

March 14, 2008

Re: Budget for Fiscal-Year 2009

Honorable Mayor Michaud and members of the City Council:

Transmitted herewith is a proposed budget for fiscal year 2009 for the City of Saco. This budget recommendation constitutes the essential services level of operating performance required for the City of Saco. Essential services are those services determined to be necessary for the health, safety and desired quality of life of the community and for the effective functioning of City government.

It is said that with every challenge there is an opportunity. After many years of being involved in budget processes, I have come to view budgets as an opportunity for an organization to set goals and to achieve them. This budget is certainly no different with many worthwhile goals to achieve. This 2009 budget has been prepared with the following objectives in mind:

- To meet the goals established by the City Council as well as those established by the various Department Directors and the organizational strategic goals;
- To manage in an environment of rising contractual wage increases, fuel and electricity costs.
- Not to exceed LD1, a State of Maine tax limitation – which allows only property tax growth based on community growth;

This budget does not include the School Department or county tax. The proposed budget represents a total municipal appropriation level of \$20,220,333, which is a 7.59% or \$1,427,112 increase from last year's appropriation of \$18,793,221. It is important to note that 2.11% or \$396,705 of this increase is due to the voter approved principal and interest payment on the infrastructure bond issue.

This budget submission is pursuant to Article VI, Financial Procedures of the City Charter, § 6.02 Submission of the Budget, *“at the second City Council meeting in March of each year, the City Administrator and the Board of Education shall submit to the City Council their respective sections of the budget for the ensuing fiscal year and the accompanying messages.”*

The budget is explained in fiscal terms and in terms of work programs and will be indicating major changes in expenditures and revenues from current year, together with reasons for the changes, and summarize the city's debt position.

The Board of Education will also be presenting its budget, and a summary of the combined budget will be presented to Council on March 17, 2008.

The Council is being asked this evening to accept both budget documents. A Public Hearing has been scheduled for the Budget FY09 and the Capital Program on April 28, 2008, and the City Council is scheduled to act on the budget the same day. A summary of this budget can be found on the city's website www.sacomaine.org under the link to Finance, and a summary will be published in the local media indicating the Public Hearing date. The Council has scheduled a series of workshops with department staff to review the budget and entire capital improvements program.

Also considered in this budget is maintaining current service levels – the citizens opinion survey indicates high service delivery satisfaction and that that property taxes are “about right”; which were included in the city's fourth published performance measure report (2007), and for the fourth year has received the Association of Governmental Accountant's Certificate of Excellence in Service Efforts and Accomplishments Reporting. The City of Saco is one of only 10 governmental entities across the entire United States to hold this prestigious award.

The budget has been prepared with the best information available as of March 14, 2008.

In summary, the FY 2009 Budget impacts are:

- To raise overall revenues by 7.59% - comes from both non property tax revenue and property tax revenues as allowed;
- The voters approved a bond in June 2007, for \$4,355,000 for infrastructure improvements; which accounts for 2.11% of the 7.59% increase – the payment for this new debt accounts for 27.8% of total increase needed in revenues;
- This overall increase translates to an increase of \$.25 on the current mil rate (\$5.47) for city operations;
- A homeowner with a home value of \$200,000 will pay \$50 more per year in property taxes. A homeowner with a home value of \$300,000 will pay \$75 more per year in property taxes.

The significant changes include a reduction in the legal appropriation as the Maine Energy Recovery Company law suit has now been settled. The Police and Fire Departments have been increased for personnel contractual obligations including increases in overtime and to cover the rising fuel and electricity costs. The Public Works Department budget has been increased for these same reasons as well as to cover the rising cost of salt and other contractual obligations for services provided to the city. Debt service has been increased to cover the principal and interest payment due on the voter approved infrastructure bond. Lastly, employee benefits have been increased to cover rising health insurance costs as well

as the payroll taxes associated with the budgeted wage increases throughout the city. The budget as presented supports a capital expenditure level of \$522,953 indicating spending above last year's budget level of \$423,256.

As of this time all employee pay changes are not known however this budget includes a 3.5% increase for employees in the budget and incorporated within the various salary and wage lines within each department's budget. Longevity increases as well as merit pay changes have also been included. This budget proposes no additions of new full time positions.

The City's property valuation in 2008 is estimated at \$1,995,056,900 at 92% of full value. The projection for 2009 is a valuation of the same \$1,995,056,900 (no increase) at 92% of full value. The fiscal year 2008 budget was funded in part by transfers from other funds and utilization of undesignated fund balance of \$482,042. The proposed budget includes a proposed \$791,170 use of undesignated fund balance. This budget proposes to increase the use of property tax from \$10,405,262 to \$10,913,477 or \$508,215 (2% increase).

I am very pleased to report that this budget is being submitted for the "Distinguished Budget Presentation Award" of the Government Finance Officers Association of the United States and Canada (GFOA). In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award is only valid for a period of one year. The city has been successful in achieving this award for the last 7 fiscal year's budgets. The city is currently the only local government in the State of Maine to hold this prestigious award. We believe our current budget will conform to program requirements.

I look forward to meeting with the City Council and presenting this budget for your consideration.

Sincerely,

Richard R. Michaud
City Administrator