BUDGET COMMITTEE MEETING
APRIL 13, 2017

Mayor Casavant called the meeting to order at 6:01 p.m.

Roll Call: Michael Swanton, Stephen St. Cyr, Bob Mills, Norman Belanger, Michael Ready, Laura Seaver, Marc Lessard

John McCurry, Jr. and Robert Quattrone, Jr. were excused.

The Budget Committee, and all who were present, recited the Pledge of Allegiance.

City Manager Update:
City Manager, Jim Bennett gave a PowerPoint presentation showing comparisons of tax rates, median home values, departmental staffing levels and how State policies impact local budgets. {A copy of the presentation is attached}

Mayor Casavant asked Jim to provide more information on how municipal poverty rates drive a municipal budget.

Jim stressed that the loss of State Revenue Sharing over the past few years has really hurt and driven how municipal budgets are set.

Committee member Belanger asked if there has ever been an analysis of tax rates versus per capita income, which would help to determine the burden on the taxpayers.

Committee member St. Cyr doesn't feel that a cut in State Revenue Sharing has to automatically lead to an increase on the tax rate. For him, it should be seen as an opportunity for the City to look at how we are providing services; look at possible restructuring of City departments; and possible ways to cut staff and/or employee benefits.

Committee member Lessard noted that 70% of the budget is for personnel costs; and with that, there is an automatic 2-2 ½ % increase in each year's budget for wage adjustments. More than looking at ways and where to cut the budget, he feels the City needs to look at ways to increase the tax base.

Mayor Casavant stated that folks are typically in favor of cutting services, just not the services they themselves use. For example, someone with no children in the school system will be more in favor of cutting the school budget, but would want full funding for the City's paving program because they do drive on the roads.

Committee member Seaver pointed out that Biddeford's tax rate seems to be more in line with those communities that are not service centers; while our tax rate is higher than other service center communities.

Jim noted that having a coastline in your community also drives property valuation up; as well as effects the State tax formulas.

School Budget Discussion:
Mayor Casavant asked the Committee members what their thoughts are on the School Budget and if they are comfortable with moving this budget forward.

Committee member St. Cyr's reservation is that in FY 17 and FY18, the school department received more State aid, and as a result have added programming, including the proposal of a Pre-K program. His concern is in future years' budgets and the ability to continue to fund these additional programs. The School budget has come in at a zero increase for the proposed FY18 budget, but how many years will they be able to do that, or come close to that? Committee members Swanton and Seaver also voiced concerns about adding new programs and the potential sustainability in future years.

Committee member Lessard feels that it's about 3 to 5-year planning. He cautioned that the School Dept may not be looking long-term and planning for future years. He agrees with the previous comments that the proposed budget needs to be set to ensure future years' budgets are sustainable.

Committee member St. Cyr wonders if the additional programs can be instituted with existing staff instead of having to add staff; which would assist with future sustainability.

Mayor Casavant summarized that the Budget Committee is concerned about sustainability in the School Budget; as well as expanding (programs) too quickly; and the need to look at the bigger issues like the required renovations at Waterhouse Field, at which it was recently deemed that the bleachers are unsafe to use.

Committee member Lessard brought up the fact that class sizes are becoming smaller, yet the amount of teachers and staff seems to stay the same. This could be something the School Dept needs to reassess. He also noted that a recent study suggests that the School Dept. has more space in their buildings than is actually needed for the student population. Committee member Swanton suggested combining schools and cutting down on school buildings. In this vein, Committee member Lessard went further to suggest that the School Dept look into re-purposing on of the schools to accommodate more students and close down one of the other school buildings.

Committee member Ready would like the Budget Committee to meet with the Superintendent to go over these concerns and give Jeremy Ray an opportunity to offer insight on these issues. He also reminded folks that the School Dept may make a request to the State for funding of the renovation of one school, but the State could end up funding the renovation of a completely different school.

Moving Forward:
Generally speaking, the City budget that has been proposed includes a $.99 increase on the tax rate, with $.54 of that being new capital. $2.3 million would need to be cut to get the budget at a

zero increase. Mayor Casavant asked how much of tax increase the Committee members could support.

Committee member Lessard stated that he'd like to get as close to a $0 increase as possible; and would like to do that by diversifying the tax base.

Committee member St. Cyr feels that a good part of the reductions needs to come from employee benefits; however, he doesn't know how to do that. He especially struggles with the pension benefit because he thinks the City's contribution is too high. He went on to suggest that maybe the City needs to look at more restructuring and more collaboration with other communities so that staff reductions may be made.

He is okay with and understands that bonds will drive the tax rate up because the voters approved these bonds. That said, he is not sure that spending money above what the bond allows for is really necessary.

Committee member Seaver asked how the discussions with the downtown business owners is going in regards to the newly proposed Downtown District. Jim explained that he and Mayor Casavant have been having conversations with the downtown business owners over the past week or so and so far, have had mixed responses. Jim plans to reassess the Downtown District plan and bring a more compromised approach to the Budget Committee for consideration.

Committee member Ready asked what dollar amount needs to be raised for the capital funding, per the recent Charter revision. Jim answered that it's about $1.1 million.

Committee member Ready went on to state that he will not support the proposed Downtown District unless and until there is a meeting with the Budget Committee and the downtown business owners.

Committee member Lessard views the proposed Downtown District as an investment for the downtown business owners since it would provide marketing and beautification. He is discouraged by their lack of support for the Downtown District. Committee member Ready fears that the whole Downtown District was moved along too quickly. Jim offered to set up a Workshop between the Budget Committee and the downtown business owners to talk about the proposed Downtown District and hear the concerns of the business owners.

Committee member Belanger believes that the City must be investing in the future, and he stated that he can support some increase in the tax rate, but not the whole currently proposed $.99. Like Committee member St. Cyr, he does see the need for an increase to cover the payment of voter-approved bonds and capital expenses. He suggested that locally raised fees be looked at and possibly increased as a way to increase revenue.

Committee member Swanton would love a $0 increase on the tax rate; however, he realizes that this is not feasible. That said, he is certainly not supportive of a $2.3 million in the budget.

Committee member Mills has seen the disastrous effects of a zero increase budget in past years, so he definitely would not support that. He would like more information before he is comfortable with any particular increase.

In light of the positions that the Committee members are taking, Mayor Casavant asked Jim to come up with different scenarios of reductions that will bring the $2.3 million increase to a more manageable number. Jim explained that what he'll probably end up doing is taking the currently proposed $.99 increase and breaking it down into different categories and come up with alternatives to reductions.

Mayor Casavant believes that whatever policy changes the Budget Committee chooses to pursue, these must be communicated with the public, as well as what the benefits of those policy changes will be in the future. He also will contact Jeremy Ray and schedule a time for him to attend a Workshop with the Budget Committee to address the Committee's concerns that were discussed at this meeting.

Jim asked the Committee members if there is anything else the he and/or City Staff can provide to the Budget Committee to assist them in their upcoming budget discussions.

- Committee member Lessard asked for a breakdown of what percentage of the budget the major departments make up
- Committee member Seaver would like to see the employee benefits (fringe benefits) included in each department's budget totals.

Committee member Swanton thanked Gerry Matherne for getting the tax valuation information broken down by Ward.

Mayor Casavant thank the City Staff for the incredible job they did to put the budget together, especially in light of the recent resignation of the Finance Director. He encouraged the Committee members to use the Dept Heads to get whatever information they feel they still need to have.

Committee member Lessard offered a clarification that City Staff should not take comments and discussion about staff reductions and cuts in benefits personally. He went on to say that these types of budget discussions happen each budget year and are a necessary part of the process.

Motion by Committee member Ready, seconded by Committee member Seaver to adjourn.
Vote: Unanimous. Time: 7:48 p.m.

Respectfully submitted,
Carmen J. Morris, City Clerk

FY18 Community Comparisons

APRIL 13, 2017

Goal of Presentation

- Understanding of property tax rates
- Influences of property tax rates
- Comparison to other communities
- Selected department comparisons
- **Is NOT intended to make statement about taxation level!**

Comparison Communities

- Selected based:
  - Population
  - Proximity to Biddeford
  - Community demographics
  - Cost of living comparisons (housing costs)
- Established by City Council in 2017 (Compensation Policy)

Auburn 23,005	Augusta 19,136
Brunswick 20,278	Falmouth 11,158
Gorham 16,381	Kennebunk 10,798
Lewiston 36,592	OOB 8,624
Saco 18,624	Sanford 20,278
Scarborough 18,919	So. Portland 25,002
Waterville 15,722	Westbrook 17,494
Windham 17,600	York 12,529

Portland 66,194

Biddeford 21,277

Local Tax Rate Determination

- Property tax rate is determined
  - Total amount of money needed to be raised by taxes in budget
    - Education
    - County tax
    - Municipal Operation
    - Other (Overlay, TIF, etc)
  - Less state reimbursements

Divided by:

- Total Local Valuation of Taxable Properties

FY17 Budget

Education:	$22,798,718
County:	$ 1,280,452
Municipal:	$19,881,358
Other:	$ 1,629,632
	$45,590,160
Less State:	($ 786,435)
Taxes raised	$44,803,725
Local Valuation	$2,255,927,900

0.01986 or $19.86 per thousand

Full Value Tax Rate

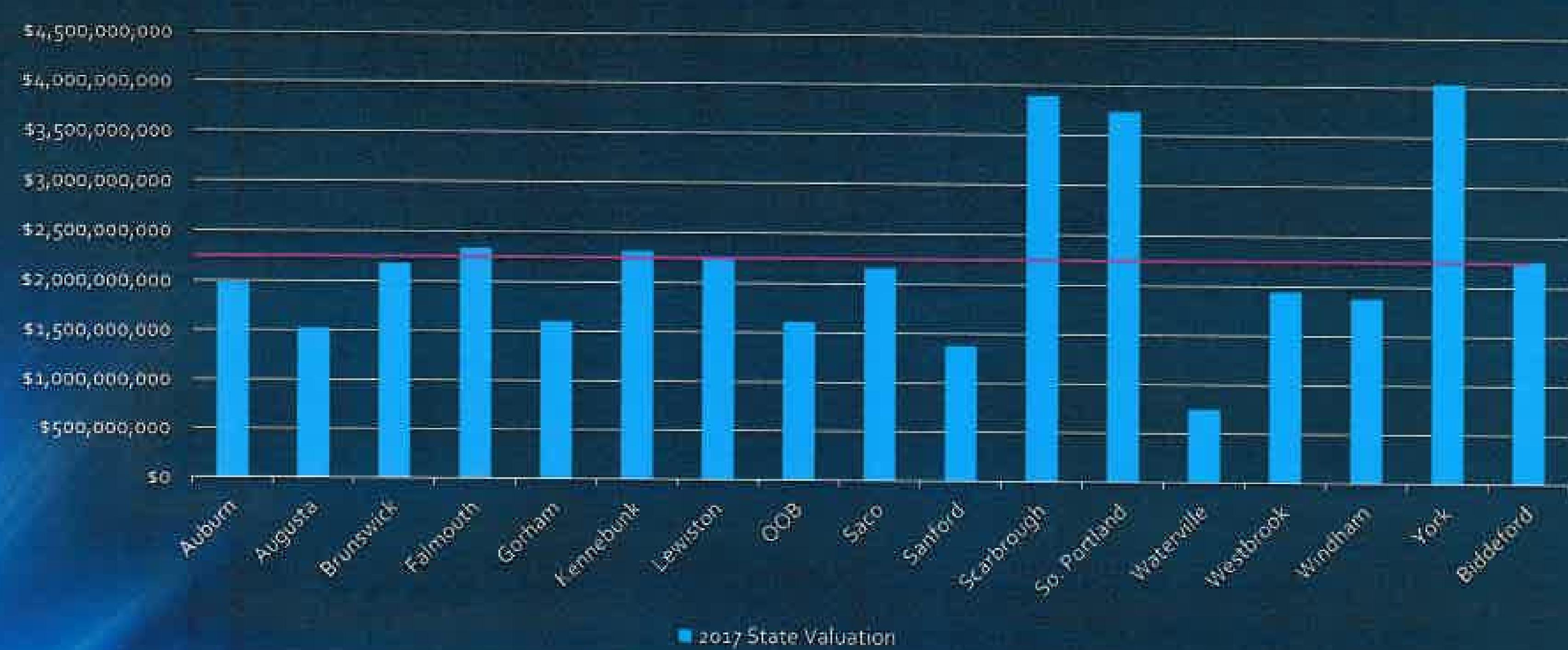
<u>Local communities have different assessment ratios</u>

- Community A: 100% assessment ratio = local value equals average of sales
- Community B: 90% of assessment ratio = local value equals 90% of average of sales
- Community C: 110% of assessment ratio = 110% of local value = average of sales

<u>State Uses Full Value Tax Rate</u>

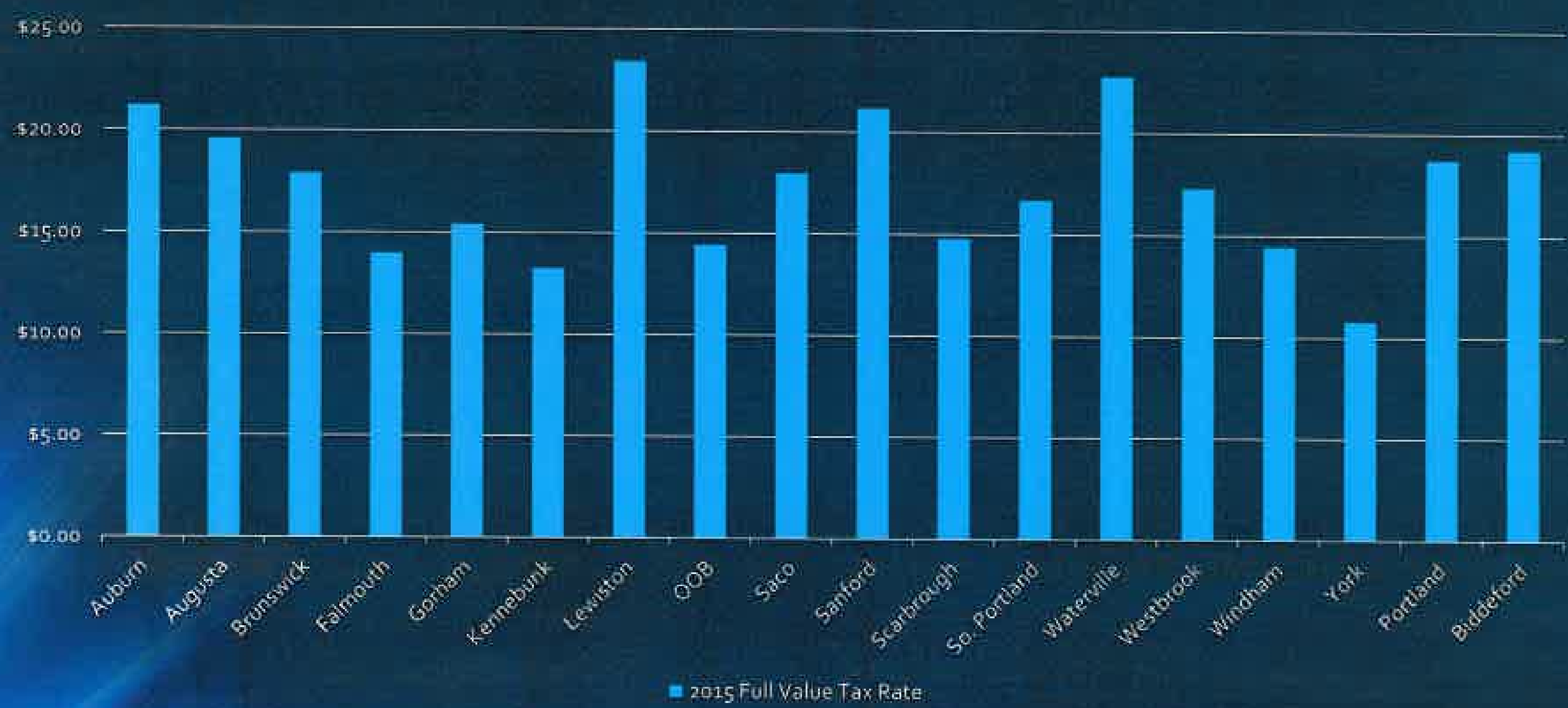
- Instead of dividing the total amount of taxes by local valuation
- Uses the state valuation instead
- On paper, makes comparisons more relevant

2017 State Valuation



2017 State Valuation Including Portland

2015 Full Value Tax Rates

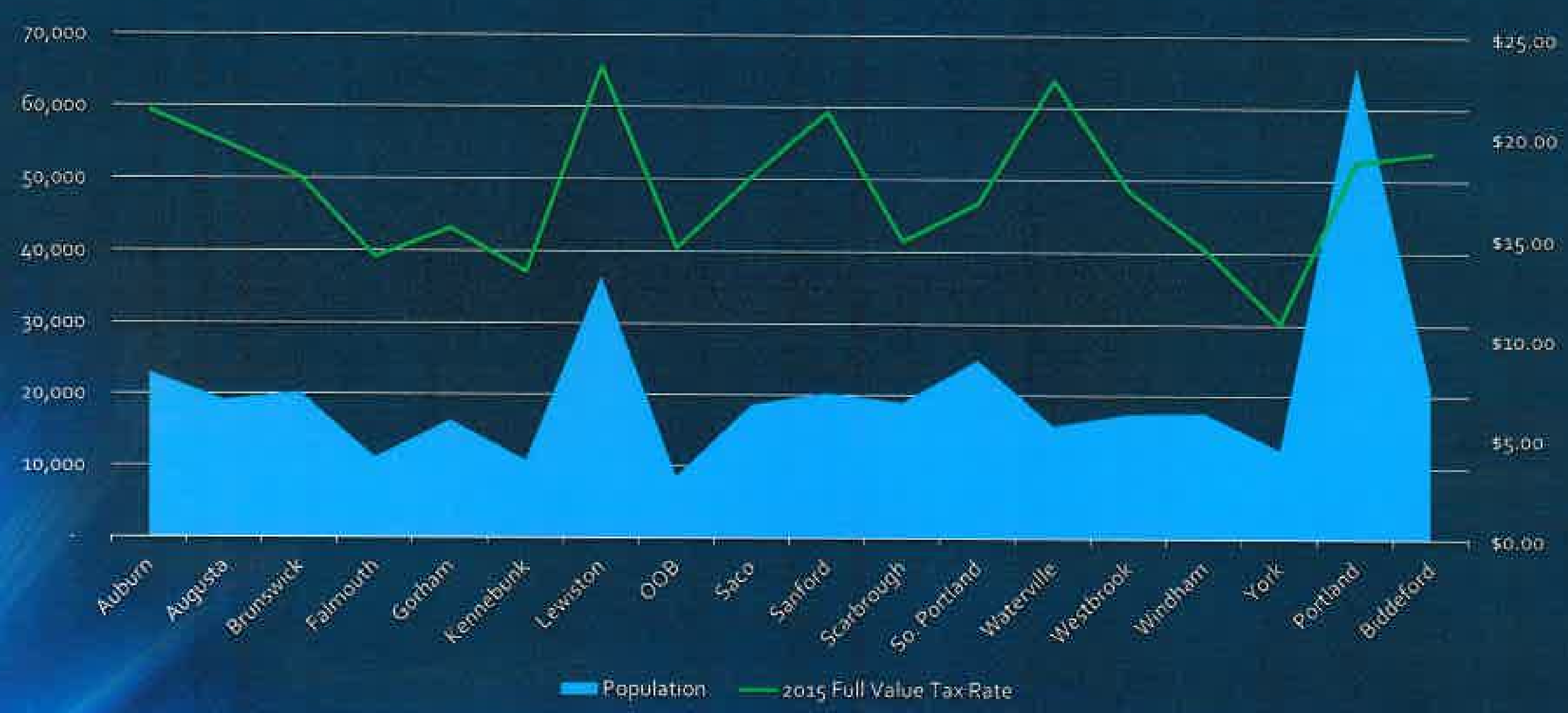


Full Value Tax Rates

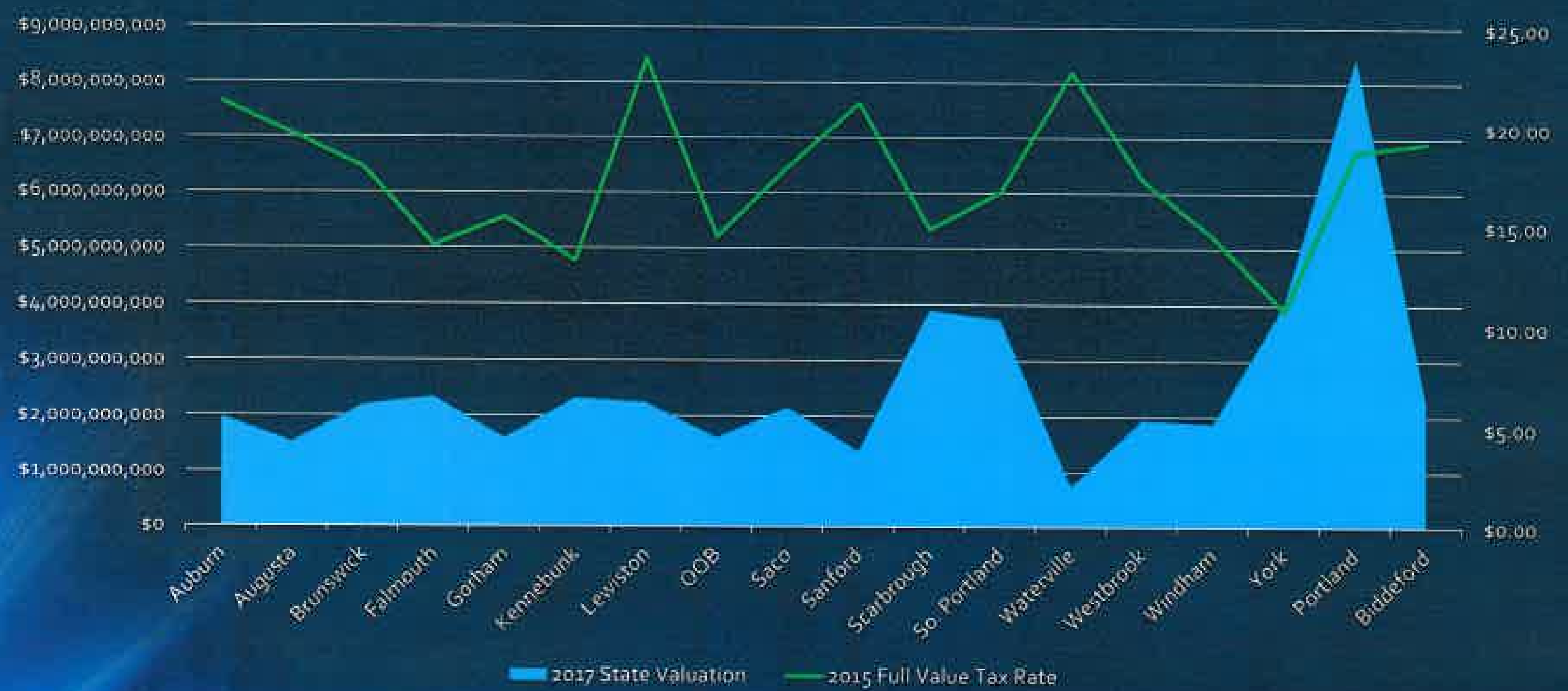
Full Value Tax Rate One Part of the Story

- Tax Rates are influenced significantly by state policy
  - Example: Service center communities carry about a 35% more property tax burden than non-service communities
    - Tax exempt properties
    - Demands because of daytime population growth
      - Employees
      - Shoppers
      - People seeking services
  - Reduction in revenue sharing; shifting costs and responsibilities to local communities

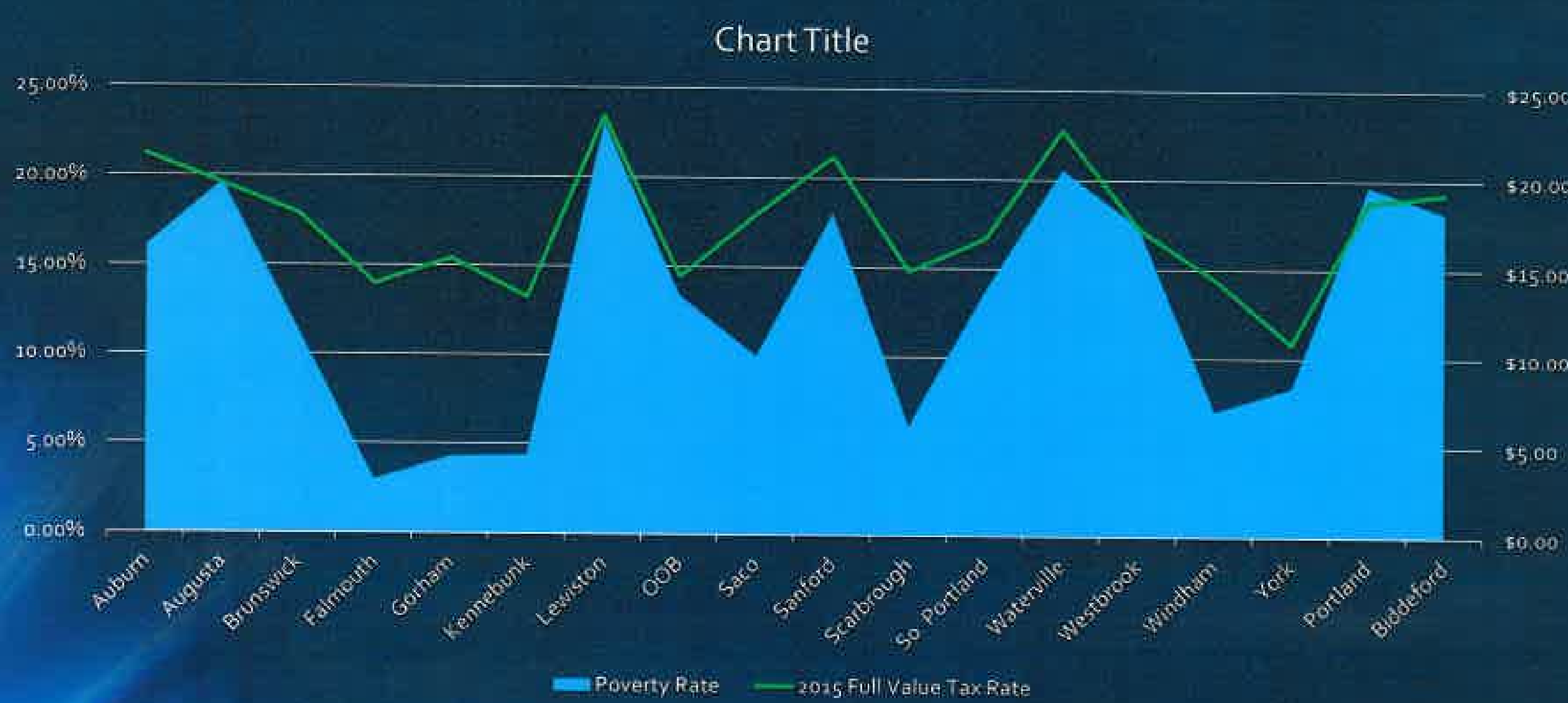
Full Value Tax Rate vs Population



Full Value Tax Rate vs State Valuation



Community's Poverty Rate vs Full Value Tax Rate

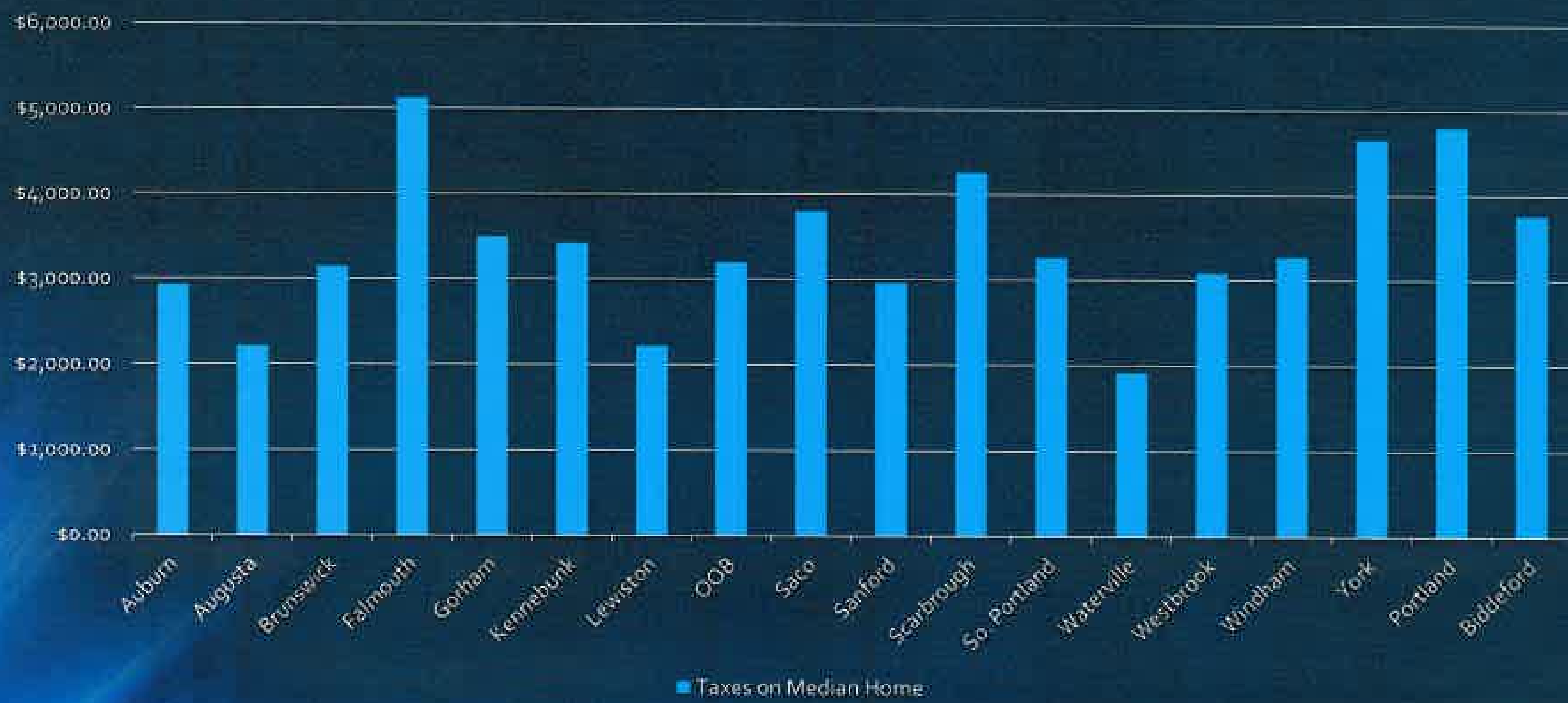


Tax Rates vs How Big Is My Bill?

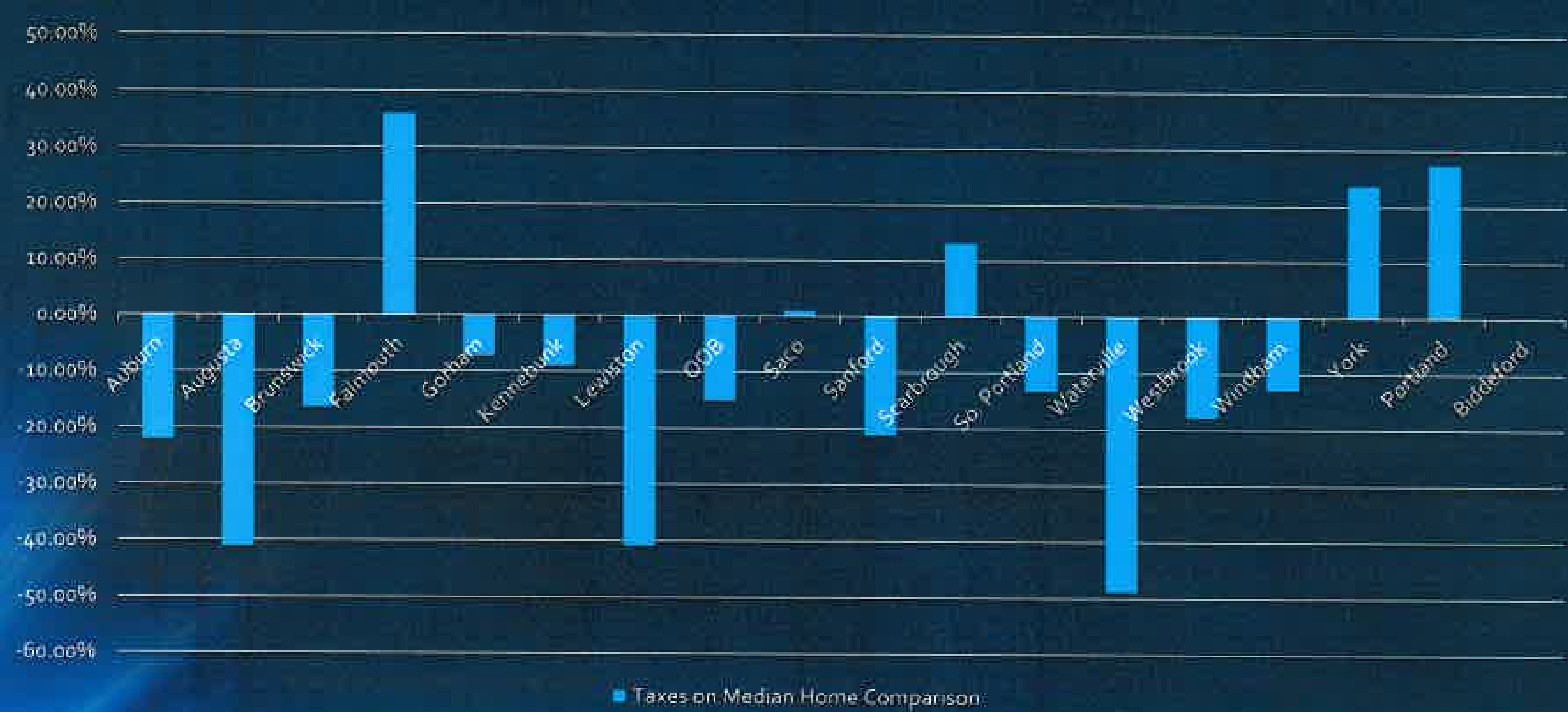
- Tax rates are influenced by the local assessed value
- Example:
  - Increasing all local values by 20% will lower the tax rate by 20% *but not change the amount the tax bill for any citizen!*

Taxes Paid on Median Home:

Adjusted to 100% Assessed Value Using Full Value Tax Rate



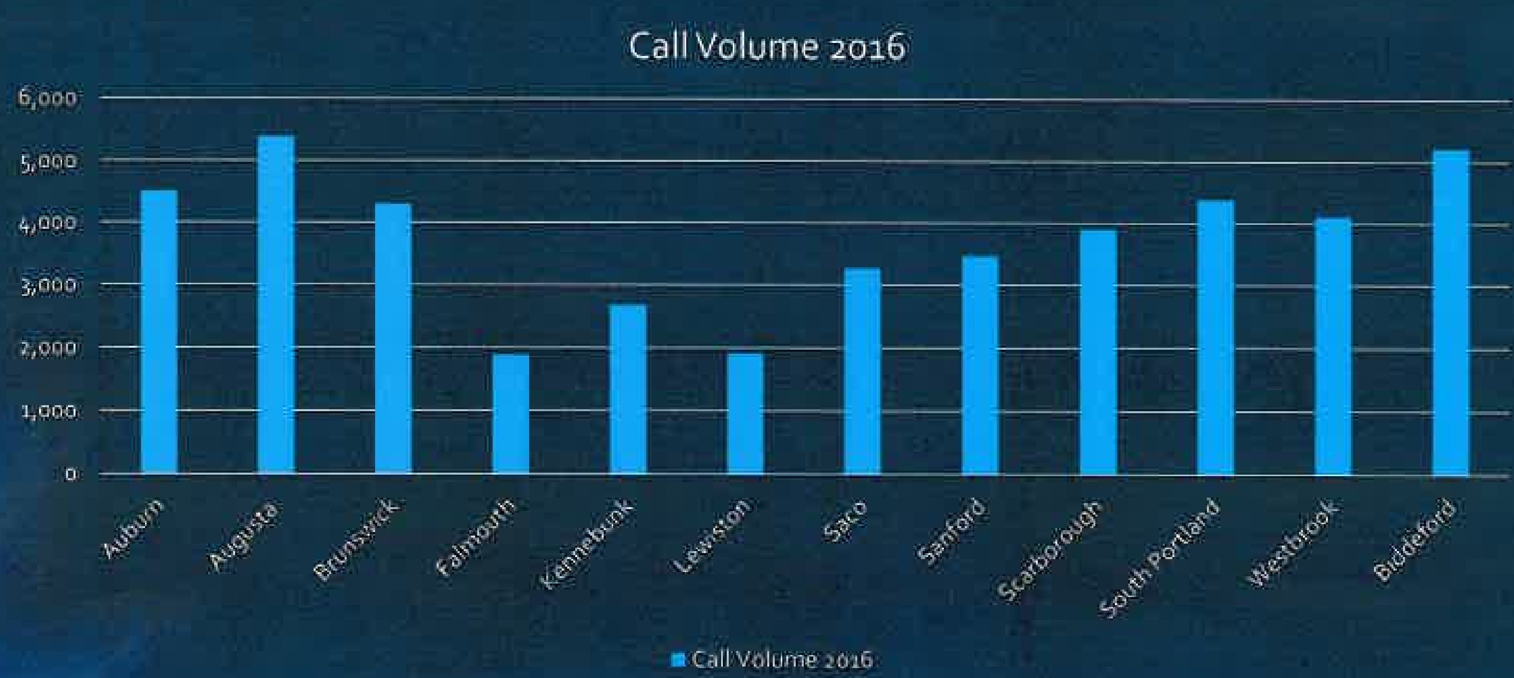
Comparison of Tax Bill



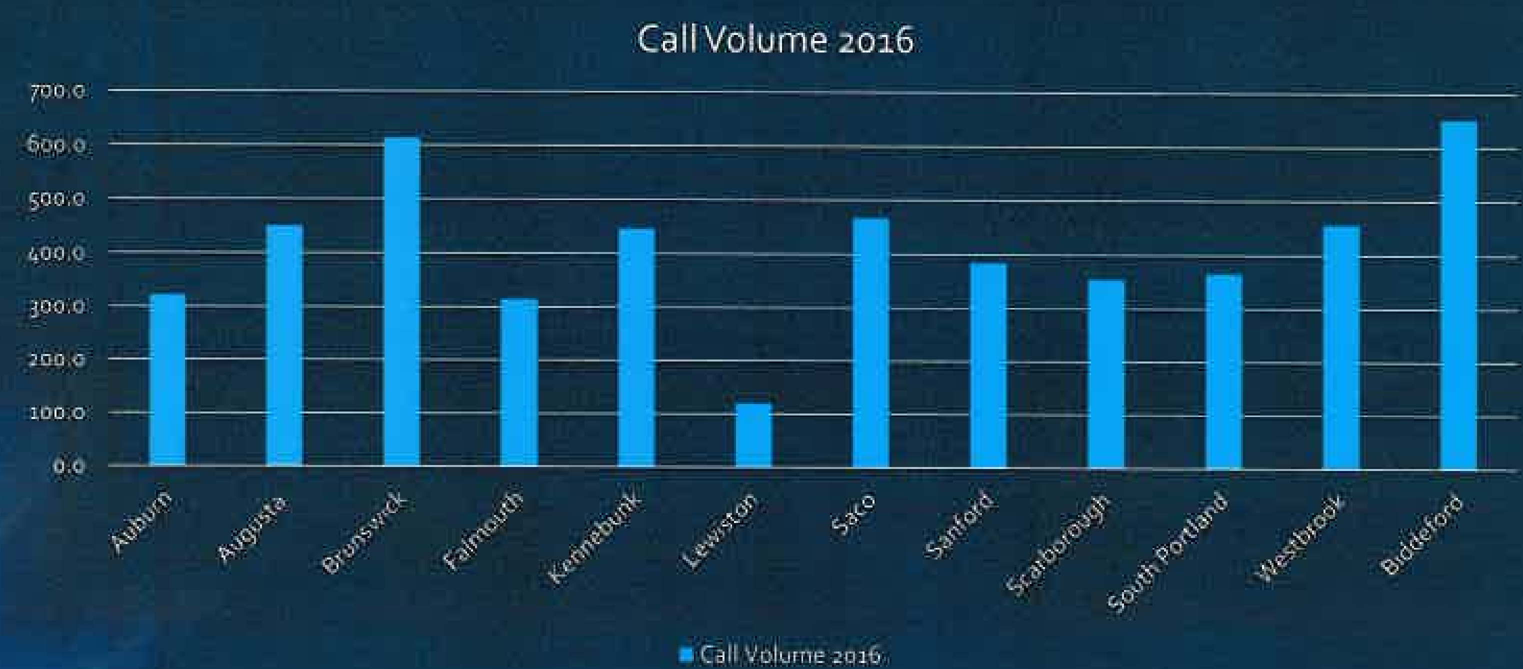
Local Expenditures

- Comparison of staffing to other communities
  - *Are we significantly overstaffed compared to other communities?*
- Caution: Isolated statistic does not tell the complete story

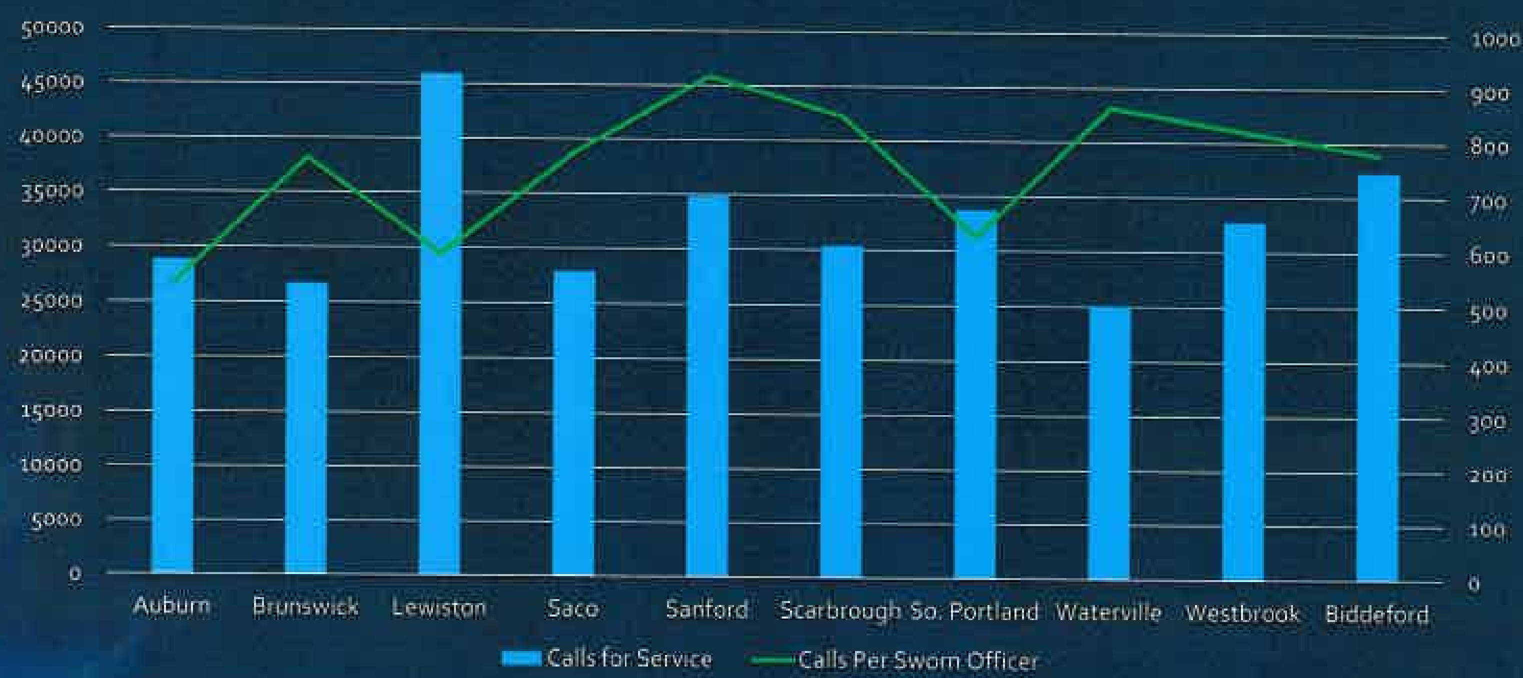
Fire Department Call Volume



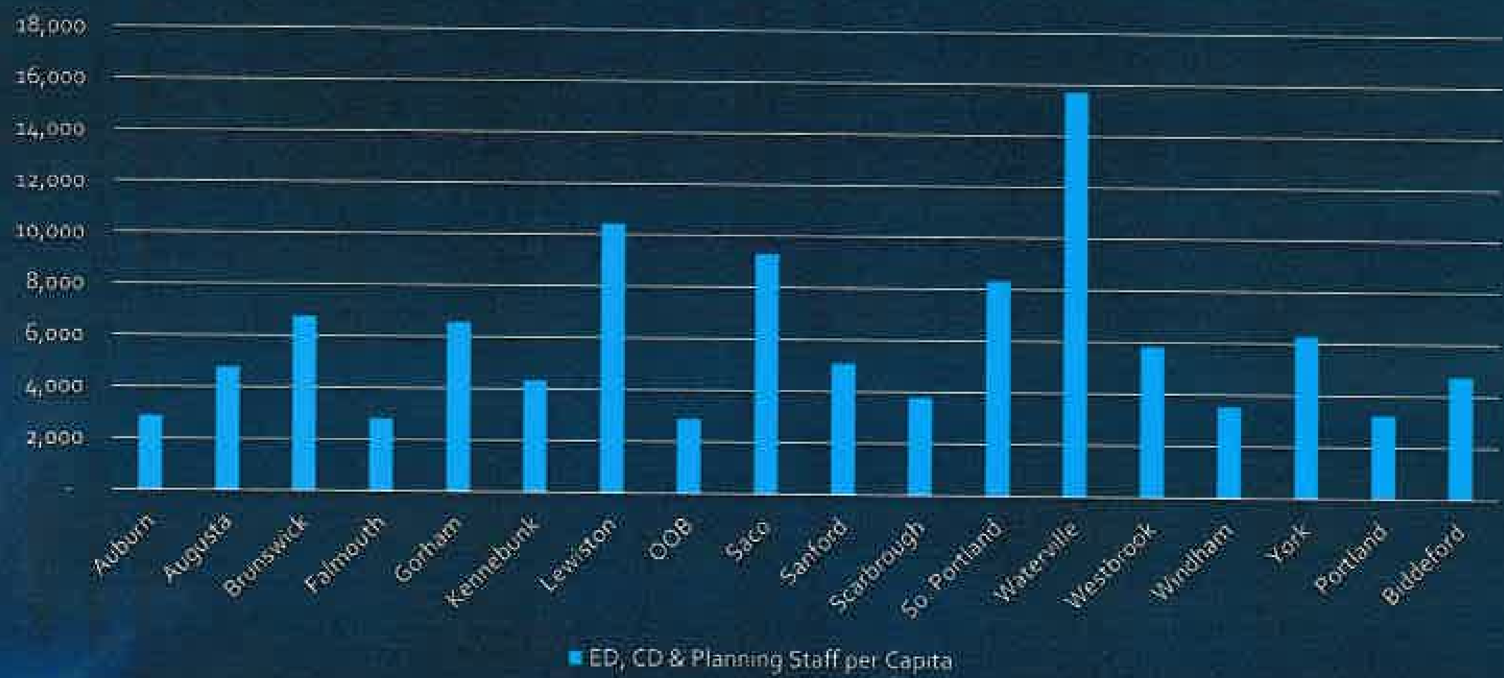
Fire Department Call Volume Per Minimum Staffing Levels (Night)



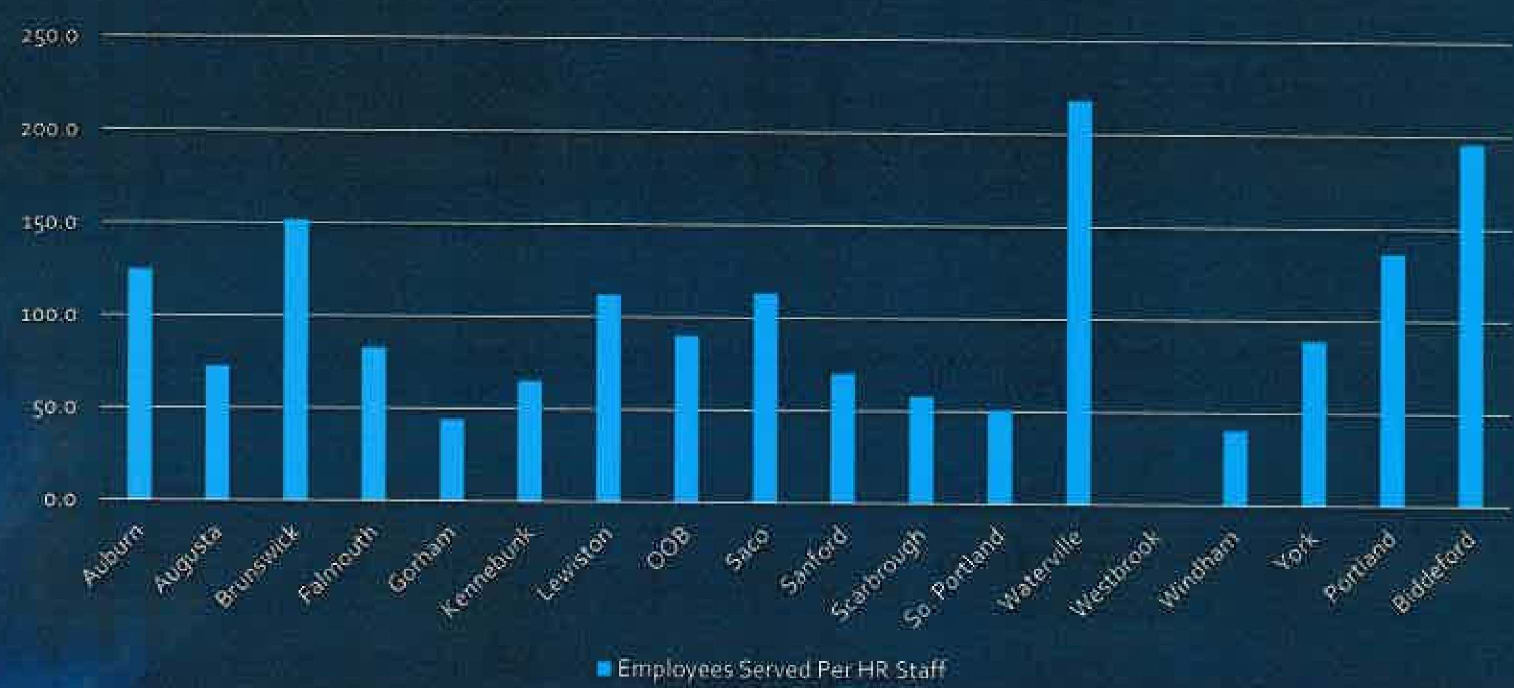
Police: Calls For Service



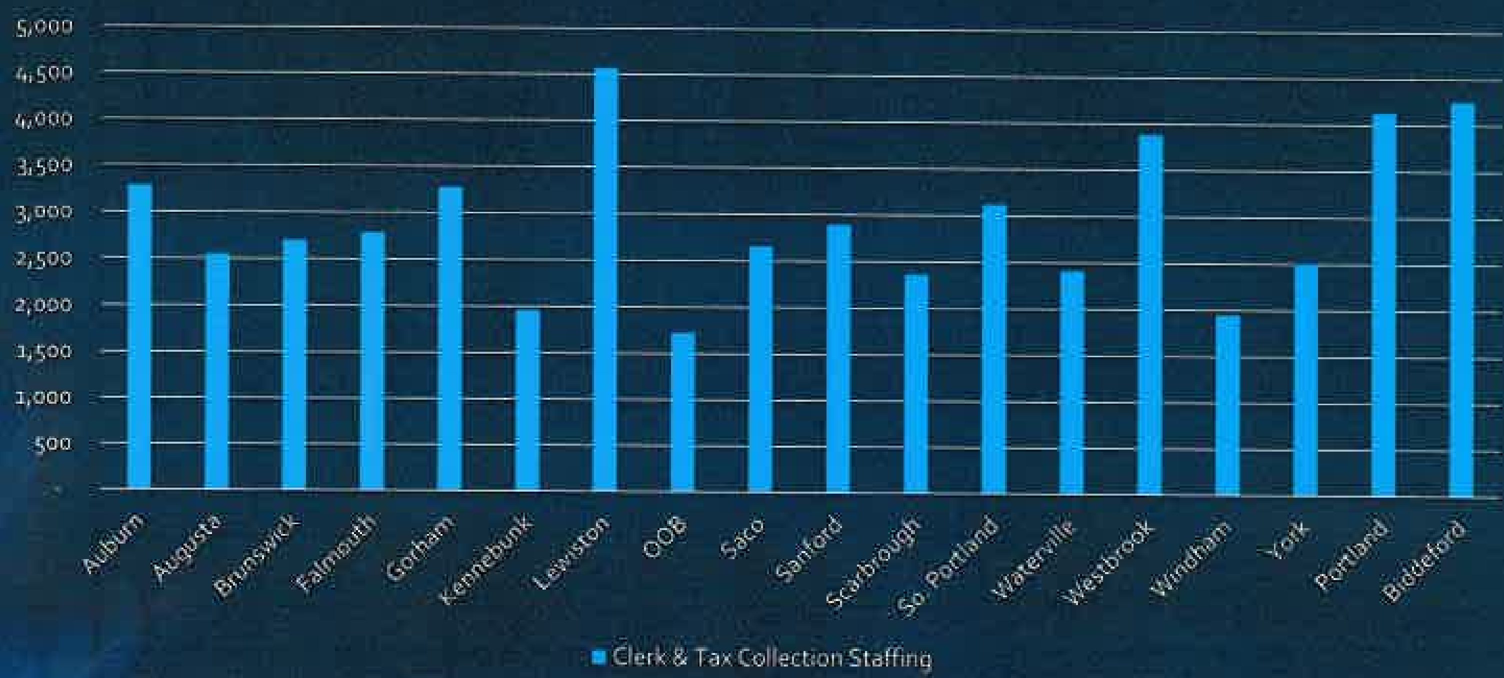
ED, CD & Planning Staff per Capita



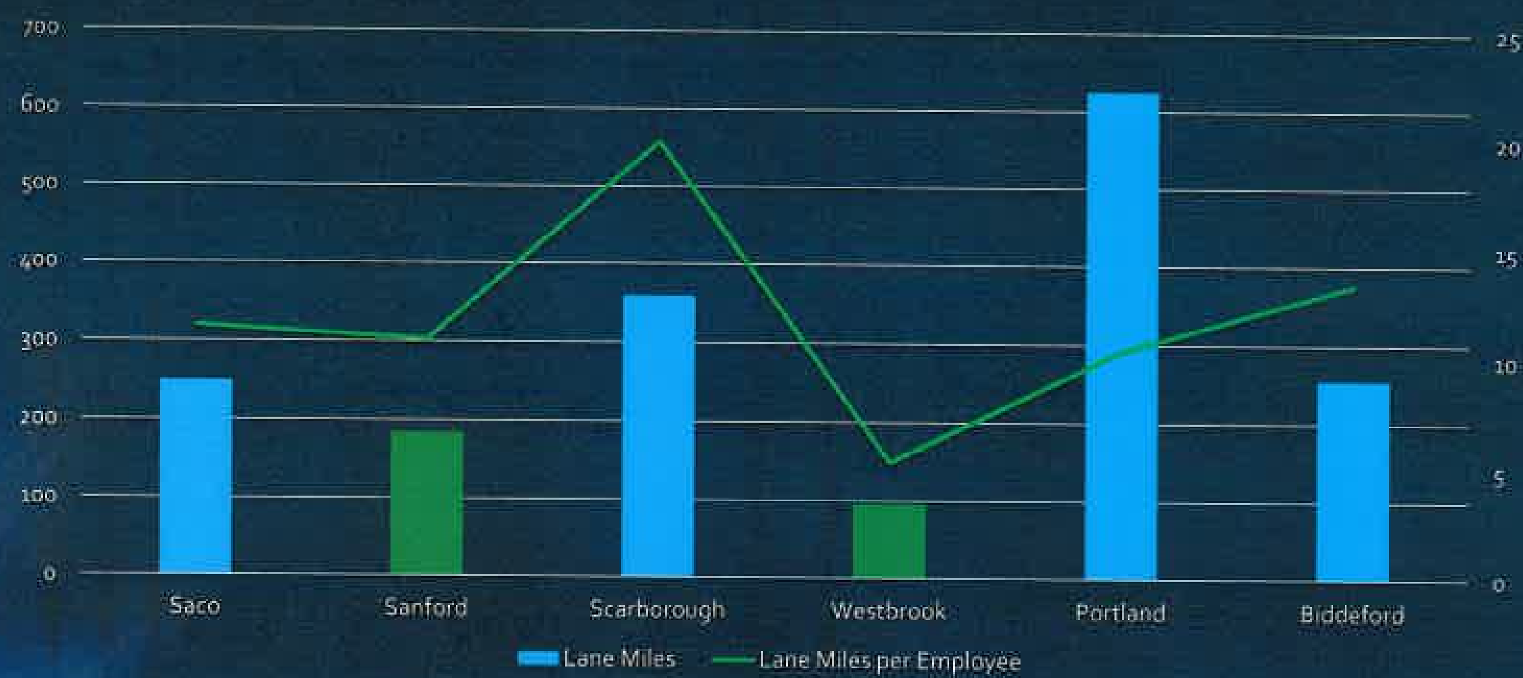
Employees Served per Human Resources Staff



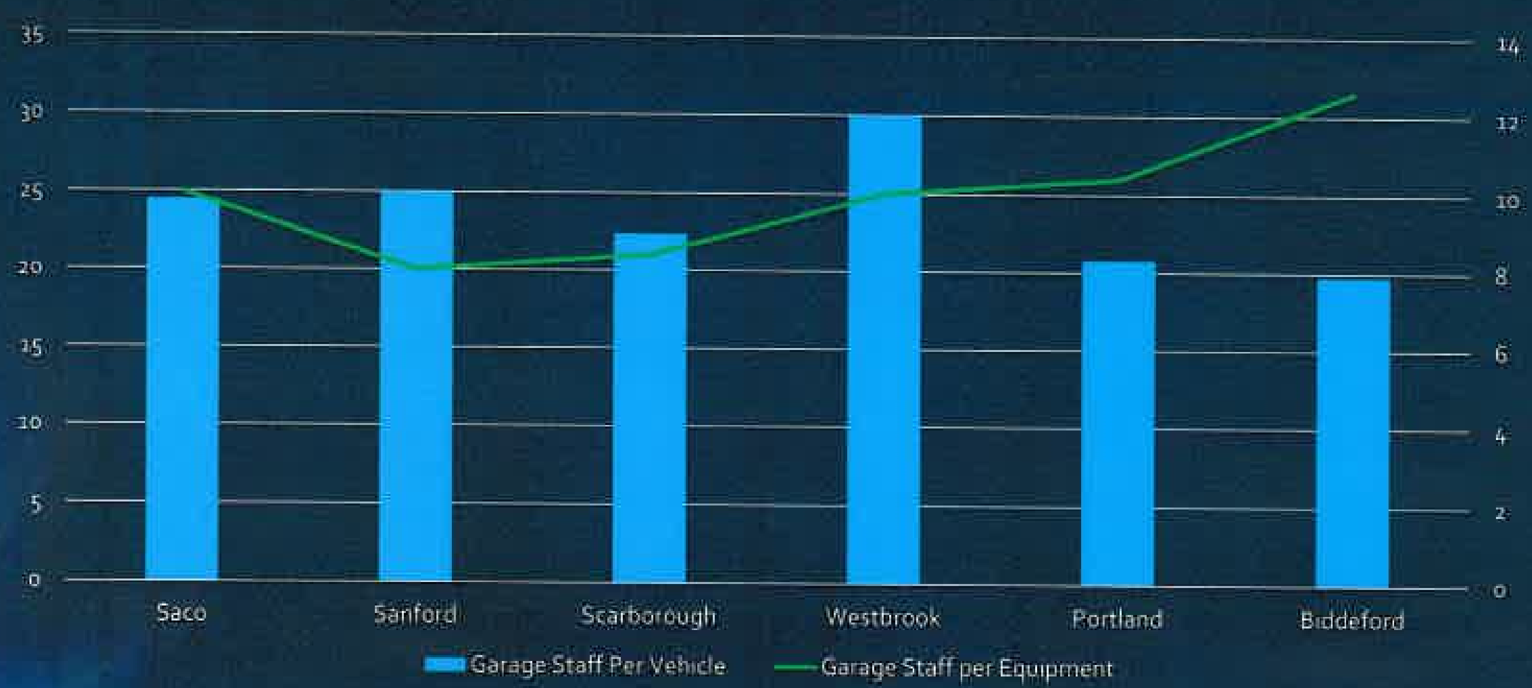
Tax Collection and Clerk Staffing per Capita



Winter PWD Staffing



Garage Employees



Summary

- Not Intended to Make a Quality Statement About Level of Taxes In Community
- Tax Rates Do Not Tell Whole Story
- State Policy May Have Greater Influence on Taxes Paid Than Local Budget Decisions
- Brief Department Comparisons Does Not Show Over Staffing