



MEMORANDUM

TO: Bryan Kaenrath, City Administrator, Mayor & Council
FROM: Glenys Salas, Finance Director
DATE: 5/1/2020
RE: **Updated Revenue Assumptions for FY2021**

I have been asked to prepare updated revenue assumptions that reflect economic uncertainty surrounding public health measures taken to slow the spread of novel coronavirus COVID-19. In preparing this assessment, I have taken into consideration feedback from the State Treasurer, advice from other municipalities, and a detailed review of changes in departmental revenue in the 6 weeks since the State of Maine began suppressing business activity and schools were closed.

State Revenue Sharing – City Administrator Bryan Kaenrath has received guidance from the State Treasurer’s office to expect State Revenue Sharing by 20%. I would evaluate that as a conservative forecast. In reviewing Saco’s financial records from the 2008 crises, actual State Revenue Sharing revenues declined just 4.34% versus the prior year. Direct tourism spending in Maine is 11% of the state’s GDP annually (<https://www.pressherald.com/2020/04/29/maine-tourism-industry-worries-quarantine-rule-will-cancel-summer/>), so a \$0 summer in tourism would still affect roughly 11% of state tax receipts. However, it is advisable to follow the State Treasurer’s guidance on State Revenue Sharing.

A 20% decline in State Revenue Sharing is a loss **\$417,916** in revenue for FY2021.

Motor Vehicle Excise – I have conducted an analysis of our motor vehicle excise revenues for the latest 12 months and for the 12 months prior to that. The City received \$818,316 in excise revenue for new (Year 1) vehicles in the latest 12 months, which represented 18.8% of all excise revenues. This is similar to other municipalities in Maine. I have forecasted that new car sales will decline by 66.7% in the next 12 months and that those consumers who would have purchased a new vehicle will instead keep the vehicles they currently own for another year. I would say this is a conservative forecast.

A 66.7% decline in new car sales is a loss of **\$394,469** in motor vehicle excise revenue for FY2021.

Ambulance Transport Revenue – Past Councils have elected to transfer revenue from the Ambulance fund to the General Fund to offset the portion of the Fire/Ambulance department budget related to emergency medical activities. In March and April, ambulance transports were down 13% and 24% respectively versus the prior 5 years. Separately, we have seen declining performance on ambulance collections. The finance department is working on a plan to improve collections, but performance is unlikely to improve significantly until the second half of FY2021. Since the approach in this budget is to be conservative, I am recommending a 30% drop in Ambulance revenue transfers.

A 30% drop in Ambulance revenue transfers is a loss of **\$200,287** in revenue for FY2021.

Parks & Recreation – Director Ryan Sommer has provided guidance that he believes Recreation programming is likely to be close to \$1 million in FY2021. This is a \$71,000 decline versus the maintenance of effort budget. He can offset the loss of revenue with savings on programming costs because of lower participation. Therefore, we are forecasting \$0 impact to the General Fund budget at this time.

Code Enforcement – Code Enforcement revenues are up 300% versus prior year. Code Enforcement revenues benefit from a long pipeline, which starts in the Planning process and can extend for a year or more, depending on the project. Therefore, revenues received during the latest 4 weeks are largely a result of projects that launched as far back as the spring of 2019 or even further. Anecdotally, there is no slow-down in projects being reviewed by Planning so there is no need to cut the Code Enforcement forecast for FY2021

Other Revenues – The balance of revenues, including Clerk Fees, Cable Franchise Fees, Police fines, and Interest comprise just \$1.15 million, or 1.8% of all revenues, and are unlikely to be significantly impacted by economic uncertainty.

Summary – The City is facing a revenue shortfall of **\$1,012,672**. In addition to walking the City Administrator’s Budget back to a Maintenance of Effort, the City should look to find additional savings below Maintenance of Effort in order to ensure a flat Mil Rate for FY2021.

Solutions – The City Administrator and I have worked closely with City Staff to identify savings within the Maintenance of Effort budget that will offset the identified revenue shortfall of \$1,012,672. Please see below:

Potential Savings and New Revenues	1,255,536
Reduce Capital Projects 50%	384,225
Sale of City Assets - 12 School St.	200,000
Sale of City Assets - 509 Buxton Road	193,300
Overlay	360,464
Army Corps Project Match (River Clean-Up)	117,547

In addition to these identified savings, there is another \$161,000 in qualified General Fund expenses that could be migrated to TIFs.

Next Steps – In order to ensure a clean record of changes from the City Administrator’s Budget to Council Approval, the City Administrator and I would look for a Council resource to propose a budget amendment that includes both adjustments to revenue of \$1,012,672 and the off-setting savings and new revenues from the “menu” of options presented above.