

Date: May 14, 2014  
To: Citizens of Damariscotta  
From: Matt Lutkus, Town Manager  
Subject: Recommended Fiscal Year 2015 Budget

The Board of Selectmen and the Budget Committee recently completed their review of my FY 2015 proposed budget. The budget recommendations that are presented in the Town Warrant articles are the result of a process that included the initial requests from Town department heads, changes made by the Town Manager and a rigorous review by both the Board of Selectmen and the Budget Committee.

The total FY 2015 recommended budget for the Town, not including any increases for the Education Budget, represents slightly less than a 1 % increase in total revenues including a transfer from Fund Balance. Again, this does not include any increases for the School Budgets that currently comprise 63% of the cost of local government. The proposed Town budget provides for a continuation of activities that address the priorities identified by the Board of Selectmen during their goal-setting process last November.

The FY 2015 recommended budget provides for a carry-forward from previous years to maintain the Town's budgeted revenue for State revenue sharing at FY 2013 and 2014 levels. During the past two years revenue sharing was budgeted at \$115,100 per year and, for FY 2015, it is recommended to be budgeted at \$115,000. The FY 2015 revenue sharing payments from the State are projected to be \$90,883. This will be supplemented by \$24,117 in revenue sharing carried over from previous years. In essence, the ability to carry forward unused revenue sharing funds allows us to delay the negative impact of that the State's revenue sharing cuts will have on future Town budgeted revenues.

The important features and major changes in my recommended budget are as follows:

-A \$75,000 transfer from Undesignated Fund Balance has been included to offset an increase in property tax. This will be in addition to the \$24,117 State revenue sharing carryover. The total recommended for carryover represents a slight reduction from \$101,771 that was budgeted in FY 2014. The undesignated fund reserves, currently estimated at \$818,708, are sufficient to absorb this transfer.

-The projected County assessment is \$403, 974.84 compared to \$389,523 in FY 2014.

-A pay increase for the three non-union Town Hall employees (excluding the Town Manager) has been included in the recommended budget. These employees have not received an increase in two years and the increase will keep their compensation comparable to their counterparts in other organizations. Note that any pay increase for employees will not be automatic but rather will be contingent on satisfactory work performance as documented in each employee's upcoming annual performance appraisal.

-Included in the Police Department Budget are increases in police officer salaries made last year along with the adoption of a pay schedule that brought officer pay within the pay range in their labor market. Negotiations with the Police collective bargaining unit for the coming year are currently underway, however, I do not anticipate any increases beyond those included in the recommended budget.

-In an effort to show the true cost of each department's activities, we have allocated employee benefits costs to the appropriate budget account versus having these costs segregated in a separate insurance budget account. This change was made previously in the Fire, Police, Planning and Highway budgets and, for the coming year, is being made for the Administration and Assessing Departments.

-For the Highway Department budget, I am recommending that we continue to fund the maintenance that had been deferred for a number of years. When the Highway Department Budget and the Town's contribution to the Interlocal Budget are combined, the proposed funding is essentially the same as it is in the current fiscal year.

-The Town's auditor has recommended that no funds be allocated from the Cemetery Perpetual Care Fund since the Fund was previously used to pay out more than what was earned in interest. In order to comply with State Statute, this amount of "negative interest" must be restored to the Fund. In addition, the recommended budget provides that the earnings in this fund and revenues from the sale of cemetery plots be allowed to accumulate so that eventually the Cemetery maintenance function can become self-sustaining.

-The recommended budget shows a \$5,000 reduction in the contingency account from \$25,000 in FY 2014 to \$20,000 in FY 2015. Having these funds available has in the past given the Selectmen the latitude to react to unanticipated situations such as the need for a local match for a grant-funded opportunity that became available after budget was approved.

-The recommended budget includes a \$198,100 allocation for capital reserves. This compares to \$190,000 that was budgeted for reserves in FY 2014, not including the \$100,000 loan for the new fire truck. For the third year, the Budget Committee and the Board of Selectmen approved a five year capital plan. The first year recommendations in the plan mirror the FY 2015 capital reserve request while the balance of the document, that shows recommendations for FY 2016 through FY 2019 provides us with a reference point for planning future capital needs.

Going into the next fiscal year, the Town's debt stands at \$431,245.55. In FY 2015, debt service on both the Town's Consolidation Loan and Fire Truck Loan will be \$137,787. The debt service to income ratio of approximately 5 % is relatively low and, in my view, financially prudent.

The preparation of the Town's budget is no small task and it is important that I thank all of the departments who spent considerable time and effort preparing their requests and to the Selectmen and Budget Committee members who closely reviewed the staff requests. A special note of thanks goes to Cheryl Pinkham who collected and compiled all of the data and narrative from the departments and me and produce an understandable financial document.