

Administration

Saco City Hall
300 Main Street
Saco, Maine 04072-1538
Phone: (207) 282-4191



Kevin L. Sutherland
City Administrator

KSutherland@sacomaine.org
facebook.com/sacomaine
[Twitter.com/sacomaine](https://twitter.com/sacomaine)
[Instagram.com/saco.maine](https://instagram.com/saco.maine)

MEMORANDUM

TO: Mayor Lovell and City Council
FROM: Kevin L. Sutherland, City Administrator
DATE: March 24, 2019
RE: **Administrative Update**

Municipal Revenue Sharing

Last week, I attended a joint meeting of the Appropriations and Taxation committees in Augusta to speak at the public hearing regarding municipal revenue sharing. The budget that was passed two years ago would have restored local government revenue sharing back to original amount of 5% starting July 1st, 2019. Unfortunately, the Governor's budget has that number at 2.5% starting in July (which we've budgeted for) and 3% for FY21. Over 40 municipal managers or elected officials came to speak in favor of restoring this percent to the full 5%.

Many communities spoke about the exact effect this would have on their tax rate or the impact on their residents, but Saco took a bit of different approach. We used some of the visuals created from prior presentations to provide members of the committee (see handout) with a tool to share with their constituents and peers in the legislature about why full restoration is important.

Slide 1 (top of page 1) Every year, the cities throughout Maine makes it a goal to achieve sustainable growth. Sustainable growth starts with best-in-class city services – strong infrastructure, safe neighborhoods, great schools, and so much more. Those strong city services drive population growth as more and more individuals want to move to our cities. That rising population drives growth in property values, whether because of new development or increasing demand for existing inventory. Rising values in turn drive sufficient growth in tax revenue to pay for inflationary cost pressures on city services.

Slide 2 (bottom of page 1) To maintain sustainability, cities are dependent on all other revenue streams rising with inflation. When State Revenue Sharing is cut, property value growth is no longer sufficient to pay for city services. Cities are left with two options: cut city services or increase the property taxes.

Slide 3 (top of page 2) Let's look at this another way. The state decides a new initiative is imperative to implement. Revenue Sharing is targeted as a funding source and the amount shared with cities declines. Cities must then increase property taxes to make up the difference. What that translates into in practical terms is that the State is using property taxes to fund new initiatives. In fact, the net total "raised" by the

state in property taxes over the last decade is \$694 million. We need to decide: are property taxes the best way to raise funds?

Slide 4 (bottom of page 2) As a funding mechanism, property taxes are inferior to other methods of raising funds at the state level. Property taxes are flat or even, in some cases, regressive. They are unaffected by fluctuations in income. They hit residents and business owners alone, forcing them to pay for the incremental costs of external tourist or commercial activity. This is why State Revenue Sharing was implemented in the beginning: to reduce the share of the property tax load on citizens, especially our poorest and most vulnerable. We strongly urge the Appropriations Committee and the Maine State Legislature to return State Revenue Sharing to its mandated 5% and to pursue revenue sources other than property taxes when looking to fund new state initiatives.

Local Option Sales Tax (LOST)

This week, I will be attending another hearing to advocate for municipalities to have the authority to create local option sales tax. I will have a report next week on the presentation and the turnout.

Employment Agreement

One of the items up for executive session is for Council to decide if they wish to negotiate another contract with the City Administrator. Our Charter requires this to occur six months prior to end of a contract and since my contract is set to expire on September 30, 2019, now is the time for the Council to make that decision.

Unfortunately, the timing of this is not great. With the budget season now in full swing, time away from meetings with departments to hear about their challenges and successes is not a good use of our limited time together on Monday nights. I would ask, if the Council wants to negotiate with me, that they consider a three-month extension tonight with no other additions or benefits in the contract extension so that we can get through the budget process before time is spent on an agreement.

Wayne Hanson Retirement

Lieutenant Wayne Hanson retired on Sunday, March 24th after 42 years with the Saco Fire Department (including his time as a junior firefighter). Lt. Hanson was celebrated by friends, family, and colleagues in recognition of his successful career and dedication to the Saco community. Thank you for your years of service. We wish you well in your well-deserved retirement!

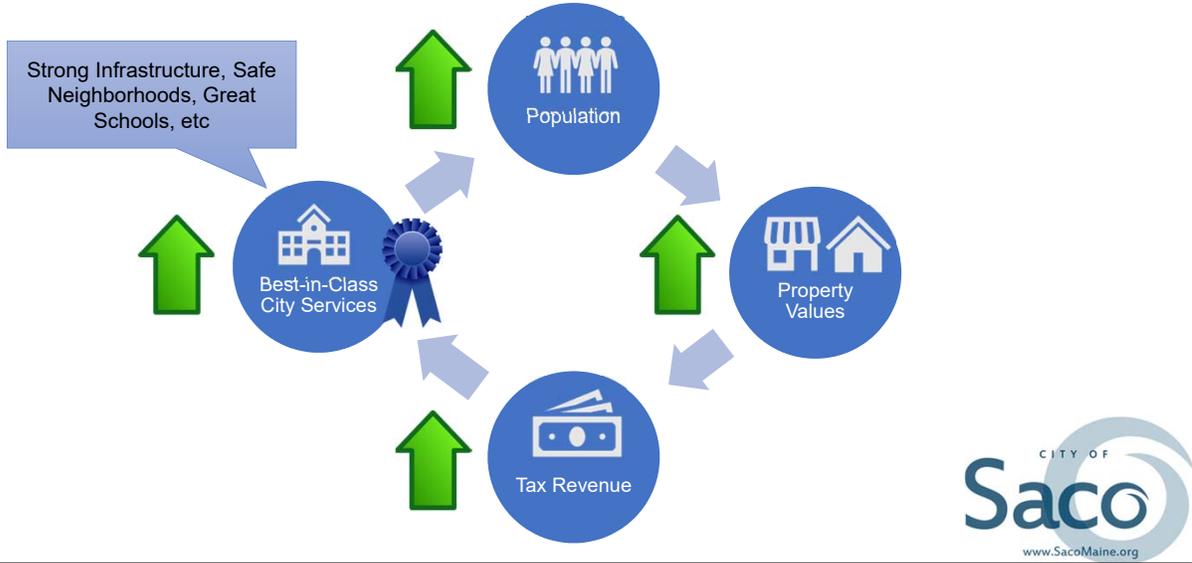
Mary's Walk

Sunday was also Mary's Walk and what a beautiful day for it! I want to thank Governor Mills for attending and for all the city staff who stepped up to make this a safe and enjoyable event.

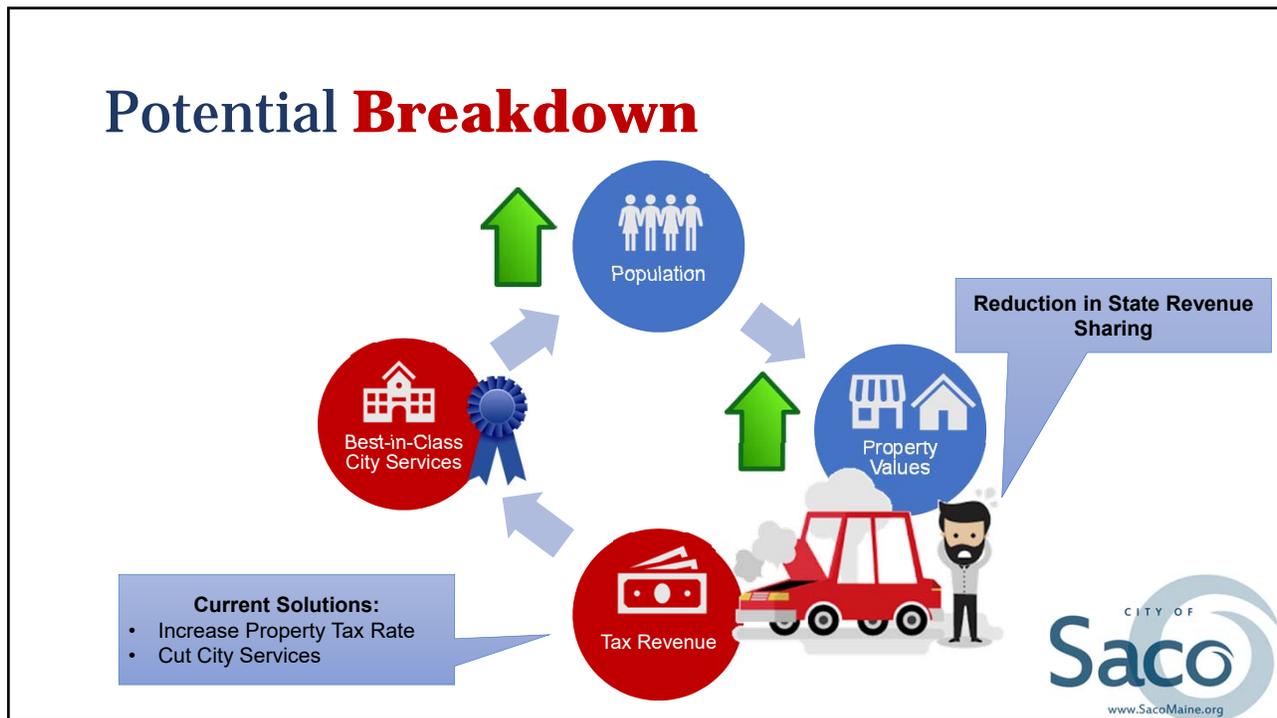
Cabin Fever Reliever

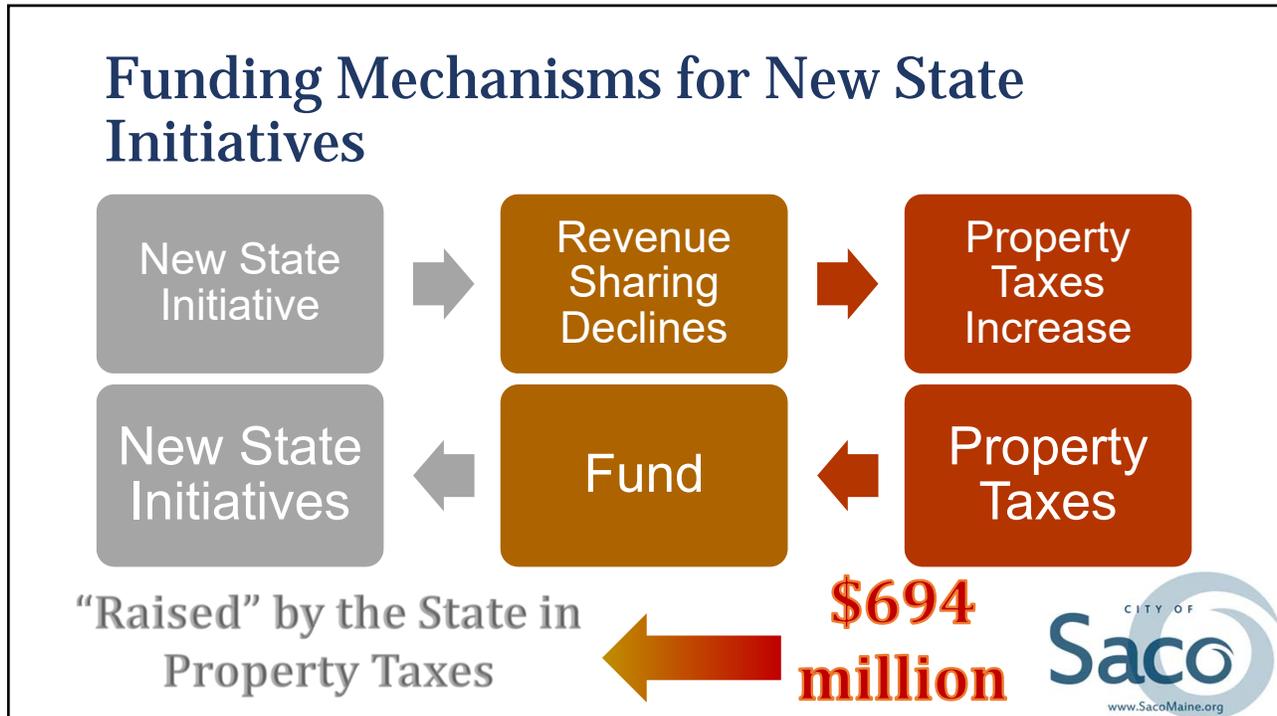
On March 30th, Saco Main Street will host its first cabin fever reliever in the unfinished commercial space in Mill Building #4. Local restaurants and breweries will be in attendance plus games, music, and prizes for the best dressed Mainahs. More information and tickets can be purchased through the Saco Main Street website.

Sustainable Cycle of Municipal Growth



Potential Breakdown





Should the State Use Property Taxes to Fund Its Programs?

<u>State Revenue Sources</u> <i>Income Taxes</i>	<u>State Revenue Sources</u> <i>Sales Taxes</i>	<i>Property Taxes</i>
✓ Progressive		✗ Flat or Regressive
✓ Fluctuates with Income		✗ Unaffected by Income Losses or Gains
	✓ Capture Tourist Dollars	✗ Impact Residents Only
	✓ Capture Commercial Dollars	✗ Impact Business Owners Only

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www.SacoMaine.org