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Pandemic's Uncertainties Hang Heavy Over Small City's Budget.

Budget pressures brought on by the coronavirus pandemic have already led local officials in Augusta, Maine to make some tough and cautious choices as they brace for the possibility of tax revenue declines and less state aid.

After the virus struck earlier this year, the city moved to eliminate 32 full- and part-time positions from its roughly 240-employee workforce.

City manager Bill Bridgeo says that Augusta is not in an immediate crisis when it comes to covering its expenses. "We're not broke, we've still got a reasonable rainy day fund," he told Route Fifty this week.

But as he takes stock of the position the city is in, he's worried about the uncertainty that lies ahead as the pandemic drags on, hammering the economy. Just as unclear is whether Republicans and Democrats in Congress will ever agree on a bill to provide more federal financial assistance to states and localities.

"The biggest concern here, for the city of Augusta, is the future unknown" over the next year or 18 months, he said. "And how to ensure that we don't misjudge and leave ourselves in a worse situation than we would otherwise be in if we had been a little more prudent."

Bridgeo has worked as a city manager for about 40 years, the past 22 in Augusta, Maine's capital city and home to about 19,000 residents. The city's budget is around \$65 million, about half of which goes to schools. Roughly half of Augusta's revenues come from property taxes and about 37% come in the form of aid payments from the state.

Property taxes tend to provide a relatively stable source of tax revenue, at least early on in economic downturns. But Bridgeo notes that the city's rate of property tax payments has slipped from a normal level of around 97% to somewhere closer to 93%. A 4% dip like that, while not huge, still adds up to about \$1 million or so in revenue that the city was banking on that's now in question.

A revenue issue that is potentially more distressing is whether Maine, to deal with its own budget gap, will cut aid to local governments.

Gov. Janet Mills, in a call with reporters this week that was organized by the American Federation of State, County and Municipal Employees, reiterated that Maine anticipates a \$528 million revenue shortfall for the budget cycle ending next June 30. She said the state needs more federal aid to avoid the future possibility of damaging budget cuts.

Bridgeo, looking back to the 2007 to 2009 timeframe and the Great Recession, said the state reworked its spending in ways that were "calamitous" for localities. Augusta had to downsize its workforce during that downturn as well, Bridgeo said.

His view now is that if the state gets more federal dollars, which could prevent state aid payments to localities from getting slashed, or perhaps even beef them up a bit, the city is likely to be okay. “We could be just fine,” he said. “If, on the other hand, that doesn’t happen, and the state has to retrench, then there’s no way that won’t have a negative effect on our operations.”

An added twist to the financial uncertainty Augusta is dealing with is that the city owns and operates a civic center where events like conferences, concerts and trade shows are held. Nationwide, these types of events have been canceled as Covid-19, the highly contagious respiratory disease the virus causes, remains a public health threat.

For Augusta’s civic center, that means revenues have dried up and the city is faced with the prospect of having to backfill the center’s budget from the general fund. In the fiscal year ending June 30, the civic center was about \$300,000 in the red after it more or less shut down in March. The shortfall is expected to grow to \$1.5 million in the fiscal year ending next June.

Some city employees who were laid off worked at the civic center. But Bridgeo emphasized that other layoffs are affecting services that people in the community continue to rely on.

For example, he said, the city cut one of its three code enforcement officers, who oversee building, code and minimum housing standard inspections. One fewer person on this team means it can take longer for the city to send someone out to investigate a complaint about bed bugs at an apartment building or to conduct a required inspection for a construction project.

Three full-time and 10 part-time library employees were also let go. Child Care Bureau workers were laid off as well, five vacant heavy equipment operator and truck driver positions in the public works department were left unfilled. The city also decided not to fill an empty patrol officer slot in the police department.

For a small city government, job cuts like these are painful. “It’s not such a big organization that I don’t know these people,” Bridgeo said. The hope is that let-go workers will be brought back once the pandemic eases and the city’s financial outlook improves. In addition to the layoffs, city staff who kept their jobs will have to take 10 unpaid furlough days over the coming year.

The city has also added a couple of jobs to help manage virus-related risks, like a receptionist at city hall who makes sure that too many people aren’t entering the building at one time, and a custodial worker who focuses on keeping surfaces in the building disinfected.

Bridgeo said the current budget slump is in some ways similar to the Great Recession, but that the last time around “the future wasn’t as murky or foggy” as it is now. And, unlike a downturn caused by a housing finance crash, the virus involves a life-threatening disease that adds a whole other layer of public health challenges for the city.

“It’s doubly complicated because of the nature of what’s causing the problem,” Bridgeo said.

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By Bill Lucia

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