



City of Saratoga Springs

**2020 BUDGET MESSAGE
COMMISSIONER OF FINANCE MICHELE MADIGAN**

Office of Finance

October 1, 2019

2020 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 2020 Comprehensive Budget, the eighth budget that I have submitted to the City Council for the taxpayers of our great City. The budget serves 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 that we reside in.

Each budget I've done has had its own distinct issues to address, such as the fallout of the Great Recession or managing unavoidable healthcare increases. That said, the budgetary challenges we faced last year due to the lightning strike and related water damage to City Hall were particularly unique, especially due to the fact that the incident occurred the day after Requested Budgets were due.

Thankfully, due to our prudent approach to budgeting and the cooperative spirit that has imbued the City Council and each department the past two years the City has been able to weather any and all such issues; with a strong bond rating, healthy reserves, and several years of virtually no tax increases to show for it.

While we're still recovering from the lightning strike, work is progressing smoothly at City Hall as Commissioner Scirocco spoke about at the last City Council meeting. The successful and timely completion of City Hall is one of the top priorities of 2020, and among several that I will identify later in this document.

As I've said in prior years, my approach with the Comprehensive Budget focuses on the City's immediate demands while allowing future budgetary flexibility. In particular we are waiting on some key revenue line items, which may allow the City Council to revisit requests not included in the Comprehensive Budget. I look forward to working with the public and City Council as we move toward an Amended Budget that provides City residents with the exceptional services they have come to expect at a price they can afford.

Before we get to any numbers, I always like 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 which asks for their requested expense and revenue budgets. Each department then submits their budgetary requests and current year projections, followed by Finance meeting with representatives from each department individually 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 multiple 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 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.

As is my goal every year, I aim to bring forward an Amended Budget that is unanimously approved and meets the needs of the City. I want to stress to each City Council member, and to

the public, that the information presented tonight is a step in a larger process. Over the next two months my department will work with each of you in revisiting a variety of expense and revenue lines to determine how we can build upon this Comprehensive Budget.

To that end, the 2020 General Fund Comprehensive Budget is \$48.2 million, a 2.4% increase from the 2019 Adopted Budget of \$47.1 million. 2020 General Fund Requested Expenses came in at \$52.0 million, an increase of 10.4%. I would note that 2020 General Fund Requested Revenues totaled \$45.2 million assuming a stable tax rate and no Fund Balance usage.

That \$6.8 million difference was unsustainable, and resulted in a 2020 Comprehensive Budget that eliminated many of the non-contractual requests submitted including all vehicles and almost all new hires and upgrades. This was a necessary step to bring forward a balanced Comprehensive Budget.

2019 Recap

Each budget is shaped by what actually happens in the prior fiscal year, so I 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 2019 General Fund Adopted Budget was \$47.1 million, and the 2019 Capital Adopted Budget was \$10.1 million. This Capital Budget allowed for not only most of the funding needed for the renovation of City Hall, but also new equipment that will benefit residents across Saratoga Springs.

Beyond all the progress made at City Hall, which has been spearheaded by the Department of Public Works, 2019 has been an exceptionally productive year for the City. So far this year we have made material progress on projects that have been discussed for years, such as the Flat Rock parking garage initiative revitalized by Mayor Kelly. The Department of Public Safety has sworn in new Chiefs for both the Fire Department and Police Department. The renovation of the historic Katrina Trask Gateway should be finalized in the coming weeks.

Through a cross-departmental collaboration the City has made massive strides in connectivity, including the addition of new bike lanes, we were awarded substantial grants for both the Downtown Connector and the “Missing Links” sidewalk program, and we are nearing completion of the Geyser Road Trail. Despite City Hall operations taking over the Rec Center, the Recreation Department has pushed forward on other projects including expanded ice time at the Weibel Ave rinks, multiple facility improvements, a partnership with the YMCA for summer clinics, and an upcoming systems upgrade that will allow for online sign-up.

Speaking of systems, the City’s IT Department continues to improve and expand the usage of new software across City Hall to streamline processes, most recently on initiatives with the Building Department and Accounts Department. They’ve also spent considerable time strengthening the City’s cyber-defenses, which has been a priority for the City in light of the other municipalities that have been compromised. I will provide additional details about the City’s cybersecurity needs later in the message, and throughout the budget process.

We’ve done all of this while maintaining our AA+ bond rating from S&P, stable property taxes for the last eight 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 look forward to seeing what the City can achieve in 2020.

2020 Priorities

Inherent to any budget process is prioritization. Sometimes these priorities are thrust onto the City outside of our control, like lightning striking City Hall or when we faced over a dozen retirements a few years ago. Other times the City can be more proactive, as was the case when I brought forward budgets that rehired police officers and firefighters that were inexcusably laid off subsequent to the global financial crisis by my predecessor.

Based on my conversations with residents and the various departments, I felt it important to explicitly lay out the 2020 priorities as I see them and based on how they may be funded:

- Starting with the Capital Budget, as I said earlier the renovation of City Hall remains a top priority. A completed City Hall will not only let residents and employees return to normal business in a safer and more-efficient environment, but will also allow the Recreation Department to bring back programming for children and adults at the Recreation Center.
- An East Side Fire & EMS station has been discussed by residents and City Councils for years. Historically this project has been held up due to issues securing an appropriate parcel, but thanks to the efforts of Mayor Kelly we're further along on this project than at any other time during my tenure. That said, when the 2020 Capital Budget was presented several weeks ago a rough estimate of \$6.6 million was allocated toward this project. As we still haven't legally secured the parcel it is not financially prudent to include the full \$6.6 million in the 2020 Comprehensive Budget and in turn pass the related debt costs on to City taxpayers. Still, an East Side Fire & EMS station is a priority, and the 2020 Comprehensive Capital Budget includes \$600,000 toward the design of the facility. In practice this means that as soon as the land is available the City can kick off the project. The design work will then provide a timeline and budget for the total project. Should land acquisition and design happen at a more rapid pace, the 2020 Capital Budget will be amended by the City Council so that funding and construction could begin as soon as feasible. Accordingly, the full project remains in the Capital Program. This is similar to what I proposed and eventually brought forward with the Greenbelt Trail.
- The Loughberry Lake Dam embankment stabilization and spillway project was identified as a priority in the 2018 budget, when the geotechnical design and permitting work was first funded. This multi-million dollar project is in Year 3 of its expected 5-year cycle, and is a mandated project per NY State.
- Turning to the Operating Budget, I believe our most critical personnel need is on the IT staff with a focus on cybersecurity. The team as constructed has done an admirable job keeping the City safe, but as recent successful attacks on municipalities across the country have shown, this threat is growing by the day. As Finance Commissioner I tend not to include many new items in the Requested Budget stage, as I've seen how Requested Expenses annually exceed Requested Revenue by millions of dollars. This year I did include a new "Network Support Technician" in Finance's Requested budget, but ultimately this position was not included in the 2020 Comprehensive Budget as I felt it inappropriate to be adding a new position in Finance while excluding other departmental new hire requests. I will revisit this position, and why I believe this is the City's top personnel need during the Finance Workshop on October 22nd.
- Turning from "digital safety" to "public safety" both the Fire Department and Police Department have requested additional staffing to meet the increasing needs of the City. These requests were not included in full in the Comprehensive Budget, but I have a

proposed solution to discuss later in the agenda during my “Fund Balance Recommendations” that I believe can assist them in meeting their immediate needs.

- While Recreation and Trails don’t technically roll into the same City Department, I decided to combine the two as a priority given the City Council’s larger commitment to physical activity and opportunity across Saratoga Springs. As I said earlier, our Recreation Department priority is to return the Recreation Center back to its intended use. We also want to make sure that Recreation programming is well supported, including the maintenance of Recreation facilities. Speaking of programming, in the same Fund Balance Recommendation memo I previously referenced I will bring forward a recommendation to fund improvements to modernize and make-safer the City Skate Park, which is one of the most regularly-utilized Recreation facilities and which has an exceptionally passionate user base, as identified during the Recreation Master Plan.
- Regarding trails, over the past few years the trail system within the City has expanded rapidly, thanks in part to our success with a variety of grants. While everyone at the City Council table has expressed support for growing and improving the City’s trail network, we all need to be mindful of the costs associated with not only the installation of trails but their continual maintenance. This maintenance is especially important when it relates to grant-funded projects, which often include specific upkeep requirements. As part of the Department of Public Works requested budget they ask for a variety of employees and equipment to assist them with trail maintenance. This was all excluded in the Comprehensive Budget not because I don’t feel it’s warranted, but because I believe DPW, along with the other departments involved with the City trail network, need to convey everything that goes into trail maintenance to the entire City Council and public through the Workshop process.
- Lastly, Code Blue and the larger homelessness situation remain top priorities of the City but are not listed under the Capital or Operating Budget, as these issues may be addressed through a variety of sources. I will touch on one part of the City’s approach to Code Blue during the Fund Balance Recommendation later on the Finance agenda, but at a high-level the City in conjunction with local stakeholders has both a short-and-long term plan in the works. In the near-term, the 2020 Comprehensive Budget provides \$20,000 of funding to Shelters of Saratoga, which will assist them with outreach to those in need. My Fund Balance recommendation will call for an additional \$50,000 to be made available to Shelters through an assignment specifically for the rent and upkeep of their temporary Code Blue facility. Longer-term, the Mayor’s Office will be directing a City employee to focus on Code Blue and homelessness, in the hopes that a permanent, long-term solution can be found. This employee is expected to work with the City Council, Shelters, our Country Supervisors, the County Administrator, and relevant New York State offices; and to present options, which may include the City funding a solution through the Capital Budget.

I will revisit all of these priorities later in the message, and throughout the Budget Workshop process. I look forward to working with everyone on the City Council, and the public, to ensure the City is as successful as we can possibly be on each and every one of these priorities.

2020 Comprehensive Budget Overview – General Fund

The 2020 Comprehensive Budget calls for a General Fund Operating Budget of approximately \$48.2 million, a 2.4% increase from the 2019 Adopted Budget. As you can see in the Expense summary below, Personnel and Benefits expenses are the largest drivers of this increase. An

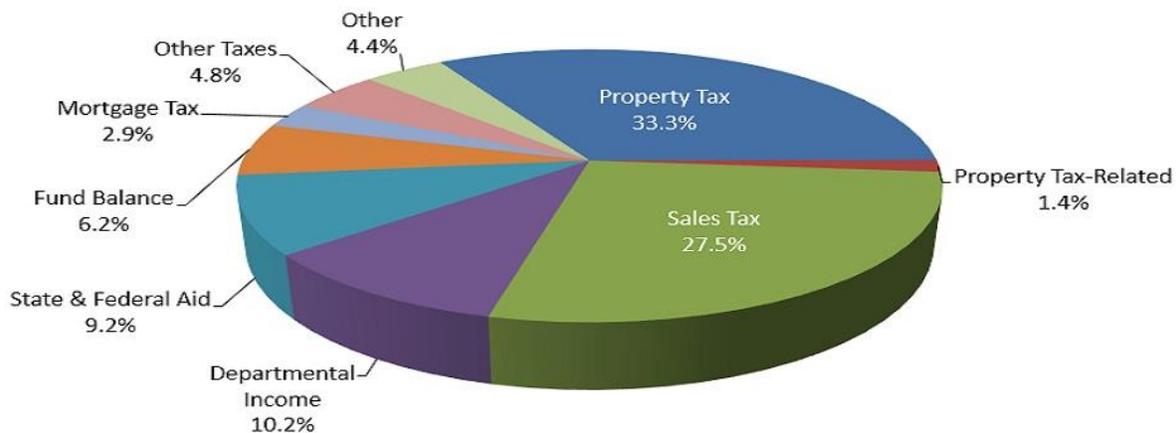
increase in these categories are especially important, as they represents 83% of the total General Fund Operating Budget in total.

Revenues	2019 Adopted	2020 Comp.	% Change
TOTAL	\$47,100,825	\$48,209,649	+2.4%
Expenses	2019 Adopted	2020 Comp.	% Change
TOTAL	\$47,100,825	\$48,209,649	+2.4%
Personnel	\$27,017,326	\$27,540,128	+1.9%
Benefits	\$12,142,343	\$12,448,397	+2.5%
Contracted Services	\$6,977,827	\$7,278,223	+4.3%
Equipment	\$561,037	\$615,704	+9.7%
Other	\$402,292	\$327,197	-18.7%

I will discuss specific year-over-year changes later, but I did want to highlight that Benefits increased by only 2.5%. I say “only” because we have had years where this increase is above 10%, as some on the City Council shall recall. The healthcare RFP process that the Finance Office oversaw last year continues to pay dividends, as the City’s transition to an experience-rated plan allowed for a year-over-year increase below the broader market based on our estimated numbers. “Benefits management” has now formally moved to Human Resources, and I look forward to continuing to work with them as we finalize benefit expense figures for 2020.

2020 Comprehensive Budget Revenue Overview

Total City inflows continue to be largely driven by Property Tax and Sales Tax. Revenue generated by City departments remains our third largest source of revenue, ahead of funding received from the “State and Federal government” such as VLT Aid, State Revenue Sharing, and the Consolidated Local Street and Highway Improvement Program (“CHIPS”). 6.2% of the 2020 Comprehensive Budget is Fund Balance usage, which is roughly in line with the 5.2% utilized in the 2019 Comprehensive Budget. I would note that Fund Balance usage was lowered to 4.3% in the 2019 Amended Budget.



- Property Tax-Related includes Special Assessment District revenue, PILOTs, and related interest/penalties
- Departmental Income includes City fees, licenses, fines, and permits
- State & Federal Aid includes VLT Aid, State Revenue Sharing, and CHIPS, among others

- 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. The Comprehensive Budget assumes a slight property tax decrease, with an Inside District rate decrease of 0.09% and an Outside District rate decrease of 0.01%, for an average City decrease of 0.05%, keeping our property taxes stable for the eight year in a row.

The Property Tax rate calculation uses 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. As I’ve said in prior year, 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.

Property Tax Levies	2019 Adopted	2020 Comp.
General Fund	\$16,404,061	\$16,036,984
Debt Service Fund	\$3,209,032	\$3,814,954
Other	\$209,518	\$194,878
Total	\$19,822,611	\$20,046,816
Combined Rate	Proposed Rate	Change
Inside District	\$6.0707	-0.09%
Outside District	\$6.0090	-0.01%
Average		-0.05%

I would like to highlight that our City’s debt service levy goes up materially in 2020, in part due to the City issuing debt in 2019 of roughly \$9.8 million, which includes mid-year amendments to the Capital Budget made in 2018.

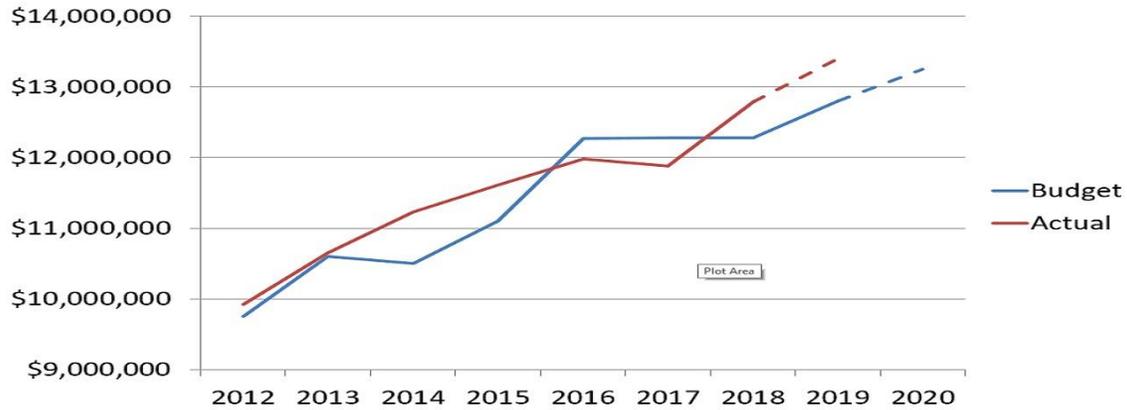
Debt Servicing represents the total principal and interest paid on City debt, excluding Water and Sewer. The 2020 Debt Service Budget totals \$4.3 million and is funded through the aforementioned Property Tax Levy along with the use of Restricted Fund Balance and a variety of smaller funding sources, as shown below.

Debt Service Revenue	2020 Comp.
Property Tax Levy	\$3,814,954
Restricted Fund Balance	\$387,256
Other (Planning Board Fees, Meadowbrook Tax, Interest)	\$118,188
Total	\$4,320,398

Sales Tax

The second largest City revenue source is Sales Tax. In 2017 and 2018 I spoke at length about a negative prior period adjustment, through which the 2017 Sales Tax total was decreased by over \$500,000 due to certain 2015 and 2016 audit findings by the State. Thankfully, Sales Tax in 2017 performed well post-adjustment, and 2018 was ultimately a record year for sales tax revenue.

That strength has continued into 2019, which is trending to beat 2018's record. As of the last monthly distribution received in mid-September, aggregate Sales Tax is up 8.6% as of the same period last year. If we assume Sales Tax collected for the remainder of 2019 mirrors what was earned in late 2018, our full year estimate for 2019 Sales Tax is \$13.4 million. Based on this continued growth, the 2020 Comprehensive Budget assumes a Sales Tax total of \$13.25 million.



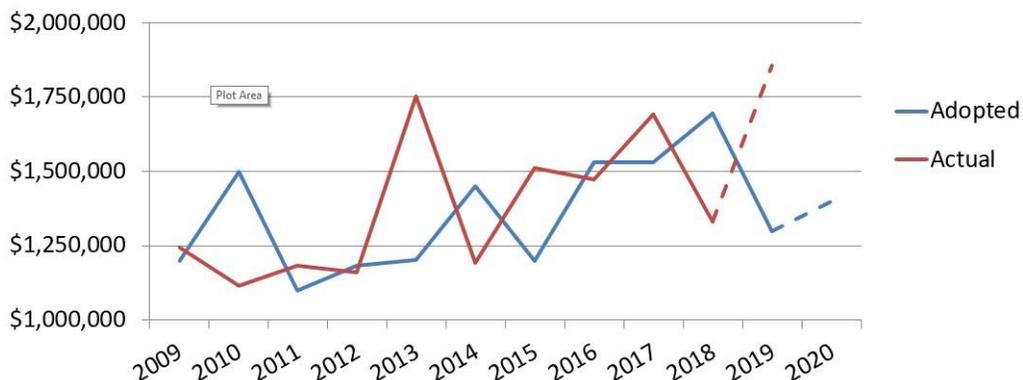
2019 Actual is an estimate based on YTD collections as of September 12, 2019

The City will receive its next Sales Tax distribution from the State in mid-October, which represents the July & August period and has traditionally been the City's strongest single distribution month. The strength, or lack thereof, of this distribution may result in a revised 2020 estimate in the Amended Budget.

Mortgage Tax

Mortgage Tax is one of the most volatile revenue sources within the City budget, as shown below. That volatility is particularly tough to budget for as the City receives the final Mortgage Tax distribution in mid-to-late November.

This year we've seen a dramatic increase in activity likely due to how low interest rates are, leading us to believe the full year total will be roughly \$1.9 million. That would be well above the 2019 Adopted Budget estimate of \$1.3 million. Because of the how unpredictable this revenue line has been historically the 2020 Comprehensive Budget estimate for Mortgage Tax is \$1.4 million, though that estimate has the potential to move materially in either direction in the Amended Budget depending on what the City receives between now and mid-November.



Other Revenue

Other Revenue	2019 Adopted	2020 Comp.	% Change
VLT Aid	\$2,325,592	\$2,325,592	0.0%
State Revenue Sharing	\$1,649,701	\$1,649,701	0.0%
Hotel Occupancy Tax	\$630,000	\$650,000	+3.2%
NYRA Admissions Tax	\$723,300	\$723,300	0.0%
Departmental Income	\$4,940,689	\$4,918,822	-0.4%

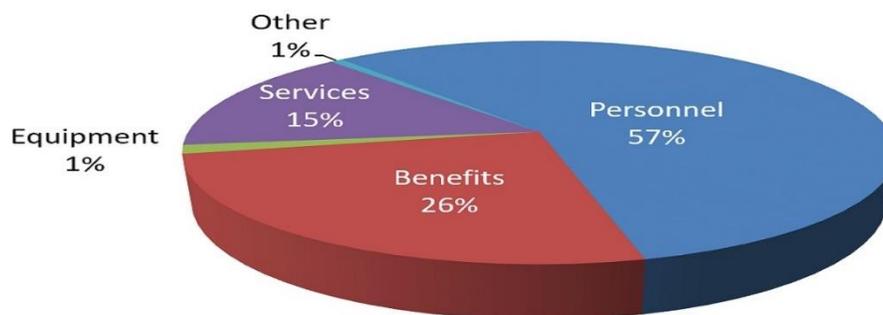
Much like Mortgage Tax, several material items are expected to be updated in the coming weeks. Based on guidance we've received from the State, we've kept our State-related revenue items such as VLT Aid flat for 2020.

Occupancy Tax has been increased slightly based on our annual trend to date. There is a strong likelihood that this number will be revisited when we receive our next quarterly distribution in mid-October, which will include the summer months.

One item I've kept flat but would like to highlight is Admission Tax. Per the New York Racing Association, the 2019 Saratoga Race Course meet drew over 1 million paid admissions; the fourth year in a row they have exceeded that milestone. That said, we've recently been informed by NYRA that we should expect materially less Admissions Tax in 2019 due to a revision of their calculation. This revision allegedly relates to how certain "premium seats" were included but at this point we haven't received enough information to determine the impact. My office, the Mayor, and the Legal Department are in discussion with NYRA on the issue and our hope is that we can better understand any potential change in calculation and the negative budgetary impact in time for the Amended Budget.

2020 Comprehensive Budget Expense Overview

Turning to Expenses, Personnel and Benefits remain the overwhelming majority of Operating Expenses. As shown on the initial Overview table, Personnel-related expenses are up 1.9% in 2020 largely due to contractual increases approved by the City Council across the various labor agreements. Also included are a select few personnel changes I will discuss shortly. Benefit-related costs are up 2.5% in 2020 due to the reasons mentioned earlier.

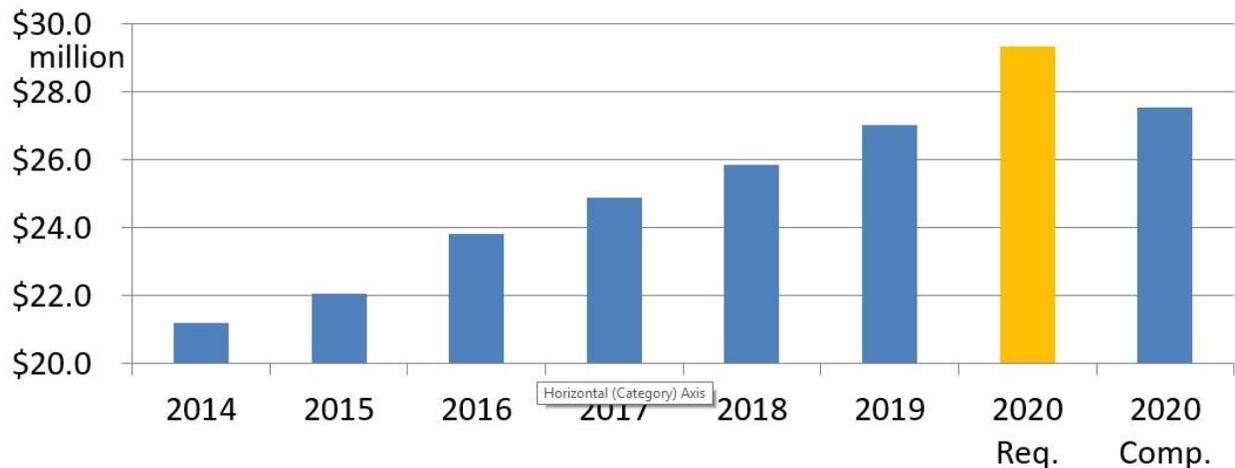


Finance continues to receive updated healthcare and retirement information, so I would like to caution all City Council members that these numbers, particularly Benefit-related line items, may grow rather than shrink as we move toward the Amended Budget.

Personnel

The Personnel-specific graph below shows how the City’s largest expense has grown over the past few years. These historical increases are due to contractual salary increases, the settlement of union contracts, and necessary additions to City Hall as the City and the responsibilities of our government have grown.

The orange bar represents the total Personnel Expense of the 2020 Requested Budgets submitted by the various departments, which was up 8.5%, or \$2.3 million compared to 2019. This massive increase was in part due to 31 new hire requests and 10 position upgrade requests. Given the City’s revenue expectations and the unavoidable expenses I’ve discussed, almost all new hire and upgrade requests have been excluded from the 2020 Comprehensive Budget. Removing these requested increases, Personnel Expenses are still up 1.9%, or approximately \$524,000, compared to the 2019 Adopted Budget. I would note that this increase is reduced by Public Safety Sick Leave, which had been requested at over \$500,000, being excluded entirely. I was able to remove this expense in 2020 due to the Sick Leave Assignment I recommended last year which has shown itself to be an effective way to manage the irregular and costly retirements faced by Public Safety.



The 2020 Comprehensive Budget does include a handful of personnel changes, which were included after meeting with each department to discuss their priorities and with our Human Resources Administrator to discuss the need for each. These changes include:

- Upgrades for the City’s “Survey Technician”, “Civil Service Coordinator”, and “Administrator of Parks, Open Lands, Historic Preservation, and Sustainability.”
- A part-time Office Coordinator to assist the Building Department with their ever-increasing workload and a part-time Clerk to assist the Fire Department. The Department of Public Safety currently has a Senior Clerk who aims to split their time evenly between the Police Department and Fire Department, but recent State-mandated legislative changes have required this employee to dedicate more time to the Police Department. This new part-time Clerk will allow the Fire Department to get the 20 weekly hours of clerical support they need, while also freeing up the City’s full-time Senior Clerk to focus solely on the legally-required demands of the Police Department.
- The sole new full-time hire included in the Comprehensive Budget is a Junior Engineer within the Department of Public Works. While I believe other new positions are warranted, especially the cybersecurity hire within I.T. that I referenced earlier, this Engineering

position is the only one included because it offsets services we currently pay to outsource. As well as lessening the City’s usage of third-party engineering firms, this hire will allow for a City employee to be knowledgeable about the various large projects occurring within the City who also has the ability to focus on City-specific projects. The net additional expense of this new hire, including benefits, is roughly \$10,000 based on our related usage of outside engineering firms.

As I said earlier, the Comprehensive Budget is just a step in the budgetary process. We will discuss requested items, and their priority, in budget workshops to come.

Benefits

Aggregate Benefit-related expenses were up 2.5% compared to the 2019 Adopted Budget. Costs specifically related to Healthcare are up 1.4% year-over-year. Net of the 2019 mid-year rate reduction related to commissions, estimated Healthcare rates increased by a net 0.0% to 2.5%.

BENEFITS	2019 Adopted	2020 Comp.	% Change
Total	\$12,142,343	\$12,448,397	+2.5%
Healthcare	\$7,907,615	\$8,016,465	+1.4%
Retirement System	\$4,051,858	\$4,247,948	+4.8%
Other Benefits	\$182,870	\$183,985	+0.6%

As I said earlier, the healthcare RFP process that the Finance Office oversaw last year continues to benefit the City, as our transition to an experience-rated plan allowed for a year-over-year increase below the broader market based on our estimated numbers, as well as increased benefits to employees.

Other Expenses

As for Other Expenses, here I will highlight some of the most notable non-Personnel-related increases and decreases year-over-year. This includes unavoidable increases for certain critical contracted services, the rising cost of materials and commodities, and increased responsibilities as our City grows.

Largest Expense Increases	2019 Adopted	2020 Comp.	% Change
Software & Hardware	\$155,087	\$216,254	39%
Salt & Sand	\$240,000	\$290,000	21%
Discounts Issued	\$250,000	\$293,299	17%
Gas & Oil	\$248,700	\$276,145	11%
Liability Insurance	\$751,943	\$806,814	7%
Contingency	\$175,000	\$100,000	-43%
Appraisal Services	\$80,000	\$20,000	-75%
Vehicles	\$40,000	\$0	-100%

Related to our City-wide focus on IT upgrades, especially as it relates to cybersecurity, there is a combined 39% year-over-year increase related to Software and Hardware. I would note that this net increase of roughly \$60,000 pales in comparison to the millions of dollars spent by municipalities that are successfully attacked, to say nothing for the operational disruptions that

have forced effected municipalities to go back to slower, more-cumbersome pen and paper processes.

Discounts issued for the prepayment of taxes continues to grow though this increased expense does result in improved cash flow for the City, as an outsized share of property taxes, our largest revenue source, is then paid within the first quarter of the year.

Last year the Account Department was budgeted \$80,000 of funding to use outside Appraisal Services, which was done to ensure assessments across the City are properly accounted for. It is my understanding the project is still in process, but has been largely successful to date. The Accounts Department requested \$60,000 of 2020 funding in their budget submission, and while only \$20,000 could be provided at this time, I would expect the project and request to be revisited during the Accounts workshop.

One small increase I included is Liability Insurance, which covers all City facilities, vehicles, personnel, and services. I wanted to include this increase as there had obviously been some concern as to how the City’s insurance would be impacted by the lightning incident at City Hall and the fire at the DPW Garage. The 7% increase estimated for 2020 seems fairly muted, and I’d like to thank those directly involved in the City’s 2019 insurance process, most notably Director of Risk & Safety Marilyn Rivers, DPW Business Manager Michael Veitch, and our broker Amsure.

Regarding Contingency, it has been lowered to \$100,000 in the Comprehensive Budget, though that may be revised in the Amended Budget.

Fund Balance

For the 2020 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.

Fund Balance	Reserve	2020 Comp.
Restricted	Retirement Reserve	\$500,000
Unassigned		\$2,499,074
Fund Balance Total		\$2,999,074

As you can see on the chart above, total Fund Balance usage in the Budget is \$3.0 million. This includes \$500,000 of Restricted Fund Balance and \$2.5 million of Unassigned Fund balance. During my time in office we have managed Fund Balance in a variety of ways including the support of City reserves, the creation of needed Assignments, and building Fund Balance when appropriate to be used in moments exactly like what we are presented with this year.

While the 2020 Comprehensive Budget usage of Fund Balance as a percentage of total revenue is roughly similar to the 2019 Comprehensive Budget, the Unassigned Fund balance used in 2020 is higher than any prior budget I’ve presented. As we move toward the Amended Budget, one of my top priorities will be to lessen this usage, as I did from the 2019 Comprehensive Budget to the 2019 Amended Budget.

2020 Capital Budget

The Mayor's Office presented the 2020 Capital Budget to the City Council on August 20th. I appreciate all the work put in by the entire Capital Budget Committee, but as I alluded to after the presentation an almost \$17 million Capital Budget is not realistic given the City's financial limitations. This required my office to remove or edit many items included in the original presentation. As we did last year, I would expect a Capital Budget-specific workshop as we build toward the Amended Budget.

The Capital Budget included in tonight's presentations totals \$8.6 million or \$5.0 million excluding Water and Sewer which are funded through their own revenues. This is a decrease from the 2019 Adopted Budget which included a Capital Budget of \$10.1 million or \$7.6 million excluding Water and Sewer.

As we have done in prior years, several items listed in the Water & Sewer Capital Budget will be partially-or-fully funded through Excess Fund Balance rather than the Capital Budget.

Utilizing fund balance rather than bonding avoids the costs associated with issuing and servicing debt. By doing this the Water and Sewer budgets are able to reduce their expenses on a go-forward basis, which positively impacts rates. I intend to bring forward these Water & Sewer recommendations at the next City Council meeting, at which point the items to be funded will be reviewed in greater detail.

The items included in the 2020 Capital Budget & Program are:

Rank	Capital Budget Project (ex-Water & Sewer)	2020 Comp	Source	2021
1	City Hall: Annex East Wall	\$235,000	Bond	
2	Loughberry Lake Dam Project	\$1,750,000	Bond	\$2,750,000
3	East Side Fire & EMS Station	\$600,000	Bond	TBD
4	Local Traffic Signal Control	\$294,404	Bond	
5	Ice Rink Improvements	\$303,325	Bond	
6	City Hall: Handicap Ramp	\$155,000	Bond	
7	Geyser Road Trail Construction	\$1,000,000	Bond	
8	Storm Water Improvements	\$275,000	Bond	\$275,000
9	East Side Storm Water	\$275,000	Bond	\$275,000
10	Complete Streets	\$100,000	Bond	
11	East-and-West Side Rec. Improvements	\$40,000	Contract	

Rank	Capital Budget Project (Water & Sewer)	2020 Comp	Source
W1	Treatment Plant Freight Elevator Replacement	\$150,000	Excess FB
W2	Intake Valve Replacement Program	\$1,552,000	Excess FB
W3	Water Infrastructure Improvement Plan: Phase 1	\$1,000,000	Bond
W4	Treatment Plant Rehabilitation Program	\$90,000	Excess FB
W5	Treatment Plant Fire Suppression System	\$125,000	Excess FB
S1	Wastewater Pump Station Upgrades	\$450,000	Bond
S2	Sewer Main Replacement	\$250,000	Excess FB

I've included a column for 2021 to show that the Loughberry Lake Dam will continue to be a major capital expense for the City in the near term and also to highlight that the East Side Fire &

EMS Station is an immediate priority. Again, the City will have the ability to move more quickly on that project depending on the speed of land acquisition and design.

The City's Future

As I stated earlier, I believe the City has several clearly identifiable 2020 priorities. This includes:

- the successful renovation of City Hall,
- the creation of an East Side Fire & EMS Station,
- improvements to the Loughberry Lake Dam,
- increased support for our ongoing cybersecurity efforts,
- additional staffing to our Public Safety department,
- a comprehensive plan to address the City's expanding trail network, and
- a long-term solution to address the City's homelessness issue, including a permanent Code Blue facility.

Many of these priorities involve multiple departments, if not the entire City Council. As has been the case with most years, I'm sure there will also be unknown projects or situations that need to be dealt with. This City Council in particular has done a stellar job working together to handle the needs of the City to the best of our abilities, and I'm certain that the priorities I've discussed can be successfully addressed through a similar collaborative approach, which utilizes the skills and experience of each City department working together.

Conclusion

This concludes my 2020 Comprehensive Budget presentation. I appreciate your time, and I look forward to working with the City Council: Mayor Kelly, Commissioner Scirocco, Commissioner Martin, 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 that.

Again, I look forward to working with you as we move toward a successful 2020 Adopted Budget for the City of Saratoga Springs. Thank you very much.