



THE CITY OF AUGUSTA

WILLIAM R. STOKES, MAYOR

WILLIAM R. BRIDGEO, CITY MANAGER

CITY COUNCIL

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TO: Mayor and City Council
FROM: City Manager Bill Bridgeo
RE: Administrative Report
DATE: January 14, 2013

Meetings:

On Thursday, January 17, the City Council will hold its regular Council Meeting at 7:00 pm in Council Chambers. There will be a pre-meeting at 6:30 pm in conference room "A". The agenda is enclosed with your package.

On Friday, January 18, a senior staff meeting will be held at 9:15 a.m. at the Civic Center.

Other Items:

The Governor released his proposed 2014/2015 biennial budget on Friday. Initially, it was shocking in what it proposed by way of adverse impacts to cities and town, including Augusta. As more information and analysis has been done by Ralph St. Pierre and me and by our reliable resources at Maine Municipal Association, the Maine Service Center Coalition, and the Mayors' Coalition, the picture has only become more grim. If what has been proposed becomes law, our fiscal future – as most immediately addressed in the upcoming FY 2013/2014 budget process – is very discouraging. The most impactful of the known variables as of today include:

- The elimination of all municipal revenue sharing for (at a minimum) the two years of the next biennium. This represents a hit to the General Fund next year of \$1.6 million (or the equivalent of about a 6.4% property tax increase).
- The requirement that the School Department begin paying for about half of the employer share of teacher retirement contributions, which up to now have been fully funded by the State. At this point in time, we estimate the impact to be between \$250,000 and \$350,000 that must come out of the school department budget next year (or the equivalent of another 1 ¼ % property tax increase).
- The elimination of the Homestead Exemption starting in FY 2015 for all homeowners under 65 (veterans would continue to receive the exemption). Since the average single family home value in Augusta is about \$123,000, this effectively raises the property tax bill to affected residents by 9% (recall that a few years ago when the State reduced the Homestead Exemption from \$13,000 to the current \$10,000 the City held the budgeted tax increase to 0% but that the average homeowner still saw a 3% increase in his/her bill).

- The elimination of the Circuit Breaker program for anyone under age 65 (I have no way to readily estimate the impact of this as the City receives no information from the State about its utilization).
- The loss of excise tax revenues received from heavy trucks (tractors) which will now be kept by the State. This loss is estimated at \$115,000.
- Modification of the BETR/BETE business equipment exemption reimbursements for FY 2015 (I'm still awaiting for information on the impact of this element of the Governor's proposals)

So, as you can see, with gross insensitivity on the Governor's part to the plight of Maine's 496 communities, we have entered into a fiscal crisis circumstance where Council's options look to be dramatic increases in property tax rates (which I fully appreciate are a very bad thing) or cuts in valued services to a community that has already struggled in this regard over the past four years, or some "worst of both worlds" combination of the two. Add to this, the State budget proposal to cap General Assistance reimbursements while it simultaneously cuts State welfare programs, a recently announced increase in mandatory employer contributions to the state retirement system (Maine PERS) of 1.3% of total payroll costs in FY 2013/2014 (\$117,000) and another 1.3% in 2014/2015 (an additional \$125,000), and a laundry list of other smaller hits, and it becomes clear that our goal setting and budget policy discussions over the coming several months are going to be sobering.

I know that the members of our legislative delegation appreciate the dilemma we now face and I know that they will want to work with us to modify what has been proposed so as to blunt its impact. During the next couple of weeks, City staff and I will do our best to continue to gather the best information we can and to work with our municipal advocates and our colleagues to help develop alternatives to what we now face.

Speaking of our upcoming goal-setting session (Saturday, January 26th), over the weekend I reviewed the 2012 goals and objectives established a year ago and noted our progress on them to give you a point of reference for the 26th. That document is enclosed. Please let me know if you believe I missed anything.

WRB/pec

Enclosure

cc: Department and Bureau Directors
Legislative Delegation (and Delegation-elect)