

Memo

To: William R. Bridgeo, City Manager
 From: Raphael E. St. Pierre, Assistant City Manager
 Date: 5/26/2015
 Re: FY 2016 Budget Wrap up Request for Information and Estimate of FY 2015
 Budgetary Variance and Unassigned Fund Balance Estimate at June 30, 2015.

The following request for information was made at the FY 2016 Budget Wrap-Up meeting held on May 14, 2015:

- 1) Cost of the two new police detective positions and the public works laborer position.
- 2) The effect of a \$225,000 reduction on the property tax increase.
- 3) The budgetary adjustment needed to reduce the property tax increase to 3.9%.
- 4) Estimate of the City's unassigned fund balance at June 30, 2015.

The cost of the two police detectives is \$122,250 and the public work's laborer position is \$ 41,282.

Reducing the FY 2016 budget by \$225,000 would reduce the property tax increase from 4.4% to 3.69% for a mill rate of \$19.34 (up \$0.67 from this year).

A combination of estimated revenue increases and/or expenditure reductions totaling \$145,965 would reduce the property tax increase to 3.9% or a mill rate of \$19.40.

The following is an analysis of the estimated amount in the City's Unassigned Fund Balance (UFB) for June 30, 2015:

Unassigned Fund Balance 06/30/2014	\$4,988,907
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FY 2015 use of UFB:

Council Order # 14-148 Demolition of unsafe buildings	\$ 128,580
Council Order # 14-156 FY 2015 Cash CIP	\$ 208,000
Council Order # 14-185 Eastern Ave. failed septic system	<u>\$ 7,145</u>

Total	\$ 343,725
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FY 2015 use of UFB (continued):

FY 2015 Non-property tax revenue variance	\$ 260,124
FY 2016 Expenditure variance (excluding P.O.B. and snow removal)	\$ 205,631
Refinancing Pension Obligation Bond	\$1,229,758
Library relocation	(\$ 370,000)
FY 2015 Snow removal expenditure variance	(\$ 450,000)
FY 2016 Budget Utilization of UFB	<u>(\$ 496,683)</u>

Estimated Unassigned fund balance June 30, 2015 \$5,024,012

The non-property tax revenue variance consists of the following:

Emergency medical services	\$ 106,577
Motor vehicle excise tax	\$ 75,000
Investment	\$ 37,340
Municipal revenue sharing	\$ 35,000
Building permits	\$ 15,000
Homestead reimbursement	\$ 9,750
Business equipment tax reimbursement	\$ 7,903
Property rentals	\$ 5,575
Urban Rural Initiative Program	(\$ 11,180)
Cable franchise fees	(\$ 9,025)
Payment in lieu of taxes	(\$ 6,616)
Food & Beverage license	<u>(\$ 5,200)</u>

Total FY 2015 Non-property tax revenue variance \$ 260,124

Emergency medical service fees are \$106,577 greater than expected due to a change in billing for the service. We modified the billing process from an à la carte pricing to a bundle pricing thus increasing the amount the insurance company will pay. In addition, our mileage reimbursement increases due to the hospital relocating to North Augusta. Motor vehicle excise taxes will have a positive variance of \$75,000 due to continued strong new car sales. Investment income is up \$37,340 due to higher than expected short term interest rates. Municipal revenue sharing is expected to be \$35,000 over estimates due to higher than expected sales and income tax collection at the state level. Building permits are up \$15,000 due to stronger new construction activity. Homestead exemption reimbursement is up due to a higher mill rate for FY 2015. Business equipment tax reimbursement has a positive variance due to continued equipment reinvestment by local businesses. Property rentals are up due to a slight increase of leased space at Buker Community Center.

On the flip side, we have some non property tax revenues that will have a negative budgetary variance. URIP (State aid to roads) is down by \$11,180 due to a budgetary reduction by the State of Maine. Cable franchise fees are down due to Time Warner Cable revenues and an increase in the allocation to CATV -7. Bread of Life Ministries did not make a payment in lieu of taxes this year. A slight decrease in food and beverage license fees is expected this year.

The FY 2016 positive expenditure variance (excluding the refinancing of the Pension Obligation Bond and the snow removal budget) is projected to be \$205,631. The wage and benefits category is expected to have a positive variance of \$106,563 or 7/10ths of 1 percent. The street light and traffic signal maintenance account is expected to have a positive variance of \$30,000 due to no major problems this year. The debt interest budget will have a \$28,725 positive variance due to a timing difference in selling the FY 2014 and FY 2015 Council Bonds. We budgeted to make two FY 2014 council bond interest payments and one FY 2015 council bond interest payment. However, we only needed to make one 2014 and no 2015 Council bond interest payments. Solid Waste tipping fees at Hatch Hill will have a positive variance of \$18,700 due to less waste than expected. Gasoline and diesel will have a positive variance of \$12,375 due to slightly less miles driven in the highway budget (due to the severity of the past winter more fuel was used for snow removal and less for highway than expected).

The City refinanced the Pension Obligation Bond in August of 2014. In so doing we avoided making a principal payment in FY 2015 and our interest payments were less than the budgeted amount for the Pension Obligation Bonds. The budgetary savings were derived from the non principal payment of \$1,092,920 and interest reduction of \$136,839 for a positive budget variance of \$1,229,758, which was slightly higher (\$39,086) than forecasted in April 2014. It was anticipated that the budgetary savings would fund the relocation of Lithgow Library during the eighteen months of construction/renovation period. We originally expected the cost of relocation to be \$600,000. However, with the very favorable rental agreement at the Ballard Center the expected cost of the temporary relocation is \$370,000. Thus the one time budgetary positive variance is \$ 859,758.

This past winter was one of the worst winters in a very long time. For FY 2015 the cost of snow removal was \$ 1,376,212. In comparison the City expended \$939,226 in FY 2014 (\$436,986 less than FY 2015) and \$786,965 in FY 2013 (\$589,247 less than FY 2015). For FY 2015 the City's additional cost was primarily in equipment utilization cost. The combined equipment cost (outside rental and central garage charges) totaled \$564,602 compared to \$263,937 in FY 2014. Sand and salt costs of \$296,725 as compared to \$205,012 in FY 2014 was a \$91,713 additional cost. In addition gasoline and diesel costs were \$ 296,725, \$91,713 more than in FY 2014.

The City Manager's revised budget would have a tax mill rate of \$19.50 or a 4.44% increase. The impact on the average home owner with an assessed valuation of \$120,000 would be \$99.60. A tax rate increase of 3.9% (\$19.40 mil rate) would cost the average homeowner an additional \$87.60. A tax rate increase of 3.69% (\$ 19.36) would impact the same average homeowner by \$82.80.

**CITY OF AUGUSTA
MANAGER/SCHOOL BOARD REVISED
TAX RATE SUMMARY**

	FY 2015 ADOPTED	FY 2016 MANAGER	\$ VAR	% VAR
<u>EXPENDITURES</u>				
EXPENDITURES				
MUNICIPAL	\$24,175,059	\$25,076,716	\$901,657	3.73%
EDUCATION	\$27,697,598	\$28,445,419	\$747,821	2.70%
COUNTY	\$1,429,518	\$1,458,109	\$28,591	2.00%
	<u>\$53,302,175</u>	<u>\$54,980,244</u>	<u>\$1,678,069</u>	<u>3.15%</u>
REVENUES				
MUNICIPAL	\$10,322,006	\$10,537,848	\$215,842	2.09%
EDUCATION	\$15,461,353	\$15,409,831	(\$51,522)	-0.33%
	<u>\$25,783,359</u>	<u>\$25,947,679</u>	<u>\$164,320</u>	<u>0.64%</u>
TAXES				
MUNICIPAL	\$13,853,053	\$14,538,868	\$685,815	4.95%
EDUCATION	\$12,236,245	\$13,035,588	\$799,343	6.53%
COUNTY	\$1,429,518	\$1,458,109	\$28,591	2.00%
	<u>\$27,518,816</u>	<u>\$29,032,565</u>	<u>\$1,513,749</u>	<u>5.50%</u>
VALUATION/1,000	\$1,474,000	\$1,489,000	\$15,000	1.01%
TAX RATE				
MUNICIPAL	\$9.40	\$9.76	\$0.37	3.75%
EDUCATION	\$8.30	\$8.75	\$0.45	5.18%
COUNTY	\$0.97	\$0.98	\$0.01	0.96%
	<u>\$18.67</u>	<u>\$19.50</u>	<u>\$0.83</u>	<u>4.44%</u>

**CITY OF AUGUSTA
COUNCILORS BILODEAU & BLODGETT
TAX RATE SUMMARY**

	FY 2015 ADOPTED	FY 2016 MANAGER	\$ VAR	% VAR
<u>EXPENDITURES</u>				
EXPENDITURES				
MUNICIPAL	\$24,175,059	\$24,751,716	\$576,657	2.39%
EDUCATION	\$27,697,598	\$28,445,419	\$747,821	2.70%
COUNTY	\$1,429,518	\$1,458,109	\$28,591	2.00%
	\$53,302,175	\$54,655,244	\$1,353,069	2.54%
REVENUES				
MUNICIPAL	\$10,322,006	\$10,537,848	\$215,842	2.09%
EDUCATION	\$15,461,353	\$15,409,831	(\$51,522)	-0.33%
	\$25,783,359	\$25,947,679	\$164,320	0.64%
TAXES				
MUNICIPAL	\$13,853,053	\$14,213,868	\$360,815	2.60%
EDUCATION	\$12,236,245	\$13,035,588	\$799,343	6.53%
COUNTY	\$1,429,518	\$1,458,109	\$28,591	2.00%
	\$27,518,816	\$28,707,565	\$1,188,749	4.32%
VALUATION/1,000	\$1,474,000	\$1,489,000	\$15,000	1.01%
TAX RATE				
MUNICIPAL	\$9.40	\$9.55	\$0.15	1.55%
EDUCATION	\$8.30	\$8.75	\$0.45	5.18%
COUNTY	\$0.97	\$0.98	\$0.01	0.96%
	\$18.67	\$19.28	\$0.61	3.27%

**CITY OF AUGUSTA
COUNCILORS GRANT & PARADIS
TAX RATE SUMMARY**

	FY 2015 ADOPTED	FY 2016 MANAGER	\$ VAR	% VAR
<u>EXPENDITURES</u>				
EXPENDITURES				
MUNICIPAL	\$24,175,059	\$24,976,716	\$801,657	3.32%
EDUCATION	\$27,697,598	\$28,445,419	\$747,821	2.70%
COUNTY	\$1,429,518	\$1,458,109	\$28,591	2.00%
	<u>\$53,302,175</u>	<u>\$54,880,244</u>	<u>\$1,578,069</u>	<u>2.96%</u>
REVENUES				
MUNICIPAL	\$10,322,006	\$10,583,813	\$261,807	2.54%
EDUCATION	\$15,461,353	\$15,409,831	(\$51,522)	-0.33%
	<u>\$25,783,359</u>	<u>\$25,993,644</u>	<u>\$210,285</u>	<u>0.82%</u>
TAXES				
MUNICIPAL	\$13,853,053	\$14,392,903	\$539,850	3.90%
EDUCATION	\$12,236,245	\$13,035,588	\$799,343	6.53%
COUNTY	\$1,429,518	\$1,458,109	\$28,591	2.00%
	<u>\$27,518,816</u>	<u>\$28,886,600</u>	<u>\$1,367,784</u>	<u>4.97%</u>
VALUATION/1,000	\$1,474,000	\$1,489,000	\$15,000	1.01%
TAX RATE				
MUNICIPAL	\$9.40	\$9.67	\$0.27	2.77%
EDUCATION	\$8.30	\$8.75	\$0.45	5.18%
COUNTY	\$0.97	\$0.98	\$0.01	0.96%
	<u>\$18.67</u>	<u>\$19.40</u>	<u>\$0.73</u>	<u>3.91%</u>

City of Augusta
Lithgow Library/ P.O.B. Refinancing Analysis

	POB	POB	BUDGET
FY	MUNICIPAL	SCHEDULED	SAVINGS
2015	\$122,779	\$1,352,538	\$1,229,759

2015 BUDGET SAVINGS \$1,229,759
LIBRARY RELOCATION -\$370,000
NET SAVINGS \$859,759