

Budget? Tax Rate? Tax Commitment? Fund Balance?

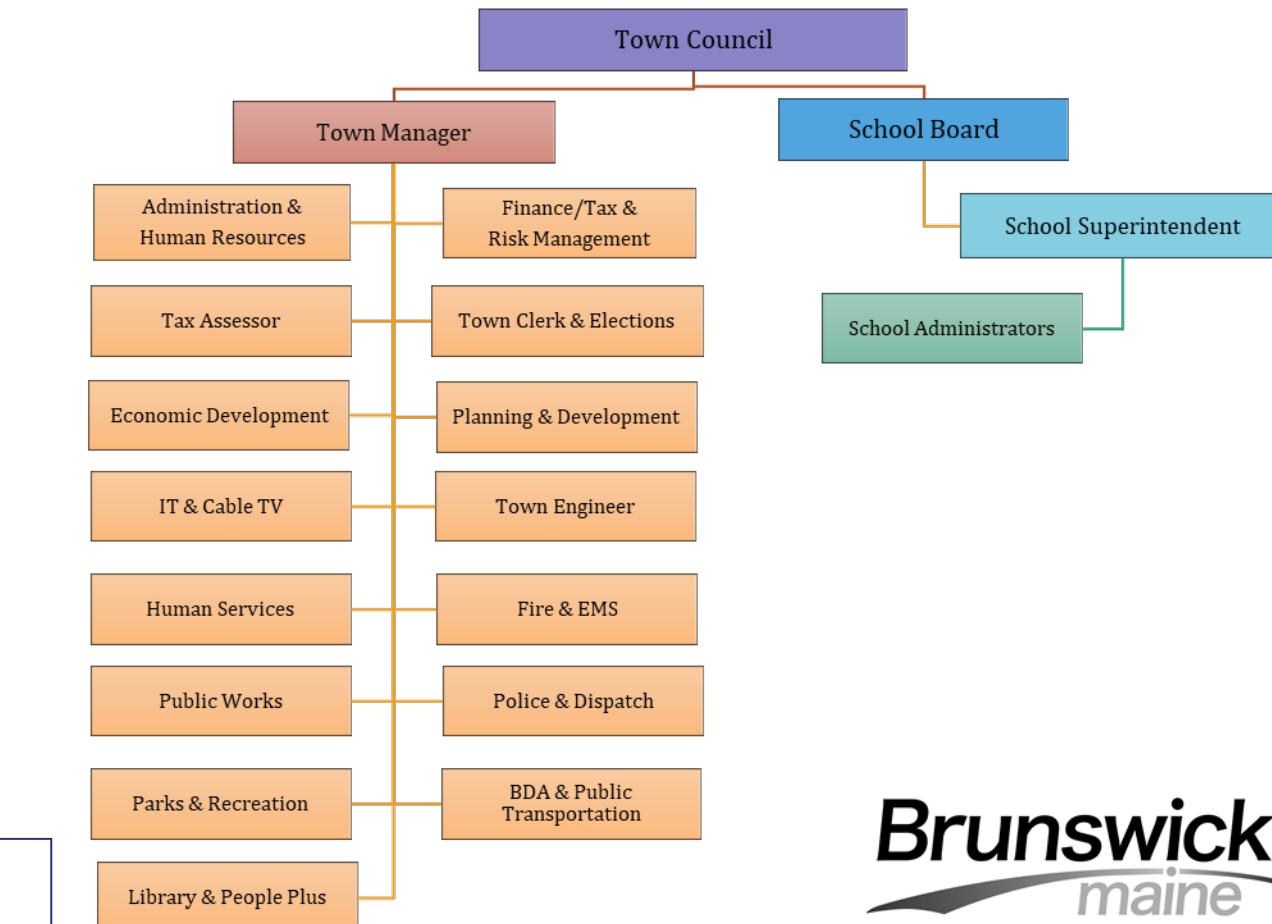
FINANCE COMMITTEE PUBLIC FORUM
OCTOBER 19, 2023



How is the Town's budget established?

From the bottom up:

- 1 **Departments/Directors and School Administrators**
PROPOSE BUDGETS
- 2 **Town Manager and School Superintendent**
ADJUST AND COMPILE BUDGETS
- 3 **School Board**
APPROVES SCHOOL BUDGET
- 4 **Town Manager**
PRESENTS FULL BUDGET TO
Town Council
- 5 **Town Council**
ADOPTS ANNUAL BUDGET



How does the Town's budget determine taxes?

The budget adopted by the Town Council determines the amount to be raised from taxes - the Tax Levy.

2023-24 EXPENDITURES

ESTIMATED REVENUES

10

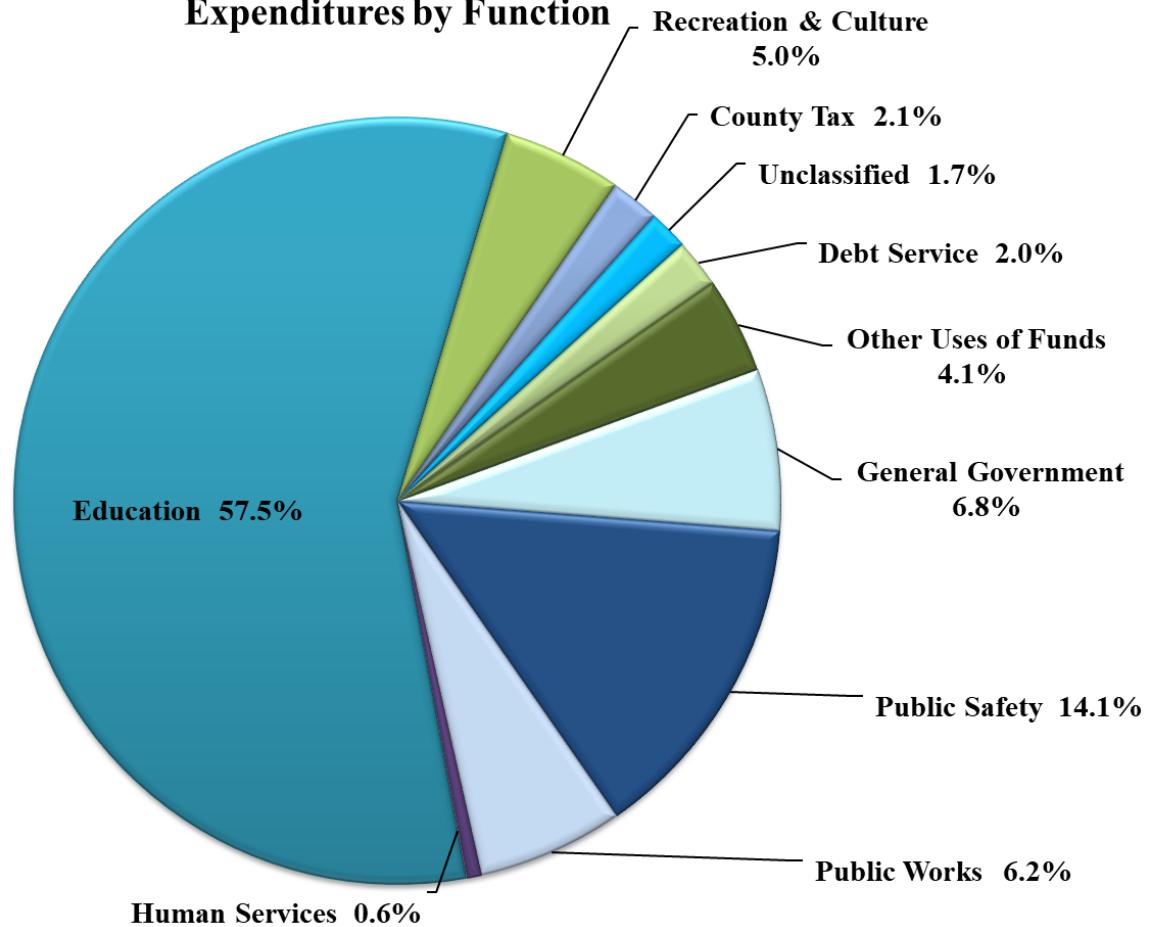
TAX LEVY

(AMOUNT TO BE RAISED FROM TAXES)



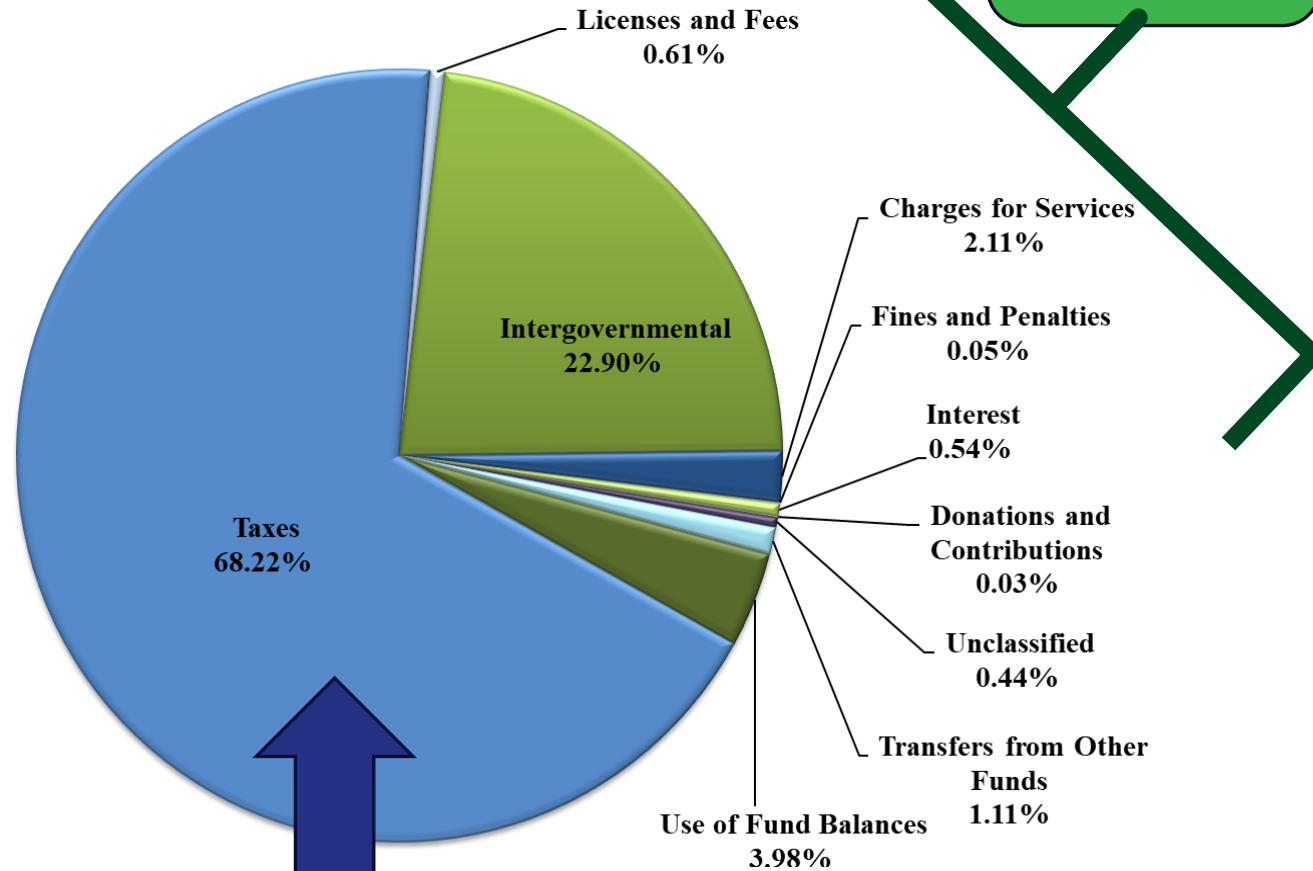
Brunswick
maine

**Town of Brunswick
2023-24 General Fund Budget
Expenditures by Function**



2023-24 EXPENDITURES
\$92,058,697

**Town of Brunswick
2023-24 General Fund Budget
Revenues by Source**



TAX LEVY (AMOUNT TO BE RAISED FROM TAXES)
\$58,852,652

Brunswick
maine

**ESTIMATED
REVENUES
\$33,206,045**

How is the tax rate established?



The amount to be raised from taxes is divided over the total assessed property value of the Town

TAX LEVY \$58,852,652
(AMOUNT TO BE RAISED FROM TAXES)

TOTAL VALUE

\$2,526,945,333



=

TAX RATE



Brunswick
maine

When my property value increases, does it mean the Town makes more money?

NO - the Town only collects the amount approved in the annual budget.

AMOUNT TO BE RAISED
FROM TAXES
DOES NOT CHANGE



Lower total value = higher tax rate



Higher total value = lower tax rate

Brunswick
maine

What happens when my assessed value is brought up to 100% of market value?

All properties are brought up to market value, and taxes are shared equitably

AMOUNT TO BE RAISED
FROM TAXES
DOES NOT CHANGE



50% of
market value



75% of
market value



100% of
market value



Brunswick
maine

How are my 2023-24 taxes determined?

2022 Assessed Values	\$6,000 Budgeted taxes to be raised (\$6,000 over \$250,000 = \$24.00/1000)
Home #1  \$100,000 Assessed \$200,000 Market 50% of market value	 \$2,400 tax bill ($\$100,000 \times 24.00/1000$)
Home #2  \$150,000 Assessed \$200,000 Market 75% of market value	 \$3,600 tax bill ($\$150,000 \times 24.00/1000$)
Totals <u>\$250,000</u>	<u>\$6,000</u>

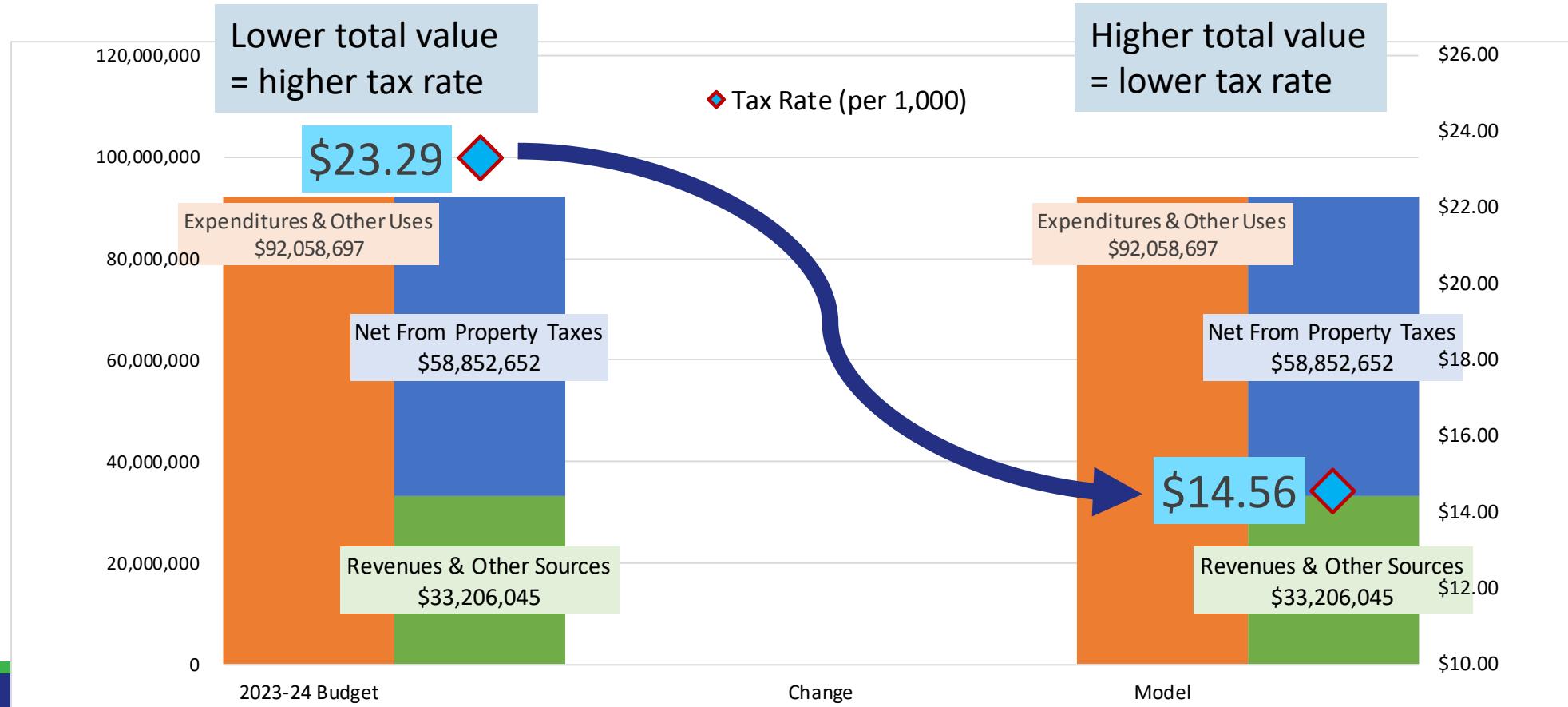
What if values are brought to 100% of market?

Updated Assessed Values (100%)	\$6,000 Budgeted taxes to be raised (\$6,000 over \$400,000 = \$15.00/1000)
 \$200,000 100% of market value	 \$3,000 tax bill ($\$200,000 \times 15.00/1000$)
 \$200,000 100% of market value	 \$3,000 tax bill ($\$200,000 \times 15.00/1000$)
Totals <u>\$400,000</u>	<u>\$6,000</u>

The Town only collects the amount approved in the annual budget.

	<u>2023-24 Budget</u>		<u>Change</u>		<u>Model</u>
Revenues & Other Sources	33,206,045		0.00%	0	33,206,045
Expenditures & Other Uses	92,058,697		0.00%	0	92,058,697
Net From Property Taxes	58,852,652			0	58,852,652

Tax Rate Valuation	2,526,945,333	60.00%	1,516,167,200	4,043,112,533
Tax Rate (per 1,000)	\$23.29		-\$8.73	\$14.56



Why can't we just bring the assessments up to 70% of market?

The assessments could be set at 70% of market, but that would:

- Keep values equalized - fair relative to each other
- Reduce total value and increase the tax rate
- NOT CHANGE YOUR TAX BILL

AMOUNT TO BE RAISED FROM TAXES

TOTAL VALUE

=

TAX RATE

Lower value X higher tax rate =
Higher value X lower tax rate



What happens when values are brought to 100% of market?

2022 Assessed Values	Updated Assessed Values (100%)	\$6,000 Budgeted taxes to be raised (\$6,000 over \$400,000 = \$15.00/1000)
Home #1     		
\$100,000 Assessed \$200,000 Market 50% of market value	\$200,000 100% of market value	\$3,000 tax bill (\$200,000 x 15.00/1000)
Home #2     		
\$150,000 Assessed \$200,000 Market 75% of market value	\$200,000 100% of market value	\$3,000 tax bill (\$200,000 x 15.00/1000)
Totals	<u>\$250,000</u>	<u>\$400,000</u>
		<u>\$6,000</u>

What if values are 70% of market?

Updated Assessed Values (70%)	\$6,000 Budgeted taxes to be raised (\$6,000 over \$280,000 = \$21.43/1000)
  	
\$140,000 70% of market value	\$3,000 tax bill (\$140,000 x 21.43/1000)
  	
\$140,000 70% of market value	\$3,000 tax bill (\$140,000 x 21.43/1000)
Totals	<u>\$280,000</u>
	<u>\$6,000</u>

What is fund balance?

Assets - Liabilities
= Fund balance

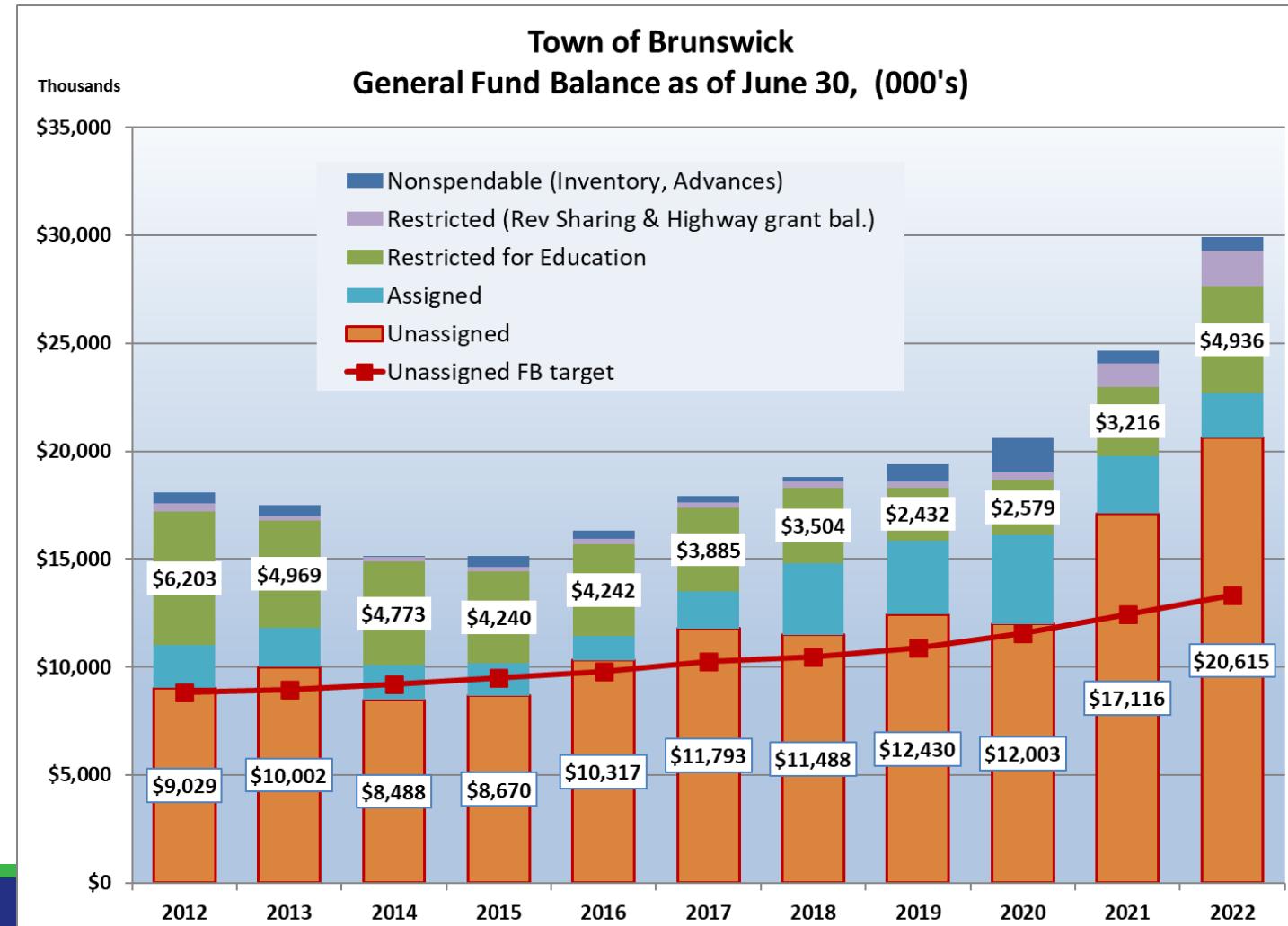
5 Classifications 

Nonspendable
Restricted
Committed
Assigned
Unassigned

- ▶ **Nonspendable** – resources which cannot be spent because they are either a) not in spendable form; or b) legally or contractually required to be maintained intact
- ▶ **Restricted** – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- ▶ **Committed** – resources which are subject to limitations the Town imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner. The Town Council is the highest level of decision making authority, and can commit fund balance by ordinance.
- ▶ **Assigned** – resources neither restricted nor committed for which the Town has a stated intended use as established by the Town Council or a body or official to which the Town Council has delegated the authority to assign amounts for specific purposes. The Town Council has a fund balance policy that requires certain items to be classified as assigned. Further, the policy gives discretion to the Town Manager and Finance Director to make assignments as they deem appropriate in their professional judgment.
- ▶ **Unassigned** – resources which cannot be properly classified in one of the other four categories. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

What is Brunswick's general fund balance?

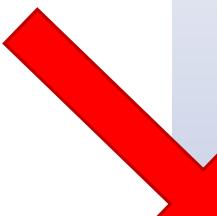
Nonspendable
Restricted (Municipal)
Restricted (Education)
Assigned
Unassigned
Unassigned Target =
2 months of general
fund revenue



What is unassigned fund balance used for?

The Fund Balance Policy sets a target level for Unassigned General Fund Balance

Amounts in excess of the target shall first be used **for capital improvements, or other one-time expenditures**, as recommended by the Town Manager and approved by the Town Council.



Fund Balance Policy Adopted October 18, 2010

- ▶ Fund balance is intended to serve as a measure of financial resources in a governmental fund. The Town's management, credit rating services, and others monitor the levels of fund balance in the general fund as an important indicator of the Town's economic condition.
- ▶ It is the policy of the Town of Brunswick to maintain unassigned fund balance in the general fund at 16.67% of general fund revenues measured on a GAAP basis. In the event that the unassigned fund balance drops below this level, the Town will develop a plan, implemented through the annual budgetary process, to bring the balance to the target level over a period of no more than three (3) years. Amounts in excess of the target shall first be used for capital improvements, or other one-time expenditures, as recommended by the Town Manager and approved by the Town Council



What has unassigned fund balance been used for in the past?

Some to offset taxes in the annual budget, but most to fund capital projects – avoiding the need to issue debt (borrow money).

Town of Brunswick, Maine Use of Fund Balance						
Description	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Use in Annual Budget	500,000	500,000	650,000	547,000	500,000	660,000
Capital Improvement Program projects	1,251,500	902,500	941,000	515,000	4,536,000	5,258,500
County Tax (6 months 'catch-up')					782,237	628,790
Starting unassigned FB over/(under) target	995,245	1,556,571	420,702	4,547,291	7,291,885	

Please ask questions!

Julia Henze, Finance Director

725-6652, jhenze@brunswickme.org

Taylor Burns, Assessor

725-6650, tburns@brunswickme.org

