

City of Saco, Maine

Executive Summary of the Adopted Fiscal Year 2003 Budget

Introduction

The fiscal year 2003 City of Saco, Maine budget was adopted on June 3, 2002 and establishes the operational goals of the city for the upcoming year. Although the city has numerous governmental type funds, the only fund subject to appropriation is its General Fund. The city budget strikes a balance between the needs, requirements, and resources available while maintaining required service levels and fulfilling the items within the financial plan.

The adopted fiscal year 2003 budget totals \$38,927,700 representing a conservative budgetary approach and including careful consideration of the recommendations offered by the various city department heads and the Board of Education. City officials recognize and appreciate the important involvement of departmental staff, department heads, members of the Board of Education, and interested citizens in bringing about this budget document. A total of 156 full and 176 part-time personnel have been approved as the total city workforce.

The executive summary consists of an introduction to the City of Saco, Maine departments and their fiscal year 2003 requests, a summary of projects to be undertaken in the year 2003, insight into the financial basis for the fiscal year 2003 budget, an overview of city fund balances, and a summary of the adopted budget culminating with the fiscal year 2003 tax rate.

City Departments – Functions and 2003 Requests

Thirteen departments operate within the City, with a mixture of appointed and elected officials as department heads.

Legislative- The Legislative Department is responsible for overall authorization of all City activities. The Mayor and City Councilors within this department are responsible for approving the fiscal year 2003 budget, which includes the various funds granted to public agencies within the City of Saco. **Key Budget Issues:** in fiscal year 2003 include the appropriating of additional funds for the continued development of the city's web site to better facilitate citizen access to city hall and to broaden the awareness of what is happening within the city as well as an increase of \$25,000 in the appropriation given to the Saco Spirit for Business in order to support their new program.

City Administration- The Administration Department is responsible for the overall administration of all City activities. The City Administrator is responsible for preparing the budget document through its three stages of "Proposed," "Draft," and "Adopted." Its direct function includes Human Resources. **Key Budget Issues:** in fiscal year 2003 includes the continued support of City operations.

Finance- The Finance Department is responsible for financial planning, budget reporting and control and is divided into the following divisions: purchasing and accounting, treasury and tax collection. **Key Budget Issues:** in fiscal year 2003 includes the reorganization of staff from

the City Clerk's Department to the Finance Department. Two full time and one part time employee are now reflected within the Finance Department budget instead of the City Clerk Department budget. Also, the inclusion of an Information Technology coordinator salary and miscellaneous operating expenditures, that are to be part of the Finance Department. Also includes additional funding necessary for health insurance cost increases as well as an over 33% increase in the York County tax assessment.

City Clerk- The City Clerk Department is responsible for performing all duties for the City Council as it may require, for authenticating documents with his/her signature and for administering the divisions of public welfare and voter registration. The department is also responsible for the filing, indexing and safekeeping of all proceedings of the City Council, which shall be open to public inspection. **Key Budget Issues:** in fiscal year 2003 includes the removal of two full time and one part time employee as noted with the Finance Department reorganization. Also included is the 5-year plan for the microfilming of all archival records. This current year appropriation of \$14,000 can be found within the Capital Improvement Program section.

Assessing- The Assessing Department is responsible for the valuation of all taxable property within the City of Saco in a fair and equitable way and in accordance with state statutes. **Key Budget Issues:** in fiscal year 2003 includes the first year funding for an internal valuation verification process and to implement the property tax lot lines within the city's expanding Geographic Information System (GIS). The current year appropriations of \$85,000 and \$70,000 respectively can be found within the Capital Improvement Program section.

Legal- The Legal Department is responsible for providing independent legal advice and for the drafting of all instruments, which may be required by any ordinance or by any city official. **Key Budget Issues:** in fiscal year 2003 includes the inclusion of estimated litigation costs for the city's claim filed against the Maine Energy Recovery Company.

Police Department- The Police Department is responsible for the enforcement of law and order within the City of Saco. **Key Budget Issues:** in fiscal year 2003 includes the continued support of City operations.

Fire Department- The Fire Department is responsible for fire prevention and extinguishments, the protection of life and property against fire and the removal of fire hazards within the City of Saco. **Key Budget Issues:** in fiscal year 2003 includes the hiring of 4 additional firefighters/paramedics in order to be able to man working shifts in a manner conducive with safe response for the citizens of our community. It also includes additional monies for proper training and gear necessary for the employees of this department. Lastly is the increase in the call men's wages necessary to be more comparable with wages being paid in our neighboring communities and to assure the continued support of these very integral positions.

Building Inspection/Code Enforcement- The Building Inspection/Code Enforcement Department is responsible for the issuing of permits to build, alter, move or erect all buildings, signs or structures, to install equipment or to occupy. The department is also responsible for

the maintaining of the City Hall building that houses the city's administrative offices. **Key Budget Issues:** in fiscal year 2003 includes the continued support of City operations.

Planning and Economic Development- The Planning and Economic Development Department is responsible for all matters within the scope of urban revitalization, community development, facilities planning or open space preservation. **Key Budget Issues:** in fiscal year 2003 includes the funding necessary for future development within the city's Spring Hill Industrial Park. The appropriation of \$40,000 can be found within the capital construction section.

Public Works- The Public Works Department is responsible for the administration, professional work and directing of all phases of municipal public works, including the treatment plant, landfills, sewers, streets, motor vehicle maintenance, garbage and refuse collection and disposal and snow plowing and removal. **Key Budget Issues:** in fiscal year 2003 include the increased funding necessary to meet the higher tipping fees being charged by the Maine Energy Recovery Company, and the inclusion of a full time recycling officer to direct the efforts of the city's recycling program and help to educate the members of our community on this mandatory process and two full time labor employees which will be shared with the Parks & Recreation Department. Also included is the full year funding necessary for the city to continue operating its own transfer station facility instead of contracting this service to an independent contractor. The revenue to be received in providing this service internally has also been included within the budget. Lastly includes additional funding for EPA audit findings which need to be addressed, repair and reconstruction to the Stackpole Creek Bridge and various traffic light projects which will be completed in conjunction with the Maine Department of Transportation during the year, which can all be found within the capital construction section.

Parks and Recreation- The Parks and Recreation Department is responsible for the maintenance of the city's park system and recreation facilities and for the administering and directing of the city's recreation programs. **Key Budget Issues:** in fiscal year 2003 includes the hiring of two additional employees which will be shared with the Public Works Department. Also includes the necessary replacement of equipment and repairs to the various community buildings and school play structures, which are included within the capital construction section. Lastly includes the beginning funding for preliminary engineering work necessary to implement the landfill reuse plan, which is also included within the capital construction section.

Education-The Education Department is responsible for the educating of children who reside within the City of Saco. The Board of Education is responsible for preparing the education budget and for presenting this budget to the City Council. **Key Budget Issues:** in fiscal year 2003 includes the increased funding necessary for increased tuition rates at the private high school (Thornton Academy) located within the city and the funding necessary for teacher salary increases as dictated by their contracts.

Projects Funded in the Adopted Budget

The following projects represent the culmination of the most worthy projects throughout City departments. Highlighted projects change each year as priorities shift and

departments stress various needs in support of departmental and city goals.

➤ Industrial Park expansion: The city has been extremely successful in marketing and attracting buyers for the land within its industrial park. This funding will allow the city to begin yet another phase of road construction to create more lots within this highly attractive commercial area.

➤ Athletic fields at the old landfill site: The city has developed a landfill re-use plan for development of this old city landfill. In accordance with this plan, the area will be used for recreational facilities for the citizens of Saco. The funding within this years budget will allow for the beginning of the engineering phase to prepare a plan for the use of this site.

➤ Park System Improvements: The city has developed a 10-year plan for the parks system in order to properly develop and maintain the city's park facilities. In accordance with this plan, several projects have been funded within the fiscal year 2003 budget.

➤ Stackpole Creek Bridge Repair/Reconstruction: This funding will allow the city to pursue the repair and reconstruction of the Stackpole Creek Bridge, which is in dire need of repair.

➤ Various Traffic Light Projects: The State of Maine Department of Transportation has approved the grant funding for four major traffic light installations within the City of Saco. This funding will allow for the City's local match requirements to secure these State grants.

➤ Automated Curb Side Trash Collection: Within the debt service section of the budget, the city has included the lease payment for the purchase of trashcans necessary for all city residents to convert to an automated curbside collection process. This will be a 5-year lease payment and is expected to be covered by the savings realized in the curbside collection subcontractor contract. The new Recycling Officer, upon hiring, will be responsible for getting this new collection program functioning.

➤ Street Overlay Program: In response to a recent Road Surface Management Study recently done for the city, the City Council has made the commitment towards budgeting more funding each year for the maintenance of roads. This is in attempt to get our roadways up to more acceptable standard levels.

Financial Plan

The City's financial plan for 2003 is based on (1) a modest increase in taxes, (2) maintaining fund balance levels, and (3) maintaining a balanced budget. The City Administrator has established policies to assist departments in constructing their budgets to accomplish these financial goals. Each aspect of the City's financial plan is detailed below.

➤ Modest Tax Increase – The City Councilors entered the fiscal year 2003 budget process committed to presenting a budget to the citizens of Saco, Maine that will increase service demands in several areas with a modest tax increase. The total adopted budget increased by 7.04% with an overall tax increase of 75 cents or 3.4%. However, it is important to note that two items were responsible for most of this increase: the education department's fixed expenditures (salary increases and secondary tuition) and a 33% increase in the York county tax assessment due to the building of a new jail facility approved by the voters within our community.

➤ Build fund balance - The City's Finance Director, City Administrator and City Council continues to monitor issues pertinent to the financial health of the City. Their approved "Fund Balance Policy" calls for the maintaining of fund balance at a level between 8.33% and 10% of the prior years total appropriation level, to give the City a buffer against economic downturns. The City has been successful in maintaining this 10% level of fund balance for several years. The exact amount of undesignated fund balance will be determined after the year-end audit to allow all City commitments to be met before funds are allocated to fund balance. However, at June 30, 2001, the undesignated fund balance was at \$6,074,814, or 15.61% of total budgeted appropriations.

➤ Balanced budget - The City of Saco, Maine is committed to managing its budget in ways that ensure it is always within its budget authorization. Many factors contribute to maintaining a balanced budget. Department heads consider it a point of pride to return appropriations to the general fund each year. They also work very diligently to avoid any overspending in the operation of their departments. Elected officials feel an added responsibility to report to voters their conservative spending records. Financial reports are frequently issued and reviewed to give department heads tools to track their budgets. A system of encumbrances is in place to inform departments of current account balances throughout the year. Each week, through the warrant process, all expenditures are reviewed to ensure appropriate use of city funds. The result is a financially well-managed organization that operates within budget authority.

➤ Policy and Guidance - The City Council has established financial policies for departments to help them conform to budgetary requirements including the following:

- ✓ Budget messages, which shall explain the budget in fiscal terms and in terms of work programs.
- ✓ Budget submission and approval scheduling.
- ✓ 5-year Capital Improvements Program and councils action on such.
- ✓ Amendment process to the budget after adoption.
- ✓ Lapsing of appropriations, except those for capital expenditures.
- ✓ Departmental submissions of work programs and those payments and obligations, which will be prohibited.

Estimated Fund Changes for 2002

The City's General Fund balance is estimated to increase in fiscal year 2002. The Special Revenue Funds, Capital Project Funds and Fiduciary Funds are estimated to end fiscal year 2002 with balances that reflect an increase. These numbers will not be finalized until after the year-end audit, conducted by an independent Certified Public Accounting firm, is finalized. The net result will reflect a conservative growth in fund balances, reflecting responsible and appropriate fund management in keeping with City financial goals. The following table presents a summary of the City's estimated changes in general fund balances for fiscal year 2002, and a more detailed summary follows in the body of the budget document: (table contains preliminary un-audited figures)

City of Saco, Maine
Estimated Beginning and Ending General Fund Balance
Summary for fiscal year ending 2002

Beginning fund balance 6/30/01:		
Reserved for Encumbrances	\$ 226,954	
Reserved for Prepaid Expenses	\$ 110,635	
Unreserved- Designated	\$ 2,093,385	
Unreserved- Undesignated	<u>\$ 6,074,814</u>	\$ 8,505,788
Estimated Fiscal Year 2002:		
Non-property tax revenues	\$14,826,089	
Property tax revenues	\$19,189,305	
Inter-fund transfers	<u>\$ 1,873,857</u>	\$ 35,889,251
Expenditures	\$34,217,652	
Inter-fund transfers	<u>\$ 686,102</u>	\$(34,903,754)
Net increase to total fund balance		\$ 985,497

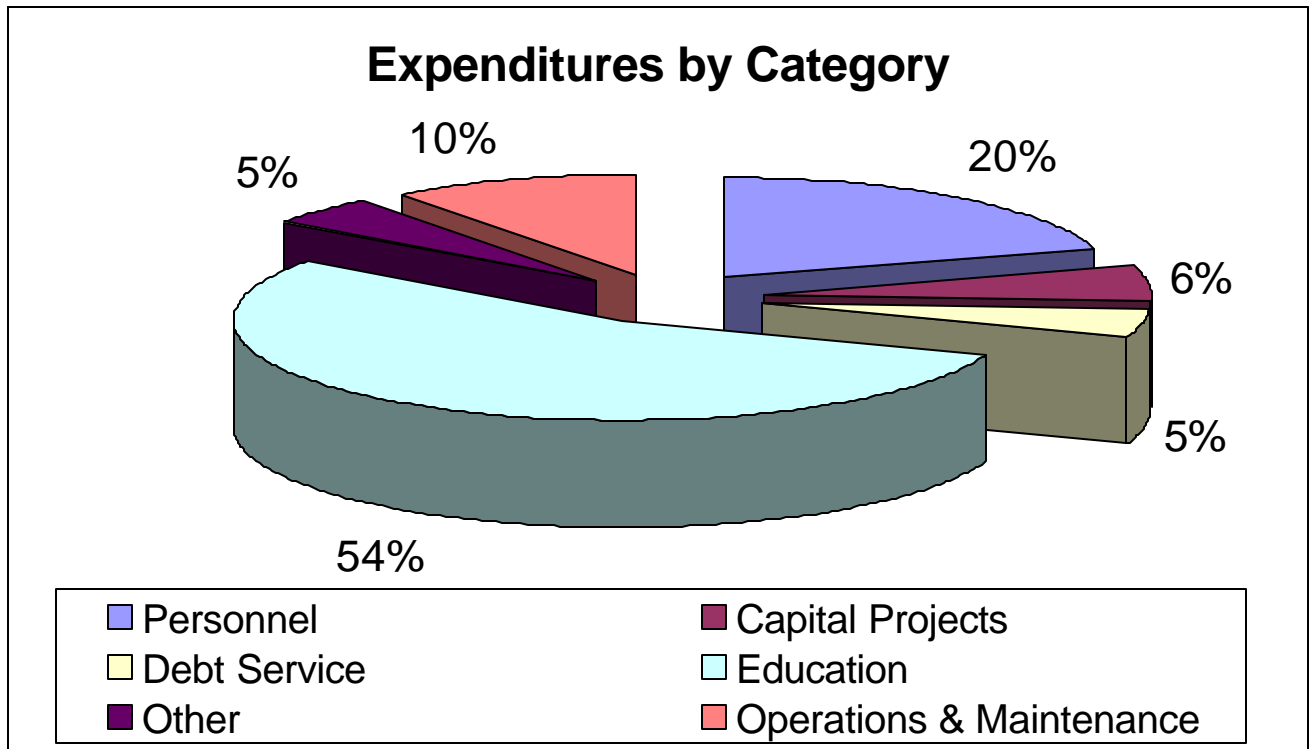
The Beginning and Ending Balance Summary reflects the relatively strong financial position at the beginning and end of 2002. The estimated increase in fund balance appears to be smaller than the previous year due to numerous capital projects that were not started or completed during the last fiscal year that were designated and carried over into the current fiscal year. The reserve funds are building and the overall financial position provides a strong basis for 2003.

Budget Expenditures By Object

General Fund Budget expenditures total \$38,927,700 for 2003, which represents a 7.04% increase over 2002 levels. Dividing the General Fund Expenditures by object allocates 20% to Personnel, 55% to Education, 10% to Operations and Maintenance, 5% to Debt Service, 6% to Capital Projects, and 4% to Other.

The increase in personnel costs are attributable to a combination of additional employees, increased benefit costs, and including figures for collective bargaining agreements with eight city bargaining units. The increase in Education costs are attributable to increases in personnel costs due to the negotiated teachers and support group contracts, higher tuition costs for the city's private high school and the new debt service payment associated with the recently approved bond issue for school renovations. Operations and Maintenance increased only slightly due to increased tipping fees for solid waste disposal and increased legal fees for pending litigation expected with Maine Energy Recovery Company and Capital Project expenditures decreased slightly in an attempt to reflect a very conservative use of city resources and to maintain a reasonable tax increase with increases in the county tax assessment and education obligations. Debt Service decreased based on bond rate structures. This trend will continue as the City of Saco retires debt each year. Appropriations in "Other" accounts increased only slightly due to the 33% increase in the York County tax assessment.

The chart below graphically depicts budget expenditures by object:



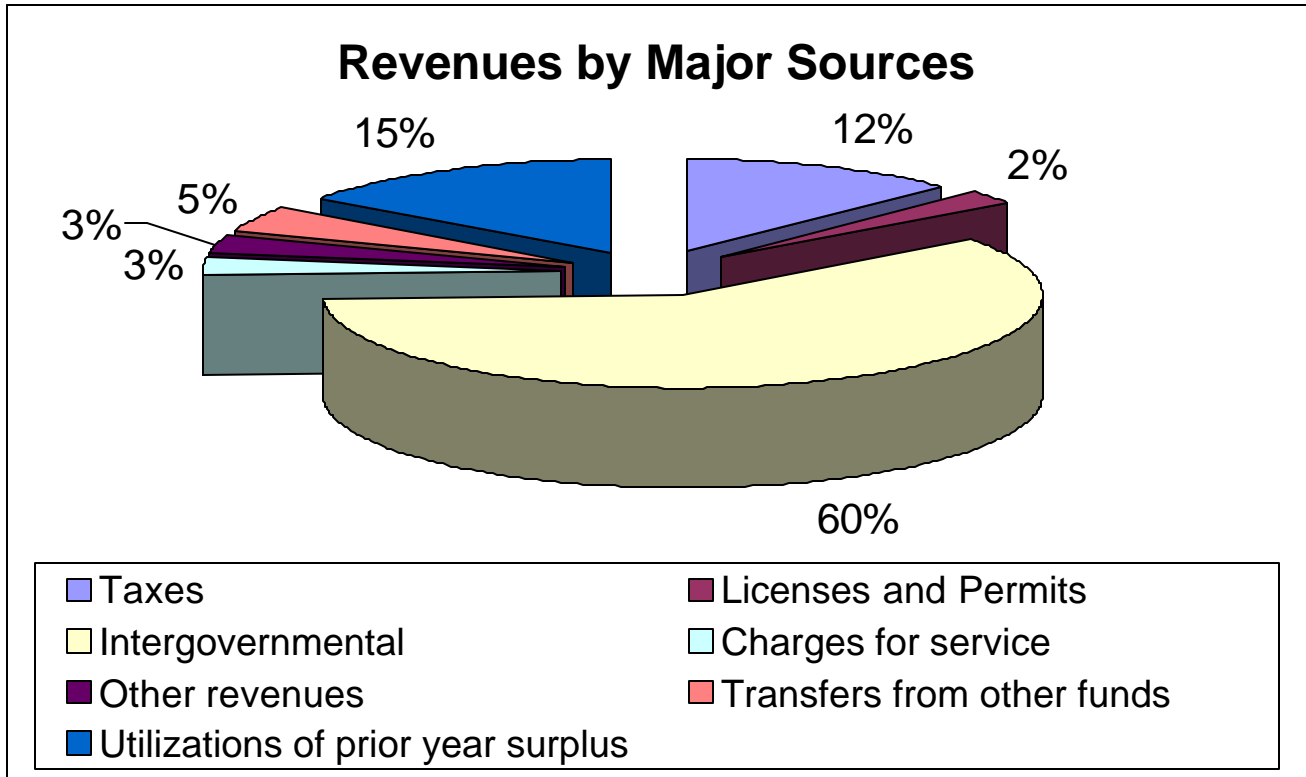
<u>Expenditures by object:</u>	<u>FY 2002</u>	<u>Percent of Total</u>	<u>FY 2003</u>	<u>Percent of Total</u>
Personnel	\$ 7,027,674	19.44%	\$ 7,859,137	20.19%
Capital Projects	\$ 2,424,143	6.71%	\$ 2,168,750	5.57%
Debt Service	\$ 1,934,941	5.35%	\$ 1,816,608	4.67%
Education	\$ 18,717,522	54.55%	\$ 21,282,246	54.67%
Other	\$ 1,579,882	4.37%	\$ 1,809,237	4.65%
Operations & Maintenance	\$ 3,459,559	9.57%	\$ 3,991,722	10.25%
Total	\$ 36,143,721	100.00%	\$ 38,927,700	100.00%

Carry Forward Accounts

Carry forward accounts provide departments an opportunity to use committed 2002 funds for items ordered but undelivered or for projects still in process in 2003. Each carry forward request must be approved by the City Administrator and ratified by the City Council. Requests are granted to finish well-defined ongoing projects. In fiscal year 2000, \$1,849,126 was designated and carried over for items ranging from equipment purchases to completing various construction projects. In fiscal year 2001, \$2,093,385 was carried over for the same types of expenditures. The designated carried forward amount for fiscal year 2002 has not yet been finalized as the year-end and independent audit process has not yet been completed. However, it is estimated that \$3 million of fiscal year 2002 budgeted capital projects had not yet been started or completed at June 30, 2002.

Projected Revenue for 2003

The budget adopted by the City Council for 2003 contains \$18,496,184 in non-tax revenues. All revenues are accurately but conservatively estimated based on performance over the past 12 months and valuable departmental input. The following chart below graphically depicts property tax revenues as well as non-property tax revenues by major sources:



The following table lists non-property tax revenues by major sources, percent and total for the current year and for last year:

<u>Projected Revenue by Major Sources:</u>	<u>FY 2002</u>	<u>Percentage of Total</u>	<u>FY 2003</u>	<u>Percentage of Total</u>
Taxes	\$ 2,064,500	12.08%	\$ 2,286,500	12.36%
Licenses and Permits	\$ 262,010	1.53%	\$ 422,800	2.29%
Intergovernmental	\$ 11,209,512	65.60%	\$ 11,057,405	59.78%
Charges for service	\$ 524,350	3.07%	\$ 580,084	3.14%
Other revenues	\$ 618,150	3.62%	\$ 538,716	2.91%
Transfers from other funds	\$ 1,323,853	7.75%	\$ 851,344	4.60%
Utilization of prior year surplus	\$ 1,085,004	6.35%	\$ 2,759,335	14.92%
Total	\$ 17,087,379	100.00%	\$ 18,496,184	100.00%

Tax rate

The city assesses taxes to its citizens directly, based on the valuation of each property owned. The tax rate for 2002 was \$21.95 per one thousand dollars of property valuation and the fiscal year 2003 tax rate increased by 3.4% to \$22.70 per one thousand dollars of property valuation. Therefore, a property owner in Saco, Maine with a property valued at \$100,000 would have to pay \$2,270 in property taxes in the year 2003 to the city compared to the \$2,195 they paid in 2002, an increase of \$75.

