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May 2021

Honorable Meg Kelly, Mayor  
Members of the City Council  
City of Saratoga Springs  
474 Broadway  
Saratoga Springs, NY 12866

Report Number: S9-21-10

Dear Mayor Kelly and Members of the City Council:

The COVID-19 pandemic (pandemic) has had various levels of impact on the financial operations of local governments across New York State. Some local governments have seen little to no impact on their financial operations, while others have seen more significant impacts due to reductions and/or increases to their revenues and/or expenditures. This has led to some local governments having to reduce or eliminate some services and temporarily or permanently reduce staff positions. In addition, some local officials have decided to delay capital projects, which could result in future delays to other projects to maintain and improve local government infrastructures.

The pandemic has also created a difficult environment for officials to develop annual budgets given the unknowns of future financial impacts. The pandemic increases the need for local officials to more closely monitor their budgeted estimates for revenues and expenditures against actual results and modify their budgetary estimates accordingly, when warranted, during the course of their fiscal year.

To assess whether local officials adequately considered the impact of the pandemic on their financial operations while developing their 2021 fiscal year budgets, our office conducted reviews of 20 adopted budgets of various counties, cities, towns and villages across the State. The City of Saratoga Springs (City) is one of the local governments included in our review.

The objective of the review was to provide an independent evaluation of certain aspects of the adopted budget. Our review addressed the following question related to the City's adopted budget for the 2021 fiscal year:

- Did officials adequately assess the impact of the pandemic on financial operations while developing estimates for significant revenues and expenditures in the 2021 adopted budget?

## **Summary of Findings**

Based on the results of our review, we found that officials adequately assessed the impact of the pandemic on financial operations while developing estimates for significant expenditures in the 2021 adopted budget. However, the adopted general fund budget includes estimated revenues for federal aid that will not be fully realized and State funding for Aid and Incentives for Municipalities (AIM) and Video Lottery Terminal (VLT) aid which may not be realized.

Additionally, in consideration of the continually new and evolving impacts caused by the pandemic, City officials should carefully monitor their budgeted to actual revenues and expenditures and make amendments to the budget as needed throughout the year.

## **Methodology**

To accomplish our objective in this review, we requested your adopted budget and other pertinent information. We interviewed officials and reviewed the adopted budget to gain an understanding of the budget development process and to determine whether any estimates in the adopted budget were adjusted by officials due to the potential impact the pandemic could have on financial operations. We identified and examined for reasonableness significant estimated revenues and expenditures<sup>1</sup> and estimated revenues and expenditures below our established threshold that could more likely be impacted by the pandemic. We also identified any significant new revenue or expenditure estimates, made appropriate inquiries and reviewed supporting documentation to assess whether the estimates were realistic and reasonable. In addition, we evaluated the amount of fund balance and/or reserves appropriated in the adopted budget to be used as a financing source and determined whether these amounts were available and sufficient for that purpose.

The scope of our review does not constitute an audit under generally accepted government auditing standards (GAGAS). We do not offer comments or make specific recommendations on public policy decisions, such as the type and level of services under consideration to be provided.

## **Background**

The City is located in Saratoga County. An elected five-member City Council (Council), which is composed of the Mayor and four Commissioners, is responsible for the general oversight of the City's operations and finances. The Commissioner of Finance is responsible for preparing and administering a comprehensive City budget in accordance with the City Charter. The Commissioner of Finance solicits budget requests from the departments to use in the preparation of the proposed budget, which then is presented to the Council. The City holds a public hearing on the proposed budget and the Council makes any necessary revisions. The City holds a second

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<sup>1</sup> For this review, we established significant estimated revenues and expenditures to be those consisting of 5 percent or more of a fund's total budget estimates.

public hearing on the proposed budget and then makes any necessary final revisions prior to adopting the budget.

The City’s operating funds consist of general, water, sewer and debt service funds. In addition to the four operating funds, the City also maintains a separate fund for capital projects. The City provides various services to its residents, including law enforcement, fire protection, road maintenance, snow removal, parks, recreation, water, sewer and general government support. The City’s operations are predominately financed by real property taxes, sales tax, and water and sewer charges.

Following are the 2021 adopted budget figures, broken down by funds, along with the 2020 adopted budget total for all funds for comparative purposes.

<b>Figure 1: 2021 Adopted Budget</b>					
<b>Fund</b>	<b>Appropriations and Provisions for Other Uses</b>	<b>Financing Sources</b>			
		<b>Estimated Revenues</b>	<b>Appropriated Fund Balance</b>	<b>Appropriated Reserves</b>	<b>Real Property Taxes</b>
General	\$46,225,836	\$29,034,463	\$123,903	\$0	\$17,067,470
Water	4,056,544	3,806,490	0	250,054	0
Sewer	5,303,565	4,996,837	306,728	0	0
Debt Service	4,673,980	113,527	0	486,225	4,074,228
Capital Projects	11,194,660	11,194,660	0	0	0
<b>Total for 2021</b>	<b>\$71,454,585</b>	<b>\$49,145,977</b>	<b>\$430,631</b>	<b>\$736,279</b>	<b>\$21,141,698</b>
<b>Total for 2020</b>	<b>\$70,234,426</b>	<b>\$46,408,995</b>	<b>\$2,706,548</b>	<b>\$1,266,945</b>	<b>\$19,851,938</b>

Our review disclosed the following findings, which should be reviewed by the Council for appropriate action. Good management practices require that City officials take prompt action concerning our recommendations.

**Revenues**

Federal Aid – The adopted general fund budget includes estimated revenues of \$5 million for federal aid anticipated to be received by the City through stimulus legislation to offset revenue shortfalls caused by the pandemic. Based on the recently enacted federal aid package for local governments, the City’s aid for 2021 is expected to be \$3.85 million. As a result, City officials should develop a plan and make budgetary modifications to balance the budget for this revenue shortfall.

AIM Funding – The adopted general fund budget includes estimated revenues of \$1,649,701, which is the same amount that the Enacted State Budget has included in AIM funding for the City since State Fiscal Year 2011-12. However, due to the continually evolving circumstances caused by the pandemic, the State Fiscal Year 2020-21 Enacted Budget generally authorizes the Executive and the State Legislature to withhold or reduce State aid as necessary at given times throughout the year should the State Budget be deemed out of balance.<sup>2</sup> The State withheld 20 percent, or \$329,940, of the City’s scheduled AIM payments in 2020. While the City’s AIM funding for 2021 will be based on the State Fiscal Year 2021-22 Enacted Budget, we caution City officials to be mindful that the State Fiscal Year 2021-22 Executive Budget includes a 20 percent reduction in AIM funding for the City. As a result, City officials should closely monitor this revenue estimate throughout 2021 and develop a plan to balance the budget in the event this revenue projection is not fully realized.

VLT Aid – Due to the continually evolving circumstances caused by the pandemic, the State withheld 20 percent, or \$465,118, of the City’s scheduled VLT aid of \$2,325,592 in 2020. Based on the uncertainty of this aid, City officials told us they reduced estimated revenues for VLT aid in the 2021 adopted general fund budget. The adopted budget includes estimated revenues of \$1,162,796 for VLT aid, which is 50 percent less than the State Fiscal Year 2020-21 Enacted Budget amount. While the City’s VLT aid for 2021 will be based on the State Fiscal Year 2021-22 Enacted Budget, we caution City officials to be mindful that the State Fiscal Year 2021-22 Executive Budget includes the elimination of VLT aid for the City. As a result, City officials should closely monitor this revenue estimate throughout 2021 and develop a plan to balance the budget in the event this revenue projection is not fully realized.

## **Recommendations**

The Council should:

1. Amend the general fund budget for the federal aid revenue shortfall.
2. Be prepared to amend the general fund budget in the event the revenue projections for AIM funding and VLT aid are not fully realized.
3. Carefully monitor revenues and expenditures throughout the year and closely monitor ongoing discussions and legislative acts at both the State and Federal level that could be beneficial or detrimental to the City’s financial operations. Officials should use this information to make adjustments to the budget as needed throughout the year.

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<sup>2</sup>The Budget is deemed out of balance for the fiscal year, and these powers are activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during the year (April 1-30, May 1-June 30, and July 1-December 31). The *FY 2021 Enacted Budget Financial Plan* is available at: <https://www.budget.ny.gov/pubs/archive/fy21/enac/fy21-enacted-fp.pdf>.

We hope that this information is useful as you monitor the City's financial operations and budget throughout the 2021 fiscal year. If you have any questions on the scope of our work, please feel free to contact Julie Landcastle, Chief Examiner of the Statewide and Regional Projects Unit, at (607) 721-8306.

Sincerely,

Elliott Auerbach  
Deputy Comptroller

cc: Christine Gillmett-Brown, Director of Finance  
Lynn Bachner, Budget Director  
Gary G. Gifford, Regional Chief Examiner