***City of Biddeford***
**Budget Committee**
**August 15, 2017 5:30 PM City Hall**
**205 Main Street**
**Council Chambers**

1. **Roll Call**
2. **Pledge of Allegiance**
3. **Discussion**
   3.1. Amendments to FY2018 Budget
   8-15-2017 Budget Amendments - MEMO.docx
4. **Adjourn**

# City of Biddeford

***Finance Department - (207) 284-9333***
205 Main Street, P O Box 586
Biddeford, ME 04005

**To**: Budget Committee

**From**: Cheryl Fournier
Brian S. Phinney

**CC:** James Bennett

**Date**: August 9, 2017

**Re**: Amendments to the Fiscal Year 2018 Budget

As reported on July 25, with adoption of the State budget comes additional revenue and changes in the municipal allocation. The result is a decrease in the Homestead reimbursement rate and an increase in school funding for a net increase in state funding. The City Council must now determine how best to allocate the additional revenue. The following information is intended to assist the City Council with the decision. This information is provided as background and additionally as recommendations for consideration.

As part of the budget amendment process it is requested that a few administrative issues be addressed prior to the larger discussion on allocation of the additional State funds. The benefit of addressing these issues in this order is that the impact of additional funds will be based on an accurate baseline budget.

## Administrative Issues

Three administrative errors and one unintended consequence have been identified since the second reading of the budget and preliminary entry of the individual line items into Munis, the City's accounting software. These issues are explained in more detail below and involve the Airport Fund and Municipal Services.

Airport Fund

Issue: A clerical error listed the total Airport Fund expense line as $774,256, comprised of $304,256 in the Airport Operations Fund and $440,000 in the Airport Reimbursable Fund. The actual total when adding the two fund subtotals is $744,256. This correction does not have a General Fund impact but is needed for accuracy.

Request: Make a motion to reduce the total Airport expense appropriation by $30,000 for a new total of $744,256.

Municipal Services

Issue: Upon entering the Social & Municipal Services budget in Munis, staff identified a clerical error with the total allocation and subsequently identified funding shortfalls with two of the support agency lines.

First, the subtotal for the Social Services component was $57,000 and the subtotal for the Municipal Services component was $658,016 for a total allocation of $715,016 in the original Order. No change is needed to the Social Services component. The Municipal Services component, however, contained a clerical error having to do with identifying the allocation total on the night of the vote. As noted above, the 1st reading of the Municipal Services component totaled $658,016. On May 24th the Council approved agency appropriations by taking the total agency requests and reducing each by a uniform 5% resulting in a total appropriation of $710,371 and then through a separate motion increasing McArthur Library funding within the Municipal Services component to the FY17 allocation of $478,364. This resulted in an increase of $19,989 from the first motion for a new Municipal Services subtotal of $730,360. Adding the $57,000 for Social Services, the new line item total becomes $787,360. The 2nd reading total on the Order was listed as $783,511, a shortfall of $3,849.

Subsequently, a review of the Eastern Trail and SMPDC funding requirements indicates that the community's contribution is fixed and does not fit the 5%-across-the-board-reduction model applied to determine agency allocations. The net shortfall for the Eastern Trail membership fee is $250 and the net shortfall for the SMPDC membership fee is $369.

The net shortfall total is $4,468 ($3,849 + $250 + $369)

Request: Motion to increase the Social and Municipal Services line by $4,468 for total allocation of $787,360.

If the requests associated with the Administrative Issues are granted, the amended General Fund total becomes $31,337,538, including the two unallocated reductions.

| | |
|---|---|
| General Government | $10,773,954 |
| Public Safety | $ 9,816,612 |
| Public Works | $ 4,531,210 |
| Public Services | $ 1,197,725 |
| Social & Municipal Services | $ 787,979 |
| Debt Service | $ 2,964,511 |
| Capital Outlay | $ 1,515,547 |
| **Subtotal** | **$31,587,538** |
| *Less Item #1 (equivalent of one employee)* | *-$ 75,000** |
| *Less Item #2 (unallocated reduction)* | *-$ 175,000* |
| **Total** | **$31,337,538** |

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*Note that the Order for the reduction of one employee specified, "a reduction of one employee or $100,000, whichever is less." $75,000 is used as the actual cost with benefits, being less than $100,000.

If the administrative corrections are accepted, the full tax rate (city, school & county) is **$20.23** and can now be used in the State funding discussion.

**State Finding Budget Amendments**

Changes in State Funding – Homestead & School

The approved State budget included changes to the Homestead reimbursement rate from 62.5% to 50%, which decreases Biddeford's revenue by $170,083. The loss of Homestead revenue is an "automatic" calculation so no specific Council action is required with regard to Homestead.

The Biddeford School Department is expected to receive approximately $900,000 in additional revenue. The original budget orders contemplated a potential for additional funding and authorized the following language for the School Budget Validation Referendum Election:

> ***Disposition of Additional State Subsidy:*** *The City Council has authorized the School Committee with consent of the City Council to use all or part of additional state subsidy received, if any, to increase expenditures for school purposes in cost center categories approved by the School Board, increase the allocation of finances in a reserve fund approved by the School Board, and/or decrease the local cost share expectation, as defined in Title 20-A, section 15671-A(1)(B), for local property taxpayers for funding public education as approved by the School Board.*

Consistent with the intent of the City Council and School Committee, the Orders support the possibility of splitting the additional funding between the School and City with $450,000 going to the Biddeford School Department and $450,000 going to the City.

With the increased School funding there is an opportunity to restore the bottom-line reduction of $175,000 and still reduce the Mil rate. Please note that the adopted motion to reduce by one position or $100,000 ($75,000 in actuality) remains in the budget.

Recommendations:

- Motion to accept and determine what to do with the additional School funding. Recommend splitting the additional funding by allocating $450,000 to the School Department and $450,000 to the General Fund.
- Motion to restore the $175,000 previously removed as an unallocated bottom-line reduction. (Reduction of one employee to remain).

**Budget Impact**

A list of recommended budget amendments is reiterated below. The table summarizes the impact of the State budget changes and the budget recommendations:

- Reduce Airport Appropriation by $30,000 (correction) $744,256
- Increase Social & Municipal Services by $4,468 (correction) $787,979

- Reduction in Homestead Reimbursement (lost revenue) $170,083
- Increase in Revenue from School Surplus (new revenue) $450,000
- Restore Bottom-line Reduction (recommendation) $175,000

| General Fund (w/ Social & Municipal Services Corrections | | Allocation | Mil Rate Impact |
|---|---|---|---|
| General Government | $ | 10,773,954 | |
| Public Safety | $ | 9,816,612 | |
| Public Works | $ | 4,531,210 | |
| Public Services | $ | 1,197,725 | |
| Social & Municipal Services | $ | 787,979 | |
| Debt Service | $ | 2,964,511 | |
| Capital Outlay | $ | 1,515,547 | |
| Subtotal | $ | 31,587,538 | |
| Less Item #1 (equivalent of one employee) | $ | (75,000) | |
| Less Item #2 (unallocated reduction) | $ | (175,000) | |
| Subtotal | $ | 31,337,538 | 20.23 |
| **Impact of State Budget Changes** | | | |
| 50% of Surplus (new rev) | $ | (450,000) | -0.19 |
| Change in Homestead Reimbursement (lost Rev) | $ | 170,083 | 0.07 |
| Net State Budget Impact | $ | (279,917) | -0.12 |
| **Impact of Recommendation** | | | |
| Restore Bottom Line Reduction | $ | 175,000 | 0.08 |
| Total Allocation | $ | 31,232,621 | 20.19 |
| Net Change (overall budget reduction) | $ | (104,917.00) | |

Due to the variables involved, a formal Order will be generated following a decision by the Budget Committee. The Order will be presented to the City Council for action immediately following the Budget Committee Meeting.