KATE SNYDER (MAYOR)
PIOUS ALI (A/L)
APRIL FOURNIER (A/L)
ROBERTO RODRÍGUEZ (A/L)

ANNA TREVORROW (1)
VICTORIA L. PELLETIER (2)
REGINA L. PHILLIPS (3)
ANDREW ZARRO (4)
MARK N. DION (5

CITY COUNCIL WORKSHOP

FY24 Budget Preparation

January 30, 2023 at 5:00 PM in Council Chambers

REMOTE PARTICIPATION:

The City Council will conduct this meeting from Council Chambers, located on the second floor of City Hall. The public may attend the meeting in person, however space in Council Chambers is limited. The public is therefore strongly encouraged to participate remotely via Zoom pursuant to the Remote Meeting Policy adopted by the Portland City Council. Allow your computer to install the free Zoom app to get the best meeting experience. If you are not able to attend live either in person or via Zoom, a recording will be available in the Agenda Center following the meeting.

Please click the link below to join the webinar:
https://portlandmaine-gov.zoom.us/j/89797038036?pwd=Yzg1SFc5Wjc1L0VsUW92SE1XcDMyZz09
Passcode: 348519
Or One tap mobile :
US: +13017158592,,89797038036#,,,,*348519# or +13052241968,,89797038036#,,,,*348519#
Or Telephone:
Dial(for higher quality, dial a number based on your current location):
US: +1 301 715 8592 or +1 305 224 1968 or +1 309 205 3325 or +1 312 626 6799 or +1 646 931 3860 or +1 929 205 6099 or +1 689 278 1000 or +1 719 359 4580 or +1 253 205 0468 or +1 253 215 8782 or +1 346 248 7799 or +1 360 209 5623 or +1 386 347 5053 or +1 507 473 4847 or +1 564 217 2000 or +1 669 444 9171 or +1 669 900 6833
Webinar ID: 897 9703 8036
Passcode: 348519
International numbers available: https://portlandmaine-gov.zoom.us/u/kipj3b0Q6

AGENDA ITEMS:

FY24 Budget Presentation (Brendan O'Connell, Finance Director)

Introduction and Budget Calendar

Review of significant budget challenges for FY24

Budget opportunities for FY24

Council Q&A

Discussion: Council Budget Guidance

ADJOURNMENT:

City of Portland FY24 Budget Primer

Brendan T. O'Connell – Finance Director

AGENDA

- FY23 Budget Updates
- FY24 Budget Challenges
- FY24 Budget Opportunities
- FY24 Budget Calendar

FY23 Budget Update - Total Expenditures

Approved FY23 General Fund Expenditures:	$268,845,942
Spending Through December 31, 2022:	$119,798,668
Percentage Expended:	44.6%

If spending were done in equal monthly installments the "norm" through six months is 50% expended. However, City spending isn't always done equally with several larger bills due over the course of the fiscal year. Also the 6 month figure isn't always truly indicative of 182 ½ days of spending as many bills aren't received from vendors in a timely manner.

FY23 Budget Update - Total Revenues

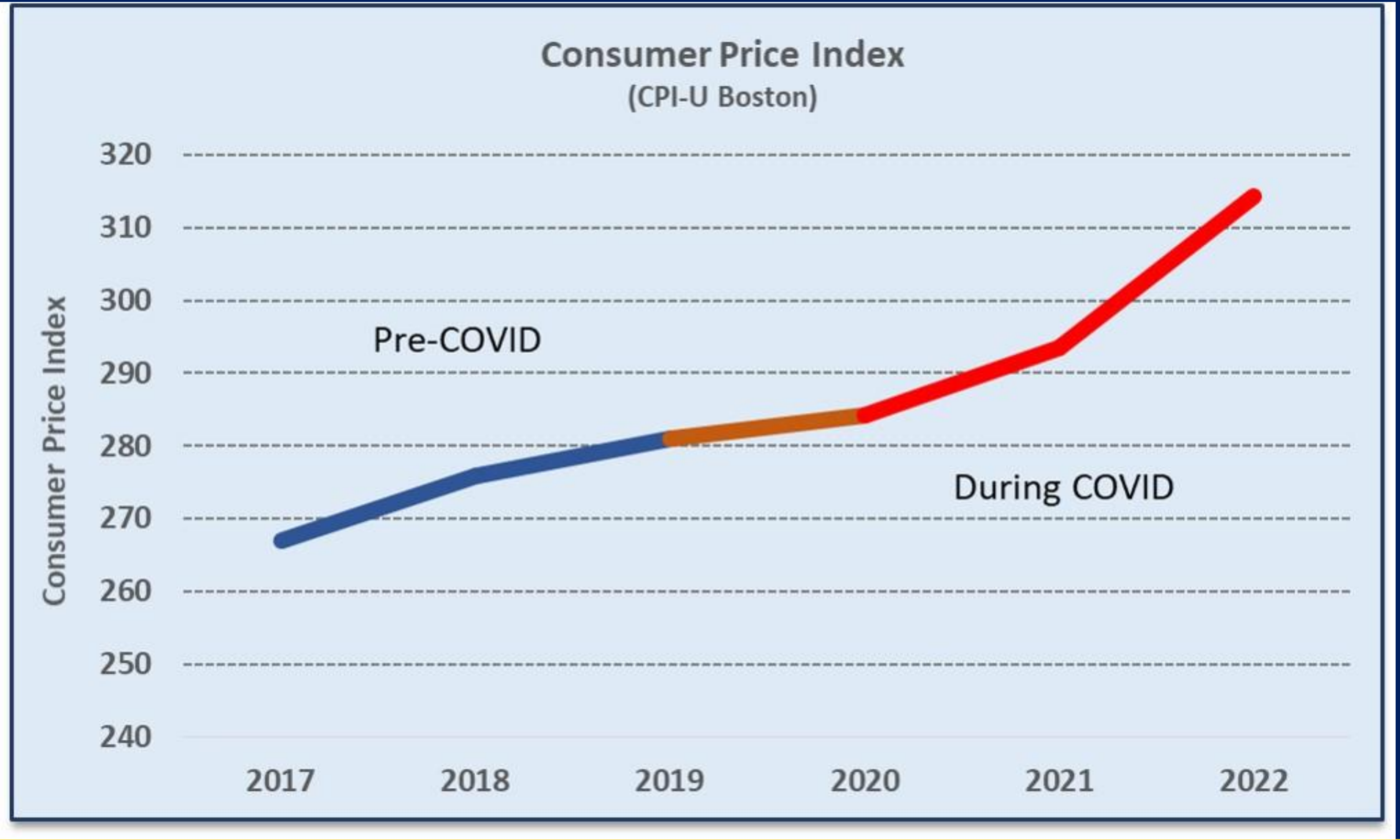
Approved FY23 Revenues	$268,845,942
Revenue Through December 31, 2021:	$133,135,552
Percentage Collected	49.5%

If revenue collections occurred in equal monthly installments the “norm” through six months would be 50% collected. However a significant portion of City revenue is collected around our two property tax payment due dates.

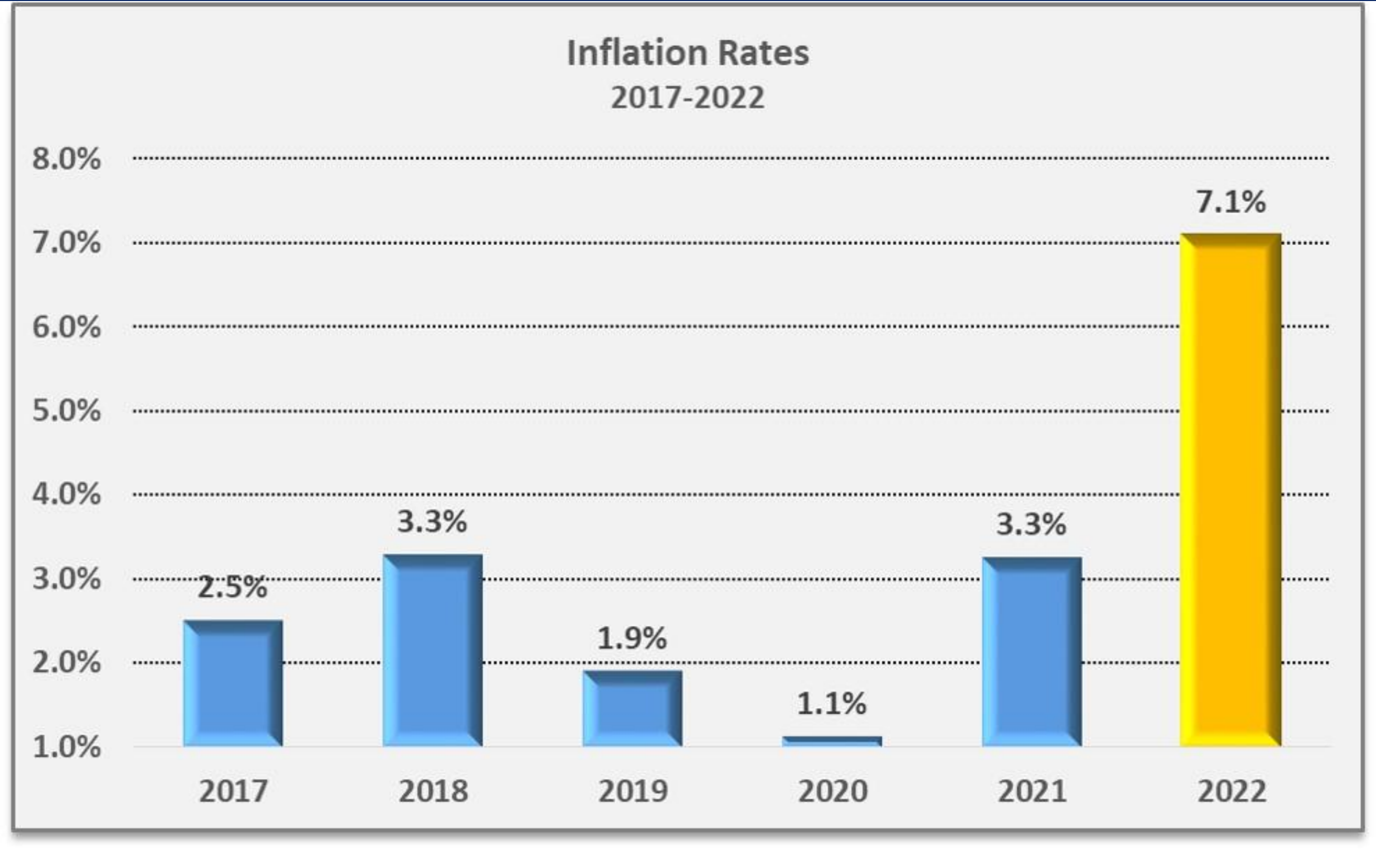
FY24 Budget Challenge: Inflation

- Impacts nearly every Department and expenditure category
- Higher cost to perform same level of City services
- Inflation levels rising rapidly during the COVID 19 pandemic (see next slides)

FY24 Budget Challenge: Inflation



FY24 Budget Challenge: Inflation

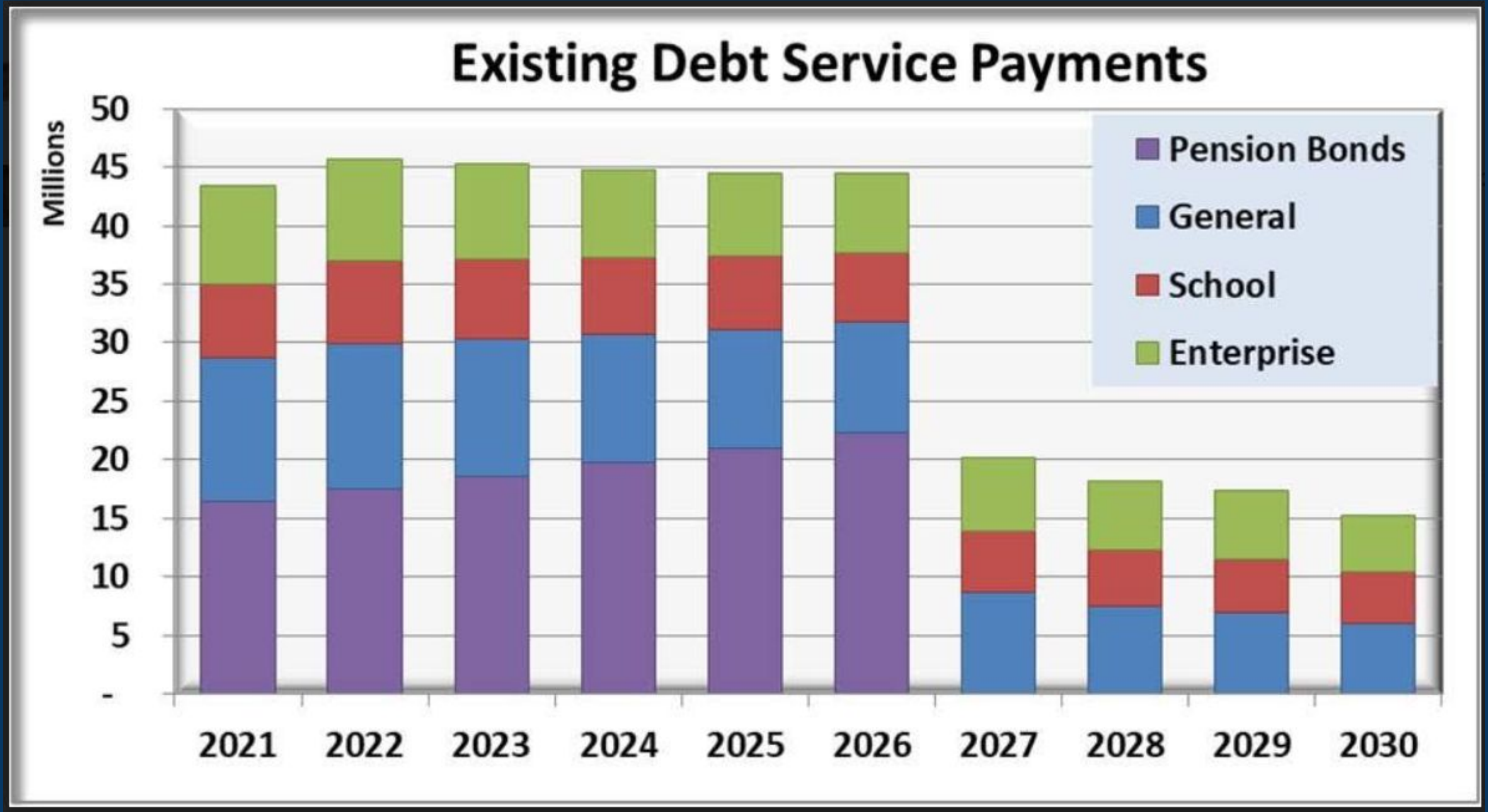


FY24 Budget Challenges - Collective Bargaining Agreements & Payroll

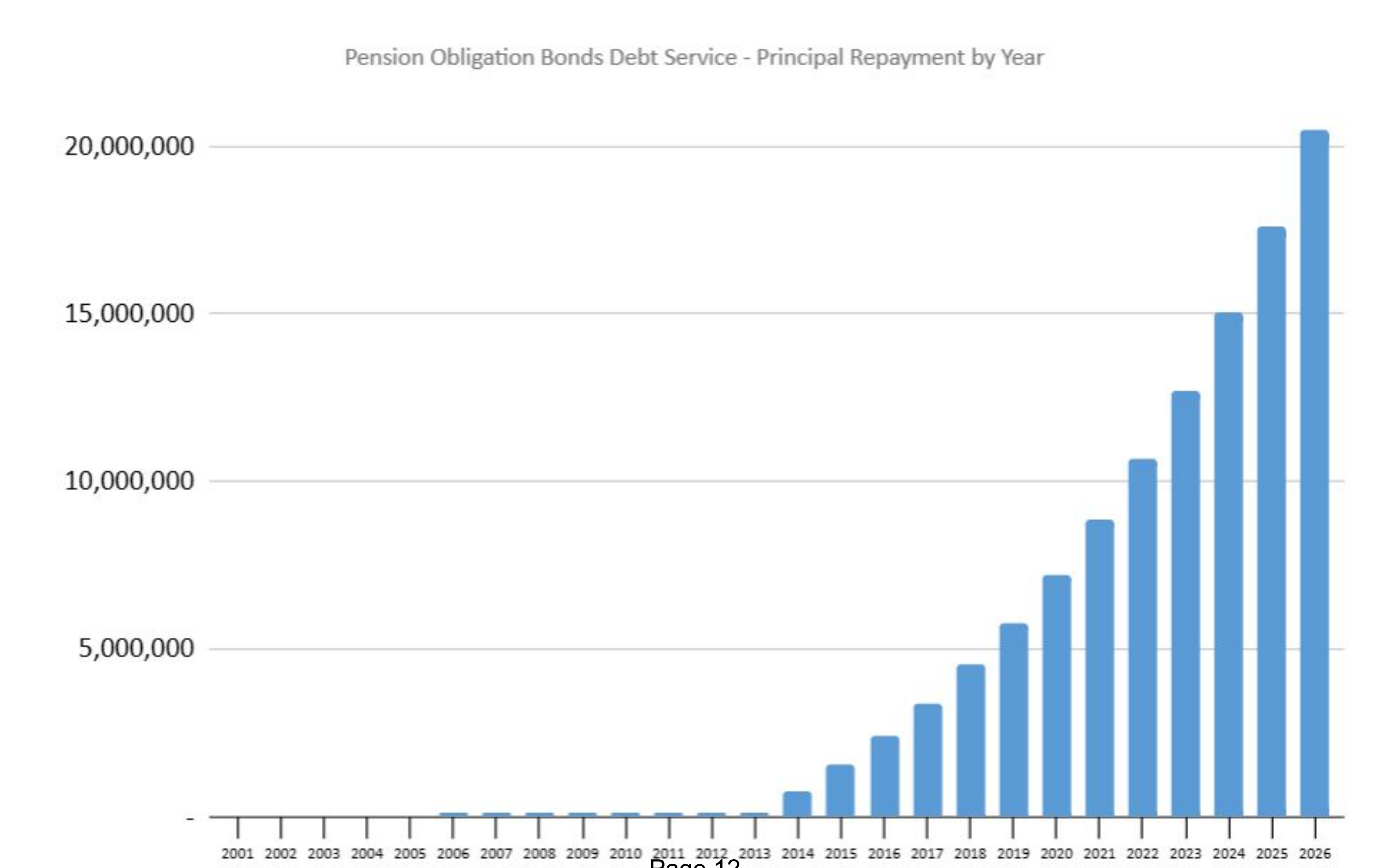
- Market wage rates outpacing high levels of national inflation
- City has 8 bargaining units - some agreements unsettled for FY24
  - 3 contracts (PBA, PSOA, Fire) expire 12/31/23
  - 3 contracts (CEBA, Communications, Supervisors) expire 6/30/24
  - 2 contracts (Pro-Tech, Labor & Trades) expire 6/30/25

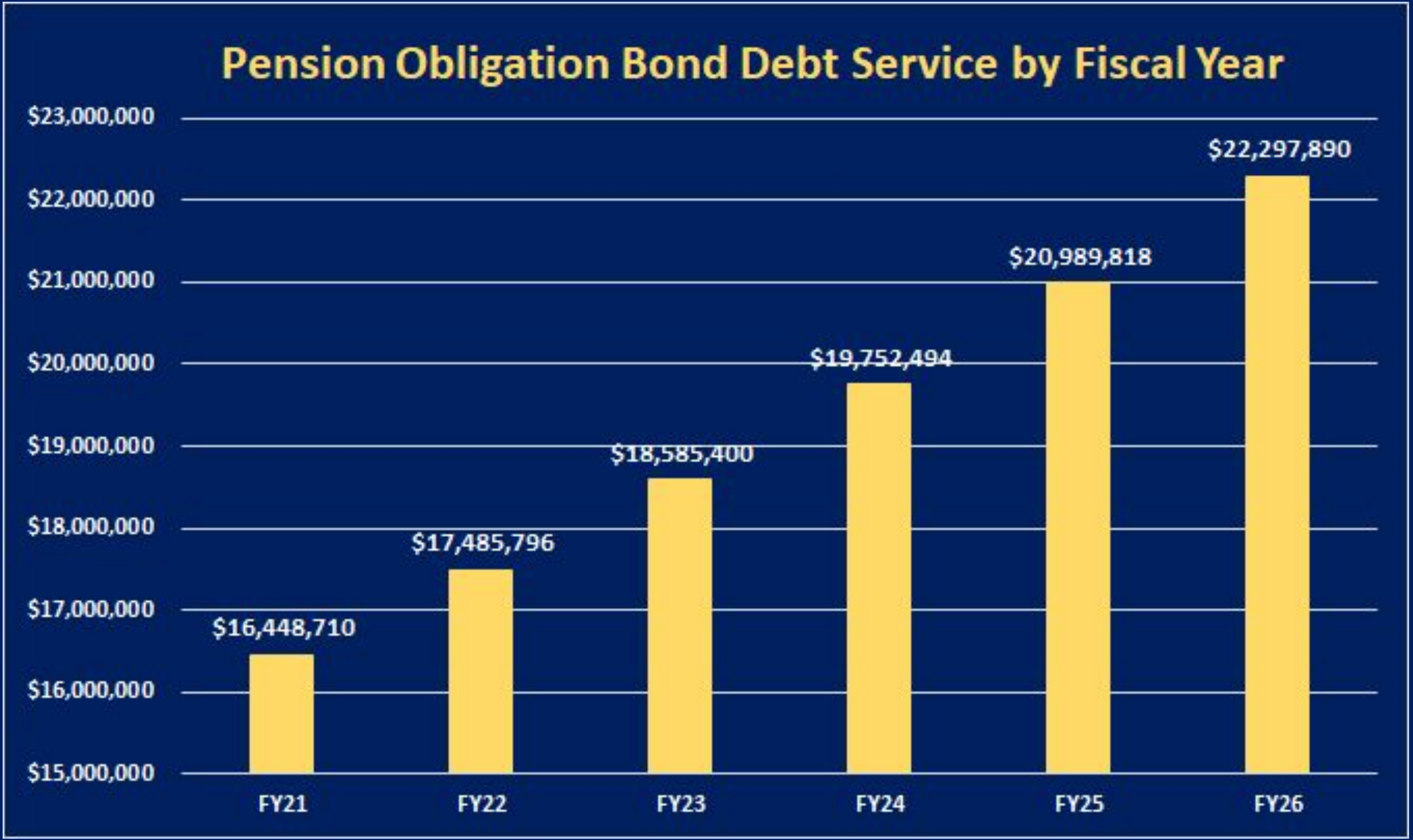
Many of the agreements include automatic 3% step increases which apply based on years of service, even if agreement has expired. This is prior to consideration of any COLA / other requests made by unions during contract negotiations. Current general fund payroll is nearly $92M and this is expected to rise by at least $3.68M in FY24. This would present an approximately $0.25 increase to the mill rate.

FY24 Budget Challenges - Debt Service



FY24 Budget Challenges - Pension Obligation Bond Debt Service




Pension Obligation Bond Debt Service by Fiscal Year
$23,000,000
$22,000,000
$21,000,000
$20,000,000
$19,000,000
$18,000,000
$17,000,000
$16,000,000
$15,000,000
$16,448,710
$17,485,796
$18,585,400
$19,752,494
$20,989,818
$22,297,890
FY21
FY22
FY23
FY24
FY25
FY26

FY24 Budget Challenge: Expiration of One-Time General Assistance Funding

- State of Maine Legislature was poised to advance an increase in the General Assistance reimbursement rate from 70% to 90% in June 2022

- Due to unknown circumstances the legislation was not passed. Instead $10M of one-time funding was made available to communities who shoulder a disproportionately large share of the State's GA burden.

- Portland's FY23 budget includes $7.4M of this $10M of one-time funding. If this level of revenue is removed from the FY24 budget it would represent an approximately $0.50 increase to the mill rate (7.6%)

FY24 Budget Challenge: Reduction in use of American Rescue Plan Funds in FY24

- The City created a plan to use American Rescue Plan Act funds to cover revenue losses & unplanned public health expenditures from FY22-FY24.

- The plan called for $8.75M in FY22, $5.5M in FY23, and $2.75M in FY24 (due to lack of State action on General Assistance reimbursement rate actual FY23 budgeted ARPA revenue increased to just above $7.5M).

- Portland's FY24 budget plan calls for just $2.75M of ARPA revenue. This is a decrease of $4.75M from FY23 budgeted level and would represent an approximately $0.32 increase to the mill rate (4.9%).

FY24 Budget Challenge: Leasing and Operating New Homeless Services Center

- Total Oxford Street Shelter Budget for FY23 approximately $5.2M

- Total Homeless Services Center Budget for FY24 expected to increase by at least $4M annually due to the following factors:
  - Only one bid received for provision of meals (1,080,948 annually)
  - Building lease cost increases from $168,000 to $2,551,000 annually
  - Various other cost increases expected due to increased capacity

- Including the above it is safe to estimate an at least $4M increase in annual operating costs of shelter operations. This would represent an approximately $0.27 increase to the mill rate (4.1%).

FY24 Budget Challenge: Ocean Gateway Parking Revenue Loss / Portland Landing

- Ocean Gateway Parking Lot (currently $15/day, likely increase to $20/day for FY24) is expected to provide approximately $1M in revenue in FY24 assuming no change in number of available spaces.
- Number of spaces is expected to change (exact reduction still TBD but expected to be at least 50%) if the Portland Landing Park project continues to move forward.
- Additional pressure to provide parking solution for islanders / working waterfront may result if this parking is eliminated.
- If property taxes were utilized to make up for $500,000 in eliminated revenue the tax rate would increase by approximately $0.03.

FY24 Budget Challenge: State of Maine Equalized Valuation Increase

- $12.095B in 2022 rising to $14.790B in 2023 (22.3% increase)
- State of Maine Valuation has several impacts on City budget
- If not for City of Portland's TIF programs, the State of Maine Equalized Valuation for the City would have been significantly higher
- It is essential to continue to carefully manage the City's three area TIF districts to ensure significant valuation increases are captured

2022 vs 2023 State Equalized Valuations

Town	State 2022 Valuation	2022 Tax	State 2023 Valuation	Val Change %
Baldwin	194,050,000	121,338	216,500,000	11.6%
Bridgton	1,294,950,000	809,718	1,503,600,000	16.1%
Brunswick	2,740,850,000	1,713,824	3,039,200,000	10.9%
Cape Elizabeth	2,598,050,000	1,624,532	2,988,250,000	15.0%
Casco	827,550,000	517,458	964,900,000	16.6%
Chebeague Island	274,300,000	171,517	347,850,000	26.8%
Cumberland	1,614,950,000	1,009,811	1,910,200,000	18.3%
Falmouth	3,069,300,000	1,919,200	3,436,450,000	12.0%
Freeport	2,060,250,000	1,288,252	2,307,000,000	12.0%
Frye Island	206,650,000	129,216	228,000,000	10.3%
Gorham	2,280,050,000	1,425,690	2,482,400,000	8.9%
Gray	1,267,350,000	792,460	1,474,800,000	16.4%
Harpswell	2,115,150,000	1,322,580	2,264,250,000	7.0%
Harrison	628,650,000	393,088	702,900,000	11.8%
Long Island	203,350,000	127,153	226,850,000	11.6%
Naples	960,250,000	600,434	1,112,100,000	15.8%
New Gloucester	640,950,000	400,779	730,150,000	13.9%
North Yarmouth	602,750,000	376,893	701,350,000	16.4%
Portland	12,095,550,000	7,563,215	14,790,100,000	22.3%
Pownal	310,200,000	193,965	346,000,000	11.5%
Raymond	1,307,150,000	817,347	1,565,250,000	19.7%
Scarborough	4,988,750,000	3,119,411	5,592,350,000	12.1%
Sebago	489,850,000	306,298	624,800,000	27.5%
South Portland	5,183,800,000	3,241,373	5,847,800,000	12.8%
Standish	1,325,800,000	829,008	1,514,400,000	14.2%
Westbrook	2,600,450,000	1,626,033	2,986,400,000	14.8%
Windham	2,608,150,000	1,630,848	2,914,100,000	11.7%
Yarmouth	2,100,950,000	1,313,701	2,450,100,000	16.6%
	56,590,050,000	35,385,142	65,268,050,000	15.33%

FY24 Budget Challenge: State of Maine Equalized Valuation Increase

- $12.095B in 2022 rising to $14.790B in 2023 (22.3% increase)

  State of Maine Valuation has several impacts on budget

- *Impact #1 – Payments to Cumberland County for FY24 will increase from $7,563,213 to $8,771,722 (16% increase).*

- Equates to an <u>8 cent increase</u> in the tax levy (0.6%)

- County moving from calendar year budget to fiscal year budget in 2023. 18 months of County tax payment is being billed by the County in 2023. Portland selected a 5 year payment plan for the additional 6 months of payment and an extra $761k is due annually for next 5 years ($761k of $8.771M above is due to this change).

FY24 Budget Challenge: State of Maine Equalized Valuation Increase

- $12.095B in 2022 rising to $14.790B in 2023 (22.3% increase)
  State of Maine Valuation has several impacts on budget

- *Impact #2 – School Educational Subsidy*
  Impact / EPS estimates typically calculated by PPS staff but a higher valuation growth in Portland compared to the rest of the State will hurt Portland's share of overall funding via the funding formula.

- Actual change in FY24 funding still unknown – many factors and inputs into the EPS State funding formula and estimates are calculated by Portland Public Schools during their budgeting process.

FY24 Budget Challenge: State of Maine Equalized Valuation Increase

- $12.095B in 2022 rising to $14.790B in 2023 (22.3% increase). State of Maine Valuation has several impacts on budget

- *Impact #3 – State Revenue Sharing*
  Had the $11.15B valuation been in place for FY21 our revenue sharing dollars would have been significantly lower. Portland's growth continues to outpace growth in other parts of Cumberland County and the State.

- Initial draft of FY24 State of Maine budget expected March 2023

FY24 Budget Challenge: Recently Passed Charter Changes and Referendum

- CLEAN ELECTIONS: $290,000 was estimated by Charter Commission as necessary to fund the program (an addition of 2 cents to the current mill rate). This program is required & will be discussed at a future workshop.

- QUESTION C: AN ACT TO PROTECT TENANTS: $310,000 As a result of passed citizen initiatives (Question C) staff is requesting four new positions:
  - 2 Rental Registration Inspector
  - 1 Rental Registration Coordinator
  - 1 Licensing and Registration Assistant

  Total cost of these new positions (including all associated costs) is $310k.

  This would add approximately 2 cents to the mill rate.

NOTE: These amounts represent Department requested positions and will be further vetted by the City Manager during the budget review process prior to a formal budget recommendation.

FY24 Unknown: Other Changes Related to Council/Committee Goals or State Programs

2023 Portland City Council Common Goals

Always using a lens that prioritizes racial, social and justice equity, the City Council's annual goals focus their work on:

- Housing
- Homelessness
- Climate & Sustainability

In addition, Council work will focus on:

- Implementation of voter-approved Charter Amendments and Ordinance Amendments
- FY24: CDBG Budget, CIP Budget, Annual Operating Budget
- City Manager Search and Hire
- Opening of Homeless Services Center
- Engagement with 131st Legislative Session.

FY24 Unknown: Other Changes Related to Council/Committee Goals or State Programs

- Any new State of Maine programs which might have an additional cost (either directly or via required additional duties/staffing
    - Senior Citizen Property Tax Stabilization Program

- Any approved City Council subcommittee initiatives also passed by the full City Council which might have an additional cost (either directly or via required additional duties/staffing).

FY24 Budget Challenges: Summary

Budget Challenge	$ Impact	Mill Rate Impact	Municipal Mill Rate % Change	Overall Mill Rate & Change
Pension Obligation Bond Debt Service	$ 1,167,094	$ 0.08	1.2%	0.6%
Collective Bargaining Agreements	$ 3,680,000	$ 0.25	3.8%	1.8%
Expiration of One Time GA Funding	$ 7,400,000	$ 0.50	7.6%	3.7%
Reduction in FY23 to FY24 ARPA Revenue	$ 4,750,000	$ 0.32	4.9%	2.4%
New Homeless Services Center Costs	$ 4,000,000	$ 0.27	4.1%	2.0%
Loss of Parking Revenue at Ocean Gateway	$ 500,000	$ 0.03	0.5%	0.2%
Valuation & Other Changes to Cumberland County Tax	$ 1,208,559	$ 0.08	1.2%	0.6%
Nov '23 Referendum: Charter Changes / Citizen Initatives	$ 600,000	$ 0.04	0.6%	0.3%
TOTALS - JUST QUANTIFIABLE ITEMS DISCUSSED TODAY	**$ 23,305,653**	**$ 1.57**	**23.9%**	**11.5%**
ITEMS STILL TO BE QUANTIFIED / WAITING FOR ADDITIONAL INPUTS & DATA				
Inflationary Changes within City Budget	TBD	TBD	TBD	TBD
Valuation: Changes to Revenue Sharing	TBD	TBD	TBD	TBD
Valuation: Changes to School Educational Subsidy	TBD	TBD	TBD	TBD

FY24 Budget Challenges: Summary Additional Details

- Amounts discussed tonight simply represent known budget challenges for FY24. This is not an exhaustive list and several of the largest budget challenges are not yet quantifiable. There will be many other budget challenges & budget opportunities.

- This presentation includes details on the budget challenges within the City budget only and not any challenges that may exist within the PPS budget.

- Two joint meetings between the City/School Finance Committees are set to be scheduled for March & April. Full board was invited to attend tonight and will receive slides + recording link.

FY24 Budget Opportunities

- Higher Interest Rates on Investments
- Flexibility in Timing of Debt Issuances (July 2023 vs early 2023)
- Solid Waste Insourcing Opportunity
- Increased / Growing Property Tax Base
- Continued Reduction in Temporary Shelter Costs / Hotel Use
- Well Organized Legislative Effort

FY24 Budget Timeline

- December / January – City Departments compile/enter their budget requests based on CY actuals and guidance from City Manager
- February – Finance & HR Department review of submissions
- March – City Manager detailed review of submissions, meetings with Councilors and Mayor. First joint City/School FC meeting.
- April – Presentation of City Manager recommended budget to City Council, referral to Finance Committee for detailed review including second joint City/School FC meeting.
- May – Budget workshop and final approval by City Council
- June/July (odd years) - State of Maine biennial budget approval

1) Q & A

2) Guidance From Council

Additional Questions? Contact:

finance@portlandmaine.gov