

MEMO

TO: City Council members

FROM: George Lapointe, Chair, Finance Committee

DATE: 6 August 2020

SUBJECT: Finance Committee report

The Finance Committee met twice in the last month on 30 July and 5 August to continue work on the FY21 Municipal Budget. The outcomes from these meeting are:

1) Budget adjustments

Expense Budget

The Committee went through the budget making a number of changes, primarily reductions, to align the FY21 budget numbers to past year numbers or year-to-year trends, with some line items receiving slight increases. The Committee has included one significant addition to the Second Reading budget, recommending that \$17,000 be added to the budget for an feasibility study on what it would take to acquire a new location for the Public Works Department on Central Street and to renovate the building on the site for a Public Works Facility.

Revenue Budget

On the revenue side of the budget, the Finance Committee recommends that the vehicle excise tax revenue adjustment be adjusted from a 20% reduction (-\$85,000) to a 15% reduction (-\$63,750), and that state revenue sharing be adjusted from a 20% reduction (-\$44,000) to a 15% reduction (-\$33,000). This recommendation is being made because of new information that is available since the 20% reduction estimate was made at the beginning of the COVID-19 pandemic. The current information suggests that the reductions in these budget line items will be significantly less than the original 20% reduction estimates in FY21. The budget changes recommended are modest because we don't know how these budget line items will end up in the fiscal year. After a very low vehicle excise tax revenue in March, these numbers have improved because people are buying vehicles. Current information on state revenue sharing suggests that changes to this budget line item will be discussed by the next legislature but any changes will be late in the fiscal year, or in the next biennium.

The relatively modest adjustments in these two revenue line items position the municipal budget to likely have better end of fiscal year reserves. This will put Hallowell in a good position for the next couple of fiscal years when the state revenue budget line items will likely see significant reductions.

2) TIF discussion

The Committee discussed how the use of TIF revenue impacts the mil rate calculation sheet, specifically impacts on carry forward and how the \$100,000 of TIF funds used to offset FY17 bond payments is captured in the budget, and how it shows up in the TIF reserve account.

The Committee discussed how TIF reserves impact the carry forward process, and we concluded that the current budget and mil rate calculation form contain the correct carry forward amounts.

With respect to how the \$100,000 bond payments are accounted for in TIF reserves, the Committee agrees that the \$100,000 is captured in the TIF fund spreadsheet presented by city staff. The Committee will, however, examine this issue further in September or October to better understand how TIF funds flow through the budgeting process and documents provided as part of the regular Treasurer's reports.

3) Recommend TIF allocations to offset FY20 and FY21 budget general fund expenses.

The Finance Committee has discussed whether to use TIF funds to offset FY20 (retroactively) and FY21 general fund expenses as recommended by the City Manager in documents provided to Council. These offsets will help general fund reserves and carry forward, both of which position the City budget for future budgets.