

March 13, 2009

Re: Budget for Fiscal-Year 2010

Honorable Mayor Michaud and members of the City Council:

Transmitted herewith is a proposed budget for fiscal year 2010 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 2010 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;
- Not to exceed LD-1, a State of Maine tax limitation – which allows only property tax growth based on community growth;

This proposed budget does not include the Regional School Unit 23. The proposed budget represents a total municipal appropriation level of \$19,771,816, which is a 6.03% or \$1,124,935 increase from last year's appropriation of \$18,646,881. It is important to note that 5.61% of the increase is a one-time capital drawdown of fund balance as the requirements for this reserve decreased with the formation of the RSU. The remaining 2.20% is to cover reductions in operational revenue and minor operational increases.

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... 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 Council is being asked this evening to accept both budget documents. A Public Hearing has been scheduled for the Budget FY10 and the Capital Program on May 4, 2009,

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 fifth published performance measure report (2008), and for the fifth year has received the Association of Governmental Accountant's Certificate of Excellence in Service Efforts and Accomplishments Reporting.

The budget has been prepared with the best information available as of March 13, 2009.

In summary, the FY 2010 Budget impacts are:

- To raise overall revenues by 8.12% - comes from both non property tax revenue and property tax revenues as allowed;
- The proposed budget represents a total municipal appropriation level of \$19,771,816, which is a 6.03% or \$1,124,935 increase from last year's appropriation of \$18,646,881. It is important to note that 5.61% of the increase is a one-time capital drawdown of fund balance as the requirements for this reserve decreased with the formation of the RSU. The remaining 2.20% is anticipated reductions in revenue and minor operational increases;
- This overall increase translates to \$0.21 on the current mil rate of \$13.42, a 1.55% increase.
- A homeowner with a home value of \$200,000 will pay \$42 more per year in property taxes. A homeowner with a home value of \$300,000 will pay \$62 more per year in property taxes.

The Police and Fire Departments have been increased for personnel. The Public Works Department budget has been increased to cover the rising cost of salt, other contractual obligations for services, and Transportation Center. Debt service has been increased to cover new leases. Lastly, employee benefits have been increased to cover rising health insurance costs budgeted throughout the city. The budget as presented supports a capital expenditure level of \$1,089,787 indicating spending above last year's budget of \$363,876.

The proposed budget does not fund Cost of Living Adjustments (COLA). This budget proposes the addition of one new full time position.

The City's property valuation in 2009 is estimated at \$2,051,483,000 at 92% of full value. The projection for 2010 is a valuation of the same \$2,051,483,000 (no increase) at 96% of full value. The fiscal year 2009 budget was funded in part by transfers from other funds, the utilization of \$97,000 in designated fund balance, and utilization of undesignated fund balance of \$791,170. The proposed budget includes a proposed \$1,991,170 use of undesignated fund balance which leaves 10% undesignated and unreserved. This budget proposes to increase the use of property tax from \$10,728,036 to \$11,169,160 or \$441,124 (4.1% 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 8 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