April 24, 2025,

To: Town Council
From: Paula Scott, Town Manager

RE: Fiscal Year 2026 Budget Message

In this year's budget and budget message, I have endeavored to demonstrate a correlation once again to our comprehensive plan, Hampden Forward which is the basis on which every budget should be predicated. The comprehensive plan and the budget work in concert to provide a vision and establish a roadmap for decision making and planning. In a municipality, although the budget goes through several iterations as it passes from Department Heads to the Town Manager and then to the Town Council, it is the elected officials who are the ultimate decision makers. You are the final third of the triad responsible for understanding the needs and wants of the community. You must thoughtfully work through how to provide all departments with the resources needed to provide the services required by the citizenry.

Hampden is unique in many regards, and one aspect that I believe sets Hampden apart is the Council's Goals and Objectives meeting that is held each February. This year the session was held on Saturday, February 22nd. It is a tradition that goes back many years. It is used not just as a precursor to the budget cycle but becomes an avenue for a deeper dive into the needs staff will identify for you to consider, but in a less formal setting. These goals and objectives are the framework which informs and supports how we work toward the formation of our budget.

Goals identified for FY26 are the following:

1. Additional IT employee and continued technology and cyber security advancements
2. Additional Firefighter/Paramedic
3. Additional part-time hours for the Code office
4. Transfer Station options and the future of municipal solid waste
5. Building up reserves
6. Library site evaluation for future expansion
7. Continuation and conclusion of capital projects

To begin this message, I will speak to the hurdle that we continue to face with the need to recruit and retain employees and how well placed, well trained, and fairly paid workers are symbiotic to a better workforce and better economy, and why we have strived to maintain and enhance ours. A major challenge facing Maine's economy is a plateauing workforce. Over the past several years since 2019, the growth in the workforce in Maine has increased by only 6% compared to a national workforce growth of 20%.[1] Lending to that concern, according to the Department of Labor projections, the workforce is actually shrinking and will continue to shrink as boomers begin to exit the workforce over the next decade.[2] This drives competition in recruiting and retaining employees. In the FY25 budget we corrected the variances in pay for emergency services compared to other communities our size and in our region. In an effort to competitively attract available workers to our organization, in this FY26 budget, I have addressed wage compression for the department directors whose wages were being encroached upon by the increases in union wages.

This budget includes an additional full time IT specialist, full time Firefighter/Paramedic, and an increase to the part time hours in the Code office all of which were identified in our Goals and Objectives meeting. Additionally, earned step increases for other employees as set out in the Town of Hampden Charter are reflected in each respective department. As referenced above in the list of goals, the three personnel positions cited are a direct result of citizen requests, a response to community growth needs, and improving our internal mechanisms needed in order to support the changes to technology that are critical. A well-staffed IT department is the backbone of any modern organization.

As discussed at Goals & Objectives, another theme from your staff is to finish what we started and that is directly related to capital projects. Many of the projects before us were already identified in various stages of completion and we discussed funding sources at length. One capital project that was not discussed is the Stormwater Mitigation project at the pool site/town office complex of which we are in our seventh year of a seven-year site law permit with DEP. It must be completed and funds to complete this project are included in the Stormwater reserve. Reserve accounts will show that although I have adhered to the goal of funding reserves, including setting aside funds for an engineering study for future library expansion and needed equipment purchases, the reserves show a decrease of 11.57%. As always, we decrease requests when and where we can.

The 'future of trash' remains an enigma that we must grapple with and is an area which I have been examining for years. Maine produces around 1.6 million tons of solid waste a year and per capita waste production is slightly above the national average.[3] Every five years, the Maine DEP is responsible for generating a solid waste and recycling plan which guides programs at a state, regional, and local level and identifies trends and changes in municipal solid waste, disposal technologies and waste generating factors that affect waste management. Landfills are the

[1] US Bureau of Labor Statistics, Job Openings and Labor Turnover Statistics data
[2] Maine Center for Economic Policy
[3] Landfills in Maine: Challenges and Opportunities in Waste Management, Dec. 2, 2024

least preferred method of disposal in the state according to the DEP, yet landfills have been the most used method historically. [4] Fortunately, there are better options available.

In Hampden, we average about 600 ton of demolition debris, 500 ton of clean wood, and about 2,400 ton of municipal (household) solid waste. We project an increase in all of those amounts in FY26. Notably, the current year has also been wrought with the breakdown issues that we have had to work through as a result of our aged-out compactors with electrical components barely able to be serviced, and hard-to-find parts.

The solid waste reserve request includes two replacement compactors and major upgrades to the power supply at the transfer station. It is my opinion that the Town has to thoughtfully embark on a manageable economic solution; especially with regard to C & D (construction and demo debris). In Hampden, as a member of Municipal WasteHub (formerly MRC) we have a unique opportunity and benefit of the Municipal Waste Solutions facility which is methodically doing everything that they said would do when they first acquired the defunct Coastal facility. At current time, they have processed 75 ton of municipal solid waste from Hampden alone as they continue the facility restart. The anaerobic digesters have been upgraded with an investment in the millions, the materials handling area has been revamped, and recycling markets investigated with some secured. In conjunction with the budget discussion regarding solid waste, it will be beneficial for us to explore other opportunities that we have previously discussed in executive session, and I will be holding an executive session to continue the discussion which may have a direct bearing on this budget and future budgets.

In the FY25 base municipal budget there was a 10.56% increase over the prior year. The FY26 base municipal budget has increased by only 5.49%. The education and county budgets both show increases this year of 7.62% and 6.65%, respectively. Revenues are below last year, mostly due to no appropriation from fund balance. In short, the total budget which includes the county and school assessments, less projected revenues reflects an increase over last year of 17.34%, or an increase of $2,162,889 over last year.

Like in any organization, the largest municipal increases are wages and benefits. Labor costs can account for as much as 70% of total operating costs,[5] but even with the addition of personnel in this budget, our labor costs are falling at about 55.85%, well below the average. It should also be noted that personnel costs are not just wages but encompass all of the benefits that accompany the wages such as FICA, Medicare, retirement, and insurance benefits, including not just health insurance, but Workers' Compensation and Unemployment insurances which rates are determined by factors relative to the positions and the industry. Other large increases in the overall budget are pass through costs that the Town has no control over such as the Community Connector, Property & Casualty insurance, Workers Compensation and Health insurances, construction costs, general price increases, and energy costs.

[4] The State of Municipal Solid Waste in Maine, Colby College report

[5] U.S. Bureau of Labor statistics

The Federal government set the Social Security cost-of-living allowance for 2025 at 2.5% in October of 2024 which is determined by the Bureau of Labor Statistics – based on the Consumer Price Index for Urban Wage Earners (CPI-U).[6] In keeping with past practice from the Council however, the cost-of-living allowance that I chose is 3% which aligns with the collective bargaining units, and which allows all employees to receive the same percentage. Beginning in January of 2025, a new Paid Family Medical Leave law went into effect, mandating that 1% of every full-time employee's gross must be collected, split between the employee and the employer [7] and this new payroll tax is fully funded in this budget. As we move along through the budget sessions, all cost centers will be discussed at length and all increases, or decreases, can be discussed comprehensively.

At the beginning of this message, I referred to the budget as a roadmap for decision making and planning. I would like to restate that sentiment here. As we continue to move Hampden Forward, this living document will provide the framework and continue the mission we have embarked on which will allow us to move this community successfully into the future. I look forward to discussing it further with you.

"It is better to look ahead and prepare, than to look back and regret."

~Olympian Jackie Joyner-Kersee

[6] Social Security Administration

[7] Title 26 §856-E, Maine Statutes

ADMINISTRATION:

Although this cost center is showing an increase in wages and personnel costs, it includes reclassifications for three employees, a step increase for 3 employees, and the previously discussed cost of living allowance. I budgeted only for a cost of living for the manager as any increases or reclassification would have to be directed by Council. This would need to be addressed in the future in the event that the manager ever leaves the position since other reclassified positions are now compressing the manager wages. Postage increased due in part to an announced rate increase in January and to try to prevent another shortfall like we have experienced in the current year. Supply lines and professional services have increased due to price increases, projected number of tax bills to process, additional advertising, and other areas.

GIS/IT:

This cost center includes one reclassification and an additional IT specialist position which I believe to be the most important position request in this budget. It will lend much needed support and relief to the Director who has to keep all technological systems running and coordinated with all applications to which they interface for all departments in the town. Equipment replacement has increased primarily due to door access hardware and readers and all related peripherals. The laptops in the cruisers have aged out and this year's budget replaces them. At the same time the iPads used in the EMS vehicles need to be upgraded this year. Software and licenses reflect all of our contractual obligations for items such as Power DMS for police and fire; a requirement for accreditation. All of our ESRI mapping, online viewer applications, and creator user subscriptions are housed here. New to this is a Council requested mechanism for citizen/staff communication through an application called Text My Government. As a result of the OSHA consultation, we have included a door access system for the town office door from lobby to the inner office area as well as a panic button system for both the front office and for the dais within chambers. Equipment lines reflect contracts for copiers and leases town wide. The professional services line items reflect a one-time fee for CAI to migrate our data into their model so they can properly host our mapping and GIS functions.

Elections:

The elections budget shows no increase over last year. There are only two elections scheduled for 2025-2026 which are the November and June elections. There may be additional costs associated with the possibility of new scanners being introduced before the November election, but this is the second year in which this is predicted with no confirmation coming from the Secretary of State's office.

Assessing:

Assessing shows an increase due to one reclassification and one step increase. Books and publications increased due to the need to bind 4 commitment books that we fell behind in doing during the years in which we did not have an assessor or an assessor trying to catch up in other important things after a vacancy.

Community & Economic Development:

In the Economic Development budget, all cost center items show no increases and wages will be reflected in the Planning cost center.

Town Planner:

Increases in wages in this department are primarily due to a reclassification and cost of living. I have increased the legal line due to the amount of times we have to work with our attorneys on various areas of planning and to try to ameliorate another shortfall such as in the current year.

Police Department:

The police department cost center has slight increases in various line items. The wages include one reclassification and ten step increases. Vehicle maintenance is increased due to outsourcing now rather than utilizing an in-house mechanic. Training has a slight increase due to accreditation services and for academy training for our new officer.

Equipment replacement for capital items will be discussed in the Reserves/Capital Plan section of the budget.

Fire Department:

The fire department's wage and benefits lines increased due to the inclusion of another full-time fire fighter/paramedic. It also includes the reclassification of two employees and step increases for three employees. The new position is an area that we have discussed with you in prior budget years, and which was brought to your attention for consideration at the February 10th workshop by a member of the public. Including another full-time firefighter and paramedic will help us to incrementally reach the staffing guidelines of the National Fire Protection Association (NFPA) and will lend to better responses and coverage for emergencies. Remaining line items have fairly normal increases. EMS supplies have increased due to the price increases in supplies for high acuity calls. The clothing allowance and safety equipment increases are directly related to the new position.

Equipment replacement for capital items will be discussed in the Reserves/Capital Plan section of the budget.

Public Safety:

This department also shows increases in wages and benefits reflective of one reclassification. It also reflects an increase in part-time wages for extra hours for the fill-in Code Officer/Building Inspector for extra code coverage. Training has increased due to additional Code training and other educational training through the ME Chiefs of Police and ME Fire Chiefs Associations.

Non-Department Expenses:

Non-Department expenses are those items that are not attributed to a single department, but rather are costs borne by all departments. Insurance lines show increases, driven by a few different factors. Catastrophic weather events such as the flooding in the southern part of the country and the wildfires in California continue to play a role in increases in property insurance globally; especially in light of some companies exiting entire markets[8]. Echoing that information, Maine Municipal Association, indicated that we would see an increase of at least 10% in Property & Casualty due to continued construction cost increases and increasing residential and commercial values. Workers Compensation rates are also up approximately 8 % and it might be no surprise that in the general market, this is driven by the trend in health care labor shortages as it has been for the last couple of years.[9] Other factors include the number and seriousness of claims generally even though our mod rate is very low. The Town of Hampden is also currently getting a 10% discount on our Workers Compensation insurance because we met all the tiered requirements for safety compliance mid-year 2022. We are still awaiting a determination on becoming a SHAPE community and the hopes of another discount. Med-A -Vision increased due to more employees and more regular medical claims history, and the new paid Family Medical Leave Act is within this cost center. The telephone expense line is comprised of all phones in all departments, cell phones and plans, the contractual cell phones for the police cruisers and station, as well as our $1,100.00 a month lease payment on our main phone system. This also includes new fiber upgrades in the town office and public safety, internet in the new public works facility, and monthly charges for the iPad and Toughbooks usage for fire and police. Electricity for streetlights is increased due to estimates on where we expect to fall at the end of FY25.

Public Works – Highway Division:

As a reminder, all wage, and benefits lines from all the Public Works divisions are under one

[8] Kiplinger report, January 2025
[9] Southeast Personnel, Inc. report, December 2024

cost center for ease of bookkeeping. As in all other departments with personnel, this cost center shows an increase in wage and benefits. Because of the combination of the divisions, this reflects required a reclassification for three employees and step increases for 10 employees, 5 in Highway, 2 in Solid Waste, and 3 in Buildings & Grounds. In other areas of this cost center, increases are in supplies, equipment maintenance, and street construction. Supplies includes miscellaneous office furniture for the new facility. Paving was increased to reflect current pricing and paving for the parking lot behind the fire department in conjunction with the stormwater/USF (underground soil filter) project. This cost center also includes a vehicle lift and the electrical needed for it. This will have the capability of lifting up to a 550 chassis and is a matter of proper safety equipment for the mechanic.

Equipment replacement for capital items will be discussed in the Reserves/Capital Plan section of the budget.

Public Works – Garage Division:

This cost center shows a nominal increase in the supplies line and a larger increase in the fuel line due to estimating an increase for the new facility.

Public Works – Stormwater Division:

The only increase to this cost center is in our compliance line which is where we have to meet directives under our general permit for the MS4 district. The drivers this year are the completion of our Watershed Management Plan (Suckerbrook) which is a requirement under the permit. It also includes a continued study of our piping directions in between specified catch basins to determine outfall locations, pipe sizes, and to assess their condition.

Note: With Trustee approval, we would request reimbursement from the Environmental Trust of $133,000 to offset expenses.

Public Works - Solid Waste Division:

On January 1st, a price increase went into effect on tipping fees for municipal solid waste. Projections in this cost center are based on an estimated 2,500 tons of municipal solid waste @ $91.00/ton. Hauling fees are estimated at 160 container swaps at $238.15 a swap. Demo costs are estimated at 700 ton at $115/ton, clean wood estimated at 500 ton @$12.00 a ton, recycling materials at 280 tons @$225/ton. Hauling fees for demo are an estimated 121 loads at $175.00 a load. Recycling material is estimated at 280 tons at $230/ton and 52 container swaps at $238.15 a swap. The recycling packer rental is $330.75 a month. Again, these are costs that are passed through that we have no control over which is why offsetting the expense with the sale of various transfer station stickers and keeping the current demo schedule is so important. In the current year to date, we have collected $117,235 in offsetting revenue. We are projecting $128,000 of offsetting revenue in this budget. We do intend on putting both

demo and municipal solid waste hauling out to bid. I also intend on discussing confidential solid waste matters at the upcoming executive session.

Equipment replacement for capital items will be discussed in the Reserves/Capital Plan section of the budget.

Recreation:

This cost center reflects one reclassification and two step increases but overall has a net decrease over last year. The largest increase is in the facilities maintenance line which includes funds to repair the playground and replace woodchips at the pool site, repair of the gazebo, and the purchase of a small trailer to haul the mower.

Capital items will be discussed in the Reserves/Capital Plan section of the budget.

Edythe Dyer Library:

Full-time wages in this cost center cover one reclassification and one step increase and a minimal increase in part-time wages. In addition, all supply lines reflect nominal increases to books, periodicals, supplies, and materials. The increase in electricity reflects the anticipated amount we will end the current year with.

Capital items will be discussed in the Reserves/Capital Plan section of the budget.

The Lura Hoit Pool:

This cost center reflects one reclassification in the full-time wage line, and an increase to part time hours. As discussed at the Goals & Objectives meeting both last year and this, staffing the pool continues to be difficult. Increases in this cost center are supplies and equipment maintenance. Chlorine Accu-Tabs and granular Chlorine have both seen price increases including shipping charges. Equipment maintenance includes our annual fire alarm inspection, fire alarm monitoring and Mechanical Services preventative maintenance inspection of the air handler. Because of the age and volatility of some of the mechanical equipment, we have increased this line item to hopefully prevent shortfalls.

Capital items will be discussed in the Reserves/Capital Plan section of the budget.

The Marina:

This cost center includes a reduced request in general expense due to completion of the parking lot striping and remaining budgeted funds for the new piling and decking which are in the current year budget that we have yet to complete and which we will encumber

or place into reserve.

The Bus (Community Connector) and BACTS:

The Town of Hampden is a part of the transit system which we know as the Community Connector, but informally refer to as 'the bus.' This partnership for regional transportation is made up of six towns (Bangor, Brewer, Hampden, Veazie, Orono, Old Town) and the University of Maine. All partners are responsible for a financial contribution to this system's operational and capital budget and Hampden's share has increased to 6.96% which is an increase for the first time in many years.

This year's required contribution is $203,000 which is for operations (fixed routes, staffing, etc...) and capital expenses (ADA compliance).

The BACTS line, (Bangor Area Comprehensive Transportation System) is zero this year as there is no local share of the *Safe Streets for All Grant* in this current year.

Buildings & Grounds:

Funding for this cost center remains constant with a slight reduction in grounds improvement and equipment rental. Ground improvement consists of grub prevention and poison ivy control for Dorothea Dix Park, Locust Grove, Lakeview, and Riverview cemeteries, and the Town Office. Poison Ivy control is slated for Marina Park, Papermill Park, Riverview Cemetery, Old Lakeview Cemetery, and the Main Rd. guardrails.

Outside Agencies:

This cost center indicates slight changes which have come to us organically from citizen or group requests. In the past, this cost center would primarily fund expenses for the Kiwanis which was a Council directive. When the Kiwanis had to be closed and they began to share space with the VFW, Council voted to reallocate funds to the VFW to help offset their expenses for the heat, electricity, and sewer bill with the stipulation that they would be required to provide invoices. The VFW has not provided any invoices, so in the current budget the budgeted amount from last year remains unspent and will lapse into the general fund. That line is not funded this year. We do still fund the purchase of flags for the cemeteries for Memorial Day, however, and the Garden Club has historically been given $500 for their efforts in the flower gardens around town on municipal property. In this year's request, I have increased it to $2,000. Five hundred of the increase is a request by Councilor Bailey to fund a community garden with the produce being donated to the food bank. The other $1,000 is an amount that would go to the Harmony Hall Committee to go towards their repair fund. Although I assisted them in finding grant funds to repair the roof, they continue to face expensive repairs as the

stewards of one of our most historically significant buildings. I along with Councilor Marble were also approached by Jim Husson, President the Hampden Historical Society, who requested that the town take over their winter plowing. I explained that we could not use town resources on private property, but that I would put in a request for them in the FY26 budget of an amount that might assist them in paying for plowing. Mr. Husson may also address you during the budget to appeal for a greater amount. Finally, I have also included $1,000 for Lifelight which was a request of former Councilor Jarvi at a Council meeting, and which seemed to gain favor by members of the Council.

General Assistance:

This cost center shows no change.

Debt Service:

This cost center captures all of our loan, bond, or lease payments and reflects a modest decrease. The breakdown is below:

MAYO ROAD REBUILD	Last payment in 2031
GEN FUND CAPITAL PROJECTS	Last payment in 2049
PUBLIC WORKS BUILDING	Last payment in 2056
GRIST MILL BOND PMT TO SEWER FUND	Last payment in 2040
JOHN DEERE #16 LOADER	Last payment
JOHN DEERE #8 BACKHOE	Three payments left
FIRETRUCK	Five payments left
MILTON CAT EXCAVATOR LEASE 5 Yrs	First payment

We have previously discussed the merits of leasing, but I want to revisit the reasons why we and other municipalities enter into lease-purchase agreements for most equipment purchases. The reasons are many fold, but one of the most compelling reasons is where a bond is considered debt on which the municipality's full faith and credit is pledged, a lease is not considered debt. Because of that fact, the town does not have to have that full faith and pledge be granted by the voters. Rather, as the legislative body, the Town Council can enter into a lease-purchase agreement by its vote. The only collateral required is that of the equipment itself. If, for whatever reason, the legislative body decides it no longer wants this equipment, it simply does not budget for the annual payment and the equipment is returned. There is no effect on credit worthiness or bond rating if this happens and typically, when all else is equal, the interest rates are very competitive without the added expense of a referendum.

Sewer Department: (Enterprise Account not affecting taxation)

The sewer cost center has slightly decreased or held steady in every line item. This is due to some of the normal maintenance and repair items having been taken care of in prior years. The needs that we have facing us with sewer are larger capital projects that are outside of the budget except for their effect on debt service that is already accounted for.

The Grist Mill Bridge payment will be offset by the $27,759 from the General Fund as demonstrated in debt service.

Overlay:

This is not set until tax commitment but is entered as a placeholder.

TIF (Tax Increment Financing)

This is not set until tax commitment but is entered as a placeholder.

The Reserves/Capital Improvement Plan:

The reserve accounts work in concert with the Capital Improvement Plan. A CIP is not something that is set in stone but is a guiding document that evolves as needs, pricing, or priorities evolve. It is the planning document we rely on to help decide what large purchases we will set aside funds for.

Items that are identified needs on the Capital Improvement Plan, and which funding source are an appropriation request (rather than from any other source such as a fund balance transfer, loan, lease, grant, or State or Federal funds for example) are reflected in the reserves and outlined below:

Appropriation Requests:

Municipal Building:

$50,000	Toward roof replacement on Public Safety

Computer:

$10,000	Toward the next server and phone upgrade

EMS Vehicles:

$6,000	Toward the FY29 ambulance replacement (down payment)

EMS Equipment:	
$13,000	For the FY31 replacement of cardiac monitors
Fire Vehicles:	
$30,000	Toward the FY29 pumper/tanker replacement (down payment)
Fire Equipment:	
$30,000	For next year's extrication tool
Police Equipment:	
$15,000	For Watchguard body cam lease payments and future tasers
Stormwater:	
$100,000	To finish stormwater mitigation at town office complex, 7th year in site law permit
Streets & Roads:	
$50,000	Annual appropriation
Library:	
$50,000	Toward engineering study for expansion, and unplanned maintenance
Recreation:	
$50,000	Toward Western Ave. rec area concept development design
Pool Facility:	
$50,000	Toward roof replacement
Marina:	
$30,000	To augment the trail system and kayak launch project
Public Works Bldgs:	
$50,000	Contingency for the DPW facility
TS Bldgs/Equip:	
$185,000	To replace two compactors and upgrade electrical to support them
Matching Grants:	Toward our match for the Congressional grants for the Souadabscook
$300,000	pump station
Public Works Equip:	To fund public works truck #10 and truck #32
$175,000	

As previously stated, there is no proposal for a transfer out of fund balance in this year's budget. Last year I transferred $2million which purchased $900,000 worth of public works equipment, funded the $500,000 matching grant request that ultimately was reallocated to repair the library siding, and the remainder was a general offset. This was an effort to lower our fund balance to an amount closer to the 15% - 18% of our expenditures which is what Maine Municipal Association recommends and which our auditor spoke about during his presentation to the Council. In an attempt to find the 'sweet spot' with no large dips or climbs, we will not be taking from fund balance this year.

Revenues: Revenues are not voted on by Council and are not fully set until time of commitment in August. Projections are used to show proposed and anticipated offsets to expenses.

I have briefly outlined changes to each cost center, but the deeper discussions will begin on Tuesday, May 6th and continue through until our public hearing on June 16th. This is an interactive process, and I encourage you to take part in the discussion. If you have questions, it would be helpful to know prior to each meeting, but if I cannot answer a question at the meetings, I will return the next time with the answers. The budget document, and eventual budget is crucial to a management framework that will direct staff, build the community, and plan for the future while functioning effectively in the present. I look forward to discussing it with you.