

# City of Sanford



**From the Desk of  
Steven R. Buck  
City Manager**



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## Memo

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To: City Council

Subject: **Budget Review FY 20-21 Council Workshop 2-18-2020**

Date: February 18, 2020

This Narrative accompanies the materials sent and being presented to the City Council in Workshop on February 18, 2020. The Memo will provide an overview summary of the major areas of change in the pending Budget Year and provide a basis of comment and direction from which the Council may work.

The Manager Budget Recommendation stems from a line by line review of the Expense, Revenue, and Capital Program with the requisite Department Manager, Finance Director, and Treasurer with a goal to align the FT 20/21 Budget as closely to the Multi-Year Budget Projections as possible used to match the City's ability to pay against multi-year increases in debt service for roads, schools, parks and recreation, and planned growth of operations.

### **Base Assumptions:**

- **City Operational and CIP Budget sustainable growth rates are 4% per annum**
  - City currently at 5.64% before separation of voted amendments a difference of \$435,262 compared to the 4% target
  - CIP is currently \$26,960 over after separating the Inc. Parks & Rec CIP
- **School Operational and CIP Budget sustainable growth rates are 4% per annum**
- **City and School Non-Property Tax Revenue growth rates of 3% per annum**
- City currently at 4.36% before performance increase to Rev Sharing a positive variation of \$164,486 above the 3% target
- **Municipal Valuation growth rate of 4.73% per annum**
  - Current ultra-conservative projections by the Assessing Dept. indicates a positive growth net of Homestead Exemption Increases is \$50,000,000 or 3.32%\*
  - \*This does not yet have estimates for increased Personal Property
- **Major Project Est. of Airport Solar added as \$52.337 M valuation as personnel property depreciating at 3.33% per annum under a Tax Increment Finance District with a cap at \$10K/MgW for first 20 years to be used to offset future programed Debt Service.**
  - Project via TIF District will not have full valuation until FY21-22 – Estimates of \$40,000 New Taxation from partial construction will be used to offset Debt Service for Snow Removal Equipment Building

## Expense Budget:

Departmental Request	\$29,308,178
Delta from Prior Year	\$ 2,719,004
Percent Change	10.2%

Manager Amended Budget	\$28,088,003
Reduction from Department's	\$ 1,220,175
Delta from Prior Year	\$ 1,498,829
Percent Change	5.64%

### Expense Budget Summary as current:

#### Contractual Wage Increase with Overtime \$429,929

- Elimination of Part Time Grant Writer
  - Elimination of a Police Officer
  - Elimination of 2 Dispatchers
  - Reduced Call Firefighters by \$11,000
  - Cut Sign Foreman
  - Cut Sign Helper
  - No Two new Firefighter Paramedics positions
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- General Services – contract expires June 30, 2021 – budget 3% as negotiated
  - Sanford Regional Communications – contract expires June 30, 2022 – budget 2.5% as negotiated
  - Sanford Police Association – contract expires June 30, 2020 – budget 3%
  - Public Works/Highway Local 481 – contract expires June 30, 2021 – budget 3% as negotiated
  - Fire Department Local 1624 – contract expires June 30, 2020 – budget 3%
  - Management/Personnel Policies – budget 3% (this based on the CPI-W average for the previous calendar year)

**Contract Services** increased by \$136,623 for Plowing on the Eastside due to Staff shortages

#### Employee Benefits and Insurances increased by \$717,989

▪ Social Security increase	\$ 87,954
▪ Health Insurance increase	\$323,533 10% increase to POS200
▪ Retirement Programs increase	\$ 1,456
▪ Group Life decrease	\$ 312
▪ Unemployment decrease	\$ 7,816
▪ Income Protection increase	\$ 15,384
▪ Workers Compensation increase	\$143,756
▪ <u>MEPERS increase</u>	<u>\$154,034</u>
Employee Benefits & Insurance increase	\$717,989

**Debt Service** – Increased by \$166,729 as the first year Interest only for the Road Bond of \$6.2M

**Capital Plan** increased by \$524,749

City compared to targeted 4% less School – City is \$351,960 above the target

Less the \$325,000 for Parks and Rec - \$26,960 above 4% target

**All Other Expenses** – increased by \$47,496 including a \$40,000 retirement buyout fund in anticipation of an inordinate number of retirements in FT 20/21

**Increased Municipal Commitment Operations and CIP** \$1,497,401 before Revenue reductions

### Changes in Municipal Operations

Expense Classification	2018/2019 Actual	2019/2020 Revised Budget	2020/2021 Proposed Budget	Variance (20/21 vs. 19/20)
Salaries	\$11,613,993	\$12,770,589	\$13,200,518	\$429,929
EE Benefits & Insurance	\$5,490,075	\$5,832,770	\$6,550,759	\$717,989
Petroleum Fuels	\$283,524	\$395,592	\$364,207	-\$31,385
Electricity, Water & Sewer	\$325,965	\$361,684	\$266,284	-\$95,400
Hydrants	\$666,697	\$683,364	\$683,364	\$0.00
Debt Service	<u>\$694,276</u>	<u>\$1,020,941</u>	<u>\$1,187,733</u>	<u>\$166,792</u>
Total Operational Expenses	\$19,074,530	\$21,064,940	\$22,252,865	\$1,187,925

### Changes in Mandated Municipal Operations

Expense Classification	2018/2019 Actual	2019/2020 Revised Budget	2020/2021 Proposed Budget	Variance (20/21 vs. 19/20)
General Government	\$2,301,610	\$2,447,151	\$2,563,048	\$115,897
General Assistance & Health Officer	\$241,650	\$243,741	\$249,671	\$5,930
Fire Department	\$3,676,943	\$3,837,135	\$3,972,854	\$135,719
Police Department & Crossing Guards	\$3,323,139	\$3,592,958	\$3,802,003	\$209,045
Sanford Regional Communications	\$1,677,003	\$1,916,266	\$1,890,853	-\$25,413
Public Works Department	\$2,324,467	\$2,417,037	\$2,623,540	\$206,503
Environmental Services	\$1,345,417	\$1,687,956	\$1,664,757	-\$23,199
Public Protection	\$850,565	\$875,364	\$780,364	-\$95,000
Mandated Properties	<u>\$701,578</u>	<u>\$736,869</u>	<u>\$753,338</u>	<u>\$16,469</u>
Total Mandated Expenses	\$16,442,372	\$17,754,477	\$18,300,428	\$545,951

**Municipal Non-Property Tax Revenue:**

**Revenue increased** by \$526,177 or 4.36% over prior year

**Summary of Major Changes:**

Automobile Excise Tax	\$200,000
Tax Interest and Penalties	(\$12,000)
Revenue Sharing from 3 to 3.75%	\$155,677
Debt Service Reimbursement (Airport Proj.)	\$54,599
Investment Income	\$60,000
PILOT Agreements	\$9,000
Ambulance Fees – Inc. Maine Care Reimb.	\$55,876
Waste Transfer Fees and Revenues	(\$84,004)
Recreation Fees	\$25,000
Local Roads Assistance (URIP)	\$7,000
Cable TV Franchise Fees	(\$10,000)
Private Hanger Leases	\$6,524
Solar Lease	\$50,000
Building Permit Fees	(\$50,750)
Licenses and Fees	(\$48,153)
Dispatch Fees	\$39,849
MDEA Reimbursement	\$78,379
<b>Net Change of Total Revenue</b>	<b>\$563,997</b>
<b>Estimated Increase Revenue Total</b>	<b>\$526,177</b>

**Tax Rate Calculation (Estimate City Only)**

**Valuation –**

- Homestead Valuation increased from \$20,000 at 62.5% to \$25,000 at 70% State Reimbursement
- The recent State Checks at \$104 per stemming from the current Budget Surplus has prompted over 250 new applications for Homestead Exemptions in Sanford
- Homestead Exempt Property Value will rise to \$19,137,050
- Current Net Increase in Real Property Value is very conservatively Estimated at \$50,000,000 at this writing
- No increase for Personal Property as it has yet to be Estimated

**Result: Estimated Increase in Property Valuation a minimum of \$50.0 M or 3.32%**

**County Tax:** Estimated as no change as Sanford grows more slowly than other York County municipalities in valuation as well as an aggressive TIF Program typically negates the County’s anticipated 3-4% increase in assessment.

**Municipal Services -**

Increased by \$1,333,037 or 5.35%

Libraries – no change at \$561,975

Outside Agencies – reduction of \$1,000 Sanford/Springvale Firefighters Insurances

Debt Service – increased by \$166,792 for the interest payment on the Roads Bond

**Net Increase Municipal Services - \$1,498,829 or 5.64%**

**Capital Reserve Program:**

Charter Requires 4% of prior year's City and School Operational Budgets less their combined CIP – **Calculated to be \$3,238,502**

City Portion Less Schools at \$322,025 would be **\$2,916,477 as a target**

Municipal Request at \$3,268,437

Less Parks and Recreation at \$325,000 as Council supported increased effort

City Increase as \$3,268,437 - \$325,000 = **\$2,943,437 or \$26,960 above target**

**Total Appropriations (before Schools) –**

**\$86,111,353** (holds School at last year for comparison) **increase of \$2,023,578 or 2.41%**

**Municipal Revenue (Non-Property Tax) –**

- Revenue Sharing \$2,069,140 increase of \$155,677 or 8.14% – assumed to increase further given State's increased performing revenues
- Other Municipal Revenue \$10,513,416 increase of \$370,500 or 3.65%

**Total Municipal Revenue \$12,582,556 increase of \$526,177 or 4.36%**

**Municipal Impacts ONLY (Holds Schools at Last Year)**

**Municipal Net Commitment Change \$1,497,401 or 4.67%**

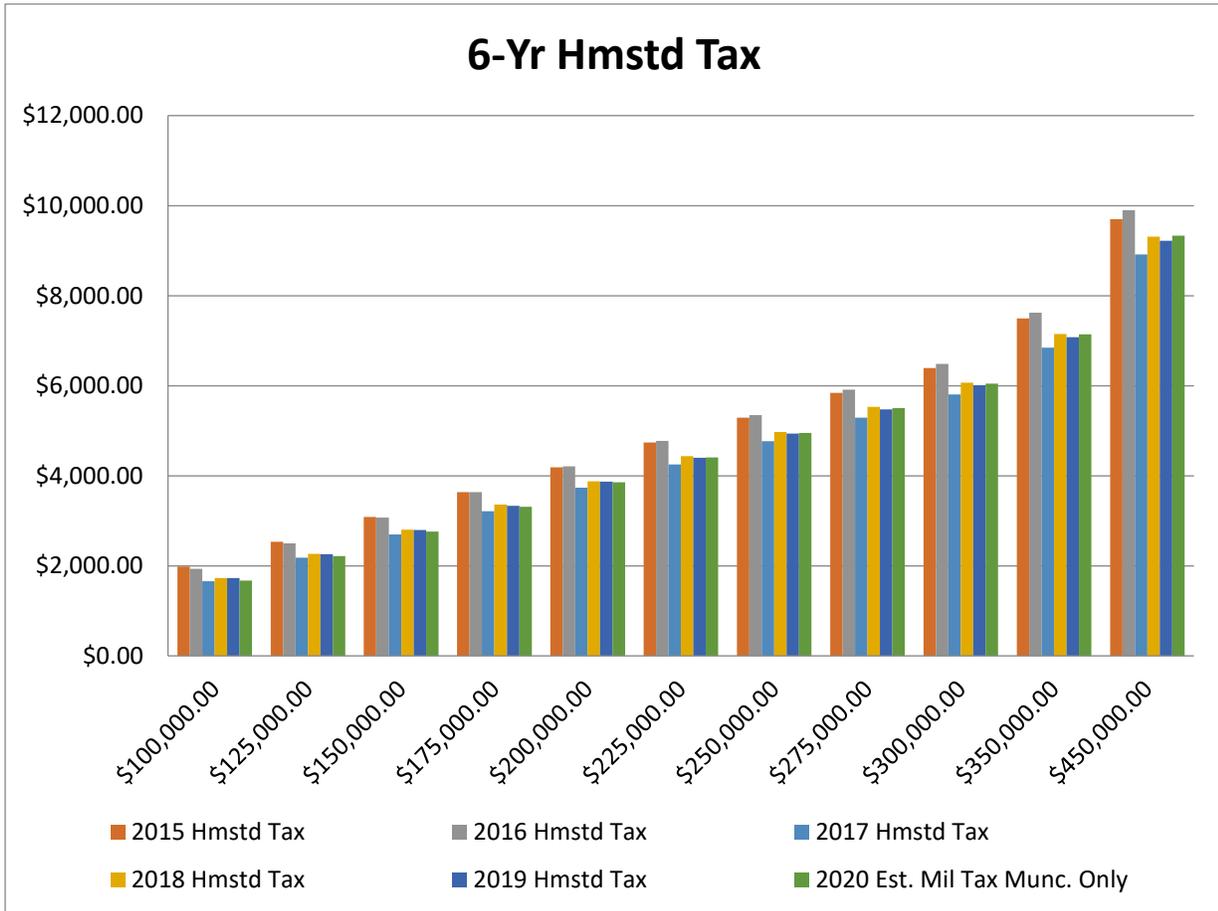
**Change to Minimum Mil Rate \$0.43/\$1,000 or 2.04%**

**Net Est. Mil Rate Impact Less Deductions \$0.16/\$1,000 or .77%**

**Estimated Homestead Exempt Property Tax Impacts (Municipal changes ONLY)**

Assumptions:

- 5% Increase in Residential Property Value on Homestead Qualified Properties
- Uses the Estimated Mil Rate per Municipal Impacts as being \$20.86/\$1000
- Uses a Net \$50.0 M in Real Property Tax Value – Personal Property Value Pending
- Applies the 5% increase on Valuation and then the Increased Homestead Value of \$25,000 – was \$20,000 last year



**Examination of the Estimated Dollar Change from Prior Year (Municipal Impacts Only)**

Assumptions:

- 5% Increase in Residential Property Value on Homestead Qualified Properties
- Uses the Estimated Mil Rate per Municipal Impacts as being \$20.86/\$1000
- Uses a Net \$50.0 M in Real Property Tax Value – Personal Property Value Pending
- Applies the 5% increase on Valuation and then the Increased Homestead Value of \$25,000 – was \$20,000 last year

