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OFFICE OF THE CITY MANAGER  
CARIBOU, MAINE

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To: Mayor and Council Members  
From: Austin Bleess, City Manager  
Date: October 22, 2013  
Re: 2014 Budget

To recap the 2013 budgeting process there were several changes made. During 2013 we reduced a number of positions. We reorganized staff at City Hall and saved about \$17,000. The library lost one full time library assistant and the Tech Coordinator position. Public Works has lost one position due to attrition. Parks and Rec went without a janitor position. The Fire Department has brought the janitor cleaning in house and no longer pays extra for that. The janitor contract for the municipal building was put out to bid and great savings of \$8,000 will be realized in 2014 compared to 2012. As we move forward each position that comes open is being reviewed and determinations are being made as to the necessity of that position and how best to fill it.

As we continue to move forward with the budget there are a number of things Council needs to keep in mind in our discussions.

First there are some fixed and some estimated costs in this budget that cannot be changed, yet. The salary increases of 3% are factored into each department, along with the corresponding increase in Social Security and Retirement funding. That is a \$279,177 increase over 2013. We are also factoring in a 9% increase in Health Insurance right now. The actual number will be available the first week of November. For now that increase is estimated at \$156,668. Those two items alone make up \$435,845 of the budget increase.

We have an increase in Public Works of \$268,064 for 2014. The main increase for this is pavement for road repairs coming in at \$254,284.

The Capital Improvement Accounts have an increase of \$326,015 over the previous year. We can likely reduce that number somewhat, but an increase is necessary. We cannot continue to kick the can down the road to save for the large purchases that are required.

Those three areas account for \$1,029,924 of the \$1,064,958 dollar increase in the proposed budget. That leaves \$35,034 in increases spread out across the other 21 Departments.

The Fire and Ambulance budgets are showing an 18% and 11% increase, respectively. However those increases also bring in an increase of revenue. So as of the October 15, 2013 Budget report the net cost to the taxpayer is \$86,467 for 2014. As was discussed during our meeting on the 21<sup>st</sup>, this does include 3 new hires to help capture the revenue that is currently being turned over due to the lack to staff to cover transports.

As Council is well aware we are losing more revenue sharing in 2014 as well. We anticipate a loss of \$151,887 for next year compared to this year. As part of the law passed this year the State needs to find \$40 million in tax breaks that they can remove from state law. If they are unable to do that, \$40 million would be removed from Revenue Sharing for the next state fiscal year. The total amount of Revenue Sharing is \$60 million. Firm numbers on how that would modify our revenue sharing for 2014 are not available. I estimate a reduction of close to \$200,000 if that were to happen.

Last year we relied on one time funds, such as a dividend payment from Tri-Community Land Fill to help plug our budget shortfall. That was \$134,639. We are not anticipating a similar check for 2014.

All of this together means we would need to collect \$1,137,506 more in property taxes compared to 2013.

In order to try and make this process smooth for everyone we would appreciate some direction from the Council as to what they would to see the final budget come in at. We want to assist the Council in their long stated goal that they don't want to micromanage the budget. If the Council will give us some solid direction as to a final expense budget they would like to see or the largest amount of reliance on property taxes the Council is willing to accept, we will bring back a budget to meet the will of the Council.

Looking more on the long term the City Council should consider ending our reliance on Revenue Sharing all together. The State has proven they simply cannot be trusted to keep their promises. By not factoring in Revenue Sharing into our General Fund Budget at all we can minimize future spikes in the Mill Rate. If we were to receive something from Revenue Sharing that could be budgeted into the Capital Reserves as funds to help us make one time payments using the one time money.