

Memo

To: Hallowell City Council members
From: George D. Lapointe
cc: Nate Rudy, Dawna Myrick
Date: 7 February 2020
Re: **FINANCE COMMITTEE REPORT**

The Finance Committee met twice since the last January Council meeting, on 15 January and 5 February. The January 15th meeting was organizational, establishing a work schedule to complete the budget process to coincide with the beginning of the new fiscal year on 1 July. The Committee adjusted a draft schedule to front load departmental budget requests and community service budget prior to the 2nd reading of the budget (Attached).

The agenda for the 5 February meeting was:

- 1) Introductions (if needed)
- 2) TIF discussion
 - a. with respect to commitment sheet
 - b. TIF policy approval
 - c. Development of TIF allocation policy
- 3) Bond Surplus Review
 - a. Central Street Parking Lot
 - b. City Hall maintenance list
- 4) Long Term Debt Projections
- 5) Proposed (Revised) Meeting Schedule
- 6) Other business
- 7) Adjourn

TIF Discussion

The Committee's TIF discussion was in three parts. First, a discussion of TIF accounting in the budget development process. Second, to discuss approval of the TIF allocations which were part of the current fiscal year's discussions. Third, the development of a TIF allocation policy.

TIF accounting in budget process

In developing the current fiscal year budget, how to account for TIF expenses and income was unclear because the budgeting of TIF expenses and income was not clear. The Committee discussed this at length, agreeing that the FY21 budget should have a clear accounting of TIF income and expenses. One place where this became confusing was documenting TIF allocations to budget line items, e.g. legal services, which was not possible using the TRIO software that Hallowell uses to track the budget. To make this process clearer in developing the FY21 budget, the Committee is committed to two changes. First, a spreadsheet that will be an addendum to the budget documents that clear show TIF income and expenses, and the allocation between general fund and TIF allocations for some budget items, as that is part of the budget development process. Staff are going to develop a template of this spreadsheet for the Committee's consideration. The second change will be to have a line item on the final commitment sheet to show TIF income equal to TIF offsets in the general fund budget. A revenue line item will be added to the general fund budget to reflect any TIF offsets.

TIF allocation in current fiscal year budget

Because the funds identified in the TIF budget offset sheet for this fiscal year were ultimately funded through the general fund, there is about \$104,000 in the TIF fund that has not been spent. The Committee's recommendation for use of these funds is to fund replacement of the bulkhead decking and framing as soon as possible. This solution is consistent with the budget passed for this fiscal year and it allows the City to address a significant, ongoing need – replacement of the bulkhead decking and framing. Any TIF funds in excess of the amount used for the bulkhead decking and framing will remain in the TIF account for future use.

TIF allocation policy

The Committee discussed developing a TIF allocation policy to direct how TIF allocation funds are spent. The general concept is to purposefully allocate a certain proportion of TIF funds to TIF eligible budget items, if included as part of the annual budget, but to also hold back a portion for bigger, long-term development work consistent with allowable TIF spending. It is the Committee's thinking to establish this proportion annually depending on the amount of money coming into the TIF account.

The Committee will produce a draft policy for Council discussion, likely for the next Council meeting.

Bond Surplus Review

City Manager Rudy said that he'd been in touch with Ernie Martin, Maine DOT, about the remaining obligations from the Water Street Project. Recall that at our last meeting, the City Manager was concerned that there was a \$8,000 overage of expenses over bond funds available. Mr. Martin told the City Manager that were Water Street expenses were \$521,000, not the \$625,000 he'd projected. This difference in road construction costs leaves available approximately \$88,000 which the Council can consider to fund other projects. The Committee discussed funding for:

1. City Hall maintenance needs
2. Paving the Central Street Parking lot
3. Funding culvert replacement in outer Hallowell.

After discussion, the Committee will decide on recommendations to the Council after receiving the bids to replace the two culverts. If funds remain after funding the culvert replacement, the Committee will make further recommendations to the Council.

Long-term Debt Projections

The Committee reviewed the long-term debt projections (attached). Of particular note is that the payments on the 09/10 bond (used for the bulkhead, Vaughan Field for example) will go down in FY21 from \$167,495 to \$49,238, a reduction of over \$118,000. The 16/17 bond payments will increase by approximately \$20,000 because we will have used up the generous donation by Joan Sturmthal. This leaves a reduction in bond payments of approximately \$100,000 next fiscal year which will provide some budget flexibility in our deliberations about next year's budget.

Proposed Meeting Schedule

The Committee reviewed and agreed to the proposed budget deliberation schedule presented by the City Manager (attached)

Other Business

The Committee discussed the budget agenda topic on the next City Council agenda and thought that the discussion would be most productive if Council members asked specific questions about the budget or particular budget issues / items were discussed.

The Committee also discussed adding information about particular budget issues, e.g. debt service, to monthly Committee reports to highlight these issues and to make them more familiar and accessible to Council members and the public. We will begin this next month with a discuss on debt service