

# Annual Municipal Budget Process



Presented to  
Select Board and Budget Committee  
October 24, 2011

## Town of Rockport, Maine

➤ It is important to note that each municipality's budget process is governed by the laws of the State of Maine, as well as any Charter that a town might have developed. Each town is not required to have a Charter, but those towns that do generally layout in their Charter how they wish their municipal government to operate.

➤ On November 8, 2005 the voters of Rockport voted to approve a municipal Charter.

➤ Article VI of the town's Charter requires the town manager to submit a budget to the select board and budget committee no later than the third week in April of each year.

➤ Before the budget is ready to be submitted however, there is much work that needs to be done.

The foundation of any good budget begins with the town's control system and its means of accounting for spending and bringing in revenue.

In general terms, effective management of the town's finances begins with sound financial policies and a chart of accounts that easily tracks operating expenses and revenues of its government.

Several years ago Rockport revised its chart of accounts because over time, the previous chart had become ineffectual.

The current chart of accounts is very detailed and provides a reader with the ability to see exactly how funds are proposed to be spent and how revenues are projected and for what purpose.

The town's fiscal year runs from July to June.

- The budget process usually begins in the late fall of each year.
- The finance director prepares the budget form, and sends each department head a budget form that they can then use to prepare individual departmental budgets that include both expenditure requests and revenue projections.
- The Charter requires the following:

*“The budget shall provide a complete financial plan of all Town funds and activities for the ensuing fiscal year and, except as required by this Charter, shall be in such form as the Manager deems desirable or the Select Board may require. In organizing the budget the Manager shall utilize the most feasible combination of expenditure classification by fund, organization unit, program purpose or activity, and object. It shall begin with a clear general summary of its contents; shall show in detail all estimated income, and all proposed expenditures, including debt service, for the ensuing fiscal year; and be so arranged as to show comparative figures for actual and estimated income and expenditures of the current fiscal year, and actual income and expenditures of the preceding fiscal year.”*

➤ Currently, the town’s budget form for the upcoming fiscal year includes the current year budget with Year-To-Date numbers; proposed budget requests for the coming year – including the Department Heads’ requests, Town Manager’s requests, and the Select Board’s proposal; and also includes a comparison of the previous two fiscal years – budget v. actual; as well as a third year previous of actual numbers. This is done for both expenses and revenues.

FY 08-09	FY 09-10		FY 10-11		FY11-12		FY 12-13		
Actual	Budget	Actual	Budget	Actual	Budget	Y-T-D	Dept. Hd.	Manager	Board

➤ The budget includes departmental budgets, which together are the formation of the municipal budget. These budgets include:

	Planning & Community Development	Public Works
Administration		Harbor
Town Manager	Finance	General Assistance
	Assessing	Police
Town Clerk		Fire
		Library

➤ Each department head formulates their budget considering funding they may need for the coming year, to include the following categories:

- ✓ **2000 Personnel Services** – Wages for full-time, part-time, and stipend employees.
- ✓ **2500 Employees Benefits** – Government mandated taxes and employer provided insurance premiums.
- ✓ **3000 Contractual Services** - Reflects services provided by contract (either written or verbal); subcontracts, advertising, printing, mileage reimbursement, training costs, and other services.
- ✓ **4000 Other Contractual Services** – Includes items such as alarm/security monitoring, street lights, public agency funding, government and school assessments, and miscellaneous grants.
- ✓ **5000 Supplies** - Includes Supplies of all types, which are consumed or deteriorated through use or which lose their identity through fabrication or incorporation into different or more complex units or substances.
- ✓ **6000 Debt Service** -Records all expenditures related to debt service.
- ✓ **7000 Capital Expenses** -Records all other expenditures - including transfers to reserve accounts, whereby both cost and life expectancy are considered.

Over the last several years, the budget has included some performance measures, at the request of the select board.

Some of those performance measures include the following:

**Performance Measures-Public Works**

Measure	Actual FY 07-08	Actual FY 08-09	Actual FY 09-10
Summer operating costs for paved and un-paved roads per mile.	\$ 2,792.41	\$ 3,749.17	\$ 4,126.09
Operating costs for summer roads maintenance based on per capita	\$46.25	\$61.92	\$68.14
Operating costs for summer maintenance per capita/per mile	\$0.80	\$1.07	\$1.17
Operating costs for winter maintenance per mile	\$4,747.47	\$6,831.51	\$6,907.21
Operating costs for winter roads maintenance based on per capita	\$83.11	\$119.23	\$120.55
Operating costs for winter roads maintenance per capita/per mile	\$1.35	\$1.94	\$1.96

**Performance Measures - Fire Dept.**

Measure	Actual FY 07-08	Actual FY 08-09	Actual FY 09-10	Budget FY 10-11	Proposed FY 11-12
Operating costs for fire services based on assessed value	\$268,503 28.67%	\$324,426 33.57%	\$314,185 32.05%	\$334,599 33.77%	\$330,645 33.37%
Operating costs for fire services based on number of households	1,382 \$194.29	1,382 \$234.76	1,382 \$227.34	1,382 \$242.11	1,983 \$166.74
Percentage change in Cost to Households		20.83%	-3.16%	6.50%	-31.13%

*Note: Employee's Benefits recorded within individual departmental budgets beginning FY 08-09.*

In considering cost of living adjustments for personnel, the town manager must first review the wages bargained for two departments represented by the Teamsters Union. The employees of both the public works department and police department have contracts with the town guaranteeing them a maximum cost-of-living adjustment. All other departments rely on the town manager working with the select board in determining the cost-of-living adjustment.

Over the last several years there has been debate as to which Consumer Price Index to use when considering a cost-of-living adjustment for employee wages. A number of CPI tables are provided in the budget document for informational purposes. The Town does not offer its employees any annual raises for job performance, nor is a cost-of-living adjustment guaranteed.

#### Consumer Price Index - All Urban Wage Earners and Clerical Workers (CPI-W)

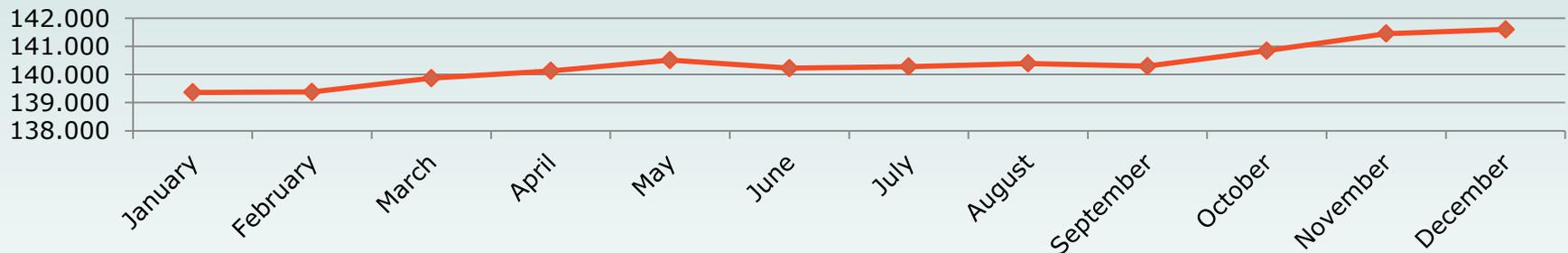
January 2010 through December 2010

Northeast Region (Size 50,000 to 1,500,000)

	January	February	March	April	May	June	July	August	September	October	November	December
Percent Change from 1 Year Ago	4.50%	4.10%	4.10%	3.90%	3.80%	2.40%	2.70%	2.40%	2.10%	2.10%	2.10%	2.20%
All Items Index	139.364	139.379	139.869	140.126	140.510	140.227	140.283	140.390	140.295	140.848	141.452	141.598

*December used as basis for COLA recommended by Town Manager*

### CPI-W Northeast Region January 2010 - December 2010



- After a department head has finalized his/her expense request for the coming year they need to then consider the possibility of revenues that could be considered to offset a portion of their operating costs.
- Not all departments will have revenue. The Harbor generates revenue from users of the Harbor. The Library patrons, friends, and generous donations from community members contribute to the operational expenses of the library, whereas the town taxes raised for the library support wages and benefits of the staff.
- Once the department heads have completed their budget requests for the coming year, the requests are forwarded to the finance director. The finance director then reviews the budget requests and compiles the departmental budgets into the municipal budget.
- In early February, the town manager then begins his review of the municipal budget by meeting with department heads, along with the finance director, to discuss, review, and gain an understanding of the requests presented.

As part of the budget process, the town manager annually compiles the capital projects budget for the next five years. This portion of the budget is then relayed into individual departmental budgets to be reviewed and discussed during the budget process.

Reserve Account	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 16-17	Notes
Computer	No <sup>2</sup>	Yes <sup>1</sup>	No <sup>2</sup>	No <sup>2</sup>	No <sup>2</sup>	<sup>1</sup> Server replacement, <sup>2</sup> unless emergency
Police Cruiser	Yes <sup>1</sup>	<sup>1</sup> Funds supplement budget amount				
Federal Forfeiture	No	No	No	No	No	None anticipated
Recreation	No	No	Yes <sup>2</sup>	No	No	Resurface <sup>1</sup> tennis courts, <sup>2</sup> basketball courts
Opera House	Yes <sup>1</sup>	Yes <sup>1</sup>	Yes <sup>2</sup>	No	No	<sup>1</sup> Either paint 1 side/yr or <sup>2</sup> all
Fire Apparatus	No	No	Yes <sup>1</sup>	No	No	<sup>1</sup> Replace Engine 23
Cramer Locomotive	No	No	No	No	No	None anticipated
Public Works Equip	Yes <sup>2</sup>	<sup>1</sup> Snow bucket, <sup>2</sup> equipment & attachments \$6-\$10,000				
Video Equip	No	No	Yes <sup>3</sup>	No	No	<sup>1</sup> DVD recorder, <sup>2</sup> 2 microphones, <sup>3</sup> HighDef upgrade
Harbor Float	No	No	No	No	No	Recreational 2005:25 yrs/Commercial 2007:10-15 yrs
Harbor Boat	No	No	No	No	No	Purchased 2005:40 yrs
Harbor Boat Engine	No	No	No	No	No	Purchased 2005
Accrued Benefits	Unk	Unk	Unk	Unk	Unk	No known staff turnovers. Three possible retirements within the 5-year perimeter.
Bicycle & Ped Infrastructure						Not currently funded
Accounting Software/Hardware						Not currently funded

- As part of the budget process, the town manager takes a careful look at revenues. Over the last several years there has been a decline in state revenues, as well as in motor vehicle excise tax.
- The town manager also takes a look at staffing levels in each department, and reviews each departments staffing needs as expectations of departments change.
- With the assistance of the finance director, the town manager reviews the UFB (Undesignated Fund Balance) to make sure the recommended 12% of the annual budget is maintained to assure that the towns finances remain in good standing. The town manager also can then determine what, if any, portion of the UFB can be used to ease the tax burden.

**Undesignated Fund Balance - Trend Analysis**  
Year End June 30, 2005 through Year End June 30, 2010

		Year End 30-Jun-05	% Change	Year End 30-Jun-06	% Change	Year End 30-Jun-07	% Change	Year End 30-Jun-08	% Change	Year End 30-Jun-09	% Change	Year End 30-Jun-10	% Change
	1-Jul	1,310,267		1,450,808		1,735,540		1,450,944		1,646,501		1,576,300	
	30-Jun	1,450,808	9.69%	1,735,540	16.41%	1,450,944	-19.61%	1,646,501	11.88%	1,576,300	-4.45%	1,624,689	2.98%
UFB	Increase (Decrease)	140,541		284,732		(284,596)		195,557		(70,201)		48,389	
<b>Revenue</b>	Over (Under) Projection	503,127		288,589		85,493		236,083		(323,395)		(87,952)	
<b>Expenditures</b>	(Over) Under Budget	(227,370)		86,143		(62,089)		(40,526)		255,398		206,341	
	<b>Other</b>												
	Decrease in Designated for Debt Service	18,000		18,000									
	Fund Balance Used for Expenses	(153,216)		(108,000)		(308,000)		0		(2,204)		(70,000)	
	Increase (Decrease)	140,541		284,732		(284,596)		195,557		(70,201)		48,389	
<b>Taxes</b>	<b>Over (Under) Budget at Year End</b>	151,705		11,915		(46,440)		58,566		(133,705)		(84,049)	

*Note: Taxes "Under" budget reduces amount of Revenue at Year-End; Taxes "Over" budget increases revenue at Year-End*

In considering departmental budget requests, the town manager must also consider the property tax levy limit enacted into law under 30-A MRSA § 5721-A.

After compiling the municipal expenses and recognizing municipal revenue, the net municipal budget must not exceed the tax levy limit as calculated under Maine statute. Rockport has never exceeded the tax levy limit since the law went into effect.

Tax Cap Limitations in Relations to Budget and/or Actual FY 06-07 through Proposed FY 11-12

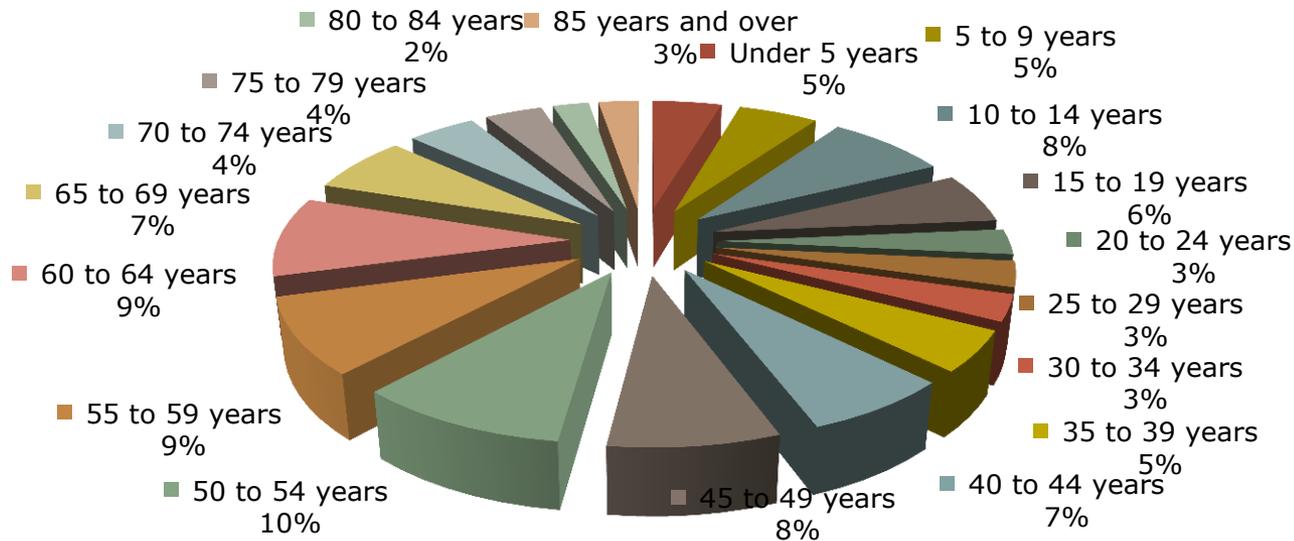
	Budget FY 06-07	Actual FY 07-08	Actual FY 08-09	Budget FY 09-10	Budget FY 10-11	Dept Head Proposal FY 11-12	Manager Proposal FY 11-12	Select Board Proposal FY 11-12
<b>LD-1 Tax Cap Limitations</b>	2,338,654	2,441,555	2,567,295	2,740,470	2,842,971	2,920,584	2,920,584	2,920,584
Change in \$ Year to Year		102,901	125,740	173,175	102,501	77,613	77,613	77,613
% Change from Year to Year		4.40%	5.15%	6.75%	3.74%	6.57%	6.57%	6.57%
<b>NET Municipal Budget</b>	2,174,561	2,264,273	2,336,846	2,392,072	2,481,010	2,872,059	2,653,313	2,560,006
Change in \$ Year to Year		89,712	72,572	55,226	88,938	391,049	172,303	78,996
% Change from Year to Year		4.13%	3.21%	2.36%	3.72%	15.76%	6.94%	3.18%
<b>Difference between NET Municipal Budget and Tax Cap Limitations</b>	(164,093)	(177,282)	(230,449)	(348,398)	(361,961)	(48,525)	(267,271)	(360,578)
		-7.26%	-8.98%	-12.71%	-12.73%	-1.66%	-9.15%	-12.35%

Under Cap Limit    Under Cap Limit

The budget document itself includes a great deal of information that enables any reader of the document to familiarize themselves with the town, its government, and community.

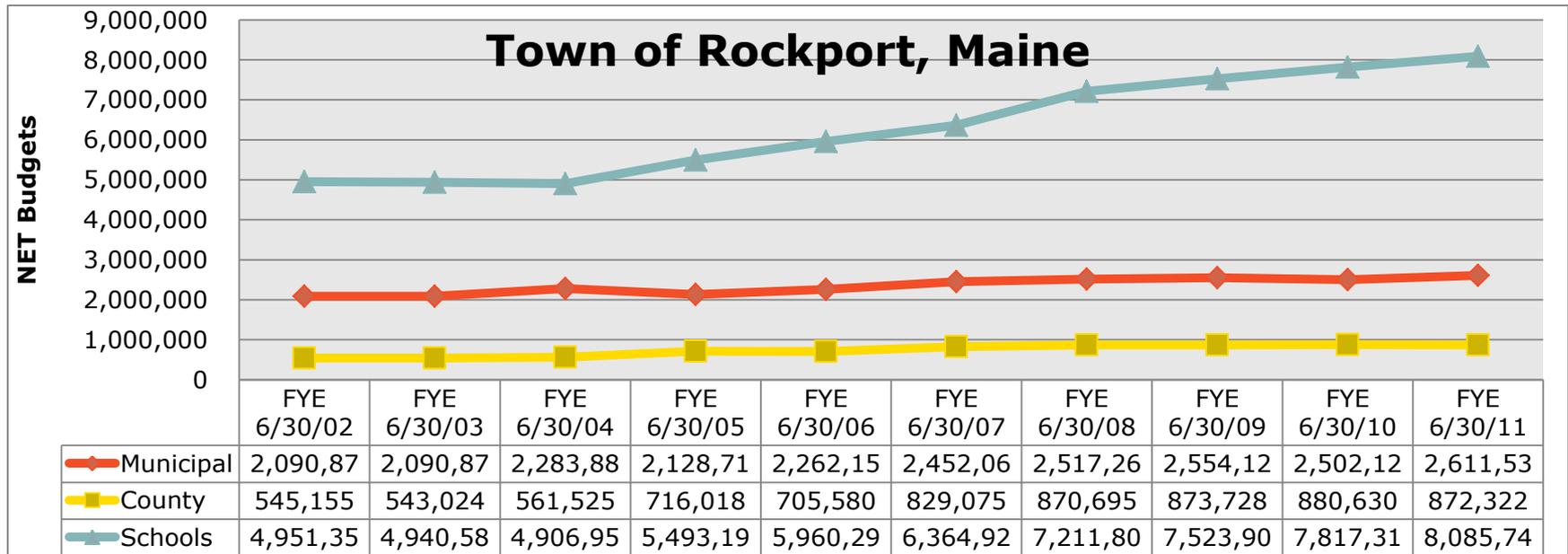
Over the last several years, the budget document has included geographical information, statistical information, as well as population and other indicators of the region and the town of Rockport itself. For example, did you know that an age analysis of Rockport’s residents indicates that 49% of Rockport’s population is between the ages of 40 to 69 years of age, whereas 19% of the population is between the ages of 5 to 19 years of age.

### Town of Rockport - Age Analysis



The budget document can also let the reader know what portion of the town's tax commitment is attributable to the municipal budget, as well as the county, and schools budgets, all of which makes up the tax commitment for the municipality.

	NET BUDGETS									
	FYE 6/30/02	FYE 6/30/03	FYE 6/30/04	FYE 6/30/05	FYE 6/30/06	FYE 6/30/07	FYE 6/30/08	FYE 6/30/09	FYE 6/30/10	FYE 6/30/11
<b>Municipal</b>	2,090,878	2,090,878	2,283,889	2,128,717	2,262,155	2,452,067	2,517,261	2,554,127	2,502,122	2,611,530
<b>County</b>	545,155	543,024	561,525	716,018	705,580	829,075	870,695	873,728	880,630	872,322
<b>Schools</b>	4,951,352	4,940,589	4,906,958	5,493,198	5,960,293	6,364,924	7,211,801	7,523,903	7,817,316	8,085,745
	7,587,385	7,574,491	7,752,372	8,337,933	8,928,028	9,646,066	10,599,757	10,951,758	11,200,068	11,569,597



➤ In early March, the town manager's budget proposal is sent to the select board and budget committee.

➤ By the middle of March, the town manager, along with department heads, present the town manager's budget proposal to the select board. As a courtesy, the select board has in the past invited the budget committee to the budget review workshops to enable the committee to ask questions and review the budget requests as they are presented to the select board. The select board takes consensus votes on the budget before forwarding the budget to the budget committee for consideration.

The budget committee meets in late March to consider their support or opposition to budget items as proposed by the select board. By Charter, the budget committee consists of a group of nine citizens elected *“representing all sections of the Town, to cooperate with the Select Board, Town Manager, Treasurer, and department heads, in making recommendations concerning articles in the Warrant calling for appropriations...”*

➤ In mid-April the select board takes a final vote on the budget proposal, and the select board budget as voted is then considered by the budget committee quickly thereafter. The committee then votes to either support or not support the budget as proposed in warrant articles for the June town meeting.

➤ The town meeting is held in mid-June, at which point the townspeople vote on the budget in the form of warrant articles. A municipal budget as voted by the townspeople then becomes the budget for the next fiscal year.

## In Summation:

1. **November-December**: The Budget Process begins with developing the forms, setting goals, and planning for a realistic budget that will serve the community well.
2. **January**: Department heads compile their budgets, keeping in mind needs of the department, economic viability of goals, and keeping a workforce necessary to perform to the standards expected by the taxpayers.
3. **February**: The town manager, along with the finance director, meets with his department heads, reviews their budget requests, plans for the coming year as well as the future.
4. **Early March**: The town manager prepares his budget, taking into account the needs of the individual departments, the changes in revenue, the anticipated workforce requirements, the status of the undesignated fund balance, and the requirement that the municipal government's budget not exceed the tax levy limit.
5. **Mid-March**: The select board and budget committee meet with the town manager and his department heads, to review the manager's budget, and to vote on a municipal budget that the select board believes the community can support.

## In Summation continued...

6. Late March, early April: The budget committee reviews the select board budget, and votes on recommendations of the budget as proposed in the form of warrant articles.
7. June : Rockport townspeople vote on warrant articles that ultimately formulate the budget by which the town operates for the coming fiscal year. Townspeople have the option by to make changes to the warrant articles during the town meeting, should they so desire.

TOWN OF ROCKPORT  
MUNICIPAL BUDGET  
FY 12-13



Web site: <http://www.rockport-town.me.us>

While the budget process is lengthy, it is an important part of municipal government, to assure that public funds are managed as determined by the residents of the community.



*Robert A. Peabody, Jr. - Town Manager*

Photo courtesy Stacey Y. Parra

*Virginia B. Lindsey - Finance Director*