

FOR YOUR INFORMATION

TO: Town Councilors
FROM: Kathryn Ruth, Town Manager
RE: Proposed 2021 Budget
DATE: 10/16/2020

Please find attached the proposed budget for the period of January 1, 2021 – December 31, 2021:

Introduction:

Compiling the 2021 proposed Municipal Budget and the 2021 Capital Budget 2021-2025 Capital Improvement Plan and the 2026-2030 Capital Projects for forecasting during a world-wide pandemic has certainly been an eye opener as costs skyrocket around the State for certain types of supplies, equipment and contractual work. Then consideration must be given if one can even locate these items and/or find contractors who are available for work. Calls and inquiries for certain types of services such as small road repair, building maintenance and cement work have been challenging. Quotations will again be put out during the Winter Season of 2021 in anticipation of receiving better pricing.

As reported in the past, many items have influenced the budget process and how the budget has been compiled to include the following:

- (a) the continuing slow but steady economic recovery, especially in Central Maine;
- (b) increased pricing and a few large price increases from vendors;
- (c) multiple requests for the Town to provide additional services/infrastructure projects;
- (d) low, flat, slightly decreasing collections for a number of revenue sources while other revenue collections have increased;
- (e) financial issues experienced in the community and region;
- (f) effect of the state law changes with the homestead exemption increase in 2017 and 2018; and then the next increase affecting the 2020 tax bills. This change has assisted taxpayers who reside in a homestead, however, has started shifting the tax burden to non-resident taxpayers; landlords who do not reside at a property; land only owners and of course, our businesses; and
- (g) continuing phasing out of personal property as our town once had a tax base of 28% personal property in the overall valuation.

Fortunately, we no longer have continual low payments of Revenue Sharing to the municipalities effective July 2019. Although payments remain nowhere close to the rosy picture that we used to have prior to 2009, it is exciting to have seen the increased payments coming into the municipality. Unfortunately, the State of Maine now has announced a large revenue gap and municipalities have been notified that their State Revenue Sharing, Urban Rural Initiative Payments for road maintenance and other state revenue sources will likely be lowered.

For this budget, we were requested to place all items that the departments needed or items that should be addressed that were reasonable into the 2021 Municipal Budget (with new Additional Items handled separately) and the 2021 Capital Budget with 2021-2025

Capital Improvement Plan. For the third year in a row, the Town did not have budget goals and rather, all items that were viewed as needed would be proposed. This remains quite interesting and although new items have been proposed that are worthwhile, the number of items significantly slowed down this year as department heads felt the need to be conservative due to on-going business climate in the State of Maine. Only one department requested additional items and five departments requested new capital funding.

Despite some healthy increases, 2020 has definitely been a year of doing more with less. This trend will continue into 2021 and the near future. Many items are beyond the Town's control such as heating, diesel, gas, and service contract increases for services/products in which there is little competition or other vendors available in this area. In addition, as multiple businesses themselves are dealing with price increases, these increases are being passed along to customers, one of which is the Town of Pittsfield. On top of this is the struggle of many businesses to deal with the requirements of the government and health agencies in addressing the coronavirus as well as the cost of addressing personal protective equipment and supplies for employees. With new protocols and equipment/supplies, costs have increased for many services.

It continues to be a difficult environment for municipalities to move forward to have significant achievements unless grant funding is received and realized for large projects. Across the State, towns are facing significant tax increases, services have been cut, many foreclosures have taken place, businesses have closed or laid off employees and business growth in general has been slow and now is increasingly slowly. All towns continue to face revenue loss and rising expenses as individuals, businesses and organizations try to get by in this economy which is now being affected by the world-wide pandemic. The number of problems and issues now referred to the Town to manage or solve continues to skyrocket. Nearly every week, there are requests to address the need for infrastructure improvements, for a higher level of services and to add on new services. People are coming to the Town to address more than basic health, safety and welfare items. People have come to the Town to request money for items that in the past, would have been raised in the community through fundraisers or donation drives. This new trend continues today, however, there is a level of distrust that we must deal with now which is taxing for the employees. The new attitude that has developed since the pandemic is hard for employees as well as the public to deal with if one is positive and productive. Assisting the staff to deal with the public is a focus now due to all of the stress and misinformation in the world.

As people try to save as much money as possible or pay as little as possible so that they can maintain their budget or get by on a reduced budget, the Town Manager and staff field questions continuously regarding services, service fees and other cost options as well as many more requests for payment arrangements for taxes, sewer and water bills. For many people, this continues to be the hardest time that they have ever lived in so naturally they are trying to be more conservative. Previously, the Town had been trying to be more conservative so that the municipal portion of the tax bill does not increase as determined at past Town Council meetings over the years. The Town is asked to address or finds it is addressing more issues in the community now. It is clear this situation will continue indefinitely and we need to rise to the challenge of addressing it. This is a hard time to work for a municipality as we continue to be in the middle of a crunch – even with the

significant increase in funding that was provided by the Town Council. Many feel this way, likely because the large increases were in just a few budgets.

Taking into account the need to bring forward all items at the same service level or a similar level of services as the direction of the Town Council, we were able to **compile a Municipal budget that reflects an increase of \$288,616 in Expenses (\$278,636 in operational and \$9,980 in capital budgeting for 2021)**. Please note that this does not include any of the new Additional Items proposed which were reviewed by the Finance Committee. The Committee decided to not bring forward any of the proposals received. Given the extensive cuts for multiple years, it is difficult to cut the budget anymore and now the budget needs to be increased in certain areas. This is due to the continuing cost of business increasing all around the Town.

Over the last 40+ years, this Town has been very frugal. With everyone's assistance and considerable concentration on the task of not increasing the town's portion of the mil rate any more than possible, we were able to meet the past budget goals of the Town Council to compile budgets that did not have large increases in the Municipal or Capital budget. The direction was different for the 2019 – 2021 budgets as we continue to increase our budgets and services to address items that the Town Councilors are interested in doing. With this approach, the Town has an 5.6% increase in the 2021 budget over the 2020 Municipal Operations, Capital Budget (excluding Additional), Water Enterprise and Sewer Enterprise Budgets. When reviewing the Municipal Operations and Capital Budget (excluding Additional), the increase for 2021 is 7.1%. When considering only the Municipal Budget, the increase is 7.0% in the 2021 Municipal Operations Budget over the 2020 budget. This increase is spread all through the budget, however, does reflect larger increases in the Police, Highway and Debt Service/Interest Budgets. Large decreases are reflected in the Theatre and Municipal Unclassified Budgets.

At this point, I should also note that the Municipal Payroll checks issued on Fridays for the prior week will reflect an extra week of pay in 2021 if the date of the checks is kept the same. Some towns have pushed the checks to the next day to address this issue. Given the large increases that the Town is facing, the cost of the 53rd payroll has not been added into the budget as of yet. This situation takes place every 7th year in general and unfortunately will be coming up in 2021. If by some miracle, the Town had funds left over in accounts in 2020, there may be a possibility to carry the funds forward to help with this additional payroll. So that it is clear for anyone who has not come across this situation before, the Town does have to pay for a 53rd payroll and has done so in the past. Options will be explored for a solution to this issue.

We also know that

- (1) The Town's budget no longer appears to be the lowest in the State for our size community of 3,500 – 4,999 due to the increases approved during the last few years;
- (2) The community is a service center which consistently adds to our costs;
- (3) Pittsfield provides additional services beyond most Towns; and
- (4) The Town used to have 28% of its valuation from personal property which due to State law changes, is decreasing each year.

History: In 2010, we were able to cut the budgets to achieve a 2% decrease over the prior year; in 2014, we were able to cut the budgets to achieve a .9% decrease; in 2015 we were able to maintain services with a 1.1% increase in the budget; in 2016, the increase was 1.7% to maintain services; in 2017 the increase was 2.2%; in 2018 the increase was 7.7% in 2019 the increase was 13.1; in 2020 the increase was %. In 2020 the Town Manager and Departments put together a budget totaling \$4,013,106 which was \$368,156 more than the 2019 budget or 10.1% higher. The Town Council added to that budget bringing it to \$4,029,756 or an increase of \$384,806. Now it is increases as it is not realistic to think that the Town can cut the budget anymore given that we have had extensive cuts for many years and the cost of the services that we have to buy are exploding in cost and there are few alternatives. The Town has come to the point where it is no longer feasible to try to cut all of the town departmental budgets, as it is now a challenge to operate many of the services provided. Even given this situation, we were still able to make a few minor cuts in several departments.

The bottom line of the municipal operating and capital budget for 2021 is \$4,318,372 which is \$288,616 more than 2020 or 7.1% higher. Most of the vendors the Town utilizes have again increased their costs resulting in necessary increases in the Municipal Budget. We have found very few that were able to freeze their cost to the Town for 2021 as they are unable to maintain level pricing and have to pass along the increase in the minimum wage. Over the years, we have been able to terminate or opt out of some contracts, locate less costly vendors/pricing and/or propose longer terms for arrangements that were working well if pricing could be maintained or lowered. This has become much more difficult now. A few services are not competitive in our area; therefore, some cost increases are unavoidable.

Preliminarily, the bottom line of the municipal revenue budget for 2021 is \$2,065,324 which is \$17,118 higher than 2020 or .8% higher. As State Revenue Sharing has increased (budgeted conservatively from the estimate received from the State), we have continued to keep the use of unappropriated fund balance as low as possible. These funds were utilized for the last several years to assist in keeping the taxes as low as possible. If the State Revenue Sharing level can be maintained for the Town, we should be able to lower our dependency on the use of the fund balance. It was very helpful for several lean years so that the tax rate could be maintained during that period of time. We have budgeted State Revenue Sharing at a lower level than projected by the State. If the State's projections continue to decrease, this account will need to be re-evaluated.

We have continued to be conservative with revenue estimates utilizing current trending including State Revenue Sharing based upon state estimates. Historically, while other revenue sources may increase or decrease minimally, State Revenue Sharing is one that for several years continued to drop to all time lows for communities. As we know, State Revenue Sharing significantly declined in 2009 over 2008 levels due to the economy. During 2010, the decline continued even though we significantly lowered the year's estimate. In 2011, the Town's collections were slightly ahead for the year. For 2012, SRS was increased from \$327,876 to \$333,397 or by \$5,521. For one-half of 2013, SRS was significantly decreased. The state projection for our community had decreased from approximately \$340,000 to approximately \$224,500, which is a decrease of over 33% and

then decreased to \$125,000 for 2014 to increase again to around \$175,000 for 2015. State Revenue Sharing is running considerably ahead of projections for 2015, which is excellent news. The projection for 2016 was increased as State Revenue Sharing was coming in higher during 2015 when the budget was put together, however, the trend has been much lower in collections in 2016. The projection was decreased for 2017 as we needed to be conservative with our estimate due to the economic situation, state priorities and state legislative spending patterns. In 2018, the estimate remained nearly the same. For many months, the revenue sharing was coming in strong, however, it then lessened. To address this situation as well as the new discussions about reducing or eliminating State Revenue Sharing that have now developed, the account was not increased. The same approach was utilized for 2019. In 2020, the account was significantly increased as the % to be provided to the Town was increased by the Legislature for the first time in many years since a percentage of the funds were diverted for State use. The increase for 2020 was \$131,105. To conclude - in this constantly changing environment, it is important to monitor this account. As we enter the budget process, more information will be released by the State and we will have information from two (2) more months of collections. Therefore, the SRS estimate will be increased or decreased if necessary as we get closer to the next fiscal year based upon trending and what takes place with the State's collections during the pandemic. We are extremely fortunate that State Revenue Sharing was increased by the Legislature and the Governor and many towns, including Pittsfield, had found themselves not addressing some items and relying too much on our unappropriated surplus accounts. Pittsfield is certainly similar to many communities across Central Maine and outlying counties where the economy did not bounce right back.

The allocation from unappropriated surplus has been lowered to build the account back up. In 2020 and a few more years if we are fortunate enough to see increased collections. As the unappropriated surplus account decreased in 2013, stayed about the same in 2014, increased slightly for 2015 and was projected to be a bit lower for 2016 and then lower for 2017 – 2019, it was still prudent to utilize some of the funds to assist with the 2019 budget if needed. The account was lowered as taxes were coming in lower so a reserve was created for placement of some of the surplus account. The unappropriated surplus account allocation is only utilized when necessary at the end of the budget year. In 2020, the Town was able to sustain multiple revenue sources – at least until the pandemic happened – so that the Unappropriated Surplus Use was lowered in 2019 for 2020.

All revenue accounts will be reviewed again as we get closer to the end of the year. If there are any changes, projections may be decreased and the allocation from unappropriated surplus increased to maintain the same Revenue Budget as proposed if funds are not available. If the funds are not available, then we will make all attempts to maintain as low of an effect on the tax rate as possible. We must remain very frugal in our projections as one major source declining can lead to a budget freeze beyond the one that is currently in place. Based upon trends in Excise Tax Collections during the last several months near the end of the year, the budget estimate has been slightly increased for 2021. However, if Excise Tax, our major revenue source, starts to decline in the last two months of the year, budget revisions may be required.

Re-allocations of accounts decreased in 2013 as nearly all of the accounts previously utilized were no longer available or needed to be replenished. The re-allocations budget

for 2011 and 2012 was \$32,670 and in 2013 was designated at \$5,000. The re-allocation for 2013 was from the Economic Development Fund to be placed against the Economic and Community Development expenses. Past re-allocations have been from the Concealed Weapon Permit fees against the municipal budget, and allocations from the Cable Access Reserve and the Revaluation Reserve. For 2013, these two reserves did not have sufficient funds to allocate and the Concealed Weapon Permit fee account needed to be built up again in order to be used. These allocations have not required a re-prioritization of Council Goals. The usage of these funds has fit well with current town policies and procedures. Use of funding from the capital reserves does require a vote by the Town Council. In 2014, the re-allocations budget was increased to \$58,043. The 2014 budget included reallocations of \$11,862 from Fund 1 consisting of several small funds that were closed as the functions were completed or funds which had accumulated sufficient resources in order to be utilized such as Late Dog Fees and Concealed Weapon Permits. As many balances were utilized in 2014, the Town did not have as much available in 2015. Reallocations for 2015 were the Economic Development Revolving Loan Fund designated as a re-allocation in the amount of \$22,000 and \$398 from the Planning Board fee account to be placed against the Economic and Community Development expenses. Total reallocations for 2015 were \$22,398. For 2016, Reallocations were from Concealed Weapon Permits as well as closing and reallocating two small reserves of Theatre Capital Boiler and Sand/Salt Shed for which the projects were completed. For 2016, the total Reallocations were \$7,647 against the Municipal Budget. For 2017, the total Reallocations were \$0 as we needed to build up these Special Revenue accounts. For 2018, the total Reallocations are \$37,016 which include funds from Industrial Park Lot Sales, Consent Decree Costs recovered from a past code enforcement violation, Late Dog Fees to be utilized for Animal Control costs, Concealed Weapon Permit Fees and Planning Board Fees. For 2019, the Reallocations were for \$21,000 and for 2020, the account was decreased to \$15,215. For 2021, as the Town has utilized all available resources that can be re-allocated, \$0 in re-allocations will be projected for 2021.

When the proposed expenditures and proposed revenues are taken together, the result is **\$271,498 additional tax dollars being raised for the 2021 municipal budget from the level of the 2020 allocation. Reflected as part of Municipal Budget tax dollars, this is a 6.7% increase.** Estimates are utilized for the budget and after finalization of the budget, service estimates will be finalized by companies and organizations to result in either an increase or decrease from the estimate, which is what makes this a budget. The Town has not received the finalized Maine Municipal Association health insurance cost for 2020 as of yet so an increase of 8% has been projected. In 2019, the Town utilized an increase of 10.0%. In 2018, the increase was very minor. In 2017, the increase was 9.25%. As of the later years, the increase has been less. For several years, we have been advised to budget 10% or more and the increase has been in the single digits. Therefore, the actual health insurance cost will be included in the final budget. Over the years, we have been fortunate that we are able to conservatively utilize reallocations and unappropriated surplus funding over a multi-year period while the economy recharges. The impact listed above does not reflect any increase in either the Somerset County assessment or the SAD#53 assessment, or decreases in the town valuation.

The impact above also does not include any revisions to revenue sources or additional costs passed on by the State of Maine to municipalities. If the State of Maine decides to totally suspend or terminate State Revenue Sharing, suspend or terminate other revenue sources such as the Business Equipment Tax (BETE or BETR), Tree Growth Reimbursement and/or Veterans Reimbursement or not pay for the mitigation of costs to be reimbursed to the communities during the next legislative session, the 2021 budget will need to be reviewed prior to finalization. It is not feasible to compile a budget based upon the many varied scenarios that could take place if the State decides to look further to balance its budget by suspending or terminating traditional municipal revenue sources.

In addition, an unknown continues with the phasing out of the personal property tax and valuation of the largest taxpayers in the community. At the time of compiling the budget, the town valuation and BETE/BETR components related to large businesses are an unknown that we need to monitor. These will not be calculated for several months although we will be able to report figures to the State for 2020.

In case additional or new State of Maine cuts are proposed for municipalities develop during the Town's budget sessions, additional cuts develop after the budget is approved and/or our valuation and reimbursement designations are determined to be highly detrimental, policy direction will need to be discussed to determine how to address the situation that unfolds. For example, other re-allocations may be considered for application to the budget to assist in lessening the impact on taxpayers on the overall tax bill, however, require Council or Finance Committee re-prioritization of direction including:

1. The use of Cemetery Investment Funds at a rate higher than 2% was utilized for the 2019 and 2020 budgets. It is recommended that a designation not be more than the Cemetery Department Budget. This means designating more than 2% of the total fund. **(This is an avenue that we should explore further with the Finance Committee for the 2021 Budget).**
2. The sale of town property in addition to the approved sale of tax acquired property. The Town does have a few large tracts of land that are currently not being used that could be reviewed for sale. (This is not a dependable source of revenue each year as we really do not want to sell peoples' property. However, we did sell a large tract of land in 2016 at a profit which has greatly assisted with the revenue collections for 2016. For 2017–2020, the account has been budgeted at the same amount). In 2019 and now 2020, we had several very good bids for the properties automatically acquired. Sometimes we have had to bid the properties more than once, however, we have been able to realize the cost of the taxes, interest and costs incurred as well as earn revenue.
3. Utilize the results of the Project Canopy Grant, which provided for a Town Farm Forest Management Plan. Pursue the sale of wood on the Town Farm Lot as an alternative revenue source for future years by hiring a forester to manage multiple pricing or bidding of tree cutting on the site. The planning for this project would begin when time permits. (This would be a great project, however, at this point, we lack the staffing to start and complete it. It is hard now to attract and retain talented staffing).
4. Review planned Reserve allocations and do not save the funds for the designated purpose, but rather utilize some funds for operating expenses, thereby purchasing

more items by lease-purchase or long-term loans. (This process is unfortunately under way now).

5. Utilize more funds out of unappropriated surplus than recommended by the auditor and generally accepted auditing standards.
6. Most of these alternative revenue sources require Council discussion and/or approval or Finance Committee approval to determine if the Town will pursue any of them for 2021. I may be able to determine other alternative revenue sources as we move through the budget period.

These re-allocations could be used to help reduce the tax increase that may occur due to the assessments received from other entities that provide services; if the State of Maine votes to reduce traditional revenue sources and/or decides to not reimburse the municipalities for lost revenue sources as provided in the past; and/or if the town valuation or reimbursement for lost taxes is extensive.

The Town's portion of the budget as currently proposed will result in \$271,498 more taxes being raised when the increase in budget allocations and increase in revenues is netted out. The additional re-allocations listed above have not been added into the Revenue Budget as they require discussion and/or a change in policy direction for the Town. Some or all of these items would provide more revenue, thereby enhancing the Town's 2021 budget position if needed.

A. Budget Goals:

The 2021 budget was compiled using the following premises approved in early Fall:

1. Departmental Budgets:

- A. Review your department's entire operations to create a prioritization list of the basic services that you provide and the optional services that are helpful or extra for customers. This list or description must be submitted with your budget request;
- B. The cost of all services is to be fully examined for cost savings; alternative revenue services; cost-sharing; joining with another department, town or entity to provide a service; and other creative ideas. Submit these ideas with your budget request;
- C. Wages for regular full and part-time employees are not decided at this time. Please leave these accounts as listed in your 2020 budget. We will try very hard to include a pay increase. Please note that with the exception of one year, there has always been a pay increase over the last 20 years.
- D. Mileage will be reimbursed at 50 cents/mile. Reduce mileage usage if you can by working with other departments or piggybacking on other trips for items.
- E. Your department's operating budget is able to have the following types of increases:
 1. Fuel oil; diesel; gas; electricity and other utilities which need to be budgeted at current costs. If any of these accounts have significantly increased due to use, then you need to look at the reasons why and make changes to conserve energy, if possible. If it simply due to the higher pricing, then the account needs to be adjusted to current costs.
 2. New mandatory requirements, state laws, etc. that will go into effect for the 2021 budget year which directly impact your services.

3. Contractual arrangements that generally have been kept stable or decreased due to negotiations. If a contractual cost needs to be increased for reasons beyond the Town's control, please include the actual cost.
4. Increases in line items that are needed for efficient and effective operation. Please list these for our background.

F. Capital Requests that are not for maintenance, more efficiency or effectiveness will need to be limited to what the budget can absorb.

G. If cost savings ideas result in a lower budget recommendation, that figure should be submitted with details.

H. Items not currently in the budget may be submitted for inclusion under an "Additional Items" section of the Budget Book. Therefore, this will be NEW Categories that have not been funded before. If you are simply increasing your equipment line, uniform line or maintenance line, you do not need the Additional Items form. This is only for new items, not increases in current line items.

2. Personnel costs: These costs were calculated in accordance with the following Premises: Cost of living wage increases were budgeted as follows: Due to concerns about the Café 125 payment that has been provided over the years and how the cash is not reflected in the employee's wage rate, the cash was added to the employee's rate (except Police Officers who are under a contract) in 2019. Therefore, this is no longer an issue and the pay rates are much clearer now. Since the employees have had this cash for many years, it was added to the rate and then a 3% cost of living wage increase was added. As there has been considerable discussion in 2019 about a wage increase, this seemed a fair way to adjust the pay to match cost of living. We have been fortunate to have been able to budget for a wage increase for all but one year over the last 20 budgets. For the 2020 Police Contract with the Maine Association of Police, the Town was able to negotiate the end of the Café payment and have the value added to the officers' rate. As noted above, the 125 Café Plan Reimbursement which had been capped is no longer in existence as it had been placed in the hourly rate in 2019 and all other Benefits/costs were left intact reflecting estimated increases if applicable. In 2020, the Town was able to implement across the board increases for Department Heads/Supervisors and Support Staff as pay levels had fallen when compared to other communities of similar size. For 2021 due to the economy, current effects of the pandemic and the sheer amount of increases facing the Town, a 1% pay increase was included for all town employees. Considering the fact that many employers are not providing cost of living increases or pay increases, employees will be fortunate to have this increase.

3. Capital Requests: Normally, the Town has a Capital Budget/Capital Improvement Plan (CIP), so departments were asked to submit any new requests for 2021 that had not already been addressed. However, this year due to the need to continue to tackle the capital infrastructure, a review of several facilities took place. A complete list of proposed capital financing for 2021 is detailed in both the Budget and the Town's proposed Capital Budget/Capital Improvement Plan under **Tab 6**. The Water and Sewer Enterprise Funds Capital Improvement Plan are also included under the same tab clearly defined. For your background or referral, a copy of the current Capital Improvement Plan Matrix for 2019 and 2020 and the former extensive Plan for 2003 through 2018 is included under **Tab 7**.

Budget guidelines have always been a necessary tool to control costs and maintain the tax rate at a level which is as affordable as possible for the taxpayers. Without establishing these goals, a great deal of time would be spent sorting through proposed expenses by the Town Council and Town Manager. With the new approach of looking at everything, this will continue to be very interesting and likely complex – hopefully not as complex as the first year when the budget was re-opened. Adding additional duties for the Finance Committee of the Town Council assisted in acquiring a consensus for the 2020 budget process. The 2021 Budget Detail is under **Tab 3** while the 2021 Expense Budget is contained in **Tab 4**.

The following accounts reflect the same bottom line as last year. The individual budget lines were reviewed and adjusted to reflect necessary expenditures and basic activities:

- 01-30 Legal
- 30-05 General Assistance

The following accounts basically reflect the same bottom line also as we were able to make slight decreases or had slight decreases under \$1,500:

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|-------|-----------------------|---|
| 01-05 | Town Council | decreased \$84 (due to decrease in MMA Dues) |
| 01-35 | Elections | increased \$255 (minimum wage increase) |
| 01-45 | Community/Ec Develop. | decreased \$161 (again numerous changes throughout the budget with contractual arrangements) |
| 01-55 | Insurance | increased \$795 (increase in policy cost; decreased deductible to balance this out) |
| 05-05 | Communications | Increased \$1,000 (maintained services) |
| 05-15 | Fire Department | increased \$1,445 (workers' compensation) |
| 10-10 | Buildings & Grounds | decreased \$200 (kept the same although much more could be done) |
| 20-05 | Airport | decreased \$41 (basically the same throughout) |
| 40-05 | Comm Svs/Soc Svs | increased \$439 (Snowmobile reimbursement has increased as a pass through in both expenses and revenues). |

B. Notes For Review of the Budget:

Listed below are notes on categories affecting the entire budget:

1. **#05-05: Health Insurance** - Utilized the Maine Municipal Association's estimate for a rate increase of 10.0%, we focused on 10%. In checking with a few other employers, it seems that 2020 will continue to be a year for increases in most health insurance programs and could be a larger increase. However, other employers have heard that their rates will drop. In 2017, the rate increase was 9.25%. In the three years after 2017, the rate increases were much lower coming in at 1.9% for 2018; 4.0% for 2019, and 3% for 2020. When the rate increase is finalized, the budget estimates will be revisited to see if they need to be revised. Usually, we make all the revisions for the public hearing in December.

2. **#05-10: Unemployment** – Calculated as 3% of the first \$12,000 of each full-time and part-time position with the exclusion of the Fire Department. Adjusted accounts to reflect current expenses. Unemployment costs have been lower for the Town in part due to a good history. Due to the claims coming in across the State, the 2020 expenses will be over budget. For 2021, the Town was advised that rates will significantly increase due to all the unemployment claims in the State. The budget allocations have been doubled to cover the costs.
3. **#05-15: Workers' Compensation** – Utilized the current rates in place with MMA. Our experience mode has been low for many years which is excellent. MMA has projected a large increase for 2021 and especially for towns such as Pittsfield that have had two major claims. Prior to the recent issues, the Town enjoyed lower premiums. We implemented worker safety programs and training in 2010-2019, which assisted with the cost of the insurance. Our training programs have significantly assisted the Town to date. While the Safety Committee has not met during the year as it usually does due to the pandemic, there have been a number of action items for enhancement to programs/activities. The current trending reflects a large increase across the board this year and this has been reflected in the 2021 projections. Previously, a few departments had seen an increase due to their risk factor.
4. **#30-05: Electricity** – Accounts were reviewed for expenditures through 08/31/2019 and adjusted accordingly. CMP had a significant rate increase in the standard offer in 2015. The Town signed up for the Maine Power Options Cooperative for three (3) and five (5) year contracts which had assisted with costs. Our three-year contracts expired and we were with the Standard Offer on some accounts while in the Cooperative for other accounts due to availability and rates. The Town's electricity bill for the Municipal Building continues to greatly benefit the community due to the Efficiency Maine lighting installed in 2008 and the bill continues to come in lower than expected from the project calculation sheets. This funding was also utilized for the Library. Since it has been a few years, we are again eligible to apply for Efficiency Maine for buildings with sufficient lights qualifying for the incentive rebate to justify the hire of an electrician and yearly savings. When explored, we found that the cost involved for the savings was negligible. We will review this enhancement again during the next year to see if there is any improvement in rebates. Our last electricity contracts were for two (2) years and were the best option for the Town at that time. These contracts will expire in November of 2020. Electricity costs should decrease for the small and medium accounts if usage remains the same or decreases. Some departments are seeing increases in their electric usage. When we receive our first bills, all accounts will be re-visited.
5. **#30-15: Telephones** – The expenditures through 08/31/2019 were reviewed and accounts adjusted for 2020 based upon trending and our new lease-purchase arrangement for the telephones plus calls made. The Town's 2006 bid resulted in lower telephone costs for basic service which we were able to extend for a total package over a 7-year period. After putting an RFP out for services and not receiving any bids, the Town remained with the same company. We bid this work out in 2019 as there seemed to be good history on different new plans. This was a project for a new

staff member. Unfortunately, the costs are much higher than projected and the Town had to pay double bills for a few months with two companies as the staff forgot to shut off the former accounts

C. Major Increases/Decreases:

In the past, I have depicted the details on the increases and/or decreases in the bottom line. As most of the budgets have either increased or decreased to some extent, those budgets that exceed \$4,000 over or under would be reviewed. With the change in budgeting in 2020, this would require most of the accounts to be listed so the larger increases over \$8,000 were listed. For 2021, the accounts over \$10,000 will be listed as follows:

05-10: Police Department: \$110,018 (includes an additional officer position that has to date not been filled which addresses the Animal Control Officer function as well as Patrol). The position may also involve Detective Work. Pay increases from the contract negotiations are included. This budget is heavily influenced by the cost of staffing with benefits and costs for payroll and payroll expenses. There were smaller increases in various accounts.

10-05: Public Works: \$62,425 (includes higher pricing for a one-year contract for snowplowing as the Town determines how to plan ahead to address plowing for the remainder of the community outside the interior routes performed by Public Works).

50-05: Debt Service/Interest: \$147,368 (which includes the new loan for both the 2019 and 2020 Capital Improvement Plan to be funded through the Pittsfield Future Account which is a pass through utilizing the revenue budget. Other new loan or lease-purchase costs are included)

Although the water and sewer enterprise accounts are not part of the actual municipal budget and do not reflect increases in 2021, they were mentioned briefly below. We do need to maintain the increase in the Sewer Enterprise Account first put into place in 2011 pursuant to the requirements of the USDA Sewer financing package. A request has been made to the USDA to discontinue this reserve funding allocation which will then free up funds for other use in the Sewer Enterprise Account. This will hopefully allow the Town to keep the Sewer Rate the same and not consider a rate increase. The Town does need to continue with its multi-year prior effects to rehabilitate water and sewer mains. This will require the ability to add debt service each year to the budget and have the revenue stream cover these additional costs. A rate increase review is underway with Olver Associates for both Enterprise Accounts.

70-05: Water Enterprise Account – The Town was fortunate to be awarded a low-interest Drinking Water Loan with small grant for the replacement of the Waverly Street River Crossing which had been broke for several years. This project was very important to address and funding was an issue until the Town was ranked on the primary list for funding from the Drinking Water Program. This project required an increase in debt service in 2012 that will carry forward for 20 years with the new loan. The Town was successful in re-financing several loans which included the Grove Hill Water Tank and new Water

Source in 2012 resulting in a savings over the remainder of the term. Many other low-interest loans were received from successful applications with the last one being the replacement of the North Main Street line that had extensive breaks over the years leading to the medical overlay area. Budget lines were reviewed and adjusted accordingly due to expenditures. The Depreciation account has been increased over the years to reflect the current situation. A payment has now been budgeted for the small Peltoma/Hunnewell Engineering loan as the project was completed. Olver Associates assisted with the revised budget which reflects the necessary rate increase. By placing the larger figure in the budget, the Town can either approve a rate increase of some amount reflecting the increase in revenue or keep the rate the same. The Town would only spend what is realized through collections which will be based upon the approved rate.

75-05: Sewer Enterprise Account - The Sewer Enterprise Account had a 23.8% increase in 2011 in order to budget for the debt service for the USDA loan for sludge removal and a capital reserve for future sludge removal. To summarize, the Town accumulated 30 years of sludge and needed to remove the material from the wastewater treatment facility, which is a lagoon system. The engineer's cost estimate to take care of this problem was staggering as the work was not completed periodically and reserve funding was not put aside over the decades. Therefore, the Town needed to borrow the funds. For several years, we had been told that the Town was not eligible for grant funding as the Town's sewer rate was the lowest rate in the State of Maine. If a sewer rate which is the basis for the sewer revenue collection is too low to maintain the system properly, repairs and replacement projects will accumulate. The Town has a sizeable list of repairs and replacement projects. In order to obtain financing, the Town had to budget for the necessary expenses and costs to take care of the system properly, pay for debt service for sludge removal, pay for sewer system repairs and build a reserve for the future to make sure this problem does not reoccur. This has meant several rates increases over the years to start to address the system-wide problems. Sludge removal is crucial as the system started to clog up. The Town also needed to be able to meet its license requirements for effluent discharge standards which had become harder over the years. The Town has expended considerable efforts and time to work with DEP to address their concerns. The Town has completed several of the most crucial projects that have accumulated over several decades in this older sewer collection and treatment system. Sludge removal costs came in much lower than expected as less sewage was in the lagoon system than predicted by the engineering firm in three estimates over a multi-year period. The Town has been able to utilize the remaining funds borrowed to complete work on an astronomical number of sewer rehabilitation projects that needed to take place. In 2015, the Town borrowed funds through the Clean Water State Revolving Loan Program which passes along a very minimal interest rate. This resulted in a new loan payment to be absorbed by the Sewer Enterprise Account in early 2016. There was another new loan payment added to this account in 2017 for the North Main Street Sewer Project. As one loan was closed out in 2016, there will not be an impact. One of the older sewer rehabilitation loans was closed out in 2018. This was helpful as funds could be diverted elsewhere such as paying for the one-third cost of the Excavator that the Town Council wanted to purchase. The Sewer Enterprise Fund remains the same as in 2020, however, additional debt service has been added.

D. Revenue Projections:

The 2021 estimated revenues are contained in **Tab 5**. The bottom line of the municipal revenue projections for the third quarter of 2019 have come in low again this year vs. 75.0%. During the past several years, the percentages have run low at this time of the year, however, this is one of the lowest collections yet during the last 17 years. Some accounts have caught up due to being closed and then re-opening while other accounts have not. The rates continue to be a bit lower each year than the several preceding years. Revenue projections for 2021 are based upon the current year's trends and re-calculation of several revenues. Background on accounts that have been of interest include those listed below.

***This section originally contained history through 2020 as we started the budget very early this year. The revenues were then re-analyzed through 09/30/2020 due to the need to generate more funds. Therefore, we are still working on our revenue generation as well as reviewing proposed new fees. This section was then updated after the 3rd quarter collections were reconciled due to the early start for the budget**

01-10-15 Sale Town-Owned Property: Continue this program to supplement revenues. The potential exists of having several tax-acquired properties each year as the former owners do not want to make payment plans with the Town. The purpose of our program is to offer prior owners of residential property which is being occupied, the ability to once again own their property. The Town only sells these properties after making considerable attempts to work out a payment plan. The proceeds for this account will be based upon the number of properties that foreclose and whether prior residential owners reclaim the property. The Town has sold land, commercial properties and vacant properties for back taxes if not redeemed under town regulations. Although this account did not earn any funds for 2015 due to the difficult combination of Tax Acquired Property that was bid out several times, this account had been left at the same level for 2016 when the Town sold a property for more than the taxes, interest and costs. This account was left at the same amount for 2017-2020 as that had been a unique sale. Unfortunately, there will be a few tax lien foreclosures each year. 2019 will have a higher than usual amount of sale proceeds. As the Town never knows if there will be any sales and if there are sales if the Town will break even on each property, the account will be left the same for 2020.

10-15-05 Cemetery Income Receipts – Due to trending with more use of the cemetery for burials and more purchases of lots as the population grows older, this account was increased for 2017 and 2018. Due to collections coming in lower, the account was lowered slightly for 2019. Then due to collections coming in higher during 2019, the account was increased for 2020. With much lower collections in 2020, this account was decreased.

15-05-05 Transfer Station – MSW Haul Fee - This account includes the revenue generated by communities utilizing the Town's services for containers for Clean Up Days in addition to regular trash disposal for residents and businesses. Some years, this account is utilized quite a bit as one of the haulers comes to the Town's facility a lot and other years, the account is not utilized as much as the hauler does not come in as much. Under the Town's regulations, the commercial haulers reimburse a percentage of the Town's cost for MSW. The account was increased in

2013 as there had been more usage in 2012. For 2014, the account was increased slightly. For 2015, the account was increased as trending reflected considerably more usage by trash collectors. In 2015, the payments received decreased, therefore, for 2016, the account was decreased. In 2016, payments have also slightly decreased so the account has been lowered for 2017. In 2017, the payments are coming in lower, however, this account will be left as is for 2018 with zero change. For 2019, it is estimated that more hauling will take place as it will in most cases save companies money; therefore, the account was increased. For 2020, the account was left at the same amount as it saves the haulers to utilize the Town's facility due to the rate provided then in most cases to use another facility. For 2021, this account was decreased slightly due to credits provided for good Quality cardboard being received by the Town which then can be processed and sold by the Town for profit.

01-10-20 State Revenue Sharing: Originally, 5.0% of the State's monthly sales, corporate and personal income tax revenues are set aside to fund the municipal revenue sharing pool. The legislature had approved transferring a portion of SRS to the State General Fund for the budget, therefore, all funds were not allocated to the towns. In 2013, the State decided to allocate more of the revenue sharing toward the State budget gap, thereby significantly reducing State Revenue Sharing for Towns. In 2014, State Revenue Sharing was again taken by the State to assist with the State's budgetary issues, however, the additional \$40 million was put back into the program that was to be taken out for the first time in 2014. In 2015, the Town has been fortunate to date to have higher than anticipated payments from the State. For 2016, this account was budgeted at an increase in accordance with the Town's receipt of funding in 2015. As payments came in lower amounts for 2016, this account was slightly decreased for 2017. For 2018, the account was left nearly the same as in 2017 due to the trending and the State of Maine's estimates. This is an account that needs to be closely reviewed during the budget process to determine if any revisions are necessary to protect the Town. The account was left the same for 2019 due to the current projections. For 2020, the account was increased substantially to reflect the new bill signed into law to provide a higher percentage of state receipts to the towns effective July 1, 2019. The account was budgeted based upon trending of payments to date and not based upon projections from the State to be careful with the amount of the large increase projected. The Town is still above projections for 2020 although for 2021 due to the State's lower revenue collections, the account was only slightly increased rather than utilizing the State's new projection.

01-10-40 Reallocations: Discontinued this program in 2005. Re-instated this account for 2009 after a thorough review of all accounts. A thorough review of all accounts for 2012 resulted in a reallocation for Fund 4. In 2013, reallocations were decreased as the accounts needed to build. In 2014, reallocations were recommended from Fund 1, Fund 4 and the Reserves. As reallocation funding is minimal due to utilizing several account balances in 2014, this account is understandably budgeted at a lower amount for 2015. In 2016, the account was budgeted lower as less funds were available for reallocation. In 2017, the account was budgeted at \$0 so that the special revenue accounts could accumulate funds again. In 2018, the account was budgeted at \$37,016 as several funds are available

to be closed out and/or utilized. This account was budgeted at \$21,000 for 2019 and at \$15,215 for 2020 as all funds were looked at to determine those that can be reallocated. For 2021, \$0 was allocated so that the special revenue accounts can again accumulate funds to be utilized in the future.

01-10-45 CD Town Fund Yr 3 of 3: Use of the funds in the short-term month to month CD at Peoples United would be very helpful with our “crunch” period. These funds were left in a short-term investment which was liquid in case the Town needed them. Therefore, \$313,818.25 is expected to be available by year end 2017. It is recommended that the Town utilize one-third of the funds in 2018 to cushion the large increase in the Municipal Budget. 2019 will be Year 2 of the allocation. The remainder of the former MainePERS funds, which is \$1.5 million dollars, was to be left in longer term investments to earn interest as a revenue source for future budgets. It may be used shortly in order for debt to be increased. The remainder of the funds are estimated at \$106,000 for 2020 which is Year 3 of a 3-year period. For 2021, this account will be discontinued leaving a large gap for funding.

01-20-15 Taxes Interest - Taxes are being paid later, therefore, although the interest is paid, it is generated later. The interest rate charged remains the same. The account has been trending less for 2016, therefore, it has been decreased for 2017. For 2018, it is being increased due to recent higher collections. For 2019 and 2020, the allocation remained the same. For 2021, the account was decreased.

01-20-20 Lien Costs – Mandatory per state law with the costs being paid when liens are paid off, which is trending later in the lien cycle. The account trended less for 2016, therefore, it was decreased for 2017. In 2017, the account had increases in collections during the third quarter, therefore, the account was increased for 2018. For 2019, the account remained the same as well as for 2020. For 2021, the account was decreased due to current trending.

01-25-25 Assessing – Tree/Veterans Reimbursement - The amount of the reimbursement received was lower in 2013, therefore, the 2014 allocation was reduced. To date the amount received is lower, however, not all receipts have been received. It is expected this will be a little bit less in 2016 than in 2015, however, the budget allocation has been left the same. In 2017, the account was projected to continue to be less. Due to receiving a higher payment, this account has been increased for 2018. For 2019, the account was slightly decreased as 2018 payment was a bit less than the prior year. 2020 was budgeted the same. For 2021, the account was slightly increased.

01-60-05 Building Permits – This account had been bringing in significantly less Revenue during the down economy. In 2015, permit applications have increased. It has become clear that although there are more permits, less permits are for new homes than in the past. Most permits have been for additions, renovations and rehab of current homes which results in a lower permit fee. Recently, new home permits have been received which result in a higher permit fee for 2015. In 2016, there have been a number of new homes, however, the account is trending less. Due to this trending, the account was decreased for 2017. As the number and amount of permit fees has been increasing in mid to late 2017, the account was increased for 2018. During 2018, the trend started out strong and

then permits decreased significantly so the account was decreased for 2019. Based upon trending, the account was increased very slightly for 2020. For 2021, The account was increased slightly to reflect trending from 2020 although the large permit cost of retrofitting UTC for Puritan was not counted as part of the increase as this was a one-time cost.

01-60-20 Plumbing Permits – Based upon current trends, plumbing permits are projected to decrease slightly in 2019. The account was decreased for 2020 due to very slow collections in 2010. As plumbing permits are trending a bit higher, the budget allocation was increased slightly.

10-05-05 Motor Vehicle Excise - In 2009 and 2010, with the extended slump in the economy, motor vehicle sales substantially decreased which resulted in significantly decreased excise tax receipts. It is always important to be prudent in budgeting for excise tax because if one company moved its operations or new vehicle sales slumped, the Town could be faced with a major revenue shortfall that would freeze or reduce services very quickly. Generally, prudent budgeting allows for increased allocations from the unappropriated surplus account to be made to lower taxes the next year. For 2012, prudent budgeting was needed to protect the Town as this generally solid revenue source showed decline in both 2009 and 2010 and a substantial increase in 2011. 2012 was running behind projections so 2013 was lowered a small percentage due to trending. 2013 turned out to have increased revenue collections so the budget allocation was about the same for 2014. For 2015, this account was optimistically increased to match the revenue trend which has worked well to date. For 2016, the same assumption was made based upon the trending and the account was increased slightly. For 2017, the same assumptions were made and as the account was trending a small amount higher, Motor Vehicle Excise was increased. For 2018, this account was increased slightly as the 2017 estimate is coming in slightly higher than estimated. This account is extremely important due to its position in the Revenue Budget and needs close review during the budget process to determine if any revisions are required. As the 2018 collections are coming in slightly over estimates, this account was increased for 2019 and again increased for 2020 due to the 2019 collections. Based upon trending as the Town gets caught up on back motor vehicle registrations with the payment of excise tax, this account has been increased slightly for 2021.

10-05-10 Highway – Road Assistance & Advance Funds - As the State of Maine is receiving slightly more funding to maintain and improve state roads, the percentage of funding passed along to Towns to maintain the roads transferred by the State to the Towns has increased slightly for 2017. For 2018 and 2019, it is projected to decrease slightly. The Town was advised that 2020 will be increased. With the State's much lower projections for the Highway Fund, this budget allocation has been decreased for 2021.

10-15-10 Cemetery Trust Income - This will be the sixteenth-year budgeting for the use of trust income from the consolidated cemetery trusts. In accordance with the Ordinance spending policy, 2% of the overall fund is drawn on a yearly basis as a revenue source to offset cemetery operations. For 2018, it is

recommended that this percentage be increased to 4% of the overall fund as a revenue source. The Town needs revenue during its crunch period until a major project comes forward and the amount of interest that has accumulated from excellent investments was quite large. In addition, the Town will continue to have a capital list of cemetery projects for future years of the Town CIP and for investment purposes for the management of the cemetery funds. This account should be reviewed by the Finance Committee for the ordinance allocation to be increased. This took place for 2019 and 2020 so that the trust income covered the budget. This recommendation will be made again for 2021 as it is very helpful for the budget and if funding is available from alternative revenue sources, it should be utilized especially if it has the ability to be replenished over time.

01-15-05 Clerk Fees - Agent fees from the sale of hunting, fishing, archery and other licenses are trending lower and were adjusted for the 2019 budget. For 2020, the amount of fees has increased so the 2020 allocation was increased. Due to on-line licensing and registrations being signed up for and promoted to allow convenience for people and promoted during the pandemic, this account needed to be lowered significantly as the Town does not receive the agent fee for on-line licenses and registrations.

01-55-05 Insurance Refunds – Refund payments from when the Maine Municipal Association Unemployment and Workers Compensation Funds issue rebates due to successful years with good performance in the Risk Pool and the Town itself has a positive year in terms of claims and costs. For 2017-2020, the Town is projected to receive lower rebates due to the funds and the Town's expenses. With the increase in Unemployment costs and the increase in the Town's Workers Compensation rates, \$0 is projected for refunds and rebates.

15-05-15 Transfer Station – Regular User Fees – There has been much more activity at the Transfer Station with the use of the facility for the disposal of demolition materials from building renovations as well as larger projects taking place which required more rental of containers. Therefore, this account was significantly increased for 2017. The account performed well at the beginning of 2017, however, had a very low collection rate over the remainder of the year. In 2018, the account was significantly decreased. For 2019, budget the same to determine the trend. There has been a lot of usage this year, so increased the budget for 2020. This account is projected to be about the same budget for 2021.

15-10-05 Recycling Income - With increased recycling, good pricing for tonnage sold and more efficiency, this account has remained a steady producer over the last few years. To deal with the changes in the marketplace due to the economy, the account was decreased for 2010 due to the trending in 2009. In mid-2010, the marketplace started coming back resulting in a very good year for 2011. For 2012, pricing was lower. For 2013, the account was reduced according to current trending. In 2014, the budget was lowered as recycling sale prices were lower in 2013. After a number of years with lower Recycling Revenues, 2014 recycling income revenues increased. This account was increased for 2015 due to higher receipts to date in 2014. In 2015, this account was down due to the economy. As this account remains down in

2016, it has been budgeted at a lower amount for 2017. As this account is still trending lower, the account will be decreased for 2018. While the account is still trending lower, it has been left at the same amount for 2019. Due to very low recycling sale prices, the account was lowered for 2020. As revenue is starting to increase now and trend higher in 2020, this account was increased for 2021.

25-15-05 Theatre Income: Revenue calculations are based upon current year trends. It is realized that the operational costs (and capital expenses) can not be completely covered by the revenues received in any given year so the projected revenues budgeted will be less than the expense allocation budgeted. There was a potential increase in revenues projected for 2011 due to trending that was expected to bring this revenue account back around its usual level after a lower projection for 2010. However, in 2011, sales started decreasing, therefore, the revenue estimate for 2012 was projected to decrease when calculated during 2011. In 2012, the revenues picked up so an increase was projected in this account for 2013. It was also anticipated that once the Theatre had a new digital projector that would provide for better programming and the ability to acquire more movies, that revenues will increase. Unfortunately, revenue continues to decrease at the Community Theatre as it is decreasing around the country. For 2014, this account was decreased. During 2014, revenues turned around and exceeded the budget projection. Based upon the higher revenue stream and the new programs/ideas taking place, this account had been increased for 2015. During 2015, revenues then slowed down over the course of the year. For 2016, this account has been left approximately at the level of the current budget, however, the theatre's income is down to date in 2016 even with programming changes. For 2017, this account has been decreased slightly. As the theatre revenues are trending lower in 2017, this account will be decreased for 2018 while alternative revenue sources are being researched, reviewed and put into place during the collection period. In 2018, revenues are trending lower than or close to projections depending on the month. With the Theatre Committee's new enthusiasm and creative ideas, the account has been increased for 2019. After the theatre was subject to budget cuts, the Theatre Committee has re-grouped, a part-time theatre manager was hired with a part-time assistant manager. A new direction has been created with a variety of shows and programs planned so income has been increased for 2020. With the pandemic and the costs continuing to increase with revenues unable to cover them, the Town Council voted to close the Theatre formally during the summer of 2020 although it had remained closed due to the pandemic due to State mandated requirements at the time of closure. New standards have been issued now, however, with only a certain number of seats being able to be utilized due to social distancing and the fact that the Theatre makes money when the building is packed for special events and new popular movies which cannot take place, the Theatre can not be re-opened at least by the Town. The property is now out for Sale with several calls received to date.

All other general revenue accounts were reviewed to determine trends this year. Overall, there were a number of revenues projected to increase due to the economic trends and a few that are projected to decrease due to their increased position over the last few months. We will further review re-allocations as the budget process proceeds. Revenue trends will

be watched during the budget process to determine if any adjustments to the revenues projected should take place for 2021.

E. Conclusion:

During six budget cycles we were able to maintain revenues by continuing to utilize and create alternative sources, re-allocate funds from projects that were completed in prior years and re-calculating other sources. During 2009 and 2010 we found seriously declining revenue trends starting with March, 2009. By extensive conservation and belt-tightening, we were able to reduce operational and capital expenditures to address as much of the revenue loss as possible and town employees continue to work toward this objective. In 2010, we sustained services as best as possible in difficult times. Although some cuts made operations challenging, we were still able to maintain the integrity of the overall service through hard work and dedication. The 2011 budget was brought in at a decrease of \$3,009 from the 2010 budget. In 2011, the Town continued to strive to maintain our revenue sources as the economy picked up a bit for the first part of the year. The 2012 budget was an increase of \$40,920 due to the inclusion of a new position and with the increase in revenues of \$41,703, the resulting impact on the municipal budget was \$783 less. In 2013, we projected a modest increase in several revenue sources. Sustaining our current programs, we projected being able to bring in the 2013 municipal budget at an increase of \$14,867, which with an increased Revenue Budget of \$35,622 would result in a decrease of tax dollars of \$20,755. Fortunately, health insurance costs came in lower than projected and assisted with a total tax savings of \$27,598 for 2013. For a comparison, the 2013 tax commitment was \$4,250,399.05 (municipal, school, county, TIF and overlay). In 2014, the Town was able to bring forward a budget that was balanced by its revenue sources so that there was \$0 projected as the increase in taxes. In 2015 the Town was able to again bring in a budget that was balanced by its revenue sources so that there was a \$0 increase in taxes. In fact, the budget and its accompanying revenue sources resulted in a decrease of tax dollars in the amount of \$21,076 plus lower than estimated health insurance plan costs which resulted in a decrease in tax dollars of \$29,798. In 2016, the Town was able to bring in a budget which resulted in a slight increase in tax dollars of \$26,336 which was a very low impact on the tax rate of less than .20 of a mil. In 2017, the budget reflected an increase of \$49,971 which will result in an estimated increase in the tax rate. With the use of several revenue accounts which were reallocated, increasing the transfer from the Cemetery Trusts Income for Cemetery expenses and utilizing funds from the former MainePERS funds in the roll over CD, the Town has been able to keep the overall impact at a minimum. Therefore, the increase in the Expense Budget, mainly from additional Debt Service and a major increase in the tipping fee for waste disposal, was \$289,982. With the use of available revenue accounts, the increase in the Revenue Budget was projected at \$145,185. The overall impact when the expenses are placed against the revenues is an increase in taxes from 2018 of \$85,606. For 2019, the projected increase in the Expense Budget from numerous items was \$387,525. With the use of available revenue accounts, the increase in the Revenue Budget was projected at \$194,418. The overall impact when the expenses were placed against the revenues for the budget approved by the Town Council was an increase in taxes from the 2018 budget of \$193,107 for 2019. For 2020, the increase in the Expense budget approved by the Town Council was \$384,806 and the increase in the Revenues was projected at \$2,974 resulting in an increase of taxpayer dollars of \$381,832. For 2021, the projected increase in the Expense Budget is \$288,616 while the increase in the

Revenue Budget is proposed at \$17,118 resulting in an increase in taxpayer dollars of \$271,498. Please note that this figure is without any Additionals added. Please note that the few requests received were not approved by the Finance Committee.

In a few years, we know that we will come out of this challenging period stronger than ever as we have learned to do even more with even less and have created a number of wonderful assets during this period of time accomplished through the use of extensive grant funding. The Town has been able to replace and/or rehabilitate extensive infrastructure to benefit the Town for decades to come receiving grants or low-interest loans ranging from 0% interest to 1.0% interest which will save the Town millions of dollars of interest. When the economy is in a decline, it is the time to apply for federal and state programs to compete for funding that has been made available to help the economy and put people back to work. We have certainly received a large percentage of the funding available when one looks at the funding received by towns in our size category in the state. Now with the economy improving the 0% interest to 1.0% interest loans are hard to locate and those with grants are even harder. We were fortunate to have received an excellent commercial bank loan rate of 3.29% for our 2019 Capital Improvement Plan and then a rate of 2.51% for our 2020 Capital Improvement Plan.

Overall, the staff has done an excellent job over the last eighteen (18) fiscal years to be able to maintain current services and actually implement programs on reduced budgets. Now, we are finding that there is simply no place to make substantial cuts anymore unless it is actual services. It has been a struggle to continue to keep services at the current level with all of the financial constraints from increased costs. We will continue to work on important areas such as purchasing consolidation between departments; sharing of support staff to complete work; and additional enhancements to service. I am proud that the vast majority of employees have worked together and supported the community, Town Council and Town Manager. It has made all the difference in being able to achieve worthwhile programs for the community, continue to balance the additional workload, and move the Town forward. Progress has been considerable despite the huge challenges we faced during the first one-half of the year and of course, we did spend a lot of time on ancillary functions for the very nice Bicentennial Celebration. There is certainly plenty to work on next year.

The Town's policy to review unappropriated surplus has been of assistance during the last thirteen (13) budgets. This fund is a surplus that has accrued from unexpended operating budgets and unanticipated excess revenues. This surplus provides financial stability to bond holders and rating agencies. Preserving an adequate fund balance sustains financial stability for the Town. In addition, it lowers the amount of the Tax Anticipation Note that the Town may need to acquire each year and interest to raise to borrow these funds. Each year during budget time, the Town Council reviews the budget and the amount of funds that can be taken out to lower taxes for that budget period and still maintain an adequate balance for the Town. The Town tries to maintain \$1.1 million in the fund to address three months of operating expenses and to provide funds for unexpected emergencies. This is a recommended practice from auditors to protect the town and to allow for financial stability. The Town is very fortunate that the balance in the unappropriated surplus account as of 12/31/2013 was over the recommended minimum and was over the recommended minimum for 12/31/2014, 12/31/2015 and 12/31/2016, although it is definitely decreasing when the Taxes Receivable Reserve is included. Therefore, some additional funding is

available to the Town for the 2016 budget allocation. It is again estimated that the unappropriated surplus account as of 12/31/2017 will be less. Until the end of the year, no one really knows what will happen as projections are just that – estimates based upon the revenue collections and expenditure levels through the current period. The Town Auditor had complimented the Town in being able to keep this account stable and at approximately the same level for several years which assists with the stability of the Town. For the 2016 year, the Town was able to have higher than estimated revenues and lower than estimated expenses, to finish the year with a surplus. For 2017 - 2019, the unappropriated surplus account was lower due to the increase in the taxes and tax lien receivables which resulted in funding being segregated on the balance sheet to address these increases. In 2020 the Town was advised that our 12/31/2019 unappropriated surplus account was increased as tax payments had substantially increased, thereby reducing the Deferred Tax Revenue Account.

During the budget process, important influences on the Town's tax rate need to be monitored. These items will include revenue trends, the County Budget process and the continuing effect of the debt service for the new Jail, and the level of educational subsidy received from the State for the schools. The Town continues to function under the budget cap from LD 1, which calculates the growth limitation factor on the core municipal commitment. LD 1 is applied to the overall tax commitment which includes the school assessment, county assessment, tax increment financing districts and overlay. The State's Average Personal Income Growth which towns are allowed has decreased from 2.28% in 2009 to 1.78% in 2010 to 1.66% in 2011 to 1.43% in 2012 to 1.05% in 2013 and for 2014 is 1.09%. For 2015 the rate was .86%. For 2016, the rate was 2.67% which reflects that the economy is improving and for 2017, the rate was 2.84% which definitely reflects that the economy is improving. The rate has just been announced for 2018 at 2.61%. The Town's total LD limit for the tax commitment is available when the Assessor sets the tax commitment.

In summary, the 2021 Municipal Budget (without Additionals) and accompanying Revenue Budget have come in at a 6.7% increase. At this time, we do not know the town's valuation for April 01, 2021. There are two projects which should affect the Town's overall valuation and bring relief to the Town as the two empty mills that used to provide for an increased valuation and the resulting tax dollars will both be revitalized for April 01, 2021. There are also several solar projects under consideration and/or being built. The Town is also receiving many more requests for valuations to be lowered so any increase may be slightly impacted by decreases. Depending upon many variables such as other governmental assessments and the town's valuation, we will know more as the situation unfolds and will keep you apprised.

If you have any questions, please do not hesitate to contact myself at the Town Office. THANKS for your assistance in this matter.