



MEMO

CITY OF CARIBOU

TO: City Council
FROM: City Manager
RE: Third Draft 2012 Municipal Budget – Expense, Revenue, & CIP
DATE: March 6th, 2012

The Third Draft of the 2012 Municipal Budget is attached. The entire Budget Book has been updated pursuant to Council actions on the 2012 Capital Improvements Program as well as reductions taken within the Expense Budget. The Budget Book is presented as a separate document starting with summary documents as follows:

2012 Budget Ad – A summary of changes by Department, Total Appropriations, Revenues, Municipal Appropriation, and the estimated Mil Rate effort to support each. The Reader should note that the Mil Rate will change pursuant to this year's pending revaluation of the entire City.

Impacts 2012 – Is a summary of the major items, both Revenue and Expense, that are tracked as a category within the pending Budget.

Cost Categories – Is yet another set of categorizations that the City utilizes to examine the major elements within the pending Budget.

2012 Capital Improvements – Is a summary of the Capital Improvements Program, past history, and comparisons to the Program as amended by the Council and CIP Committee

Graphs – A series of six graphs are next that examine the changes to Expenses, Non-Property Tax Revenues, 6 major Revenues, and net Taxation over the past five years. This should aid in the Readers understanding of the types of changes and impacts most effecting the Budget in recent years.

Revenue Summary – Is the Revenue Report, changes as compared to last year's Budget and comparisons to Actuals for 2011.

Amendments – Is a Report outlining the last adjustments to the 2012 proposed Budget that were made to balance the Budget.

Expense Report – A Department by Department Expense Report for each is next that looks at two years of Budget history, two years of Actual history, and comparisons to each.

As attached, the Third Draft indicates an **increase in Expenses of \$91,901.42 or 1.02%** as compared to 2011. The **Revenue Report is \$104,350.34 less than that of 2011 or a decrease of 1.95%**. **There is no municipal debt service for this year**, thus eliminating \$215,511 of prior assessment. The net impact on the **Municipal portion of the Net Tax Commitment is a reduction of \$9,259.24 or decrease of 0.12 mils**. This comparison is based upon the 2011 valuations and not the pending revaluation for later this year.

Review of Impacts:

Major Employment Costs – increased by \$138,213. Gross Wages are proposed to increase by \$78,334.98, or 2.23%. This is comprised of a 2% COLA for 2012 after two years with 0% COLA. The wages under the accepted Public Works Contract are encompassed as are the Council's last offerings stemming from Mediation with the two Teamsters' Units, Police, and Fire & Ambulance.

Health Insurance rates increased by 4.56% for 2012. The Council authorized three Plan offerings, two with associated Health Reimbursement Accounts (HRAs). There were major changes within the open enrollment period coupled with the increases. The resulting increase for Health Insurance is \$51,389.

Employment insurances nearly negated each other in the areas of Workers Compensation and Unemployment Insurance. The City has not paid Unemployment premiums for three years due to our prior balance and low utilization. The City is a direct payer for Unemployment. Due to changes within Unemployment stemming from the American Recovery and Reinvestment Act of 2009, the City's reserves were drained in 2011. The premium for 2012 will be \$11,612.

Workers Compensation decreased again in 2012 by \$11,466, nearly offsetting the increase in Unemployment. The decrease continues due to the City's implantation of a strong safety program, very low claims and or lost days, and for the subsequent second renewal of the SHAPE program through the Maine Department of Labor.

Petroleum Fuels – Another year's worth of consumption data has been included into our multi-year average use. 2011 did not see increased utilization in most departments except for public works due to the extensive storm damage earlier this year. The price points have been adjusted and account for the drastic increase of \$94,154.05. For every \$0.10 per gallon average price point increase in petroleum products, the City sees an increase of \$12,044. Administration continues to monitor the estimated price points for the ensuing year and notes the current pricing within the Budget may not be sufficient to carry to year end.

Capital Improvements – Through the combined work of the Council and Committee, the 2012 CIP has been amended from the original proposals thereby reducing the Program by \$221,250. Much of these reductions were in recognition of a revised Program encompassing refurbishment of several major pieces of equipment as opposed to purchase new replacements. Several areas were also reduced per the utilization of surplus equipment gained through the Defense Reutilization and Marketing Office (DRMO) programs, thereby forgoing other new equipment purchases. The net increase as compared to the approved program of 2011 is just \$1,980 or 0.37%. Major elements of change for this year are:

1. Assessment Reserve at \$136,400 is an increase of \$74,200 over the \$62,000 in 2011. This line is recognized as the capitalization of a 15 year extraordinary expense that was not fully encumbered. With the advent of the new format, change in staffing to two certified assessors, and the ability to perform quarterly reviews, assessing is of the opinion that a next revaluation format would be on sales and market studies only and no sooner than 15 years out. This line in the future could reduce to \$6 – 10,000 pending quotes from the current revaluation company.
2. Municipal Building Reserve is starting this year in recognition that the CIP has not been fully accounting for the depreciation and major capital replacements for all municipal buildings. The total encumbrance is \$33,500 for this year, but will be a substantially higher request by multiple departments in 2013 and beyond. This year's allocations will be \$5,000 towards carpet replacements at City Hall,

\$16,500 for phase I of roof replacements at the Library, and \$12,000 for a furnace replacement at the Fire Department.

3. Ambulance Small Equipment Reserve was reduced to zero only for this year due to acquisitions through the Forestry Department for medical monitors and the sale of our current units. Net sales proceeds will yield \$11,050 and will be placed in the reserve for this year.

4. Streets and Roads Reserve was reduced to fund only the minimum amount of work pursuant to the City's Pavement Condition Index calling for 8.21 miles of chip sealed surface and 2.64 miles of asphalt surface per year at the anticipated pricing for 2012, not yet bid. Savings of \$40,000 were booked by not allocating 50% of the per mile costs of shared maintenance on state-aid roads pursuant to recent paving projects by the State.

5. Public Works Equipment Reserve was significantly amended. The original program already accounted for savings due to recent DRMO acquisitions. The remaining program called for the replacement of a front line plow truck with resources of \$110,000 for the rolling chassis and \$30,000 for body and hydraulics, total cost of \$140,000. Through recent work with GSA for federal equipment acquisitions, the program was amended to purchase 5 surplus trucks. Four would be converted to snow haulers, replacing 30 year old units, and one would be converted for a front line truck. Public works performs all remounts and refurbishments and could do the same under this amended program. Cost savings of \$53,700 were booked.

Road Maintenance Products – This category represents the hard input costs of the Public Works Director's requested programs. The program was significantly reviewed and adjusted pursuant to the CIP process. The initial increase of \$123,935 was comprised of the increased estimated price points post bid for 2012 as well as an additional 1 mile of in town asphalt over last year and an additional mile of chip sealing on the country roads. The Program was reduced to the minimum allocations to support the overall roads program. It eliminated a \$40,000 contribution to Reserves, the ½ allocation of State roads, as well as reduced the operational accounts by \$36,628, net reduction of \$76,628.

Winter Deicing Products – The amount of product has not been increased compared to the average but the \$20,575 increase reflects the increase price point for sand, salt, and magnesium chloride.

Ambulance Contractual Allowances & Bad Debt – The Charge Master has been set for 2012 with a favorable adjustment to Contractual Allowances due to an increase in Medicare Allowable Rates under Super Rural for 2012. These assumptions hold through the end of February and will remain provided Congress re-authorizes the Super Rural designation within CMS. The estimated reduction under this category is \$170,436 based upon the similar payer mix and volumes recorded in 2011. The polynomial line of prediction in the accompanying graph supports the average rate of run volume moving into 2012.

Areas of decrease were seen in the following areas:

Electrical Generation Rates – MPS will decrease their delivery charges by 15% in 2012. Delivery charges are approximately 50% of our total charges thus the net reduction in billing is 7%. All accounts were discounted by 7% based upon historical use resulting in a decrease of \$16,700 citywide.

Municipal solid Waste – The Tri-Community Landfill bill is due to decrease by \$6,802 for 2012 due to the decreased tonnage under our three-year rolling average. The three owner communities worked diligently to at least hold the owner communities inputs to a minimal increase. Caribou's decreased primarily due to our decreased estimated tonnage.

General Assistance – After the first full year of a new Director, the Program has seen a decrease in utilization due to strict adherence to the state mandated requirements of the GA Program. The Director is recommending a decrease of \$4,000 for the year based upon current and anticipated utilization for the ensuing year.

Revenue Summary Report:

The estimated non-property tax revenues for 2012 have been set as \$5,179,928.17, a net reduction of \$104,350.34 or 1.97%. Before reviewing the Revenue Report a five-year historical perspective of the six major revenues has been expressed to illustrate the major changes within these revenues.

The first graph equates the changes in Expense Budget, overall Non-Property Tax Revenue, Net Taxation, and State Revenue Sharing in terms of Mills. This illustration seems easier to read than using dollar values yet it graphically illustrates the trends.

The second graph separates all Non-Property Tax Revenue into the six major categories plus the remaining category of All Other Revenue. The value of this graph shows the positive growth of Ambulance derived revenue, while all other areas of revenue have been either relatively flat or decreasing. The singular exception is the All Other category due to a one-time insertion of dividends of \$510,000 from Tri-community Landfill used to offset taxation in the year of 2010. State Revenue Sharing shows the greatest decrease over the five-year period from a high of \$1,492,948 to this year's estimate of just \$881,150. This is a reduction of \$611,798 per calendar year in just the past five years, equating to 2.15 mills in today's valuation.

The third graph reviews the non-property tax revenue trends in dollars.

The fourth graph indicates the trend in Expense, Non-Property Tax Revenue, and Net Taxation in dollars for the past five years.

A fifth graph shows a 12-Year History of the changes in Expense, Non-Property Tax Revenue, and Net Taxation.

The final graph follows the total number of ambulance runs for each year from 1984 to the end of 2011. One will observe the fluctuations from year to year but can set a polynomial trend line through this data to average the trend to predict future volume. Given this information, knowledge of the volumes seen at Cary and Pines, and discussions with other providers, the 2012 ambulance run volumes have been set as per the recorded volume per charge code from 2011. There should be some level of growth within the 2012 actuals, but the prediction should be set conservatively and reviewed and or adjusted again in June prior to tax commitment.

Changes by category within the 2012 Revenue Report are as follows:

Fixed/Determined Changes to Revenues	Inc/(Dec)
Excise Tax	\$26,000.00
State Revenue Sharing	(\$84,850.00)
Miscellaneous Interests	(\$11,700.00)
Fire Department Revenues	(\$1,991.56)
Ambulance Gross Charges	(\$86,827.19)
MDOT URIP Funds	\$191.00
All Other Revenues	\$54,827.40
Net Revenue Decrease for 2011	(\$104,350.34)

The remaining changes in non-property tax revenues are very small and are based upon historical receipts while accounting for any changes in fee schedules or anticipated unit changes.

Cost Categorization Report -

The attached Report places the major expenses into categories and expresses their percentage of the Budget as a whole. The second portion of the Cost Category Report examines the expressed cost of providing mandated municipal services. This Report was compiled again to narrow the areas to address prior to examining smaller less substantive accounts.

Budget Ad –

A copy of the 2012 Budget Ad and CIP Ad are also included in the Report as a matter of record and further means of summarizing the changes as compared to prior year.

Department Expense Budgets -

The remainder of the Report is the Department by Department Expense Budget. The format has been amended to carry three years of Budget numbers and two years of Actual Expenditures. There are now two comparisons columns. The column labels Budget 2012-2011 compares the 2012 Budget request, increase or decrease by dollar, to the approved Budget Number for 2011. Budget % refers to the increase or decrease as a percent comparing budgeted numbers. The third column labeled Actual 2012-2011 compares the 2012 Budget request to the 2011 Actual Expenditure in a dollar value. This will better allow the council to review such comparison than previously presented.

Submitted,
Steven R. Buck
Caribou City Manager