

Impact of Ordinance 775 on FY2022 Budget

In October 2021, Commissioners voted to amend the due dates for business license payments. The changes approved were:

	<u>Existing Date</u>	<u>New Date</u>
Residential rental license, ongoing	March 15	April 30
In-Town ongoing business	February 28	April 30

As described during the discussion, the intent was to move the payment dates into the fiscal year for which the licenses would be applicable. Although there was some discussion about the impact of these changes on the FY2022 budget, the proposed changes were not accompanied by any materials that would provide a specific estimate, or order of magnitude judgement, about the effects. The Town noted that there would be some shift in revenues from FY2022 to FY2023, but the FY2022 budget would sustain a surplus even after the changes.

Commissioners voted unanimously to approve the new payment due dates and declined to amend the budget because of the proposed surplus.

Although it is important for the Town to retain a budget surplus for FY2022, the size of the surplus matters as well. The changes in payment due dates move the revenue stream for business licenses forward in time. As a result, FY 2022 revenues will be lower than budgeted for a full year, and the projected surplus for the year will be reduced as well. While the FY 2023 budget will be credited with a full year of license revenues, the lost surplus amount for FY 2022 will not be recovered.

Based on past years' receipts, license fees in February and March could be expected to total \$200,000. If these revenues are shifted to FY2023, as appeared to be the Town's assumption during the October discussion, the FY2022 surplus would be reduced by this amount. End-of-year surplus amounts are available for allocation to high priority needs such as capital improvements and infrastructure, and the \$200,000 would be a significant loss of funds available for these priorities.

Recent analysis of the flow of commercial business license revenues indicates that the reduction in FY2022 commercial license fee revenues due to the change in dates may be approximately \$110,000. This does not include residential rental licenses, and these revenues also should be expected to be lower than budgeted for FY2022. Rental license fees received in March 2021 totaled nearly \$50,000. Assuming that a similar total would be received in March 2022 under the prior due dates, it seems reasonable to expect that as much as \$25,000 of this total would be shifted to FY2023. Based on the assessment of commercial business license revenues and assumptions about rental license receipts, the lost surplus would total \$135,000.