



James D Chaousis II  
City Manager

Date: April 22<sup>nd</sup>, 2015  
To: Mayor Isganitis and Members of the Rockland City Council  
From: James D Chaousis II, City Manager  
RE: FY 2016 Municipal Budget Submission

Please find enclosed the FY 2016 municipal budget. The municipal budget, especially this specific one, should be considered the introduction of the costs of providing municipal services. Without strategy, vision, and planning the municipal budget is just a compiling of costs needed to provide a historical level of service. As we progress into the discussion of the costs of city services it appropriate to discuss what level of service, programs, efficiency and effectiveness is required to appropriate sustainable levels of funding.

The FY 2016 municipal budget is presented in the same historical format as previous years. The change in administrative leadership did not present sufficient time to repackage the collection of department budgets and there are some advantages to having complex information presented in a familiar fashion. In future years, the budget will be presented in a manner that connects the vision of city services and the overarching goals of the City Council.

The budget does not need to be exclusively a collection of costs but also an opportunity to present changes in policy and programs. The documents provided contain the information needed to debate and consider changes. Decisions will no longer be just a number but will be a statement of direction or policy.

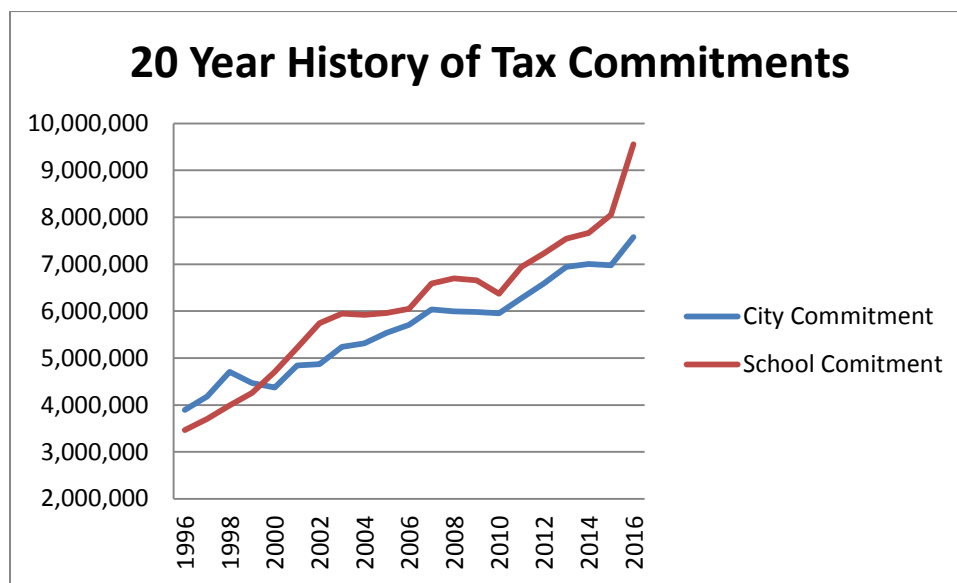
I understand that this budget frames an 8.59% increase and does not reflect the final city budget. It does not reflect irrational increases in the costs of service but it does represent unchanged services in an extremely changing landscape. This year's budget process will be extremely difficult. The City Council will be encouraged to look at issues with new perspective. The key elements that have forced the City into this dilemma of budget consequences are not all within city control. Still, other issues are well within the City Council and City Manager's control and require action. The City Council will need to make decisions about the fate of programming. The public will rely on the City Council's leadership in analyzing these decisions and providing sound judgement.

Before I progress through the elements and considerations of the budget, I want to advise on one final but important component. The City of Rockland is poised for tremendous economic rebounding. As I illustrate further in the budget document, the years in which Rockland enjoyed lower tax rates was when development was flourishing in the city. All signs point to this happening again soon. Yet, we are forced to consider whether the city can endure funding all programs until that date or rebuild those programs when development returns. Please consider the delicate relationship between an escalating growth in the tax rate and the regressive nature it will have on the greatly anticipated development.



## Tax Commitment

The City of Rockland’s history for tax commitment for the last twenty years is charted below. The tax commitment is the amount of tax required to pay for city expenses raised by the taxpayer. As City Manager I concentrate on all variables impacting the tax commitment. The cost of providing services through the property tax levy has been strained in the last ten years. The significantly rising school cost and the lack of property value growth are greatly outpacing the city’s natural budget growth. The city has sacrificed city service through budgets in the last few years to compensate and relieve the taxpayer but the issue has outlived any compensation mechanisms. Analysis of the tax commitment shows the pressures the increasing school share has had on the tax rate.



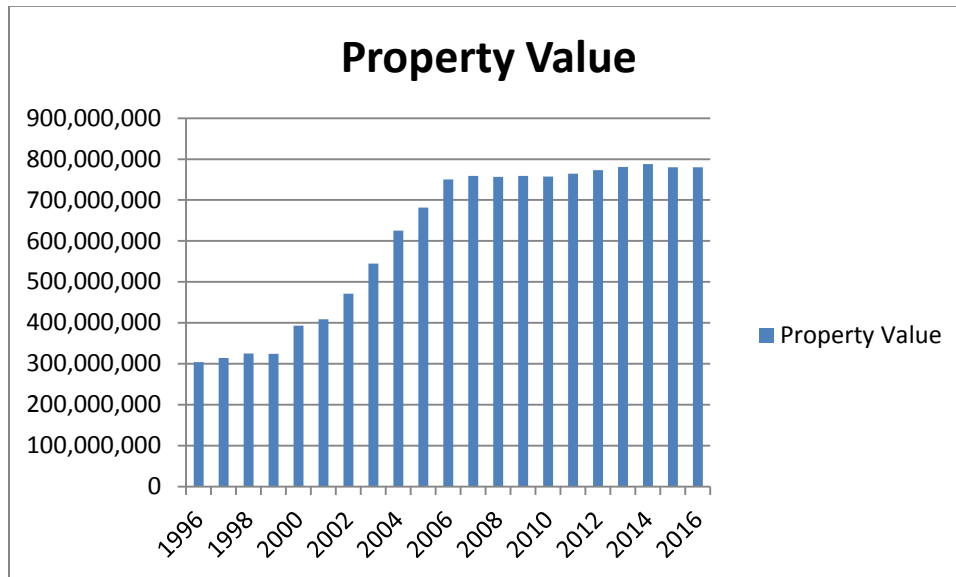
Considering inflation and increased costs of products, increase in commitments is expected over time. The real issue is when the commitment growth outpaces property value growth. This is the case with the school commitment. The school budget, which is shared equally on the tax levy, is growing at 8.8% annually over the last 20 years. Property value growth is progressing at 7.84% annually during the same timeframe. It is more revealing that the school budget growth is 5.81% annually over the last ten years and property value growth is 0.39% annually during that time. That ratio of budget growth to property value growth near 2:1 hit taxpayers hard. Alleviating the pressure through the city side of the tax levy is only providing cover for the issue.

### Growth Rate Annual Average

	20 Year Span	First 10 Years	Last 10 Years
City Budget Growth	4.73%	4.67%	3.26%
School Budget Growth	8.80%	7.47%	5.81%
Property Value Growth	7.84%	<b>14.71%</b>	<b>0.39%</b>



Property value growth is inevitable. The last ten years of property value growth is a direct reflection of a greater economic picture. Cities in Maine, and throughout the country, have had to survive a stale economic climate but most property taxpayers do not relate it to their property tax rate. When analyzing the last twenty year span of property value growth, it is clear that the last ten years are very stagnate. The first ten years of that same span is very appealing. The City of Rockland has added value to the quality of life for residents during that span and when the economy returns to stability our tax rate will reflect that.



The City of Rockland may not realize property growth at the rate seen in the 1990's but returning to half that growth rate will assist the consistent restraint of the city's budget growth. This is not the same for the school budget growth.

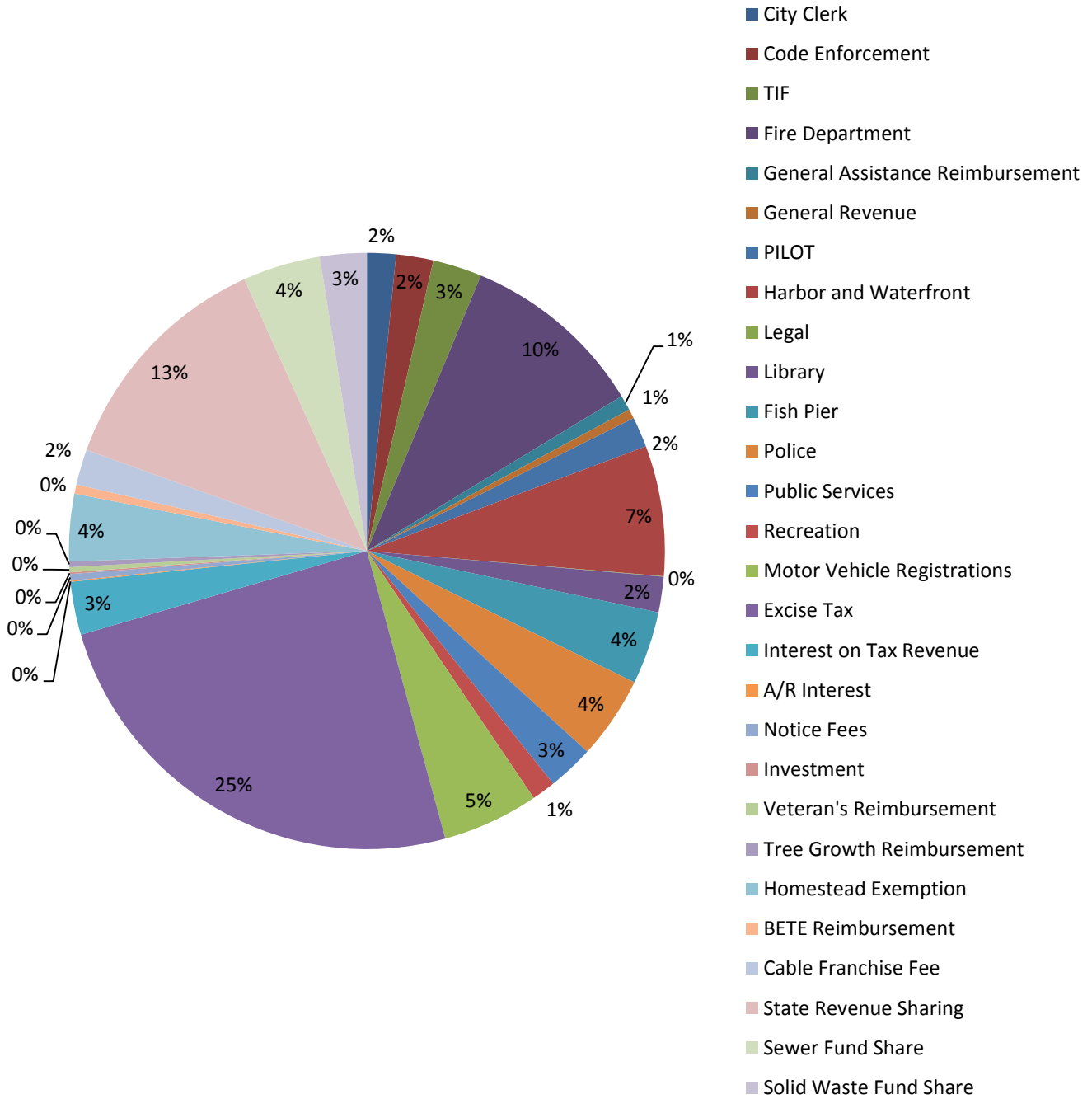
**As City Manager, I strongly recommend that the city continue to maximize its efforts at expanding a controlled and sustainable amount of tax growth.**

### City Revenues

The total revenues for FY 2016 are comparable to the revenues budgeted from FY 2015 but that is misleading because they are coming from different sources. The municipal fish pier and the Harbor and Waterfront budgets are poised for big revenue years but those are not reliable sources. The City Council also elected to use a significant portion of undesignated reserve funds last year which reflects as revenue loss this year. This isn't a practice that the Council should, or could consider, on a consistent basis. The practice of using tax anticipation notes is an additional cost when the city should be leveraging designated funds with an investment policy and reducing the tax burden slightly.

Non property tax revenue represents 21% of all city revenue but the following graph shows how disperse and unreliable those revenues are.

# Non Property Tax Revenue





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City Manager

Complaints of municipal revenue sharing are legitimate but are subject to the same economic struggles. Municipal revenue sharing has not been funded to statutory levels as long as I have been managing municipalities. This means that the City of Rockland has been compensating for the lack of municipal revenue sharing well beyond the current tax rate strains. Without legislative relief, at the State level, Rockland should not consider this revenue as reasonable anymore.

Revenue received through State programs accounts for 58% of that non property tax revenue. Trends suggest that revenues from state programs are getting sparse. The state is analyzing every one of the programs in every budget cycle. It is realistic to expect another shoe to drop from a state revenue source. City Councilors are wise to consider maximizing revenues from non-property tax sources but shouldn't be unrealistic. Non-property tax revenues will not displace services that are highly reliant on property tax subsidy.

**As City Manager, I strongly recommend that the City Councilors not over recognize non-property tax revenue when evaluating programs that are not in real enterprise conditions.**

### **Conclusion**

The budget presented to you is a statutory and charter obligation. I would not predicate that I am prepared to make a recommendation that the City Council adopt the budget as presented. In fact, I believe that a tremendous amount of budget deliberation is warranted to prescribe a budget plan. Hopefully this budget will be the seedling to prompt change. If I presented a budget plan based on my limited knowledge of the city's values I would likely miss the mark. The city's budget is scattered with assistances that straddle public values in place of fundamentally tax prescribed services. Making the difficult analysis is solely the job of the City Council. I hope to provide technical assistance while the City Council makes determinations of cost versus value.

The future of local government continues to be very challenging. In recent years, budgets and services have been reduced without an effective strategy. City staff and I are professionals in our respective fields. We can assert the cost of providing local government services with accuracy. Reductions in budgetary figures are a reduction in services. Lowered cost means lowered service. Reductions in services will affect service users and should be handled with significant recognition. City staff and I are prepared to address and possibly "right size" our local government as long as it fits the vision of the City Council.

I would like to thank the City Staff for compiling the majority of the budget prior to my arrival as City Manager. A singular recognition is reserved for Tom Luttrell, Finance Director, who produced the final product. I will use this opportunity to evaluate and provide improvements to the next budget cycle.

It is my privilege to present the budget and begin the discussions on the appropriate size and scope of government. The annual budget is the most important policy document that the Council considers. I am neither intimidated nor concerned about how this budget will develop. Instead, I am excited and intrigued to be part of the process. The audition for prospective development, new homeowners, new businesses, long reliable taxpayers, residents, and visitors begins now.