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TO: Mayor and Honorable Members of Belfast City Council and Community of Belfast

RE: 2020-2021 Budget Message

FROM: Erin Herbig, City Manager

DATE: Thursday, May 7, 2020

Like every citizen of the City of Belfast, I never imagined the current state our community is in when I entered my new role as City Manager on March 9, 2020. Within my first week on the job, the State of Maine responded and adjusted operations due to a global pandemic and in coordination with our Governor's mandates, the City of Belfast did the same.

If you didn't already know this: I am one of the most hopeful people you will ever meet, particularly when faced with unexpected challenges. But "hope is not a strategy, we have to have a plan in place," Dr. Nirav Shah, director of the Maine Center for Disease Control and Prevention reminded us all this past week in his daily address.

This year, the impacts of COVID-19 on our community, our economy and our bottom-line present challenges that the City of Belfast has never seen before. This causes me an incredible amount of concern. If past budgets were considered in crisis, this budget reaches near apocalypse level. We will get through this, but we will be challenged perhaps more than we ever have. My City Manager's budget proposes a plan to get us through this, together.

My FY20-21 City Manager's budget proposes a budget that contains our spending to an increase of 0.32% from our current spending in FY19-20. This proposal contains \$957,956 of cuts in spending across every City Department from the initial department proposals I received in early March.

In my professional opinion, this is necessary given this budget proposal also includes projected decreases in non-property-tax revenues totaling \$636,164, a decrease of 12.5% when compared to FY19-20 and a decrease of 16.6% when compared to what we were projecting for FY20-21, prior to the outbreak of COVID-19.

The net of these proposed cuts combined with the projected decreases in revenues, would require a Mil rate increase from 22.9 to 23.4, or \$0.50 per thousand. This can be done, without laying off any of our current staff, but it will be difficult for the City of Belfast, our resident and our businesses.

I. Our Largest Challenge: A Significant Decrease (Loss) in Non-Property Tax Revenue

The Treasurer and I reached out to every expert we know for guidance and confirmation that our strategy was best to project revenues for our FY20-21 budget. Here is the cold, hard truth: we are **projecting \$4,440,096 in Non-property Tax Revenues for FY20-21**. This is a DECREASE of \$636,164 from FY19-20 \$5,076,260 (**a DECREASE of 12.5% from FY19-20**) or when considered against our February projections for this fiscal year of \$5,328,292, a difference of \$888,196 (a DECREASE of 16.6%).

The largest drivers of the decrease are:

State Revenue Sharing

FY 19-20	Estimated State Revenue Sharing	\$688,693
FY 19-20	Projected State Revenue Sharing	\$634,651
FY20-21	Initial Estimated State Revenue Sharing projection)	\$927,652 (3.75%
FY20-21	Projected Estimate State Revenue Sharing from FY 19-20 projected figure)	\$507,721 (20% decrease

Motor Vehicle Excise Tax

FY19-20	Estimated Motor Vehicle Excise	\$1,130,000
FY19-20	Projected Motor Vehicle Excise	\$925,438 * Using collection for April as in estimate for May, and then collection for March as estimate for June
FY20-21	Initial Estimated Excise Tax	\$1,180,000
FY20-21	Projected Estimate Excise Tax	\$1,039,600 (recommended by MMA to decrease FY19-20 estimated budget by 8-12%, using 8% decreased figure)

An additional challenge is that in our current budget FY19-20 of the 230 expense lines (not including capital projects), 36 lines are already over expended and 58 budget lines are over 90% expended at 83% of the year as a result of budget cuts last year.

On the revenue side, of the 39 “Other Revenue” or Non-Property Tax Revenue lines, there are 20 lines under collected, most likely due to the impact of the pandemic. It is likely that revenues in some of these lines will be collected once our community “reopens” but it is necessary to remain cautious when considering what the revenue potential has for this next year.

II. The Increase in City Expenses in the Initial Proposal from City Departments

To completely understand the sacrifice that will be required by what I am proposing, it is important to understand where the FY20-21 budget started. City Departments and various non-profit entities submitted budget requests totaling \$11,393,738. Last year's finalized budget that was approved by the Council totaled \$10,401,972. This would be an increase of \$991,766 or 8.7%.

The largest drivers of the increase are:

1. 110-512 Legal Fees: \$140,000 (an increase of \$75,000 or 53.57%)
2. 180-530 Health Insurance Costs: \$1,121,341 (an increase of \$161,341 or 14.38%)
3. 700-608 Debt Services new Public Works building: \$682,216 (an increase of \$209,080 or 30.65%)

Additional cost drivers:

- 120-511 Assessing Vehicle and School \$7,500 (an increase of \$2,300)
- 130-505 Clerk Miscellaneous Expenses \$3,685 (an increase of \$2,800)
- 130-631 Clerk Records Restoration \$2,500 (an increase of \$2,500)
- 150-501 Elections Salary and Wages \$7,908 (an increase of \$1,908)
- 150-504 Elections Supplies and Expenses \$11,000 (an increase of \$1,950)
- 180-528 Employee Benefits Retirement Plan \$316,000 (an increase of \$10,000)
- 180-531 Employee Benefits Personnel Reserve \$50,000 (an increase of \$25,000)
- 220-503 Police Unscheduled Overtime \$84,000 (an increase of \$2,000)
- 220-509 Police Computer Support and Training \$8,100 (an increase of \$1,500)
- 220-517 Police Telephone and Internet \$8,660 (an increase of \$1,800)
- 220-520 Police Building Maintenance and Repairs \$5,500 (an increase of \$1,500)
- 220-536 Police Vehicle Maintenance and Repairs \$13,000 (an increase of \$3,000)
- 220-539 Police Mileage and School Expense \$14,952 (an increase of \$8,452)
- 220-540 Police Firearms, Training, and Qualifications \$9,500 (an increase of \$3,500)
- 220-541 Police Communications System \$2,300 (an increase of \$2,300)
- 220-543 Police Janitorial Services and Supplies \$11,560 (an increase of \$2,838)

230-717 Street Lighting Street Light Maintenance \$20,000 (an increase of \$17,000)
250-537 Cable Television Equipment Capital Reserve \$2,500 (an increase of \$2,000)
260-549 Municipal Insurance Fleet and Property Insurance \$115,500 (an increase of \$13,500)
270-537 Ambulance Equipment Capital Reserve \$79,297 (an increase of \$2,109)
280-563 Animal Control Kennel Contract \$10,362 (an increase of \$2,000)
410-520 Public Works Building Maintenance and Repairs \$14,000 (an increase of \$14,000)
410-535 Public Works Purchase of Equipment \$170,000 (an increase of \$70,000)
410-537 Public Works Equipment Capital Reserve \$10,000 (an increase of \$10,000)
410-566 Public Works Parts and Tires \$105,000 (an increase of \$5,000)
410-570 Public Works Salt and Calcium \$120,000 (an increase of \$4,000)
410-571 Public Works Tar Patch, Sand and Gravel \$75,000 (an increase of \$5,000)
410-697 Public Works Culvert Capital Reserve \$5,000 (an increase of \$5,000)
440-520 Transfer Station Building Maintenance and Repairs \$4,900 (an increase of \$1,900)
450-577 Road Construction Paving and Maintenance \$440,000 (an increase of \$5,000)
510-579 Social Services General Assistance \$65,000 (an increase of \$5,000)
550-581 Social Services Social Service Agencies \$192,641 (an increase of \$18,973)
610-511 Parks and Recreation Vehicle and School \$5,600 (an increase of \$2,800)
610-535 Parks and Recreation Equipment \$8,000 (an increase of \$4,000)
610-587 Parks and Recreation Capital Reserve \$60,000 (an increase of \$60,000)
620-504 Library Supplies and Expenses \$3,500 (an increase of \$1,500)
620-520 Library Building Maintenance and Repairs \$47,000 (an increase of \$4,000)
620-589 Library Book Purchases \$11,100 (an increase of \$11,100)
630-593 Cemetery Maintenance Capital Reserve \$12,000 (an increase of \$12,000)
640-595 Airport Capital Reserve \$9,000 (an increase of \$2,800)
640-718 Airport Utilities \$9,000 (an increase of \$2,000)
650-596 Miscellaneous Promotional \$51,656 (an increase of \$18,775)
670-504 Planning Supplies and Expenses \$10,000 (an increase of \$2,500)
680-604 Planning and Zoning Engineering/Professional \$20,000 (an increase of \$20,000)

III. The Scenario Should the Council Approve the Budget as Initially Requested

When you consider our anticipated significant loss of revenue (\$636,164) combined with the initially requested increase of proposed expenses of \$991,766, this leaves us with a budget gap of \$6,953,642.

If the Council were to approve the initial budget requested by our Department Heads, including all Capital Projects: this would result in a 9.53% increase for the 49% portion of the property tax bill that covers City taxes (not the portions collected for School and County Tax which account of the other 51% of the property tax bill). Due to the decrease in the projected School Tax and the estimated TIF payment, the overall budget would increase 5.59%.

This year's County Tax Bill is \$1,545,085. This is an increase of \$7,939 or 0.51%. This year's RSU 71 proposed School Tax Bill is \$10,262,933. This is a decrease of \$164,546 or -1.6%.

The net effect of approving all of the initial requested City expenses would result in a Mil rate increase of \$1.70 per thousand. On a \$100,000 property the increase in City tax would cost \$170. On a \$300,000 property the increase in City taxes would cost \$510.

If the Council were to approve the initial budget requested by our Department Heads, but included NO Capital Projects: this would result in a 6.36% increase for the 48% portion of the property tax bill that covers City taxes (not the portions collected for School and County Tax which account of the other 52% of the property tax bill). Due to the decrease in the projected School Tax and the estimated TIF payment, the overall budget would increase 4.01%.

This year's County Tax Bill is \$1,545,085 and this year's proposed RSU 71 School Tax Bill is \$10,262,933. The net effect of approving all of the requested City expenses would result in

a Mil rate increase of \$1.30 per thousand. On a \$100,000 property the increase in City tax would cost \$130. On a \$300,000 property the increase in City taxes would cost \$390.

In my opinion, and I know the Council would agree, would be both unpopular and too much for our citizens and businesses to absorb during their own experienced hardships due to the pandemic.

IV. Suggested Strategy Given What We Know and What We Anticipate Developing a Plan to Move the City of Belfast Forward

In meeting with each Department Head, we first acknowledged that the world, given the current realities we are operating in, is very different than when they prepared their budget requests in February. Although the City of Belfast has been able to continue to provide many of the expected services to our community, we too have seen an impact on services that contribute to the City's revenues. These things combined with the uncertainty of this year's State Revenue Sharing, has forced me to recalibrate and approach this year's budget with extreme caution in observance of harsh realities.

The reality is that we will not be able to cut our way out of this as we started this year as close to the bone as we can be while still providing the services our community deserves and expects. What we can do, although it will be challenging, we can hold the line of last year's spending. We have so many reasons we are going to overspend, we must underspend everywhere we can.

I have combed through these lines dozens of times since beginning this job with my budget team and all City Departments Heads. We've identified where we can cut and where we realistically must increase. Budgets must be real figures that we can realistically meet, not hope for where we will end up.

While we work to establish a final budget, I encourage everyone, especially our Department Heads to disagree with any of my recommendations because they are simply that; recommendations. As my predecessor explained, “every story has at least two sides and Council and the City deserve to hear them all.” I couldn’t agree more. These discussions are important for the Council and the community to fully understanding just what is being asked of our City and City Staff to sacrifice.

i. City Manager’s Proposed Budget Cuts (\$1,000 and over):

- 100-501 City Manager Staff Salary and Wages \$174,692 (decrease of \$17,870)
- 100-511 City Manager Vehicle and School Expenses \$5,872 (decrease of \$3,800)
- 110-505 Finance Miscellaneous Expenses \$12,000 (decrease of \$1,000)
- 120-511 Assessing Vehicle and School Expenses \$6,500 (decrease of \$1,000)
- 130-505 City Clerk Miscellaneous Expenses \$1,610 (decrease \$2,075)
- 140-515 City Building Maintenance Electricity \$7,200 (decrease of \$8,800)
- 180-530 Employee Benefits Health Insurance \$1,003,501 (decrease of 117,840)
- 190-515 Boathouse Electricity \$432 (decrease of \$1,468)
- 210-501 Fire Salary and Wages \$149,730 (decrease of \$18,270)
- 210-515 Fire Electricity \$2,000 (decrease of \$1,000)
- 210-516 Fire Heating Fuel \$4,200 (decrease of \$1,500)
- 210-537 Fire Equipment Capital Reserve \$0 (decrease of \$60,000)
- 220-501 Police Salary and Wages \$1,042,683 (decrease of \$10,000)
- 220-503 Police Unscheduled Overtime \$80,000 (decrease of \$4,000)
- 220-504 Police Supplies and Expenses \$8,000 (decrease of \$1,120)
- 220-515 Police Electricity \$4,800 (decrease of \$9,200)
- 220-516 Police Heating Fuel \$7,500 (decrease of \$2,500)
- 220-535 Police Purchase of Equipment \$0 (decrease of \$37,000)
- 220-567 Police Gas, Oil, Grease and Diesel \$15,250 (decrease of \$1,000)
- 250-537 Cable Television Equipment Capital Reserve \$0 (decrease of \$2,500)
- 270-501 Ambulance Salary and Wages \$523,730 (decrease of \$18,270)
- 270-537 Ambulance Equipment Capital Reserve \$0 (decrease of \$79,297)

280-563 Animal Control Kennel Contract and Veterinary \$9,362 (decrease of \$1,000)
410-520 Public Works Building Maintenance and Repairs \$12,110 (decrease of \$1,890)
410-535 Public Works Purchase of Equipment \$100,000 (decrease of \$70,000)
410-570 Public Works Salt and Calcium \$116,000 (decrease of \$4,000)
410-697 Public Works Culvert Capital Reserve \$0 (decrease of \$5,000)
440-515 Transfer Station Electricity \$420 (decrease of \$1,080)
440-576 Transfer Station Recycling Expenses \$4,000 (decrease of \$1,089)
550-581 Social Services Social Service Agencies \$173,668 (decrease of \$18,973)
610-501 Parks and Recreation Salary and Wages \$112,298 (decrease of \$4,948)
610-503 Parks and Recreation Unscheduled Overtime \$1,000 (decrease of \$2,000)
610-511 Parks and Recreation Vehicle and School Expenses \$3,600 (decrease of \$2,000)
610-537 Parks and Recreation Equipment Capital Reserve \$4,500 (decrease of \$10,500)
610-585 Parks and Recreation Park Maintenance \$35,640 (decrease of \$2,000)
610-587 Parks and Recreation Capital Reserve \$0 (decrease of \$60,000)
610-588 Parks and Recreation Programming \$6,600 (decrease of \$6,700)
620-504 Library Supplies and Expenses \$2,500 (decrease of \$1,000)
620-515 Library Electricity \$5,889 (decrease of \$10,111)
620-520 Library Building Maintenance and Repairs \$28,827 (decrease of \$18,173)
620-589 Library Book Purchases \$0 (decrease of \$11,100)
630-593 Cemetery Maintenance Capital Reserve \$0 (decrease of \$12,000)
640-595 Airport Runway Capital Reserve \$4,500 (decrease of \$4,500)
640-711 Airport Maintenance Capital Reserve \$1,500 (decrease of \$1,500)
640-718 Airport Utilities \$7,200 (decrease of \$1,800)
650-596 Miscellaneous Promotional \$30,975 (decrease of \$20,675)
720 Capital Projects \$0 (decrease of \$330,561)

This list of proposed cuts totals \$957,956

The City Manager budget proposal totals \$10,435,782. This proposal is an increase of \$33,810 from last year's Council approved budget or an increase of 0.32%.

This year's County Tax Bill is \$1,545,085 and this year's RSU 71 proposed School Tax Bill is \$10,262,933. If all my City Manager's suggestions were accepted, this would be a **0.33% increase** in what we would ask the Belfast Taxpayer to pay in City Property Taxes (Not School or County).

The total of the City Budget would go **UP 0.33%** from \$10,401,972 to \$10,435,782. The total other Non-Property Tax Revenues would go **DOWN 12.5%** from \$5,076,260 to \$4,440,096. The net to the property payer for City taxes would go **UP** from \$5,325,712 to \$5,995,686 which is a **proposed increase of 12.6%**. The lower State Revenue Sharing increases the tax burden to the taxpayers.

Since this year's County Tax Bill is \$1,545,085 and this year's RSU 71 School Tax Bill is \$10,262,933, then the net effect of approving all of the requested City expenses would result in a **Mil rate increase of \$0.50 per thousand**. On a \$100,000 property the increase in City tax would be \$50. On a \$300,000 property the decrease in City taxes would be \$150.

While this number seems reasonable in lieu of the circumstances we have found ourselves in, it puts into question our ability to maintain our current levels of City Services and would undoubtedly require an increase in investment in FY21-22 to prevent deterioration beyond salvageable levels.

Several bright spots that must be highlighted in the FY20-21 budget: This year the City of Belfast was able to cut approximately \$31,000 in electricity expenses across our facilities due to the solar savings from Crocker Road Solar Field. We were also able to cut approximately \$4,900 in heating expenses across our facilities due to a contracted rate of #2 fuel in which we were able to save approximately \$0.45 per gallon.

V. We Will Get Through this Together with a Plan

This is my first budget message and as I mentioned at the beginning, I never imagined this scenario, just like yourselves and every other resident of Belfast. In my role as City Manager, I am not elected and ultimately, the decision is that of our Council. I, with the help of our talented budget team: City Treasurer Theresa Butler, Assistant to the City Manager Manda Cushman and City Assessor Brent Martin, have used our collective best judgement to make recommendations for the Council to begin their discussion and deliberations. Based on my observation of this Council's previous budget discussions, I know our Mayor and Council are most concerned with approving a budget that places as small of a burden possible on the taxpayer and does not require a negative impact on City staff through layoffs. This budget proposals addressed those two very real, very large concerns.

Together we must support the hard decisions that are required to be made during a pandemic, a scenario that will continue to present many challenges that remain unknown. What I do know is that our Mayor and Council have always been innovative, compassionate and will lead our community through this challenging time. I know that City of Belfast Employees are resourceful and mindful of how to stretch each dollar to provide services to our community on a very lean budget because we understand the impact our spending has on our community. I know our community is resilient and we will come out better than before on the other side. I know we can and will get through this together.

Thank you for the opportunity to serve the City of Belfast as City Manager. I am honored to work alongside each of you, every day.