



Town of Damariscotta

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February 24, 2021

Board of Selectmen
Budget Committee
Town of Damariscotta

RE: Transmittal Message for Town Manager Recommended Budget

Selectmen and Budget Committee Members:

Attached for your review is the Town Manager's recommended Town Budget for Fiscal Year 2022 (July 1, 2021 to June 30, 2022). Town Treasurer Cheryl Pinkham and I along with the Town department heads have worked to present a budget that will result in a minimal increase in the mil rate for Town Government. In the current year, 34 percent of the property tax goes to fund Town services, 56.8 percent is spent on primary and secondary education and 9.2 percent pays for Damariscotta's share of County assessments. The total property tax mil rate for FY 21 is 16. (\$16 per one thousand dollars in valuation).

You will see that the overall recommended increase in budget expenditures is 3.04 percent over the FY 2021 budgeted expenditures. The property tax component of revenues increases .9 percent in the recommended budget. The relatively low recommended property tax increase is due to the higher amount that was set aside in the overlay during last year's tax commitment. Other revenue sources continue to be stable despite the current pandemic.

The only portion of the education budget included in the Town Manager's proposed budget is the amount that is requested for adult education. School District administration, secondary and primary school budgets are submitted to the Town Meeting legislative body separately. The recommended budget does not include the FY 2022 overlay that the Board of Assessors will determine as part of the Tax Commitment in late July or early August.

Under the revenue section of the budget, revenue sharing has been budgeted at \$212,800 based on a projection of revenues in the Governor's Proposed Budget. It is projected that the percentage of State revenues that will be shared with municipalities will remain at 3.75 percent for the coming year,

although State revenues may cause the actual dollar amount to be lower due to the Statewide economic downturn.

Also, under the revenue section, I am recommending that the Town continue to utilize funds from the undesignated reserves to reduce the amount of a property tax increase for the coming year. The amount carried over from the undesignated fund balance this year is \$100,000. For FY 2022, I am again recommending that \$100,000 be carried over from this fund balance. Town staff have yet to receive the final draft of the FY 2020 financial audit, however, I am estimating that the unallocated fund balance is approximately \$1,200,000.

The line-item descriptions provided in the budget document itself will give the Board and the Committee the detail that makes up our \$2,957,289.90 recommended budget. This total does not include the County assessment estimated for budgeting purposes at \$505,000. The major changes are increases in police officer compensation per the recently approved union contract, the assessment to the Town for the Transfer Station (approved by the Selectmen in January of this year) the requested increase for ambulance services (previously adopted by the Ambulance Board of Directors), and the funds needed for consultant assistance in the recruitment and selection of a new town manager next spring.

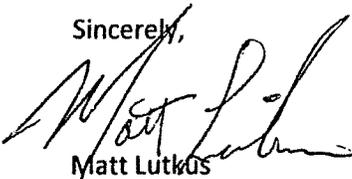
During the coming year, I am again recommending that there be a heavy emphasis on capital reserves in addition to the continued pre-funding of future capital equipment expenses. This budget line by itself constitutes a large part of the requested overall increase for FY2022. The breakdown of my recommendations for capital reserve allocations will be provided to you as a separate document. This spreadsheet will also include preliminary recommendations for the Town's five-year capital improvement plan.

The Town Charter requires that the Town Manager provide a report of the Town's current indebtedness in this transmittal message. The current debt stands at \$161,436.25 which is roughly \$54,050 lower than it was last year at this time and the lowest that it has been in more than a decade. The debt is comprised of the two bond issues that will be paid off this coming October and a loan for the street light conversion that the Town will pay off in 2025.

Although the property tax increase in this recommended budget is modest, the service levels that are funded by property tax dollars, fees and grants will continue to provide an aggressive capital improvement program and compensation for a productive and highly committed staff, as well as provide for fixed expenses of which the Town has little control.

I look forward to reviewing my budget recommendations with you in the weeks ahead.

Sincerely,



Matt Lutkus

Town Manager