



Town of Damariscotta

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February 28, 2020

Board of Selectmen
Budget Committee
Town of Damariscotta

RE: Transmittal Message for Town Manager Recommended Budget

Selectmen and Budget Committee Members:

Attached for your review is the Town Manager's recommended Town Budget for Fiscal Year 2021 (July 1, 2020 to June 30, 2021). Town Treasurer Cheryl Pinkham and I along with the Town department heads have worked to present a budget that will result in no change in the mil rate for Town Government. In the current year, 30.5 percent of the property tax goes to fund Town services, 60.7 percent is spent on primary and secondary education and 8.8 percent pays for Damariscotta's share of County services. The total property tax mil rate for FY 20 is 16.1.

You will see that the overall recommended budget increase is 1.33 percent over the FY 2020 Budget including the overlay approved at Tax Commitment. Due to increase in revenue from other sources, the revenue that will be needed from property tax is not projected to increase. Another reason for the relatively low recommended increase is the higher amount that was set aside in the overlay during last year's tax commitment.

The only portion of the education budget included in the Town Manager's proposed budget is the amount that is requested for adult education. School District administration, secondary and primary school budgets are submitted to the Town Meeting legislative body separately. The recommended budget does not include the FY 2021 overlay that the Board of Assessors will determine as part of the Tax Commitment in July.

Under the revenue section of the budget, revenue sharing has been budgeted at \$212,800 based on a projection of revenues in the Biennial Budget approved as a State Statute last year. This Statute provides

for State Revenue Sharing to return to 5 percent level over a two-year period, with 3.75 percent in FY 2021 and the full 5 percent in FY2022.

Also, under the revenue section, I am recommending that the Town continue to utilize funds from the undesignated reserves to reduce the amount of a property tax increase for the coming year. The amount carried over from the undesignated fund balance this year is \$150,000. For FY 2021, I am recommending that \$100,000 be carried over from this fund balance. Town staff have yet to receive the FY 2019 financial audit, however, I am estimating that the unallocated fund balance is approximately \$950,000.

The line item descriptions provided in the budget document itself will give the Board and the Committee the detail that makes up our \$2,888,791 recommended budget. This total does not include the County assessment estimated for budgeting purposes at \$500,000. The major changes are increases in various line items for employee and contract employee compensation, the requested increase for ambulance services, increases in expenditures for the first full year of the cost for a management intern, and the addition of a stipend for the individual who provides Cemetery administrative services.

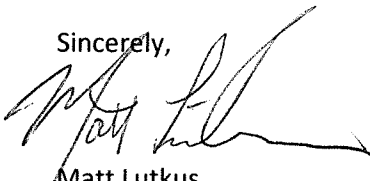
During the coming year, I am recommending that there be a heavy emphasis on capital reserves in addition to the continued pre-funding of future capital equipment expenses. This budget line by itself constitutes most of the requested increase for FY2021. The breakdown of my recommendations for capital reserve allocations will be provided to you as a separate document. This spreadsheet will also include preliminary recommendations for the Town's five-year capital improvement plan.

The Town Charter requires that the Manager provide a report of the Town's current indebtedness in this transmittal message. The current debt stands at \$215,482.55 which is roughly \$106,381.46 lower than it was last year at this time and the lowest that it has been in more than a decade. The current debt is comprised of the two bond issues that were approved at a Special Town Meeting in November, 2016.

Although the property tax increase from current budget and this recommended budget is modest, the service levels that are funded by property tax dollars, fees and grants will continue to provide an aggressive capital improvement program and compensation for a productive and highly committed staff, as well as provide for fixed expenses of which the Town has little control.

I look forward to reviewing the Town staff's budget recommendations with you in the weeks ahead.

Sincerely,



Matt Lutkus
Town Manager