the City continues with the Commission form of government, as it currently exists. This was done not only because it allows for a more meaningful year-over-year analysis, but also because we have received no guidance from the Charter Review Commission as to what transition-related expenses would be borne by the City, and in turn City taxpayers. The Proposed Charter calls for a drastic overhaul in how City Hall functions today, and these changes will result in material up-front expenses related to legal costs, hiring new employees, and in essence running two governments at the same time – a transitional government as well as our current government. Should the Proposed Charter pass, these expenses will come with financial and employee bandwidth obligations that the City will be forced to bear, potentially at the expense of existing line items or the ability to pursue some of the forward-looking initiatives I mentioned.

### **Conclusion**

That concludes my 2018 Comprehensive Budget message. I appreciate your time, and I look forward to working with the City Council: Mayor Yepsen, Commissioner Scirocco, Commissioner Mathiesen, Commissioner Franck, and the Public, throughout the upcoming weeks as we progress toward an Adopted Budget that allows our City to maintain the “exceptional-and-affordable” services our residents have come to enjoy. Having worked with you all for some time now, I have no doubt we can achieve just that.

As Budget Chairperson for the City Council, I have scheduled five Budget Workshops for the Council and Public to delve into questions, details, issues, and concerns the Council may have regarding the Comprehensive Budget. These workshops are scheduled for:

- Wednesday, October 11th – 1:00 PM: Capital Budget, Finance & Accounts Depts.
- Thursday October 19th – 3:00 PM: Public Works, Recreation Depts.
- Monday, October 23rd – 1:00 PM: Mayor, Public Safety Dept.
- Monday, October 30th – 1:00 PM: General Discussion
- Thursday, November 2nd – 4:00 PM: As needed

Again, I look forward to working with you as we move toward a successful 2018 Adopted Budget for the City of Saratoga Springs. Thank you very much.