

March 30, 2020

Dear Mayor and Members of the Auburn City Council,

It has been a privilege and an honor to serve the City of Auburn for the past three plus years. With my upcoming retirement on July 1, I would be remiss if I did not thank you as well as the previous Mayor and Councils, Assistant City Manager Phil Crowell, the City Manager's team, Department Directors, and city staff for your support of me during this time. Team Auburn is strong and headed in the right direction as one of the best small cities in America! My public service to Auburn has truly been one of the highlights of my career.

This marks my fourth and perhaps most difficult budget as your City Manager. With the uncertainty over the coronavirus issue and corresponding unpredictability of city revenues, it has made revenue forecasting - and therefore budgeting - especially difficult. I am sure you would agree, it is a particularly challenging time. Rest assured that Assistant City Manager Phil Crowell, Finance Director Jill Eastman, the Department Directors and I will work with you as collaboratively as we can during our budget discussions to produce the most responsible and effective budget possible.

At the beginning of this budget process, I asked the department directors to submit what they needed to fulfill their departments' mission. My budget team - consisting of Finance Director Jill Eastman, Human Resources Director Chris Mumau, and Assistant City Manager Phil Crowell - and I have met with each director, reviewed their requests, and I have, with their input and advice, made the necessary adjustments to meet our personnel and fiscal situation.

My goal with budgeting is always to strive for a balance between the needs of the departments and the importance of minimizing the impact on the taxpayers to the greatest extent possible. I believe this municipal budget accomplishes that goal.

Between 2010 and 2018, municipal revenue sharing was reduced by **60%** statewide. This represented an **aggregate loss to Auburn of \$18.3 million during that time span, in addition to state exemptions of \$132 million that have negated our growth in property valuation of \$112 million**. This has put extreme pressure on the municipal budget and led inevitably to higher-than-average increases in Auburn's tax rate.

Fortunately, beginning last year, Governor Mills and the Legislature began restoring municipal revenue sharing. As a result, we had a less than 1 percent tax increase on the municipal side. This year, we have conservatively estimated our revenue increase at \$1.3 million, including an increase in municipal revenue sharing of \$900,000 which in this uncertain economy still leaves us with \$200,000 less than what we are supposed to receive.

There are several key factors that are driving our budget. On the municipal side, there is an **operational increase of \$1,301,650 (following my cuts of \$508,723)**. The increase includes a 2% “cost of living” increase of \$293,000 and a compensation study increase for equipment operators of \$65,000 in order to retain as well as attract employees and stay competitive with other municipalities. There is also an increase of 9% in health insurance costs totaling \$312,697.

Another important change is a **debt service increase of \$243,045** due to interest on the city’s debt. In addition, there is **an increase of \$336,824 for Intergovernmental Programs**, with an increase of \$147,217 for County Taxes, (\$10,000) for the Auburn-Lewiston Airport, \$176,921 for the Lewiston-Auburn Transit Committee to restore full bus service to Auburn, as well as \$22,686 for LA 911.

## BUDGET OVERVIEW

The FY21 proposed expenditures can be divided into three categories as follows, with a total tax levy increase of 2.90%:

- City expenditures have increased by \$1,544,695, with an increase to the tax levy of \$78,856 or 0.32%;
- Intergovernmental expenditures have increased by \$336,824 with an increase to the tax levy of \$336,824 or 7.64%; and
- School Department expenditures have increased by \$1,434,407 with an increase to the tax levy of \$940,094 or 5.25%.

The above figures represent a total increase to the tax levy of \$1,355,774 or 2.90%, and an increase to the tax rate of **\$0.86 or 3.63%**.

## BUDGET HIGHLIGHTS

The budget highlights can be divided into three areas:

**Organization                      Management                      Capital Needs**

### ORGANIZATION

Historically, our health insurance increases have been averaging 5-10%, calculated according to the cost of healthcare overall, the claims of the Health Trust as a whole, and the claims history of our employees. Fortunately, Auburn has a very good claim history. Auburn has budgeted a 9% increase in FY21, which is due partly as a result of an overall plan increase, as well as the trend of health insurance nationally. This translates into increased costs of \$316,000 annually and underscores the importance of continuing our wellness efforts. This is a result of a strong team effort by our Wellness Committee and our Human Resources team, who are heavily involved in these activities and also work closely with our part-time Wellness Advisor. We need to continue to emphasize and prioritize our employee wellness program activities, with specific goals and objectives. We will continue the efforts that are underway and build upon them to continually foster a culture of health and well-being.

On the economic development front, building permits and construction have continued to be a hallmark of the City. The health pandemic that we are now experiencing with the coronavirus threatens to slow down the progress that we have seen the past three years. Only time will tell

how much of an impact it has on our local economy. It is our hope that the work the City has done to create and implement a Strategic Plan for Auburn city government will help provide the City Manager's Office and our elected officials with a roadmap forward to address both present and future needs of the City.

With our Strategic Plan, we are better positioned to address opportunities and challenges that we face as a community. Plan recommendations range from steps that we can take to foster greater economic vitality and walkability in the downtown, to encouraging more activities focused on the riverfront, to initiatives like sports tourism and promoting Auburn as a "City of Events." The strategies also include the development of a Communications Plan. This budget addresses this specific strategy by transferring our Great Falls TV technician and GIS Manager into a new Community Outreach Division of the City Manager's Office, headed by our Communications & Compliance Manager/PIO Liz Allen.

## MANAGEMENT

As described above, there is a personnel change with a transfer of two positions from the Information Technology Department into the City Manager's Office. The only fiscal impact to this change is the addition of \$5,000 to help with better communications. There were several new positions requested. The Police Department requested a full-time accreditation manager, as well as someone to handle the law enforcement component of the process for verifying the legitimacy of the marijuana businesses. A second GIS professional was requested to strengthen our capacity in the IT Department. I am not recommending these positions due to limited resources.

I believe the new position of Deputy Finance Director is a priority for succession purposes, with the Finance Director planning to retire within the next couple of years, as well as the need for another finance professional to assist with budget preparation, financial reporting and analysis. While I believe the other positions would add value to the city in their respective positions, we cannot afford to add these positions when we are working to keep the mil rate under control as much as possible.

## CAPITAL NEEDS

The City has a Capital Improvement Plan (CIP) as a planning document for projected capital needs over the next five years. Long-range capital planning is a vital management tool for the city and is a key tenet to the capital improvement planning for any well-managed, forward thinking community. Our goal is to balance the community's infrastructure needs with the financial capacity of the City. I have asked each Department Director with CIP item(s) to prioritize them.

This is a challenging CIP, with a bonded goal of \$9.5 million and requests of nearly \$17 million. As I stated during my presentation of the 5 Year CIP, **there are a number of capital items that are supportive of the City's Strategic Plan.** I offer a reminder that our Strategic Plan is a highly valuable tool that the Council, Mayor, City Manager's Office and Department Directors

can utilize as an important and necessary step for making decisions on funding for present and future capital needs.

City officials will need to continue to look for opportunities to invest in the future, such as making investments in our downtown and the future development of the Great Falls Plaza as envisioned many years ago; as well as positioning ourselves to become a “City of Events” by entering a public/private partnership for a performance stage for a minimum of 10 events a year, like our New Year’s celebrations which have been resoundingly successful. You will find more information on the CIP in your budget books. Listed below is a summary of some of my bonded and unbonded recommendations.

- Auburn-Lewiston Airport: \$450,000
- Economic Development & Planning: \$845,000
- Facilities: \$530,000
- Fire & EMS: \$633,000
- LATC: \$50,000
- Police: \$310,000
- Public Works: \$6,532,000
- Recreation & Sports Facilities: \$360,000
- Education: \$1,000,000

## CONCLUSION

Finally, I would like to thank the Department Directors and their teams for the work they have done on the budget, and my budget team: Finance Director Jill Eastman, Human Resources Director Chris Mumau, and Assistant City Manager Phil Crowell, for their many hours devoted to the proposed budget. A special thanks to the Finance Director Jill Eastman for all her work in the preparation of this proposed budget.

We look forward to working with you to have a smooth and constructive budgetary process, especially while conducting it remotely. **I know that we share a common goal is to meet the most critical needs of the organization while minimizing the impact on our taxpayers to the greatest extent possible.**

Sincerely,

Peter J. Crichton  
City Manager