

City of Eastport
Manager's Draft Budget and Message
12 February 2025
Brian Schuth, City Manager

My presentation today is required by the City Charter. The budget process has been irregular the last few years, so let me remind everyone what it says:

[At] the regularly scheduled council meeting in February of each year, the manager shall submit to the council a draft proposed budget for the ensuing fiscal year and [an] accompanying message.

The City Manager's message shall explain the budget and a proposed three-year plan both in fiscal terms and in terms of the work programs. It shall outline the proposed financial policies of the city for the ensuing fiscal year, describe important features of the budget, indicate any major changes from the current year in financial policies, expenditures, and revenues, together with the reasons for such changes, summarize the city's debt position and include such other material as the City Manager deems desirable.

I am pleased to present my first budget to the Council this evening. This is the fiscal year 2026 budget, covering the period July 2025 to June 2026. Tonight I am merely presenting the budget that will be forwarded to the Budget Committee. There is no vote required. Any questions or concerns will be ironed out in the coming months.

This draft budget foresees an increase in taxation of 4.34%, from the \$3,575,842 budgeted for FY25 to \$3,730,978, an increase of \$155,136.

This is a minimal budget. I propose no significant additional services. I am cutting none. There are no significant changes to staffing apart from those we have made in recent months. I propose only those capital projects I think are an immediate need. I have corrected a number of errors, some historical, some my own. After several years of inadequate budget planning, my primary goal is to present an accurate, well-understood budget that allows the City to execute the same mission we have today.

The major features of the budget are:

- I am budgeting for a 2.89% cost of living payroll adjustment city-wide. This is the value given for the CPI-U index for inflation from January to December of 2024.

- I have added half of the required 1.0% tax on payroll imposed for the Maine Paid Family and Medical Leave Act to the budget. The employees of the City pay the other half of this tax.
- I am estimating an 8% rise in both health insurance and disability insurance premiums.
- Utility budgeting is uneven and confusing within departments, but City-wide it is broadly on budget. I am budgeting an average 4% utility increase City-wide.
- There are several changes to the Administration budget:
 - I have added the hours and staffing for the Code Enforcement Officer and Local Plumbing Officer positions that we have added this fiscal year.
 - I have added the small amount of necessary overtime incurred by Administration employees. The FY25 budget failed to account for this.
 - I have corrected an error in the FY25 budget that did not budget for a benefit elected by an employee.
 - I am adding \$5,000 for IT services.
- Public Works shows a 7% increase; this is due to conservative budgeting for a newly open position.
- The Fire Department stipend has been increased by 10% to \$33,000. Stipended fire staff did not receive the cost-of-living adjustment given to other employees in FY25.
- Solid Waste has increased by \$15,000 to \$163,000, to adjust for increased volume and for the change in rates last year that were not part of the FY25 budget.
- The Cemetery budget has declined. FY25 included a large sum for tree removal which we have reduced. There has also been a transfer of hours from the Cemetery Supervisor to the CEO position, which is also held by the Supervisor.
- The City Debt payment has increased by \$9,967 to \$78,036, reflecting the new payments for the police cruiser and skid steer and completion of the Deep Cove loan. This assumes payoff of the loans taken in FY25 on the used cruiser and on the sewer truck. I will discuss these payoffs when I discuss the capital budget.
- The Insurance line has declined as the budget amount is rather larger than the historical actual expense.

Overall, municipal expenses will rise 4.25%, or \$98,246.

In addition to municipal expenses, a large part of taxation goes for education and for county tax. Education accounts for approximately 50% of taxation, a proportion that has been fairly constant going back at least 20 years. I am estimating rises of 7% for education and 18% for county tax. These together add \$287,156 to taxation. The county tax increased by 21% this year, but I believe changes in county-wide valuation will slightly reduce the impact to Eastport in FY26, much as it increased our impact in FY25, where a 14% increase in county tax resulted in a 25% increase to Eastport. The first draft of the school budget is slated to be presented tomorrow, and we will of course watch closely how that budget evolves.

Those listening carefully will note that with municipal expenses rising 4.25% and with very large rises for school and county tax, the resulting overall tax increase of 4.34% is surprisingly low. That is due to corrections made on the revenue side of the budget, primarily to the estimated values for revenue sharing and for personal property tax reimbursement. We were underbudgeted significantly for these revenue sources in FY25. That will keep the tax rate down for this year, but it is a one-time adjustment. The draft budget contains \$709,478 in state support. This includes reimbursement for the homestead and other property tax exemptions; revenue sharing; personal property tax exemptions; parks reimbursements; and local road aid.

I had hoped to generate a Five-year Capital Improvement Plan as required by Charter for this meeting, but time did not permit. However, I do have a draft capital budget.

The City does not currently have a capital reserve; funding of reserves appears to have fallen by the wayside over the years, and I am not able to remedy that at the moment. However, while we do not have an up to date audit, trial balances of our undesignated funds account suggests we have significant resources that should be organized into appropriate reserves. As we work through our FY23 and FY24 audit I will update the Council and the Budget Committee with recommendations for how to best reassign these funds. For tonight's purposes, in the absence of dedicated reserve funds I recommend funding several of these capital projects directly from undesignated funds.

The projects are:

- Paying off the two used vehicles we bought this year – the police cruiser from Washburn, and the sewer truck. These vehicles were financed this fiscal year out of abundant caution, since I did not know what our undesignated funds balance looked like. I now believe they can be reasonably paid off from those funds. These

two payoffs will together cost approximately \$70,000. This will not affect taxation. With Council's permission, I may consider asking for these payoffs to be made this fiscal year, which would remove them from the FY26 capital budget.

- The City is in serious need of a revaluation, as our current valuation ratio is at 65%. In other words, the State believes that a house valued at \$100,000 on Eastport's books is likely worth \$154,000. This has disruptive effect on a wide range of state support. The most visible effect may be on the homestead exemption, which normally deducts \$25,000 from the valuation of the primary residence of eligible taxpayers. That exemption was reduced to \$16,250 this year due to our valuation ratio. I am estimating that a City-wide revaluation may cost up to \$175,000 over two years, to be paid out of undesignated funds. This will not affect taxation.
- City Hall needs exterior and interior renovation; for FY26 I am estimating \$5,000 in design expenses to establish the ultimate cost. This design cost is to be paid out of undesignated funds and will not affect taxation.
- The 2008 Sterling Dump Truck needs replacing; I am recommending financing that vehicle, estimating \$240,000 at 4.9% for five years, resulting in a payment taken from taxation of \$55,282 starting in FY27. It will have no effect on FY26 taxation. This cost may be offset somewhat from the sale of the old vehicle; I have not budgeted any proceeds from a sale.
- The Cemetery will need a new mower in FY26, estimated cost of \$7,000. This will be paid out of the income from the Cemetery Perpetual Care fund and will not affect taxation.

The Sewer budget is handled separately as it is not paid for from taxation but by the ratepayers. Nevertheless, we set that budget at the same time as the municipal budget. After several years of running the sewer budget at an acknowledged deficit, we made a large adjustment last year, 15%, which was intended to bring the Sewer into balance. As inflation continues to affect all of our budgets we still need to propose a rate change this year in order to keep the Sewer from falling into deficit, but that increase is much more reasonable – our current estimated increase is 4.55%, more or less on par with that of overall taxation.

The summary budget and this message will be posted on the website after tonight's meeting, and will be available at City Hall. I want to note that I have made some changes to how we organize the presentation of the budget. The format used when the

budget was published in the newspaper combined and split out accounts in a confusing manner. It made our tax commitment process difficult, and due to errors on my part we had to resubmit it this year. I have re-organized it to be simpler, but that means if you try to compare this budget to that printed this summer, you'll have some difficulty. I assure you the FY25 numbers used in this budget are accurate, and I would be happy to explain my changes in painful detail to anyone who is interested. I will point out two other major changes:

- The process for accounting for fuel purchases at the airport has typically been part of the City budget. However, the airport fuel account and fuel purchases are a closed system that never impacts taxation. Last year's budget included offsetting revenue and expenses for fuel: this added up to zero, but it made it confusing to understand the core operations of the airport actually cost. I have removed the fuel farm lines from the budget for FY26 and I've removed them from the FY25 baseline budget in my reports.
- Similarly, the airport and public works had capital lines for vehicles purchased through financing. As the amounts budgeted in expenses were exactly matched by revenue lines, they resulted in no impact in taxation, but inflated the amount being spent by the department year-to-year. We will account for these expenses in capital accounts going forward, and I have removed them from the FY25 baseline budget so the comparison of changes is easier to understand.

There are two areas where I have been asked about increasing services: winter sidewalk plowing and full-time police department staffing. I have included neither of them in this budget. As my priority has been stability, I did not feel comfortable unilaterally adding any additional service that would make a significant impact on the budget. The Budget Committee or Council may wish to consider them.

Winter sidewalk plowing would be a new service that would require equipment, maintenance, and staffing. The equipment cost is not back-breaking; assuming a \$75,000 piece of equipment, buying it outright would add an addition 2.1% to this years budget, raising it to 6.44%. Financing it for five years would add about \$15,000 per year for each of those years, somewhat less than a half-percent additional taxation each year. However, I cannot recommend purchasing equipment without being certain we will have the staff to operate it. We are down one Public Works employee as it is - and the weather of the last month shows that our current staffing is only sufficient for road plowing. My position is that if the City wishes to be responsible for sidewalk plowing, in

addition to the equipment cost we must add an additional Public Works employee, which will add between \$70-80,000 per year in payroll, benefits and associated costs, an additional 2.0-2.2% on top of the equipment cost. I would recommend that the purchase of any equipment be delayed until we have reached full staffing. By providing these estimates I do not mean to rule out the possibility of other approaches to this problem that may have a lower impact on taxation. This does represent my estimate of what the service would cost if it were to be provided solely by the City.

The question of whether we wish have 24x7x365 staffing at the police department is an old one. I won't restate all the arguments for and against tonight. I will note that we estimate roughly that going to full staffing will add \$85,000 to \$95,000 to the budget, an additional 2.3% to 2.5%. Should Council or the Budget Committee want to pursue funding full staffing, the City is ready to discuss the details.

Finally, I note that the Charter asks me to present a "proposed three-year plan." At this stage I can only present this proposed *one-year* plan. I hope to have a better vision for the future a year from now.

I look forward to working with the Budget Committee in the coming months; I trust our experience will be more pleasant for all of us. The Charter specifies that "the committee shall make its report on the annual budget for the ensuing fiscal year to the council on or before May 1st," and while I do not presume to speak for the Committee, I see no reason we cannot hit that deadline.

CITY OF EASTPORT FY26 BUDGET SUMMARY BY DEPARTMENT

EXPENSES

	FY25	FY26 Proposed	\$ Increase	% increase
DEPARTMENT EXPENSES				
ADMIN	\$ 496,324.60	\$ 537,160.65	\$ 40,836.05	8.23%
PUBLIC WORKS	\$ 385,891.17	\$ 412,893.32	\$ 27,002.15	7.00%
POLICE	\$ 382,341.19	\$ 383,310.58	\$ 969.39	0.25%
ACO	\$ 11,322.26	\$ 11,545.69	\$ 223.43	1.97%
CEMETERY	\$ 69,431.68	\$ 64,649.08	\$ (4,782.60)	-6.89%
FIRE	\$ 71,080.35	\$ 75,705.70	\$ 4,625.35	6.51%
PROGRAMS	\$ 30,000.00	\$ 31,000.00	\$ 1,000.00	3.33%
SHELLFISH	\$ 8,546.91	\$ 8,777.06	\$ 230.15	2.69%
GA	\$ 2,000.00	\$ 2,000.00	\$ -	0.00%
AIRPORT	\$ 86,673.96	\$ 87,120.26	\$ 446.30	0.51%
STREET LIGHTS	\$ 25,000.00	\$ 25,000.00	\$ -	0.00%
HYDRANT	\$ 251,000.00	\$ 254,765.00	\$ 3,765.00	1.50%
AMBULANCE	\$ 84,443.00	\$ 90,000.00	\$ 5,557.00	6.58%
SOLID WASTE + RECYCLING	\$ 148,000.00	\$ 163,000.00	\$ 15,000.00	10.14%
CITY DEBT	\$ 68,069.00	\$ 78,036.42	\$ 9,967.42	14.64%
ECON DEV	\$ 3,300.00	\$ 3,300.00	\$ -	0.00%
RESERVES	\$ 98,000.00	\$ 98,000.00	\$ -	0.00%
RECREATION	\$ 20,000.00	\$ 20,000.00	\$ -	0.00%
INSURANCE	\$ 70,275.00	\$ 63,680.86	\$ (6,594.14)	-9.38%
PUBLIC OFFICIALS	\$ 500.00	\$ 500.00	\$ -	0.00%
TOTAL DEPARTMENT EXPENSES	\$ 2,312,199.12	\$ 2,410,444.62	\$ 98,245.50	4.25%
EXTERNAL EXPENSES				
NET EDUCATION	\$ 1,813,328.47	\$ 1,940,261.46	\$ 126,932.99	7.00%
COUNTY TAX	\$ 344,318.00	\$ 406,295.24	\$ 61,977.24	18.00%
TOTAL EXTERNAL EXPENSES	\$ 2,157,646.47	\$ 2,346,556.70	\$ 188,910.23	8.76%
TOTAL EXPENSES	\$ 4,469,845.59	\$ 4,757,001.32	\$ 287,155.73	6.42%
REVENUES				
STATE SUPPORT	\$ 560,619.00	\$ 709,477.88	\$ 148,858.88	26.55%
MUNICIPAL REVENUE	\$ 333,385.00	\$ 316,545.00	\$ (16,840.00)	-5.05%
TOTAL REVENUE	\$ 894,004.00	\$ 1,026,022.88	\$ 132,018.88	14.77%
NET EXPENSES/TAXATION	\$ 3,575,841.59	\$ 3,730,978.44	\$ 155,136.85	4.34%
SEWER				
SEWER EXPENSES	\$ 698,280.56	\$ 697,716.00	\$ (564.56)	-0.08%
SEWER REVENUE	\$ 670,000.00	\$ 697,716.00	\$ 27,716.00	4.14%
<i>- Revenue reflects 4.55% rate increase</i>				
SURPLUS/DEFICIT	\$ (28,280.56)	\$ -		

CAPITAL BUDGET FOR FY26

Project	Description	Amount	Funded From
ADMIN: Revaluation	Revaluation: The City is significantly undervalued according to the state. Our homestead exemptions and other related items are being discounted 65%. The City needs to seek out an assessor to complete the task this year. Amount is for the two years we anticipate the project requiring, so \$87,500 planned for FY26 and FY27.	\$ 175,000.00	Capital Reserve/Undesignated funds
ADMIN: City Hall Design	City Hall Design: City Hall is in need of renovation, both outside and inside. The roof is in evident need of repair; we have an energy audit in hand that describes a number of steps we could take to make it more efficient; and the space is ill designed for our use. This project is for discussion of design options only.	\$ 15,000.00	Capital Reserve/Undesignated funds
PWD: Dump Truck	The 2008 Sterling Dump Truck is rusting out, and it is difficult to get parts for this make of truck. A replacement truck is needed.	\$ 240,000.00	Financing: \$240,000 @ 4.9% for 5 years results in a \$55,281.80 annual payment, a 1.5% increase relative to FY25.
CEMETERY: Mower	Replacement of 2017 mower - expected lifetime is five years.	\$ 6,500.00	Perpetual Care
PD: Pay off used cruiser	The cruiser purchased from Washburn was financed out of an abundance of caution; would prefer to remove it from City Debt by paying it off.	\$ 33,570.00	Capital Reserve/Undesignated funds
SEWER: Pay off used truck	The truck purchased for Sewer was financed out of an abundance of caution; would prefer to remove it from City Debt by paying it off.	\$ 36,715.00	Capital Reserve/Undesignated funds