



City of Auburn, Maine

Office of the City Manager

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60 Court Street | Auburn, Maine 04210

June 9, 2020

Dear Mayor and Members of the City Council,

It has been my 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, determined, 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.

Introduction

This marks my fourth and by far most difficult budget as your City Manager. With the uncertainty over the coronavirus issue and its unpredictable impact on city revenues, it has made revenue forecasting and the preparation of this budget especially difficult. I am sure you would agree, it has been - and remains - an especially challenging time. Assistant City Manager Phil Crowell, Finance Director Jill Eastman, the Department Directors and I have worked with you as collaboratively as we can during our budget discussions to produce the most fiscally responsible and least damaging budget possible with the goal of a minimal tax increase. We have accomplished that goal and more, with no tax increase. But it has been very difficult with some intense budget discussions on both the Municipal and School Department sides of the budget.

I want to acknowledge how closely incoming City Manager Phil Crowell and I have worked in the development of this budget, discussing countless details and outcomes. With my impending retirement, Phil and I were determined to make sure there would be no surprises for him as a result of this budget. The budget includes some tough decisions. More about this later.

In writing this budget message, I am reminded of the beginning of this process when I asked the department directors to submit what they needed in order to fulfill their departments' mission. It was a different time then, when my budget team (Finance

Director Jill Eastman, Human Resources Director Chris Mumau, and Assistant City Manager Phil Crowell) and I first sat down to work on the budget for the next fiscal year. We held meetings with the Department Directors, reviewed their requests, and with their input and advice, I made the necessary adjustments to meet our personnel and fiscal situation at that time. The pandemic had not yet evolved to the extent it has today. And although our non-tax revenues were conservatively projected for municipal revenue sharing and excise tax on vehicles, after learning what other municipalities were doing, I came to feel that our non-tax revenues needed further adjusting.

Of course, no one has a crystal ball. My goal with budgeting has always been 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. For most of this budget process, this municipal budget accomplished that goal, until it became clear that more adjustments were needed on the revenue and expense side.

As background, 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 over the years and led inevitably to higher increases in Auburn's tax rate.

Part One of the Budget Process

Fortunately for the City of Auburn and all Maine municipalities, beginning last year Governor Mills and the Legislature began restoring municipal revenue sharing back to its former funding. As a result, we had less than a 1 percent tax increase for our current fiscal year budget. At the outset of this budget process, we estimated our revenue increase would be \$1.3 million, including an increase in municipal revenue sharing of \$900,000, which in this uncertain economy still left us \$200,000 less than what we were scheduled to receive. We thought that would be enough of a "cushion." It was not until the rise of the pandemic and the very real potential of a 20% reduction in municipal revenue sharing and an anticipated reduction in revenues from the excise tax on vehicles that I began to think that a different budget strategy was necessary.

I have mentioned several key factors that have driven this budget process, the most significant being the pandemic and its impact on city revenues. I view this budget process in two parts, with the first being *prior to the pandemic* and the second following the

adjustments that have been made *in response to the pandemic*. For the first part of the story, on the municipal side there was an **operational increase of \$1,301,650 following cuts by me of \$508,723**. This increase included a 2% cost of living increase (\$293,000) and a compensation study increase for equipment operators (\$65,000) in order to retain as well as attract people interested in being equipment operators. There was also an increase of 9% in health insurance costs totaling \$312,697.

Another important factor impacting the FY21 budget was **a debt service increase of \$243,045 due to interest on the city's debt**. In addition, there was **an increase of \$336,824 for Intergovernmental Programs** due to 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 again to Auburn, as well as \$22,686 for LA 911. The goal for the tax increase was to keep it at 2% or less.

Part Two of the Budget Process

Part Two of the budget process tells quite a different story, with a very difficult budget suddenly becoming *extremely* difficult, with added goals of cutting the budget significantly in order to make up for some rather large revenue reductions -- while at the same time achieving a zero tax increase. This is kind of like shooting a moving target while going at a high rate of speed! Not an easy thing to accomplish. In the end, it has required the elimination of some badly needed vacant positions, including one police officer position, two fire fighter positions, two public works equipment operators, and one public works mechanic, thereby reducing the city's ability to provide essential public services. Unfortunately, the vacancies alone did not produce the necessary savings for a balanced budget with the goal of no tax increase. It also took layoffs; a decision of last resort that I tried very hard to avoid. I can tell you it is the most difficult thing I have had to do as a manager, first as an Assistant City Administrator, then as County Manager and now as the City Manager of Auburn. The City has also been able to use CARES Act Funding that was received by the Lewiston-Auburn Transit Committee to zero out the increase on the Intergovernmental side.

The outcome of the adjustments on the city side has been a city operational increase of **\$708,090** instead of the previous \$1,301,650, for total reductions of **\$1,103,283** on the expense side. This has been done through the assistance and collaboration of the Assistant City Manager, Finance Director, Human Resources Director, and the Department Directors. It has been a team effort that enabled us to get to this point.

The Superintendent of Schools, Katy Grondin, with her team and the School Committee have managed to come in at zero increase, along with the previously mentioned zero increase on the Intergovernmental side.

Budget Overview

The FY21 proposed expenditures can be divided into three categories as follows, with a total tax levy increase of 0%:

- City expenditures have increased to \$41,397,183 for an increase of \$951,135 or 2.35%
- Intergovernmental expenditures have increased to \$4,535,380 for an increase of \$126,217 or 2.86%
- Non-tax revenues of \$17,349,326 or \$1,077,352 more for an increase of 6.62%
- School Department: with \$45,802,612 or an expenditure increase of \$465,175 with non-tax revenues of \$27,905,351 for an increase of \$465,175 or a 1.70% increase; and

The above figures represent a total increase of \$0 dollars or 0%.

Budget Highlights

The budget highlights can be divided into three areas:

- 1) Organization
- 2) Management
- 3) Capital Needs

Organization

The City invests over \$3 million annually in our employees' health insurance. Historically, our health insurance increases have been reasonable averaging 2-3%. Unfortunately, due to our health claims this past year, we have an increase of 9%. This translates into increased costs of \$312,697 and underscores the importance of continuing our wellness efforts. Our Wellness Committee and our Human Resources team are heavily involved in these activities. working in conjunction with our part-time Wellness Advisor. We must continue to emphasize our employee wellness program activities, with specific goals and objectives. We will continue the efforts that are underway and build upon them to continue to nurture and create 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. In spite of the health pandemic, we are still experiencing some positive signs of the progress that we have seen the past three years. Only time will tell how much of an impact the pandemic has on our local economy. It is our hope that the work the City has done on creating 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. They 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 reimagining 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 **Communications & Community Engagement Division** in the City Manager's Office, headed by our Communications & Compliance Manager, Liz Allen.

Management

As described above, there is a personnel change with a transfer of two positions from the Information Technology Office into the City Manager's Office. The only fiscal impact to this change is the addition of \$5,000 for improved communications. There were several new positions that have been requested by the Police Department to do the police accreditation full-time, handle law enforcement's part of the process for verifying the legitimacy of the marijuana businesses, and add one more GIS professional to strengthen our capacity in the IT Department. These positions were not added due to our limited resources and the situation that I have previously described with the elimination of several vacant positions as well as layoffs.

In addition, adding the new position of Deputy Finance Director for succession purposes (with the Finance Director planning on retiring within the next couple of years) has been put on hold. When the pandemic is behind us and things have improved, I highly recommend that a Deputy Finance Director position be added, as there is the need for another finance professional to assist with budget preparation, financial reporting and analysis.

Capital Needs

First and foremost, I think it is important to note that the City Council in its first reading on the FY21 Final Proposed Capital Improvement Plan (CIP) has approved, adding an additional \$800,000 to the Downtown Vision in order to provide an economic stimulus to

the downtown – the heart of our City - which the Council and Mayor all agree should be a high priority for the City's economic development efforts.

The City has a 5 Year CIP as a planning document for capital needs that are projected over the next five years. Long range capital planning is a critical 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 an original bonded goal of \$9.5 million and requests of nearly \$17 million. The Council has at this point approved a total of \$10.1 million for bonded items. 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. It is a 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 continually look for opportunities to invest in the future, such as the future development of the downtown (including Great Falls Plaza) as envisioned many years ago. With events like "New Year's Auburn," we can position ourselves as a true *City of Events*, with a minimum of 10 successful, community-wide events each year.

More information on the CIP is provided in the budget booklet. Listed below is a summary of some of the bonded and unbonded items with the City Council's vote on the first reading:

- Auburn-Lewiston Airport: \$450,000
- Economic Development & Planning: \$1,100,000
- Facilities: \$380,000
- Fire & EMS: \$756,000
- LATC: \$50,000
- Police: \$360,000
- Public Works: \$6,532,000
- Recreation & Sports Facilities: \$370,000
- Education: \$1,000,000

CONCLUSION

I would like to thank the Department Directors and their teams for the work they have done on the budget and my budget team consisting of the 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 Assistant City Manager Phil Crowell for his collaboration with me on the budget and the Finance Director Jill Eastman for all her work in the background and preparation of this final proposed budget for fiscal year 2021.

Finally, on behalf of Phil and myself, I would like to thank the Council and Mayor for a smooth, constructive budgetary process, especially while conducting portions of it both remotely and in the Council Chambers. My goal during this challenging time has been to meet the most critical needs of the organization while minimizing the impact on our taxpayers to the greatest extent possible. **Thank you for this opportunity to serve you and the citizens of Auburn.** I have had an exceptional City Manager's Office team with Phil, Jody Durisko, Kelsey Earle, and Liz Allen. We have worked very well together, and they have each been *outstanding* in their various positions. You can be proud of Team Auburn; I am. At every level of the organization, you have a very capable, dedicated staff, who - with your support and leadership - represent the city's most important asset as a city government. I am confident that Phil will do an exemplary job as Auburn's next City Manager with your full support, trust, and confidence! Best wishes for a highly successful future!

Sincerely,


Peter J. Crichton
City Manager