THE CITY OF AUGUSTA

WILLIAM R. BRIDGEO

To: Mayor Rollins and Members of the Augusta City Council
Fr: City Manager Bill Bridgeo
Da: March 30, 2015
Re: Proposed FY '15-'16 City Budget

Mayor and Councilors,

Herewith, I present to you, consistent with the provisions of the City Charter, my proposed budget for the upcoming fiscal year. As you are aware from numerous conversations earlier this year, the task of crafting a City budget for the period July 1, 2015 through June 30, 2016 is complicated by the uncertainty surrounding important items of potential municipal impact now under consideration in the Maine Legislature. Depending on how those issues are resolved, the adverse impact on our budget next year could be as much as a million dollars or more (the equivalent of a 4% or greater property tax increase). In this budget, I have attempted to take a middle ground. On the one hand, I want to avoid sensationalizing the matter while on the other hand it is unlikely that when the dust eventually settles from the Legislature's deliberations this session that we will go unscathed. I rely on input from our legislative delegation, the professional staff at the Maine Municipal Association , the Maine Service Center Coalition and the Mayors' Coalition – all seasoned veterans of the process – to help anticipate which proposals are likely (or not) to materialize. I discuss them in detail later on.

As proposed, this budget would require a 5.37% increase in the property tax rate. The total City budget (including the School Department and County Tax) increases by 3.45% from $53,302,175 this year to $55,142,267 next year. The amount needed from property taxes would increase from $27,518,816 to $29,194,588 or $1,675,772 or 6.09%. (A $10 million growth in the taxable base in the City means the rate would go up less – 5.37%). In terms of mils (dollars per thousand of taxable valuation), the proposed tax rate goes from $18.67 this year to $19.67 next year. Of that, $9.91 is for municipal purposes, $8.78 for schools, and $.98 for the county.

The School Board has adopted a budget that increases expenditures by $747,821 (or 2.7%) going from $27,697,598 to $28,445,419. Because of a reduction in General Purpose Aid to Education to Augusta of almost $1.2 million, the School Department's overall revenues are down from $15,461,353 this year by $1,191,522. The Board has chosen to offset that dramatic loss by increasing their reliance on their fund balance from $850,351 this year to $2 million next

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year - thus effectively reducing revenues by $51,522 to $15,409,831.With $3.4 million currently in the School Department fund balance, such a drawdown appears to be unsustainable and portends a significant problem next year. Beyond that, the Board is requesting an increase from the amount raised in property taxes for education. This year Council appropriated (and the voters approved) $12,236,245. For next year, the Board has requested $13,035,558 for an increase of $799,343 or 6.53%. That $799,343 requires a 2.57% increase to the property tax rate.

On the General Government side, spending is projected to go from $24,175,059 this year to $25,238,739 next year. That is an increase of $1,063,680 or 4.4%. That amount would require a 3.84% increase in the tax rate. These expenditures are explained in detail below.
By Maine law, County Government is funded through the municipal property tax. Counties adopt their budgets and levy taxes upon each municipality based on the assessed value of each community. Augusta pays about 16% of the Kennebec County budget. It is projected that the County's tax levy will increase by 2% next year from $1,429,518 to $1,458,109 or $28,591. It must be noted that this assumes that a proposal in the Governor's budget that would dramatically reduce how the State subsidizes county jails – and would by current estimates increase our share of the county tax by $395,294– does not pass. At this time, this is, to me, the most worrisome unresolved issue at the Legislature.

General Government Revenues

For the coming year, general government revenues are estimated to increase by $215,842 from $10,322,006 to $10,537,848. That is a net number as we project increases in some categories and decreases in others.

The largest source of revenue for the City/School department budget is the property tax. It is the only significant revenue source that Council has control over and, absent spending cuts, the only resource available to Council when other revenue sources decline. When there is growth in the City's tax base, property tax revenues can increase without raising the tax rate (or increasing people's tax bills). For the coming year, Assessor Lisa Morin estimates that our valuation will grow by $10 million dollars from $1,474,000,000 to $1,484,000,000. The proposed tax rate of $19.67 per thousand dollars of valuation will generate $1,675,772 in additional property tax revenues. The average single family home in Augusta has an assessed value of $117,500. That means that the property tax on that property for this year was $2,193.73 and for next year – if no modifications were made to this proposal would be $2,311.23, an increase of $117.50. (Please refer to Appendix "C" for a complete numeric summary of revenues, expenditures, valuation and taxes and rates as adopted for this year and proposed for next year). Thus, our largest source of budgeted revenues, property taxes, increases in this budget from $27,518,816 to $29,194,588.

After property taxes, the City's largest non-education related revenue source is vehicle excise taxes. For the coming year, we must unfortunately anticipate that a bill now before the legislature that would deprive us of most of the excise tax we currently receive from Central Maine Power (and to a lesser extent Time/Warner and other utilities) will pass and that we will lose somewhere between $50,000 and $250,000 depending on how it is implemented. If it is phased in, then the lower amount applies. If not, then the hit is dramatic and immediate. I am optimistic that our legislators will be successful in working a compromise and thus I've budgeted for the lesser amount. The good news is that other ordinary excise taxes are projected to increase so that the net effect is a $48,380 increase in this revenue line item for next year.

Third in descending order of revenue dollar value is what we receive for emergency medical service charges provided by the Fire Department. Due to a modification to our billing practices (we've adopted a flat billing/mileage model), revenues have grown this year and for next year it's projected that we will take in an additional $186,630 to bring the total EMS revenues to $1,517,610.

The next most significant revenue is funds transferred from the various tax increment financing districts we have. Under Maine law property taxes collected from within such TIF districts may only be used for specific economic development related purposes (like our economic development office and public infrastructure that is within or impacted by the district). For the coming year, this transfer into the General Fund increases modestly ($11,456) from $1,272,289 to $1,283,745.

State revenue sharing (which by existing statute should reap us on the order of $3 million but which has been dramatically cut in recent years by the Governor and legislature) is projected to remain flat in the coming fiscal year at $1,057,770. Revenue sharing has been one of the most controversial topics in the Legislature this winter because the Governor's proposed budget calls for its complete elimination in the second year of the State's biennial budget. We can only hope that proposal is defeated. Should revenue sharing have been maintained in the past four years at its statutory level, there would have been no need for any increase in Augusta's property taxes then or now.

Another significant revenue source from the State is the 50% reimbursement that the City receives for the $10,000 homestead property tax valuation exemption. The Governor has proposed to eliminate this exemption for anyone under 65 (and double it for those over that age). That would alter our property tax calculations significantly and likely mean a 9% increase

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embedded in the average residential tax bill with no change in property tax mill rate. At this writing, there does not appear to be much legislative support for this proposal so I am budgeting the status quo (I'm also increasing the amount by 4% or $18,599 to reflect an anticipated increase in our tax rate).

Traditional revenue sources that are expected to see some notable variance next year include rental of city property which is up $17,503 from $90,427 to $107,930 and attributable to square foot rate increases at Buker School; a first time revenue of $10,521 from the Childcare program for administrative oversight as we do with our enterprise accounts – the fund balance in the childcare program is healthy ($258,000); a drop in Business Equipment Tax Reimbursement (BETR) of $23,017 from $232,000 this year to $208,983 as a result of scheduled depreciation; and a 40% loss of General Assistance reimbursement ($58,147) that will take it from $144,525 this year to $86,378 next year. This last item is also part of the Governor's budget proposal. In this instance, there appears to sufficient legislative support for this to pass so it's prudent to anticipate it.

Other significant revenue line items that are projected to remain much the same as this year include state highway maintenance reimbursement at $344,628 (though we will have more miles of roads transferred by the State to us to maintain); proceeds of the sale of the former Cony high school property at $166,611 (which Council has drawn down as budget stabilization for the past five years and which has another five years remaining at this rate of withdrawal); $121,373 in cable television franchise fees, which is about half of the gross revenue with the remainder reserved to cover the cost of the City's contract with CTV-7 (Digital Spirit Media Co.); $102,975 in investment income from our fund balance and various reserve accounts (anticipating a continuation of historically low interest rates for at least the coming year); $85,000 in interest on unpaid property taxes; $70,000 in a contribution from the Augusta parking district toward the debt service associated with the Dickman Street parking garage and $61,502 from the District for reimbursement for parking attendants and clerical staff who are on the City payroll; $64,184 in voluntary payment in lieu of taxes from several not-for-profits in the City; interfund transfers to the General Fund from the enterprise funds (Civic Center @ $59,960; Hatch Hill Landfill @ $48,477 and Central Garage @ $28,298); a $37,500 payment from the Greater Augusta Utilities District for human resources contracted services (and new this year a similar $5,000 from the Augusta Housing Authority for the same HR service); and $35,000 for building permits; and $34,965 for per capita fees for EMS services to Chelsea and Hallowell. There are numerous smaller revenue line items that we can discuss during budget review should you have any questions about them.

The one significant budget revenue source that serves as a cushion against potentially larger property tax increases is the General Fund's Unassigned Fund Balance. By City Charter, this reserve must be maintained at no less than 5% of the City's gross budget total. The Charter also stipulates that the desired fund balance target should be 8.3% of that total. The Fund Balance is the City's vital reserve account. It exists to maintain stability in the City's finances and protect us during times of unforeseen emergency needs. It is an essential element of our credit rating. Recently, as part of the process of selling bonds for street reconstruction projects and the refinancing of the pension obligation bond, the rating agency Standard and Poors in reaffirming the City's strong "AA" bond rating cited the following regarding the City's financial condition and budgetary practices:

- *Strong management conditions, with "good" financial management practices under their Financial Management Assessment (FMA) methodology.*
- *Very strong budgetary flexibility with fiscal 2014 audited available reserves in excess of 20% of expenditures.*
- *Very strong liquidity, providing very strong cash to cover debt service and expenditures.*
- *Strong budgetary performance and consistently balanced operations; and*
- *Strong debt and contingent liability profile, bolstered by low debt-to-market value ratios and aggressive amortization.*

Such an impressive external assessment of the City's financial condition and budget and management practices is of course the result of many years of proper Council fiscal policies and committed performance on the part of the City's professional staff. It reaffirms the importance of maintaining proper reserves, ongoing investment in capital assets like streets, buildings and fleets, and a temperate balance between property tax levies and the ongoing provision of key municipal services like education, public safety, public works and quality of life operations.

The City's audited financial statements for June 30, 2014 showed the fund balance to be \$4,988,907. Applying the 8.3% rule to the FY '15-'16 proposed budget total of \$55,142,267 suggests a Fund Balance minimum of \$4,576,808. During this current year, Council appropriated \$343,725 (\$208,000 for various cash CIP projects, \$128,580 for the demolition of unsafe buildings and \$7,145 for a failed septic system). At this writing, it appears we will finish the year about \$400,000 to the good – revenues and expenses combined. I am proposing an appropriation from unassigned fund balance at the same level as this year of \$1,096,683 (this includes a drawdown from the rate stabilization reserve fund that Council created last year, of \$626,305).

General Fund Expenditures

For FY 2015/2016, the General Fund expenditures are proposed to increase from \$24,175,059 to \$25,238,739. That is an increase of \$1,063,680 or 4.4%. As a service organization, the majority of our expenditures are associated with the costs of wages and benefits for our workforce. In this year's budget, that totaled $14.2 million or 58.54% of the budget. For next year, wage and benefit costs will total $15.2 million or 60.12% of the new budget. The $1,019,207 increase (7.2%) is attributable to a 2% cost of living increase and step increases for those eligible consistent with our multi-year collective bargaining agreements (80% of the City's workforce is covered under one or another of these eight agreements) which totals about $400,000; substantial rate increases on the order of 12.5% in our share of employee health insurance premiums as well as eight new retirees (together adding $416,701 to the wage/benefit total);and a mandatory state retirement plan (Maine PERS) employer contribution increase of 14% accounting for $80,000 of the increase. Also contained in this $1.09 million increase is the cost of two additional police detectives to combat the growing problem of drug abuse and related criminal activity in the City ($130,000); two swing positions in the Fire Department (that have no adverse budget impact as their compensation was accounted for under the overtime account in this year's budget); and an additional laborer in the Public Works Department to reduce the strain caused when existing personnel are absent from work, especially during inclement weather ($40,000 including benefits). There is also a provision for about 1,000 hours of additional part-time Parks and Cemeteries labor consistent with recently adopted Council goals ($14,000). In fact, when these cost increases associated with wages and fringe benefits are not counted, the entire amount of new spending in the General Fund budget is $44,473 (one tenth of one percent).

By department, items of note include the following:

In the <u>Legislative/Executive Department</u>, expenditures increase by $12,779 (2.4%) to $554,209. The amount appropriated for <u>Mayor and Council</u> remains flat. The <u>City Manager</u> account is up $9,935 (4.8%) to $216,842 due to contractual wage increases for the Executive Assistant and me and, for the first time, health insurance costs for me as I am no longer eligible to be covered under my wife's employer. The <u>Corporation Counsel</u> line item increases by $3000 (2.4%) to $128,004 due to a contractual increase in the base retainer agreed to by Council last year. The <u>Unclassified</u> account remains flat at $139,788 and includes our City audit ($51,000), City-wide fiber network systems 26,640, dues to the Maine Municipal Association and Service Center and Mayors' Coalitions ($23,618) and the subsidy to the KVCAP bus transportation program ($20,000) and Kennebec river rail trail ($5,250). The <u>Council and Manager Contingency</u> remain constant at $20,000 and $10,000 respectively.

The Finance and Administration Department is recommended to increase by $65,301 (3.9%) to $1,720,289. There is $71,029 in contractual wage and benefit increases in this amount and an offsetting reduction of $5,728 in the other categorical line items. <u>Finance Administration</u> (Ralph St. Pierre and a full-time floating clerical position) increases $6,216 (4.2%) to $152,611 due to wage and benefit costs. The City Clerk, Treasury, and Tax Collection bureau increases by $14,189 (2.9%) to $509,265 of which $13,374 is wages and benefits. Voter Registration and Elections increases by $2,729 (5.5%) to $36,893 due to wage increases and $1,500 for two new ballot scanners. The office of the Deputy Finance Director (City Auditor) is up by $9,157 (5.6%) to $174,034 due to wage and benefit increases including additional medical insurance coverage for one employee (from time to time, either due to employee turnover or a change in circumstance, we will need to add an employee to our health plan and that of course adds quite a bit to the percentage increase in that budget line item). Information Systems, our IT bureau, increases by $7,731 (1.9%) to $406,882. Wages and benefits are actually up more than that ($15,468) but there are reductions in other line items – primarily repair and maintenance of equipment (down $11,087) – that offset the increase. The Assessor' Office increases by $9,308 (5.9%) to $167,433, mostly attributable to standard wage and benefit increases ($8,333). The Human Resources bureau increases by $16,786 (6.5%) to $273,171 due to wage and benefit increases (including another change from a single to family health insurance plan).

The Department of Development Services budget is recommended to decrease slightly ($1,044) to $1,515,167. In the aggregate, wages and benefits are up $53,775, contractual services are down $19,609 and supplies down $35,056. The Economic Development bureau (which is fully funded by Tax Increment Financing revenues) increases by $15,907 (6.7%) to $253,670. That increase is attributable to wage and benefit adjustments ($9,907) and $6,000 for enhanced marketing efforts for projects like the Kennebec Locks (Statler Tissue Mill) property. The Planning bureau supports 80% of the cost of the Department Director's position and 100% of Assistant Planner position as well as Planning Board stipends and other Planning Board support costs. It is up $6,595 (4.3%) to $173,920 due mostly to wage and benefit adjustments. The Historic Preservation Commission annually receives $5,825 to support its activities. That amount is unchanged for next year. The Code Enforcement bureau is up $11,463 (7.8%) to $158,831 also due entirely to wage and benefit adjustments (another case of a change in health insurance coverage). Development Services Administration includes one clerical position. It increases $3,245 (5.6%) due to wage and benefit increases. The City Engineer bureau funds two/thirds of that position (the rest comes from charges to capital improvement projects that he works on) and related support costs. It is up $1,091 (1.3%) to $83,943 due to wage and benefit adjustments and a slight decrease in support costs. The Facilities Maintenance bureau supports the costs of the director and all of the City's (5.75 FTE) custodial staff. This account sees a significant reduction this year, down $39,975 (5.1%) to $777,994. Standard wage and benefit increases ($18,264) are offset by lower heating oil and natural gas contract pricing – a savings of $34,762. Additionally, electricity costs will be down $3,324 and we will save over $23,000 in avoided library maintenance and equipment costs because of the new library construction project.

The Community Services Department (or as Director Leif Dahlin likes to refer to it – the "Quality of Life Department") is comprised of a number of bureaus that collectively add much to the unique character of Maine's capital city. For the coming year, an increase in funding of $106,670 (4.6%) to $2,411,706 is recommended. Most of that increase ($98,597) is in contractual increases in wages and benefits and General Assistance benefits ($ 15,450). The Administration account funds the director and an administrative assistant position and related costs. It will be up $7,943 (4.5%) to $183,136 due to wage and benefit adjustments. The Lithgow Library bureau is funded in this department. With the donation and bond-funded renovation and expansion project underway, this year's operating budget is obviously somewhat different. Nonetheless, the core bureau expenditures remain constant even though the operations are in temporary location at the Ballard Center. Operating expenses are recommended to increase by $27,820 (4.3%) to $674,941. Standard wage and benefit increases are $30,720 and there is $4,055 in that line item for additional part-time hours at the Ballard Center due to the building's lay-out. A year from now, building maintenance, utilities and staffing levels will reflect the needs of a new building triple the size of the existing one. Provision for that expected $225k increase has been part of our project planning so that no increase in the property tax rate is anticipated as a result. The proposed budget for the Recreation bureau increases $6,766 (4.2%) to $166,843. Wages and benefits constitute $5,191 of that and there is $2,000 in the budget (and $2,000 in the Child Care budget) to pay for some web-based software that will streamline our program registration process. This budget funds the positons of recreation director and two support staff. The Parks and Cemeteries bureau requires an increase of $20,984 (2.7%) to $793,251 for the coming year. Wage and benefit adjustments come to $28,041 which, in addition to standard escalators incudes an additional 1,074 hours in seasonal personnel consistent with one of Council's goals for this year. Motor pool costs are up $3,650 reflecting actual expenses this year but heating fuel and gasoline is reduced by $9,927 due to our lock-in prices. The Old Fort Western bureau account just covers the wage and benefit costs of the director and a part-time assistant (and a small amount for building repair and maintenance). All of the other costs (interpreters, program materials, etc.) are supported by the Board of Trustees of the Fort and their fund-raising efforts and admission charges. The budget for the Fort is recommended to increase by $9,109 (10%) to $100,070. This is attributable to standard wage increases and an employee opting into City insurance coverage. Bicentennial Nature Park was the subject of recent Council discussion. As was evident then, the park enjoys popular support and is a valued community asset. Due to an ability to reduce staffing costs by about $2,500 the recommended budget is reduced by a corresponding amount to $27,050. My proposal does not factor in any significant revenue increases attributable to a change in admission policies. It also does not rely on fund-raising revenue proceeds as it has in past years as we have been advised that the Rotary Club will no longer be able to do so. If Council chooses to modify park admissions and related staffing needs, that can be addressed later in this process. The Health and Welfare bureau provides the staffing for administration of the state mandated General Assistance program as well as payments to GA recipients. There are some notable considerations for this bureau for the coming year. In the first place, there has been an increase in the GA caseload attributable to a number of factors (immigrant populations, changes in state program eligibility, etc.) that necessitates the addition of a part-time case worker position (10 hours per week or $10,223). Standard employee wage and benefit increases account for another $10,002. That brings the GA administration budget up 15% to $161,915. GA benefits (a separate series of accounts which are partially reimbursed by the State and discussed back in the revenues discussion on page 3) are projected to increase by $15,450 (5.3%) to $304,500. GA payments cover eligible expenses like rent, heating fuel, food and medical expenses. The benefit levels are set by the State.

Fully 35% of the proposed General Fund expenditures for the coming year are devoted to public safety (Police, Fire and EMS and Emergency Preparedness). The total expenditure for the coming year is recommended to increase by $458,386 (or 5.5%) to $8,823,511. Over 87% of that amount is for wages and benefits. Of that $458,386, $144,809 is attributable to the anticipated health insurance rate adjustment (12.5%) and $132,491 for mandatory retirement system employer share of contributions.

In the Police Department the proposed budget for the coming year is $4,547,873 up $234,623 (5.4%) from this year. Wages and benefits increase by $260,097 due to contractual obligations and the addition of two new detective rank positions ($130,000 including benefits) that will be devoted to enhanced drug enforcement and prosecution, again an item consistent with your recently adopted goals. Most of the line items outside of wages and benefits remain consistent with this year with the exception of gasoline which is reduced by $25,146 due to our locked-in pricing. For the second year in a row, I am recommending the replacement of three cruisers instead of four. Training and equipment funding is, I believe, adequate at its current levels – thanks in large measure to federal grant funding over the past decade or so.

In the Fire Department the proposed budget increases by $131,108 (3.2%) to $4,182,983. Wage and benefit costs – again almost completely contractual – go up $143,116. Of that $86,680 is increased contributions to the Maine retirement system (last year's firefighters' contract effected a cost-neutral change – a better retirement plan of 2/3's pay after 25 years against ½ pay after 25 years for a less costly health insurance plan) with a corresponding reduction in health insurance costs. The departmental budget includes an additional $7,000 in training money (we have a number of new hires due to recent retirements of tenured employees); $5,600 more in vehicle repairs; and $5,000 in safety equipment. To the good, there is a $2,800 reduction in equipment repair; $10,500 in heating fuel and $7,865 in gasoline costs.

Each year we budget a modest sum for maintenance of our Emergency Preparedness function. The money is used for training and maintenance of the emergency operations center (The Fire Chief serves without additional compensation as the Director of Emergency Preparedness). The budget for next year is recommended to remain at this year's level of $11,095.

Of course, with last fall's voter referendum approval, we are now in the process of designing the new Fire Department sub-station in North Augusta and developing specifications so we can go out to bid on the new $1 million (estimated) Quint piece of apparatus to replace our aging ladder truck. These investments represent a major step forward for the department.

Coming off one of the most difficult winters in memory, it may seem counterintuitive to be requesting only a 3.8% increase in the Department of Public Works budget for next year. This year, because of the number and severity of storms we experienced, we will over-expend the winter maintenance budget by $450,000 or 50% (and I will be presenting you with a budget modification order in short order to appropriate that amount from the unexpended funds in this year's debt service account available because of the library refunding issue). However, we budget for winter maintenance using rolling multi-year averages and hopefully the law of averages will hold true for next year.

The total DPW budget for the coming year is proposed to be up $134,600 (3.8%) to $3,687,430. There is a $131,932 increase in contractual wages and benefits and the cost of one new full-time laborer position in that amount. It was clear this winter that we are understaffed at DPW and this new position is a modest attempt to alleviate that problem. We budget Public Works in four divisions. The first is Administration and it provides for 1/3 of the salary and benefits of the DPW Director and the Administrative Assistant (the other 2/3's are divided evenly between the Hatch Hill enterprise fund and the Central Garage fund). The Administration budget is proposed to increase by $3,061 (4.8%) to $66,689. Consistent with other departments and bureaus, wages and benefits are up by standard amounts.

The second DPW cost center is Streets. The proposed budget is up $60,489 (3.3%) to $1,902,298. Wage and benefits are up $40,998, the wage account itself is up only $3,163 due to a reallocation of a foremen and truck driver II. These positions are now budgeted 50% streets and 50 % to solid waste removal to better reflect the actual allocation of work between the two divisions of Public Works. Notable line item changes in this account include $30,800 in contracted services (which includes a one-time $25,000 for crushing old stockpiled asphalt pavement which we can then use for road-building projects); $16,900 for construction materials including $14,000 for gravel and $3,400 for culverts; $9,900 less for motor pool rentals, based on a 3 year average; and $29,308 less in gasoline because of our locked-in pricing. The gravel purchase results for a decision to discontinue our own gravel mining operations at the City-owned pit off West River Road. With heavy regulation by MDOT and the Bureau of Mines, it becomes cheaper to buy the gravel we need than to produce our own.

The third DPW cost center or division is Snow Removal and associated winter maintenance. It is proposed to be reduced by $24,825 (-2.8%) to $869,024. This is attributable to the reallocation of resources discussed above. Based on three year averages, I am budgeting motor pool costs flat at $201,120 and gasoline down by $24,006. Rental of equipment (down $4,089) and salt and sand (down by $2,290) also contribute to the reduction in this account total.

The last cost center for DPW is Solid Waste removal which is proposed to increase by $95,875 (12.7%) to $849,419. Of this increase, contractual wage and benefit increases account for $82,662. Most of that ($74,830) can be accounted for with the reallocation of labor costs discussed above. Beyond that, there is a $2,500 increase in motor pool charges, an $8,766 reduction in gasoline costs (price lock-in) and an addition in contractual service fees of $17,100 associated with the ecomaine recycling project for the coming fiscal year.

Almost 10% of our General Fund budget goes to pay the cost of Utilities. For the coming year that cost is anticipated to increase by $85,262 (3.53%) to $2,486,753. Due to rate increases, our electricity costs will jump by 12.8% ($11,289) to $99, 551. This pays for our City-owned decorative street lights, general government buildings (PD, Fire, City Center, etc.) parking lots, etc. Most of our City's street lights are owned by CMP and we pay electricity and rental charges. That line item will go up $44,318 (12%) to $411,485. In part, that's due to additional lights and a CMP rental rate increase ($26,900) and in part to the electricity rate increase ($17,418). The City is also the largest customer of the Greater Augusta Utilities District. Next year our GAUD water bill (which includes fire hydrant charges mandated by the Public Utilities Commission) is expected to increase by $4,187 (.56%) to $737, 385 and our GAUD sewer bill is expected to increase by $25,394 (2.2%) to $1,200,530. Much of that additional cost is attributable to 59 new storm drainage catch basins installed over the past year in City streets (including State projects like Old Belgrade Road and Western Avenue).

Another significant fixed cost center of the General Fund is the Retirement and Insurance account. For the coming year, we are able to budget a substantial reduction ($684,463 or 23.9%) here because of the refunding of the former pension obligation bond (IUUAL) and subsequent issuance of the library construction bond (which is accounted for in the next section on debt service). By refinancing the pension bond budget our budgetary savings is $748,967 in principal and $77,996 in interest for that obligation. (How we apply those savings is discussed under Debt Service below.) The total appropriation needed for Retirement and Insurance will now be $2,174,287. There are five line items in this cost center. Unemployment (which we self-insure) should remain flat at $26,000 next year. Workers' Compensation insurance premiums will see a slight decrease of $7,835 to $246,009 due to our experience modification. Property and Casualty insurance premiums are projected to increase $14,658 (6.3%) to $247,651 due to a 5% rate increase (we insure through the Maine Municipal Association risk pool) and a 1.3% increase in the valuation of our property and vehicles. Health Retirement Accounts (which cover, by contract, upfront deductibles for active employees) remains flat at $55,250. The largest obligation in this cost center is the Retiree Health insurance premiums we pay for retired City employees who qualify (for the most part those who began work for the City prior to 1992). Each year this group grows as more employees reach retirement age and leave our employ. For the coming year, HR projects that there will be a $135,677 (14.5%) increase to $1,073,802. This is attributable to a projected 12.5% premium increase and an expected eight additional retirees. (We estimate another thirty four employees qualify for this benefit although a number are firefighters who, by contract, are only entitled to single not family coverage.)

Serial Bonds and Notes (or Debt Service) is the account that addresses principal and interest payments on the City's general obligation debt. As mentioned above, due to the scheduled coming on line of payments for the soon to be issued library bonds which will amount to an estimated $600,000, the total debt service for next year will increase by $620,391 (63.4%) to $1,599,589. This includes provision of $67,625 to allow for a FY 2016 Council Bond of $750,000 (which you typically avail yourselves of to provide some capital improvement funds) as well as a scheduled reduction in other bond payments of $47,234 as other outstanding debt is amortized.

There is an important nuance to note as we discuss paying off the pension obligation bond and issuing the library bond. For the coming year, there is a favorable balance between those two transactions of $225,000. For the coming year, it is the recommendation of your Director of Finance and Administration and me that you apply that money on a one-time basis to cash capital improvement projects in FY 2016. That will build this money into the base operating budget. Thus, in FY 2017, when the increased operating costs of the expanded library come on line (once it has opened), there will be funding available to absorb the anticipated costs of operating the expanded facility.

The final cost center for the General Fund is the annual County Tax appropriation. Kennebec County has, in my opinion, been very responsible in its budgeting practices given the mandated functions they must deal with, most particularly operating the county jail. For the coming year, it's projected that our share of the county tax will increase by $28,591 (2%) to $1,458,109. Of course, if there is a change by the Legislature that shifts more of the cost of county jails back to the counties then we've already been put on notice that our bill could increase next year by as much as $400,000. I don't see that as likely at the moment but there's no surety about this.

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Enterprise Funds

In addition to the municipal services supported by the General Fund, there are several separate and distinct operations of City government classified and operated as enterprise funds. Government accounting standards treat these operations like businesses because they are intended to be self-supporting through user fees and charges. For us, they include the Augusta State Airport, Childcare, the Augusta Civic Center, the Hatch Hill Regional Landfill, and Central Garage (although this last one is technically considered an "internal service fund"). All of these entities are important contributors to the economy and fabric of our community, are well run, and coordinate fully with the other departments of City government.

The most straight-forward of the enterprise funds is the Augusta State Airport. By the provisions of a five year contract between the City and the State, we provide management services for this facility. This includes three full-time and two part-time employees of the City, including the Airport Manager, who reports to the Director of Development Services. Per the contract, we agree to perform these management and operation duties for an annual fixed sum (which for next year will be $550,000). The Airport Advisory Committee works with the Airport Manager on planning and policy issues. No significant changes are anticipated for the coming year.

Not technically an enterprise fund but outside the General Fund (because it is supported by user fees and state grants) is the Childcare program. This popular program operates as a bureau of the Community Services Department and provides after-school care for about 130 children and another 100 children in its all-day summer program. Department Director Leif Dahlin and Childcare Bureau Director undertook a complete zero-based budget review of this program earlier this year. As a result, there are some significant budgetary adjustments proposed – all of which are accommodated within the program's non-property tax revenue sources. As a consequence, the Childcare budget is recommended to increase by $102,795 (24.2%) to $527,498. The bulk of this increase ($76,799) is in wages and benefits. Leif's review found that five positions currently classified as "part-time temporary" are in reality permanent part-time and thus entitled to pro-rata sick leave and vacation benefits (but because they work less than 30 hours a week, not health insurance). Wage increases for our childcare workers were also found to be below area market and are proposed to be adjusted upward from 8% to 10% as well. Again, these personnel cost adjustments are market driven and accommodated within the program's fee based revenues. Also new this year to the Childcare budget is a contribution to the General Fund for management services of $10,533 and a rental fee for summer program use of Buker Community Center of $10,423. A number of other line items (supplies, etc.) see some minor adjustments as well.

The Augusta Civic Center has been an engine of local economic stimulus since its construction forty years ago. True to the purpose of a municipal enterprise fund, it fills a need in the community that would not otherwise be viable in the private sector. As a free-standing fund, its revenues and expenses must balance independently (unless the City Council opts to subsidize deficit operations which is not the case at this time with any of our enterprise funds). For the coming year, the budget for the Civic Center is proposed to be $2,648,536, down $140,659 (5%) from this year. This is Director Dana Colwill's estimate of what our revenue potential is and thus proposed expenditures are modified accordingly. An anticipated drop in revenues will, of course, mean less expense for food and drink products, part-time wait staff, and utilities. Thus, wages and benefits are down $31,626 to $1,307,633 (notwithstanding the standard increases – contract wage increases, retirement system contributions, health insurance rate increases, etc. - consistent with all other City employees). Additionally, one full time cook's position has been eliminated and the position of Director of Administration has been reclassified to an administrative assistant position when a retirement in that position occurred last year. Most of the line items in the Civic Center expense budget have been adjusted to reflect this year's actuals or known changes (like anticipated new gas-fired boilers). Several of the larger lines of note include a reduction of $88,699 in depreciation because this year the building was forty years old (though it certainly doesn't look it given the staff's great maintenance efforts) and is fully depreciated. Though heating gas is down $24,600 due to the anticipated conversion from propane to natural gas, electricity costs are expected to jump $54,192 due to a large rate increase and more usage. Consumable supplies are down $22,704 for the reasons discussed above. This will be Dana's final budget presentation as he has announced his retirement effective this coming July. He has done a terrific job managing this complex operation and we're going to miss him greatly.

The City of Augusta has for many years owned and operated a modern regional solid waste disposal facility. Hatch Hill Regional Landfill provides the City with a convenient and affordable option for this municipal need. Strictly regulated by the State Department of Environmental Protection, the operating budget for Hatch Hill is proposed to increase by $25,384 (1.12%) to $2,285,289 next year. The operation employs six full time people. Several DPW employees (including the Director and Administrative Assistant) have a portion of their salary and wages allocated to Hatch Hill. Wages and benefits are proposed to increase by $23,190 (5.20%) to $468,955. Other notable expenditure items for the coming year include the effect of replacing the key piece of equipment there – the steel-wheeled compactor – at a cost of approximately $500,000, which adds $20,993 to depreciation expense; a $39,447 reduction in the debt service account due to the refinanced pension obligation bond ($29,772) and other amortization of landfill debt; a decrease of $122,373 in supplies ($106,000 in interim cover material and $16,986 in gasoline); an increase of $56,196 in fixed charges due to the need to establish a reserve for interim closure (as individual cells are closed out as opposed to the reserve for final closure); and an increase of $86,282 in contracted services ($25,000 of which is for additional engineering consulting). As with the Civic Center, a number of other expense line items are adjusted up or down reflecting actual costs in the past couple of years.

For the coming year, Hatch Hill revenues are expected to be $2,704,309 and exceed expenses by $444,404. The excess will add to the fund's retained earnings (what would be considered surplus in the General Fund) which was $539,205 at June 30th 2014. Given the potential for unforeseen expenditures associated with a landfill like potential groundwater contamination (and the fact that Hatch Hill operated in the red for a couple of years), maintaining a healthy reserve in retained earnings is most prudent. By DEP regulation and generally accepted accounting procedures, the Hatch Hill fund must recognize a very large liability for its eventual closure costs. Annually, the City with assistance from our engineering consultants, agree on what that amount should be. Right now that liability is $4,734,466 with sufficient cash assets to cover the liability. In addition to per-ton charges for accepted waste (tipping fees), the City charges each of the seven participating communities a per-capita fee. With a recent Council-authorized reduction in that fee for communities that sign five year agreements with us, the revenue for per-capita fee is expected to decrease by $30, 780 to $290,359. An increase in tipping fees of $98,500 (4.7%) is anticipated.

The Central Garage internal service fund is an effective way to provide for fleet acquisition, and timely replacement and maintenance for all vehicles and motorized equipment with the exception of Police and Fire vehicles (which are maintained separately by the Fire Department mechanic). Central garage employs a fleet services manager (who reports to the Director of Public Works), a working foreman, and four mechanics. The budget for Central Garage is funded through vehicle rental charges for vehicles and equipment assigned to city departments and through fuel charges. For next year, the Central garage budget is projected to have revenues of $1,745,713 and expenditures of $1,794,983, a decrease of $38,408 (2%). Wage and benefit costs are up $22,068 consistent with contractual obligations and the other City funds. The most notable change in the Central garage budget is the reduction in the supplies account which goes down $102,279 (12.3%) to $730,666. An $118,600 reduction in the cost of gasoline and diesel due to our locked-in price is responsible for this. Other modest supply increases are provided for tires, parts and lubricants ($16,600). Equipment depreciation (the manner in which we fund the cost of replacing aged vehicles in the Central garage fleet – the specifics of which may be found in Appendix "B" immediately hereafter in this document) increases next year by $34,488 (8.8%) to $427,090, a reflection of the normal cost inflation of replacing older vehicles with new ones. The Central Garage fund has unrestricted net assets of $761,997.That allows for annual replacement of equipment in the $400,000 - $500,000 range each year.

Typically the first year of the schedule is firm and the outer years may change depending on how needs change or vehicles needs perform. The equipment schedule recommends $521,000 for next year.

Conclusion

There is, I believe, for all of us a certain level of frustration that comes with crafting a responsible municipal budget that by necessity entails a significant increase in the property tax levy. The Governor's assertions that we are inefficient, overly generous with welfare benefits, fund non-essential services, and so forth do not ring true. When we examine it in the depth, this budget does what our residents need and expect of us on a cost effective basis. When the bulk of our costs go to public safety, education of our children, streets and facilities maintenance, and utilities like sewer, water and electricity and a 2% raise for a dedicated workforce, criticizing us is, in my opinion, unjustified. This budget is the best effort of your city manager and the dedicated senior staff that work with him to provide you with the most realistic data available to assist you in carrying out your most important annual policy making responsibility. The professional staff fully appreciates that you ultimately decide the delicate balance between what services are affordable and what level of taxation is acceptable. Staff and I will do all in our power to assist you as you take this document and make it your own. As in past years, my thanks go out to Assistant City Manager and Director of Finance and Administration Ralph St. Pierre, his deputy Tracy Roy, and to HR Director Kristy Gould and the rest of the management team for their hard work in making this budget happen.

Respectfully Submitted,

William R. Bridgeo
City Manager

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APPENDIX A

	MUNICIPAL			SCHOOL		
FY	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
FY 2016	$690,000	$148,089	$838,089	$1,395,604	$724,361	$2,119,965
FY 2017	$630,000	$130,662	$760,662	$1,395,604	$664,899	$2,060,502
FY 2018	$580,000	$114,204	$694,204	$1,400,604	$605,436	$2,006,040
FY 2019	$580,000	$112,132	$692,132	$1,405,604	$545,099	$1,950,703
FY 2020	$475,000	$81,285	$556,285	$1,405,604	$483,887	$1,889,491
FY 2021	$475,000	$66,576	$541,576	$1,400,604	$421,800	$1,822,403
FY 2022	$475,000	$53,224	$528,224	$1,350,598	$358,837	$1,709,435
FY 2023	$345,000	$41,061	$386,061	$1,305,000	$295,000	$1,600,000
FY 2024	$345,000	$30,191	$375,191	$1,295,000	$232,000	$1,527,000
FY 2025	$270,000	$19,996	$289,996	$1,295,000	$169,000	$1,464,000
FY 2026	$160,000	$13,687	$173,687	$1,295,000	$102,500	$1,397,500
FY 2027	$160,000	$9,455	$169,455	$1,240,000	$33,750	$1,273,750
FY 2028	$35,000	$5,127	$40,127			
FY 2029	$35,000	$3,814	$38,814			
FY 2030	$35,000	$2,868	$37,868			
FY 2031	$35,000	$1,619	$36,619			
FY 2032	$35,000	$371	$35,371			
	$5,360,000	**$834,362**	**$6,194,362**	**$16,184,221**	**$4,636,568**	**$20,820,790**

	PENSION OBLIGATION			TOTAL GENERAL FUND		
FY	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
FY 2016	$425,000	$224,419	$649,419	$2,510,604	$1,096,869	$3,607,473
FY 2017	$430,000	$220,144	$650,144	$2,455,604	$1,015,705	$3,471,309
FY 2018	$435,000	$215,101	$650,101	$2,415,604	$934,742	$3,350,345
FY 2019	$445,000	$208,003	$653,003	$2,430,604	$865,234	$3,295,838
FY 2020	$450,000	$198,668	$648,668	$2,330,604	$763,840	$3,094,444
FY 2021	$465,000	$187,470	$652,470	$2,340,604	$675,845	$3,016,449
FY 2022	$475,000	$174,609	$649,609	$2,300,598	$586,670	$2,887,268
FY 2023	$490,000	$160,148	$650,148	$2,140,000	$496,209	$2,636,209
FY 2024	$505,000	$144,071	$649,071	$2,145,000	$406,262	$2,551,262
FY 2025	$525,000	$126,397	$651,397	$2,090,000	$315,392	$2,405,392
FY 2026	$545,000	$106,939	$651,939	$2,000,000	$223,126	$2,223,126
FY 2027	$565,000	$85,900	$650,900	$1,965,000	$129,105	$2,094,105
FY 2028	$590,000	$62,986	$652,986	$625,000	$68,113	$693,113
FY 2029	$610,000	$38,446	$648,446	$645,000	$42,260	$687,260
FY 2030	$635,000	$12,986	$647,986	$670,000	$15,854	$685,854
FY 2031	$0	$0	$0	$35,000	$1,619	$36,619
FY 2032	$0	$0	$0	$35,000	$371	$35,371
	$7,590,000	**$2,166,287**	**$9,756,287**	**$29,134,221**	**$7,637,217**	**$36,771,438**

APPENDIX A CON'T

	HATCH HILL			CIVIC CENTER		
FY	**PRINCIPAL**	**INTEREST**	**TOTAL**	**PRINCIPAL**	**INTEREST**	**TOTAL**
FY 2016	$485,000	$123,321	$608,321	$226,315	$67,557	$293,872
FY 2017	$485,000	$94,581	$579,581	$226,315	$55,313	$281,628
FY 2018	$485,000	$66,008	$551,008	$226,315	$42,804	$269,119
FY 2019	$485,000	$37,461	$522,461	$226,320	$30,395	$256,715
FY 2020	$485,000	$14,315	$499,315	$226,320	$17,818	$244,138
FY 2021	$0	$0	$0	$226,320	$5,163	$231,483
FY 2022	$0	$0	$0	$0	$0	$0
FY 2023	$0	$0	$0	$0	$0	$0
FY 2024	$0	$0	$0	$0	$0	$0
FY 2025	$0	$0	$0	$0	$0	$0
	$2,425,000	**$335,686**	**$2,760,686**	**$1,357,905**	**$219,050**	**$1,576,955**

	TOTAL ENTERPRISE FUNDS			TOTAL BONDED INDEBTEDNESS		
				PRINCIPAL	**INTEREST**	**TOTAL**
FY 2016	$711,315	$190,878	$902,193	$3,221,919	$1,287,746	$4,509,665
FY 2017	$711,315	$149,894	$861,209	$3,166,919	$1,165,599	$4,332,518
FY 2018	$711,315	$108,812	$820,127	$3,126,919	$1,043,554	$4,170,473
FY 2019	$711,320	$67,856	$779,176	$3,141,924	$933,090	$4,075,014
FY 2020	$711,320	$32,133	$743,453	$3,041,924	$795,973	$3,837,896
FY 2021	$226,320	$5,163	$231,483	$2,566,924	$681,008	$3,247,932
FY 2022	$0	$0	0	$2,300,598	$586,670	$2,887,268
FY 2023	$0	$0	$0	$2,140,000	$496,209	$2,636,209
FY 2024	$0	$0	$0	$2,145,000	$406,262	$2,551,262
FY 2025	$0	$0	$0	$2,090,000	$315,392	$2,405,392
FY 2026	$0	$0	$0	$2,000,000	$223,126	$2,223,126
FY 2027	$0	$0	$0	$1,965,000	$129,105	$2,094,105
FY 2028	$0	$0	$0	$625,000	$68,113	$693,113
FY 2029	$0	$0	$0	$645,000	$42,260	$687,260
FY 2030	$0	$0	$0	$670,000	$15,854	$685,854
FY 2031	$0	$0	$0	$35,000	$1,619	$36,619
FY 2032	$0	$0	$0	$35,000	$371	$35,371
	$3,782,905	**$554,736**	**$4,337,641**	**$32,917,126**	**$8,191,953**	**$41,109,079**

		APPENDIX B		
	5 YEAR EQUIPMENT REPLACEMENT SCHEDULE			
	UNITS TO BE PURCHASED	EST COST	UNITS TO BE TRADED	
			VEH #	*YEAR & TYPE*
		FY2016		
1	Rubbish Truck	$130,000	732	2004 Freightliner
1	1 ton 4wd Dump w plow	$38,000	710	2007 GMC 1 ton dump
1	Class 8 Dump w/plow & wing	$140,000	746	2003 GMC Dumptruck
1	SUV	$23,000	762	2004 Chevrolet SUV
1	3/4 Ton Pickup w/Dump body	$33,000	723	2001 Chevrolet
1	Snowblower (for nighthaul)	$100,000	841	1972 Sicard Snowblower
1	1 ton 4wd Platform Hyd tailgate, sander & plow	$45,000		1997 School Dept (red pickup)
1	7' Rotary cutter bar	$12,000		no trade
	Total	**$521,000**		
		FY2017		
1	1 ton 4wd Dump w plow	$45,000	774	2010 Ford 1 ton dump
1	Class 8 Dump w/plow & wing	$150,000	739	2002 GMC Class 8 Dump
1	3/4 Ton Pickup w/Dump body	$32,000	718	2001 Chevrolet
1	1 ton 4wd Dump (patch truck)	$42,000	747	2000 Ford 1 ton
1	Loader	$150,000	867	2003 John Deere
	Total	**$419,000**		
		FY2018		
1	Bucket Truck *(used)*	$26,000	761	1996 Bucket Truck
1	Skid Steer	$50,000	853	1989 Toyota Skid Steer
1	Backhoe	$70,000	868	1998 Backhoe
1	Loader	$120,000	875	2006 case
1	Sidewalk Tractor	$110,000	812	2005 Trackless SW plow
1	Class 8 Dump w/plow & wing	$150,000	748	2004 GMC Dumptruck
	Total	**$526,000**		
		FY2019		
1	Rubbish Truck	$140,000	730	2008 Freightliner
1	Class 8 Dump w/plow & wing	$150,000	741	2006 Freightliner
1	Rackbody	$80,000	733	2004 Freightliner
1	Crew Cab Pickup	$32,000	769	2001 GMC Crew Cab
1	Screen Plant	$115,000	804	2002 Norberg
	Total	**$517,000**		
		FY2020		
1	1 ton 4wd Dump w plow	$45,000	774	2010 Ford 1 ton dump
1	SUV	$26,000	700	2008 Hyndai
1	Class 8 Dump w/plow & wing	$150,000	712	2008 GMC medium
1	Recycle Truck	$110,000	749	2006 International
1	2x4Pickup w/Dump body	$30,000	708	2008 Ford
1	Skid Steer	$45,000	858	2005 Bobcat
	Total	**$406,000**		

CITY OF AUGUSTA
COUNCIL ADOPTED
TAX RATE SUMMARY

	FY 2015 ADOPTED	FY 2016 MANAGER	$ VAR	% VAR
EXPENDITURES				
EXPENDITURES				
MUNICIPAL	$24,175,059	$24,991,716	$816,657	3.38%
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	$54,895,244	$1,593,069	2.99%
REVENUES				
MUNICIPAL	$10,322,006	$10,597,848	$275,842	2.67%
EDUCATION	$15,461,353	$15,409,831	($51,522)	-0.33%
	$25,783,359	$26,007,679	$224,320	0.87%
TAXES				
MUNICIPAL	$13,853,053	$14,393,868	$540,815	3.90%
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	$28,887,565	$1,368,749	4.97%
VALUATION/1,000	$1,474,000	$1,489,000	$15,000	1.01%
TAX RATE				
MUNICIPAL	$9.40	$9.67	$0.27	2.78%
EDUCATION	$8.30	$8.75	$0.45	5.18%
COUNTY	$0.97	$0.98	$0.01	0.96%
	$18.67	$19.40	$0.73	3.91%