

February 14, 2025

Dear County Commissioners,

In accordance with State Statute and County Charter, I present the Finance Committee recommended budget for the 2025/2026 General Fund, Jail and Cross Insurance Arena budgets. This budget is the County's second fiscal year budget, one year removed from the transition year. This budget document comprises of three separate budgets, all independently structured slightly different.

The Finance Committee met three times between December and January. At their January 21st meeting, the Finance Committee voted 4-0 to recommend the 2025/2026 budget as proposed to the County Commissioners. I would like to thank Councilor Janice De Lima of Falmouth, Select Board Member Dustin Ward of New Gloucester, Councilor Tim Thompson of Cape Elizabeth and Council Bob Vail of Cumberland for all their questions and work on this budget.

General Fund (2025/2026 Notables - Summary)

General Fund Tax Rate Impact:	2025/26	7.74%
Health Insurance Increase estimated:	2025/26	11%
Non-union Cost of Living Wages:	2025/26	3%
Workers Comp Premiums	2025/26	\$ 44,357 (net)
Property/Casualty Risk Pool	2025/26	\$ 49,935
IT County Software Licenses	2025/26	\$ 143,679
Body Cams/Tasers	2025/26	\$ 66,529
Probate Court Appointed Attorneys	2025/26	\$ 75,000
Capital GO Bond:	2025/26	\$3,973,901
Non-Debt Capital:	2025/26	\$ 299,600
Reinstated Jail Salaries (11 positions)	2025/2026	\$ 688,601
New Positions in General Fund:	2025/26	3
		<ul style="list-style-type: none">• Sheriff Office Admin Trainer• Sheriff Office Civil Deputy• Regional Fire Coordinator

2025/2026 Budget Year

The 2025/2026 budget process started in late September with departments. Individual department budget reviews were conducted by Deputy Manager Alex Kimball, Finance Director Theresa Grover and myself in mid-October. After the review and adjustments of department budgets, the General Fund budget increase is up \$1,804,318.00 or 9.06%. The Jail Budget is up 8.00%, or \$1,277,635.00 and the Cross Insurance Arena Budget is down (\$54,291.00) or (-1.69%). Collectively, the three budgets represent a total increase of 7.74% or \$3,027,662.00 over the 2024/2025 budget.

The 2025/2026 budget theme is fixed costs with little wiggle room. Personally, after eighteen budgets over the years, the 2025/2026 budget is my least favorite and highest increase percentage. This year's budget is largely made up of increased fixed costs that the County needed to absorb, leaving very little alternatives. Staff scoured revenues, looking for ways to off-set the expenditure increase. Significant expenditure costs are experienced in Workers Comp, Property/Casualty Insurance, Employee, Health Insurance and Software Licenses. The Software licenses is an interesting item as many of our subscriptions are going to an annual license versus a three- to five-year contract. This new model has significantly increased the County's IT Budget. The budget does not take into consideration a lot of new project-based funding, though there are three proposed positions.

The Sheriff's Office requested three positions, of which, two made the proposed budget. The Civil Division has seen an uptick in "papers" needing to be delivered by the division. Additionally, the County has eliminated three "per diem" civil deputies, making them part-time employees. This change is as a result of the per diem civil deputies were in violation of federal labor laws. The part-time and the full-time new civil deputy positions will be offset by revenue from "paper" fees per State Statute.

The County is putting a lot of emphasis on hiring correction offices and patrol deputies. With the significant number of applicants and ultimate hires, the County finds itself in a situation where the County doesn't have enough training capacity to keep up. A new Administrative Training Assistant is proposed to add training capacity. The position is slated to begin at half year (January 2026) to reduce the impact to the budget.

Lastly, for the past year, County staff have been working with the twenty-eight fire chiefs from across the county on regional fire collaboration. An independent report was generated, which started the dialog between the fire chiefs. A few weeks ago, the County hosted a strategic planning process with the fire chiefs and town managers. The Strategic Plan calls for the need to have regional coordination performed by a position. Tasks would include, but not limited to, training of Firefighter 1, 2 and EMT candidates, bulk purchasing of equipment/gear, grant exploration and policy development. York County has a similar role supporting York County towns and it has been very beneficial and successful.

Collective Bargaining Agreements

County Human Resource staff have been working with four unions over the last number of months. At the time of writing this memo, the County has not come to any agreements as of yet.

New Administration Building – Estimate Move in March 2025

This budget brings in the recognition of the County’s building purchase and that staff will be occupying the building in early spring of 2025. The purchase of the building and its internal fit-up construction costs are entirely covered by federal ARPA funding. None of the improvements have been budgeted in the General Fund. As part of the move, the County will be vacating two leased properties in the Old Port and costs associated with those properties will be transferred to cover the new building’s costs. The County is currently working with Boulos Company to sublease 25 Pearl Street in hopes of saving rent expenses on the space over the next year and half.

Annual Cost of New Building vs. Current Pearl Street Building

It is estimated to cost \$12,772 a month for running the new building, or \$153,264 a year.

The current costs of the Deeds/Regional Assessing building is \$240,500 in lease, utility and parking for 15 employees.

New Revenue from 40 spaces in County Parking Garage is estimated between \$70,000 - \$85,000.

- 40 additional parking spaces in County Garage for monthly and hourly parking

Comparison Total Expenditures 2024/2025 to 2025/2026

	Adopted 2024/25	Proposed 2025/26	Dollar Difference	Percent Change
County	\$27,272,952.00	\$29,887,816.00	\$2,237,229.00	8.20%
Jail	\$20,869,148.00	\$23,049,033.00	\$2,179,885.00	10.44%
Arena	\$3,208,507.00	\$3,154,216.00	(\$54,291.00)	(1.69%)
Overall	\$51,350,607.00	\$55,713,430.00	\$4,362,823.00	8.50%
Enterprise	\$15,992,484.00	\$15,992,484.00	\$0.00	0.00%
Grants	\$2,785,100.00	\$2,785,100.00	\$0.00	0.00%
Total Exp	\$70,128,191.00	\$74,491,014.00	\$4,362,823.00	6.22%

Total Needs from Taxes

	Adopted 2024/25	Proposed 2025/26	Dollar Change	Percent Change
County	\$19,913,538.00	\$21,717,856.00	\$1,804,318.00	9.06%
Jail	\$15,969,898.00	\$17,247,533.00	\$1,277,635.00	8.00%
Arena	\$3,208,507.00	\$3,154,216.00	(\$54,291.00)	(1.69%)
Overall	\$39,091,943.00	\$42,119,605.00	\$3,027,662.00	7.74%

Revenues:

General Fund Revenues is one area we are constantly monitoring and will continue right up to the Commissioners final review and approval in late February. The coming year’s budget is not as optimistic has we have been in the past. Adjustments to the revenues have been done it prior years and this year’s numbers are strong and make budget, but don’t offer much room to increase. The one area staff are proposing to increase revenues is the Parking Garage. This is two-fold. First, we feel that daily revenues can be increased slightly. Secondly, by upwards of 40 staff moving out of the courthouse/garage by next April, those spaces will be optioned to monthly and daily parking, increasing the revenue.

In January of 2025, the County increased monthly, daily and seasonal parking rates for the parking garage. A rate increase is done every other year and is based off from what other parking garages and lots are charging for parking on the Portland peninsula.

Revenue Noteworthy Changes for 2025/26:

Parking Garage Monthly	+\$100,000
Sheriff Office Civil Division	+\$140,000
Sheriff Office Jail (Federal Boarders)	+\$552,250
CCRCC Contract Revenues	+\$ 81,892
Probate Fees	+\$ 75,000

Tax Stabilization Reserve

The 2025/2026 budget will have \$200,000.00 of Tax Stabilization Reserve built into the General Fund budget. The Tax Stabilization Reserve is an account that was previously capitalized by the Commissioners and each year reduces its amount of funds going towards off-setting the tax rate impact.

Debt/Capital/Tax Anticipation Note

The 2025/2026 proposes a \$3,973,901 General Obligation Bond. Projects that would be included under this Bond are:

1. Jail Roof \$2,500,000.00
2. Parking Garage Rehabilitation \$ 673,901.00
3. Courthouse Windows (portion) \$ 800,000.00

The three proposed capital items above have been identified in past asset inventories as needed improvements. The Jail Roof has been proposed for bonding at least three times over the last eight years. Unfortunately, each time a more urgent improvement is needed and the Jail Roof gets postponed. The most recent occurrence was the jail door locking system coming in significantly over budget.

An independent review of the parking garage brought forth significant issues with the garage and outlined a long-term maintenance plan. Improvements began in 2024, and these funds will be used for Phase II of the garage improvements.

Non-debt capital for the 2025/26 budget year will be \$299,600.00. Many of the costs area associated with operational costs the County has historically funded annually in the non-debt capital budget. Computers,

tasers, ballistic vests, radios and Jail CIP are many of the annual budgeted items. There are no newly listed non-debt capital items in this year’s budget.

A year and half ago the County went through the process of changing its budget year from a calendar year to a fiscal year July-June. The purpose of doing this was to have better cash flow, be in line with towns fiscal years and eliminate the need to take on a yearly Tax Anticipation Note. The County provided the town’s up to five years to pay-off the six-month transition budget. Many towns have paid the full amount, which has allowed the County to propose for the first time the elimination of the TAN all together.

DESCRIPTION	Adopted 2024/25	Proposed 2025/26	Dollar Change	Percent Change
Bonded Debt Principal	\$814,638.00	\$915,546.00	\$100,908.00	12.39%
Bonded Debt Interest	\$174,697.00	\$367,383.00	\$192,686.00	110.29%
Capital Reserve	\$376,600.00	\$299,600.00	(\$77,000.00)	(20.45%)
TAN Loan	\$81,000.00	\$0.00	(-\$81,000.00)	(100%)
Total	\$1,446,935.00	\$1,582,529.00	\$135,594.00	9.37%

Grants & Human Services

Each year the County tries to do their part in supporting non-profits throughout the county. A few years ago, the County Commissioners, at the recommendation of staff, moved towards greater accountability and data sharing by partnering with the Thrive2021 Goal allocation process (United Way). Even though we contribute to Thrive2027, some agencies fall outside the qualifications; hence, the County works with those independent organizations on some level of funding. Always a tough decision process.

<u>Organization</u>	<u>Awarded 2024/25</u>	<u>Proposed 2025/26</u>
CC Extension Association	\$125,000.00	\$125,000.00
Thrive2027	\$100,000.00	\$100,000.00
CC Soil & Water	\$ 18,000.00	\$ 18,000.00
Portland Library	\$ 10,000.00	\$ 10,000.00
Tedford House	\$ 15,000.00	\$ 15,000.00
Total:	\$268,000.00	\$268,000.00

Jail Budget

The Jail budget continues to give us fits. The rising costs associated with the Jail and the 4% growth restriction by Statute is hindering the ability to fund the Jail appropriately. The 2025/26 Jail budget has exceeded the 4% CAP as staff didn’t have any other alternatives. The 4% CAP provided \$638,000 of new money. The Jail Budget is proposed to be 8.00% or \$1,277,535.00 of new money in support of the Jail. This is in addition of raising the Federal Inmate Revenue by \$552,250.00.

In the 2023/24 budget, a number of correction officer positions were “unfunded” in order to make budget. At that time, the loss of federal inmates, a reduction in State DOC funding to Jails and the 4% cap reduced

the available funding needed to operate the jail. Forty-two correction officers and three sergeants were unfunded in order to make budget. We were able to get away with the reduction due to the size of the jail at that time. Times have changed and the County Jail has seen an increase in inmates over the last year. The County needs to begin the process in funding these positions again. This budget proposes to bring back 9 Correction Officers and 2 Sergeants from the unfunded list.

Additionally, the Jail is experiencing an increase in inmates over the last year. Food and medical costs have significantly increased. The County is also negotiating two jail union contracts over the next seven months that will have impacts on this budget. The Jail budget is stressed in a variety of ways. The ability to retain staff has hampered the jail rebounding from the pandemic years, even though many new hired staff have been brought onboard. The Jail is averaging around 350-370 inmates currently. Federal Inmates have begun to come back to the Jail after a year and half hiatus.

Description	Adopted 2024/25	Proposed 2025/26	Dollar Change	Percent Change
State Funding	\$3,150,000.00	\$3,500,000.00	\$350,000.00	11.11%
Federal Boarder	\$1,747,250.00	\$2,299,500.00	\$552,250.00	31.60%
County Boarder	\$0.00	\$0.00	\$0.00	0.00%
Other Revenues	\$2,000.00	\$2000.00	\$0.00	0.00%
Jail Total Revenues	\$4,899,250.00	\$5,801,500.00	\$902,250.00	18.41%
Jail Expenses	\$20,869,148.00	\$23,049,035.00	\$2,179,885.00	10.44%
Jail Needs from Taxes	\$15,969,898.00	\$17,247,533.00	\$1,277,635.00	8.00%

Cross Insurance Arena 2025/2026

The Cross Insurance Arena Board of Trustees typically work through the General Manager’s budget during late winter of each year. The Cross Insurance Arena budget is a unique budget, as it does not follow the typical government budgeting process. The Arena’s budget is based on projected number of events (ticket sales), suite seating, concessions and sponsorships at the Arena. Shortfalls at the Arena are passed onto the tax rate. The budget requires a significant amount of forecasting and developing the budget in December can be problematic due to timing. The Arena’s impact on the General Fund comes through the prior year’s General Obligation bonds and Operational funds covering contractual commitments. This year the operations budget will be decreased by \$54,291.00 as the Arena has begun to bounce back from the pandemic.

Description	Adopted 2024/25	Proposed 2025/26	Dollar Change	Percent Change
Bond Principle and Interest	\$2,128,462.00	\$2,109,245.00	(\$19,217.00)	(0.90%)
Revolving Line of Credit	\$432,045.00	\$364,971.00	(\$67,074.00)	(15.52%)
Operational	\$648,000.00	\$680,000.00	\$32,000.00	4.94%
Cross Insurance Total	\$3,208,507.00	\$3,154,216.00	(\$54,291.00)	(1.69%)

Conclusion

I would like thank the Departments for their work on development of their individual department budgets. Staff focused on continuing to make the County a strong organization, able to do many things, but also understood this year was going to be an extremely difficult budget year. Due to how early staff started the budget process and the state of many unknowns particularly at the Jail, this budget was a work in progress since October.

I would like to thank the County Commissioners and the Finance Committee for their great questions and challenges of staff concerning the 2025/2026 budget. Staff greatly appreciates all the help.

A handwritten signature in black ink, appearing to read "James H. Gailey". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

James H. Gailey
County Manager