

TOWN OF KENNEBUNKPORT

February 26, 2015

TO: Members of the Board of Selectmen and the Budget Board

FROM: Laurie Smith, Town Manager

INTRODUCTION TO THE FY16 BUDGET

The FY16 budget proposal maintains the level of municipal services to residents and property owners, while beginning a succession plan as we experience the transition of Department Directors who are entering retirement. The operating budget of \$6.48 million increased by \$128,684, or 2.02 %. The majority of this increase is related to salary and benefit increases, along with a \$20,000 expense for the local circuit breaker program.

The Capital Outlay budget is down approximately \$174,000 or 11.5% due to the onetime Government Wharf dredging project, which was authorized in November of 2014 using a transfer of undesignated funds. Once we remove the \$200,000 project from the equation, the capital fund presents an increase of just under 2%, or \$26,109.

Non-property tax revenues are experiencing a 16% decrease; however, half of this is due to the one-time transfer of \$200,000 from the undesignated fund for the Government Wharf dredging project, which occurred in FY 15. The second half of the decrease is due to the elimination of our credit with Maine State Retirement. The Town had been using the credit to pay the employer portion of retirement costs. This credit equated to about \$210,000 per year. The Treasurer and I have estimated that the credit's balance will be at \$10,000 by July 1. This results in a \$200,000 loss in revenues for FY 16.

On the operating side of the budget, there are several noteworthy items:

- Succession planning is a big part of the 2016 budget. The Town is beginning to see a transition in Department Directors as long serving employees begin to phase in retirement plans. The Administration budget includes an additional month of wages and benefits for the transition of a new Town Clerk in June of 2016. The Public Health department will be restructured to allow for an additional 5 hours per week as well as the position of Deputy Director to begin the training of a new Director of Public Health. The Mechanics budget has been funded for a full-time mechanic, as our current Mechanic will be retiring at the end of FY 15.

- The local circuit breaker program has been renewed, and a new expenditure of \$20,000 will allow the program to continue as in past years.
- Retirement costs have increased approximately \$20,000 due to the change in employer rates for Maine State Retirement. Due to fluctuations in the market in the last decade as well as the longer life of retirees, the system has increased the employer share by 1.1%. Employee cost shares have increased as well.
- Contractual services in both IT and janitorial will be examined in the coming year. Some additional funds have been included in both of these categories. Our IT services are currently on an as-needed basis through a contract with the County. The Town needs to move to a more proactive model that will safeguard its investment in various programs as well as maintain security in its networks. Janitorial services will be bid in the coming months to obtain a contract that will meet the Town's summer schedule at Dock Square restrooms while also ensuring a year round maintenance approach to facilities such as the Town Office, Meeting Rooms, and Police Department.
- The Planning and Development budget is down about (\$20,000). This is in part due to a reduction in health insurance costs, related to employee actual participation. The second part of the equation is the reduction of funding necessary for the FEMA flood mapping process.
- The Highway budget has increased approximately \$21,000+. The request includes additional funding for overtime as the budget was woefully underfunded in past years. The increase is also due to health insurance costs related to actual employee participation.
- The contingency account is up 91.24% or a little over \$54,000. Our union contract will expire on June 30, 2015. Reserves for salaries as well as the potential impact on retirement and FICA have been budgeted town wide in the contingency account. Funds will be released from this account to the various departments upon final agreement with the union.

The Capital Outlay budget is fairly flat in comparison to FY 15. Approximately half of the request is planned on road and sidewalk improvements. The facts are that asphalt is petroleum based, and the dramatic increase in oil prices over many years, means that significantly more dollars are required to keep roads in good repair.

As a result, the municipal portion of the tax rate, after accounting for non-property tax revenues, is projected to increase 1.27%, resulting in a 4-cent increase to the municipal tax rate.

The current commitment worksheet for FY16 includes an estimated increase of 3% for the County, based on changes in valuation, and a 4% increase for education. Neither of these numbers have been confirmed at this time; however, they are adequate placeholders until we receive additional information.

I look forward to working with each of you in the weeks ahead.