



CITY OF BELFAST

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

RE: FY2025-2026 Budget Message

FROM: Erin Herbig, City Manager

DATE: Thursday, April 17, 2025

The City of Belfast Fiscal Year 2025-2026 Budget marks my sixth as City Manager. Over the last six years, we have successfully navigated a worldwide pandemic, rising inflation and reduced revenues. We have assumed increased pressure on municipal government to adapt and expand the services we provide to our citizens in this changing world. I remain incredibly proud of the City of Belfast, our team, and the way we have successfully guided our community through challenging times, in a way that not many other municipalities were able to.

Belfast has thrived over the past several years and that is not a coincidence. It has been the result of partnerships and collaboration with local businesses, developers, community groups and local leaders advancing our City's growth in a way that has been a supportive environment for our citizens and businesses both old and new.

The City of Belfast has been a leader during this time, in part, because we were able to identify and capitalize on every opportunity and leverage every additional funding source for the

betterment of our community. This varied from initiatives as straight forward as Curbside Belfast and the Keep the Faith Fund to initiatives as complex as providing uninterrupted 24/7 emergency response in a far more difficult environment.

The Keep Maine Healthy Program and the American Rescue Plan Act provided additional funding that allowed us to not only weather the pandemic and the years that followed, but also to drive forward. This additional funding made it possible for the City to provide support for our families and businesses during difficult times and fund increased wages and costs of supplies and equipment necessary for our emergency responders who were in higher demand when we needed them most.

We made the most of funding opportunities through MaineHousing, partnerships with Maine developers, and use of a City owned land parcel to add three new housing developments within the bypass. This resulted in the addition of 98 new apartment units in Belfast.

The City of Belfast leveraged State and Federal funding to complete several important infrastructure projects including the Wight Street Road Reconstruction Project, sidewalk projects including a newly constructed pedestrian walkway through Wales Park, and several long overdue City sewer upgrades.

Following the January 2024 storms, we capitalized on Federal Emergency Management Agency (FEMA) funding to assist businesses, homeowners and our City Landing and harbor infrastructure to repair damage incurred and make improvements to help better weather future storms.

We took advantage of funding through Efficiency Maine for two major energy improvement projects, outfitting the former Superior Courthouse and the Belfast Free Library for heating and cooling at a lower cost that is also better for the environment.

Our team has worked hard and strategically over the past few years to successfully address many projects that were long overdue or on the back burner, because we were able to best identify alignment with State and Federal funding.

With this same strategy, the City of Belfast has also secured funding for future projects planned for the next several years:

- | | |
|-----------------------------------------------------|--------------------------------------|
| 1. Public Safety Building | \$2,463,000 in federal grant funding |
| 2. Congress Street Road Reconstruction | \$2,050,000 in federal grant funding |
| 3. Intersection Improvement at Routes 1 and 52 | \$368,287 in state grant funding |
| 4. Intersection Improvement at Route 1 and Congress | \$670,000 in federal funding |
| 5. Hazard Mitigation Plan | \$30,000 in state grant funding |

We have worked hard and smart over the past several years to improve the health and safety of our community and to set our City up for years of continued progress and success.

I. Uncertainty at the Federal Level

At this time, it is unclear if the funding for these plans remain available or will be for future planning.

This is neither a political statement nor is it an opinion regarding any events occurring at the Federal Government at this time. As a municipality, and the lowest rung of our government, we have and always will be impacted by changes that occur at the State and Federal level. There have been a lot of changes to existing programming over the past several months and there is not a clear indication where any of this will land. This creates a level of uncertainty that we have never seen before.

How do we plan, strategize and make investments for the betterment of our community when the future is so uncertain? Our budget serves as a road map to guide us through the next year. How do we make the best decisions for our community when the peaks and valleys of that map are so unknown?

My response to that question: we do as we always have when presented with a challenge in the City of Belfast, we put our best foot forward and do our very best with the information we have.

II. Increased payments to Regional School Unit #71

The majority of our municipal budget expenses are for expenditures to outside organizations that we are required by State Statute to support, primarily Regional School Unit #71 (RSU #71)

Like all Maine municipalities, the City of Belfast sits in an awkward posture when it comes to budgeting and covering our expenses. Funding which allows for the myriad of public services to be offered in this community has real costs, and the City of Belfast contributes to a strong majority of these organizations.

Not unlike FY2024-25, again in FY2025-26, we must determine how to best navigate operating at the level we need to as we see our bills from outside organizations increase substantially.

Last year, Regional School District #71 increased their annual budget such that it increased the required payment from Belfast taxpayers from \$10,285,132 to \$ 10,909,170. This represented an increase of \$624,038 or 6.07%.

This year, Regional School District #71 has increased their annual budget such that it will increase the required payment from Belfast taxpayers from \$10,909,170 to \$11,707,932. This represents an increase of \$798,762 or 7.32%.

Regional School District #71 has increased their annual budget over the past two years, such that it has increased the required payment from Belfast taxpayers from \$10,285,132 to \$11,707,932. This represents an increase of \$1,422,800 or 13.83%.

How does a municipality shoulder this financial burden while placing as little burden as possible on the taxpayer?

Cutting our operating budget to offset such an increase is just not possible or realistic. If we were to cut important operating costs, it would certainly have other long-term impacts on our community. I cannot recommend a proposed budget that does not budget for ambulances, police cruisers, or snowplows, knowing that our fleet is aging out and only has a few months or a year left— if we are lucky. If we did, we would risk paying for it all up front in a few months or years from now, shifting the burden to a future budget year. In addition to this, the impact of inflation cannot be avoided or delayed without affecting our day-to-day operating services.

How do we best present a proposed budget that accounts for these increases, without diminishing the equipment needed or repairs that are required, for the City to continue to function seamlessly from one fiscal year to the next? This is our challenge and must be our focus again this year.

III. Increase in City Expenses in the Initial Proposal from City Departments

It is important to understand where the initial FY2025-26 budget started and where the City Manager's Budget Proposal arrives.

City Departments and various non-profit entities submitted budget requests totaling \$32,654,490 this year. Last year's finalized budget that was approved by the Council totaled \$28,774,944. This would result in an increase of \$3,879,546 or 13.48%.

Like the City of Belfast, our citizens and businesses are also feeling the effects of economic uncertainty. An increase of 13.48% is clearly too much for our citizens and businesses to absorb during this time.

The uncertainty concerning State and Federal funding combined with the \$798,762 payment increase from RSU #71 presents a real challenge in FY2025-26.

Due to these combined circumstances, Department Heads were asked to revisit their budget requests to look for any and all additional cuts this fiscal year. I want to thank each of them for collaborating with our budget team and being so thoughtful in combing through their budget lines to find any and all cost savings possible.

One thing I know for certain following the pandemic is that the City of Belfast knows how to do more with less. I am incredibly grateful to our Department Heads for their ingenuity, expertise and collaboration in this year's budget process.

IV. FY2025-26 City Manager's Budget Proposal

Again, cutting our operating budget to offset such an increase this year is just not possible nor is it realistic. We must also press the pause button on investment projects until we have a clearer picture of the future of our revenue sources and our economy. Our focus at this moment must be maintaining what the City currently has while continuing to provide day-to-day operations at the levels our community expects.

The **City Manager's gross budget proposal totals \$29,769,437**, including Capital Improvement Projects. This proposal is a **decrease of \$2,656,224 from the initial requests** made by City Departments and outside organizations.

The **City Manager's gross budget proposal is an increase of \$994,493 from last year's City Council Approved Budget.**

This increase is a result of a **\$798,762 increase from RSU #71 and \$191,179 increase from City of Belfast expense lines.**

V. **Property Tax Breakdown in this Proposal**

As I mentioned previously, in the City of Belfast, a large majority of the total combined property taxes goes to fund **Regional School District #71**. In this year's City Manager's Budget Proposal, that figure is projected to be **\$11,707,932 or 39.3% of the total gross budget.**

All **Public Works** costs including all road and storm water maintenance, as sidewalk improvements, road construction, streetlights, and the tree program is the second highest portion at **\$2,497,051 or 8.4% of the total gross budget.**

Employee Benefits including Social Security/Medicare, retirement plans, group life insurance, health insurance, and a personal reserve to payout retiring employees of their accrued sick and vacation is the third highest portion at **\$2,494,594 or 8.4% of the total gross budget.**

The **County of Waldo** is the fourth highest portion at **\$2,058,544 or 6.9% of the total gross budget.**

The **Police Department** is the fifth highest portion at **\$1,837,810 or 6.2%**.

Capital Improvement Projects is the sixth highest portion at **\$1,592,169 or 5.3%**. This includes all vehicle and equipment purchases, such as fire trucks, plow trucks and lawn mowers. This also includes all improvements to our infrastructure like replacing garage doors or a boiler, to making intersection improvements on a City street.

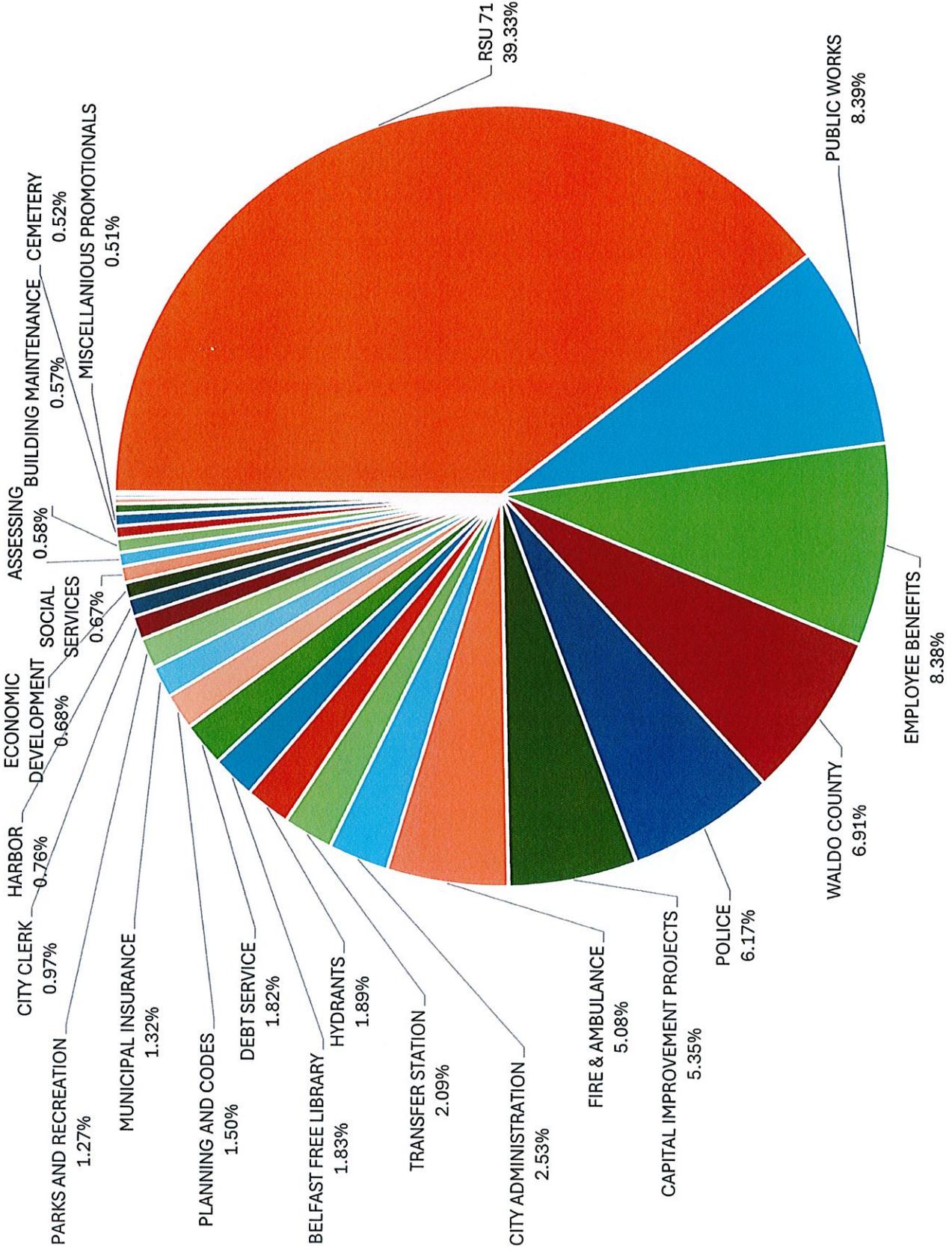
The **Fire and Ambulance Department** is the seventh largest portion at **\$1,513,469 or 5.1%**.

The complete list of City of Belfast financial obligations, as proposed in the FY25-26 City Manager's Budget Proposal, are reflected below as well as by an attached graphic:

1. RSU 71	\$11,707,932	39.3%
2. PUBLIC WORKS	\$2,497,051	8.4%
3. EMPLOYEE BENEFITS	\$2,494,594	8.4%
4. WALDO COUNTY	\$2,058,544	6.9%
5. POLICE	\$1,837,810	6.2%
6. CAPITAL IMPROVEMENT PROJECTS	\$1,592,169	5.3%
7. FIRE & AMBULANCE	\$1,513,469	5.1%
8. CITY ADMINISTRATION	\$752,453	2.5%
9. TRANSFER STATION	\$621,128	2.1%
10. HYDRANTS	\$563,108	1.9%
11. BELFAST FREE LIBRARY	\$543,349	1.8%
12. DEBT SERVICE	\$541,801	1.8%
13. PLANNING AND CODES	\$446,801	1.5%
14. MUNICIPAL INSURANCE	\$393,261	1.3%
15. PARKS AND RECREATION	\$376,724	1.3%
16. CITY CLERK	\$288,927	1%
17. HARBOR	\$225,585	0.8%

18. ECONOMIC DEVELOPMENT	\$202,273	0.7%
19. SOCIAL SERVICES	\$200,904	0.7%
20. ASSESSING	\$172,985	0.6%
21. BUILDING MAINTENANCE	\$169,794	0.6%
22. CEMETERY	\$153,686	0.5%
23. MISCELLANIOUS PROMOTIONALS	\$151,017	0.5%
24. GENERAL ASSISTANCE	\$119,059	0.4%
25. MUNICIPAL AIRPORT	\$70,916	0.2%
26. CABLE TV	\$49,300	0.2%
27. BOATHOUSE	\$24,697	0.08%

FY2025-2026 City of Belfast Manager's Budget Proposal (Gross)



VI. Increased Expenses from the FY2024-25 Budget

The City Manager's gross budget proposal is an increase of \$994,493 from last year's City Council Approved Budget.

This increase is a result of a \$798,762 increase from RSU #71 and \$191,179 increase from City of Belfast expense lines.

The largest increases in expense lines in FY2025-26 are:

1. Regional School District #71	<i>increase of \$798,762</i>
2. Police Department Wages	<i>increase of \$194,820</i>
3. Capital Investment Plan	<i>increase of \$191,179</i>
4. Retirement Plan Contributions	<i>increase of \$156,014</i>
5. Fire and Ambulance Wages	<i>increase of \$133,179</i>
6. Public Works Wages	<i>increase of \$111,308</i>
7. Increased rates from the Belfast Water District	<i>increase of \$17,278</i>
8. Increased electricity rates and consumption	<i>increase of \$5,593</i>

In addition to increased expenses above, the City of Belfast has seen increases in nearly all our supplies and expenses. Like all businesses, the City of Belfast continues to feel the effects of inflation. Emergency vehicles, heating oil, asphalt, office equipment, automobile parts and repairs all continue to cost more. Again, our Department Heads worked hard this year to do more with less and find maximum cost savings.

The labor market for Police, Fire and Ambulance staff has tightened significantly in recent years. This has placed pressure on wages, and they have increased substantially over the past few years in order to continue to provide these services for our community. The City of Belfast has also offered more substantial Maine State Retirement packages to our emergency responders as a way to attract and retain these employees in demand. This, in turn, increases our retirement plan

contributions. These are all clearly reflected in our budget this year when aligned with budget cuts to supplies, materials and equipment.

Non-union employees are scheduled to receive a cost-of-living increase that mirrors wage indexing at 3.6% this year. The City of Belfast salary and wage chart cost-of-living increase is determined by the National Average Wage Index as is consistent with Maine's minimum wage. Due to the uncertainty and increases that we are facing this upcoming fiscal year, I am not recommending any additional step increases beyond what is scheduled.

The Belfast Water District has projected a 3% increase in rates this year. This includes all City facilities as well as all fire hydrants across the City.

Increased rates and consumption of electricity have continued to occur as the City has moved to be less reliant on fossil fuels to produce the energy required to operate our facilities. In FY2025-26 we continue to see an increase in electricity consumption, but thankfully, we see a reduction in our heating fuel expenses. The Library heating costs have decreased by \$17,000, however, the costs of heating oil have increased due to recently imposed tariffs, resulting in a net decrease of \$2,352 across the City.

VII. Capital Improvement Planning

As I mentioned before, in lieu of the circumstances we have found ourselves in, the proposed operating budget allows us to maintain our current levels of operation but will require proper Capital Improvement Planning (CIP).

In FY2024-25, the City of Belfast implemented a formalized Capital Improvement Plan that has helped bridge the gap between the planning process and the budget process. Our team has worked to best implement this in order to place the City in a more strategic position for

investment moving forward that balances operational needs with the needs for infrastructural investment.

This plan also places the City in a better position to take advantage of Federal and State grant programs and opportunities. While great uncertainty exists when it comes to the future availability of State and Federal funding opportunities, this places more stress on the need for funding through the City CIP to ensure that the infrastructure exists to advance the City's strategic and long-term goals and objectives.

In FY2024-25 the City Council approved \$1,400,990 in Capital Improvement Projects. In FY25-26, the City Manager's Budget proposes \$1,592,169 in Capital Improvement Projects. This investment is necessary to continue operations. If we defer these minimal necessary investments, we risk paying for it all up front in a few months or in the next fiscal year.

VIII. Decreases in City Non-Property Tax Revenue

Despite new financial pressures and the cost of nearly everything increasing, unfortunately, our revenues have continued to not keep pace.

The largest decreases in City non-property tax revenue are:

1. State Revenue Sharing	decrease of \$369,787
2. Ambulance Receipts	decrease of \$158,809
3. General Assistance	decrease of \$115,500
4. Code Compliance Receipts	decrease of \$71,377
5. Electrical Permits	decrease of \$27,600

6. Site Plan/Subdivision/Use Permits	decrease of \$11,943
7. Solid Waste Receipts	decrease of \$10,000

Our decreased revenues reflect the economic uncertainty our citizens are currently feeling. For example, citizens are purchasing less motor vehicles, RVs, and other items that we collect revenues through registrations.

We have continued to see increases in Planning and Codes permits, however a reduction in permit fees. This is as result of an increase in residential development and a decrease in commercial development that utilizes City infrastructure like sewer tie-ins, for example. The permits are for projects with a lower value, which impacts on our revenues.

A large portion of revenue collected over the past few years has been through State and Federal grant funding. Given the uncertainty, we have not projected any grant funding as part of our revenues. We will continue to monitor these programs to see if this changes.

State Revenue Sharing has decreased this year due to the decreased activity in the economy, not a decrease in the State's percentage of contribution. These figures are provided to us by the State Treasurer each year.

The FY25-26 City Manager's Budget proposes to offset decreased projected revenues, by drawing from our Municipal Revenue Sharing Stabilization Account and the School Stabilization Account in an attempt to offset the decrease in State Revenue Sharing and the increase in RSU #71 School Funding. The City utilized both of these stabilization accounts in the past fiscal year. Both account balances are one-third of where they were two years ago and will not be there to offset future revenue losses if we continue at this pace.

The FY2025-26 City Manager's Budget Proposal projects \$8,070,165 in non-property tax revenues this year, a DECREASE of \$695,826 from FY2024-25.

IX. How do we close the gap?

As mentioned before, our budget team has collaborated with our Department Heads to tirelessly comb through each line to identify where we can create savings and where we realistically must increase spending to meet City demands.

We cannot cut our way out in order to absorb an increase of \$798,762 from RSU #71, nor can we underfund the required staffing and infrastructure that keep the City running each day.

Less projected revenues, the FY2025-26 City Manager’s Budget Proposal would result in a net increase in City spending of \$266,498 from FY2024-25 that would need to be covered by taxpayers.

This proposed budget maintains our current levels of City Services but does put into question our sustainability and would undoubtedly require an increase in investment in FY2026-27 to prevent deterioration beyond salvageable levels.

Increased required payments from Belfast taxpayers to Regional School District #71 in the amount of \$798,762 this year, when combined with the FY2025-26 City Manager’s Budget Proposal, increases the overall NET budget by \$962,324 compared to FY2024-25.

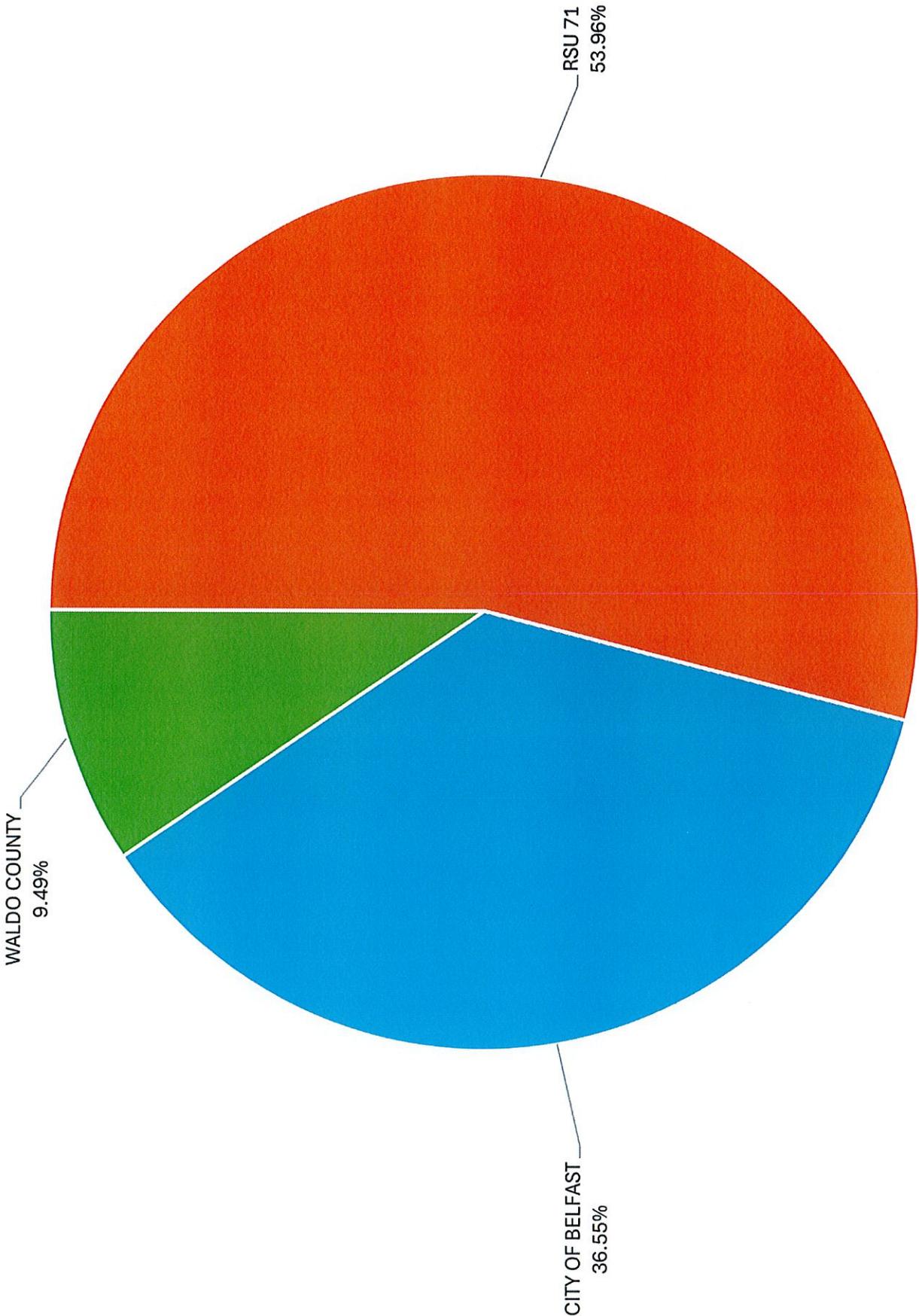
Proposed FY25-26 tax proportions are reflected below as well as by an attached graphic:

Regional School Unit #71	\$11,707,932	53.96%
City of Belfast	\$7,932,796	36.55%
County of Waldo	\$2,058,544	9.49%

This NET budget proposal compared to the City of Belfast FY2024-25 Budget tax proportions are:

Regional School Unit #71	\$10,909,173	54.52%
City of Belfast	\$6,970,472	34.83%
County of Waldo	\$2,129,311	10.65%

FY2025-2026 City of Belfast Manager's Budget Report (Net)



X. Closing

As a municipality, our community continues to count on us to provide non-stop services at the level of quality we always have. Our community also relies on us to meet the demands of the changing world we live in on a very lean budget.

I remain grateful for the incredible team we have here in the City of Belfast. I am proud of our ingenuity to stretch every dollar and our commitment to continue to provide services to our community. Thank you to our talented budget team; Finance Director Amy Bradford, Deputy City Manager Manda Cushman, and all City Department Heads for their collaboration to arrive at each of these recommendations. This was our toughest budget yet and our team continues to rise to the occasion.

In my role as City Manager, I am not elected and ultimately, the budget decision is that of our City Council. It is my hope that this proposal will assist our Mayor and Council as they begin their discussions and deliberations. Based on my experience over the past five years, 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 that we do.

I am confident that the FY2025-26 City of Belfast Budget, which is ultimately approved by the City Council, will serve as a roadmap for the City as we continue to adapt to a changing world.

Thank you for the opportunity to serve the City of Belfast as City Manager. It is an honor to be part of this team.