

## MEMO

TO: City Council members

FROM: George Lapointe, Chair, Finance Committee

DATE: 8 May 2020

SUBJECT: Finance Committee report

The Finance Committee met via webinar on 1 and 22 April. The 1 April meeting was attended by Kate Dufour, Nate Rudy, Dawna Myrick, Chris Buck, Eric Nason, Jim Owens, and George Lapointe. The meeting agenda for 1 April was:

1. Introductions
2. FY21 budget development
  - a. Presentation of no increase budget by City Manager
  - b. Any updates on state and RSU2 budget on Hallowell FY21 budget
3. Updates – impacts of COVID19 emergency (Note – this agenda topic is for a general discussion on new information since the last Finance Committee meeting. It is important to stress that new information might not be available)
  - a. Impacts on City businesses, information on information and possible assistance to City Businesses
  - b. Impacts on FY21 City budget
4. Other business

The agenda for the 22 April meeting was:

1. Introductions
2. FY21 budget development
  - a. Presentation of no increase budget by City Manager
  - b. Any updates on state and RSU2 budget on Hallowell FY21 budget
3. Updates – impacts of COVID19 emergency (Note – this agenda topic is for a general discussion on new information since the last Finance Committee meeting. It is important to stress that new information might not be available)
  - a. Impacts on City businesses, information on information and possible assistance to City Businesses
  - b. Impacts on FY21 City budget
4. Other business

### 1 April meeting summary

The 1 April meeting of the Finance Committee started with Department leads going through their budget requests and telling the Committee where adjustments could be made because of anticipated budget shortfalls resulting from the COVID-19 emergency.

Following the presentation of budgets by Department leads, the Committee directed City staff to revise the budget request to result in a no increase, i.e. flat, budget. The Committee recognized how difficult this request will be but believed it necessary to address the various budget scenarios that might result from decreased state payments, the RSU2 budget, and the possibility of Hallowell tax payers being unable to pay their property taxes in full.

### 22 April meeting summary

The 22 April meeting consisted of the presentation of a budget with nearly flat funding; this was done in response to uncertainty with finances that may manifest themselves following the COVID-19 pandemic. Possible issues related to City finances include:

- Decreased revenue sharing
- Decreased excise tax revenue
- The potential for decreased tax collections
- The potential for significantly increased general assistance payments (which are 75% reimbursed)
- The budget of RSU2

The draft budget in the 11 May City Council package reflects this discussion.

### **Overall budget considerations**

#### Timing of the budget development process

The Finance Committee began the FY20/21 budget development process intending to deliver budget recommendations to the Council that would allow consideration of the budget in June, assuming that we'd have RSU2 budget numbers by then. It felt like an achievable plan which would take much work by the Finance Committee.

Enter the COVID-19 pandemic and our plans have changed considerably. Uncertainty in both expenses and revenue budgets will push the budget development process later than we'd planned for. This includes: RSU2 budget, revenue sharing (we've seen estimates of 30-50% reductions, anticipated reductions in real estate tax collections, uncertainty about excise tax revenue, uncertainties about increased need for general assistance, and other issues.

The Finance Committee will hear from community service organizations and the Hubbard Free Library, all of whom are under similar pressures and uncertainties as the City is.

#### City budget reserves

State statute requires that the City maintain a budget reserve of 10-15%. Last year's budget left the City very close to the minimum 10% budget reserve level. What this

means from the FY20/21 budget development process is that the City does not have fiscal reserves to help with the budget development process. We will all need to keep this in mind as we balance staffing, program, and capital expenditure needs.

#### Working toward a finalized budget

The Finance Committee will continue to work on a finalized budget. We will continue to meet to understand budget requests, and to discuss balancing multiple needs with available revenue. Given the uncertainty that I'd mentioned earlier, this will likely mean a first budget reading at the June Council meeting, a second reading at the July Council meeting, and a special Council in mid- to late July to approve the budget. All budgets are tough but this one will be tougher than most with competing needs and interests.

## BUDGET BACKGROUND INFORMATION

The Finance Committee committed to providing background information on the budget to help Council members and others understand some of the important budget information.

This month, we present trends in various budget categories over the past **XX** years. The spreadsheet below shows various budget items, how they have changed over time, and the percentage of the municipal budget that they make up.

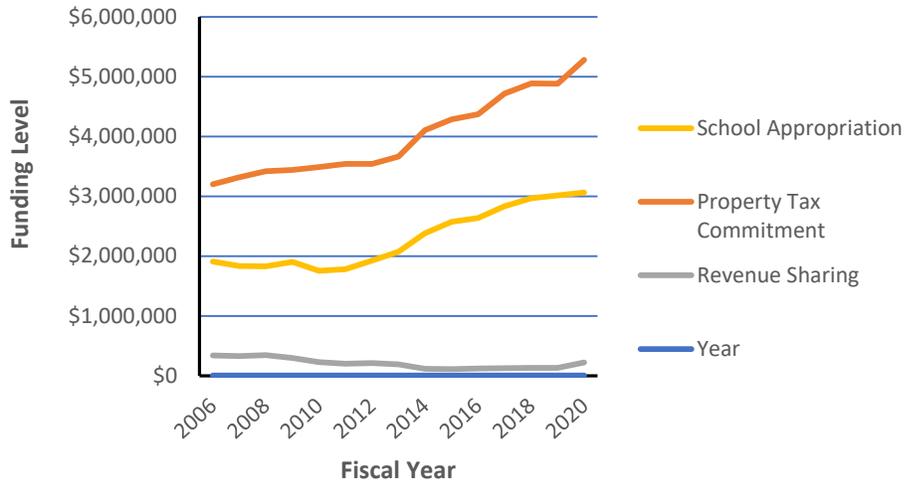
This first table shows property tax commitment, school costs, and revenue sharing from FY06 through FY20.

### Historical Changes to Commitment, School Costs, Revenue Sharing

Year	Property Tax		School		Revenue	
	Commitment	% increase	Appropriation	% increase	Sharing	% increase
FY 06	\$3,203,773		\$1,908,537		\$337,412	
FY 07	\$3,318,014	3.57%	\$1,832,018	-4.0%	\$331,240	-1.8%
FY 08	\$3,419,871	3.07%	\$1,829,957	-0.1%	\$343,756	3.8%
FY 09	\$3,441,675	0.64%	\$1,904,418	4.1%	\$299,371	-12.9%
FY 10	\$3,487,649	1.34%	\$1,754,297	-7.9%	\$227,219	-24.1%
FY 11	\$3,543,908	1.61%	\$1,782,484	1.6%	\$202,262	-11.0%
FY 12	\$3,541,627	-0.06%	\$1,926,666	8.1%	\$210,017	3.8%
FY 13	\$3,664,715	3.48%	\$2,074,912	7.7%	\$188,857	-10.1%
FY 14	\$4,103,424	11.97%	\$2,381,732	14.8%	\$118,260	-37.4%
FY 15	\$4,288,782	4.52%	\$2,571,980	7.99%	\$109,163	-7.69%
FY 16	\$4,373,589	1.98%	\$2,637,660	2.55%	\$122,849	12.54%
FY 17	\$4,716,772	7.85%	\$2,835,226	7.49%	\$126,598	3.05%
FY 18	\$4,885,265	3.45%	\$2,965,012	4.58%	\$129,566	2.34%
FY 19	\$4,882,216	-0.06%	\$3,015,639	1.71%	\$130,000	0.33%
FY 20	\$5,281,163	7.55%	\$3,062,505	1.55%	\$219,996	69.23%

Graphically this shows tax commitments, school budget and revenue sharing by fiscal year

### Tax Commitment, School Approp, Rev. Sharing by Fiscal Year



The following table shows the percentage of school and non-school funding for Hallowell from 2006 to 2020.

**SCHOOL BUDGET COMPARISON TO CITY BUDGET**

	Percentage of budget for RSU2	Non-school spending	Percentage of City budget
2006	59.57	\$1,295,236	40.43
2007	55.21	\$1,485,996	44.79
2008	53.51	\$1,589,914	46.49
2009	55.33	\$1,537,257	44.67
2010	50.30	\$1,733,352	49.70
2011	50.30	\$1,761,424	49.70
2012	54.40	\$1,614,961	45.60
2013	56.62	\$1,589,803	43.38
2014	58.04	\$1,721,692	41.96
2015	59.97	\$1,716,802	40.03
2016	60.31	\$1,735,929	39.69
2017	60.11	\$1,881,546	39.89
2018	60.69	\$1,920,253	39.31
2019	61.77	\$1,866,577	38.23
2020	57.99	\$2,218,658	42.01

The following graph shows the same information from 2006 to 2020

