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April 18, 2008

TO: Mayor MacLean and City Councilors  
FR: Jeff Kobrock  
RE: Fiscal Year 2009 Budget for City Services

### Summary

This is an extremely challenging budget cycle. We are experiencing the convergences of multiple difficult circumstances:

- A decade of consistent and significant annual budget constrictions.
- Dramatic increases in fixed costs.
- Decreases in revenue.

In less formal parlance this might be referred to as a “perfect storm”.

This budget:

- Funds current services as directed by the Council.
- Is clearly an extremely conservative, tight budget.
- Fully funds the Homestead Exemption for the fourth year to provide about \$100 in local tax relief to each Gardiner homeowner.
- Was built from a “zero increase” directive given to the management team while maintaining current high quality services.
- Fully funds the Capital Improvement Plan.

## **FY 08 Budget**

We have been extremely fortunate in Gardiner that by creating a high performance organization and maximizing employee morale and ownership, years of efficiencies have been reaped. In 1997 our mil rate was 28.10. We have not only cut that dramatically, but it has remained unchanged at 21.80 since 2004.

The enclosed FY 09 Budget for City Services represents many challenges and many successes.

Our excellent workforce continues to deliver the same level of high quality services for less money. For the seventh consecutive year we built the budget from a zero increase mandate. Outside of fixed costs, budgets are flat, and our creative, frugal approach to service delivery is a fact for us all to take pride in.

Revenue is projected to be flat, reflecting a conservative approach. Excise revenue has been soft at points during this year and bears watching. Revenue sharing has been stable this year, but is highly sensitive to changes in the overall economy. The steady (and substantial) increases in energy, soft consumer confidence, stagnant employment and many other factors could easily affect revenue sharing during the coming year.

There are one-time expenditures for capital projects in this budget that I will recommend we fund out of the Undesignated Fund Balance (UFB). This is an important strategy to minimize their impact upon the FY 09 budget by funding them from the UFB.

This budget package includes the Capital Improvement Plan to yield a truly comprehensive planning document. Furthermore, this capital plan is fully funded in the FY 09 budget. Given the fiscal challenges of this budget year, we should be extremely proud that this budget addresses the long-term priorities of the community, and funds activities now, that save taxpayer money in the future.

Gardiner has been making - and will continue to make - very substantial investments in the community. The Northwest Quadrant yielded \$2.2 million in public infrastructure with a \$328,000 general fund investment, the Waterfront phase one similarly leveraged small local investment for \$860,000 of improvements and phase two currently has amassed \$300,000 in grant funding, the Libby Hill Business Park expansion is poised for construction, and the Cobbossee Stream Trail is funded, with design in progress. We make these improvements and support the increasing levels of service that result from constantly investing in the community, while keeping the size of local government flat. This is an achievement we are wise to value and celebrate.

I encourage readers of this budget to reflect upon the many successes we have enjoyed in Gardiner and the primary assets we constantly leverage to create these successes:

- We work as a strong team,
- We develop and pursue our goals in common,
- And we make informed decisions based on what is best for the community.