A REVIEW OF FINANCES AND OPERATIONS:

Opportunity to Understand, Learn and Grow

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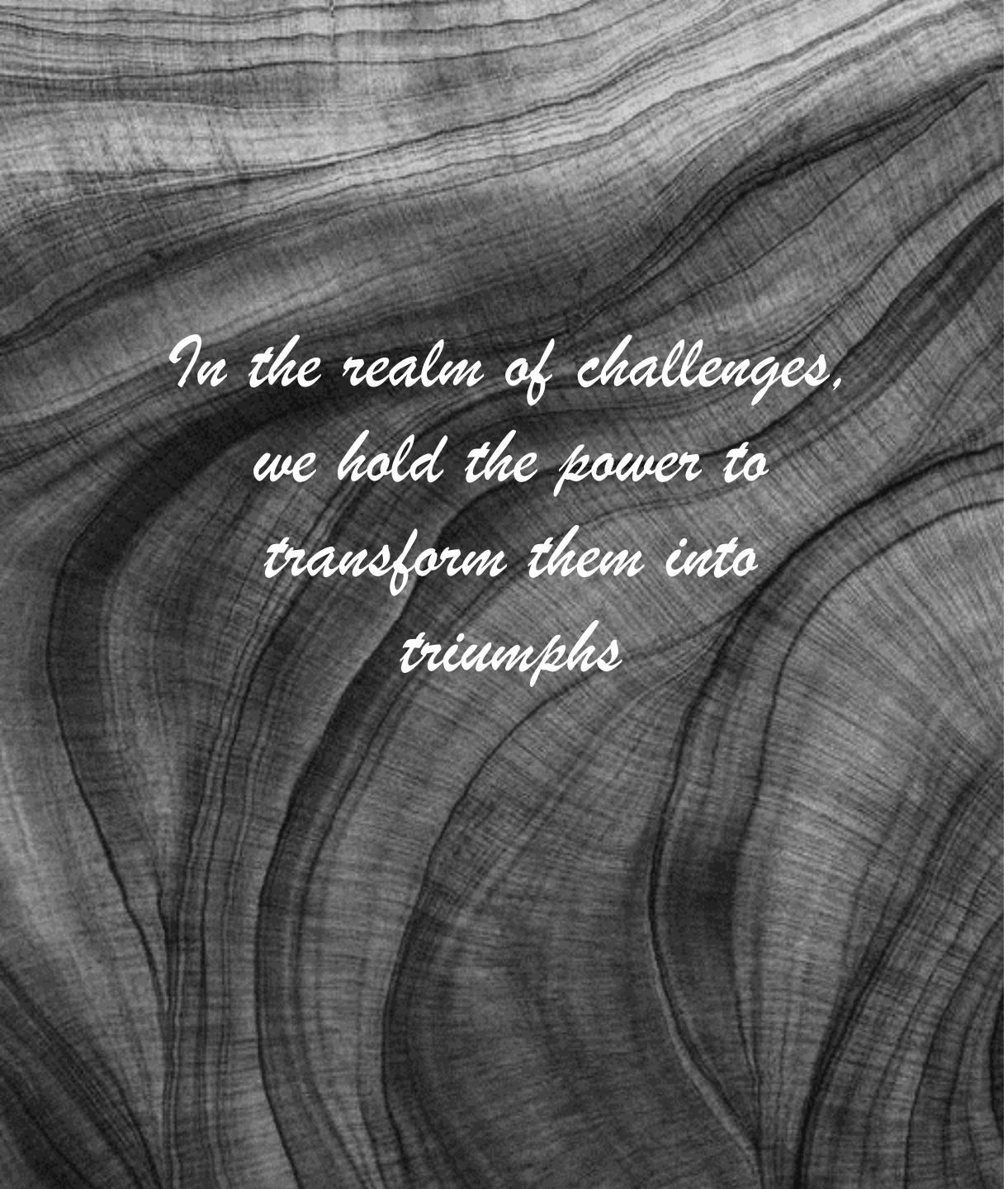
Interim Town Manager
January 6, 2026

"We do not learn from experience, we learn from reflecting on experience"

John Dewey

Agenda

- Introductory Comments
- Understanding FY24 and FY25 Budget Issues
- High Level Findings & Recommendations
- TIF & CEA
- Closing Thoughts



Opening Thoughts

Why the Report?

No Finding of Malice or Fraud

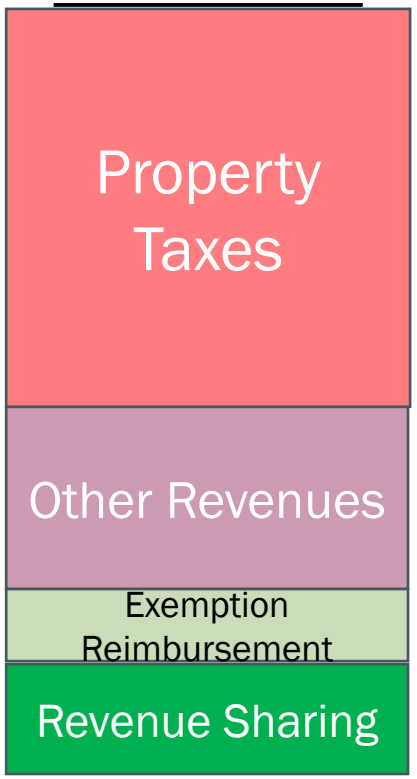
Critical Review but Not Critical

Insight For the Future

Building A Town Budget

Expenses

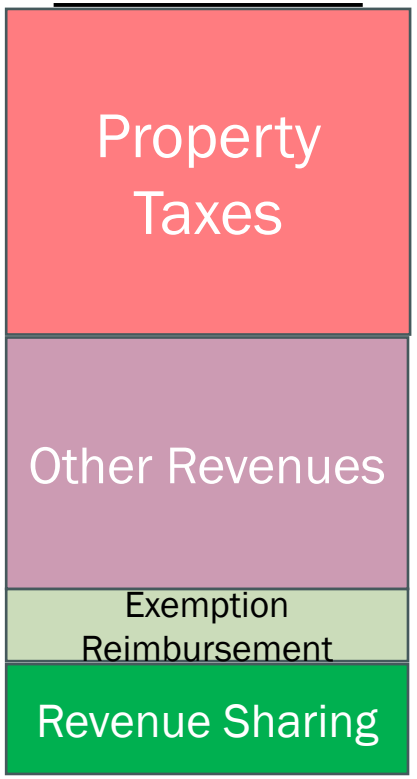
Revenues



FY24 Budget (As Adopted)

Expenses

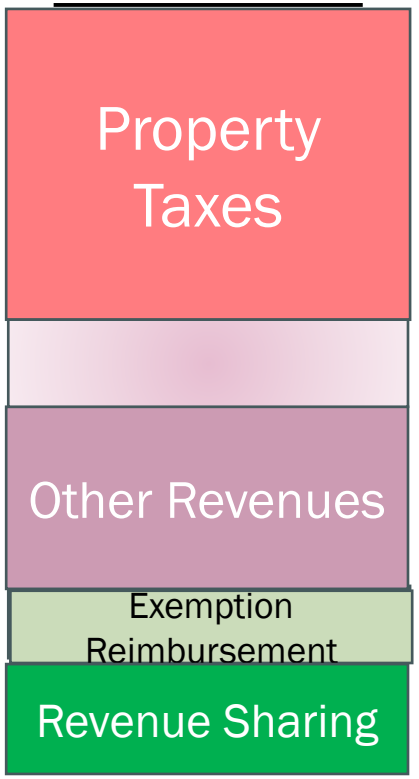
Revenues



FY24 Budget (Actual)

Expenses

Revenues



FY24 Budget (Actual)

Expenses

TIF Proceeds

Overlay

County Tax

Revenues

Property Taxes

Other Revenues

Exemption Reimbursement

Revenue Sharing

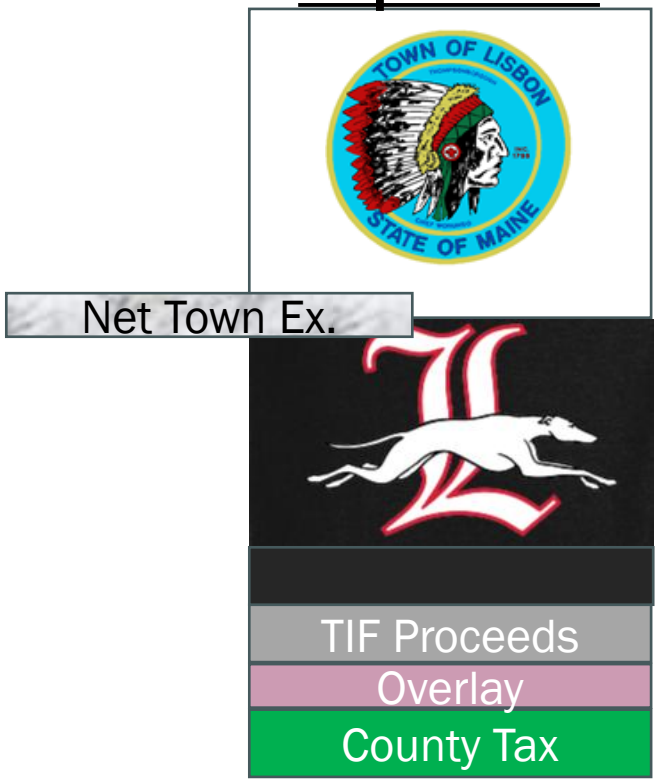
Tax Levy
≈ $900,000 lower
Or $1.28 less

and

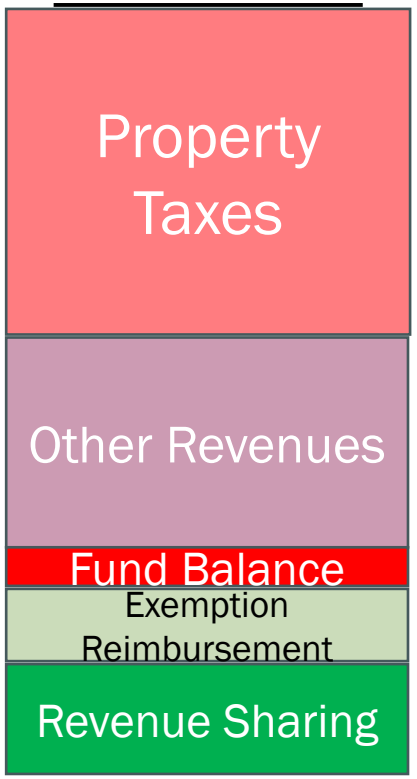
Tax Levy
≈ $900,000 spending approved without knowing tax burden Implications

FY25 Budget (As Adopted)

Expenses



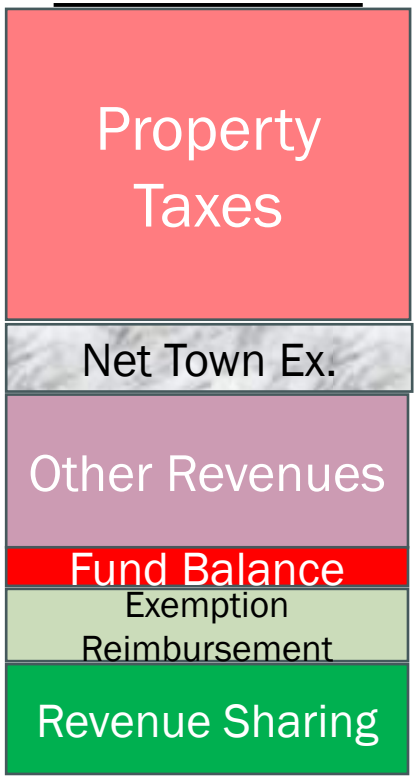
Revenues



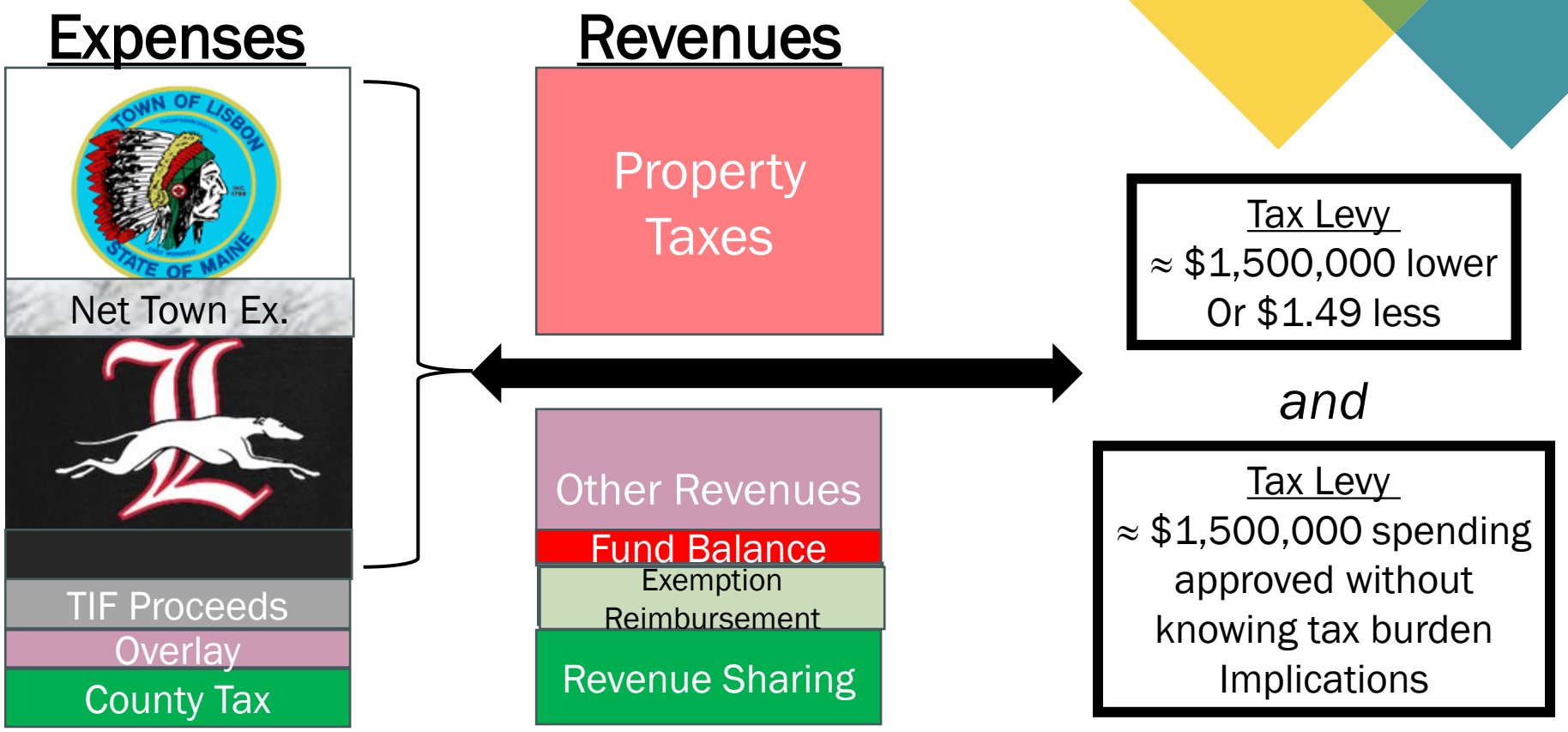
FY25 Budget (Actual)

Expenses

Revenues



FY25 Budget (Actual)



FY25 Budget (Actual)

Expenses

Revenues

Property Taxes

$1,500,000 (Netting)

Other Revenues

Fund Balance

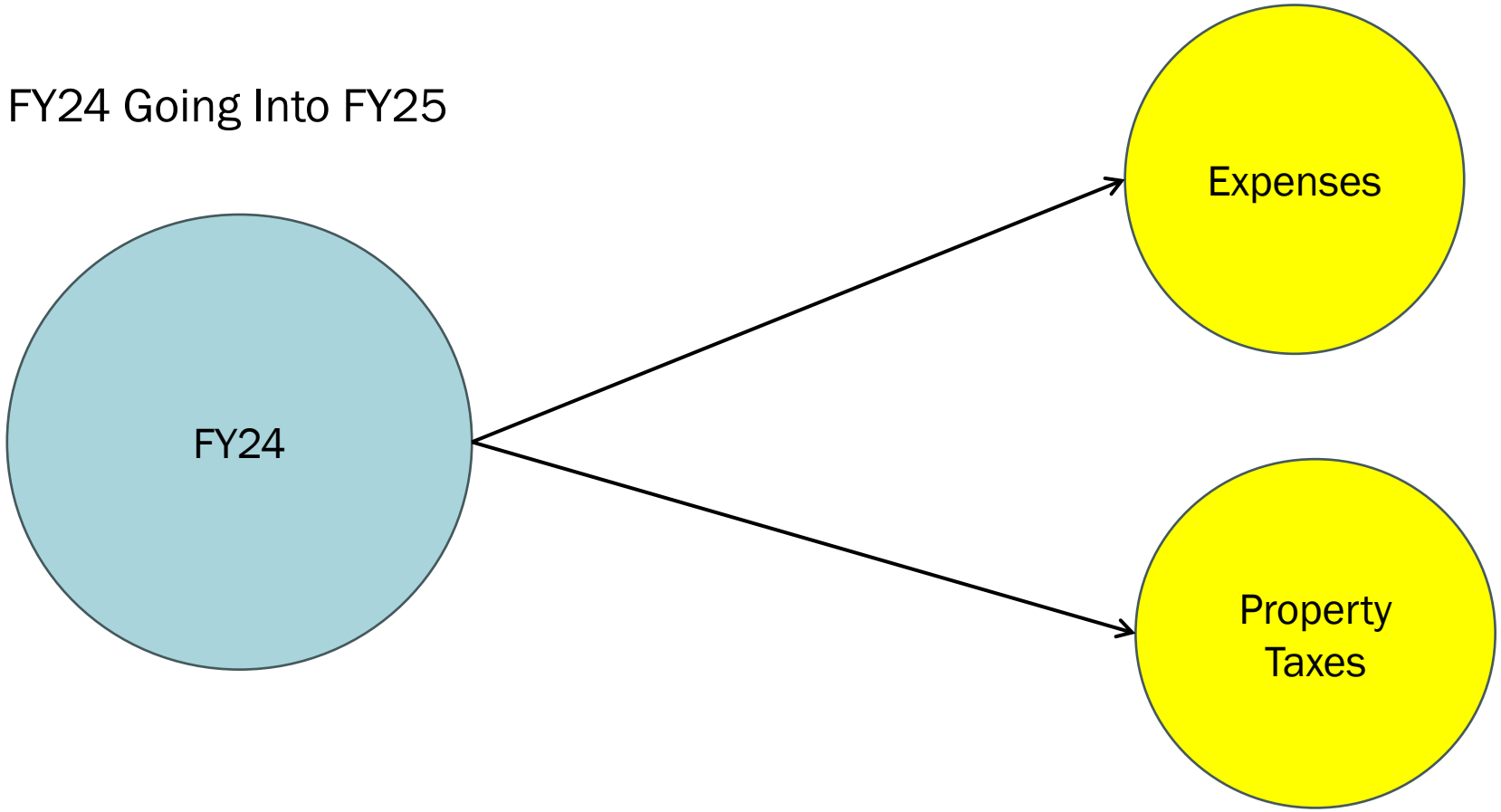
Exemption Reimbursement

$500,000 tax rate buy down
$0.48 additional reduction

Revenue Sharing

Impact of Actual Budgets

FY24 Going Into FY25

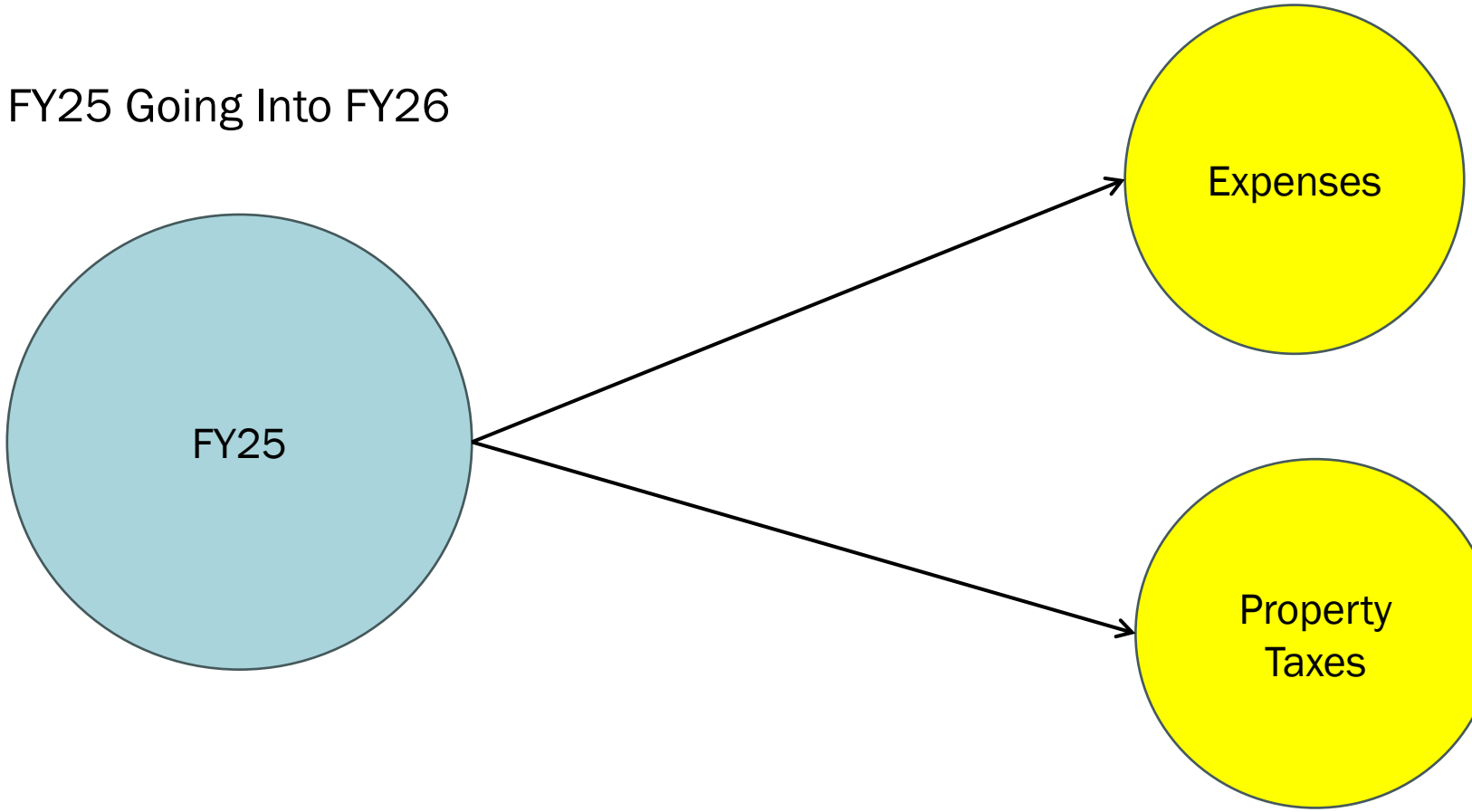


$900,000 Higher Then Tax Burden

Tax Burden $900,000 Lower Then Spending

Impact of Actual Budgets

FY25 Going Into FY26



$2,000,000 Higher Then Tax Burden

$1,500,000 from Double count of ‘Netting”

$500,000 from use of Fund Balance

Tax Burden $2,000,000 Lower Then Spending

$1.97 Tax Rate Reduction

Impact of FY25 Decisions on Fund Balance

If Operations ended

- 100% of appropriated fund spent, and
- Revenue collections are 100% on target

- Fund balance will drop to $1,468,026
- $2,510,559 below 16% target

However, historical trends show

- 9.41% of appropriate funds are unspent
- 10.8% of forecasted revenues are collected over and above forecast

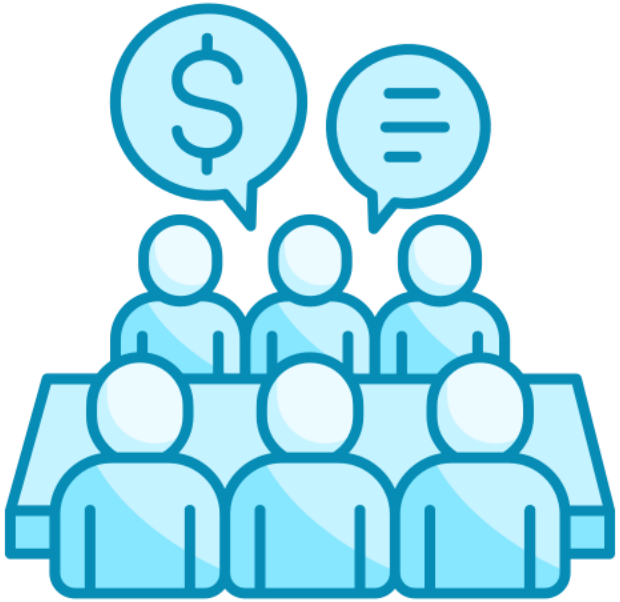
And Council directive to curtail spending

Other Impacts In FY26 Budget Process

Budgeting Documents Lacking Significant Information

Partial Changing of Chart of Accounts

Reconciliations Incomplete



Failure to Post Charges

Wrong Accounts Charged

Staff turnover & transitions

High Level Findings and Recommendations

- Report details 28 findings and 17 recommendations
- Broad categories are:
  - Staffing (5)
  - Financials (7)
  - Trends (3)
  - Economic Development (2)
  - Budgeting (18)
  - Internal Controls (6)
  - Policy Considerations (4)

  Some recommendations are included in multiple categories

1. Be competitive in order to recruit experience talent
2. Invest and support employees
3. Expect department heads to look towards the best interest of the community and not that of their department or themselves
4. Implement purchase order system
5. Implement multi-person approval of municipal valuation return (the tax rate commitment & calculation)
6. Institutionalize timely financial reports to be publicly presented at Town Council meetings

Staffing & Internal Controls

1. Revamp budgeting information
   a. easily understandable & accessible
   b. Include accurate historical information
2. Remove fringe benefit budgeting from individual departments
3. Examine FB historical budgeting practices to reduce over budgeting
4. Examine causes of high end of year unspent balances
5. Examine causes of high collection of non-property tax revenues vs projections
6. Implement Capital Improving Plan with specific requirements
7. Use available ‘excess’ fund balance for capital and other one time expenses only
8. Eliminate ‘net’ budgeting practices
9. Implement special revenue accounting for recreation programing

Budgeting & Financial

1. Examine the causes of higher than county/state valuation growth; understand implications
2. Examine valuation trends within the community; evaluate if classes of property are not paying their share i.e. personal property
3. Understand the advantages of TIF's and use as both an economic development tool and 'shield' against state tax policy shifts
4. Update economic development policy to shift tax burden to other taxpayers beyond single family homeowners
5. Examine solid waste policy in comparison to other communities, with eye towards property tax support for commercially generated waste

Trends, Policy & Economic Development

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   b. Include accurate historical information
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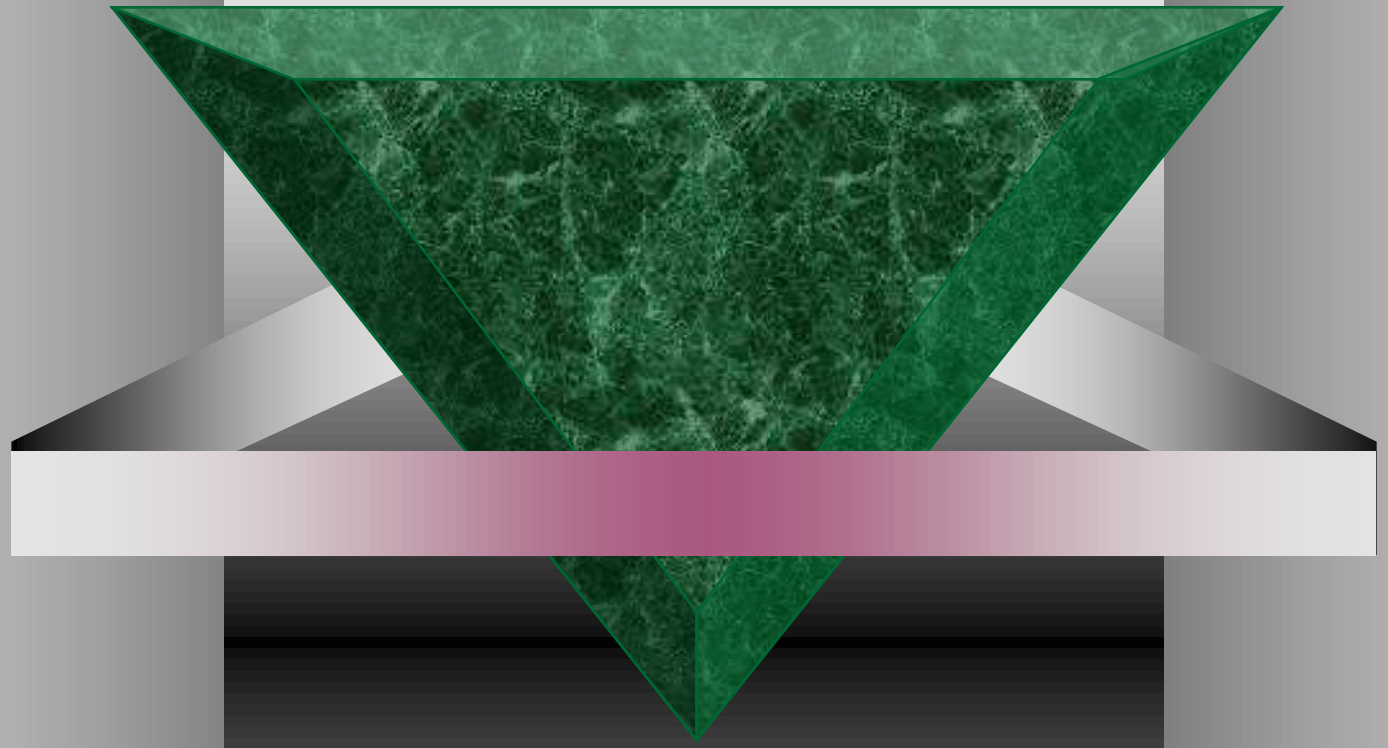
Budgeting



Tax Increment Financing: TIF 101

Why Use TIF?

Two reasons

- To prevent loss of revenues due to tax shifts

or

- To encourage development that would not happen ‘but for’ the TIF

What Is Incremental?

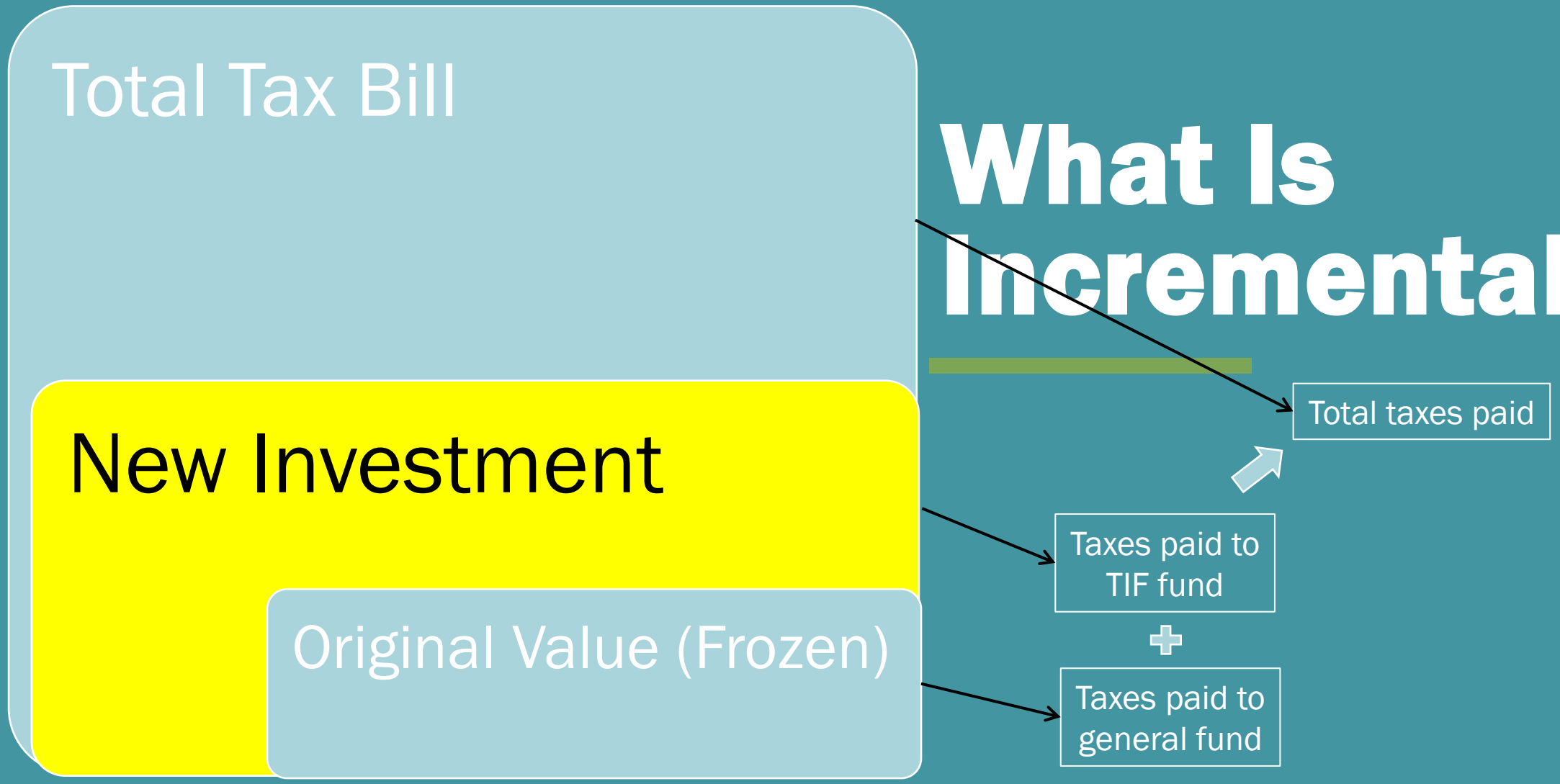
Original Value (Frozen)

What Is Incremental?

New Investment

Original Value (Frozen)

What Is Incremental?



Loss Due to Tax Shift

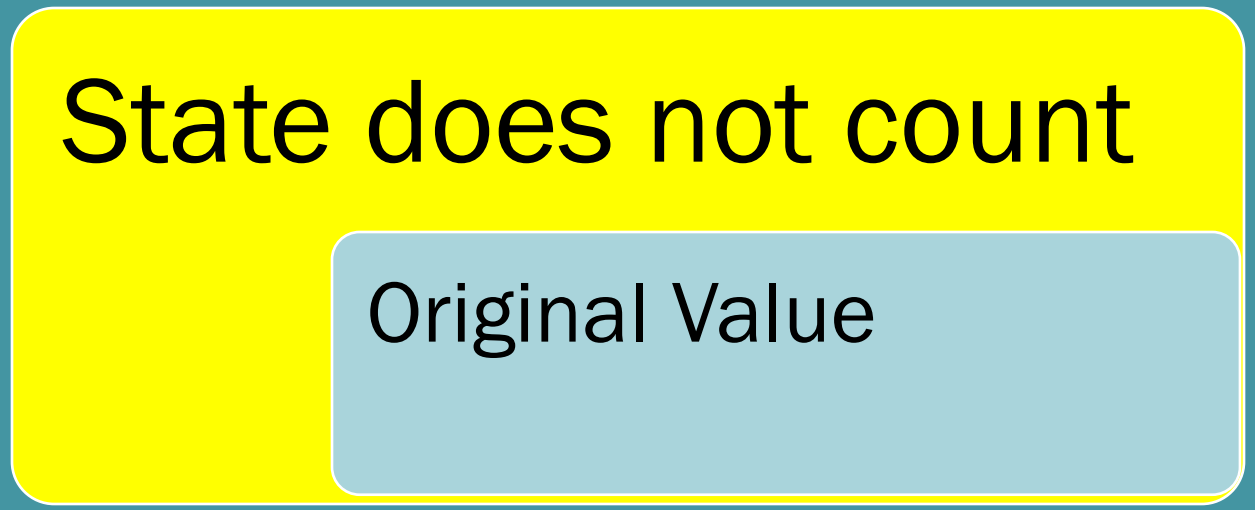
- Expenses & Revenues Impacted by Valuation
  - State aid to education (revenue)
  - Revenue sharing (revenue)
  - Androscoggin County tax (expense)

- Note: Impacts are 2 to 3 years after local change

Incremental Example

What Is *'Tax Shift'*?

Under state law, the new valuation created in a TIF district does not count towards state value



Non-TIF Shelter Funds

$45.00 kept locally

$55.00 shared with other communities via the 3 formulas

End Results of TIF Funds

OR

Credit Enhancement
(payment to developer)

Into City TIF account
(used for specific purpose)

Example: Kelly Park (2017 Calculations)

Impacts of Tax Shift

Example: Kelly Park (2017 Calculations)

Impacts of Tax Shift

1. Original Assessed Value (OAV) $158,610
2. FY26 Total Assessed Value $8,343,100
3. FY26 Valued ‘Shielded’ From State Formulas $8,184,480
4. FY26 taxes paid on ‘shielded’ incremental taxes $141,182.45
5. 2017 Calculated Shift 45%
    a. Impact of shift @ 45% $63,532,11
6. Estimated Shift Today 55%
    a. Impact of shift @ 55% $77,650.35

Taxes on OAV	$ 2,095.88
Funds to Town TIF (40%)	$56,472.98
Economic value of ‘shielding’	$77,650.35
Total economic value to Town	$136,219.21

One Way to Measure TIF Value

- Credit Enhancement
  - ≤ 55% city is whole
  - ≥ 55% city is given away some real tax revenues
- Into City TIF Fund
  - When used, increases the real tax revenues

TIF & CEA Summary

- TIF's are valuable tool to City leaders
- When used to prevent tax shift losses
  - 100% TIF, doubles the economic value to citizens (prevents 55% of funds going to other communities)
- When used as credit enhancement
  - Encourages development that probably would not occur without it
  - If the sharing is at 55% or less, city is economically better

“As the community approaches the upcoming budget process, with the awareness and insight created by this report, the community has the opportunity to have clarity in purpose. All can be focused on solutions, the possible and the future instead of the easy temptation to focus on the past.”

Thank you

Appreciation to those that contributed to the report.