

## MEMORANDUM

To: Board of Selectmen  
From: Richard Roedner, Town Manager  
Date: February 7, 2019  
Re: Budget Introduction

Attached is my proposed budget for FY 20, the new fiscal year starting on July 1, 2019.

The budget is the Town's plan for the coming year – what our needs are, what our priorities are, what we need to fund in order to provide current or new services. Some numbers are driven by outside forces (cost of utilities or postage) while others we have some control over (Collective Bargaining Agreements). While it is a plan for the coming year, at this point the proposed budget reflects a snapshot at a specific moment in time. As we learn more in the coming months, the proposal will necessarily change to reflect clarity in revenue or expenditure decisions that are made.

As you review the draft budget, you will notice some significant changes, as follows:

1. Finance Office – I am proposing a new full time position in the Finance Office to accomplish several goals. First and foremost, this new position would assist the Finance Director in the daily tasks of managing the Town's financial resources – payroll, paying bills, daily audits, etc. Second, by receiving this assistance, the Finance Director will be able to devote more time to the conversion to our new MUNIS financial software. Lastly, this position will provide a remedy to the critical failure point of only having one person who can manage our books. Should that position become vacant for a period of time, we need sufficient backup to make sure payroll gets out and bills get paid. In addition to support for the Finance Office, this person will be available to assist in the Clerk's Office during those periods when they are short staffed due to vacations, sick time, etc.
2. Payroll – you will note that most payroll lines are flat compared to this past year. This is because we are entering contract negotiations with our Collective Bargaining Units, and until those contracts are settled, the payroll impacts are an unknown. I have included funds in Department 28, Insurance, to provide a way of addressing those impacts.
3. Fire Department – as part of the Fire Department's modernization, the Chief is proposing two approaches. The first is a new full time firefighter. This position would help further reduce reliance on per diems to cover shifts, making the number of empty shifts even smaller. The second initiative is to add a second Medic to the third shift. Between this Per Diem position and the new full time, we would have 24/7 coverage with at least one Medic at all times. It would also give us two-run capabilities at night, where today we have to await call response if there is a second call overnight. While needed to achieve the departments goals, I am suggesting that the full time position not be filled this year, and that the extra medic overnight not be budgeted.
4. Public Works – as we have talked in the past, the work load on the DPW is not shrinking, even as our crew gains annual experience! We are slowly coming to grips with more calls on the DPW for work, vacation time increasing as people hit anniversaries with new

vacation accrual rates, and during the summer, a much diminished work force due to the inability to take much time in the winter. This new position will give the DPW added hours, both in the winter and the summer, and will also give the town the ability to have someone on staff who can be assigned town-owned facilities. We currently lack someone dedicated to fixing stuck doors, doing minor repairs, helping with building issues that come up fairly regularly. We rely on DPW to do most of this work, but without a dedicated person to these tasks, needs get in line with other obligations that DPW has.

5. Solid Waste – the increases here are due to new solid waste/recycling contracts, which reflect the changes in the world wide recycling market. Finding markets for US recyclables is becoming tougher, increasing the costs of bringing material to market. Our contract has an upper limit, which is what we budgeted for. However, our contract has no floor, so costs could drop if the recycling market rebounds.
6. Capital Expenditures – There are several projects that have been added to the Capital Plan this year, as we have discussed over the past year.
  - a. Foreside Recreation Facility - extending the sidewalk on Foreside Road to the fields, together with providing better crossing controls for pedestrians and parking area access, however, I have moved this to the next two years for budgetary reasons;
  - b. Topsham Fair Mall Watershed - as part of the Topsham Fair Mall Watershed improvement project, we approved the replacement of a culvert on River Road. However, bids came in over what we anticipated, so in order to complete this \$220,000 project, I have included \$60,000 to complete the funding (this is added to our \$10,000 cash match and \$15,000 of paving costs that we already planned on). The rest of the funds for the project, approximately \$135,000, are coming from grants from the DEP;
  - c. Main St. Striping – this is a project intended to coincide with the opening of the new High School. It entails an analysis of traffic from Volvo to Old Augusta Rd. (in current year budget, and underway), and then construction to add a sidewalk to the western side of Main St., improved crossings at Eagle’s Way, and a new striping scheme on both sides of the Main St./Rt. 196 intersection.
  - d. Municipal Facilities - we have planned some minor work at the Town Complex and Library, to include roof shelters over the passage doors that have no protection from above. Currently, these exits ice up making them dangerous. Additional work includes the expansion of the Women’s Locker Room in the Police Department to accommodate the growing number of female officers that we have. The locker room was not built with growth in the number of female officers in mind.
  - e. Thomas Ave. Field - improvements are not currently defined, and await decisions from the Board, but could include a parking area adjacent to the fields, or improved access from the parking on Foreside Road up the slope to the Upper Fields.
  - f. Schools and County costs are unknown at this point. I have rounded each up a bit to give us a bit of a realistic view, but we won’t know these numbers with any clarity until March.

7. Revenues – As you are aware, our ability to generate revenues is limited by the State. There are fees we can charge, as well property and excise taxes, but beyond that, we have few options. However, we are seeing some success in the following areas:
- a. Interest – Over the past several years, as our cash flow has stabilized, we have taken advantage of having sufficient cash on hand to cover our expenses, to invest money in CDs. These instruments are fully insured, and whereas two years ago the interest rate was .02% or so, we are now in the range of 1.5% - still a very low interest rate, but sufficient to allow us to raise our budget for interest earned from \$7,000 two years ago to over \$60,000 for the coming year.
  - b. Mutual Aid – This past year, we entered into a financial agreement with Northeast Ambulance, who provides service to Bowdoinham, to cover their calls when they are unable to do so. We are estimating that based on this agreement, we could easily see approximately \$10,000 per year.
  - c. Ambulance fee – As part of our new agreement to process our ambulance bills, we are looking at our rates compared to other communities in the area. We have the lowest fees around, and are among the lowest fees that our provider sees among their clients. Raising the fees would do two things for us – increase our revenue, and potentially decrease our cost structure with our vendor, again to our financial advantage. Should we move in this direction, we will obviously have to develop policies about how we collect unpaid bills and issues of that nature. The Fire Chief is also investigating other avenues for additional revenues, such as billing auto insurance companies for certain services that are provided during accident responses.
  - d. Cable TV Franchise Fee – I have left this revenue flat for the coming year, largely because it is up in the air as to whether it will continue or not. There is discussion at the FCC about changes to the fee structure that could reduce our fee, or eliminate it. We will continue to monitor the situation.
  - e. General Revenue Sharing – GRS is an agreement that the State and municipalities entered into in the early 70s, whereby the State prohibited communities from levying sales or income taxes, based on assurance that the State would pay back to municipalities 5% of the total revenues that the State collects from these two sources. This program worked fairly well for about 40 years. There were times when the 5% was reduced temporarily, but then it was restored. In 2010, the Governor began a program of reducing the share paid to communities from 5%, to its current level of 2%. It has been reported that the current Legislature and Governor have no plans to extend this diminution of the Revenue Sharing program. Unfortunately, we won't know for sure until after our budget is finalized. The State typically gives us the upcoming estimated GRS totals in mid-March. In the interim, I am showing the same total as last year, although it typically grows from year to year.
  - f. Depending on feedback from the Board, Chief McLaughlin and I would recommend approaching Bowdoinham about an EMS contract. This would provide revenue, along with a change in EMS rates, that would help fund increases in Fire Department personnel.
  - g. Valuation – in consulting with Justin, we know we will see a certain amount of new valuation – we are currently estimating about \$5 million in new value. There

will be additional valuation as he finishes his reporting for the year. There is also the issue of market adjustments, which did not happen last year. Without an analysis (which will come later) it appears that the market has increased beyond last year, which would suggest that we will move further away from 100% valuation (we were at about 93% last year with no adjustments). This would lead to an assumption that there will likely be a market adjustment this year to keep us in the vicinity of 100% valuation, although the magnitude of the adjustment is not known at this time.

## TIFs

It is important to periodically look at our TIF programs, and how they impact our budget. We currently have 9 active TIF programs, most of which are Credit Enhancement TIFs. In the proposed budget, we are estimating that we will reimburse approximately \$1,163,164 (based on last year's valuations) to our TIF partners.

Since most of the CE TIFs have at least a 50/50 share between the developer and the Town, we received approximately the same amount in tax revenue. In addition, we have several Municipal TIFs, where all of the tax revenue is held by the Town for authorized projects. In the current budget, our total of TIF derived revenue is approximately \$3 million, and we are spending approximately \$1.3 million on authorized projects. The breakdown is as follows:

Operating Budget	\$332,000
Capital Budget	\$310,000
Debt Service	\$509,000
Eco Dev Fund	\$190,000

This \$1.25 million represents expenses that we would generally have incurred regardless of the TIFs, and the corresponding valuation is sheltered from consideration in School Funding and County Assessments, a significant savings to the Topsham taxpayer.

## Summary

As you can see, the departments where additional personnel are proposed are showing a significant increase in annual budgets, while those departments that are not proposing new positions have a very modest or negative growth. Our Capital Investment is significant this year, with several projects funded through Municipal TIF revenues. The municipal budget proposes a 5% increase in spending, which reflects the comments above about planned investments and staffing changes.