

August 31, 2009

Dear Commissioners and Budget Advisory Committee,

In light of the national recession and the current fiscal pressures on our municipalities, I am pleased to report that after a great deal of hard work with some real cuts and sacrifices the 2010 draft county budget requires ***NO COUNTY TAX INCREASE!*** In over twenty years as a public administrator, my experience has been that while there are people who like learning about all the different facets of a budget what interests most municipal officials and community leaders is the bottom line, and we have acted accordingly.

If approved as presented, ***the county assessment will stay the same*** at \$22,186,885 for a mill rate of 52 cents per thousand for total estimated expenditures of \$39,575,579, of which \$31,939,344 is for the county's operating expenses in 2010. This figure is \$200,000 less than our original 2009 budget of \$32,141,848 approved last December by the Board of Commissioners.

BACKGROUND

Your county officials and employees understand that our municipalities and citizens are living in difficult times. This past year has been extremely difficult for Cumberland County Government as well because our non-tax revenues for the Registry of Deeds have been below estimate due a slow housing market. We have responded to this situation by being very proactive, with county officials working together to attain some rather significant cutbacks and adjustments to our original 2009 budget totaling over \$500,000 in order to avoid an operating deficit at the end of the year.

You can rest assured that this draft budget has been put together carefully and thoughtfully with many sacrifices on the part of the people who work hard to deliver excellent services on behalf of Cumberland County Government. This is not a situation where fat could be easily identified and then eliminated. We went past that point long ago!

I am proud of our ability to run things in a business like manner, with a lean, efficient local government. Unfortunately, over the past few years we have been forced to cut into the bone of our organization with the elimination of over a dozen positions. An example of the kind of sacrifices that are being made with this draft budget includes the fact there are no cost of living or merit increases for our non-union and management employees and that we are demanding health insurance concessions from our unions in

return for cost of living increases. In addition, I am recommending that our operational and maintenance accounts be cut by more than \$100,000, as well as a 15% decrease in our funding for human service agencies and organizations, such as Family Crisis Services, Southern Maine Area Agency on Agency, and the Cooperative Extension Service.

IT'S THE ECONOMY

Clearly, it is the economy that is driving this 2010 draft budget. For many years I could honestly say it was the jail! But with the state now paying for the increased costs of the county jails, this is no longer the case. There can be no denying that the economic recession has had a negative impact on our ability to generate non-tax income for the Registry of Deeds, which represents about 65% of our total non-tax revenues. In fact, although we lowered our estimated forecast for Deeds by \$150,000 in preparing our 2009 budget, our actions were not enough.

At the end of this year we are anticipating that our Registry of Deeds revenues will be below estimate by \$150,000. Therefore, the 2010 budget has been drafted with a reduction of \$175,000 in our estimated Deeds revenues for next year. If there is a silver lining in our current revenue trends, it is that since May our Deeds revenues have rebounded from a shortfall of \$190,000 after the first two months of the year, to either a breakeven or better result for the months of May, June, July, and August. So, over the next several weeks prior to the Commissioners adoption of a budget in December we will be closely monitoring those revenues to see if any adjustment is necessary. In addition, we will be waiting anxiously to receive news from the Maine Municipal Association on what our health insurance costs will be for 2010.

A BIAS FOR ACTION

As we all know, with these challenging times there is an increased need to look for additional ways to work collaboratively with our municipalities and the state to take advantage of our economies of scale and technology to provide new regional services more cost efficiently and effectively. It is because of our unique economies of scale and the use of new technology that it may be more important than ever that we not lose our bias for action and continue to strive for ways to deliver public services. As one of the most efficient local governments in the state at about \$78 per capita and an average tax bill to citizens of \$111 per year, Cumberland County Government has a special obligation to be part of the solution.

We have already shown that we can provide new regional services more cost efficiently and effectively at a regional level for certain services, such as dispatching, police services, and the possibility of county-wide assessing. And in doing so, our track record over the past decade clearly demonstrates that we are committed to the principles of collaboration and partnership with any new regional initiative we take.

BUDGET HIGHLIGHTS

As mentioned previously, the most pivotal decision regarding this budget and our ability to deliver services is the question of what to forecast for Deeds revenues. In reducing these revenues by \$175,000 and our total non-tax revenues by \$200,000, this is a realistic budget that avoids a county tax increase by making an equivalent reduction in our expenditures. There are five major components to the FY10 Draft Budget that I am recommending:

1) The county expenditures for this 2010 draft budget are less than 2009 at \$31,939,344, which represents a \$200,000 reduction from our 2009 original budget of \$32,141,848.

2) There is no cost of living increase or merit raise for our non-union and management employees. In addition to this, the county is demanding health insurance concessions from the unions for any cost of living increase.

3. Our estimated non-tax revenues have been reduced by more than \$200,000 based on our revenue trends to date and the fiscal impact of the national recession.

4) A cut of \$148,000 has been made to several departments.

5) A 15% cut in funding is being recommended for the human service agencies and organizations that the county supports.

OVERALL FINANCIAL HEALTH

In spite of our temporary setback in non-tax revenues this year, I would be remiss if I did not point **out** that we are financially strong as a county government as evidenced by our long term bond rating. It is excellent at AA+, which only about 10% of local governments in the entire country can claim. Our short term rating is also equally strong at SP1 under Standard and Poor's.

I think our financial health is a testament to a number of factors, including our outstanding financial management, our existing budgetary process with the Commissioners having the final budget authority, and the positive manner in which our elected and appointed officials work together. We have also benefited from a change in jail funding with the state now paying for the increased costs of the county jails. Historically our annual jail increases have averaged between 2.5 to 3.0%, which has been remarkable with the challenges we've faced. But because our jail budget represents \$16 million annually –and over \$18 million when you include facilities and debt service costs –even a 3.0% increase has a significant fiscal impact on our ability to fund the other departments and activities of the county.

This has been especially true since the advent of LD1, which each year has established a spending cap on our annual increases, averaging around 5%. That sounds reasonable at first glance, but in reality, the effect has been that our budget cannot go up more than \$500,000 or less than a \$2 increase per capita. To make the situation more challenging, this law was created at a time when our Deeds revenues have been dropping the past several years. This has caused most of our available cap space to be spent for jail purposes while other parts of our budget suffered. The good news, as you will read with our 2010 Capital Improvement Plan, is that the change in jail funding has benefited our overall financial health and we can move forward with a strengthened ability to address many of our short term and long term capital improvement needs.

In closing, I would like to thank the County Finance Director Vic Labrecque for his assistance in the preparation of this draft budget. I am also very appreciative of the understanding and cooperation that the elected and appointed department heads have shown during these very challenging times.

Sincerely,

Peter J. Crichton