

MEMO

TO: City Council members

FROM: George Lapointe, Chair, Finance Committee

DATE: 13 July 2020

SUBJECT: Finance Committee report

The Finance Committee has met twice since the last Council meeting, on 17 June and 1 July. Both meetings were about answering questions and moving forward with deliberations on the FY2021 budget.

The 17 June meeting was attended by a number of City Council members who asked questions about specific items in the draft FY21 budget for both expenses and revenue.

The 1 July meeting consisted of Finance Committee discussions on various aspects of the FY21 budget, including:

- 1) Calculation of the carryover amount
- 2) Use of TIF funds to offset general revenue spending in the FY20 budget (which would be done retrospectively) and the FY21 budget
- 3) Specific budget provisions, including:
 - a. Funding the Deputy Assistant Clerk position
 - b. Additional funding for police department personnel salaries
 - c. Funding for paving Blaine Road
 - d. Funding for sidewalk paving

The 1 July meeting also included a discussion with Acting RSU2 Superintendent Mary Paine. The RSU2 budget is already set and is subject to voter approval on 14 July. So, rather than discussing the budget that's already been approved, the Finance Committee reiterated the impacts of the RSU2 budget on the rest of the Hallowell City budget. We also discussed the need for earlier discussions next year so that the City Council can comment on the RSU2 budget as it is being developed.

Calculation of carry forward amount in budget

The Finance Committee discussed how the budget carryover number is derived.

One way of looking at the carryover is to simply compare the FY20 Budget with the FY20 YTD. For FY20, the budget total is \$6,296,018 and the Actual number is \$6,012,121 for a difference of \$283,897.

City staff said that the way the carry forward amount is derived involves more steps. This includes:

1) Calculation of reserves

With 2020 budgeted expenses of \$6,250,000, a 10% reserve is \$625,000 and a 15% reserve is 937,500.

2) Calculation of total equity

End of FY balance	\$957,508
Revenues to date	\$6,229,000
Expenses to date	\$6,091,000
Estimated total equity	\$1,095,508

3) Calculation of estimated surplus

Estimated total equity	\$1,095,508
Adjustment for Androscoggin Bank TIF account	\$298,000
Adjustment for SCBA Account	\$6,000
Adjustment for sinking fund	\$14,000
Adjustment for URIP	\$64,834
Estimated Surplus	\$712,674

4) Calculation of carry forward

Estimated Surplus	\$712,674
Adjustment for 10% reserve	\$625,000
Estimated carry forward	\$87,674

Use of TIF funds to offset general revenue spending in the FY20 budget (which would be done retrospectively) and the FY21 budget

The Finance Committee discussed two aspects of using TIF funds to offset general fund expenditures.

The FY20 discussion was whether to allocate TIF funds retroactively in the FY20 budget. The effect of this would be to increase the FY20 carryover by the offset amount. The City Manager proposed offsetting about \$79,000 of FY20 General Fund expenditures. The Finance Committee did not come to consensus on this issue because the FY20 General Fund has already been used to pay for the suggested items and to allocate TIF funds to them could be viewed as charging the taxpayers for the budget items and then paying for them with TIF funds.

The FY21 discussion discussed a list of budget items that could be funded with TIF funds. The Finance Committee believes that this is a good action to take because it reduces the General Fund expenses line items by the TIF offset amount. If this is included in the FY21 budget, the Council will need to formally approve the list of TIF offset items.

Specific Budget Line Items

The Finance Committee discussed the need for the Assistant Clerk position, in the budget at \$29,474. This position has been included in the budget to assist with city office work and to begin transition planning for the time when the City Clerk and Deputy Clerk may retire. The Finance Committee discussed the need for the position because some members thought that the workload for the two current employees is reduced with City Hall being closed, and that the retirement of these two employees isn't imminent. The Committee discussed how long a transition period should be to adequately pass on the information needed to do the work of the City Clerk's office. The City Manager said that the workload for the City Clerk's office had actually increased with COVID-19 adjustments rather than decreasing. Additionally, the City Manager said that he had applications for the position but hadn't acted on the applications because of the uncertainty of the pending budget. The Finance Committee hasn't acted on this budget request but wanted to bring it to the Council for input.

The Finance Committee discussed the budget line item for an increase in hourly wages of Police Officers, a budget item that had been taken out of the budget when making budget adjustments in response to the COVID-19 pandemic. The Committee believes that inclusion of the adjustment, \$4,160.00, will help recruit and retain police officers so should be included in the FY21 budget.

The Finance Committee agreed to including two capital improvement line items in the FY21 budget, \$40,000 to repave Blaine Road, and \$8,000 for sidewalk repair.

Budget revenue items

As the COVID-19 pandemic emerged, the Finance Committee was concerned about uncertainties in the FY21 revenue budget. This included revenue sharing and how the changing economic situation could impact collection of property taxes.

Communication with MMA indicates that the estimate of a 20% reduction in revenue sharing is a solid estimate to use in the budget.

With respect to property tax collections, the current information suggests that the property tax revenue number from the Assessors Agent is a solid number for FY21. One significant factor is that 80% of property tax revenues come from mortgage escrow accounts which are automatic payments.

Budget summary table and pie chart

The following table summarizes the expense and revenue budgets by budget category, e.g. administration or RSU2 budget. It is presented in summary form to help with understanding the budget. Some of numbers may change with new information or additions/subtractions from the budget.

FY21 DRAFT BUDGET SUMMARY PAGE

5-Jul-20

Budget Category	FY20	FY21 proposed by City M	Change FY20-FY21 (6/29)	% change	Notes
EXPENSES					
Administration (Pg 1-3)	247626	267303	19677	7.95	
City Council (Pg 4)	15850	15100	-750	-4.73	
Elections (Pg 5)	12800	12800	0	0.00	
Legal Services (Pg 6)	40000	40000	0	0.00	
Planning Board (Pg 7)	4200	4200	0	0.00	
Contingency (Pg 8)	0	60000	60000	N/A	new budget line item
Code Enforcement (pg 9-10)	27192	29128	1936	7.12	
Treasurer (Pg 11-12)	78995	80114	1119	1.42	
Assessors (Pg 13)	39189	39307	118	0.30	
Debt Service (Pg 14)	292777	256417	-36360	-12.42	
Insurance and Retirement (Pg 15-16)	416300	462315	46015	11.05	
Police Department Reg (Pg 17-20)	347241	345442	-1799	-0.52	
Police Department Special Duty (Pg 21)	3000	3000	0	0.00	
Fire Dept (Pg 22-23)	79470	80570	1100	1.38	
Water District (Pg 24)	162113	167800	5689	3.51	
Winter Road Maint. (Pg 25)	94000	82000	-12000	-12.77	
Public Works (Pg 26-29)	280536	284941	4405	1.43	
Communications (Pg 30-31)	50148	49190	-958	-1.91	
Cemetery Dept (Pg 32-33)	26774	26754	-20	-0.07	
Recycling (Pg 34)	34330	34310	0	0.00	
City Parks (Pg 35)	18800	13800	-5000	-26.60	
Forestry (Pg 36)	6328	6328	0	0.00	
Conservation (Pg 37)	3786	3786	0	0.00	
Recreation (Pg 38)	44000	45500	1500	3.41	remove \$800 for summer rec. program
Utilities (Pg 39-40)	76026	60776	-15250	-20.06	
General Assistance (Pg 41)	8380	16330	7950	94.87	additional \$8000 to address ongoing COVID-19 impacts
Health (Pg 42)	31500	35500	4000	12.70	
USGS Flood Gauge Maintenance (Pg 42)	0	0	0		
Hubbard Free Library (Pg 43)	42000	42000	0	0.00	FY20
Prof. Assessments (Pg 44)	56133	57133	1000	1.78	includes cost for comp. plan
Community Services (Pg 45-46)	72087	26283	-45804	-63.54	42000 moved to HPL line
RSU2 (Pg 47)	3,062,505	3,211,817	149,312	4.88	docs
County Taxes (Pg 48)	266560	277099	10539	3.95	
Capital Improvements (Pg 49-50)	136000	94060	-41940	-30.84	
Overlay	0	0	0		
Grant Expenses	0	0	0		
Bond Expenditures	0	0	0		
TIF Agreements (Pg 51)	252014	303834	52820	21.04	
Downtown TIF (Pg 52)	0	0	0		
Fire Station Donation (Pg 54)	0	0	0		
Crane, Old Fire Station (Pg 55)	0	0	0		
TOTAL EXPENSES	6286038	6471027	184989	2.94	

INCOME					
Administration w/o Prop tax (Pg 1)	503450	413950	-89500	-17.78	
Admin. Property tax (Pg 1)	5268193	5268193	0	0.00	
Code Enforcement (pg 2)	4650	5875	1025	22.04	
State Payments (Pg 3)	373791	298382	-74809	-20.01	Note - large drop b/c of reduced state payments
Rental Revenues (Pg 4)	2600	2650	50	1.92	
Other Reimbursements (Pg 5)	6000	6000	0	0.00	
Lien Costs (Pg 6)	1000	1250	250	25.00	
Grants (Page 7)	25000	9000	-20000	-80.00	
Police Dept (Page 8)	12300	10000	-2300	-18.70	
Public Works (Pg 10)	0	0	0		
Fund raising (Page 9)	0	0	0		
Cemetery Dept (Pg 11)	32524	30900	-1624	-4.99	
Recreation (Pg 12)	44000	45500	1500	3.41	
Conservation	500	0	-500		Donation last year
Carry forward		50000			
TIF revenue	0	100000			
TOTAL INCOME	6274008	6354917	80909	1.29	

Difference Income to Expenses	-512,030.00	-516,110.00			
Mil Rate	?	?			

Each \$245,000 in additional spending is equivalent to a 1 mil increase in the tax rate

Percent increase in mil rate

IMPORTANT NOTES

For expenses, increases over 5% in red, decreases of over 5% in green
 For income, increases of over 5% in green, decreases of over 5% in red

The pie chart shows expense budget percentages by budget category, arranged by percentage of total expenses, for the largest budget categories.

