

City of Biddeford, Maine



The Office of
City Manager

James A. Bennett

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MEMORANDUM

TO:	Honorable Mayor Casavant Honorable City Council
FROM:	James A. Bennett, City Manager
DATE:	March 11, 2020
RE:	FY21 Budget Overview

This annual memo captures the high-level overview of the proposed FY21 budget. It also includes a quick summary for each department. In the department summary, any significant changes or policy issues are also identified.

Budget Overview

The FY21 budget has three overriding themes. These are outlined in detail below. The draft municipal budget, if approved as submitted, would increase the tax rate by \$0.23 (to \$20.21) or 1.14%. The tax commitment would increase by \$424,438 or 0.88%. This is less than the increase in capital and contingency (\$650,000) which is explained in detail within the memo.

The municipal budget, as submitted, does not account for any changes in the school component of the tax rate. Nor does it account for any change in the York County share of the property tax bill.

As the Council is aware from other presentations and meetings, the previously borrowed funds will be totally expended by the end of the construction season in 2020. In order to address the ongoing capital needs, the City will need to either seek additional borrowing or increase annual appropriations for capital. This is the first of the major issues that are contained within the budget.

The draft budget that I have submitted to you included both. I have included a recommendation to increase annual appropriation for capital by \$500,000. This 33% increase in capital will allocate \$2,015,547.

In addition, I am recommending that the City proceed with a borrowing package in FY21 that includes general obligation and revenue bonds as listed in the chart below. As a reminder, a revenue bond does not need voter approval.

The proposed bonding package consists of asking the voters for authorization to borrow the funds believed to be necessary for the next five years for roads, sidewalks and CSO work. The actual draw down of the funds will occur in three increments, as outlined in the chart.

Category	June Authorization	FY21 Draw	FY23 Draw	FY25 Draw
CSO General	\$5,000,000	\$2,000,000	\$1,500,000	\$1,500,000
CSO Matching	\$2,000,000	TBD	TBD	TBD
Roads	\$4,500,000	\$1,500,000	\$1,500,000	\$1,500,000
WWTP Revenue Bond*	\$4,500,000*	\$1,500,000	\$1,500,000	\$1,500,000
City Hall	\$0	TBD	TBD	TBD
Community Center	\$0	TBD	TBD	TBD
Other Municipal	\$0	TBD	TBD	TBD
TOTAL	\$16,000,000	\$5,000,000	\$4,500,000	\$4,500,000

The second major issue within the budget is how to address the unprecedented amount of activity that is ongoing within the City. With rare exception, the staffing is generally the same as it was five years ago. The workload and expectations are higher, with a significant part of the workload driven by the economic activity within the City. In my opinion, with rare exception, I do not believe there is enough evidence to justify adding permanent staff at this time. However, I do believe we must take steps to provide additional resources to meet the demand.

The budget I have submitted reflects this approach. It does so in two ways. First, it provides for outside consultants to assist in critical areas that can easily be outsourced. Second, I have looked at a couple of critical positions that are likely to see some transition in FY21. For those positions, I have budgeted for the anticipated changes so that we might eliminate any vacancy that always happens during unplanned transitions.

Specifically, I have included the following appropriation for outside contractual assistance in the FY21 budget:

- Planning ED (21109): \$40,000 for subdivision review
- Engineering (21167) \$175,000 for contractual engineering assistance

If these funds are appropriated, this office will continue to monitor the workload to determine if the needs remain the same throughout the year. If the demands are reduced, so would expenditures accordingly.

I have also included funding for the following key transitions during FY21. These are based strictly on a desire to make sure there is continued ability to meet the demands. It does not reflect any formal notices by any employees.

- New CSO engineer position (effective 1.1.21): \$68,968 (includes projected benefits)
- Deputy PW Director (effective 10.1.20): \$85,504 (includes projected benefits)¹
- Creation of communications director (all year): \$100,000 (includes projected benefits)

Beyond the obvious reason of not adding staff, the approach includes the recommendation of not building these temporary positions into the tax commitment (tax rate). Given the positions are intended

¹ Half of funding included in fy21 tax commitment; half funded from surplus transfer

to be temporary in nature, I have included a corresponding transfer of funds from undesignated fund balance for FY21 only.

The last major theme contained with the budget is a 'transition' of certain budgets during the year. As briefed in the budget presentation, I have suggested that a couple of departments would end the FY21 year (June 30, 2021) configured slightly different than they stand today. The transitions would occur over the year. These include the following departments:

Communications division: creation of a communications division that includes:

- hiring of a full time communication director on a 3 year employment contract;
- shifting the Cable TV staff away from producing (or assisting in the production of public access shows) to support the communications strategy;
- shifting all promotions funding and messaging from individual departments to this centralized operation;
- shifting all website content and messaging from individual departments to the communications division;
- reducing the dependence on outside contractor(s) for communication support

Airport: shifts the responsibility of the airport to the public works department that includes:

- using the new airport manager in a management role approximately 40% of the time as guided by the PW Director
- includes \$25,000 of funding for part time wages in the airport budget for non-management responsibilities, such as mowing the airport

Buildings: eliminates the building facilities operations, previously shared in the past with the school department. The larger building responsibilities will be assigned to the public works department with the day-to-day operations assigned to each department head.

Public Works: By the end of FY21, the department will be configured only slightly differently (depending on the timing of key position changes). The only additional staff that will exist is the new part time CSO engineer position (24-hours weekly). The new Deputy Director position that will be hired during the year will have taken the place of either the director of engineering and/or the deputy public works director, depending on the timing of those transitions.

Planning and Economic Development: the plan is to move the federal programs (lead paint and HUD) under one person to supervise and replace the remaining position with some sort of higher-level employee i.e. management analyst, junior planner. We have verbally received notice of a retirement this summer for one of the positions. The grant writer position will be moved out of this department and into the communications division. The shared staff person with HR will be exclusively assigned to HR by FY21 year-end. The 8 hours that was previously assigned to HUD is being stated as a general fund cost.

Valuation Adjustment

As noted during the budget presentation, the sales ratio that the state uses to determine reimbursement and exemption levels is continuing to decline at an accelerated rate. This ratio is determined by actual sales in the community versus the assessed values. In FY19, an adjustment was made to values in the community. At the time of commitment for the FY20 taxes, the certified ratio was 89%. A quick analysis by the Assessor is showing that the certified ratio has dropped to 83%. At the current pace, it is expected that the ratio will fall into the high 70's by the time the commitment is prepared for the FY21 taxes.

As a result, all exemptions will have to be factored (reduced). In addition, any reimbursements from the state, i.e. the estimated \$1,144,593 homestead reimbursement will also be reduced. Finally, the personal property assessments (currently at \$64,642,693) will also have to be factored.

As a result, the Assessing office will be doing an adjustment prior to the issuance of the tax bills. The general range of the adjustments are yet to be determined until further detailed analysis is completed. At this point, it appears that the broad categories of adjustments are such that just under 20% would be the total change to the aggregate of the city valuation. Unless the property tax commitment (total amount raised by property taxes increased dramatically), the property tax rate declines. In the budget, I submitted with the total valuation changing by 19.66%, the tax rate would actually drop to \$17.16.

With valuation changes, there are shifts in property tax burden, regardless of what happens with the budget. Without the pleasure of doing a more in-depth analysis, the current values appear to be undervalued as follows (based on sales):

- multi-families 25% to 35%
- single family (non-water influenced) 20% to 25%
- all other properties 10% to 15%

Prior to the adoption of the budget, staff will have a better idea on these actual ranges, and the potential of any shift in burden. This will be provided to the Council. In addition, prior to the actual commitment of taxes (July or August), we will hold a workshop with the Council (as we did in FY19) to provide the final numbers and impacts. This will allow the Council on last opportunity to make any budget amendments that it desires.

Expansion of the Homestead Exemption:

As noted during the presentation, state law is increasing the homestead by another \$5,000 and providing full reimbursement to the communities for the lost value. Under the new exemption amount of \$25,000, each recipient would receive an additional benefit of \$99.90 (assuming the current tax rate). The budget, as proposed with the additional state property tax relief, would actually reduce the median home of \$227,100 tax bill from last year by \$53.42. Prior to valuation adjustments, a home would actually have to be valued in excess \$550,000 in order to actual see their property tax bill increase (assuming no changes in valuation).

General Comments

As a reminder, the wage lines are based on the following:

- Non-union is based on the current wages/salaries; adjustments are done after adoption of the budget based on merit. The funds for the merit wages are included in the personnel reserve line in the general government and is \$100,000 this year. If this was an across the board increase it would equal 3.05%.
- For the labor contracts in place (police and DPW), the wages are the actual wage the employees will receive per the union contract
- For the expired labor contract (fire), the wages are based on the expired contract wages plus any step increases that will occur in the year as required by law. No additional funds are allocated for wage adjustments.

Department Reviews

Mayor/Council: There is one major change contained within this budget. Contained within an ordinance is the position of an auditor. This is a hold over position from the old Mayor form of government position. A part time stipend of \$3,900 is paid. In the past year, the current person holding the

job retired and has not been filled. I am recommending that the position be eliminated (which would require the Council to change the ordinance).

\$1,901 reduction or -5.2%

City Manager: There is one major change within this budget. As noted above, the recommendation is to establish a stand-alone communication division. That budget is found under the previous Cable TV tab. It includes moving the communication coordinator position out of this budget and to that budget.

\$38,957 reduction or -10.35%

City Clerk: increase funding requested of \$4,000 in order to have additional old records (books) refinished to preserve them. Otherwise, there is no major changes

\$1,257 increase of 0.4%

Elections: this budget ebbs and flows every other year because of the elections that will be held in the given budget year. The upcoming year will be the down year, hence the reduction. While we plan to expand into early voting (to eliminate in person absentee voting), there really is no major changes.

Reduction of \$8,400 or -32.2%

Assessing: the budget is prepared in anticipation of Saco continuing with the formal agreement to equally share the position. The expectation is that the joint committee will make that recommendation in April so that the respective Councils would vote to do so shortly thereafter. No other changes

\$143 increase or 0.1%

Finance: there is only one item of significance within the budget. The recommendation is to purchase a project management module from MUNIS (our financial software company) in the amount of \$10,200. No other changes

\$2,212 increase or .6%

Computers: in FY20, the budget shifted the computer repair/replacement cost from departments directly into this budget line for greater oversight and control. There are no other changes this year.

Reduction of \$8,798 or -5.0%

Human Resources: The management analyst (benefits coordinator) position authorized last year was carried within the general administrative budget in FY21. This position is being carried in HR this year. Additional funds are carried for the E2E program and other training. Finally, as a preventative issue, we are asking for \$4,175 for first responder care. This program is yet to be defined by is intended to deal with the growing pressures of the job.

\$63,439 increase or 64.1%

Planning/Economic Development: the changes related to staff have been outlined above. The budget includes funding for the temporary outside consultant (\$40,000) for subdivision review.

\$26,322 or 7.5%

Codes: there are no major changes with the exception that the additional overtime that the Council added in FY20 was not needed and has been reduced.

Reduction of \$9,693 or -2.4%

General Administrative: The following are items of concern or significant in this budget:

- management analyst position moved to HR

- increase in cost of retiree health insurance \$58,228 increase
- Personnel reserve is down \$132,671; factors include FY20 being the last year for funding the longevity payments for back liability and reduction in retirement payout funds (based on known retirements). It also includes \$25,000 available for market adjustments should they be needed based on a review.
- \$150,000 increase in contingency
\$22,185 increase or 0.9%

City Hall: increase is limited to the service contracts price increases and utilities increases
\$14,502 increase or 8.4%

Private School: no change

Community Center: In FY20, \$50,000 was allocated for architect to begin the initial work in implementing the recommendations in the task forces report. There are no funds recommended in FY21 in that line. The additional increases are related primarily to utility costs.
Reduction of \$34,891 or -13.5%

Recreation: there are two major changes within the recreation budget. First, there is \$30,000 of financial aid that has been budgeted to come out of general taxation instead of the fees paid by other participants. This is the budgeted cost to provide assistance to families of need for any of the fee based programs. Currently, that cost is absorbed by all other users. The recommendation is to provide this assistance from all taxpayers instead. It is important to note that this change was not picked up in the printing of the budget and not included in the totals. Second, the increase in the minimum wage has driven the cost of part time wages within the budget, most especially lifeguard costs. While some lifeguard costs are contained within the beach permit budget, not all cost are covered.
\$74,259 increase or 14.5% (this includes the \$30,000 above)

Health & Welfare: there is a reduction in actual assistance that is being recommended based on the current applicants that are deemed to be eligible. While eligibility is down, the complexity of processing some of the applicants is increasing.
Reduction of \$13,355 or -5.6%

Facilities: Elimination of the position. As a reminder, the corresponding revenues from the school department to pay for their portion of the position is also eliminated.
Reduction of \$97,468 or -100%

Social Services: this is one of two budgets that the Council plays more a direct role in funding because of the nature of the request; funding is included to keep it flat at \$75,000
No change

Municipal Services: this department has traditionally included services that support municipal operations. There are a number of new requests, the majority of which probably should have been included in Social Services. While I have included some additional funding to cover the normal increases for the traditional services, the recommendation is \$61,318 less than the total of all of the requests.
\$71,872 increase or 8.5%

Fire Department: there is \$175,000 of wages that have been added to the budget to deal with the potential authorizing of new positions. The exact nature of the positions are not defined. As a reminder, the pay for the contractual employees remains at the current expired contract wage

rates (expired 6.30.18). Employees do receive step increases per the union contract as required and those are included. Overtime has been reduced to reflect the reduction in staffing requests. In addition, overtime in the past has been overspent because of the vacancies within the department. Those additional expenditures are covered by those vacancies (non-payment in full time wages). There are no other major changes within the budget.

\$200,576 or 5.7%

Biddeford Pool Fire: no major changes

\$25 increase or 0.3%

Emergency Management: no major changes; increases because of salary adjustment

\$224 increase or 2.3%

Hydrant Rental: This is a charge that is set by PUC and is not technically a hydrant rental charge. Changes are based on either approved PUC rates or expected increases for the two water companies in Biddeford.

\$8,353 increase or 2.0%

Police: there are a couple of issues within the budget. There is a recommendation to purchase three cruisers again this year. Last year, one cruiser was eligible for funding from the TIF (that is not the case this year). Between the increased cost and the third cruiser, there is \$40,000 of property tax impact. Like the fire budget, overtime is reduced to reflect what would be spent if the department was at full complement, not the past expenses. Vacancies within the department cover some of the overtime expenses. There is the reassignment of one position from patrol to the investigation division. The last major issue is the swap of an administrative support person for a patrol person. The Chief indicated that he wanted additional administrative support during the preliminary meeting. He did not submit the budget with the person. During the budget review process, it was decided that I would submit the budget with the position and one less patrol position. However, as I mentioned during the presentation, we would be in a constant recruitment process when we were at the new full complement in order to reduce the time of vacancies. There may be times that we would authorize a hire prior to an expected vacancy in order to have the new office attend the academy. This process might result in some additional expenditures that we plan to cover by the community officer reserve that was established a couple of years ago. In total, this would allow a more efficient department by actually having less times the staffing would be at the new so-called 'minus one staff' level than the current system. In addition, forty hours of administrative function most weeks would be covered by that person instead of being performed by officers.

Reduction of \$25,182 or -0.6%

Investigation: no significant change besides the reclassification from patrol.

\$70,224 increase or 13.6%

Communications: there is no major change beyond wage adjustments.

\$47,630 increase or 3.5%

Animal Control: no major changes

\$800 increase or 0.9%

Street Lights & Traffic Lights: the major change is that we now have a better idea of what the actual electricity charge will be now that we have them installed. As a reminder, the funds budgeted

for repairs (\$60,000) that is not used will be placed into a dedicated account to have a source of funds later to replace the lights when the useful life is coming to the end.

\$32,000 increase or 17.8%

Public Works Administration: the major change here is that the budget includes the expense side of the transition funding for the new Deputy PWD position as well as the allocation of approximately 40% of the new airport managers time. There is \$3,000 for the update for a mechanic supervisor as well. There are no other major policy issues within the budget.

\$155,573 increase or 13.3%

PW Road Maintenance: no major change in the budget.

\$99,803 or 6.1%

Solid Waste: this budget is prepared to meet the policy changes that the Council will consider over the next couple of meetings. These changes have been fully vetted by the Solid Waste Committee and are not unknown to the Council. The changes are listed below. Beyond those changes, there are no other major policy issues.

- The ability for residents to purchase extra solid waste containers for the year, including a larger container.
- Increase in the cost of PAYT bags
- Modification to recycling policy for 3-5 multi-units to reduce contamination.
- Modification to recycling contract.

\$9,110 increase or 0.7%

Parks: includes an increase in wages for the summer staff that takes care of the flower program. Does not include any significant funds to expand the flower program. No other major changes

\$2,182 increase or 0.4%

Cemetery: no major change

Reduction of \$1,741 or 4.2%

Engineering: includes the expense side of the two transitional issues; the CSO engineer and the outside engineering services

\$191,449 increase or 100.9%

GIS: No major changes

\$4,277 increase or 6.2%

Fringe Benefits: includes several items, including

- \$50,000 of impact because of the additional \$175,000 of fire wages
- \$59,388 of impact from the transitional wages (being covered by surplus transfer)
- Small increase in employers share of MePERS (0.1% effective 1.1.21)
- A projected 8% increase in health insurance costs
- An increase in the retirement health savings account costs because of retirements of those that used to get the lifetime health insurance benefit

\$425,042 increase or 7.2%

County tax: held flat until we receive the notice of what the increase might be

Debt Principle: increased because of the leases projected in FY20 but does not include any borrowing proposed or the lease payment for radios

\$84,741 increase or 4.0%

Debt Interest: decreased by \$74,932 or -9.9%

Transfer Out: no change

CIP: increased by \$500,000. Suggested allocation to follow