



**MEMORANDUM
OFFICE OF THE COMMISSIONER OF FINANCE
CITY OF SARATOGA SPRINGS**

**MICHELE MADIGAN
COMMISSIONER OF FINANCE**

To: Mayor Joanne Yepsen
Commissioner John Franck
Commissioner Chris Mathiesen
Commissioner Anthony Scirocco

Cc: Christine Gillmett-Brown

From: Commissioner Michele Madigan

Date: October 31, 2014

Re: 2013 Excess Fund Balance Recommendations

Under the 2014 Fund Balance Policy I am required to report annually to the Council whether the audited balance available in the unrestricted fund balance of the City's General Fund for the most recently audited fiscal year is within 10% – 15% of the adopted expenditure budget for the ensuing fiscal year for the City's General Fund. I have reported that the City's 2013 audited unrestricted fund balance is in excess of this policy in an amount of \$1,752,069.

On October 7th, with the presentation of the 2015 Comprehensive Budget, I provided recommendations to the Council for the use of this excess. These have changed slightly given a recent Assignment for the Refund of Prior Year Taxes. I reviewed these at the October 28th Budget Workshop, and am summarizing them here as follows:

1. Contribution to the Assignment of Fund Balance for the Refund of Prior Years Taxes in the amount of \$70,000.

I have recommended a new Assignment for the Refund of Prior Years Taxes. This will ensure that there are sufficient funds to cover these expenses without budgeting additional amounts. This is an increase to the amounts available to the Accounts Department for Article 7 matters, establishes a better budget structure going forward, and, most significantly, reduces the tax burden on our taxpayers.

2. Contribution to the Reserve Fund for the Payment of Bonded Indebtedness in the amount of \$465,000.

This is reduced from the original recommendation by \$35,000 to accommodate the new Assignment.

Debt service is critical to capital infrastructure and improvement, and largely dependent on property tax. Balancing general fund needs with capital needs will be an ongoing issue in the City's budget management, and this reserve will help provide tax stabilization in those years when it may be needed most. Current Amount in the reserve as of 09/30/14: \$75,076. Revised Amount: \$540,076. Amounts budgeted in the 2015 Comprehensive Budget: \$200,000.

3. Contribution to the Retirement Reserve in the amount of \$165,000.

This is reduced from the original recommendation by \$35,000 to accommodate the new Assignment.

As long as the City has employees, it will be required to contribute to the retirement system. While efforts have been made to stabilize and better predict contributions, it is still a large cost to the City. Reserving funds for retirement costs will protect the City in leaner years. Current Amount in the reserve as of 09/30/14: \$472,777. Revised Amount: \$637,777. Amounts budgeted in the 2015 Comprehensive Budget: \$200,000.

4. Assignment for a Web-site and Social Media Design/Update and IT initiatives in the amount of up to \$202,069. Amounts unencumbered and remaining shall go to the Capital Reserve for Buildings.

A remainder has been added.

Update: 11 bid proposals were received on Thursday October 23rd. Costs range from \$20K to \$120K, plus amounts for training, maintenance, and contingency.

IT has an important security initiative for the back-up of our desktops. Estimates for that project are about \$50,000.

I am committed to this project – as a onetime project it is especially suited for fund balance excess. More importantly, we cannot underestimate the power and importance of the City web site to accessibility and transparency in City government. For many people the web is the conduit to their government. It is time ensure that the City's web is up to the task.

The remaining recommendations are the same as originally stated –

5. Assignment for costs (excluding legal fees) associated with the settlement of City employment contracts or resolutions, including salaries, other negotiated contract terms, and NYS retirement expenses, in an amount of up to \$650,000.

Any remainder shall go to the Reserve Fund for the Payment of Bonded Indebtedness.

Five of seven employee contracts will have expired at the end of 2014. Funds must be available for settlement, and they must be available for the abrupt budget realignment this will generate. These are one-time costs required to bring contracts up to date.

In the event that amounts referenced above are not completely used for the proposed purposes by year-end 2015, I am recommending that the remainder go to the Reserve Fund for the Payment of Bonded Indebtedness, which will serve tax stabilization as well.

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

The City's Capital Reserve for Buildings has been critical to capital improvements, covering unexpected contingencies for large projects and allowing smaller projects to be paid for without incurring interest costs. Uncommitted Amount in the reserve as of 09/30/14: \$315,262. Revised Amount: \$415,262. Amounts budgeted in the 2015 Comprehensive Budget: \$100,000.

7. Contribution to the Insurance Reserve in the amount of \$80,000.

The City established an Insurance Reserve for the purpose of paying liability, casualty and other types of losses, except those incurred for which the certain types of insurance may be purchased. These costs can be unpredictable and difficult to budget since it is unclear whether or when funds will be needed. The Insurance Reserve has provided protection, planning, and reduced annual taxes. Uncommitted Amount in the reserve as of 09/30/14: \$99,987. Revised Amount: \$ 179,987. Amounts budgeted in the 2015 Comprehensive Budget: \$0.

8. Assignment for the City Centennial Celebration in the amount of up to \$20,000. Amounts unencumbered and remaining by year-end 2015 shall go to the Reserve for the Payment of Bonded Indebtedness.

2015 marks the year of the Saratoga Springs Centennial Celebration. Finance has taken the initiative to recommend this assignment of funds to support various departments in their preparations. Requests may be brought to Council by way of budget amendments on an as needed basis.