

RatingsDirect®

Summary:

Saratoga Springs, New York; General Obligation

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Credit Profile

US\$10.609 mil pub imp serial bnds ser 2023 dtd 06/22/2023 due 06/15/2046

Long Term Rating AA+/Stable New

Saratoga Springs GO

Long Term Rating AA+/Stable Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' rating to Saratoga Springs, N.Y.'s roughly \$10.609 million series 2023 public-improvement serial general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on the city's existing GO debt.
- The outlook is stable.

Security

Saratoga Springs' faith-and-credit pledge secures the series 2023 bonds and existing bonds.

Officials intend to use series 2023 bond proceeds to finance various capital improvements.

Credit overview

Saratoga Springs is a commercial-industrial center for the surrounding area and a popular summer destination with attractions including Saratoga Racecourse, Saratoga Casino & Raceway, and Saratoga Performing Arts Center. Participation in the nearby Albany government sector has helped provide favorable economic trends, and the city has seen continued growth in residential and commercial sectors.

After some revenue disruption in fiscal 2020, the city has returned to positive operations. Based on fiscal 2022 unaudited annual update documents, available fund balance grew to \$23 million, a new high. The city does not plan to draw on reserves immediately, and it could introduce additional fund-balance assignments to prepare for contingencies. Continued property tax revenue and occupancy tax strength supported these results. Sales and mortgage tax revenue, which has rebounded from COVID-19-related decreases, is now higher than the city had collected previously.

The fiscal 2023, \$56.8 million budget is a 5.2% increase over fiscal 2022. The budget includes 16 new firefighter positions, funded by a Federal Emergency Management Agency grant for the next three years, which officials will build capacity for in subsequent budgets. Officials used conservative assumptions for economically sensitive revenue, including mortgage tax revenue, budgeted below 2022 actual receipts.

Debt remains high compared with the budget. After the series 2023 issuance, the city will have \$108.8 million in debt outstanding. Management plans to issue new debt during the next two years for various capital projects, in amounts to

be determined. Pension and other postemployment benefits (OPEB) remain a credit pressure. Saratoga Springs participates in the well-funded New York State Employees' Retirement System and New York State Police & Fire Retirement System. Saratoga Springs pays OPEB on pay-as-you-go basis with a \$142.5 million unfunded liability.

The rating reflects our view of Saratoga Springs':

- Continued property tax base growth, supported by its location in the Capital District, and attractions that support summer tourism;
- Strong management with good financial-management policies, practices under our Financial Management Assessment (FMA) methodology and strong Institutional Framework score;
- Return-to-positive results in fiscal years 2021 and 2022--supported by the recovery of hotel-and-motel taxes, sales taxes, and fee-based revenue--with, at least, balanced results expected in fiscal 2023; and
- Manageable debt despite slow amortization and sizable pension and OPEB liabilities and a lack of ability to prefund OPEB liabilities.

Environmental, social, and governance

We have analyzed environmental, social, and governance (ESG) risks relative to Saratoga Springs' economy, management, financial measures, and debt-and-liability profile; we view all three as credit neutral in our credit-rating analysis. In our view, due to the lack of state statutory authority for local New York State governments to prefund OPEB contributions through a dedicated trust, we think governance risks are somewhat elevated compared with its peers, where OPEB is an implicit subsidy or where OPEB is more easily modified.

Outlook

The stable outlook reflects S&P Global Ratings' opinion of Saratoga Spring's strong budgetary performance, supported by good financial-management policies, practices, resulting in very strong reserves, which we expect will likely continue during our two-year outlook.

Downside scenario

We could lower the rating if deteriorated budgetary performance were to cause available general fund balance to decrease substantially.

Upside scenario

We could raise the rating if management were to maintain strong finances while reducing fixed costs and formalizing additional long-term financial planning.

Saratoga Springs, New York key credit metrics

	Most recent	--Historical information--		
		2022	2021	2020
Very strong economy				
Projected per capita effective buying income (EBI) (%) of U.S.	146.2			
Market value per capita (\$)	202,292			

Saratoga Springs, New York key credit metrics (cont.)

	Most recent	--Historical information--		
		2022	2021	2020
Population			26,968	27,027
County unemployment rate(%)			3.8	
Market value (\$000)	5,455,421	5,455,421	5,323,935	
10 largest taxpayers as a % of taxable value	7.3			
Strong budgetary performance				
Operating fund result as a % of expenditures		10.6	20.6	(6.8)
Total governmental fund result as a % of expenditures		12.3	15.7	(5.1)
Very strong budgetary flexibility				
Available reserves as a % of operating expenditures		50.3	44.4	24.5
Total available reserves (\$000)		25,409	20,090	10,818
Very strong liquidity				
Total government cash % of governmental fund expenditures		30.4	25.3	31.7
Total government cash % of governmental fund debt service		317.7	266.5	345.2
Strong management				
Financial Management Assessment	Good			
Very weak debt and long-term liabilities				
Debt service as a % of governmental fund expenditures		9.6	9.5	9.2
Net direct debt as a % of governmental fund revenue	150.2			
Overall net debt as a % of market value	2.3			
Direct debt 10-year amortization (%)	46.7			
Required pension contribution as a % of governmental fund expenditures		7.7		
Other postemployment benefits actual contribution as a % of governmental fund expenditures		4.8		
Strong Institutional Framework				

Data points and ratios may reflect analytical adjustments.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- 2022 Update Of Institutional Framework For U.S. Local Governments
- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Summary: Saratoga Springs, New York; General Obligation

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