

## **Management's Discussion and Analysis Fiscal Year Ended June 30, 2001**

As management of the City of Saco, Maine, we offer readers of the City of Saco, Maine's financial statements this narrative overview and analysis of the financial activities of the City of Saco for the fiscal year ended June 30, 2001. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

### **THE FINANCIAL STATEMENTS**

The financial statements presented herein include all of the activities of the City of Saco, Maine (the City) using the integrated approach as prescribed by GASB Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

### **REPORTING THE CITY AS A WHOLE**

#### **The Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health or *financial position*. Over time, increases and decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's infrastructure.

In the Statement of Net Assets and the Statement of Activities, we separate the City Activities as follows:

**Governmental Activities-** Most of the City's basic services are reported in this category, including the General Government, Fire, Police, Public Works, Planning and Economic Development, Parks and Recreation, Community services and Library. Property taxes, user fees, interest income, franchise fees and state and federal grants finance these activities.

**Business Type Activities-** The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Waste Water Treatment Plant activities are reported in this category.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other money.

**Governmental Funds-** Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending.

These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed shorter-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

**Proprietary Funds-** When the City charges customers for services it provides- whether to outside customers or to other units of the City- these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activity we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

### THE CITY AS A WHOLE

The City is providing condensed financial information for fiscal year 2001 only. No comparative information is being provided as this is the first year of GASB 34 implementation. In subsequent years, this comparative information will be provided. Our analysis below focuses on the net assets of the City's governmental and business type activities.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>
Current and other assets	\$ 14,663,910	\$ 3,426,088	\$ 18,089,998
Capital assets	43,975,411	6,276,757	50,252,168
Total assets	<u>58,639,321</u>	<u>9,702,845</u>	<u>68,342,166</u>
Long term debt outstanding	18,285,372	-	18,285,372
Other liabilities	2,497,735	148,414	2,646,149
Total liabilities	<u>20,783,107</u>	<u>148,414</u>	<u>20,931,521</u>
Net assets:			-
Invested in capital assets	26,411,922	6,276,757	32,688,679
Restricted	482,647	-	835,658
Unrestricted	10,961,645	3,277,674	13,886,308
Total net assets	<u>37,856,214</u>	<u>9,554,431</u>	<u>47,410,645</u>

Our next analysis focuses on changes in net assets of the City’s governmental and business-type activities.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>
<b>Revenues</b>			
<b>Program Revenues:</b>			
Charges for services	\$ 1,905,121	\$ 1,684,581	\$ 3,589,702
Operating grants and contributions	9,417,682	-	9,417,682
Capital grants and contributions	2,629,081	81,597	2,710,678
<b>General Revenues:</b>			
Property taxes	17,674,814	-	17,674,814
Motor vehicle excise taxes	2,358,622	-	2,358,622
Franchise fees	69,006	-	69,006
Homestead exemption	540,692	-	540,692
Other state aid	141,363	-	141,363
City of Biddeford Tax Base Sharing	149,785	-	149,785
State revenue sharing	1,623,415	-	1,623,415
Investment earnings	765,680	64,276	829,956
Miscellaneous revenues	14,798	9,420	24,218
<b>Total revenues</b>	<b>37,290,059</b>	<b>1,839,874</b>	<b>39,129,933</b>
<b>Program expenses:</b>			
General Government	1,346,793	-	1,346,793
Public Safety	3,876,117	-	3,876,117
Public Works	1,973,357	-	1,973,357
Health, Sanitation and Welfare	1,094,982	-	1,094,982
Housing Programs	175,994	-	175,994
Culture and recreation	360,045	-	360,045
Education	20,202,081	-	20,202,081
County tax	356,525	-	356,525
Unclassified	3,097,765	-	3,097,765
Interest on debt	660,783	-	660,783
Capital Improvements	3,354,453	-	3,354,453
Waste Water Treatment Plant	-	2,495,676	2,495,676
<b>Total expenses</b>	<b>36,498,895</b>	<b>2,495,676</b>	<b>38,994,571</b>
Change in net assets before transfers	791,164	(655,802)	135,362
Transfers	211,396	(211,396)	-
Change in net assets after transfers	1,002,560	(867,198)	135,362

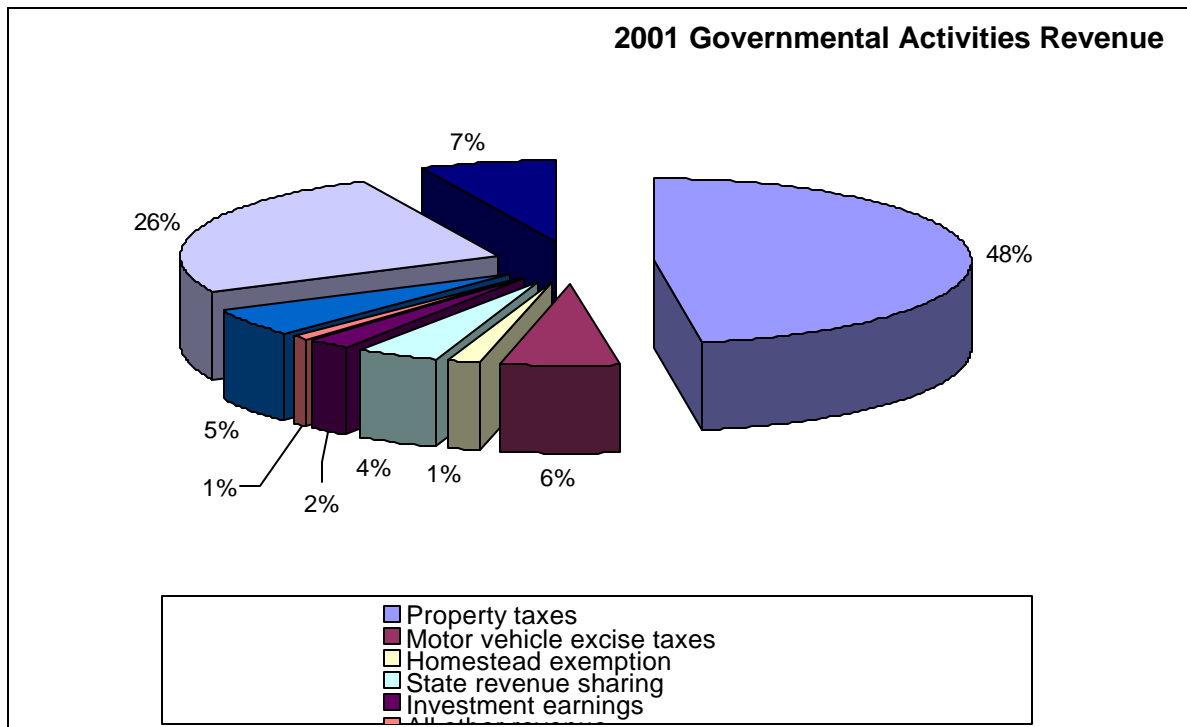
## GOVERNMENTAL ACTIVITIES

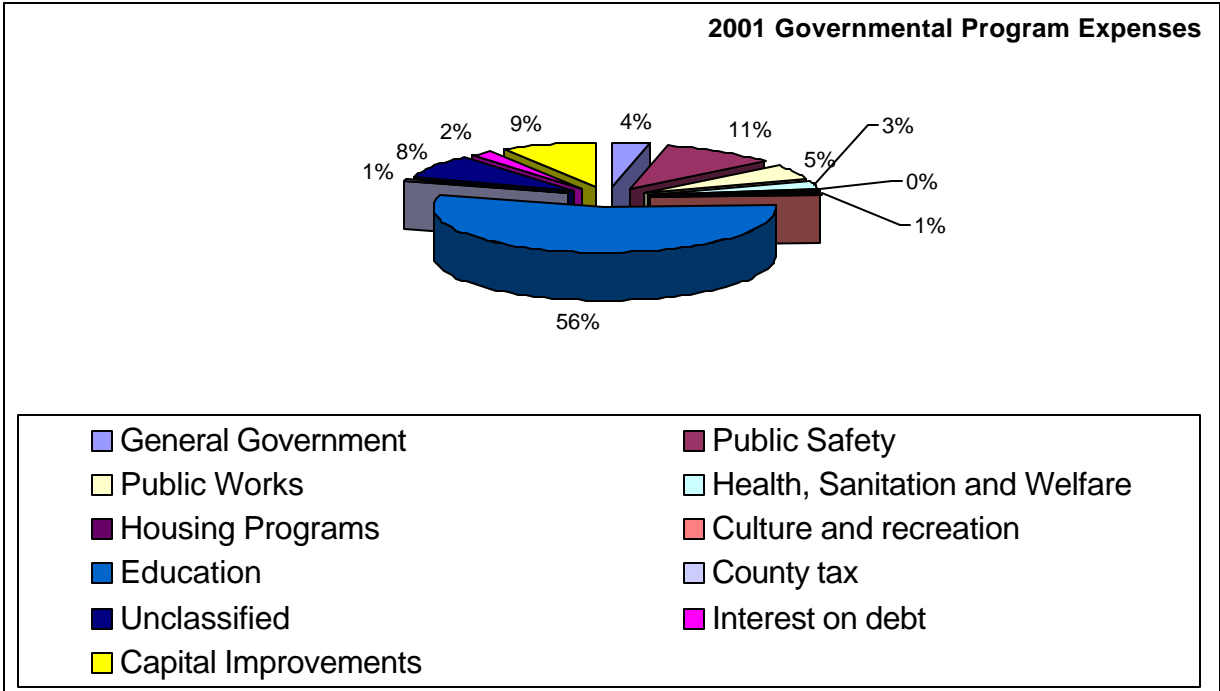
The cost of all Governmental activities this year was \$36,498,895. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$22,547,011 because some of the cost was paid by those who directly benefited from the programs (\$1,905,121), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$9,417,682) and capital grants and contributions (\$2,629,081). Overall, the City’s governmental program revenues, including intergovernmental aid and fees for services, were \$13,951,884. The City paid for the remaining “public benefit” portion of governmental activities with \$23,549,571 in taxes and with other revenues, such as interest, State Revenue Sharing, general contributions and other miscellaneous revenues.

The City's programs include General Government, Public Safety, Public Works, Health, sanitation and welfare, Housing Programs, Culture and Recreation, Education, County Tax, Unclassified, Debt Service, Depreciation and Capital Improvements. Each program's net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Governmental activities:	Net (Expense)
General Government	\$ (399,935)
Public Safety	(3,461,172)
Public Works	(1,556,288)
Health, Sanitation and Welfare	(679,894)
Housing Programs	-
Culture and Recreation	(256,409)
Education	(10,053,122)
County Tax	(356,525)
Unclassified	(3,097,765)
Debt Service	(660,783)
Capital Improvements	(2,025,118)
<b>Total governmental activities</b>	<b>\$ (22,547,011)</b>

Total resources available during the year to finance governmental operations were \$74,355,109 consisting of Net assets at July 1, 2000 of \$36,853,654, program revenues of \$13,951,884 and General revenues of \$23,549,571. Total Governmental Activities during the year were \$36,498,895; thus Net Assets were increased by \$1,002,560 to \$37,856,214.



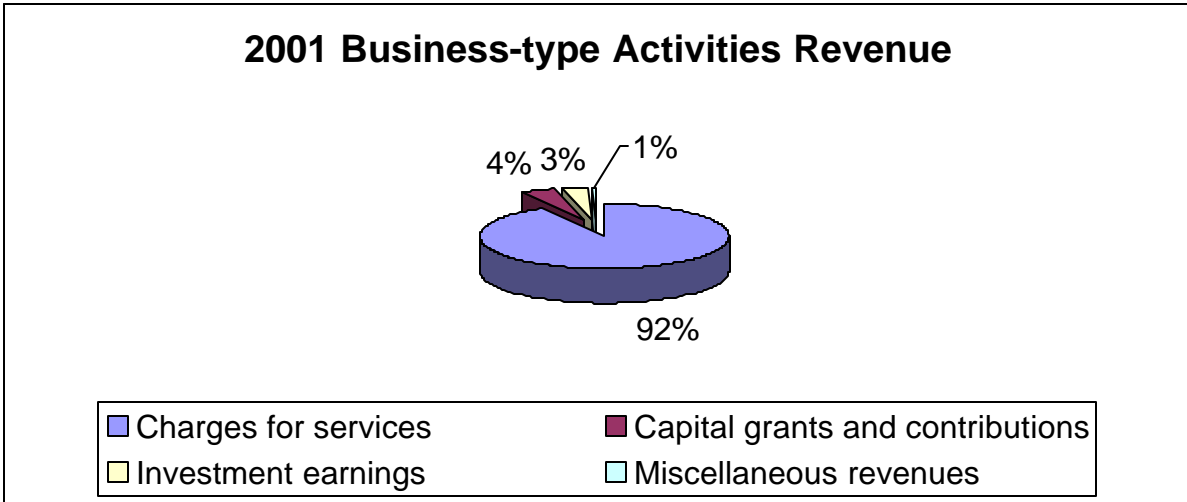


**BUSINESS TYPE ACTIVITIES**

The cost of all Proprietary (Business Type) activities this year was \$2,495,676. As shown in the Statement of Activities, the amounts paid by users of the system was \$1,684,581, capital grants and contributions were \$81,597, Investments earnings were \$64,276, Miscellaneous revenues were \$9,420 and transfers to other funds were (\$211,396).

The Proprietary Fund (Business Type) Activities include only the operation of the City’s Waste Water Treatment Plant. The activities net cost (total cost less revenues generated by the activities) is \$729,498.

Total resources available during the year to finance Proprietary Fund (Business Type) Activities were \$12,050,107 consisting of Net Assets at July 1, 2000 of \$10,421,629, program revenues of \$1,766,178 and general revenues of \$(137,700). Total Proprietary Fund (Business Type) expenses during the year were \$2,495,676; thus Net Assets were decreased by \$867,198 to \$9,554,431.



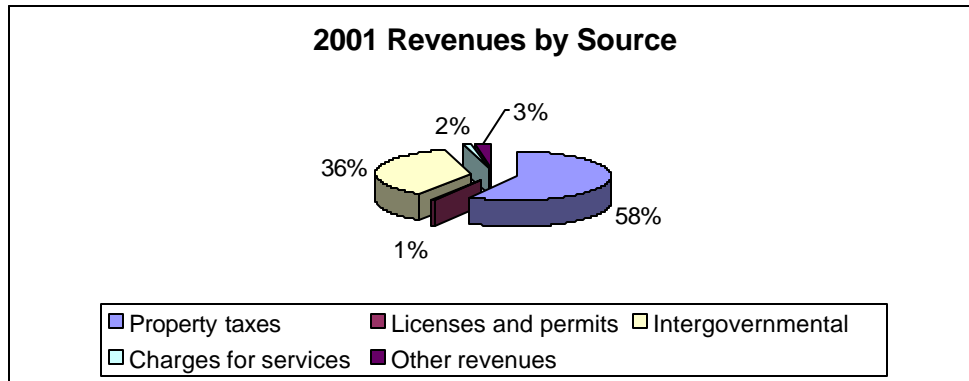
**THE CITY'S FUNDS**

The following is an analysis of balances in the City's major individual funds. Due to the reclassification of funds necessary to implement GASB Statement No. 34, no comparative information is being provided. However, comparative information will be provided in subsequent years.

**General Major Governmental Functions**

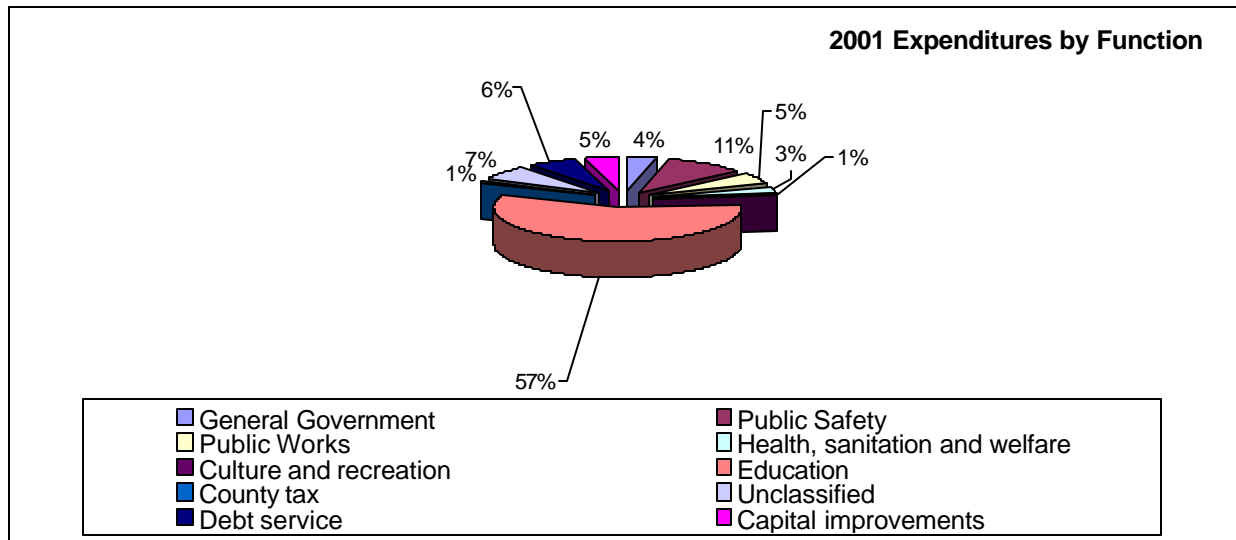
The information below compares revenues of the General Fund for 2001.

	<b>2001</b>
Revenues by source	
Property taxes	\$20,144,345
Licenses and permits	292,555
Intergovernmental	12,489,539
Charges for services	597,019
Other revenues	958,995
Total revenues	<u>34,482,453</u>



The information below compares expenditures of the General Fund for 2001.

	<b>2001</b>
Expenditures by function	
General Government	1,276,785
Public Safety	3,614,790
Public Works	1,720,098
Health, sanitation and welfare	1,094,982
Culture and recreation	327,358
Education	19,332,619
County tax	356,525
Unclassified	2,282,005
Debt service	2,090,891
Capital improvements	1,538,815
Total expenditures	<u>33,634,868</u>



**Proprietary Fund**

The City’s only major Enterprise Fund consists of the Waste Water Treatment Plant. The basic financial statements for the major funds are included in this report. Because the focus on proprietary funds is a cost of service measurement or capital maintenance, we have included this fund in the table below, which demonstrates return on ending assets and return on ending net assets.

Total Assets	\$9,702,845
Net Assets	\$9,554,431
Change in Net Assets	\$(867,198)
Return on Ending Total Assets	(8.93%)
Return on Ending Net Assets	(9.08%)

**DEBT ADMINISTRATION**

Debt, considered a liability of governmental activities, decreased in fiscal year 2001 by \$1,430,108. Per capita debt outstanding decreased from \$1,216 to \$1,009 per capita compared to the prior fiscal year due primarily to population growth and scheduled principal retirement.

The Governmental Activity debt summary for fiscal year 2001 is presented below.

Debt Payable at June 30, 2000	\$18,993,597
Add: New Capital Lease Purchases	<u>361,960</u>
	\$19,355,557
Less Debt Retired	<u>1,792,068</u>
Debt Payable at June 30, 2001	<u>\$17,563,489</u>

This debt payable does not include the long term portion of compensated absences of \$721,883 (See Note 5).

**CAPITAL ASSETS**

The capital assets of the City are those assets, which are used in the performance of the City’s functions including infrastructure assets. At June 30, 2001, net capital assets of the governmental activities totaled \$43,975,411 and the net capital assets of the business-type activities totaled \$6,276,757. Depreciation on capital assets is recognized in the Government-Wide financial statements.

The City has elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City’s streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun’s ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair.

The City expended \$641,526 on street maintenance for the fiscal year ended June 30, 2001. These expenditures delayed deterioration, however, the overall condition of the streets was not improved through these maintenance expenditures. The City has estimated that the amount of annual expenditures required to maintain the City’s streets at the minimum PCI rating of 70 (rating of 2 within City’s Asset Management System, See Required Supplemental Information) through the year 2004 is a minimum of \$1,547,000.

The City is also continuously taking actions to arrest the deterioration of other infrastructure assets through short-term maintenance activities. The City expended \$1,578,896 on other infrastructure maintenance for the fiscal year ended June 30, 2001. These expenditures delayed deterioration and improved the overall condition through these maintenance expenditures. The City has estimated that the amount of annual expenditures required to maintain the City’s infrastructure at the minimum rating of 2 through the year 2004 is a minimum of \$4,532,910.

	<b>Infrastructure Assets</b>		
<u>Description</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Cost</u>
<b>Governmental Activities:</b>			
<b>Modified Approach:</b>			
Sewer pipe	\$ 11,937,357	\$ -	\$ 11,937,357
Catch basins and manholes	2,079,819	-	2,079,819
Storm drainage	17,302,001	-	17,302,001
Sidewalks	1,481,185	-	1,481,185
Street Pavement System	2,653,847	-	2,653,847
Traffic signals	775,820	-	775,820
Street signs	44,818	-	44,818
<b>Total Governmental Activities</b>	<b>\$ 36,274,847</b>	<b>\$ -</b>	<b>\$ 36,274,847</b>

	<b>Capital Assets</b>			<b>Balance June 30, 2001</b>
	<b>Balance July 1, 2000</b>	<b>Increases</b>	<b>Decreases</b>	
<b>Governmental Activities:</b>				
Buildings and Improvements	\$ 26,244,356	\$ 171,856	\$ -	\$ 26,416,212
Vehicles	3,451,374	550,247	-	4,001,621
Machinery and Equipment	3,265,301	194,526	-	3,459,827
				-
Total	32,961,031	916,629	-	33,877,660
Accumulated Depreciation	(24,933,682)	(1,243,414)	-	(26,177,096)
<b>Total Governmental Activities</b>	<b>\$ 8,027,349</b>	<b>\$ (326,785)</b>	<b>\$ -</b>	<b>\$ 7,700,564</b>
<b>Business-Type Activities:</b>				
Buildings and Improvements	\$ 14,655,600	\$ 120,000	\$ -	\$ 14,775,600
Vehicles	95,500	-	-	95,500
Machinery and Equipment	1,764,000	24,800	-	1,788,800
				-
Total	16,515,100	144,800	-	16,659,900
Accumulated Depreciation	(9,903,417)	(479,726)	-	(10,383,143)
<b>Total Business-Type Activities</b>	<b>\$ 6,611,683</b>	<b>\$ (334,926)</b>	<b>\$ -</b>	<b>\$ 6,276,757</b>
<b>Total Capital and Infrastructure</b>	<b>\$ 50,913,879</b>	<b>\$ (661,711)</b>	<b>\$ -</b>	<b>\$ 50,252,168</b>

## BUDGETS AND BUDGETARY ACCOUNTING

### General Fund Budget Variances

Comparing the fiscal year 2000-2001 original budget (or adopted) General Fund amount of \$35,075,508 (expenditures of \$34,789,406 plus transfers of \$286,102), to the final budget amount of \$36,200,332 (expenditures of \$35,764,230 and transfers of \$436,102) shows a net increase of \$1,124,824.

Included in this figure is \$797,364 of prior fiscal year 1999-2000 Capital Improvement Projects (CIPs) approved to carry forward into FY 2000-2001, and \$177,460 in committed purchase orders from the prior June 30 balance, also carried forward. Thereby, bringing the beginning balance to \$36,050,332.

Original Budget	+	Continuing Appropriations	+	Encumbrances	=	Beg. Balance
\$35,075,508		\$797,364		\$177,460		\$36,050,332

Beg. Balance	+/-	Supplemental Changes	=	Final Budget
\$36,050,332		\$150,000		\$36,200,332

Comparing the beginning budget of \$36,050,332 to the final budget of \$36,200,332, shows that the General Fund only had one supplemental budgetary appropriation during the fiscal year for the amount of \$150,000.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The Annual Budget assures the efficient, effective and economic uses of City’s resources, as well as, establishing that the highest priority objectives are accomplished. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

***Historical Trend***

As the City enters fiscal year 2002, we are in solid financial shape with many years of higher than anticipated revenues. This has laid the foundation for a strong surplus, which is primarily earmarked for the City’s long term Capital Improvements Plan. This needs to be prudently maintained as we move forward into the future.

In reflecting back on the history of the City’s past four budgets, non-tax revenues have grown from \$13 million to over \$17 million annually. During this time span, the City has been able to stabilize the tax rate with consistent increases in property valuations.

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Total taxes	\$ 15,719,486	\$ 17,144,626	\$ 17,612,529	\$ 19,056,342
Percent change	0.00%	9.07%	2.73%	8.20%
 Total City valuation	 \$778,192,400	 \$808,657,940	 \$838,691,850	 \$868,000,000

***The Budget***

The Adopted Budget for fiscal year 2002 calls for total expenditures of \$36,143,721 representing an increase of \$1,068,213 or 3.04% over the original current year budget. By comparison, since the fiscal year 1999 budget was approved the increase in expenses has totaled \$7,321,273 for an average increase of 6.35% over the past four years.

The original budget requests from the fourteen individual departments were based on the department head’s perceived needs. The following adjustments were made after a careful review by the City Administrator and then the City Council:

	<b>City Administrator</b>		<b>Approved</b>
	<b>Recommendation</b>	<b>Net Reductions</b>	<b>Budget</b>
Operating Budget	\$ 13,546,931	\$ (230,977)	\$ 13,315,954
Overlay & TIF Transfer	\$ 686,102	\$ -	\$ 686,102
Capital Outlay	\$ 2,547,000	\$ (122,857)	\$ 2,424,143
	<b>School Board</b>		<b>Approved</b>
	<b>Recommendation</b>	<b>Net Reductions</b>	<b>Budget</b>
Education	\$ 19,847,402	\$ (129,880)	\$ 19,717,522
 Total	 \$ 36,627,435	 \$ (483,714)	 \$ 36,143,721

The following chart compares the major categories in the operational budget and their respective increases over the last five years, without the overlay and TIF transfer.

## Appropriation Summary

Account Name	1998	1999	2000	2001	2002
	Actual	Actual	Actual	Budget	Budget Department
Subtotal Legislative:	\$16,036	\$21,998	\$13,465	\$15,200	\$16,700
Subtotal City Administration:	\$145,630	\$150,925	\$137,168	\$152,442	\$173,330
Subtotal Finance:	\$219,333	\$241,215	\$259,790	\$259,852	\$265,397
Subtotal City Clerk:	\$92,436	\$120,827	\$123,957	\$137,124	\$145,922
Subtotal Assessor:	\$127,501	\$127,652	\$129,422	\$145,832	\$148,084
Subtotal General Assistance:	\$102,129	\$42,132	\$38,998	\$46,775	\$56,460
Subtotal City Building Maintenance:	\$63,564	\$55,784	\$75,725	\$70,700	\$88,650
Subtotal Voter Registration:	\$15,686	\$13,438	\$24,224	\$13,875	\$18,725
Subtotal Legal:	\$64,858	\$78,977	\$134,534	\$202,500	\$92,500
Subtotal Central Dispatch:	\$0	\$0	\$228,793	\$278,809	\$307,694
Subtotal Police:	\$1,440,562	\$1,813,277	\$1,675,926	\$1,669,755	\$1,962,786
Subtotal Fire - Central Station:	\$628,830	\$678,341	\$915,014	\$649,908	\$675,186
Subtotal Fire - North Saco:	\$9,579	\$15,209	\$11,030	\$16,850	\$17,750
Subtotal Fire - Bayview:	\$9,764	\$15,094	\$15,556	\$21,800	\$21,700
Subtotal Ambulance:	\$549,394	\$553,100	\$496,208	\$472,714	\$482,799
Subtotal Building Inspections:	\$111,479	\$122,575	\$140,526	\$142,857	\$162,065
Subtotal Planning & Econ Development:	\$181,072	\$161,015	\$180,378	\$174,946	\$181,008
Subtotal Street Lights:	\$215,091	\$234,913	\$229,960	\$252,000	\$225,000
Subtotal Traffic Lights:	\$15,194	\$26,613	\$22,933	\$25,750	\$26,080
Subtotal Public Water:	\$160,083	\$175,425	\$161,100	\$176,000	\$176,000
Subtotal PW Administration:	\$114,813	\$154,090	\$179,765	\$190,420	\$208,061
Subtotal PW General Maintenance:	\$547,718	\$587,291	\$608,159	\$562,192	\$622,279
Subtotal PW Winter Maintenance:	\$282,190	\$496,058	\$344,807	\$304,988	\$313,352
Subtotal PW Waste Pick-Up:	\$694,361	\$664,238	\$704,795	\$726,415	\$748,652
Subtotal Transfer Station:	\$99,695	\$114,819	\$130,214	\$227,300	\$197,994
Subtotal Sewers & Drains:	\$114,189	\$147,091	\$151,568	\$98,906	\$117,719
Subtotal PW Garage Facility:	\$320,490	\$304,060	\$362,267	\$482,935	\$463,611
Subtotal Public Agencies:	\$266,382	\$272,312	\$296,385	\$347,800	\$368,300
Subtotal Parochial School Assistance:	\$31,977	\$33,153	\$33,444	\$34,500	\$34,500
Subtotal Parks:	\$102,630	\$126,794	\$147,196	\$140,083	\$160,917
Subtotal Recreation Programs:	\$137,677	\$165,637	\$188,674	\$187,752	\$207,490
Subtotal Senior Citizens:	\$10,402	\$4,922	\$6,371	\$6,250	\$6,450
Subtotal Life Guards:	\$10,421	\$15,119	\$16,521	\$18,650	\$18,650
Subtotal Trees:	\$15,584	\$17,193	\$18,632	\$23,195	\$25,195
Subtotal Debt Service:	\$1,888,287	\$1,903,714	\$2,050,060	\$2,044,721	\$1,934,941
Subtotal Employee Benefits:	\$1,204,139	\$1,336,342	\$1,431,123	\$1,610,585	\$1,750,228
Subtotal Insurances:	\$121,060	\$122,767	\$125,224	\$127,935	\$138,170
Subtotal Contingency:	\$83,926	\$244,161	\$179,592	\$175,000	\$160,000
Subtotal Education K-12:	\$15,081,205	\$15,698,156	\$16,550,919	\$18,243,289	\$19,717,522
Subtotal County Tax:	\$322,431	\$357,256	\$364,841	\$356,525	\$595,611
Subtotal Capital Construction:	\$622,171	\$1,212,885	\$2,066,570	\$3,554,275	\$2,424,143
<b>TOTAL OPERATING &amp; CAPITAL PROJECTS:</b>	<b>\$26,239,969</b>	<b>\$28,626,568</b>	<b>\$30,971,834</b>	<b>\$34,389,405</b>	<b>\$35,457,619</b>

### ***Revenues/Surplus***

The amount budgeted for revenues shows an average increase of 10.14% since 1999, with a high of 29.80% between 2000 and 2001, due to large inter-fund transfers budgeted for major capital projects. During this time actual revenues have been surpassing the estimated revenues resulting in a surplus at the end of each year. This trend appears to be continuing within the City of Saco. However, as we move forward revenue estimates are starting to inch closer to the actual revenues. This means that growth in expenditures will need to be leveled off in relationship to the City's more modest growth in revenues.

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Non-tax revenues	\$ 13,102,962	\$ 13,626,741	\$ 17,687,450	\$ 17,087,379
Percent change	0.00%	4.00%	29.80%	-3.39%

Obviously the amount of surplus funds being generated will reduce as actual revenues more closely reflect estimated revenues. At this time, the City has a healthy fund balance due to surplus funds. However, the City needs to guard against a downturn in the economy, resulting in diminishing revenues.

In light of this caution, the amount of surplus funds being utilized to reduce this year's tax burden is \$465,000. This represents the same amount that was budgeted in the fiscal year 2001 budget.

### ***Major Increases***

The major increase in the operational budget is the additional \$1,474,233 to meet the needs of the Education Department, which represents an 8.08% increase. This department is also carrying the debt service for the new school renovation bond issue approved by the voters of Saco.

Additional noteworthy increases are the county tax assessment of \$239,086 (67.06% increase), employee benefits of \$139,643 (8.67% increase) and the police department of \$293,032 (17.55% increase). The county tax increase is not controlled by the City but rather by state statute. The employee benefit increase is a factor of the increase in health insurance costs and the police department increase is due primarily to new positions being created out of the current union negotiation for scheduling purposes.

### ***Savings/Increased Demands***

The City's department head's are always looking for ways to save the City money, whether through increased efficiencies or through the attainment of federal and state grants. The City is participating in a number of activities related to increased efficiencies. A pilot community for the State of Maine "Rapid Renewal" initiative, now allows Saco residents to re-register their motor vehicles on-line in the comfort of their own homes 24 hours a day, 7 days a week while at the same time lessens the work burden on counter clerks within City hall. Joint collaborative purchasing efforts with neighboring communities exercises economies of scale in securing reduced pricing for larger purchase amounts and collaborating with many large businesses in the "Maine Power Options" collaborative effort to receive reduced energy costs.

The fiscal year 2002 budget also includes revenue amounts for specific state and federal grants that have been applied for. There is also a local match revenue account to fund those grants requiring a local contribution. There are also several other grant awards that will surface during the course of the fiscal year that were not known at the time of the budget process. These awards will be brought to the City Council for consideration upon being awarded and additional funding will be requested at that time, to fund any local match requirements above that originally budgeted.

## ***The Future***

In terms of the future, while we are in good financial shape at this time, with revenues starting to level off and several important issues looming over the horizon, we need to be alert to the public benefit versus the costs of the services we provide. In short, as the budget better reflects actual revenues, and as we move into the future, we need to be careful of our spending so that we do not find ourselves in the position of expenditures outpacing revenues.

What is at stake for the City of Saco officials can be summed up in one word: effectiveness. Major challenges are facing us as we enter this new year with infrastructure and capital maintenance needs being balanced with operational needs of the City. At the same time there are issues looming with the large county tax assessment increase and new bonded debt, which was approved by the voters of Saco.

To that end, it is especially important that the City Council maintain and update regularly its comprehensive plan, goals and strategic plan, based upon guidance from appointed and elected officials as well as significant citizen involvement. These processes are already in place and underway. However, by also putting citizens and local government officials into the decision-making loop, the City will be shifting to a more open and inclusive process of governance.

A great example of how the City government can better position itself in the future to better meet the needs of its citizens and local governments is through the Margaret Chase Smith Quality program. The City has recently been awarded a Level 1 award distinction and will be eager to strive towards achieving Level 2. This process involves reviewing all processes and measuring results achieved by the municipality in the area of customer service delivery and presentation. It also involves a close look at all procedures to assure that efficiencies are being maximized. Whether it means changing a specific procedure to lessen expenditures realized or examining new sources of non-tax revenues, the City needs to be pro-active in its response. Certainly, whatever we can do to keep up with changing trends and emerging issues will help to improve the future fortunes of our citizens. Successful activities involving a collaborative effort between municipalities need to be reviewed as a potential solution to some of the budget challenges facing us and other municipalities.

## ***Summary***

With the fiscal year 2002 adopted budget there is an increase of 95 cents to the existing tax rate. This means that property owners will be billed \$21.95 per thousand in fiscal year 2002 versus the \$21.00 per thousand they were billed in fiscal year 2001. In other words, a property valued at \$100,000 will require an annual investment of \$2,195 from the property owner for his/her contribution to City services.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the Office of the Director of Finance at 300 Main Street, Saco, Maine, 04072, phone 207-283-3303, or e-mail [lparker@sacomaine.org](mailto:lparker@sacomaine.org).