Finance Committee Report

RE: 3rd Quarter Treasurer's Report Review
FY19 Property Tax Rate Discussion

Date: June 7, 2018

Chair: Christopher Ettori
Other committee members present: Aldermen Humphrey, Whitcomb, Gillam
Other Aldermen present: President Davis, Aldermen Mattis, DePoy

Others present: Mayor Allaire, Treasurer Mary Markowski, Assistant City Treasurer Lynn Holmquist

The meeting convened at 5:30 pm to review any questions on the treasurer's 3rd quarter report and to start the discussion on setting the FY19 tax rate. Regarding the 3rd quarter report, Treasurer Markowski noted the different fund balances and how the unassigned fund balance in particular is a moving target but we need to watch the overall trends. The treasurer also noted that expenses after the 3rd quarter, after accounting for some grant expenditures, are close to being on target. Alderman Humphrey noted the board's appreciation for the clarity in the treasurer's quarterly presentations.

The committee then began reviewing the process by which we set the property tax rate each year. The treasurer reviewed the figures used for FY18 and detailed how they were compiled. This included:

- The total **general fund appropriations** dollar amount ($21.1M: comprised of the voter-approved budget as well as the voter-approved debt service and social service agency payments)
- The **non-property tax revenues** to the city ($2.5M: comprised of RME tax; PILOT payments; various rent, fees, and sales revenue; and rec dept program revenue)
- The **transfers** in from the enterprise funds ($1.4M)
- The **surplus or deficit** from the previous year. For setting the FY18 rate this figure amounted to over $1M that helped offset the budget increase and was comprised of two main parts - $790K that needed to be relinquished from the MS4 and pension assignments, and the Board's decision to set the unassigned fund balance at 9% of the budget (below the board-approved target of 10-15%) which allowed the Board to return an additional ~$300K to the taxpayer

The net result for FY18 was that the city needed to raise $16M in property tax revenue to pay for the $21.1M in voter-approved appropriations. Applied to the grand list, this amounted to an FY18 tax rate of $1.5932.

The committee then discussed the preliminary figures for FY19 that the treasurer presented. While the figures for the GF appropriations and the transfers in are mostly set, the figures for the revenues and unassigned fund balance are estimates or projections:

- The total **GF appropriations** ($22.2M) is up 5.5% primarily because Mayor Allaire's FY19 budget, as passed by the BoA and approved by the voters, is **up $1.1M** from the FY18 budget
- The **transfers** from the enterprise funds ($1.5M) are minimally higher
- While the **non-property tax revenues** are not yet known, following historical trends the treasurer estimated them to be about even with the previous years ($2.5M)
- Because of the many adjustments that need to be made for FY18, the treasurer assumed $0 in any **surplus/deficit** that will be available to impact the tax rate

The net result is a projection that the city needs to raise $18M in property tax revenue to pay for the $22.2M in voter-approved appropriations. Applied over the grand list, this amounts to a $1.7955 tax rate. This potential property tax rate increase of approximately $.20, or almost 13%, equates to an additional $300 /yr on the average $150K house.

	FY18	Estimated FY19	
GF Appropriations	$21.1M	$22.2M	up $1.1M
Revenues	($2.5M)	($2.5M)	even
Transfers in	($1.4M)	($1.5M)	up $120K
(Surplus)/Deficit	($1.1M)	?	?
Need to Raise	$16M	$18M	up $2M
Approx tax rate	$1.5932	$1.7955	up 12.7%

The committee also discussed the potential changes in the grand list and how any increase in the grand list would help reduce the tax rate. Currently the grand list number in NEMRC lists a slight bump up from last year.

Because of the many moving parts that depend on the current fiscal year that ends June 30th, the issue will stay in committee so that further discussions can be had prior to the July 16th board meeting when the board will set the rate officially.

The meeting adjourned at 6:20 pm. This report was for information only.

Respectfully submitted,

Christopher Ettori, Chair