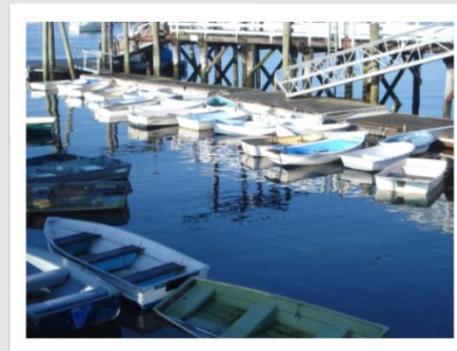




Budget Proposal Fiscal Year 2019

Fiscal Year 2019

- Budget and Annual Goals
- Fiscal FY2019 Overview
- Revenue
- Property Values
- Expenses – General Fund
- Expenses – Enterprise Fund



Goals – Budget

- Deliver Core Functions:
 - Adequately provide for delivery of core functions of town and school
 - Advance effectiveness of operations
 - Improve operational efficiency
- Structurally balanced budget
 - Expenditures funded by recurring revenue
 - Maintain adequate undesignated fund balances
 - Sensible investment in assets

Goals – Budget

- Justifiable and Appropriate
 - Maintain stable tax rate
 - Be adequately justifiable in comparison to appropriate economic indicators and comparable communities

Throughout the presentation items that correspond to Budget Goals will be identified with a notation of (BG)

Goals – Annual

- Support Long-Term Planning and Growth Management Objectives
 - Enhance economic development activities to attract, support and sustain appropriate local economic investment
- Enhance Financial Stability
 - Develop options to resolve Sewer Enterprise Fund challenges
 - Resolve the items associated with the Library, including becoming a town department, and the long-term facility needs
- Continue to Improve Organizational Efficiency
 - Prioritize employee safety and reduction of workers compensation costs, take steps to begin reducing the town's experience modification

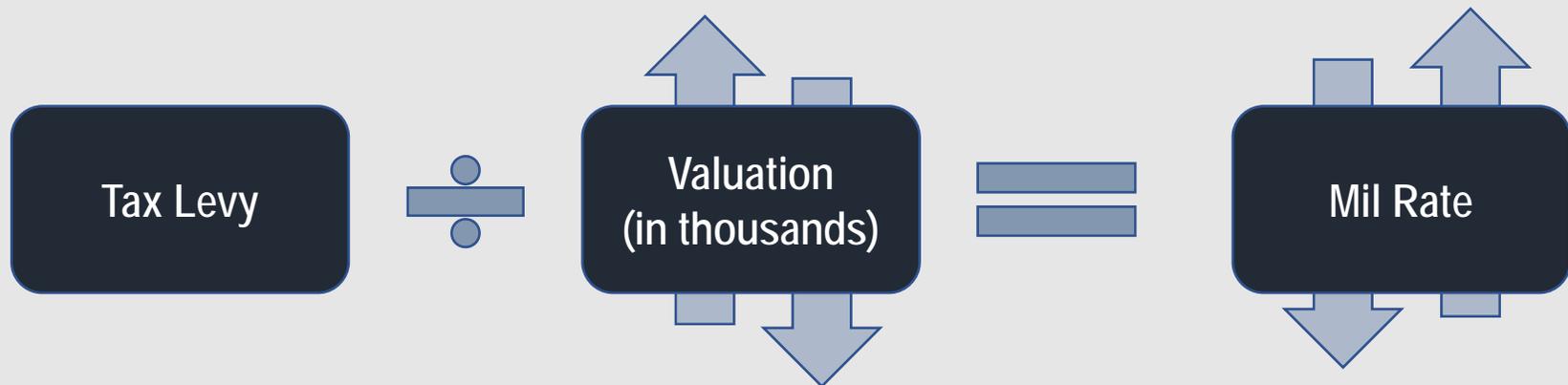
Goals – Annual

- Increase Public Awareness and Engagement
 - Continue to improve town generated communications and ensure they are concise, accurate and accessible for a variety of audiences
- Advance On-Going Initiatives
 - Streamline operations, improve service delivery, increase access to online services

Throughout the presentation items that correspond to Annual Goals will be identified with a notation of (AG)

Long-Range Picture

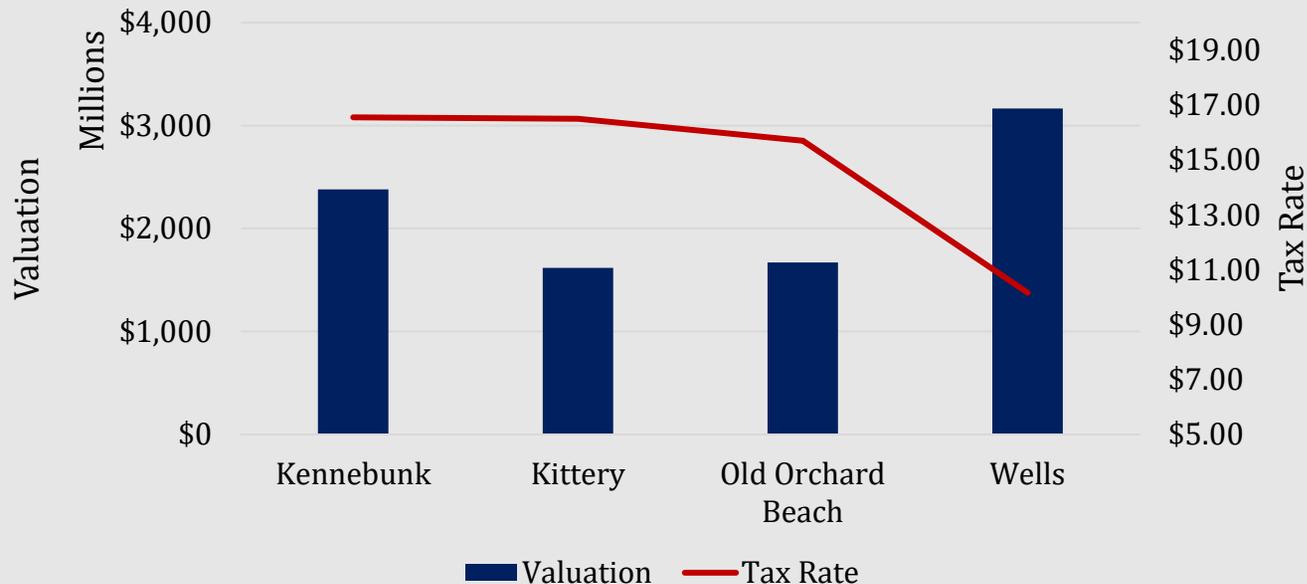
Balanced economic growth will be key to stabilizing the tax rate and retaining Kittery's strong economic diversity and identity



Comparability

FY19 proposal is justifiable compared to comparable communities (*BG*)

- Kittery expenses are consistent with communities of similar population in York County.
- Kittery property values lag comparatively, resulting in a higher tax per thousand dollars of valuation.



Property Values

- \$12M Increase in Projected Value. Vacant, multi-family, commercial increased. Industrial, residential portion of mixed use decreased
- Valuation vs. Market ~ 89%

| Property Type | FY18 | FY19 | Variance | % Variance |
|-----------------------|----------------|----------------|----------------|------------|
| Vacant | 21,927,100 | 24,037,700 | \$ 2,110,600 | 9.63% |
| Condominium | 91,078,200 | 97,693,100 | \$ 6,614,900 | 7.26% |
| 3-Family | 9,138,700 | 9,717,500 | \$ 578,800 | 6.33% |
| Apartment | 11,069,500 | 11,705,600 | \$ 636,100 | 5.75% |
| Commercial | \$ 222,498,878 | \$ 226,444,578 | \$ 3,945,700 | 1.77% |
| 2-Family | 54,396,500 | 55,261,600 | \$ 865,100 | 1.59% |
| Single Family | 923,994,900 | 938,465,000 | \$ 14,470,100 | 1.57% |
| Other | 89,175,188 | 87,536,688 | \$ (1,638,500) | -1.84% |
| Exempt | 72,464,900 | 72,162,200 | \$ (302,700) | -0.42% |
| Industrial | 17,947,866 | 17,846,966 | \$ (100,900) | -0.56% |
| Mobile Home | 46,134,000 | 45,027,100 | \$ (1,106,900) | -2.40% |
| Residential Mixed Use | 4,883,122 | 4,466,822 | \$ (416,300) | -8.53% |

Property - Value

- Value growth is critical to the stabilization of the tax rate
- Appropriate economic development is needed to reduce burden on homeowners
 - Commercial, manufacturing is desirable
- Affordable housing options will be critical in the coming years

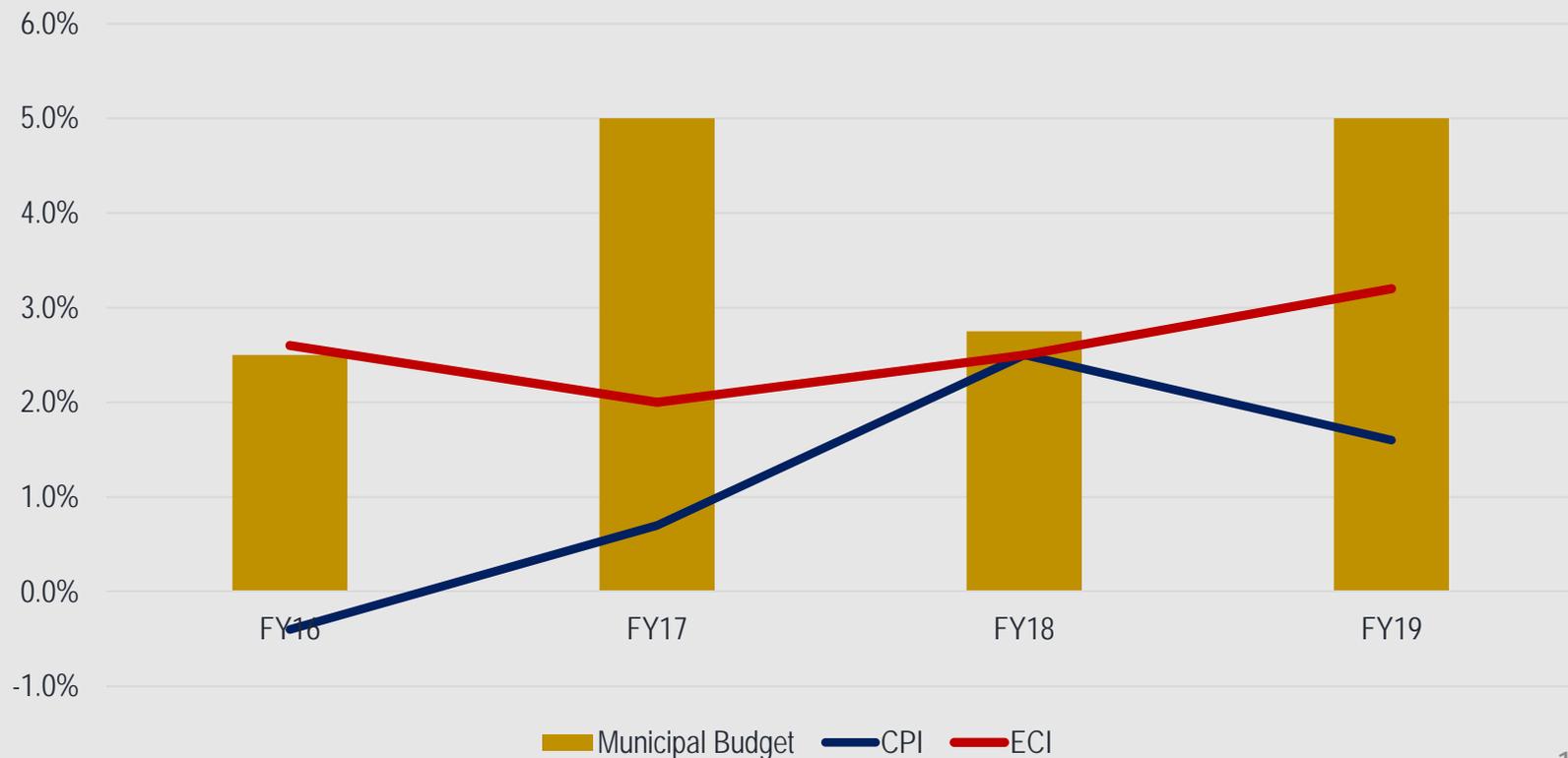
| Median Home Listing May 2018 ¹ | | # of Homes for Sale |
|---|-----------|---------------------|
| Kittery | \$400,000 | 71 |
| Kennebunk | 299,000 | 130 |
| Wells | 370,000 | 242 |
| Old Orchard Beach | 255,000 | 110 |

1. Source: Realtor.com

Comparability – Econ Indicators

FY19 proposal is justifiable compared to economic indicators *(BG)*

Budget vs. CPI & ECI

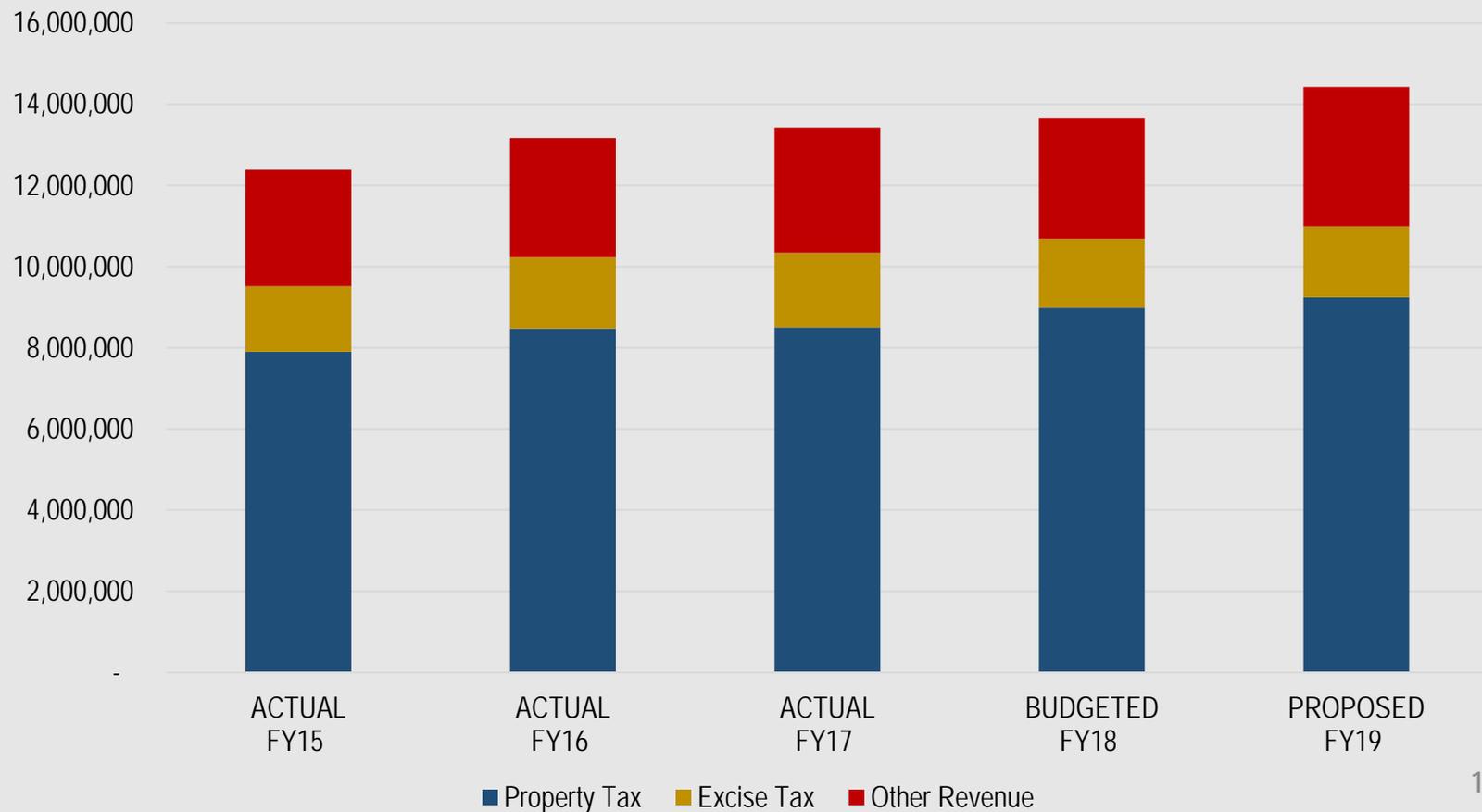


FY19 – Goals Reflected in Budget

- **Recalibrate** *(BG)*
 - Remove non-sewer costs from the fund, apply sewer-related costs to the sewer fund
 - Fix revenue offset for TIF Districts
 - Remove non-capital costs from public safety impact fund
 - Continue to address items that historically exceed the budget to reduce the need for spending freezes
- **Enhance economic development activities to attract, support and sustain appropriate local economic investment** *(AG)*
 - Reorganization of Planning Department and investment in planning expertise
 - Investment in roads through capital for infrastructure needed to support development
 - Advance a Fire Department on-call program to make sure fire response can meet the needs of the community
- **Develop options to resolve Sewer Enterprise Fund challenges** *(BG,AG)*
 - Show budget with full debt service principal and annual capital needs
- **Address future Library facility needs** *(BG,AG)*
 - Begin design process for renovation and expansion project
- **Streamline operations, improve service delivery, increase access to online services** *(AG)*
 - Fund new online permitting system

Revenue - Sources

65% of municipal revenue is from Property Tax



Revenue – Property Tax Allocation



Revenue - Summary

- Overall growth in municipal non-property tax revenue ~ \$496,611 ~ 9.58%
- Recreation programs are in demand - \$107,645 *(BG)*
- Interest Income due to new investment policy - \$19,000 *(BG)*

| REVENUE PROJECTIONS | Budget | Projected | Variance |
|---------------------------|-----------|-----------|-----------|
| | FY18 | FY19 | |
| Recreation | \$874,355 | \$982,000 | \$107,645 |
| SW Fees & Fines | \$188,000 | \$180,000 | (\$8,000) |
| Fort Foster Fees | \$183,000 | \$195,000 | \$12,000 |
| Harbormaster Fees & Fines | \$121,450 | \$135,140 | \$13,690 |
| Dispatch Income | \$91,350 | \$93,360 | \$2,010 |

Revenue – Non-Recurring

Use non-recurring revenue judiciously and for non-recurring expenditures *(BG)*

- FY19 Revenue includes proposed \$243,978 transfer from Channel 22 PEG Funds. Channel 22 PEG revenue is recurring in excess of expenditures however proposed transfer is not recurring
- Transfer will be used to offset increase in capital reserves and TIF reserve accounts

| CHANNEL 22 PEG | FY15 | FY16 | FY17 | Projected FY18 |
|---------------------------------|------------------|------------------|------------------|------------------|
| Beginning Fund Balance | \$231,553 | \$297,866 | \$367,821 | \$432,002 |
| Revenue | \$106,130 | \$110,333 | \$113,719 | \$109,357 |
| Expense | (\$39,817) | (\$40,378) | (\$49,538) | (\$60,000) |
| NET | \$297,866 | \$367,821 | \$432,002 | \$481,359 |
| Held for Capital Reserve | | | | (\$200,000) |
| Available for Transfer | | | | \$281,359 |

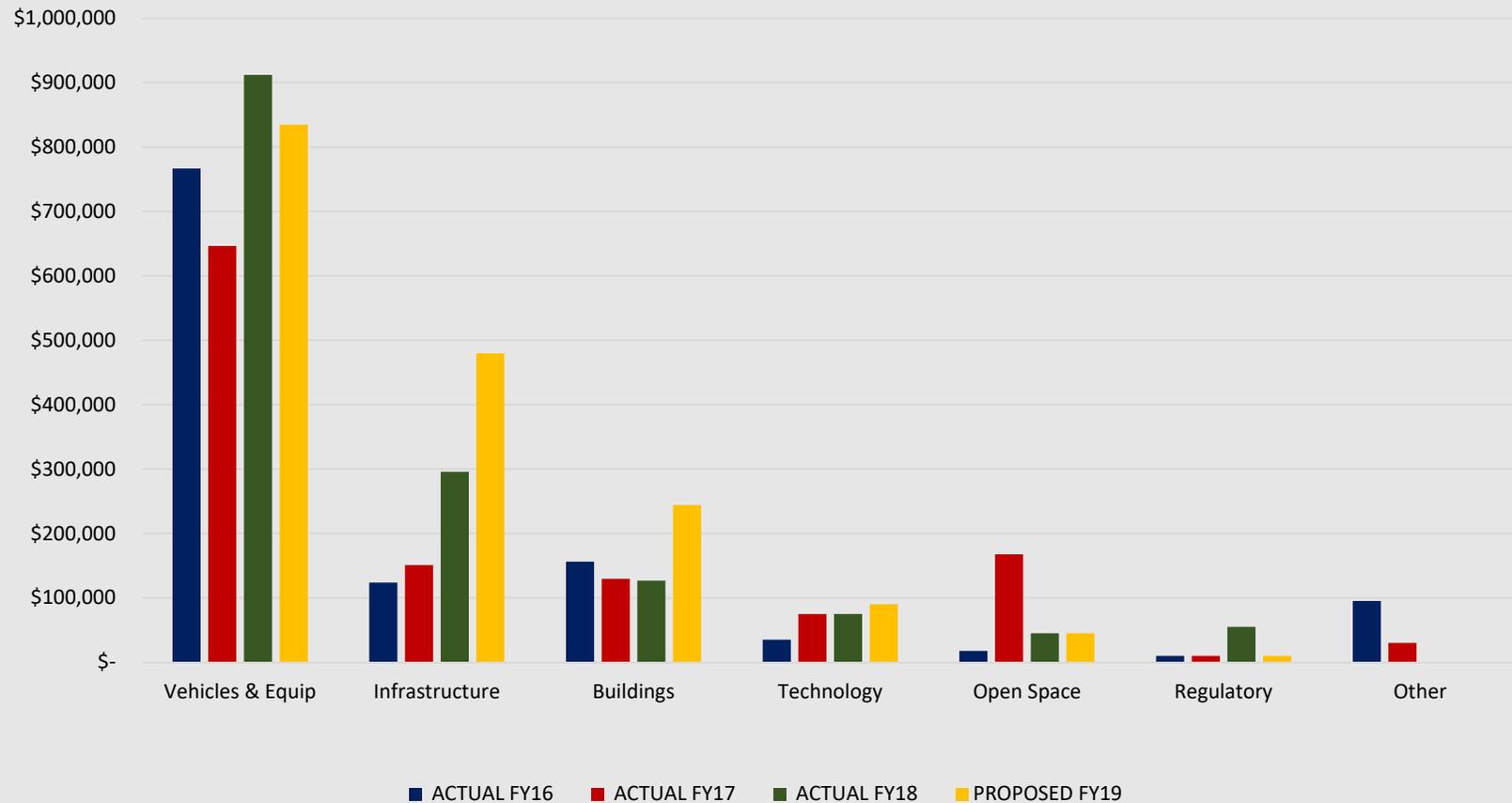
Expenses – Capital

- Right of Way – Increased \$200,000 *(BG, AG)*
 - Funded to continue to meet annual pavement management plan estimates without having to seek bonding
- Library Building Design - \$100,000 *(AG)*
 - Advance design into the schematic phase
- KPA Facility – (\$50,000)
 - Seeking funding through June warrant article



Expenses - Capital

Capital by Category



Wages

Town was still in negotiations at the time the FY18 budget was adopted. As a result the FY18 comparative wages do not reflect the cost of living or merit increases awarded.

FY19 reflects **two years** worth of cost of living and merit increases, resulting in an overstated annual projection of wage increases.



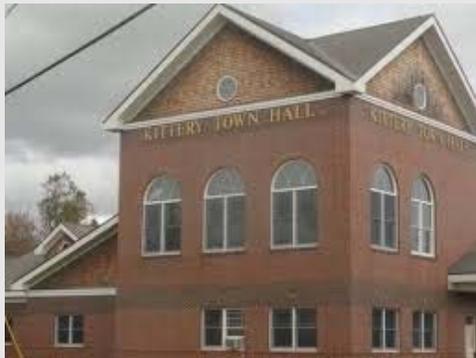
Expenses - Shared



- SHARED EXPENSES have been combined into one budget and includes health, dental, FICA, retirement, workers comp and other insurances, and unemployment
- Shared Expenses increase - \$319,813
 - State Retirement increase \$101,330. MainePERS contribution requirement increased 0.6% for public safety and 0.4% for non-public safety
 - Medical Insurance increase \$115,130. Rates increased 2% for union and 7% for non-union; includes changes in benefit plans and FT Secretary in TM office and anticipated FT in DPW
 - Retired Employee Benefits increase \$77,459. Includes newly retired and anticipated retirements

Expenses – Departments

- Administration - \$57,191 increase
 - Moved part-time utility billing clerk to Sewer Fund – (\$26,032) *(BG,AG)*
 - Moved full-time clerk from Sewer Fund - \$47,982
 - Trio software upgrade and support - \$4,000 *(AG)*
 - Maintenance of Bldg/Grounds recalibration- \$4,500 *(AG)*
- Debt & Interest - \$21,127 decrease



Expenses – Departments

- Miscellaneous Expenses - \$47,008 decrease
 - Reduced Salary and Position Adjustment – (\$70,000)
 - Anticipate some adjustments for new hires, reclassifications, and addressing parity among positions
 - Electricity savings from new supply contracts – (\$10,000)
 - County tax final payment for fiscal year adj. ended resulting in an overall decrease – (\$64,567)
 - TIF Financing Plan calculation corrected resulting in significant increase - \$64,099
 - Computer Repair includes new permitting software and recalibration – \$17,000

Expenses – Departments

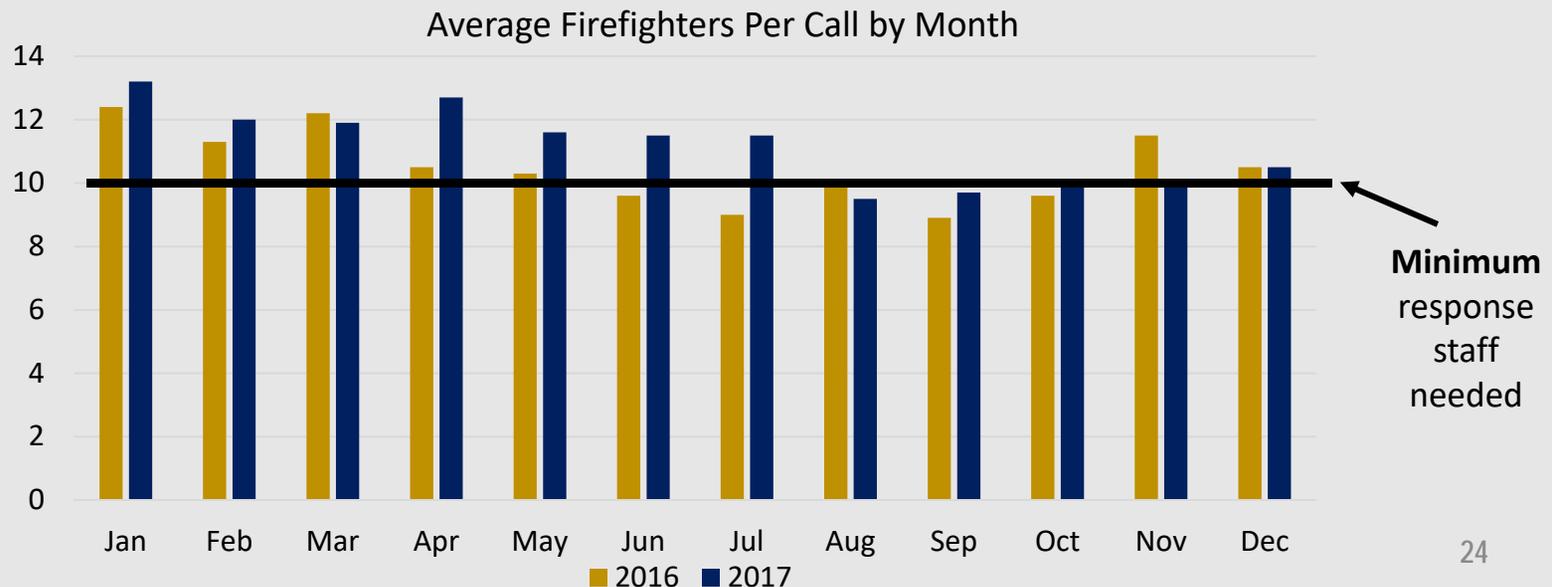
- Planning & Code Enforcement - \$42,487 increase
 - Reorganized department, brought on Director of Planning, filling Town Planner, leaving vacant Asst Town Planner - \$30,604 *(AG)*
- Assessing - \$1,671 increase
 - Personal Property revaluation phase two in budget *(BG)*

Planning and Code will be focused on in the coming year:

- Recodification of Title 16
- Rezoning and promotion of development of former Business Park
- Affordable Housing Initiatives
- State Road redevelopment
- Mall Corridor redevelopment
- Achieving fair, consistent, predictable service through streamlining and technology

Expenses – Departments

- Fire - \$28,004 increase
 - Includes a new on-call program to pay firefighters to be in Kittery and ready to respond during times of year, and on such days as is most challenging to get sufficient response - \$18,144 (AG)
 - Machine & Equipment Maintenance increase for building needs - \$4,500
 - Tires & Tubes increase for anticipated replacement needs - \$2,600



Expenses – Departments

- Police - \$110,513 increase
 - Negotiated physical fitness stipend estimate - \$5,400
 - Overtime increase continuing to adjust to reflect actual spending trends - \$15,000 *(BG)*
 - DEA Overtime decreasing as town phases out of arrangement – (\$16,297)
 - Outside details reconfigured to reflect only those events or needs requested by town entities. “Paid details” ordered and paid for by private entities moved to other funds account – (\$1,220) *(BG)*
 - Telephone & Internet includes costs previously charged to Public Safety Impact for Mitchell School Radio Tower - \$1,800 *(BG)*

Expenses – Departments

- Public Works - \$93,323 combined increase

Highway - \$57,564 increase

- Including FY18 salt spending, the average annual cost is \$139,500 - \$30,000 (BG)

Parks & Beaches- \$9,916 increase

- Additional seasonal employee at Fort Foster continuing, provides additional maintenance support, monitoring and enforcement of rules

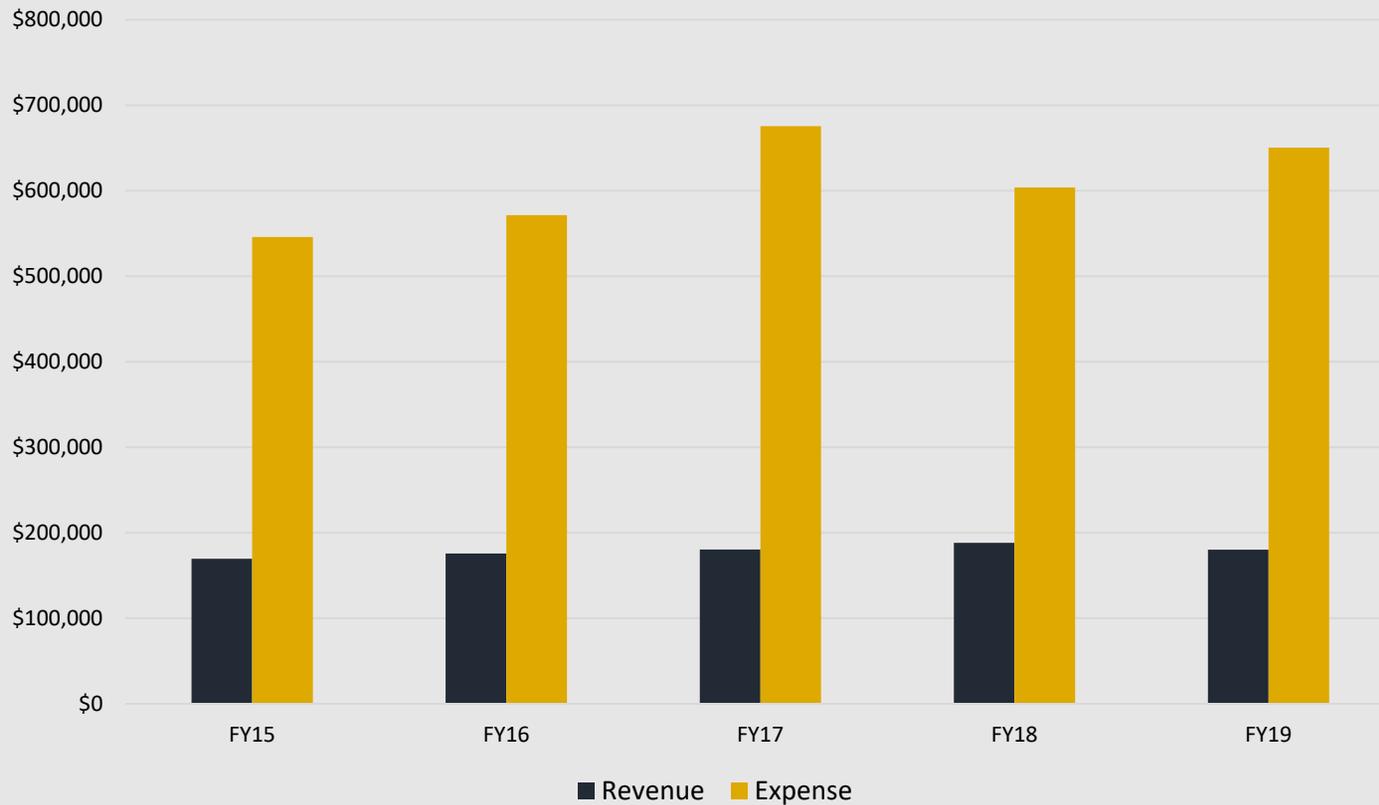
Resource Recovery - \$25,843 increase

- Transition year-round “seasonal” position to full-time operator position - \$16,239 (BG)
- Changes in recycling market are having ripple effects on waste disposal services - \$11,000



Expenses - Departments

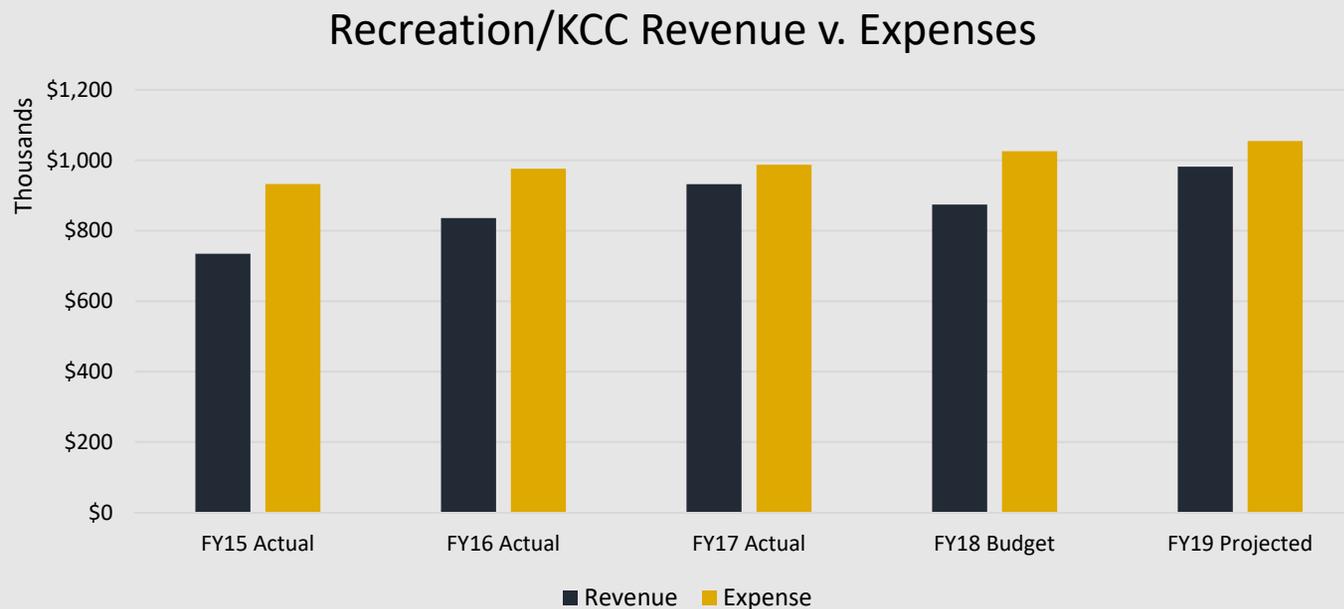
Resource Recovery Revenue v. Expenses



*Includes benefit costs for purpose of comparison.

Expenses – Departments

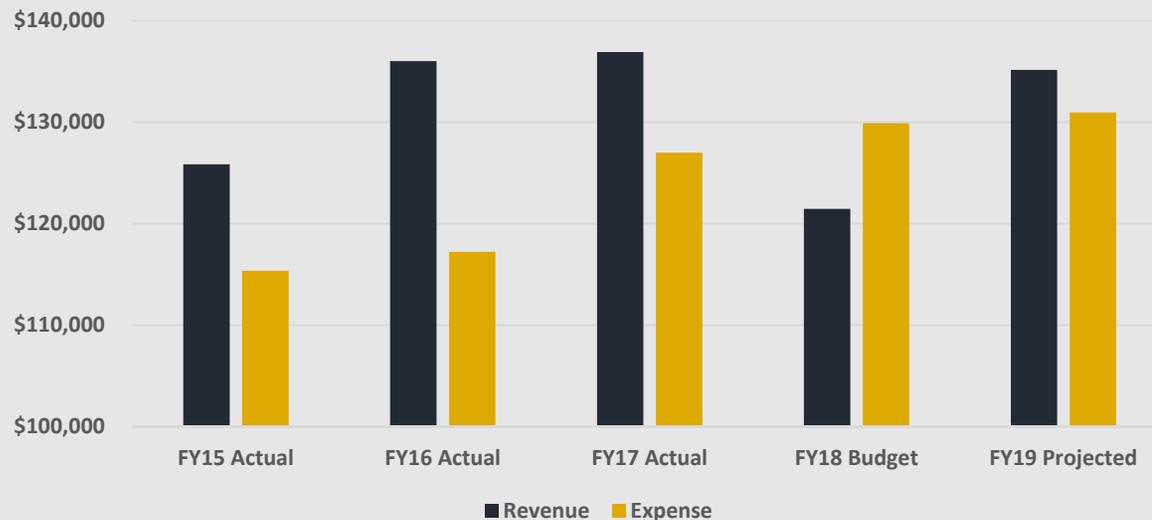
- Kittery Community Center/Recreation - \$28,966 increase
 - Savings anticipated from retirement of Director
 - Includes Facility Maintenance Supervisor added in prior year-\$3,320



*Includes benefit costs for purpose of comparison.

Expenses – Departments

- Harbormaster – Kittery Port Authority - \$725 decrease
 - Reversed on part-time approach, adding back to help provide the coverage needed at facilities during season – \$4,000
 - Rigging increased to reflect costs of float-in/float-out and seasonal placement of buoys - \$3,100. (AG)
 - Seeking authorization from voters for \$450,000 in unencumbered funds to replace Gov St pier.



*Includes benefit costs for purpose of comparison.

Expenses - Departments

- Library - \$11,521 increase in town subsidy
 - Town and Library committee to negotiate transition to a town department
- Community Agencies - \$2,600 decrease
 - Funding those organizations that most directly serve Kittery residents
- Adult Education - \$6,175 increase
 - Town's portion of health insurance cost increases

Expenses – Enterprise Fund

- Revenue estimated on current rates; results in an unbalanced budget. Variance is (\$448,998)
- Sewer - \$165,912 increase
 - Debt reduced for amortization of older bonds - (\$80,191)
 - Shifting from relying on one-time funds for capital expenditures - \$200,000 *(BG, AG)*
 - Swapped tax collector position and utility billing clerk positions to reflect actual functions - (\$19,666) *(AG)*
 - Other Professional Services increased for crack sealing and pavement mgmt - \$6,300
 - Sludge Removal contractual expenses increasing - \$9,355



Wrap Up

- Total town portion of property tax levy increase \$351,662
- Budget is \$142,975 **below** LD-1 limit
- Projected mil rate is \$16.99
- Projected annual increase is \$161 based on the average home, or approximately a 2.9% increase.
 - Average tax increase is consistent with 3.1% ECI

Thank you to the Town Department Heads and staff for their efforts in developing the FY2019 budget.

Questions