



Finance
Saco City Hall
300 Main Street
Saco, Maine 04072-1538

Glenys Salas
Finance Director & Treasurer
GSalas@sacomaine.org
Phone: (207) 710-5015

MEMORANDUM

TO: City Council & Mayor
FROM: Glenys Salas, Finance Director
DATE: 8/6/2020
RE: **FY 2020 June Budget Review (Interim)**

This budget review covers all payments and receipts FY2020 to date. The City will continue to pay qualified FY2020 invoices through the second week of August. Additionally, the Finance Department is still working on year-end close procedures in preparation to issue the annual financial statements. Therefore, this report should be considered a preliminary look at FY2020.

Expenditures

- Overall, the City has a net use of Fund Balance of \$1,504,608. This is largely due to the transfer of \$1.6 million in assigned fund balance (funds reserved for Capital Expenditures) from the General Fund to the Capital Projects Fund in FY2020. This was per the new Capital Improvement Projects policy adopted by Council in May 2019. Expenses came in \$107,125 above budget while revenues came in \$115,030 above budget, for a net favorable performance of \$7,905. Council approved use of unassigned fund balance through Budget amendments in FY2020 totaling \$1,127,508, so this should be considered an extremely favorable result. Overall, the City is forecasted to end the year with undesignated fund balance of \$8,968,101 or 15.97% of the adopted budget. This is very close to the maximum unassigned fund balance as approved by Council of 16.67%.
- Assessor – on target.** The Assessing department came in essentially on target for the year. Contracted services were not properly budgeted for the year, which explains the small overage of \$478. This has been corrected for the FY2021 budget.
- Capital Projects – on target.**
- Administration – on target.** \$2000 has been encumbered to cover the summer intern through August. This will be offset by a grant from the State of Maine.
- City Clerk – 2% over budget.** The general assistance portion of the budget is tracking \$8500 over budget. General assistance is reimbursed by the State at 2/3. We should see a portion of the reimbursement booked to FY2020 as part of the year end close procedures.
- Code Enforcement – 1% under budget.** Due to COVID-19, the training schedule was curtailed, leading to savings.
- Contingency – 26% over budget.** An analysis of accounts receivable revealed that the City has been holding surplus receivables on its balance sheet totaling \$109,000. This surplus balance dates back as far as 2016, and possibly farther. An entry was booked to write down this balance and the offsetting debit was booked to Contingency. As this is a material adjustment, here are some answers to likely questions on this matter:
 - Did the City spend \$109,000 out of Contingency? No. This City did not lay out any actual cash for this adjustment. Rather, this is an adjustment down of the asset “Accounts Receivable” on our balance sheet.
 - Why were the Accounts Receivable so high? MUNIS provides a number of different reports on Accounts Receivable. In reviewing the reporting used to reconcile this account in the past, I identified that application of credit was not counted towards the

receivables balance. As a result, the Accounts Receivable account in our balance sheet was inflated by manual adjustments to match this incomplete report.

- c. Did the City lose money? No. The higher Accounts Receivable just made our unassigned fund balance look higher than it was. With this adjustment, our unassigned fund balance is more accurate.
 - d. Will this happen again? No. The Finance Department has detailed the proper way to reconcile accounts receivable in the Monthly Reconciliation procedure manual, include the correct reports to pull from MUNIS. This document will act as a guide to ensure the accounts receivable balance always matches our receivables reporting. Furthermore, manual end of year receivables adjustments will be booked in a separate accounts receivable account from our general billing accounts receivables. This ensures that general billing receivables should always balance to the general ledger account balance. Finally, general billing accounts receivable reconciliation has been added to our internal control narratives and scheduled to be completed quarterly.
8. **Council – 30% under budget.** Due to COVID-19, amounts appropriated for citizen recognition, miscellaneous expense, and training were not expended.
 9. **Count Tax – on target.**
 10. **Federal Assistance - \$15,775 not budgeted.** Qualified FEMA expenditures related to our response to the COVID-19 emergency are being tracked and reimbursement is expected in FY2021.
 11. **Finance – on target.**
 12. **Fire/Ambulance – 1% over budget.** A number of encumbrances were not properly cleared. Finance is working with Fire/Ambulance to correct these items. Additionally, holiday pay was not properly budgeted in FY2020. This has been corrected in FY2021.
 13. **Benefits – 2% over budget.** When budgeting benefits for FY2020, retirement contributions on overtime pay were not factored into the forecast for employer contributions to Maine State Pension and FICA. This was corrected for the FY2021 budget.
 14. **Human Resources – on target.**
 15. **Information Technology – 1% under budget.** Significant funds have been encumbered to purchase additional equipment and software licenses to support remote work made necessary by the COVID-19 pandemic.
 16. **Insurance – 26% under budget.** Finance worked with our partners at P&C to properly allocate insurance premiums between the City, School, Camp Ellis Fund, and WRRD. The City had been paying an inflated portion of the insurance premiums, leading to significant cost overruns.
 17. **Parks & Recreation – 3% under budget.** Parks & Recreation came in 3% under budget as many budget lines related to programming costs were not fully utilized after programming shut down due to COVID-19. These savings are offset by the loss of recreation fees.
 18. **Planning & Economic Development – on target.** Funds have been encumbered to help several significant projects in FY2021, most notably the Comprehensive Plan update, completion of the Zoning Ordinance Revision, and a review of traffic impact and other fees.
 19. **Police Department – 4% under budget.** Several open positions throughout the year have led to savings on the bottom line. Some of those savings have been re-utilized to meet departmental needs elsewhere. However, the department will still net significantly under budget.
 20. **Public Works – 3% under budget.** Work in the spring was slowed by reduced staffing levels during quarantine to minimize risk of COVID-19 exposure.
 21. **School Budget – on target.**
 22. **Solicitor – 17% over budget.** Finance worked with Planning & Economic Development and Administrative to move as many of the solicitor expenses as possible to contingency and to the TIF districts. However, this budget still came in high.
 23. **Supported Entities – on target.**
 24. **Transfers – 16% over budget.** TIF Valuations came in a higher than anticipated when the budget was approved. TIF transfer amounts are set by the Assessor.

Revenues

1. **Building Rentals – 16% over forecast.** Building rental fees are now being properly billed.

2. **City Clerk Fees – 3% under forecast.** With City Hall closed to the public, certain City Clerk services were not available.
3. **Code Enforcement Fees – 34% over forecast.** Building and construction activity remained strong through the spring, benefitting from a long development timeline.
4. **Communications (Cable Franchise) Fees – 20% under forecast.** The 4th quarter will be booked to FY2020 upon receipt of funds, likely the second week of August.
5. **Federal Assistance – (\$1346) not budgeted.** These are FEMA-qualified expenses booked to revenue in error. This is set to be corrected.
6. **Finance Fees & Penalties – 7% under forecast.** Late payment interest penalties and liens were delayed during quarantine, reducing revenues.
7. **Fire/Ambulance Transfer Revenue – 42% under forecast.** Delays in payments from Medicare and reduced demand for ambulance services during quarantine reduced ambulance revenues in the ambulance fund such that transfers to the General Fund as budgeted were not possible.
8. **Interest Earnings – 39% over forecast.** Interest earnings and cash position were both higher than anticipated, resulting in surplus interest earnings of \$115,575. Interest rates have fallen from over 2% to less than 0.2% as of June 2020. The City may need to consider alternatives for earning interest revenues on its fund balance in FY2021.
9. **Parks & Recreation Fees – 23% under forecast.** Recreational programming was largely cancelled in the spring due to COVID-19. A small summer camp and some recreational activities have been put on through the summer but much more limited than expected.
10. **Planning & Economic Development Fees – 69% over forecast.** Strong development interest in Saco and a tight cost recovery procedure in collaboration with Finance have meant strong revenue performance, even through the spring.
11. **Police Department Fees & Revenue – 58% under forecast.** This loss in revenue is offset by savings on the expense side in the police department. The largest portion of the reduced revenue is related to the open MDEA position.
12. **Public Works (mostly Vehicle Excise) – 3% over forecast.** Excise revenue was forecasted conservatively versus the prior 3 years, so revenue still came in over forecast. Additional revenue will be booked for FY2020 for vehicles whose registration expired during quarantine.
13. **Real & Personal Property Taxes – 3% over budget.** Thanks to a strong overlay, personal and real estate tax revenues came in over budget. As Saco's property tax due date was prior to the start of quarantine, most tax revenues were collected before City Hall closed to the public.
14. **Sale of City Assets – 90% under forecast.** City assets sold this year have largely been used to offset the cost of replacement vehicles and equipment.
15. **Unallocated – 55% under forecast.** The City budgets a placeholder amount of \$10,000 for miscellaneous revenues.