



April 1, 2024

To: Honorable Members of the Town Council

From: Diana H. Asanza, Town Manager

FY 2025 Initial Budget Presentation

I respectfully submit the FY 2025 proposed budget recommendations for the municipal general fund and capital fund budgets. The budget presentation is an overview of each department's operating and capital needs, with the goal of continuing municipal service improvements and capital improvements. It also includes an overview of the projections for non-property tax revenue that will help reduce the burden of funding budgets through property taxes.

Over the past 12 months, inflation leveled off at slightly over 3.0%, as of February 2024, and last year, at this same time, it was still hovering around 6%. Even though inflation is lower the cost of goods is only gradually changing.

We continue to face challenges of attracting and retaining qualified personnel due to the continued tight labor market, however over the last two years with Council's support; we have made significant strides with investments in personnel by implementing the 2022 non-union wage study and successfully negotiating union contracts that more accurately reflect the current market.

The proposed budget considers this trend with investments in current personnel. However, there are no increases in the current level of full-time staff.

Progress in Capital Projects:

Before discussing the FY 25 municipal budget proposal, I would like to review a few projects and initiatives that have occurred this past year.

There has been positive movement on infrastructure and capital improvements, and this was evident in FY 24 when the Council approved \$1,000,000 from the unassigned general fund balance to use towards road improvements, in addition to over \$3,000,000 appropriated in the CIP fund.

For road improvements, after research and analysis there are seven roads that were identified in poor condition. We are working on the design specs and this project is scheduled to go out to bid this spring. The roads include portions of:

- Temple Ave
- Reggio Ave
- Williams St
- Wilbur Ave
- Harmon Ave
- Murphy Ave
- Michaud Ave

In addition, to these road improvements, the following capital projects are currently under construction or going through design and engineering:

- New Salt Road reconstruction, damaged in the storm of December 2022, is currently under construction.
- Wastewater Treatment Plant Upgrade Project – the contract was awarded recently, and at the regular Council meeting tomorrow, a presentation is scheduled to discuss the additional funding needs because of the increase in construction costs.
- Work continues on the concept plans for the Halfway Extended feasibility traffic study, and a public meeting is scheduled for May/June timeframe. This project is in partnership with ME DOT, and

the City of Saco. It includes the I-195 spur, Ocean Park Rd to the Halfway intersection.

- Engineering and design are 75% complete for the Saco Ave., MacArthur Ave., and Goodwin Ave. sewer replacement project. Construction is scheduled to begin in August on the side roads and Saco Ave. will begin after Labor Day.
- Union Ave road improvements from W. Grand Ave. to Saco Ave. is a project in partnership with ME DOT and PACTS and is currently under design and engineering.
- Ballpark LED lighting has been completed in the parking lot, and paving of the roadway entrance to the Recreation Community Building will be going out to bid soon.
- W. Grand Ave Bathroom renovation and improvements are in the design and engineering phase. They should go out to bid later in the summer, and construction should begin this fall.
- Memorial Park Improvements are in the concept design phase, and the Park Committee will soon hold a workshop to present the draft plans to the Council.
- We are also taking an active role in climate resiliency by contracting with Wright Pierce to assess the function of the tide gate, evaluating the current water-carrying capacity of salt marshes, and conducting an energy audit of municipal buildings to assess energy efficiency measures. This effort is possible through two state grant awards.

Budget Process:

It is helpful to know that the budget process starts six months before the start of the new fiscal year, according to the Charter (Section 702), which means we begin this process in December. The Council provides budget

guidance and expectations at that time, but it is subject to change throughout the budget process as we work through budget workshops. For the FY 25 municipal budget, the Council's guidance was to develop a budget with minimal impact on taxpayers that reflects level services.

The mil rate is an important factor that reflects the taxes or revenue required for municipal essential services and capital improvements plus school and County Tax appropriations. From April 1st, the Assessor will start work to ensure all properties are valued equitably according to fair market value. Therefore, the budget presented this evening as the first draft is based on the property value assessment at this time which is subject to change.

It is also worth noting that over the last three months, I have met with each department several times to review current and prior year expense accounts to understand better their budget request priorities, challenges, and opportunities. It has always been my practice to review each account to justify budget requests.

Capital Improvements:

Part of the budget process is reviewing the capital improvements program according to the Charter (Section 710). The Finance Committee serves as the CIP Review Committee and is responsible for reviewing capital improvement budget requests in consultation with the Town Manager. The Finance Committee and I have met with each department as they presented their capital improvement requests for FY 25, and tonight's budget does not reflect the Finance Committee's recommendations since they are still working to finalize their recommendations for Council, which they should complete by mid-April, and that is the regular schedule. The capital budget I am proposing this evening considers department priorities that will meet the Council's budget guidance. It is important to note that this is a starting point for the Council's consideration, and as we move through the budget process, this may change.

PowerPoint Presentation:

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

1. The council adopts a budget close to the recommendations I present this evening.
2. The RSU School budget is consistent with the projected increase. We will better understand what will be presented to the voters as they progress through the budget process, but this reflects the most recent conversation with school administration.
3. The York County Tax Assessment projection stays within the proposed amount as we move forward.
4. As mentioned earlier, the Property valuation that has been proposed is based on consultation with the Town's Assessor and takes into account the current new growth and current fair market property values. However, it's important to note that the Assessor will complete her work after the FY 25 budget has been adopted, so this is an estimation at this time.

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 Municipal Operating budget includes Wages and Benefits, Utilities and Fuel, Contracted Services, Social Services and Department Operating Costs:

Wages and Benefits is proposed at \$13,530,945 increase of 8.5% or \$1,055,439

The increase is a result of settling the Fire Dept and Police Dept contract in this fiscal year, non-union COLA increase and bringing seasonal Police reserve, Fire Dept per diem and lifeguard employees in line with the current market. This year there will also be an increase in election wages due to the increase in personnel needed for the upcoming elections in 2024. The Non-union wage survey was implemented last year with current market adjustments and this year a 4% COLA increase is projected. On the benefits side Health insurance is projected at a 5% increase over last year, and retirement projected costs are going up 20% over last year due to the union contract renewals and non-union COLA increase.

Utilities and Fuels \$1,289,532 decrease of (1.0)% or (\$13,093.00)

There are several reasons for the net decrease in utilities:

- First is a projected savings on networking expenses of approximately (\$14,000) which is a result of one-time expenses in the current fiscal year to install fiber network for security cameras and modem under the Police Dept budget and moving Public Works fleet management trackers to a new subscriber under service contracts.
- Electricity costs are also decreasing by approximately (\$28,500) based on the change to LED lighting upgrades in municipal buildings as well as the benefit of LED streetlights. In addition, we will begin to see energy savings as a result of the net energy billing credit agreement the Town signed with Encore Renewable Energy

solar farm and as of February 2024 it is up and running producing solar energy.

- Water utility rates are increasing as part of the Maine Water rate and hydrant increase in the amount of \$26,000. The projected increase per Maine Water is 8.3% and the hydrant water expense is increasing 7%.

Contracted Services \$2,790,787 an increase of 3.4% or \$92,385

- The primary reason for the increase is attributed to the new Scarborough Dispatch System that is currently being implemented. It is an increase of \$95,000 for FY 25. PD is currently working with Scarborough Public Safety on the project development and implementation and it is scheduled to go live in the new fiscal year.

Social Services projection \$1,106,841 an increase of 10.2% or \$102,310:

This category 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 \$20,300 or 5.00%
- General Assistance increase projected at \$50,000 or 20%, is based on prior year and current year to date expenses. There has been an increase in general assistance requests for eligible applicants. The recent legislation LD 1732 enacted in March 2024 is still waiting for the Governor's signature, therefore an effective date has not been determined. It does not change the current 70% reimbursement rate, but it does change how the program is managed on the

municipal level which will require training for GA administrators on a new database tracking system, as well as providing more support for individuals and families in need.

- Biddeford Saco Old Orchard Beach Transit System projected increase of \$30,000 or 12%.

Department Operating Costs \$4,874,360 an increase of 0.4% or \$20,457:

Department Operating Budgets are level funded with no new programs and with an increase under 1% it is worth noting that there are increases in several budgets that are offset by decreases in others. The budget drivers in this category include:

- A projected reduction in the Wastewater Treatment costs for Bio Solids disposal. This was a major challenge for wastewater treatment plants in Maine last year going into the FY 24 budget year, because of the PFAS legislation and the restrictions it created for bio-solid disposal. The projected disposal cost per ton going into FY 24 was \$240 per ton, however the actual per ton cost for disposal has averaged \$190.00 per ton. The projected costs for FY 25 are more in line with actuals and a decrease in the budget of approximately (\$65,000). In addition, there is a decrease in the chemicals used by Wastewater to process sludge that results in a decrease of (\$14,800).
- Wastewater Equipment Replacement account projecting a decrease of (\$9,000) based on one time purchase in this fiscal year as opposed to the projected purchases in FY 25.
- The Tax Abatement account decrease of (\$20,000) is based on YTD and prior YTD actual expenses.

- Debt Service increase of \$112,650 reflects the net increase of issued and proposed debt to fund capital investments. The net increase considers general obligation bond and lease maturities. 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.
- Clothing Allowance increase in the amount of \$13,000 is for Public Safety. Fire Department is requesting clothing for per diem firefighters, and the Police Department is requesting clothing for three police officers as well as the purchase of waterproof boots based on the recent storm events.
- Projecting a 2% increase in General Liability insurance in the amount of \$5,000.

The Gross Municipal Operating Budget \$23,592,465, an increase of 5.6% or \$1,257,498.00

The breakdown of the municipal operating budget as a whole is as follows:

- Wages and Benefits making up 57%
- Dept Operating Costs making up 21%
- Contracted Services making up 12%
- Utilities and Fuels at 5% and
- Social Services at 5%

Capital Improvements Program

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. Capital funds are also used for infrastructure improvements like roads, sidewalks, sewer, stormwater improvements and building construction.

The capital improvement budget projection is \$3,145,000 a decrease of 2.4% over last year or (\$78,046). This amount may change as we go through budget workshops, but the proposed budget is in line with Council guidance. At this time the Finance Committee has met with each department, and they are finalizing their 2024 recommendations that will be presented to Council this month.

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 \$607,054 (increase is \$66,554) or 12.3%.

The capital projects for consideration include Town Hall HVAC replacement, IT workstation replacement and infrastructure upgrades, Harmon Museum improvements to replace the siding and the annual appropriation for Building Reserve account.

- Recreation capital improvements budget request is \$400,680 (increase of \$53,709) or 15.5%, and includes Ballpark parking lot improvements, continuation of appropriating funds for energy efficient LED ballfield lighting (this is year 3 of the appropriation),

Ballpark Stadium repairs as recommended by the engineers, and the purchase of a piece of equipment for ballfield maintenance.

- Public Safety capital improvements budget consists of requests for the Fire Dept and Police Dept and totals \$562,266 (an increase of \$241,691) or 75%, and includes:
 - Firefighter turnout gear
 - Fire safety equipment such as hose replacement, and SCBA air packs,
 - A new turnout gear dryer,
 - Fire Dept roof replacement, and drain repairs in the facility
 - Police Vehicle plus equipment, and CCTV security camera upgrade, and the Watchguard body and vehicle camera system server upgrade and data migration.

- Wastewater capital improvements request is \$70,000, and increase of \$30,000, for Tide Gate flapper replacement.

- Public Works capital improvements request is \$1,505,000 (a decrease of \$470,000), or 24% for the Town's infrastructure improvements that include sidewalks, sewer lines, stormwater and drainage, road paving, facility improvements and capital operating equipment. The decrease in FY 25 is based on the additional funding Council approved in this current fiscal year from the unassigned fund balance and the number of capital projects occurring at this time.

The Town's investment over the last 5 years is an 84% increase from 2020 through the proposed capital budget for 2025.

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

The total projection for non-property tax revenue is \$7,447,800, and the breakdown is as follows:

- General Govt Revenue projected at \$4,329,300 an increase of \$171,000 or 4.1%, and includes:
 - 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, and investment income. The total MV excise tax collected in FY 23 was \$2 Million. The other budget driver is investment income based on the favorable interest rates on investment. The current year to date is \$190,000 through February.

- Licenses/Permits and Fees projected at \$818,500 an increase of \$60,000 or 7.91%
 - Building permits
 - Business Licenses

The projected increase is based on YTD and prior YTD actuals.

- Public Safety Permits and Fees projected at \$976,000 an increase of \$136,000 or 16.2%
 - Parking Meters
 - Parking Fines

- Parking Permit fees

The budget driver for the increase is due to parking meter revenue based on the year-to-date actuals as compared to the same time last year. Even with the changes to parking on Old Orchard Street which allows free 30 min parking, the FY 25 revenue projection of \$675,000 is a conservative amount based on the current FY 24 year to date amount of \$708,000. We may have an opportunity to increase the amount as we go through the budget process.

- Intergovernmental Fees projected at \$314,000 with an increase of \$37,000 or 13.4%
 - Increase in the GA Reimbursement based on the projected expenditures.
 - Slight increase in State Local Road Assistance Reimbursement

The revenue increase in Intergovernmental Fees is primarily because of 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, projected at \$500,000.
 - Use of the general government unassigned fund balance projected at \$500,000.

The overall non property tax revenue increase proposed is 5.7% or \$404,000.

The categories that make up the non-property tax revenues as a % overall are as follows:

- General Government makes up the majority at 58%
- Other Funding Sources makes up 14%
- Public Safety Fees makes up 13%
- License and permits make up 11%
- Intergovernmental Revenues make up 4%

The increase in non-property tax revenues over the past 5 years through the projected budget for FY 25 reflects an increase of over 45% since 2020.

The following is a breakdown of the Property Tax Bill as a % to the total and the categories include:

- Municipal Operating Budget proposal at \$16,303,481 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 \$3,145,000 represents 9%.
- Education Appropriation projected at \$14,595,000 represents 42%.
- County Tax Assessment \$1,101,100 represents 3%.

Next, I will review the preliminary combined tax levy and each category:

- The Municipal Budget – which is the Gross Operating Municipal Budget, plus Capital Improvements Budget less non-property tax revenue at \$19,448,481 increased 3.3% or \$620,857.
- The projected School Budget at \$14,663,422 increases 5.5% or \$764,444
- The projected County Assessment at \$1,101,100 which is an increase of 7.73% or \$79,006.

This makes up the municipal commitment funded by property taxes as proposed.

The property tax valuation as I mentioned at the beginning of the presentation is based on a conservative increase of \$148,000,000 or 5%, and this is based on discussions with the Town's Assessor. It is a conservative view and takes into account preliminary numbers for new growth currently going on in Town, and fair market value adjustment based on recent sales. The tax valuation commitment will not be finalized till after the budget is adopted which means this valuation increase projection will most likely change.

The proposed budget assumptions and the proposed increase in property valuations would result in a mil rate of \$11.33 which is a decrease of 0.07 per \$1000 of assessed value. Keep in mind that some property values have increased over the last year, so a reduction in the mil rate doesn't translate to a lower tax bill. If your property value remains the same, you may see a slight decrease.

The next steps in the budget adoption process will include Budget Workshops and will occur over the next two months. The goal is to adopt the FY 25 budget by the June 4th Council Meeting. The FY 25 Town Manager proposed budget will be posted on the Town's website, and the budget workshop schedules will also be posted on the Town's website.

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 2025 budget.

Thank you,
Diana H. Asanza,
Town Manager