

To: Mayor Harden
Members of the City Council
From: James L. Smith, City Manager
Date: April 30, 2012
Re: FY 2013 Proposed Municipal Budget

I am pleased to submit for your consideration the City of Rockland municipal budget for fiscal year 2013. This budget meets the City's commitment to services while taking responsible austerity measures to contain our costs. With continued economic pressures both in the decline of property values and increased operating costs, we have proposed a gross budget of \$18,957,768. This budget represents a net municipal increase of \$196,996.

The management plan for this budget and all future budgets is to reduce our debt dependency. As you know, for many years now the only way the City of Rockland has been able to provide for improvements to its capital resources has been through debt financing. This budget represents a small step toward a long-term goal of reducing our debt dependency and increasing our cash contribution toward these projects. I am not saying that we have too much debt; I am saying that we have created a reliance on debt financing. This is known as a debt dependency cycle, and management is committed to breaking this dependency and improving the fiscal health of the City.

By reducing our debt dependency and improving our availability of cash, we are moving the City of Rockland toward a stable rate of taxation. This goal is most valuable to the small businesses, entrepreneurs, and those living on fixed incomes. A stable MIL rate allows them to anticipate their tax liabilities and plan accordingly. Stable rates of taxation, coupled with a fiscally healthy city, allows the City of Rockland to provide relief to taxpayers during cyclical downturns in the economy by not increasing the rate of taxation to cover government expenses. It is this double jeopardy scenario that does the greatest harm to those already struggling with lost incomes and greater expenses. The City of Rockland can and will do better.

It is important to become project driven and to develop a comprehensive list of goals and objectives to improve the supporting infrastructure of the community. We will be focused on sewers; storm drains, roads, and public amenities first. These are the un-glamorous underpinnings that support the community and allow for the leisure services such as parks, recreation and library services. It is these critical areas that will help match the aesthetics of the city with the richness of culture and bond of personalities that brings everyone together into community.

Very Truly Yours,

James L. Smith
City Manager

FY 2013 KEY BUDGETARY COMPONENTS

MIL RATE:

By utilizing both structural changes and stopgap measures we have been able to hold the rate of taxation to a modest \$0.25 increase on the municipal budget and a combined \$0.63 for the total rate of taxation. Due to the soft real estate market we have used a conservative estimate of less than 1% growth. The increase in the MIL rate represents an approximate \$105.00 tax increase for the average home in the City of Rockland.

ASSESSED VALUATION:

Despite the soft real estate market, we are confident that our Total Assessed Valuation will remain steady at \$772,795,400.00 for the 2013 fiscal year.

COST DRIVERS:

Diesel

- Increase of \$4.09/gallon in FY '12 to \$4.50/gallon in FY '13 a \$14,000 increase.

Gasoline

- Increase of \$3.72/gallon in FY '12 to \$4.05/gallon in FY '13 a \$5,600 increase.

Maine Public Employees Retirement System (MPERS)

- Required contributions increase of \$48k.

Workers Compensation Insurance

- Budgetary increase of \$3k.

Other Insurances

- Total Health Insurance increase of \$48k.

General Assistance

- Due to the high unemployment rates, structural changes made by the State of Maine with regards to the social services system, and the known increases in eligible applicants from FY '12, we were forced to increase our budgetary assumptions for eligible residents by \$25k.

Loss of Other Revenues

- Reduction to State Revenue Sharing of \$89k.
- Reduction to State BETE reimbursement of \$27.5K
- Loss of Buyer Station & Mooring total \$45k.

Debt Service

- Net increase in debt service payments of \$55k.

COST CONTAINMENT MEASURES:

Employee Salaries:

- Implemented a budgetary pay freeze until we complete union negotiations.

One-Time Revenues:

- We have utilized \$300k from undesignated fund balance, which holds the total fund balance at previous years levels.

Structural Changes:

- Reduced work hours for a full-time position in the Code Enforcement Department, \$8k savings.
- Eliminated vacant and unfunded position with EMS.
- Reduced Library operations from 67 hours per week to 61 hours per week, \$5.5k savings.
- Restructuring of health insurance programs.

PROJECTS, FISCAL MANAGEMENT, AND CITY GOALS & OBJECTIVES

Projects:

We have slated a number of key construction projects, which are either still underway from previous administrations or part of the long-term vision for the waterfront, downtown, neighborhoods, and their supporting infrastructure. Of these projects the most notable are:

- Summer Street sewer project
- Pen Bay Acres drainage work
- Tillson Parking Lot re-design work
- Public Restrooms
- Thompson Meadow Bridge
- Main Street traffic calming measures and redesign work
- Winslow-Holbrook Park
- Harbor Trail
- Sandy Beach Parking
- Recreation Center front entrance ADA compliance
- New Public Works garage & salt/sand shed

Fiscal Management:

- Development of a comprehensive Capital Improvement Program (CIP) schedule to better anticipate long-term replacement costs.
- Develop a short, medium and long-term debt schedule to stabilize the debt level and reduce the city's debt dependency.
- Implement a purchase order requisition system through the MUNIS software program.

Goals & Objectives:

- Improve inter-departmental communications and project coordination in order to reduce redundancies of work, omissions, and costly mistakes.
- Increase project oversight and quality of work.
- Complete a review of staff responsibilities and departmental demands to restructure government operations in order to meet city demands.
- Begin review of departmental operations; develop base line analysis of performance and implement benchmarks for performance improvements.

LONG-TERM CONCEPTS

Technical Review:

The implementation of a new permitting process referred to as “Tech Review”. Technical Review will move city staff into an accommodation model that allows businesses; developers or other seeking permits to have total access to key staff during a joint staff meeting. Key staff will be available to provide immediate feedback and answer all questions early in the permit process to reduce errors, omissions and costly other miscommunications.

Marketing:

Economic and Community Development staff will be proactive in industry and business seeking. Rather than waiting for potential new business to come to us, we will seek them out and sell our community as a great place to live, work and play. We will accomplish this goal by understanding our economic and social demographics as well as business factors unique to the industries and businesses we are seeking.

Benchmarking:

Benchmarking will allow us to refine our internal efficiency measures by gaining a solid grasp on our focus areas and developing efficiency ratios to allow us to improve our time requirements, manpower, operating costs, and other productivity inputs for the services we provide the citizens of Rockland. By better understanding who we are and what we do, we will begin the steady climb to peak service performance. Resulting in improvement in the quality of work we perform, while we reduce our operational expenses.