



March 21, 2023

To: Honorable Town Council

From: Diana H. Asanza, Town Manager

FY 2024 Initial Budget Presentation

The presentation of the FY 2024 budget recommendations represents an overview comprised of each departments operating and capital needs with a goal of continued municipal service improvements. It also includes an overview of the non-property tax revenue projections that will help reduce the burden of funding budgets through property taxes.

I've met with each department over the last three months to understand the priorities, and together with the Finance Director Jordan Miles, we have performed a careful examination into year-to-date trends of each account and reviewed opportunities where reductions could be made.

Last year at this time I had said the FY 23 budget was probably the most challenging budget to project, well it remains challenging as we continue to deal with high inflation, tight labor market and the unpredictable supply chain. There have been a few setbacks along the way, but the priority remains the same - to continue to improve services.

Before reviewing the projected budget in detail, I would like to highlight a few projects and initiatives since last year. Some have been completed and others are currently taking shape:

- W. Grand Ave. Paving and sidewalk project has been completed. This project also included sewer line and stormwater repairs.
- Coldwater Brook Culvert replacement on Old Orchard Rd was completed last fall.
- Free St. Culvert Replacement was also completed as well as the sink hole repairs at Brown St. and Shorewood Dr.
- The Balsam Ln, Bower Ln and Goldenrod St stormwater improvements are under construction now and should be completed by end of May.
- Town Hall underwent improvements to address water and drainage issues that were occurring in the lower level of the building. Next will be the Town Hall Tower Replacement that Council approved earlier this year. This project is starting soon.

Several projects that are underway or will begin soon include:

- Road Pavement and sidewalk improvement project on Union Ave from Saco Ave to W. Grand Ave.
- A portion of Saco Ave from Adelaide Rd. to Myrtle Ave. Both projects have been approved by Council and will be managed through ME DOT. Both projects received state funding through the ME DOT Municipal Partnership Initiative and the local share is 25% of the construction costs.
- The extended Halfway Intersection to the I-195 spur traffic feasibility study continues and there will be a public meeting in the May/June timeframe to present several concepts. This project is planned partnership initiative project with ME DOT and City of Saco.

- Wastewater Treatment Facility Upgrade is at 90% design completion and a workshop is planned for next month to update Council on the status of the project.
- Walnut Street Sewer replacement project bids are due tomorrow. This project unfortunately has been delayed because of the complexity of the project and getting interested parties to bid on the project. We are hopeful for tomorrow's bid opening.
- Improvements for access to the beach continued this past summer by installing 4 more ADA accessible beach mats. Public Works will continue this effort next fiscal year.
- Old Orchard Beach is taking an active role to better understand climate change and its effects by enrolling in the State's Community Resiliency Partnership initiative with help from Southern Maine Planning and Development. We held the first workshop in February and are now developing priorities based on public feedback.
- We recently unveiled the Town's new website and logo. There are still a few corrections and additions that are being worked on for the website to be up to date and we ask for patience as staff work through this.

These are just a few of the projects that are visible on the ground but couldn't be done without support staff from each and every department.

According to the Charter (Section 702) Council provides guidance to the Town Manager for the ensuing fiscal year budget. Council's guidance this past December, was to develop a budget as close as possible to a 3% increase, with the understanding and consideration that this may be difficult given the current inflation rate that continues to keep costs high and the labor market tight.

Inflation at the close of 2022 averaged 8% and as of February 2023 it's at 6.2%.

The budget recommendations are based on the following directives and assumptions:

1. Council adopts a budget that is close to the recommendations I present this evening.
2. The RSU School budget is consistent with the projected increase. Last week the School Committee held their first budget workshop, and we will have a better idea of what will be presented to the voters as they progress through the budget process.
3. The York County Tax Assessment projection stays within proposed amount as we move forward. York County is just beginning their budget process.
4. The proposed Property valuation increase is consistent with the property tax assessment. I have consulted with the Town's Assessor and the proposed valuation is conservative and doesn't take into consideration new construction currently going on in Town, so this number may increase, but we won't know this until after the 2024 budget has been adopted.

The budget is broken into three parts:

❖ Municipal Operating Budget

- ❖ Capital Improvement Budget
- ❖ Non-Property Tax Revenue

Municipal Operating Budget:

The Municipal Operating Budget consists of what is needed to fund the operations of the departments as well as debt service requirements, the Biddeford Saco Old Orchard Beach Transit subsidy, and the Libby Memorial Library appropriation.

The two most significant components are Wages and Benefits and Department Operating Costs:

Wages and Benefits \$12,196,854 increase of 5.8% or \$663,690

This includes 4 collective bargaining agreements, non-union employees, and seasonal and part time employees. The Non-union wage survey completed last year is being implemented in two phases, and the 2nd phase projections are included in the 2024 budget. On the benefits side Health insurance is going up a projected 5%, along with employer retirement costs and tax liabilities. The budget recommendation includes 2 new full time equivalent and converts 2 Fire Per Diem employees to full time firefighters.

Utilities and Fuels \$1,299,850 an increase of 9.3% or \$111,113. There are several factors for this:

- Water utility is increasing as part of the Maine Water rate smoothing mechanism designed to smooth the substantial increase over a 3-year period which will expire July 1, 2023. This was part of

the rate increase for the new Maine Water Facility in Biddeford. The projected increase is approximately \$86,000.

- Electricity utility will see an increase. The current contract with Constellation will expire November 2023, and we are currently looking into securing pricing for the next contract period. We want to do this before the summer months when demand is at a peak and rates increase further. We will not see rates go as low as the last contract at \$0.06 and the projected increase is approximately \$46,000.
- Gasoline and Diesel fuel prices have come down and we are seeing costs savings in this area as compared to last year at this time when the price for a gallon of gasoline was over \$4.00, and diesel topped \$5.00. The projected cost savings over FY 23 is approximately \$20,000.

Contracted Services \$2,569,787 an increase of 5.9% or \$143,248 and we are projecting an increase in the following services:

- Municipal Solid Waste Collection services – The new contract signed June 2022 has an annual increase tied to CPI as it has in the past and this year the increase is 5.2% or \$41,000. The new contract also includes automated collection services and we are currently working with Casella for implementation Fall of 2023. As we get closer there will be public outreach to inform residents of this new change. This is where the trash collection trucks will have

automated arms to grab the trash tote and recycling containers and dump it into the truck. This method is a safer way to collect MSW and is a better use of labor where only 1 employee is required per truck versus 2 – 3 employees per truck. Most communities are moving in this direction.

- The downtown summer seasonal cleaning contract that Council approved at the last Council meeting increased 20% for the first year and 3% for years 2 and 3. This service takes care of all trash removal downtown, Ocean Park Square area and at beach entrances, sidewalk and the downtown square, as well as cleaning and maintaining the Town's public bathrooms during the summer months. (This resulted in an increase of \$55,000.)
- Public Safety Dispatch services through the Town of Scarborough, Legal Counsel Services and IT Contracted Services are also increasing. (approximately \$50,000 in total)

Social Services projection \$891,531 an increase of 12.5% or \$98,831: consists of Libby Memorial Library, BSOOB, Service Agency Contributions, Senior Property Tax Program, and General Assistance.

The budget drivers in this category include:

- Libby Memorial Library appropriation projected increase of \$39,000 or 9.82%
- General Assistance expense projected increase of \$35,000 or 39%, though this increase will be offset by the State's 70% reimbursement of general assistance and this will be noted in the non-property tax revenue projections.

- Senior Property Tax Relief program increase \$25,000 based on last year's eligible applications received. Last year the amount distributed to eligible seniors in Old Orchard Beach totaled \$44,000. Each year Council has approved \$25,000 towards this program however the program is growing more and more each year and in FY 24 the projected budget is \$50,000. To be clear this is a program administered internally and is geared towards those residents age 70 and over. This is not the newly enacted Property Tax Stabilization introduced by the State last year.

Department Operating Costs \$4,921,803 an increase of 7.3% or \$336,000:

The budget drivers in this category include:

- Wastewater Treatment costs are increasing due to Bio Solids disposal costs because of recent legislation enacted relative to PFAS, and the chemicals used to process sludge are also increasing. The projected increase is \$80,000 for next fiscal year.
- Road Salt Price increase \$20,000
- Wastewater Operating Supplies has seen a substantial increase in the chemicals used in processing sludge and the projected increase is \$20,000.
- Debt Service increase of \$181,000 reflects the net increase of issued and proposed debt to fund capital investments. The net increase takes into account general obligation bond and lease

maturities (roughly a reduction of \$158,000), and the proposed capital expenditures to be financed through lease purchase agreements or general obligation bonds (roughly \$330,000). By financing capital expenditures with tax exempt bonds or leases it provides a way to spread the expense over a period of time equal to or less than the expected life of the investment.

The Gross Municipal Operating Budget \$21,879,825 or an increase of 6.6%

This next slide shows the breakdown of the municipal operating budget as a whole with

Wages and Benefits making up 56%

Dept Operating Costs making up 22%

Contracted Services making up 12%

Utilities and Fuels at 6% and

Social Services at 4%

Next component is Capital Improvements

Capital Improvement funds improvements beyond the day-to-day municipal operations. Expenditures using capital funds will have a useful life of 10 years or more, and will generally be more than \$20,000, but there are times when the price may be lower especially with equipment. Capital funds are also used for infrastructure improvements like roads, sidewalks, sewer, stormwater and building construction.

The capital improvement budget projection is \$2,992,946 an increase of 4.6% over last year or \$132,446. This amount may change as we go through budget workshops, but it provides a level of investment in the Town's infrastructure that address priorities at a conservative level. At this time the Finance Committee have met with each department, and they are finalizing their 2024 recommendations that will be presented to Council.

The capital improvement funds include the following departments:

- Administration
- Recreation
- Public Safety
- Wastewater Facility
- Public Works

Administration capital improvements budget includes Town Hall, Harmon Museum and IT infrastructure improvements. The total amount requested is \$540,500 (increase is \$227,500).

The capital projects for consideration include upgrades to Public Bathrooms, Phase 2 of the Town hall security upgrades, Harmon Museum driveway and walkway upgrades, IT infrastructure upgrades and the annual appropriation for Building Reserve account.

Recreation capital improvements budget request is \$347,000 (increase of \$86,471), and includes continuation of appropriating funds for energy efficient LED lighting (this is year 2), Security system Improvements (the same camera system that will be monitored by PD), Stadium repairs,

skate park improvement that includes landscaping and a retention wall, and pickleball court improvements at the Loranger School tennis courts.

Public Safety capital improvements budget consists of requests for the Fire Dept and Police Dept and totals 280,475 (a decrease of \$91,525 over the current year's CIP budget) and includes firefighter turnout gear, fire safety equipment, Police Vehicle and portable radio replacements for both Fire and Police.

Wastewater capital improvements request is \$40,000 for equipment replacement for the facility (compressor), a decrease of \$75,000.

Public Works capital improvements request is \$1,785,000 (slight decrease over last year of \$15,000), for the Town's infrastructure improvements that include sidewalks, sewer lines, stormwater and drainage, road paving, facility improvements and capital operating equipment.

The Town investment in capital improvements over the last 5 years shows a 75% increase from 2019 through the proposed capital budget for 2024.

Non-Property Tax Revenues. This classification of revenue includes all other funding sources that help to offset what is funded through property taxes.

The sources of non-property tax revenues include:

General Govt Revenue projected at \$4,158,300 an increase of \$142,823 or 3.6%

- Motor Vehicle Excise Taxes,
- Investment Income
- State Revenue Sharing
- Homestead Exemption
- Interest on delinquent taxes

The budget driver for this projected increase is because of motor vehicle excise revenue based on year-to-date actuals as compared to the same time last year. FY 22 year to date was 1.9 million. The other budget driver is investment income because of Federal Reserve interest rate hikes.

Licenses/Permits and Fees projected at \$758,500 an increase of \$50,000 or 7.1%

- Building, Electrical and Plumbing permits
- Business Licenses

The projected increase stems from business licensing and the increase in the fee approved last year.

Public Safety Permits and Fees projected at \$840,000 an increase of \$125,000 or 17.5%

- Parking Meters
- Parking Fines
- Parking Permit fees

The reason for this increase is because of parking meters and the year to date actuals as compared to the same time last year, which relates to the increase in the hourly meter rate approved by Council in FY 22.

Intergovernmental Fees projected at \$189,500 with an increase of \$24,500

- Reimbursement for general assistance
- State Local Road Assistance Reimbursement
- And other Misc State Reimbursements (BETE)

The increase is solely based on the increase in the projected general assistance reimbursement from the State, which is based on the increased expenditures. The Town receives 70% reimbursement for all general assistance provided, therefore the higher the projected expense the higher the amount of reimbursement.

Other funding sources is flat over last year at \$1,101,000

- use of revenue generated from the Town's EMS services reimbursements,
- use of the general government unassigned fund balance.

The overall increase proposed is 5.2% or \$342,323

this shows as a % the different categories of non-property tax revenues:

- General Government makes up the majority at 60%
- Other Funding Sources makes up 14%
- Public Safety Fees makes up 12%

- License and permits make up 11%
- Intergovernmental Revenues make up 3%

This graph shows the increase in non-property tax revenues over the past 5 years. Which reflects an increase of over 35% since 2019.

The breakdown of the Property Tax Bill as a % which consists of

- ❖ Municipal Operating Budget projected at \$15,053,841 represents 46% of the Tax bill . This is the gross municipal operating budget less the total projected non-property tax revenue.
- ❖ Capital Improvements Budget projected at \$2,992,946 represents 9%.
- ❖ Education Appropriation projected at \$14,029,050 represents 42%
- ❖ County Tax Assessment \$1,012,260 represents 3%.

The preliminary combined tax levy consists of:

- ❖ The Municipal Budget – which is the Gross Operating Municipal Budget, plus Capital Improvements Budget less non-property tax revenue increased 5% or \$8,59,569.
- ❖ The projected School Budget at \$14,029,050 increases 5% or \$668,050
- ❖ The projected County Assessment at \$1,012,260 increases 4.95 or \$47,260

This makes up the municipal commitment funded by property taxes.

The property tax valuation as I mentioned at the beginning of the presentation is based on a conservative increase of \$25,746,000 or 1%. From discussions with the Town's Assessor this conservative view does not take into consideration new construction or new growth currently going on in Town, so this number may increase, but we won't know the increase until after the 2024 budget has been adopted.

The proposed increase in property valuations and proposed budget assumptions would result in a mil rate of \$12.72 which is an increase of 3.92% or .48 per \$1000 of assessed value.

This next slide lays out the next steps in the budget adoption process. I provide Council with the workshop dates for the months of April and May with the goal of adopting the FY 24 budget at the June 6th meeting.

I would like to thank Finance Director Jordan Miles for his assistance getting to this point and his continued help for the work that lies ahead. I would also like to thank all department heads for their efforts and hard work developing the FY 2024 budget.

Respectfully,
Diana H. Asanza,
Town Manager