



## CITY OF BELFAST

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**TO:** Mayor and Honorable Members of Belfast City Council and Community of Belfast

**RE:** 2021-2022 Budget Message

**FROM:** Erin Herbig, City Manager

**DATE:** Thursday, April 8, 2021

When I prepared my first budget message last spring so many things about our future were unknown. One year later, I am incredibly proud of the work our Mayor, Council, City employees, businesses and citizens have accomplished together to adapt and respond to the pandemic.

The impacts of COVID-19 have certainly challenged our community, our economy and our bottom-line in ways we anticipated and in ways we did not. Fortunately, the FY20-21 Council approved budget set in place a plan that got us through this past year, together.

The FY21-22 City Manager's budget proposal charts a course to get the City of Belfast through the remainder of the pandemic and places our City on a path toward a strong, bright future.

The FY21-22 City Manager's budget proposal contains our spending to a **decrease of \$728 or 0.012% from our current spending in FY20-21**. This proposal contains \$799,244 of cuts in spending from the initial City Department requests I received in January.

The FY21-22 City Manager’s budget proposal also includes an **increase of \$729,809 or 16.8% from our estimated non-property tax revenues in FY20-21**. This is significant for the City of Belfast as we ride out of the remainder of the pandemic and look toward stabilizing future City budgets.

The net of these proposed budget cuts combined with the projected increases in revenues, would **hold the Mil rate at 23.30 for the City of Belfast in FY21-22**.

**I. Our Largest Gain: A Significant Increase in Non-Property Tax Revenue**

As you may remember, the Treasurer and I reached out to every expert we knew to best project revenues for our FY20-21 budget. Over the past year, we have monitored these figures closely and have established a system to project FY21-22 revenues with confidence. These estimated projections were reached with an analysis of 2019 and 2020 revenues. We are **projecting \$5,072,175 in non-property tax revenues for FY21-22**. This is an INCREASE of \$729,809 from FY20-21 \$4,342,366 (an INCREASE of 16.8%).

**The largest drivers of the increase in revenue are:**

**110-3110 Motor Vehicle Excise Tax**

FY20-21	Estimated Motor Vehicle Excise	\$1,039,000
FY21-22	Projected Estimated Excise Tax	\$1,244,587

**110-3230 Ambulance Receipts**

FY20-21	Estimated Ambulance Receipts	\$780,000
FY21-22	Projected Estimated Ambulance Receipts	\$867,700

**110-3290 Solid Waste Receipts**

FY 20-21	Estimated Solid Waste Receipts	\$370,000
FY21-22	Projected Estimated Solid Waste Receipts	\$427,836

**110-3330 Code Compliance Receipts**

FY20-21	Estimated Code Compliance Receipts	\$47,500
FY21-22	Projected Estimated Code Comp. Receipts	\$149,086

**110-3390 State Municipal Revenue Sharing**

FY 20-21	Estimated State Revenue Sharing	\$588,389
FY21-22	Projected Estimated State Revenue Sharing	\$897,579

**110-3480 Electrical Permits**

FY20-21	Estimated Electrical Permits	\$19,500
FY21-22	Projected Estimated Electrical Permits	\$50,097

As a result of last year's budget preparation, we projected expenditures in FY20-21 more accurately. Of the 230 expense lines (not including capital projects), only 12 lines are over expended, compared to last year's 36 lines. Further, only 26 budget lines are over 90% expended at 75% of the year as compared to last year's 58 lines. There remains room for improvement, but we are trending in the right direction.

On the revenue side, of the 39 "Other Revenue" or Non-Property Tax Revenue lines, there are 15 lines under-collected, almost certainly due to the impact of the pandemic. The remaining 14 lines are above 75% collected, with 8 accounts over-collected to the estimated budget. This is a result of sound planning in addition to our capitalizing on available COVID-19 grant and reimbursement funding from the State and Federal government; including Keep Maine Healthy, FEMA and the CARES Act. Our community sits ahead of where many other municipalities currently find themselves. These decisions have placed the City of Belfast in a healthy posture, despite it all, as we look ahead toward future budget years.

## II. The Increase in City Expenses in the Initial Proposal from City Departments

It is important to understand where the initial FY21-22 budget started and where the proposed City Manager's budget proposal arrives. City Departments and various non-profit entities submitted budget requests totaling \$12,050,913 this year. Last year's finalized budget that was approved by the Council totaled \$10,522,588. This would result in an increase of \$1,528,325 or 14.52%.

### The largest drivers of the increase are:

1. 110-512 Legal Fees: \$161,000 (an increase of \$21,000 or 15%)
2. All City Salary and Wage lines: \$4,593,447 (an increase of \$326,626 or 7.6%; \$139,249 represents an additional payroll week, \$80,000 represents a new Fire and Ambulance position, \$7,128 represents the addition of two full time Transfer Station employees, and \$103,033 represents earned step increases for City employees that are due)
3. 240-523 Hydrants: \$499,170 (an increase of \$23,770 or 5%)
4. 410-535 Public Works Purchase of Equipment: \$174,500 (an increase of \$44,500 or 34.2%)
5. 440-575 Transfer Station Transportation/Tipping/Disposal: \$239,530 (an increase of \$30,311 or 14.49%)
6. 450-577 Road Construction: \$380,000 (an increase of \$135,000 or 55%)
7. 550-581 Social Services: \$208,176 (an increase of \$44,902 or 27.5%)
8. 610-587 Parks and Recreation Capital Reserve: \$150,000 (an increase of \$150,000 or 150%)
9. 720 New Capital Projects: \$633,341 (an increase of 568,341 or 874.3%)

### Additional cost drivers:

100-511	City Manager Vehicle and School	\$7,150 (an increase of \$1,278)
120-513	Assessing Office Equip. Capital Reserve	\$2,000 (an increase of \$2,000)

140-901	City Bldg. Maint. Capital Reserve	\$5,000 (newly requested budget line)
180-527	Employee Benefits Soc Sec/Medicare	\$355,000 (an increase of \$4,200)
180-528	Employee Benefits Retirement Plan	\$356,000 (an increase of \$24,000)
180-529	Employee Benefits Group Life Insur.	\$21,600 (an increase of \$2,100)
210-520	Fire Bldg. Maint. Repairs and Misc.	\$5,000 (an increase of \$2,000)
210-536	Fire Vehicle Maint. and Repairs	\$6,000 (an increase of \$1,000)
210-537	Fire Equipment Cap Reserve	\$80,000 (an increase of \$10,000)
210-567	Fire Gas, Oil, Grease and Diesel	\$2,500 (an increase of \$800)
220-503	Police Unscheduled Overtime	\$80,000 (an increase of \$7,000)
220-504	Police Supplies and Expenses	\$9,320 (an increase of \$1,320)
220-535	Police Purchase of Equipment	\$47,000 (an increase of \$47,000)
230-544	Street Lighting Street Lights	\$35,000 (an increase of \$2,500)
250-537	Cable Television Equip Cap. Reserve	\$2,500 (an increase of \$2,500)
260-549	Municipal Ins. Fleet and Property	\$116,939 (an increase of \$1,439)
260-550	Municipal Ins. Worker's Comp.	\$187,000 (an increase of \$17,000)
270-567	Ambulance Equip Cap. Reserve	\$81,512 (an increase of \$2,215)
280-563	Animal Control Kennel Contract/Vet	\$12,500 (an increase of \$1,138)
410-520	Public Works Bldg. Maint. Repairs	\$14,000 (an increase of \$1,890)
420-573	Sidewalk Improvement	\$15,000 (an increase of \$10,000)
440-520	Transfer Station Bldg. Maint. and Repairs	\$15,600 (an increase of \$2,220)
440-576	Transfer Station Recycling Expense	\$5,689 (an increase of \$1,689)
580-511	Econ Develop Vehicle & School	\$2,000 (an increase of \$1,400)
610-583	Parks and Rec Pool Operation Costs	\$11,910 (an increase of \$1,585)
610-585	Parks and Rec Parks Maintenance	\$39,558 (an increase of \$3,918)
610-588	Parks and Rec Programming	\$11,450 (an increase of \$7,050)
620-520	Library Bldg. Maint. Repairs and Misc.	\$30,200 (an increase of \$1,373)
630-592	Cemetery Tree Planting and Removal	\$5,000 (an increase of \$2,000)
640-594	Municipal Airport Maintenance	\$15,000 (an increase of \$6,000)
640-595	Municipal Airport Runway Cap. Reserve	\$20,191 (an increase of \$15,961)
640-711	Municipal Airport Maint. Cap. Reserve	\$4,500 (an increase of \$4,500)
650-596	Misc. Promotionals	\$33,750 (an increase of \$6,200)

670-601	Planning Advertising	\$10,000 (an increase of \$5,000)
670-602	Planning GIS Support	\$8,000 (an increase of \$1,000)
670-603	Planning Office Equip Cap. Reserve	\$1,500 (an increase of \$1,500)

### III. The Scenario Should the Council Approve the Budget as Initially Requested

When you consider our anticipated increase in projected revenues (\$729,809) combined with the initially requested increase in expenses (\$1,528,325), this leaves us with a budget gap of \$7,290,187.

**If the Council were to approve the initial budget requested by our Department Heads, including all Capital Projects:** this would result in an 8.53% increase over FY20-21 (34.25%), totaling the 37.17% portion of the property tax bill that covers City taxes. This does not represent the portions collected for School and County Tax which account of the other 62.83% of the property tax bill. Due to the increase in the projected School Tax and the estimated TIF payment, the overall budget would increase by 8.52%.

**This year's County Tax Bill is \$1,562,686. This is an increase of \$17,601 or 1.13% from FY20-21. This year's RSU 71 estimated School Tax Bill is \$10,759,769. This is an increase of \$441,199 or 4.28% from FY20-21.**

The net effect of approving all the initial requested City expenses would result in a Mil rate increase of \$1.40 per thousand. On a \$100,000 property the increase in City tax would cost \$140. On a \$300,000 property the increase in City taxes would cost \$420.

Due to hardships experienced as a result of the ongoing pandemic, this is clearly too much for our citizens and businesses to absorb during this time.

#### **IV. Suggested Strategy to Move the City of Belfast Through the Remainder of the Pandemic**

While the City of Belfast has been able to continue to provide many of the expected services to our community despite the pandemic, we too have seen an impact on services that contribute to the City's revenues over the past fiscal year. As I mentioned earlier, the City has also relied on available COVID-19 grant and reimbursement funding from the State and Federal government which may or may not continue to fill gaps and holes in the upcoming fiscal year.

As we have learned over the past year, we will continue to be met with unanticipated challenges that force us to respond and overspend. In turn, we must underspend whenever we can.

The most significant increase in the FY21-22 City Manager's budget proposal is an increase across all salary and wage lines due to requiring twenty-seven pay weeks rather than the standard twenty-six. This oddity occurs every six or seven years. While this may not sound significant, when spread across all City full time staff, it increases the budget by \$163,840.

This budget proposal also includes wage increases for all City employees who received no pay increase or cost of living increase in the FY20-21 budget due to the anticipated economic hardship and uncertainty of the pandemic. City of Belfast employees have worked harder than ever over the past year to assist our community through new COVID-19 response programs above and beyond their normal services provided. This good work should be recognized, and I know our Mayor and Councilors agree. Additionally, a wage survey was conducted over the past year that demonstrated City of Belfast wages have fallen behind that of comparable municipalities and we should strive to bring wages to the median rate over the next few years. This will serve the City well in employee attraction and retention and further ensure quality services to the citizens of Belfast.

The most significant decreases in the FY21-22 City Manager's budget proposal are a result in savings through the delivery of legal services, a reduction in heating costs, savings experienced through the solar buyout and the seasonal closure of the Belfast Boathouse and Belfast Harbor public restrooms. Earlier this year, the City also started in-house vehicle maintenance by our Public Works

Department on all City vehicles. Maintenance will be performed on our Police Cruisers (8), Wastewater Treatment Plant vehicles (2), Fire and Ambulance pickups, ambulances, and rescue vehicles (6), Parks and Recreation pickups (3) and Public Works vehicles (7). The City Mechanic will be completing oil changes, chassis lubrication, tire rotation, tire mount and balance, brake repair, vehicle inspections, in addition to other maintenance tasks in-house moving forward. This will result in savings on the mark up of the parts, lube products, filters, tire mounting and balancing, and labor costs that will be felt in this fiscal year and future City budgets.

As you can see, our Department Heads and budget team have carefully combed through each budget line to identify where we can create savings and where we realistically must increase spending to meet City demands. I am proud of our ingenuity to stretch every dollar and commitment to provide services to our community on a very lean budget.

In the weeks ahead, as the Mayor and Council work to establish a final budget, I encourage everyone, especially our Department Heads to disagree with any of my recommendations because they are simply that, recommendations. It is essential our City of Belfast tradition that “every story has at least two sides and Council and the City deserve to hear them all” continue. These discussions are important for both the Council and the community and provide the best results.

**i. City Manager’s Proposed Budget Cuts (\$1,000 and over):**

100-511	City Manager Vehicle and School Expense	\$5,150 (decrease of \$2,000)
100-512	City Manager Legal Services	\$70,000 (decrease of \$91,000)
100-513	City Manager Office Equipment	\$2,250 (decrease of \$2,250)
120-501	Assessing Salary and Wages	\$133,199 (decrease of \$10,675)
120-603	Assessing Office Equip. Capital Reserve	\$0 (decrease of \$2,000)
220-539	Police Mileage and School Expenses	\$12,000 (decrease of \$3,000)
230-544	Street Lighting Street Lights	\$30,000 (decrease of \$5,000)
250-537	Cable Television Equipment Cap Reserve	\$2,500 (decrease of \$2,500)
280-563	Animal Control Kennel Contract/Vet.	\$7,500 (decrease of \$5,000)



410-516	Public Works Heating Fuel	\$6,000 (decrease of \$1,000)
410-571	Public Works Tar Patch, Sand and Gravel	\$65,000 (decrease of \$5,000)
440-501	Transfer Station Salary and Wages	\$175,762 (decrease of \$8,536)
440-503	Transfer Station Unscheduled Overtime	\$500 (decrease of \$1,500)
550-581	Social Services Agencies	\$169,161 (decrease of \$39,015)
610-503	Parks and Rec. Unscheduled Overtime	\$2,000 (decrease of \$1,000)
610-584	Parks and Rec. Park Toilet Maintenance	\$7,900 (decrease of \$4,965)
610-585	Parks and Rec. Park Maintenance	\$35,758 (decrease of \$3,800)
610-587	Parks and Rec. Parks Reserve	\$150,000 (decrease of \$150,000)
620-516	Library Heating Fuel	\$10,000 (decrease of \$2,000)
640-594	Airport Maintenance	\$9,000 (decrease of \$6,000)
640-595	Airport Runway Cap. Reserve	\$9,000 (decrease of \$11,191)
640-711	Airport Maintenance Cap. Reserve	\$3,000 (decrease of \$1,500)
670-601	Planning Advertising	\$7,500 (decrease of \$2,500)
670-603	Planning Office Equipment Cap. Reserve	\$500 (decrease of \$1,000)
700-608	Debt Service	\$20,000 (decrease of \$20,000)
720-	New Capital Projects	\$134,341 (decrease of \$499,000)

**This list of proposed budget cuts totals \$881,432.**

The City Manager's gross budget proposal totals \$11,251,669. This proposal is an increase of \$729,081 from last year's Council approved budget (an increase of 6.92%).

When combined with the total estimated non-property tax revenues, this would increase revenues by 16.8% from \$4,342,366 to \$5,072,175. **The net to the property payer for City taxes would decrease .01% from \$6,180,222 to \$6,179,494.**

**If the Council were to approve the City Manager's budget proposal which includes limited Capital Projects:** this would result in a 2.48% decrease from FY20-21 of the 34.25% portion, down to 33.40% of the property tax bill that covers City taxes. This does

not represent the portions collected for School and County Tax which account of the other 66.6% of the property tax bill. Due to the increase in the projected School Tax and the estimated TIF payment, the overall budget would increase 2.49%.

Since this year's County Tax Bill is \$1,562,686 and this year's estimated RSU 71 School Tax Bill is \$10,759,769, the net effect of approving all the requested City expenses would result in **neither an increase nor a decrease in the Mil rate** from FY20-21. The **Mil rate would remain stable at 23.3 for FY21-22**. This would result in neither an increase nor a decrease in a City tax bill regardless of the property unless the valuation of that property has been adjusted in the last year.

The FY21-22 City Manager budget proposal does honor required investments to prevent deterioration beyond salvageable levels that were a result of the FY20-21 budget. This budget reflects both that we are still not yet out of this pandemic, but that a light can be seen at the end of the tunnel. Further investment will undoubtedly be required in FY22-23.

#### **V. The City of Belfast will Persevere through the Remainder of the Pandemic and Beyond**

This is my second budget message and as I mentioned at the beginning, I am incredibly proud of the work we have done together to lead our community through this pandemic. I am confident the FY21-22 City of Belfast Budget that will ultimately be approved by the Council will serve as a roadmap through the remainder of the pandemic and beyond.

Thank you to our talented budget team; City Treasurer Theresa Butler, Assistant to the City Manager Manda Cushman, Deputy City Treasurer Elizabeth Kelley, and City Assessor Brent Martin, for their assistance in making these recommendations.

In my role as City Manager, I am not elected and ultimately, the budget decision is that of our Council. It is our hope that this proposal will assist our Mayor and Council as they begin their discussions and deliberations.

Based on my experience in last year's budget discussions, I know our Mayor and Council are most concerned with approving a budget that places as small of a burden possible on the taxpayer and does not require any negative impact on City services. This balance is difficult to maintain but it is essential we do.

Over the past year the leadership provided by our Mayor and Council has been fearless, strategic, and thoughtful as they have led our community through this challenging time. I know they will continue to lead our community through the remainder of this pandemic and beyond with the same attention and grace.

City of Belfast Employees have been nimble and kind while providing continued 24-7 services to our community through this challenging year. I know we will continue to provide that same level of service with pride.

Our Mayor, Council, City employees and community have worked together to demonstrate our resiliency through this pandemic with authenticity. This gives me complete confidence that we will come out better than before on the other side.

Thank you for the opportunity to serve the City of Belfast as City Manager. I grow more honored to work alongside each of you, every day.