



City of Saratoga Springs

**2021 BUDGET MESSAGE OF THE
COMMISSIONER OF FINANCE**

Office of Finance

October 6, 2020

2021 BUDGET MESSAGE OF THE COMMISSIONER OF FINANCE

To my colleagues on the Saratoga Springs City Council and the taxpayers and residents, tonight, to present the 2021 Comprehensive Budget, the ninth budget that I have submitted to the City Council and the residents of our city. The city budget is one of our most important policy documents. It will also be key to the city's financial recovery from the COVID-19 pandemic.

The pandemic is an extraordinary event for our city, a year-round destination accustomed to numerous activities, special events, with substantial citizen and visitor participation. We are not facing it alone – indeed, the nation, state, and every other town, village and municipality are facing similar circumstances. Moreover, it is not the first crisis the city has surmounted (and it undoubtedly will not be the last).

This administration is experienced. We have worked together through the recession of 2008-09, the city-hall fire of 2018, important safety and civil rights advocacy matters, and an abundant number of unique events along the way.

As Commissioner of Finance I have guided this city's finances through unprecedented good times and unprecedented difficult times. I will continue to do so as we work our way through the current economy.

For many years I began the Budget Message with the following words:

“The City Budget documents our commitment to delivering:

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

These words will still hold as we do our best to do the best for all residents and taxpayers in 2021 with substantially reduced revenue resources. Working together as a cohesive City Council can only benefit the task at hand.

Revenues – General Fund

The 2021 Comprehensive Budget is driven by reduced revenue due to the effect of the pandemic on the national, state, and city economy. Revenue resources are finite, municipalities in New York State have limited taxing powers, and while city fees can be helpful, they represent a lesser portion of our revenues.

2020 revenue projections at this time are about \$12M less than the \$48.7M represented by the 2020 adopted budget. 2021 revenue is estimated at \$6.8M less than the adopted 2020 budget, resulting in available revenue of approximately \$41.9M for 2021.

MAIN REVENUE SOURCES

Our main revenue resources include Sales Tax, Mortgage Tax, State Aid, VLT Aid and Real Property Tax.

- **Sales Tax:** YTD sales tax collection through August 2020 is 22.43% lower than 2019 through August of 2019. Based on current and anticipated COVID-19 restrictions, the best near-term projection for sales tax is \$11.5M for 2021. Visually, downtown is busier, but the financial effects remain on a decline, as commercial venues are limited in the number of customers they can host. To date, there is no information about the Saratoga Racecourse, SPAC, our City Center, special events, or other activities that bring revenue resources to the city.
- **Mortgage Tax:** The city's housing market has remained firm, 2020 mortgage tax collection may meet amounts budgeted for 2020. Mortgage tax has been budgeted at \$1.55M and represents a \$50K decrease from 2020.
- **State Aid:** To date, Governor Cuomo has held back 20% of state revenue sharing for municipalities. As a result, State Aid, which includes state revenue sharing, has been budgeted at \$1.38M for 2021. The city's total State Revenue Sharing had not changed since 2011.
- **VLT Aid:** VLT Aid is reduced by 50% of amounts received in 2019 based on the concern that NYS will cut VLT Aid entirely in 2021 due to the state's own budget challenges and the Governor's trend to cut this revenue. While this would require the legislature to amend the law in order to implement, the city cannot be caught unaware in the event of such a sizable revenue loss. The city receives VLT in June 2021, and may amend its budget as deemed appropriate.

Note, 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. The City's expenses (e.g., security, traffic safety, and infrastructure) remain largely the same regardless of whether visitors are allowed.

- **Real Property Tax:** City taxpayers have enjoyed a stable tax rate for an unprecedented 8 years of my tenure as Commissioner of Finance. The 2021 budgeted revenue includes the impact of a 6% increase in property tax rates, generating \$949K in revenue for 2021, which would increase the monthly property tax payment on a home assessed at \$200K by \$6; a home assessed at \$400K by \$12; and a home assessed at \$650K by \$20.

OTHER REDUCTIONS

Revenues at a 15% Reduction:

<u>Mayor's Dept</u>	<u>Public Works Dept</u>	<u>Public Safety Dept</u>
BUILDING INSPECTION SERVICES	PUBLIC WORKS SERVICES	FINGERPRINT FEES
ZONING FEES	CAROUSEL SALES	FIRE INSPECTION FEES
PLANNING BOARD FEES	ENGINEERING SERVICES	FIRE SERVICES
DESIGN REVIEW FEES	PROJECT REVIEW FEES	VACANT REGISTRATIONS
CIVIL SERVICE FEES	TRANSFER STATION BAGS	DUMPSTER/RIGHT OF WAY FEES
BUILDING PERMITS	COMPOST MATERIAL SALES	PUBLIC SAFETY OTHER
TEMPORARY CO	COUNTY AID TRANSFER STATION	COUNTY AID HAZ MAT
BUILDING COPY FEE	CASINO CHAIR RENTAL	POLICE SERVICES
PLUMBING FEES	STREET OPENING PERMITS	FIRE SERVICES FALSE ALARM
BUILDING CODE FINES		FINES & FORFEITED BAIL
	<u>Accounts Dept</u>	CODE VIOLATION REIMBURSEMENT
<u>Finance Dept</u>	LICENSES BUSINESS	
SALES TAX	LICENSES BINGO	
FINANCE FEES	LICENSES DOG	
TAX SEARCH CHARGES	LICENSES HOTEL/RESTAURANT	
ADVERTISING TAX SALE	SALE OF ADVERTISEMENTS PARK DE	
INTEREST ON INVESTMENTS		

Additional Revenue Reductions:

- Hotel Occupancy Tax: Reduced by 50%.
- NYRA Admissions Tax: Reduced to \$0.
- State Aid Chips Program: Expenses and revenue are budgeted at \$0.
- Special Events OT Reimbursement Police Dept: Reduced by 50%.
- Special Events Reimbursement OT Fire Dept: Reduced by 50%.
- Special Events Reimbursement OT Traffic: Reduced by 50%.
- Recreational Fees: Reduced to \$0.
- Field Fees: Reduced to \$0.
- Indoor Rec Facility Rent: Reduced to \$0.
- Rental Ice Rink Weibel: Reduced to \$0.
- Racetrack Parking Fees: Reduced to \$0.
- Rec Prog Clinic Fees: Reduced to \$0.
- Concessions: Reduced to \$0.
- Summer Program: Reduced to \$0.

FUND BALANCE

There are five distinct categories of Fund Balance according to the 2009 Governmental Accounting Standards Board (GASB) Statement 54. Two of these categories (Restricted and Unassigned Fund Balance) are reflected in the 2021 Comprehensive Budget for the General Fund and Debt Service Fund: these total **\$1.7M.**

Taxpayers have benefited significantly from the use of fund balance over the years and it has helped us retain services while minimizing amounts borrowed. Fund Balance has been

significantly depleted in order to manage the 2020 effects of the COVID-19 economy, and assist us in managing a balanced 2021 budget.

- **General Operating Budget Use of Restricted Fund Balance:** The total restricted fund balance included in the 2021 General Operating Budget is \$495K. **\$200K from the Retirement Reserve and a \$295K ‘loan’ from the Spring Run Trail and Parking Structures Capital Reserves.** On August 24, 2020 the Governor signed into law a revision to the NYS Local Finance Law that allows jurisdictions to authorize the temporary transfer of moneys from reserve funds to pay for operating costs or other costs attributable to the COVID-19 pandemic. This budget includes a total of \$295,000 loaned from two lesser utilized capital reserve funds, Springs Run Trail (\$92K) and Parking Structures Capital Reserve (\$203K). Amounts must be reimbursed to the reserves within five years, with a minimum payment of 20% each year.
- **Debt Service Fund Use of Restricted Fund Balance:** The total restricted fund balance used in the Debt Service Fund is \$400K from the Reserve for Bonded Indebtedness to assist with servicing debt.
- **Unassigned Fund Balance:** Unassigned fund balance is all fund balance remaining that is not classified or restricted and can be made available for any purpose. However, it is important to preserve sufficient fund balance to ensure payment on the city’s liability in the event of employee retirements. The 2021 budget includes the use of **\$800,000 in unassigned fund balance.**

Expenses – General Fund

The city is required under its charter to submit a balanced budget (City Charter, Title 4, Section 4.4.6). Current estimated revenue is approximately \$41.9M. Expenses must follow suit. The city cannot plan to expend more than our current best estimate of 2021 revenue that the city will collect. Not only does our Charter dictate a balanced budget, but the State Comptroller’s advises the same, as do our bond rating agencies.

Property tax alone does not support the cost of general operations of the city. The city operating budget is subsidized by many revenue resources that have been affected by the new economy. Property taxes have historically been about 30% of the city’s total expense costs.

This 2021 Comprehensive Expense Budget is largely comprised of reductions. To this end, there are a few layoffs that require a January 1st target date and further additional layoffs are not off the table.

All Departments

The city’s single largest expenditure is personnel service. This, together with benefits, represent about 84% of the total General Operating Budget and includes wages, social security, retirement, and healthcare benefits.

Significant reductions in expenses are required to balance a budget with such a sharp decrease in revenue. Budgeted expense reductions include a 10% cut in all wage appropriations for full-time employees, serving to mitigate the number of required layoffs, and lessen the impact to police, fire, and DPW labor and other wage lines. **I believe that we share the mutual goal of keeping as many jobs intact as possible, and this reduction is a good investment towards that goal.**

Absent federal fiscal stimulus, layoffs will be required. In addition to the 10% across the board pay cut that has been budgeted, additional staff reductions are included for DPW labor lines at 25%; and for DPS at 15% for police and fire personnel lines. Recreation will be discussed later in the presentation.

Unemployment amounts have been increased throughout all departmental budgets to cover potential options that the city may face. These are offset by health care savings that would concurrently arise.

Mayor's Department

Non-Profit Organizations

The organizations included in the city budget are all well deserving. The non-profits currently included in the city budget are reduced by 60%, except for the Saratoga Springs Senior Center which has been reduced by 50%:

- Franklin Community Center
- Saratoga Springs Preservation Foundation
- Saratoga Center for the Family
- Shelters of Saratoga
- Memorial Day Allowance
- Saratoga Lake Protection
- Saratoga Springs Senior Center

Personnel (aka "Personal Services")

- Civil Service - PT Clerk is cut back to 2020 amounts (from \$14,000 to \$1,800).
- City Historian (PT) - Wage, Social Security and office expenses are reduced to \$0.

Other

- Inauguration expense is reduced to \$0, from \$500.
- Planning and Economic Development – Economic Development funds to SPAC is reduced to \$0, from \$20,000.
- The City Phone System and its cost of \$87.5K are moved to Finance, under the IT department.

Finance Department

Personnel (aka “Personal Services”)

- Finance Administrator position was eliminated in August of 2020.
- IT Network Security Specialist wage and social security are included in the Comprehensive Budget. One of the two Computer Support Technicians is removed, for a net increase on the budget of \$6,057. This position was approved and budgeted for in the 2020 Budget.

Other

- Contingency - “Contingency” is an expense line that is budgeted annually to cover emergencies, unexpected events and opportunities, and employment agreements that are negotiated and settled after the budget is adopted. This is included in the 2021 Budget at \$0.
- Data Network/IT – The IT budget has been reduced overall by 18%. This is a substantial reduction for an essential city department. We will do our best to sustain it while adhering to laws, regulations, and necessary security requirements.
- The City Phone System and one personnel addition have been moved to the Finance Department from the Mayor’s Department and represents an \$87.5K transfer of funds.

Public Works Department

- Labor – Labor lines in all DPW sub-departments are reduced by 10%; the appropriation for each labor line is further reduced an additional 25%.

Other

- Trails - “Trails” is a sub-department created in 2020 to budget the expenses of maintaining and caring for the city’s abundant and growing Trail system. DPW requested that this sub-department be reduced to \$0 for the 2021 budget year.
- Vehicles – The new vehicle requested, for use by the Streets sub-dept, is reduced to \$0.
- CHIPS – CHIPS expenses are funded by NY State Aid. Expenses are usually budgeted during budget season and corrected when the city is officially notified of its actual award the following spring. This year, expenses are left at \$0, and will be budgeted at the time that the notification is received. The 2021 budget will then be amended to accommodate.
- Trees – The yearly tree planting appropriation has been reduced by \$30,000. In 2020 this was increased from \$20,000 to \$40,000 to accommodate the anniversary of Arbor Day.
- Numerous, various, other reductions in equipment and supplies, each in the amount of 25%, are also represented.

Public Safety Department

- Police Department Personnel – Police Officer, Lieutenant, Investigator and Sergeant wage and social security lines are reduced by 10%; the appropriation for personnel lines are further reduced an additional 15%.
- Fire Department Personnel – Firefighter, Lieutenant, and Captain wage and social security lines are reduced by 10%; the appropriation for personnel lines are further reduced an additional 15%.
- Fire Department Assistant Chief – One of three Fire Department Chiefs is currently unfilled; this wage is reduced to \$0 at this time.

Accounts Department

- There are no further reductions.

Recreation Department

The Recreation Department budget reflects a hiatus for the recreation program. This is an excellent time for the department to re-imagine its mission, vision, and program design.

The Recreation Department effectively and successfully developed a summer program that was budget neutral. The objective is to do the same thing for 2021 and we will amend the budget accordingly.

At this time, the 2021 Comprehensive Budget reflects the following:

- All programming expenses and revenue, including Indoor Recreation Facility, Summer Recreation, Ice Rink, Summer Parking, and individual sports are reduced to \$0.
- DPW-Recreation labor lines have been reduced by 10%; the appropriation for these labor lines are further reduced an additional 40%.
- Various DPW-Recreation office, janitorial and other supplies, printing, utilities, credit card fees and service contracts are reduced to 2020 amounts or cut by 50%-75%.
- The Administrative Director wage and social security remains intact, but reduced by 10%. A single assistant remains available, included at 50% reduction.

In summary, the 2021 Comprehensive Budget is a plan designed to be amended if further revenue becomes available – such as much needed assistance to local municipalities from the Federal Government. It is neither a permanent nor absolute vision of the future for the city. While there are few layoffs that require a January 1st target, additional layoffs are not off the table. The Departments of Public Works and Public Safety, which are the departments with the largest personnel lines, will each require a plan to work through year end 2021. The other smaller departments will also be required to share in this reality of

reduced revenues available to the city. Planned spending must be aligned with planned and budgeted revenues.”

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 2021 Comprehensive Budget includes 6 projects from the 20 requested capital projects recommended by the Mayor’s Office and the Capital Committee and approved by the City Council – three general governmental projects and three water and sewer projects).

The total amount budgeted is \$11,194,660. Three projects totaling \$9,119,660 require bonding supported by property tax, funded by way of the Debt Service Fund; and two projects totaling \$2,075,000 are funded by way of the Water and Sewer Funds. Projects are listed below:

	PROJECT	TOTAL PROJECT COST
1.	Public Safety Department East Side Fire & EMS Facility	\$6,700,000
2.	Public Works Mobark “Wood Hog” Tub Grinder	\$669,660
3.	Loughberry Lake Dam	\$1,750,000

The following projects are also bonded, but the principal and interest payments are included in the Water and Sewer Funds and are paid for by user fees, not property tax:

	PROJECT	TOTAL PROJECT COST
18.	Water Infrastructure Improvement	\$1,575,000
19.	Wastewater Pump Station Upgrades	\$250,000
20.	Sewer Main Replacement	\$250,000

Next steps include a two-part process – 1. The **bond resolution** which gives the city the authority to bond; and 2. The **bond issue** which is the public sale of bonds that generate the money from which we pay for these projects.

There are additional contingencies I am including with this 2021 Comprehensive Budget. Finance will NOT present a bond resolution or allow further bonding unless it is clear that the city is ready to expend funds and we are able to cover them. The budget will carry these priority items, but there will be no expenditures unless and until these are expressly authorized. Additionally, these projects, if bonded, will impact the 2022 budget as they have not been incorporated into the current debt service budget which impacts property taxes. I take all budget recommendations seriously and am aware that the city requires capital expenditures to function. Like the rest of the budget, the Capital Budget is amendable when and if the economic outlook for the city changes.

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. The main revenue source supporting capital project bonding is property tax.

The total proposed 2021 Debt Service budget is \$4,673,980. Revenue includes property tax (\$4.1M), the Reserve for Bonded Indebtedness (\$400K), and various smaller resources (\$200K). Once again, the reserves established by my administration prove to be a savings for taxpayers. Expenses include the principal and interest payments for all outstanding (prior) capital projects.

I have not included principal and interest expenses or the revenue to cover these expenses for the three new 2021 projects, listed above and reflected in the 2021 Capital Budget (fire EMS, wood hog tub grinder, the dam).

I have chosen to include the costs of bonding new capital projects (principal and interest payments) in the 2022 budget year. If we decide it is not in our best CGB bond in 2021, we will have placed an unnecessary burden on taxpayers in 2021 – this plan avoids this unnecessary potential tax. Moreover, department priorities may well change. It is not clear that any projects included in a bonding initiative will be ready to bond, and like all budgets, the 2021 Debt Service budget can be amended at any time. To be clear, this means that the 2021 Capital Budget projects are NOT included in the 2021 property tax rate calculation, taxpayers will not be paying for these projects in 2021 and they will likely impact the 2022 Capital Plan and projects

Under the city's self-imposed 2% debt limit and after subtracting amounts already bonded and not excludable, the amount available to bond in 2021 is an estimated **\$34.8M**.

The City of Saratoga Springs retained one of its highest bond ratings to date in the spring of 2020. Standard & Poor's Rating Services sustained the city's rating of "AA+". In light of the economic pressures wrought by the pandemic, it reduced the city's outlook from "stable" to "negative".

This remains a high rating for a municipality and it has served the city well when our bond issue went out to bid. Though the city was in a very good financial position when the pandemic hit, this position is diminishing given our COVID-19 prompted need to use up reserves, extinguish assignments, tap fund balance, and resort to short term loans to support cash flow.

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 2021 Budget year marks the tenth year of the cap imposed by New York State on the property tax levy. This caps the growth of the year to year total tax levy at the lesser of 2% *or* the cost of living increase and provides the parameter for the city’s tax rate. This year NYS Property Tax Cap is equal to cost of living at 1.156%. This amount is unsustainable given the utterly unique experience that has taken over the world, nation, state, and local jurisdictions. Federal and State support have been nominal.

Accordingly, the city asks taxpayers to participate in the city’s recovery. For the first time during my tenure, we have suggested a noteworthy tax levy increase over 2020 in the amount of 6%. This will result in the following contribution from property owners:

2021 Assessed Value	Monthly Change between 2021 and 2020	Annual Change between 2021 and 2020
\$100,000.00	\$3	\$36
\$150,000.00	\$5	\$54
\$200,000.00	\$6	\$72
\$250,000.00	\$8	\$90
\$300,000.00	\$9	\$108
\$350,000.00	\$11	\$127
\$400,000.00	\$12	\$144
\$450,000.00	\$14	\$163
\$500,000.00	\$15	\$181
\$550,000.00	\$17	\$199
\$600,000.00	\$18	\$217
\$650,000.00	\$20	\$235
\$700,000.00	\$21	\$253

COMBINED TAX RATES

The proposed tax levies and corresponding tax rates are shown below:

2021 PROPOSED PROPERTY TAX RATE	
Proposed General Fund Tax Levy:	\$17,083,984
Proposed Debt Service Fund Tax Levy:	\$4,074,228
Proposed Combined Tax Levy:	\$21,158,212
Proposed Debt Service Fund Tax Rate	\$1.2333
Proposed Inside District Tax Rate	\$5.1991
Proposed Outside District Tax Rate	\$5.1387
Proposed Combined Inside Tax Rate:	\$6.4324
Proposed Combined Outside Tax Rate:	\$6.3721
Inside District-Percent Change	5.96%
Outside District-Percent Change	6.05%
Average Percent Change:	6.00%

Conclusion

The 2021 Comprehensive Budget is a unique challenge. It is designed to be fluid and flexible as the new post-pandemic economy develops. This budget represents serious new parameters and constraints. It is specifically designed to prepare us for our challenges, while being amendable as new revenue and expense information is available and opportunities unfold.

I would like to thank my fellow Council members – Mayor Kelly, Commissioner Scirocco, Commissioner Dalton, and Commissioner Franck. Each Department faces difficult limitations, and each will rely on its creativity, resourcefulness, longevity and strength for the best of the city. The only way we will do the best by the city is to work together. In doing so, we will sustain a revitalized Saratoga Springs that I welcome with courage, confidence and hope for a bright future.

Next up will be our Budget Workshops and I will discuss this on my agenda this evening.