



City of Saco Finance Department  
Contact info -Lisa R. Parker, CPA – Finance Director  
Email: lparker@sacomaine.org  
Phone: (207)282-1032

***Mission Statement: The City of Saco Finance Department, in its capacity of fiduciary agents for the entire taxpayer base of the community, strives to provide the highest levels of customer service and professionalism through adequate training and prudent procedures in its cash collection, billing, licensing, investing, budgeting and financial planning analysis and processes, and the highest levels of financial reporting and disclosure.***

#### Scope of Operations:

The Finance Department processed approximately 80,000 financial transactions for citizens in FY04, and the department collected approximately \$21 million in property tax revenues, as well as over \$2.5 million in excise taxes and franchise fees. Overall, the Finance Department was responsible for administering a budget of just over \$40 million in total expenses and \$40 million in total revenues.

Use of Resources: There are 8 full time employees in the Finance Department, not including the Information Technology Director and an IT technician. Neighboring towns of similar size and overall budget, Biddeford and Scarborough, employ 11.25 and 10 in their Finance Departments without information technology, respectively.

Of the total city services budget, the Finance Department utilizes .94% to perform their duties – or a per capita cost to citizens in FY04 of \$20.87.



#### Department Service Delivery Goals:

- 1) For customer service representatives to provide friendly, courteous and professional assistance to citizens coming to City Hall to pay City taxes and fees billed and due.



*The Department processes a high volume of payments in person with a staff of 5 customer service counter clerks, and the Department focuses on maintaining high quality service while meeting the demands in financial activity.*

- 2) To provide the highest levels of financial communication to our citizenry through timely and accurate financial and operational reporting and disclosure.

*The Department strives to meet and exceed national reporting standards for municipalities.*

- 3) To assure that all City vendors are being paid timely through the City’s accounts payable process.

*The Finance Department partners with a large number of outside vendors and contractors and keeps on good terms with service providers by ensuring timely payments.*

- 4) To provide the highest level of financial management of all resources.

*Various measures can be considered to assess the city’s financial health and its management of its resources, and trends in performance can be monitored to alert city administration of issues.*



The impact of the Finance Department’s mission and service delivery goals heavily influence on the city’s Meeting Financial Needs strategic goal.

Performance Data: The measures used by the Finance Department to gauge their performance in achieving these goals are as follows:

- 1) At least 85% of the surveyed public note above average service received. (Service Delivery Goal 1).

*This measure will be explored below within the Citizen Survey Section.*

- 2) (A) The Comprehensive Annual Audited Financial Report is completed and posted to the City’s website within 6 months following year end and receives the Government Finance Officer’s Association (GFOA) Award distinction. (Service Delivery Goal 2).



**Comprehensive Annual Financial Report**

<b>Fiscal Year Ending</b>	<b>Date submitted</b>	<b>Award Received</b>
June 30, 2004	11/30/2004	pending results
June 30, 2003	11/24/2003	Yes
June 30, 2002	12/27/2002	Yes
June 30, 2001	12/20/2001	Yes
June 30, 2000	11/20/2000	No

(B) Distinguished Budget Presentation is completed and posted to the city’s website within 90 days following the budget approval and receives the GFOA Award distinction. (Service Delivery Goal 2).

**Distinguished Budget Presentation**

<b>Fiscal Year</b>	<b>Date Council Approved</b>	<b>Date Submitted</b>	<b>Award Received</b>
2005	6/14/2004	8/27/2004	Yes
2004	5/27/2003	8/25/2003	Yes
2003	6/3/2002	8/23/2002	Yes
2002	6/4/2001	8/23/2001	No

(C) Performance Measurement Report on operational efficiencies is completed in January of each year and posted to the city’s website within that same month. (Future measure.) (Service Delivery Goal 2).

**Performance Measurement Report**

<b>Fiscal Year</b>	<b>Date submitted and posted to web</b>	
2004	1/15/2005	estimated at time of report prep

3) All vendors are paid within 20 days in invoice date, unless not possible due to improper documentation or discrepancies in documentation. (Service Delivery Goal 3).





FIRST ANNUAL PERFORMANCE REPORT ON DELIVERY OF CITY SERVICES FOR FY 2004

Days for payment	7/1/2003-12/31/2003		1/1/2004-06/30/2004		7/1/2004-12/28/2004	
	# invoices	% paid	# invoices	% paid	# invoices	% paid
0-9 days	413	8%	783	12%	762	14%
10-20 days	785	16%	1930	31%	1900	36%
<b>TOTAL FOR MEASURE</b>	<b>1198</b>	<b>24%</b>	<b>2713</b>	<b>43%</b>	<b>2662</b>	<b>50%</b>
21-30 days	1286	26%	1612	26%	1233	23%
31-40 days	1148	23%	876	14%	561	11%
41-50 days	612	12%	370	6%	364	7%
51-60 days	321	6%	137	2%	206	4%
61-70 days	129	3%	179	3%	68	1%
over 70 days	316	6%	382	6%	217	4%
<b>TOTAL ALL</b>	<b>5010</b>	<b>100%</b>	<b>6269</b>	<b>100%</b>	<b>5311</b>	<b>100%</b>

4) (A) To improve or maintain the City’s bond rating. (Service Delivery Goal 4)

*A municipality’s bond rating affects the rate at which it can borrow money, which means the better a bond rating the City of Saco has, the less it will pay in interest to borrow. For example, the improved bond rating achieved in 2001 saved citizens approximately \$2.4 million in interest payments over the 20-year term of the 2002 general obligation bond.*

Explanation of Bond Ratings:

AAA – Best quality; highest grade; extremely strong capacity to pay principal and interest; payment is secured by a stable revenue source.

AA – High quality; very strong capacity to pay principal and interest; revenue sources are only slightly less secure than for highest grade bonds.

A – Upper medium quality; strong capacity to pay principal and interest but revenue

sources are considered to be susceptible to fluctuation in relevant economic conditions.

BBB – Medium grade quality; adequate capacity to pay principal and interest, but may become unreliable if adverse economic conditions prevail.

BB and lower – Speculative quality; low capacity to pay principal and interest; represent long-term risk whether relevant economic conditions are favorable or not.

<u>Year</u>	<u>Bond Rating</u>
1938	A
1979	BBB
1982	BBB
1989	BBB+
1993	A-
2001	A+
2004	AA-

(B) Financial Ratios, which compare the relationship between various financial factors and with other influential factors (such as population size), provide indicators of the City’s overall financial health: (Service Delivery Goal 4)





*FIRST ANNUAL PERFORMANCE REPORT ON DELIVERY OF CITY SERVICES FOR FY 2004*

		<u>6/30/04</u>	
<b>Revenues per Capita</b>	<u>Net Operating Revenues</u>	\$ 36,793,551	\$ 2,187
	Population	16,822	

(This ratio divides net operating revenues: all the income to the City from taxes, licenses and permits, intergovernmental, charges for services and other miscellaneous revenues, but not including transfers from other City funds, by population, to give a quick view of how much money the City has to spend per person.)

		<u>6/30/03</u>	
		\$ 35,951,111	\$ 2,137
		16,822	

		<u>6/30/02</u>	
		\$ 34,292,016	\$ 2,039
		16,822	

Trend is positive as net operating revenues per capita have increased over this 3 year period. A warning trend would be decreasing net operating revenues per capita.

		<u>6/30/04</u>	
<b>Intergovernmental Revenues</b>	<u>Intergovernmental Operating Revenues</u>	\$ 10,879,153	29.57%
	Gross Operating Revenues	\$ 36,793,551	

(This ratio divides the money the City receives from Federal, State and Local governments by all revenues the City receives, in order to track what portion of revenue is intergovernmental aid.)

		<u>6/30/03</u>	
		\$ 11,188,542	31.12%
		\$ 35,951,111	

		<u>6/30/02</u>	
		\$ 11,290,092	32.92%
		\$ 34,292,016	

Trend is negative as intergovernmental revenues as a percentage of gross operating revenues are decreasing over this 3 year period. This is reflective of the reduction in state revenues realized over this period for state revenue sharing and aid to education. Recent state wide referendum for state to fund 55% of education costs should realign this percentage in future years.

		<u>6/30/04</u>	
<b>Property Tax Revenues</b>	Property Tax Revenues	\$ 21,380,309	\$ 21,380,309
		<u>6/30/03</u>	
		\$ 20,360,579	\$ 20,360,579
		<u>6/30/02</u>	
		\$ 19,118,103	\$ 19,118,103

(This records the total amount the City collects in property taxes over time, which shows if the properties in the City are generating more or less in property tax revenues over time.)

Trend is positive as total property tax revenues have increased consistently over this 3 year period. A warning trend would be a decline in property tax revenues.

		<u>6/30/04</u>	
<b>Uncollected Property Taxes</b>	<u>Uncollected Property Taxes</u>	\$ 1,103,388	5.19%
	Net Property Tax Levy	\$ 21,252,361	

(This ratio divides the total amount of property tax payments that went uncollected for a year, by the total amount actually collected in property tax payments in a year, to track if the percentage uncollected is changing over time.)

		<u>6/30/03</u>	
		\$ 1,011,092	4.96%
		\$ 20,370,183	

		<u>6/30/02</u>	
		\$ 831,769	4.33%
		\$ 19,189,305	

Trend is negative as the percentage of uncollected property taxes as a percentage of the net property tax levy has increased over this 3 year period. However, the increase has been slight and is being monitored very carefully.





FIRST ANNUAL PERFORMANCE REPORT ON DELIVERY OF CITY SERVICES FOR FY 2004

<b>Expenditures per Capita</b>	<u>Net Operating Expenditures</u>	<u>6/30/04</u> \$ 36,204,972	\$ 2,152
	Population	16,822	
 (This ratio divides net operating expenditures: only the expenses the City incurs relative to delivering City services, by population, to give a quick view of how much money the City has spent per person on delivering services over time.)			
		<u>6/30/03</u> \$ 35,205,845	\$ 2,093
		16,822	
		<u>6/30/02</u> \$ 32,619,575	\$ 1,939
		16,822	

Trend is negative as this has been increasing consistently over the last 3 years. However, revenues per capita have been increasing as well and are greater than the expenditures per capita in each year.

<b>Employees per Capita</b>	<u>Total municipal employees</u>	<u>6/30/04</u> 161	0.0096
	Population	16,822	
 (This ratio divides the total number of City employees by the total City population in order to track if the percent of employees to people they are serving changes over time.)			
		<u>6/30/03</u> 155.5	0.0092
		16,822	
		<u>6/30/02</u> 149	0.0089
		16,822	

Trend is negative as this has been increasing consistently over the last 3 years. However, it has been increasing ever so slightly and was probably below comparable communities to begin with.

<b>Fringe Benefits</b>	<u>Fringe Benefit Expenditures</u>	<u>6/30/04</u> \$ 2,144,649	33.47%
	Salaries and Wages	\$ 6,407,715	
 (This ratio divides all money spent on fringe benefits (such as health insurance) for City employees by the total salaries and wages of City employees in order to track if the fringe benefit percentage changes over time.)			
		<u>6/30/03</u> \$ 1,992,269	33.96%
		\$ 5,866,868	
		<u>6/30/02</u> \$ 1,783,089	34.00%
		\$ 5,244,585	

Trend is positive as this percentage to total salaries and wages has been decreasing over the last 3 years. A warning trend would be an increase in fringe benefits expenditures as a percentage of salaries and wages.

<b>Fund Balances</b>	<u>Unreserved Fund Balances</u>	<u>6/30/04</u> \$ 3,923,723	10.66%
	Net Operating Revenues	\$ 36,793,551	
 (This ratio divides the money collected by the City that is unspent at the end of the fiscal year by the net operating revenues (all the income to the City with the exception of transfers from other funds), to track over time how well the City is meeting its goal for setting aside reserve funds every year for emergencies. The City has a policy to maintain these funds at 8.33% to 10% of prior year budgeted expenditures.)			
		<u>6/30/03</u> \$ 4,057,992	11.29%
		\$ 35,951,111	
		<u>6/30/02</u> \$ 6,040,111	17.61%
		\$ 34,292,016	

Trend appears to be negative as percentage has decreased over the last 3 years. However, the city's fund balance policy is to maintain between 8.33% and 10%. Where the city was well above this, they supplementally budgeted to do some necessary capital projects in FY 2003. City is still well within their policy levels. A warning trend is a decline in this percentage over time.

HOW ARE WE DOING?



FIRST ANNUAL PERFORMANCE REPORT ON DELIVERY OF CITY SERVICES FOR FY 2004

<b>Liquidity</b>	<u>Cash and Short Term Investments</u>	<u>6/30/04</u> \$ 4,069,885	52.41%
	Current Liabilities	\$ 7,765,897	

(This ratio divides all cash the City has on hand plus any investments the City has on hand that could be converted into cash within a short time period and at no loss, by all money the City owes for current liabilities (outstanding money owed by the City except for long term debt), as of year end, as a way to assess if the City could pay the bills it owes with the money it has on hand at year end.)

		<u>6/30/03</u> \$ 4,401,244	88.42%
		\$ 4,977,879	
		<u>6/30/02</u> \$ 6,749,115	34.29%
		\$ 19,680,103	

Trend is positive from 2002 to 2004. In fiscal year 2003 a reclassification in interfund activity was made which scews this analysis. However, this percentage has increased from 2002 to 2004.  
A warning trend is a decreasing amount of cash and short term investments as a percentage of current liabilities.

<b>Current Liabilities</b>	<u>Current Liabilities</u>	<u>6/30/04</u> \$ 7,765,897	21.11%
	Net Operating Revenues	\$ 36,793,551	

(This ratio divides all money the City owes for current liabilities (Outstanding money owed by the City except for long term debt), by net operating revenues (all the income to the City with the exception of transfers from other funds), as a way to assess what percentage of City revenues are earmarked to pay City bills as of year end.)

		<u>6/30/03</u> \$ 4,977,879	13.85%
		\$ 35,951,111	
		<u>6/30/02</u> \$ 19,680,103	57.39%
		\$ 34,292,016	

Trend is positive from 2002 to 2004. Again a reclassification of interfund activity scews the analysis in FY 2003. However, this percentage has increased from 2002 to 2004.  
A warning trend is an increase in current liabilities as a percentage of net operating revenues.

<b>Long Term Debt</b>	<u>Net Direct Bonded Long-Term Debt</u>	<u>6/30/04</u> \$ 19,213,823	1.69%
	Assessed Valuation	\$ 1,136,489,900	

(This ratio divides the amount the City currently owes on its General Obligation Bond debt by the value of all the property within the City as then recorded, in order to demonstrate the ability of property tax values to generate tax income to pay off debt over time.)

		<u>6/30/03</u> \$ 20,955,867	2.34%
		\$ 897,364,900	
		<u>6/30/02</u> \$ 22,574,789	2.58%
		\$ 874,228,000	

Trend is positive as percentage has decreased consistently over the last 3 years.  
A warning trend is increasing net bonded debt as a percentage of the assessed valuation.

<b>Debt Service</b>	<u>Net Direct Debt Service</u>	<u>6/30/04</u> \$ 2,592,196	7.05%
	Net Operating Revenues	\$ 36,793,551	

(This ratio divides the annual amount of principal and interest paid on the City's General Obligation Bonds with a life of over one year, by net operating revenues (all the income to the City with the exception of transfers from other funds), as a way to assess what portion of the City's annual income is used to pay principal and interest on debt during the fiscal year.)

		<u>6/30/03</u> \$ 2,867,991	7.98%
		\$ 35,951,111	
		<u>6/30/02</u> \$ 2,582,681	7.53%
		\$ 34,292,016	

Trend is positive as percentage has decreased consistently over the last 3 years.  
A warning trend is increasing direct debt service as a percentage of net operating revenues.





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<b>Depreciation Expense</b>	<u>Depreciation Expense</u>	<u>\$ 1,162,651</u>	<u>6/30/04</u>	<b>2.69%</b>
	Cost of Depreciable fixed assets	\$ 43,293,823		

(This ratio divides the loss in value over time of City owned items that depreciate (like vehicles, which lose value over time), by what the City spends to acquire such items, to track by what percentage their fixed assets are deteriorating in comparison to the original cost of these assets.)

<u>\$ 1,249,975</u>	<u>6/30/03</u>	<b>2.92%</b>
\$ 42,832,287		

<u>\$ 1,406,342</u>	<u>6/30/02</u>	<b>3.38%</b>
\$ 41,583,611		

Trend is negative as depreciation expense is decreasing as a percentage of total depreciable fixed assets. This is due primarily to the city's conservative approach to the purchasing of capital assets.

<b>Population</b>	Population	16,822	<u>6/30/04</u>	<b>16,822</b>
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(Population figures are from the census numbers which are done every 10 years. Although, this figure does not change during the periods reported herein, it is an important statistic to track going forward.)

16,822	<u>6/30/03</u>	<b>16,822</b>
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16,822	<u>6/30/02</u>	<b>16,822</b>
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A warning trend is a rapid change in population size.

<b>Median Age</b>	Median Age	37.2	<u>6/30/04</u>	<b>37.2</b>
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(Median age figures are from the census numbers which are done every ten years, and reflect that half the population within Saco is older than 37.2 years of age and half the population is younger than 37.2 years of age. Although, this figure does not change during the periods reported herein, it is an important statistic to track going forward.)

37.2	<u>6/30/03</u>	<b>37.2</b>
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37.2	<u>6/30/02</u>	<b>37.2</b>
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A warning trend is an increasing median age of the population.

<b>Personal Income per Capita</b>	<u>Personal income in constant dollars</u>	<u>\$ 441,863,474</u>	<u>6/30/04</u>	<b>\$ 26,267</b>
	Population	16,822		

(This ratio divides the personal income for City residents by the City's population, which indicates the financial health of citizens over time.)

<u>\$ 441,863,474</u>	<u>6/30/03</u>	<b>\$ 26,267</b>
16,822		

<u>\$ 421,862,116</u>	<u>6/30/02</u>	<b>\$ 25,078</b>
16,822		

Positive trend as personal income per capita has increase from 2002 and remained constant from 2003. A warning trend is a decline in the level of personal income per capita.





*FIRST ANNUAL PERFORMANCE REPORT ON DELIVERY OF CITY SERVICES FOR FY 2004*

<b><u>Property Value</u></b>	<b><u>Change in Property Value</u></b>	<b><u>6/30/04</u></b>	
		\$ 239,122,000	<b>26.65%</b>
	<b>Property Value prior year</b>	\$ 897,364,900	

(This ratio divides the change in property value (the recorded value of all properties within the City), from one year to the next, by the prior year's property value, in order to track if properties are gaining or losing value over time.)

	<b><u>6/30/03</u></b>	
\$	23,136,900	<b>2.65%</b>
\$	874,228,000	
	<b><u>6/30/02</u></b>	
\$	35,536,150	<b>4.24%</b>
\$	838,691,850	

Positive trend as property values have increased every year. It is important to note that 2004's large increase is due to a valuation adjustment. A warning trend would be a declining growth in the market values of city property.

<b><u>Residential Development</u></b>	<b><u>Market value of new residential development</u></b>	<b><u>6/30/04</u></b>	
		\$ 16,348,389	<b>91.86%</b>
	<b>Market value of new total development</b>	\$ 17,797,569	

(This ratio divides the total market value (not the City's recorded value, which is at less than 100% of market value) of new residential development in the City, by the total market value of all new development, to track what percent residential development is of the total, with an understanding that residential development tends to drive city services costs higher.)

	<b><u>6/30/03</u></b>	
\$	16,142,154	<b>87.59%</b>
\$	18,429,954	
	<b><u>6/30/02</u></b>	
\$	12,932,065	<b>55.79%</b>
\$	23,180,565	

Negative trend as residential development has been increasing consistently as a percentage of total development every year.

*HOW ARE WE DOING?*



Citizen Survey: In achieving its goal of at least 85% of the surveyed public note above average service received (Service Delivery Goal #1), it appears that the Finance Department has fallen just short on the most directly related citizen survey question. 75.6% of citizens surveyed responding that they are “somewhat satisfied” (39.3%) or “very satisfied” (36.3%), with the “ease of doing business in person at City Hall.” An important aspect of this measure to note is the low percent of citizens with no opinion (2.3%), as well as the mean rating of 4.02, the highest rating among these related questions.

	Very dissatisfied	Somewhat dissatisfied	Neutral	Somewhat satisfied	Very satisfied	Don't know	Mean Response
The City's administration, including the Administrator's Office, <b>Finance Department</b> , and City Clerk's Office	2.8%	5.8%	24.5%	39.3%	19.3%	8.5%	3.73
The City's Assessing and Valuations Office	4.8%	7.0%	25.3%	32.3%	13.3%	17.5%	3.51
<b>The ease of doing business in person at City Hall</b>	<b>2.8%</b>	<b>6.5%</b>	<b>13.0%</b>	<b>39.3%</b>	<b>36.3%</b>	<b>2.3%</b>	<b>4.02</b>
The quality of the information you receive regarding the City budget and the use of taxpayer dollars	6.0%	14.0%	27.8%	28.8%	14.0%	9.5%	3.34
The ease of voting in the City of Saco based on your experience the last time you voted in Saco	0.5%	2.0%	9.0%	33.8%	47.8%	7.0%	4.36



As a function of rating the overall city administration (Administrator’s Office, Finance Department and City Clerk’s Office), The Finance Department is rated fairly positively overall by citizens surveyed with a mean rating of 3.73 on the scale of 1 to 5 where 1 means “very dissatisfied” and 5 means “very satisfied.” While a total of almost 60% are “somewhat satisfied” (39.3%) or “very satisfied” (19.3%), a large percent of respondents (24.5%) are “neutral,” neither satisfied nor dissatisfied with the overall performance of City Administration including the Finance Department, and another 8.5% “don’t know” how to rate their satisfaction level.

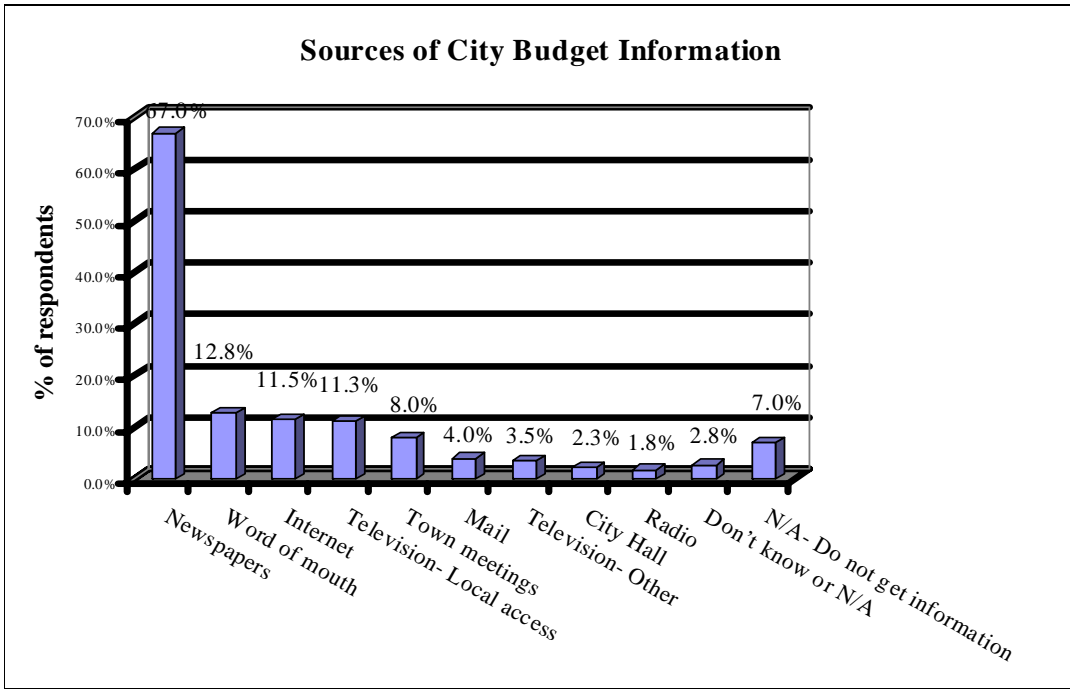
While the facts about the City’s financial health are generally quite positive (as reported in performance measure #4 above), it is interesting to note the citizens either are not hearing this good news or do not equate sound financial management with good news for citizens regarding the budget and use of taxpayer dollars. When asked to rate “the quality of the information you receive regarding the City budget and the use of taxpayer dollars,” citizens surveyed gave a mean rating of 3.34 (on the 1 to 5 scale), with about 20% responding they were “very dissatisfied” (6%) or “somewhat dissatisfied” (14%), and almost 30% being “neutral.”

Arguably, citizen lack of awareness of the city’s positive financial situation may reflect a larger communications issue. Based on citizens surveyed about 2 other broad communications issues, most respondents were “neutral” or “somewhat satisfied” with the city’s communications efforts and rated these efforts with mean responses of 3.48 and 3.45, with approximately 15% of respondents “very dissatisfied” or “somewhat dissatisfied.” This level of response would indicate there is room for improvement in the matter of communications with the public.

	Very dissatisfied	Somewhat dissatisfied	Neutral	Somewhat satisfied	Very satisfied	Don’t know	Mean Response
City programs and services	4.5%	10.0%	26.8%	40.3%	11.8%	6.8%	3.48
Local issues and public involvement opportunities	4.5%	11.3%	24.5%	40.0%	10.5%	9.3%	3.45



In considering how citizens do get information about the city budget, it is interesting to note that 67% of the citizens relied on newspapers.



It also may be that citizens cannot separate concerns over property valuations and their property tax payments, which will be explored next, from how well city revenues are used and/or how well its resources are being financially managed. In support of this line of thinking, consider how citizens surveyed rated their “feelings about Saco property taxes relative to the City services you receive,” at a mean response of just 2.9, one of the lowest ratings for the City overall. Over 28% of respondents said they were a “poor value” (20.3%) or a “very poor value” (8.0%), while only 22% thought they were a “good value” (16.8%) or a “very good value” (5.3%) and 44% thought they were “about right.” Although the majority felt property taxes were “about right,” this is still a “neutral” response (neither satisfied nor dissatisfied) and still brings the rating down, especially as compared to other ratings of city performance, which overall have been much more positive. It may be that what drives lower ratings about Finance performance is this concern about property taxes.

Thus in considering the future performance of the Finance Department from the citizen point of view, it seems important for the City overall to both improve its communications efforts, including about the Finance Department’s successes, and also to work on educating citizens about the value they are getting for their money, one way perhaps being through sharing measurement reports such as this.

HOW ARE WE DOING?