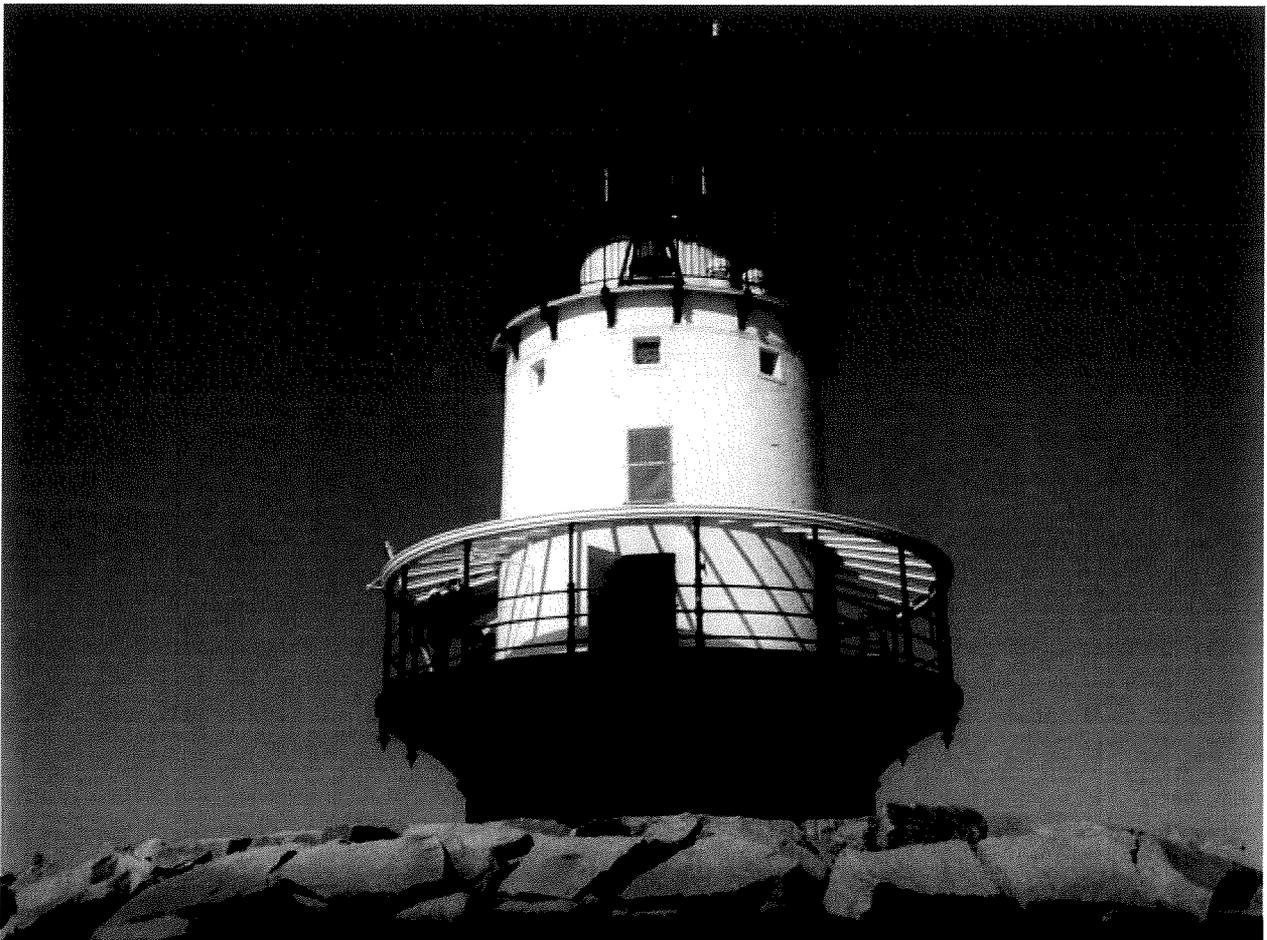




# CITY MANAGER'S ADOPTED FY 2013 BUDGET



Presented to:  
Mayor Patricia Smith  
South Portland City Council

Presented by:  
James H. Gailey  
City Manager

July 1, 2012

# **CITY OF SOUTH PORTLAND**

## **Adopted FY 2013 Budget**

### **City Council**

*Patricia A. Smith, Mayor*

Rosemarie De Angelis

Thomas S. Coward

Maxine R. Beecher

Thomas Blake

Alan Livingston

Gerard Jalbert

### **City Manager**

James H. Gailey

**July 1, 2012**

**CITY OF SOUTH PORTLAND  
ADOPTED FY 2013 BUDGET  
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**Executive Department**

**James H. Gailey  
City Manager**

July 1, 2012

Mayor Patti Smith  
South Portland City Council  
25 Cottage Road  
South Portland, Maine 04106

Subject: Adopted FY 2013 Budget

Dear Mayor Smith and City Councilors:

In accordance with §502 of the City Charter, I am hereby submitting the adopted Fiscal Year 2013 Budget. This budget includes General Fund appropriations for municipal operations, school operations, Cumberland County tax. Additionally, this budget includes the Sewer User Fund, Enterprise Fund and Grant Funds budgets. The total proposed operating budget for the City of South Portland for FY 2013 is \$86,217,403 an increase of \$1,236,195 or 1.45% from the current year FY2012 budget.

**Table I**  
**Total Budget Across All Funds**  
**Comparison FY 2012 and FY 2013**

	FY12	FY13	Dollar	%
	<u>Adopted</u>	<u>Adopted</u>	<u>Change</u>	
General Fund	69,272,422	72,027,775	2,755,353	3.97%
Sewer User Fund	5,309,631	5,398,483	88,852	1.67%
Enterprise Fund	6,006,033	6,237,525	231,492	3.85%
Grant Fund	<u>4,393,122</u>	<u>2,553,620</u>	<u>(1,839,502)</u>	<u>-41.87%</u>
	84,981,208	86,217,403	1,236,195	1.45%

### ***External Scanning: The Economy***

An understanding of the city's long-term financial picture and the regional economy is an important part of the budget process. In order to do long-term financial planning, staff must make certain assumptions about the outlook of the economy. Changes in the very nature of economic activity can affect city resources as we have experienced for the coming fiscal year.

The following are highlights:

- ❑ Over the last few months oil prices have begun to significantly increase due to the turbulence in the Middle East.
- ❑ Non-property tax revenues are decreasing – interest income on investments.
- ❑ Both commercial and residential properties have leveled out market wise.
- ❑ External attacks at local and state budget practices seen to have no end in sight.

### ***City Council Budget Guidance***

In February of 2012, the City Manager updated the City Council on the status of the FY13 budget process. Right from the start, staff was working with a 3.56% increase, which largely covered employee COLA's, State Retirement, health insurance and fuel (unleaded, diesel and heating oil). A 3.56% increase represented \$599,905 being raised over the current year budget. The percentage did not include individual department requests. Annually, the City Council has committed itself to a number of goals while adopting the budget:

- ❑ Maintain existing public goods and services the public has come to rely on
- ❑ Provide high "value" where "value" means high quality at a reasonable price
- ❑ Maintain a multi-year sustainable financial strategic plan
- ❑ Provide fewer services well, than many services poorly
- ❑ Recognize the public does not appreciate paying for poor service

In December of 2011, I asked the City's Department Heads to present a budget which reflected a 1.5% increase in expenditures from the current budget year. Not having had the opportunity to seek Council guidance, I felt a 1.5% was the starting point the departments should be working from and by no means was it an easy task. In all the departments, the increase was consumed by salary and hourly expenditures. Department Heads submitted budget requests totaling \$28,752,205 an increase of \$669,671. This year's proposed department budgets exclude any special projects. Fixed costs occupy the largest increase in expenditures particularly in petroleum products and Maine State Retirement (MainePers).

The economic times have presented a number of challenges, which we are still feeling the effects from. Low interest rates on the City's investments have reduced investment interest revenue by 17% or \$100,000 and the volatility of petroleum is a constant concern.

Even having the ability to increase the budget, very difficult decisions had to be made by the administration throughout the budget process. Past year's reductions and eliminations have had an impact on the organization and over time has put pressure on the ability to provide the outstanding

services that our public has come to rely upon. We are constantly evaluating how we are providing the public service. Through the evaluation we are exploring efficiencies and new processes in hopes of providing better services to the residents and businesses of South Portland.

### *Noteworthy Expenditure Changes*

Local Circuit Breaker (-\$15,000) – The FY2012 budget included \$30,000 towards capitalizing the City's proposed Local Circuit Breaker Program. The program mirrors the State's program, but provides a local rebate for the senior homeowner (qualifying age 70 years old). A qualifying homestead can receive upwards of \$400 from the City, over-and-above what is received from the State's program. This year was the first year of offering the benefit. The benefit paid out during the first year was just under \$11,900, resulting in around \$18,000 surplus. We have proposed funding the FY13 program at a \$15,000 funding level and carrying over the \$18,000 from FY12 to supplement the proposed lower amount.

General Assistance Rent (-\$53,500) – A significant decrease in GA Rent has been experienced as a result of the General Assistance Administrator actively engaging outside agencies who provide sheltering or rent assistance. By the engagement of the outside resources, the program has allowed the City's General Fund budget to experience a significant reduction this year.

MainePers (+\$158,500) – The MainePers Retirement System (formerly known as Maine State Retirement System) sets rates annually based upon an actuarial valuation report prepared by the System's actuary. The significant market fluctuations during 2008-2009 resulted in the Plan falling below full funding for the first time in the history of the Consolidated Plan. In adopting new rates, the MainePers Board chose an incremental approach to bring the plan back to full funding. This will be the third year of increasing rates with a 25% rate increase for the coming year. In addition over the past two years, the City has seen a migration from the defined contribution plan over to the MainePers define benefit plan. Besides wages and salaries this was the signal largest cost increase (\$158,500) for the City for this budget year.

Cost of Living Wage (\$201,000) – This year's budget includes a 1.5% cost of living adjustment. This is largely driven by the six union contracts the City Council authorized for ratification over the last six months. Each union received at minimum a 1.5% cost of living raise. Historically, the non-union employees, who represent about 40% of the workforce, receive the same cost of living increase. In FY2011, non-union employees received a 1% cost of living wage adjustment.

Hiring of Two Firefighters (\$52,000) – The City Council in the FY12 budget allocated \$52,000 to hire to additional firefighters at half year. The FY13 budget needs to reflect the additional six months of salary in order to fund the two positions for a full year.

Renegotiations of Solid Waste/Recycling Contract (-\$79,005) – Staff proposed paying off the balance of the recycling totes and renegotiating the Pine Tree Waste contract, removing the totes

from the contract and extending the contract an additional two years. Net savings from the renegotiated contract will be a savings of \$338,146 over the next five years.

#### Half-time civilian position in Police Department (+\$25,000)

A concern of the council has been public safety and the need to bring staffing up to the recommendations that came out of the report by a Blue Ribbon Committee for Expanding, Hiring and Retaining police officers. After a budget workshop on this concern the City Council agreed to bring on a half-time civilian position to take on duties currently performed by detectives. The restructuring of these duties will relieve these administrative duties and allow them to focus more on policing functions.

#### **Siemens Energy Contract**

Over the last year, Siemens has provided energy savings improvements to the majority of the City's buildings. Improvements include lighting retrofits, oil to gas boilers, temperature controls, water conservation improvements and building envelope enhancements. The City has experienced savings from these improvements, which has significantly reduced the City's carbon footprint. Individual department budget savings has been reallocated towards paying off the improvements lease. Some savings has been taken as a budget reduction.

#### **Reinvestment in Community**

##### ***Municipal Paving & Sidewalk Program***

Up until the FY03 budget process, the General Fund raised funding for a number of "capital reserves". At the time the City was experiencing a relatively large amount of annual budget going to fund balance at the end of the fiscal year. To soften the budget impact, the City moved the funding of four "reserves" from the General Fund to the CIP budget, making it solely dependent on an annual Fund Balance allocation. Since then, the City has made a concerted effort in funding local road paving and sidewalk enhancements annually through the Capital Improvement Plan. The majority of the funding comes from Fund Balance. With the tighter budgets of recent years, the City is no longer contributing a significant amount of money to Fund Balance at the end of each year. We are now experiencing a strain on Fund Balance due to all the demands of the CIP budget.

The City Council accepted staff's proposal for reintegrating, over a number of budget cycles, some of the "reserves" that were removed back in FY03. Staff proposed reducing the capture rate from the Cummings Road Business Tax Increment Financing District from 20% to 0%, shedding the valuation captured from the TIF Reserves to the General Fund. By reallocating the valuation to the General Fund, staff was able to capitalize the paving account with an \$80,000 budgetary commitment.

##### ***Planning for the Future***

One of the most powerful aspects of multi-year budget forecasting and projection is the opportunity to anticipate the future before it arrives. Small changes now can avert large problems later. As we

head out of the downturn in the economy, it is very important to project out over a number of fiscal years how the city will move forward. In order to maintain our fiscal stability, which will allow us to continue providing high quality services, I will be initiating this coming year a Continuous Improvement program with Department Heads, similar to one that was done over ten years ago. The work will cover individual department needs and/or efficiencies, and will also look at community investment that will strengthen out neighborhoods and business climate. It is my hopes the outcome of the work will establish a number of key strategies, providing guidance and direction to deal with future financial realities.

**Tax Stabilization Contribution - Use of Fund Balance**

For the third straight year staff is proposing to use a portion of fund balance to balance the budget. The Council accepted staff’s proposal to use \$400,000 in FY 2011 and develop a tiered step-down approach over a four year period to gently absorb the impact back into the general fund budget. For FY13, staff recommends funding the tax rate stabilization fund so the City will be able to use \$400,000 again this year. The City established a tax rate stabilization fund as part of its fund balance management and effectively has reserved \$1,000,000 of fund balance to use over the next four years to mitigate the impact of the use of fund balance to subsequent year’s budgets.

**Valuation - Increase**

This year, for the first time in the last four years, staff has made some corrective actions to some commercial assessments. CAP rates are down, meaning vacancies are low and rents are strong in the commercial sector, leading to the opportunity to increasing come valuations. The increased valuation has lowered the tax rate from early projections.

**ADOPTED BUDGET FY13**

**General Fund**

The General Fund is the largest portion of the budget with a total appropriation request of \$72,027,775. The General Fund includes the property tax supported services for municipal operations, the School Department, and taxes levied by Cumberland County.

Table II  
Total General Fund  
Comparison FY 2012 and FY 2013

	FY12	FY13	Dollar	
	<u>Adopted</u>	<u>Adopted</u>	<u>Change</u>	<u>%</u>
Municipal	28,082,534	28,585,997	503,463	1.79%
School Operating	38,067,412	40,016,741	1,949,329	5.12%
School HS Construction	1,050,000	1,350,000	300,000	28.57%
County	2,072,476	2,075,037	2,561	0.12%
	69,272,422	72,027,775	2,755,353	3.97%

### School Department

The School Department's expenditures are \$40,016,741. The budget is up \$1,949,329 or 5.12%. This will be the third year the City raises revenue to capitalize the high school construction reserve account. Fiscal Year 2013 will be the first year of debt service payments on the high school construction project. The high school project is \$1,875,000 in totality for FY13, which represents \$1,350,000 towards the annual reserve contribution and \$525,000 towards debt service.

On the Revenue side of the School Department budget, non-property tax revenues area \$3,734,093, which is an increase of \$821,937 or 28.22% compared to FY2012.

### Cumberland County

Cumberland County's property tax assessment for FY2013 is \$2,075,037, an increase of \$2,561 or 0.12% (see appendix for Cumberland County budget summary).

### Municipal Departments

The second largest component of the General Fund budget is municipal programs and services. In the most recent community survey, 95.8% of the responders were "very satisfied" or "satisfied" with the quality of life in South Portland. Many quality of life indicators point to service delivery in the community one lives in as playing a role in the quality of life for the individual or family. The City of South Portland provides high quality municipal services for the resources provided, which the most recent survey reinforced.

The City's budget appropriation is divided into the following six major expenditure categories:

*Personnel Services.* The major expenditures of personnel services include salaries, wages, overtime, pension and health benefits, workers' compensation and unemployment insurance, and disability and life insurance. Personnel costs account for 69% of the total budget. The budget includes limited wage increases for union and non-union employees. The personnel services budget is \$19,668,886, an increase of \$665,669 or 3.28% over FY2012.

*Contracted Services.* Contracted services include the City's cost of water, sewer, electricity, street and traffic lights, building and equipment maintenance, rent and leases, rubbish disposal costs at ecomaine, curbside solid waste and recycling contract with a private contractor, and the City's Contingency Account. Contracted services are \$4,772,298, a decrease of \$222,468 or -4.45%.

*Supplies.* Supplies include construction material, equipment and vehicle parts, road sand and salt, gas, oil, heating fuel, library books and periodicals, and office and printing supplies. Supplies are proposed at \$1,936,035, an increase of \$29,662 or 1.56%. Vehicle gas and oil increased \$82,000 which was offset with heating fuel decreasing \$79,000 due to the conversion of several building to natural gas.

*Fixed Charges.* Fixed charges include tax abatements, general and commercial liability insurance, automobile and property insurance, and dues and memberships. Fixed charges are down \$45,900 or -6.59%. Fixed charges represent 2.29% of the city's general fund budget.

*Debt.* The Debt Service budget includes annual bond principal and interest payments on the City's outstanding debt obligations. It also includes lease payments relating to energy improvements

which the City initiated this past year. This year there will be a \$94,095 reduction in bonded debt service payments and an increase in lease payments of \$103,240. Debt Service represents 3.68% of the total general fund appropriation.

*Capital Outlay and Transfers.* The Capital Outlay and Transfers budgets include appropriations for the replacement of vehicles and equipment greater than \$500, but less than \$25,000. The proposed capital outlay budget represents 1.72% of the municipal total General Fund appropriation. Historically, capital outlay requests included funding of capital reserves Police Department motor vehicles, equipment replacement; technology reserve accounts, and the Municipal Building Reserve Account. The proposed capital outlay and transfers budgets for FY2013 are \$491,328.

Table III  
Municipal General Fund Appropriation  
By Expenditure Category  
Comparison FY 2012 and FY 2013

	FY12 <u>Adopted</u>	FY13 <u>Adopted</u>	Dollar <u>Change</u>	<u>%</u>
Personnel	19,003,217	19,668,886	665,669	3.50%
Contractual Services	4,994,766	4,772,298	(222,468)	-4.45%
Supplies	1,906,373	1,936,035	29,662	1.56%
Fixed Charges	696,800	650,900	(45,900)	-6.59%
Debt	1,042,405	1,051,550	9,145	0.88%
Property Tax Reimbursements	30,000	15,000	(15,000)	-50.00%
Transfers Out	216,921	215,673	(1,248)	-0.99%
Capital Outlay	192,052	275,655	83,603	43.53%
Total	28,082,534	28,585,997	503,463	1.79%

Another way to look at the overall municipal appropriation request is on a programmatic basis by major functional area. The City's General Fund appropriation is divided into the following major functional areas:

Table IV  
Municipal General Fund Appropriation By Function  
Comparison FY 2012 and FY 2013

	FY12 <u>Adopted</u>	FY13 <u>Adopted</u>	Dollar <u>Change</u>	<u>%</u>
Public Safety	9,393,544	9,850,159	456,615	4.86%
Insurance and Retirement	5,795,420	5,908,250	112,830	1.95%
Public Works	4,408,254	4,339,822	(68,432)	-1.55%
Culture and Recreation	3,126,797	3,134,542	7,745	0.02%
General Government	2,692,290	2,777,601	85,311	3.17%
Debt	1,042,405	1,051,550	9,145	0.88%
Transportation and Waterfront	997,622	1,011,484	13,862	1.39%
Health and Welfare	417,202	365,589	(51,613)	-12.37%
Contingency and Reserves	209,000	147,000	(62,000)	-29.67%
Total	28,082,534	28,585,997	503,463	1.79%

## **Increases/Reductions over \$1,000**

### **Functional Area: General Government**

- Increase in Council Dues & Memberships to cover GPCOG dues \$1,682
- Reduction in Property Tax Reimbursement as a result of sufficient reserve \$15,000
- Reduction in City Clerk Contracted \$1,000
- Consolidation of Training accounts into Human Resources and net increase of \$1,550
- Reduction in Legal Contracted Services \$10,000
- Increase in Finance Equipt Maint. for on-line pay software & Munis increase \$4,280
- Reduction in Planning Telephone account \$3,450
- Reduction in Planning Electricity \$2,400
- Reduction in Planning Heating Fuel due to conversion to natural gas \$7,341
- Reduction in HR Advertisement due to more on-line postings \$1,750
- Reduction in HR Legal Contract \$1,838
- Increase in HR Employee Education Reimbursement to reflect annual requests \$1,500
- Reduction in City Building Postage due to less mailings \$7,000
- Reduction in City Building Electricity due to Siemens work \$6,660
- Reduction in City Building Heating due to conversion to natural gas \$5,840
- Increase in City Building Contracted Services for Siemens Energy Improvements \$22,909
- Reduction in Code Enforcement Street Lights as a result of removing lights \$13,000
- Reduction in Code Enforcement Traffic Lights \$2,600
- Reduction in Code Enforcement Contracted Services \$1,000
- Reduction in Civil Service Advertisement due to advertising electronically \$3,000
- Reduction in Civil Service Medical Services – no longer used, shifted some to Contracted Services \$5,000
- Increase in Civil Service Contracted Services \$3,000

### **Function Area: Public Safety**

- Reduction in Police Department Electricity \$4,560
- Increase in Police Department Subscriptions \$1,825
- Increase in Police Department Equipment Maintenance due to software increases \$6,572
- Increase in Police Department Contracted Services to cover Animal Refuge League \$1,756
- Increase in Police Department Training due to more training & less homeland security funding \$4,000
- Reduction in Police Department Heating Fuel \$1,000
- Increase in Police Department Gas & Oil \$18,365
- Increase in Police Department Clothing per union contract \$6,481
- Increase in Police Department Public Safety Supplies due to need \$1,000
- Increase in Police Department Hourly for ½ time civilian reports manager \$25,000
- Increase in Fire Department Water/Sewer as a result of PWD rate increase \$2,602
- Reduction in Fire Department Electric \$3,780
- Increase in Fire Department Vehicle Maintenance - annual cost of fleet of 20 \$3,000
- Increase in Fire Department Equipment Maintenance due to software increases \$4,473
- Reduction in Fire Department Heating Fuel due to conversion to natural gas \$19,620

- Increase in Fire Department Gas & Oil \$14,420
- Increase in Fire Department Clothing per union contract \$3,700
- Increase in Fire Department Medical/Lab Supplies to reflect was is being spent \$3,000
- Increase in Fire Department Cleaning Supplies \$1,500
- Increase in Fire Department Communication Equipment \$3,225
- Increase in Fire Department Hose \$1,128
- Increase in Public Safety Communication due to shifting 3 employees to Portland \$129,216

**Functional Area: Public Works**

- Reduction in Streets and Sidewalk Overtime \$4,000
- Reduction in Streets and Sidewalk Equipment Maintenance due to historical trend \$7,200
- Reduction in Streets and Sidewalks Heating Fuel \$1,000
- Increase in Streets and Sidewalks Gas & Oil \$18,590
- Increase in Streets and Sidewalks Paving \$80,000
- Reduction in Rubbish Disposal due to reduction of solid waste disposal \$107,909
- Reduction in Vehicle Maintenance Electrical \$2,220
- Reduction in Vehicle Maintenance Heating Fuel due to converting to natural gas \$9,700
- Reduction in Transfer Facility Electricity to reflect history \$1,000
- Reduction in Transfer Facility Equipment Rental reduction in grinder \$2,000
- Increase in Transfer Facility Waste Disposal – increase cost of disposal \$2,000
- Increase in Transfer Facility Gas & Oil \$1,925

**Functional Area: Culture and Recreation**

- Reduction in Main Library Electricity due to efficiency work \$6,000
- Increase in Main Library Books purchasing account \$5,000
- Increase in Branch Library Heating Fuel \$1,460
- Reduction in Parks Department Electrical better reflects usage \$4,875
- Increase in Parks Department Tree Services as a result of historical need \$2,000
- Increase in Parks Department Gas & Oil \$3,920
- Increase in Parks Department Agricultural Supplies to better reflect usage \$7,400
- Increase in Pool Water/Sewer \$1,200
- Reduction in Pool Electrical as a result of efficiency work \$7,800
- Reduction in Pool Heat Fuel as a result of going to natural gas boilers \$44,000
- Increase in Pool Chemicals \$1,230
- Reduction in Recreation Electric as a result of efficiency work \$9,780
- Reduction in Recreation Heating Fuel to better reflect history \$5,595
- Reduction in Recreation Gas & Oil \$1,375

**Functional Area: Transportation and Waterfront**

- Reduction in Transportation Other Fees \$6,900
- Increase in Transportation Printing & Binding \$3,040
- Reduction in Transportation Electrical \$1,680
- Reduction in Transportation Contracted Services to better reflect historical trend \$6,239
- Increase in Transportation Gas & Oil \$25,698

### Functional Area: Health and General Assistance

- Reduction in GA Food to reflect historical trend \$3,500
- Increase in GA Household \$2,500
- Reduction in GA Rent to reflect historical trend \$53,500

### Functional Area: Debt

- Reduction in City bond interest and principal payment \$92,095
- Increase in City Lease interest and principal payment for Siemens work \$103,240

### Functional Area: Insurances and Retirement

Areas of increase in insurance and retirement costs:

- Deferred Compensation (ICMA) \$3,330
- MainePers (Maine State Retirement) \$158,600
- Social Security \$14,100
- Health Insurance \$5,320
- Liability and Fire (P&C) \$12,000
- Workers Compensation -\$36,000
- Wellness Program -\$7,500

### Functional Area: Contingency and Reserves

- Transfer of \$52,000 from Contracted to Fire Hourly
- Reduction of Abatements \$10,000
- Reduction of Transfers Out across all departments for phone reserve \$7,248

### Municipal General Fund Revenues

On the revenue side of the Municipal General Fund budget, total non-property tax revenues are estimated at \$9,601,727, an increase of \$60,251 or 0.63%.

Table V  
Distribution of Municipal Non Property Revenues  
Comparison FY 2012 and FY 2013

	FY12	FY13	Dollar	
	<u>Adopted</u>	<u>Adopted</u>	<u>Change</u>	<u>%</u>
Excise Tax	4,226,000	4,225,000	(1,000)	-0.02%
State Revenue Sharing	1,740,000	1,800,000	60,000	3.45%
Fee for Service	1,388,512	1,477,511	88,999	6.41%
Investment Income	600,000	500,000	(100,000)	-16.67%
Licenses Permits & Fines	773,450	777,850	4,400	0.57%
Payments in Lieu of Taxes	223,852	236,426	12,574	5.62%
General Assistance	142,000	119,500	(22,500)	-15.85%
Other	447,662	465,440	17,778	3.97%
Total	9,541,476	9,601,727	60,251	0.63%

### **Municipal Needs from Property Taxes**

With expenditures of \$28,585,997 and non-property tax revenues of \$11,316,727 the total need from property taxes for FY2013 to support municipal services is \$17,269,270, an increase of 2.57%.

Table VI  
Municipal Needs from Taxes  
Total Needs from Taxes  
Comparison FY 2012 and FY 2013

	FY12	FY13	Dollar	
	<u>Adopted</u>	<u>Adopted</u>	<u>Change</u>	<u>%</u>
Municipal Expenditures	28,082,534	28,585,997	503,463	1.79%
Use of Fund Balance	400,000	400,000	-	0.00%
Use of BETE	850,000	850,000	-	0.00%
Homestead	455,000	465,000	10,000	2.20%
Non Property Tax Revenue	9,541,476	9,601,727	60,251	0.63%
Needs from Taxes	16,836,058	17,269,270	433,212	2.57%

### **School Needs from Property Taxes**

The total need from property taxes for FY2013 to support the School Department is \$36,582,648, or 4.13% increase over FY12.

The School Board restored the cuts made during the development of the Superintendent's budget. The restoration of these cuts represented a 2.2% increase in the school operating budget over and above the high school reserve and debt service. After a number of meetings between the City Council and the School Board, the School Board reduced their budget requested by \$138,005, resulting in their operating budget being \$40,016,741 an increase of \$1,949,329 or 5.12% (high school reserve & debt included). Part of the increase was attributed to the High School Bond Reserve of \$1,300,000 and the first debt payment on the project of \$525,000.

Table VII  
School Department Total Needs from Taxes  
Comparison FY 2012 and FY 2013

	FY12	FY13	Dollar	
	<u>Adopted</u>	<u>Adopted</u>	<u>Change</u>	<u>%</u>
School Expenditures	38,067,412	40,016,741	1,949,329	5.12%
Use of Fund Balance	(1,200,000)	(1,050,000)	150,000	-12.50%
Nonproperty Tax Revenue	(2,784,156)	(3,734,093)	(949,937)	34.12%
Needs from Taxes Operating	34,083,256	35,232,648	1,149,392	3.37%
HS Project Reserve	1,050,000	1,350,000	300,000	28.57%
Total Needs from Tax Education	35,133,256	36,582,648	1,449,392	4.13%

**Total Needs from Property Taxes**

The total need from property taxes to support municipal, school and county services is \$55,926,955, an increase of \$1,885,165 or 3.49%.

Table VIII  
General Fund Total Needs from Taxes  
Comparison FY 2012 and FY 2013

	FY12	FY13	Dollar	
	<u>Adopted</u>	<u>Adopted</u>	<u>Change</u>	<u>%</u>
Municipal	16,836,058	17,269,270	333,212	2.57%
School	34,083,256	35,232,648	1,149,392	3.37%
High School	1,050,000	1,350,000	300,000	28.57%
County	2,072,476	2,075,037	2,561	0.12%
Needs from taxes	54,041,790	55,926,955	1,885,165	3.49%

**Estimated Property Tax Rate**

With a valuation on June 1, 2012 of \$3,357,000,000 the property tax rate was estimated to be set at \$16.65 per thousand. Due to the early date of this process and the complexities of the city's valuation base, this figure was the best estimate at that time. Valuations have since been finalized for FY13 and committed with a valuation of \$3,375,000,000 which lowers the property tax rate to \$16.50 per thousand.

Table IX  
City Tax Rate Comparison  
Comparison FY 2012 and FY 2013

	FY12	FY13		
	<u>Adopted</u>	<u>Estimated (1)</u>	<u>Committed(2)</u>	<u>%</u>
Municipal	5.02	5.14	5.10	1.59%
School	10.15	10.50	10.39	2.36%
High School Reserve	0.31	0.40	0.40	29.03%
County	0.62	0.62	0.61	(1.62%)
Total	16.10	16.65	16.50	2.48%

- 1) Estimated at time of passage of budget based on preliminary valuation of \$3,357,000,000
- 2) Based on final valuation estimate at time of commitment of \$3,375,000,000

**Sewer User Fund**

The Sewer User Fund Budget Appropriation for FY2013 is \$5,398,483 an increase of \$88,851 or 1.67%.

Table X  
Sewer User Fund Expenditures  
Comparison FY 2012 and FY 2013

	<u>FY 2012</u> <u>Adopted</u> <u>Budget</u>	<u>FY 2013</u> <u>Adopted</u> <u>Budget</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Administration	\$141,871	\$152,278	\$10,407	7.34
Compliance Admin.	\$88,786	\$90,695	\$1,909	2.15
Debt	\$347,805	\$28,458	(\$319,347)	-91.82
Engineering	\$167,536	\$180,646	\$13,110	7.83
Equipment Reserve	\$1,128,614	\$1,496,553	\$367,939	32.60
Pump Stations	\$517,750	\$518,068	\$318	0.06
Retirement & Insur.	\$695,731	\$695,707	(\$24)	0.00
Sewer Maintenance	\$710,524	\$730,492	\$19,968	2.81
Sewer Use Billing	\$195,270	\$195,270	\$0	0.00
Sludge Disposal	\$349,493	\$356,615	\$7,122	2.04
Treatment Plant	<u>\$966,252</u>	<u>\$953,701</u>	<u>(\$12,551)</u>	<u>-1.30</u>
Total	\$5,309,631	\$5,398,483	\$88,852	1.67

Table XI  
Sewer User Fund Revenues  
Comparison FY 2012 and FY 2013

	<u>FY 2012</u> <u>Adopted</u> <u>Budget</u>	<u>FY 2013</u> <u>Adopted</u> <u>Budget</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Interest & Penalties	\$2,000	\$1,000	(\$1,000)	-50.00
Industrial Compliance Fees	\$56,582	\$57,496	\$914	1.62
Residential/Commercial User Fees	\$3,940,300	\$3,987,200	\$46,900	1.19
Industrial User Fees	\$1,185,749	\$1,227,787	\$42,038	3.55
Cape Elizabeth Contribution	\$125,000	\$125,000	\$0	0.00
Use of Surplus	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0</u>	<u>0.00</u>
Total	\$5,309,631	\$5,398,483	\$88,852	1.67%

The proposed residential sewer user rate will increase from \$4.33 to \$4.48 per hundred cubic feet of water (PHCF) representing a 3.5% change from FY12. The residential/commercial usage has experienced a slow, but constant decline over the past two years. We believe this to be the result of water conservation efforts that are being made citywide on both the residential and commercial accounts. Cumulative these improvements have reduced the volume billed for sewer. This has required the billing model be reduced on estimated usage and is partly the result of this year's higher sewer user rate.

**Enterprise Fund Budgets**

The municipal Enterprise Fund comprises self-funded programs and activities utilizing the revenue generated from program participants. The Enterprise Fund Budget total is \$6,237,525 an increase of \$231,492 or 3.85%.

Table XII  
Municipal Enterprise Fund Budget  
Comparison FY 2012 and FY 2013

	FY 2012 Adopted Budget	FY 2013 Adopted Budget	Dollar Change	Percent Change
TIF District	\$3,095,450	\$3,187,650	\$92,200	2.98%
Youth Adult Rec. Programs	\$276,814	\$276,115	(\$699)	-0.25%
Golf Course	\$217,519	\$217,519	\$0	0.00%
Summer Rec. Camp	\$214,387	\$215,418	\$1,031	0.48%
Community Television	\$189,000	\$216,400	\$27,400	14.50%
Westbrook Assessing	\$180,913	\$186,468	\$5,555	3.07%
Debt Service Fund	\$0	\$121,875	\$121,875	NA
Pre-School	\$136,002	\$106,076	(\$29,926)	-22.00%
Street Openings	\$82,507	\$82,507	\$0	0.00%
Sewer Impact Fees	\$39,531	\$39,531	\$0	0.00%
Summer Sports Camp	\$34,256	\$34,256	\$0	0.00%
Portland St. Pier	\$27,074	\$27,340	\$266	0.98%
Adult Leagues	\$19,847	\$19,847	\$0	0.00%
Art in the Park	\$22,675	\$22,675	\$0	0.00%
Boat Ramp	\$9,223	\$10,423	\$1,200	13.01%
Vacation Camp	\$11,345	\$11,345	\$0	0.00%
School Lunch Fund	<u>\$1,449,490</u>	<u>\$1,462,080</u>	<u>\$12,590</u>	<u>0.87%</u>
Total	\$6,006,033	\$6,237,525	\$231,492	3.85%

**Grant Fund Budget**

The Grant Fund Budget tracks those programs and activities funded directly by grants, state or federal government, or other sources. The total FY2013 Municipal Grant Fund Budget is \$2,553,620, a decrease of \$1,839,502 or -41.87%.

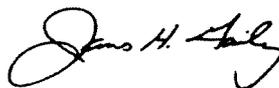
Table XIII  
Grant Fund Budget  
Comparison FY 2012 and FY 2013

	FY 2012 Adopted Budget	FY 2013 Adopted Budget	Dollar Change	Percent Change
Local Road Assist- MDOT	\$335,000	\$351,000	\$16,000	4.78%
Community Dev. Block Grant	\$447,238	\$389,216	(\$58,022)	-12.97%
Rural Transit Training Grant	\$3,200	\$0	(\$3,200)	-100.00%
Supp Homeland Security	\$328,116	\$227,500	(\$100,616)	-30.66%
School Part II Grants Budget	<u>\$3,279,568</u>	<u>\$1,585,904</u>	<u>(\$1,693,664)</u>	<u>-51.64%</u>
Total	\$4,393,122	\$2,553,620	(\$1,839,502)	-41.87%

**Conclusion**

Sincere appreciation is expressed for the cooperation received from city employees in every department. Thank you to all department heads who have done an excellent job of coordinating the budget process, providing the analysis for informed decision-making, and preparing the budget documents. *Thank you.*

Sincerely,



James H. Gailey  
City Manager  
City of South Portland

cc. South Portland School Board  
Suzanne Godin, Superintendent of Schools  
Department Heads  
South Portland Legislative Delegation