

March 1, 2014

To: Chairman Sullivan and Members of the Town Council:

Submitted herewith is the proposed municipal budget for Fiscal Year 2015. The budget contains \$9,285,606 in general fund municipal spending, \$1,108,992 for the Cumberland County assessment and \$199,200 for the local share of the homestead exemption. This is a total of \$10.6 million in general fund spending. In addition, the special funds which are not directly supported by the property tax amount to another \$2.86 million in proposed spending for a grand total of \$13,458,762. The proposed general fund municipal budget is up 2.8%.

	FY 2014	FY 2015	\$ Change	% Change
	Adopted	Proposed	FY 15 to FY 15	FY 14 to FY 15
<b>EXPENDITURES</b>				
<b>TOWN SERVICES</b>	\$ 9,032,363	\$ 9,285,964	\$ 253,601	2.8%
<b>COUNTY ASSESSMENT</b>	\$ 1,061,728	\$ 1,108,992	\$ 47,264	4.5%
<b>Local Homestead Exemption</b>	\$ 195,242	\$ 199,200	\$ 3,958	2.0%
	\$ 10,289,333	\$ 10,594,156	\$ 304,823	3.0%
<b>SPECIAL FUNDS</b>	\$ 3,344,314	\$ 2,864,606	\$ (479,708)	-14.3%
<b>GRAND TOTAL</b>	\$ 13,633,647	\$ 13,458,762	\$ (174,885)	-1.3%

The proposed general fund revenues are \$3,348,264 for an increase of \$138,000 or 4.3%.

<b>REVENUE</b>	FY 2014	FY 2015	\$ Change	% Change
<b>TOWN SERVICES</b>	\$ 3,210,264	\$ 3,348,264	\$ 138,000	4.3%

The proposed tax rate for municipal services is up 1.0% or 4 cents per thousand valuation. For a home valued at \$300,000, this is \$1.00 per month. The tax rate for municipal services would be \$3.58 per thousand valuation. If the county tax is added in, the tax rate increases a rounded five cents per thousand or 1.3%. It should be noted that this is the percentage increase of just the municipal and county budgets. The total tax rate including schools and community services in FY 2014 was \$16.28. This five cent increase is 0.3% of the entire tax rate.

<b><u>NET TO TAXES</u></b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>\$ Change</b>	<b>% Change</b>
<b>TOWN SERVICES</b>	<b>\$ 5,822,099</b>	<b>\$ 5,937,700</b>	<b>\$ 115,601</b>	<b>2.0%</b>
<b>COUNTY ASSESSMENT</b>	<b>\$ 1,061,728</b>	<b>\$ 1,108,992</b>	<b>\$ 47,264</b>	<b>4.5%</b>
<b>Local Homestead Exemption</b>	<b>\$ 195,242</b>	<b>\$ 199,200</b>	<b>\$ 3,958</b>	<b>2.0%</b>
<b>TOTAL</b>	<b>\$ 7,079,069</b>	<b>\$ 7,245,892</b>	<b>\$ 166,823</b>	<b>2.4%</b>
<b><u>TAX RATES (Rounded to nearest ¢)</u></b>				
<b>TOWN SERVICES</b>	<b>\$ 3.54</b>	<b>\$ 3.58</b>	<b>\$ 0.04</b>	<b>1.0%</b>
<b>COUNTY ASSESSMENT</b>	<b>\$ 0.65</b>	<b>\$ 0.67</b>	<b>\$ 0.02</b>	<b>2.8%</b>
<b>Local Homestead Exemption</b>	<b>\$ 0.12</b>	<b>\$ 0.12</b>	<b>\$ -</b>	<b>0.0%</b>
<b>TOTAL</b>	<b>\$ 4.31</b>	<b>\$ 4.36</b>	<b>\$ 0.05</b>	<b>1.3%</b>

## **Expenditures**

The items primarily impacting the budget look like this:

Additional Capital Funding	\$ 100,000
Personnel Pay Adjustments	\$ 90,484
Miscellaneous Increases- Net	\$ 80,294
Health Insurance	\$ 70,300
Support Staff	\$ 41,753
Maine State Retirement	\$ 26,332
Human Resources-Professional Services	\$ 25,000
Penny for Land Acquisition	\$ 16,457
Workers Compensation	\$ 14,000
Bank Fees	\$ 10,000
250th Anniversary	\$ 10,000
Legal Services	\$ 8,000
Stormwater Mandate	\$ 7,400
Computer Maintenance	\$ 6,000
Unemployment Compensation	\$ (7,000)
Debt Service	\$ (18,384)
Rescue Contribution	\$ (70,000)
Ecomaine Savings	\$ (157,035)

**Additional Capital Funding \$100,000**

The general fund appropriation for capital stewardship declined as low as \$400,000 in FY 2010. Road needs alone exceed that amount each year and then there are equipment needs, building needs, technology requirements and other infrastructure needs. The 10 year capital improvement plan called for an additional \$100,000 each year to meet the many identified needs that are backlogged. With the additional \$100,000, the proposed general fund appropriation is \$900,000. In addition, this budget proposes \$379,000 to be funded from the remaining FY 2014 overlay. The specific items described in the narrative for account 715 are listed below:

	<b>Location</b>	<b>Description</b>	<b>FY 2015 Rev.</b>
Infrastructure	Public Works	Roadway, Paving & Drainage Imp.	\$ 700,000
Equipment	Public Works	Dump/Plow Truck Replacement	\$ 176,000
Equipment	Public Works	Transfer Trailer Replacement	\$ 60,000
Structures	Police Dept	Space Separation	\$ 50,000
Equipment	Fire Dept.	Replacement of Chief's Vehicle	\$ 40,000
Equipment	Police Dept	Cruiser Replacement	\$ 35,000
Structures	Town Hall	Tax Office Upgrades	\$ 35,000
Equipment	Public Works	Grounds Equipment	\$ 33,600
Equipment	Administration	Computer Upgrades	\$ 25,000
Roof	Town Hall	Roof replacement (shingled)	\$ 25,000
Equipment	Public Works	Utility Cart/Replacement	\$ 20,000
Safety/Sec.	Town Hall	Card access system	\$ 16,500
Equipment	Public Works	Front End Loader Artic. Overhaul	\$ 15,000
Structures	Town Hall	Non ADA entrance upgrades (left side)	\$ 10,800
Infrastructure	Public Works	Athletic Field Fencing Replacement	\$ 10,000
Electrical	Public Works	Athletic Fields Electrical Upgrades	\$ 8,900
Electric	Town Hall	Exterior lighting upgrades (efficiency)	\$ 7,800
Code	Town Hall	Oil tank Code upgrades	\$ 5,800
Infrastructure	Public Works	Traffic Signal Equipment Replacement	\$ 5,500
		<b>CIP Total</b>	<b>\$ 1,279,900</b>
<b>Funded from CIP</b>			<b>\$ 900,000</b>
<b>Funded from Balances</b>			<b>\$ 379,900</b>
<b>Funded from Bond</b>			<b>\$ -</b>
			<b>\$ 1,279,900</b>

**Personnel Pay Adjustments** **\$90,484**

The budget provides for a 2% pay adjustment for all employees. In addition, a very few positions including election workers have been moved to \$10.00 per hour from \$8.50 per hour. There are also some increases for public works and police employees who receive step increases in their contracts and for one other employee who has completed just over one year of service and was hired at a rate significantly below the previous incumbent. This budget document has significantly more information on pay levels and is included in the pages which follow this budget message.

**Miscellaneous Increases- Net** **\$80, 294**

This is the net amount of all the increases and decreases which are not otherwise detailed in the above table. They are individual described in the narratives under each department's proposed budget.

**Health Insurance** **\$70,000**

The budget projects a 22% increase on health insurance premiums on January 1, 2015. Cape Elizabeth is currently in an individually rated plan. In order to be in an individually related plan, you are required to have 50 employees provided coverage. We currently have 45 covered but our insurance provider waived the requirement for 2013. We do not expect to receive a second waiver and the non-rated pool has annual premiums that are currently 20% more than our individually rated plan.

**Support Staff** **\$41,743**

The ACP secretary position has been shared with the tax office 2 days a week. This budget restores the position to full time in both the ACP office and in the tax office. The full-time coverage in assessing, codes and planning is needed to accommodate increased building permit activity and to improve customer service at the counter and on the phone. The restoration in the tax office is focused on back office operations. Specifically, the deputy town clerk would be able to not have to spend time at the tax counter thus having more time to work with the town clerk on election issues, tax liens, marriage licenses etc. The \$41,743 includes the extra time in each office, social security costs and the defined contribution for retirement.

**Maine State Retirement** **\$26,332**

The town withdrew from the defined benefit plan for all employees except police officers around 20 years ago. Yet, we remain in the non-police plan with 3 active employees and 48 retired employees eligible for or currently receiving benefits. For many years the account was fully funded but beginning with the stock market decline of 2008-2009, the fund has had an actuarially determined unfunded liability. We had hoped with stock market recoveries that the amount we have been required to pay in to eliminate the liability would have declined this past year. However, in late February we were informed that MePERS had identified 4 individuals who had left our plan to work in state government or elsewhere and their time was being charged to our plan. Our monthly combined school/town assessment increased from \$114,589 to \$189,888. The municipal share is 79% or \$150,011 and the school share is 21%. The total amount on the municipal budget is \$150,011 for the legacy plan and \$65,909 for the police plan. We have asked for the names of the four individuals we are now being charged for in order to review the

circumstances but have not yet been given the information. In the meantime, it is recommended that we budget the amount being requested.

**Human Resources Professional Services                      \$25,000**

This is a proposed new account that was requested to be included in the budget to better assist department heads with human resources issues. It would provide additional guidance on human resources issues from HR specialists and from attorneys. It is hoped that at some point in the future we could share an in house HR professional with the school department. The municipal government has 48 full time employees and 207 who work some hours each year.

**Penny for Land Acquisition                                              \$16,457**

On February 11, 2013, the town council approved the following: *The town council requests the finance committee to consider as part of its budget review the possibility of providing a penny or more in the proposed annual tax rate for land acquisition purposes.* This would be the second year of adding a penny to the tax rate is in in keeping with the following provision from the Future Open Space Committee. The total amount budgeted is \$32,914.

*Pennies for Open Space. This would be a commitment by the Town Council to add one cent to each year's tax commitment and dedicate that revenue to open space preservation. If one cent was added to the FY 2012 tax rate, a total of \$16,530 dollars in revenue would have been generated at cost of \$3.18 per median home (valued at \$318,600). If a nickel was added, \$82,652.00 would have been raised at a cost of \$15.93 per median home.*

**Workers Compensation                                                      \$14,000**

Workers compensation is charged on a calendar year basis. On January 1, 2014 our experience modification increased from .82 to .97 thus increasing our cost from \$83,274 to \$96,835. \$95,000 is budgeted for the fiscal year.

**Bank Fees                                                                              \$10,000**

We had \$2,888 in unbudgeted bank fees in FY 2013. \$6,000 is budgeted for bank courier services as without a branch bank in Cape Elizabeth, the deposits must now be safely transported to South Portland. The fee is just under \$25.00 per day.

**250<sup>th</sup> Anniversary                                                                      \$10,000**

\$ 10,000 is proposed to help fund the commemoration of Cape Elizabeth's 250<sup>th</sup> anniversary of incorporation as a town.

**Legal Services                                                                              \$8,000**

The legal services account is experiencing additional costs from the continuation of zoning board matters from 2012 and due to an uptick in development activity

**Storm water Mandate** **\$7,400**

The cost for compliance with the storm water mandate continues to rise with the additional reporting requirements. The town share of the interlocal storm water working group is \$9,000. We contract additional consulting services for \$7,000. This account includes contracted maintenance of two bio filtration units for \$1,000, \$650 in GIS mapping services and \$250 for an annual permit from the Me DEP for a total budget cost of \$17,900.

**Computer Maintenance** **\$6,000**

This is for maintenance of our main frame and for various software licensing fees. The account has been under funded for a number of years. The total proposed appropriation is \$29,000.

**Unemployment Compensation** **-\$7,000**

The unemployment compensation amount is based on the assessment for calendar year 2014.

**Debt Service** **-\$18,384**

Debt Service cost has decreased as principal is paid off and there is less interest cost.

**ecomaine Savings** **\$-157,035**

The assessment and tip fee at ecomaine has traditionally been the largest single line item in the municipal budget. This coming fiscal year we will see a major savings, as the annual assessment from ecomaine has been eliminated by the ecomaine board.

**Revenues**

Overall non-property tax revenues are projected to increase \$138,000 or 4.3%. The two chief contributors are excise taxes with a projected jump of \$100,000 and building permits with an increase of \$30,000.

**Summary**

The proposed budget seeks to continue to provide quality services to the citizens of Cape Elizabeth. It begins to address some impacts as a result of additional building activity occurring as we lift out of the long recession. It provides compensation and benefits which will enable us to be competitive as recruiting and retaining talented personnel continues to be a priority for us. The budget continues to consider the need for additional investment in our infrastructure with \$100,000 more proposed for our capital stewardship plan.

I had hoped to be able to provide a budget with no tax increase but late news regarding retirement costs for our legacy plan caused a shift of about \$80,000 in our outlook. The proposed 4 cent increase per thousand valuation is below the rate of inflation and is just 1%. Since receiving the retirement news, I again looked at every line item to see if reductions were advisable to reach a no tax increase budget. There was no account I felt comfortable reducing as I understand how dedicated everyone in our organization is to keep costs down and to keep services at a level expected by citizens. I also relooked at my goals for the year which included:

**Budget Goals**

- Provide budget to council which identifies needs
- Provide better summaries of personnel related costs
- Recognition that increased economic activity may cause more demands on certain services
- Keep any municipal tax rate increase below 2% except for any state budget cut

In closing, it is my belief that this budget meets the goals set forth when the budget process began a few months ago and it also follows various council policies and directives provided this year and in past years. I wish to thank all those who have helped to develop this budget including the department heads and all who work with them.

I look forward to reviewing this budget with the finance committee in the months ahead.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Andrew E. McQueen". The signature is fluid and cursive, written on a light-colored background.

Town Manager

# Personnel Information Summary