City of Portland, Maine
Joint City/School Finance Committee Meeting
Thursday, May 14, 2020
5:30 PM, Remote Meeting via ZOOM

AGENDA

ZOOM MEETING INFORMATION

This meeting will take place remotely using Zoom. Virtual meetings are allowed using emergency legislation approved by LD 2167; 1 M.R.S. §403¬A, that authorizes cities and towns to conduct meetings online. Allow your computer to install the free Zoom app to get the best meeting experience. If you are not able to attend live, a recording will be uploaded to portlandmaine.gov/livestream the next day. Please click the link below to join the webinar:

https://zoom.us/j/97390626404

Or iPhone one-tap :
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Webinar ID: 973 9062 6404

1. Introductions

2. Discussion of the FY20 City of Portland Budget Status & Potential FY21 Budget Timeline

The City Manager Jon P. Jennings and City Finance Director Brendan T. O'Connell will discuss the status of the FY20 City of Portland general fund operating budget including highlighting significant revenue shortfalls that have occurred in FY20 and are expected to continue into FY21. These revenue shortfalls have triggered significant required expense reductions as well. The Finance Director will also present a brief Google Slides presentation on FY20 budget status and FY21 potential budget timeline which is attached to this agenda. This is a discussion item only. No action will be taken at the current meeting.

3. Discussion of FY21 School Department Budget

At the current meeting staff from Portland Public Schools will present the latest iteration of their FY21 budget. The budget was presented at the School Finance Committee meeting on May 7th and additional budget changes were requested at that date. School budget materials can be accessed by clicking here to access their Google doc. This is a discussion item only. No action will be taken at the current meeting.

4. Future Finance Meeting Dates

a. Finance Committee Meeting – Thursday, May 21st – 5:30PM via Zoom

5. Adjournment

City of Portland, Maine
Budget Updates for Finance Committee

May 14, 2020

Topics for Discussion

- Current status of FY20 budget through April month end
    - FY20 Revenue shortfalls by Department & FY21 outlook
    - FY20 Expenditures and reduction efforts to date
    - FY20 overall status and critical next steps required
- CARES Act Funding and other FEMA / grant opportunities
- Draft FY21 budget timeline

FY20 Budget Status - General Fund through April 2020

- Through 10 months of FY20, the City has collected just 85.2% of our $206.7M in total General Fund (GF) revenues. This is significantly lower than what revenue collections would normally be through 10 months of the year (FY19 99.1%, FY18 95.6%)
- In the month of April, the City only collected approximately $3M of non-property tax revenues (normal monthly non-property tax revenue collections are around $10M).
- Through 10 months of FY20, the City has expended approximately $166.5M of our $206.7M operating budget (80.6%)
- Complete FY20 April YTD budget to actual reports are available at: **https://www.portlandmaine.gov/budget**

FY20 Budget Status - General Fund Revenue Shortfalls

Every City Department has been significantly impacted by COVID19. Here is a partial list of severe FY20 revenue shortfalls / estimated losses as a result of COVID19:

- Finance (Excise Tax) - FY20 estimated loss of approximately $2M
  - Excise tax losses are expected to carry forward into FY21 as the economy has softened.
  - FY21 Revenue Sharing is expected to be at least 35-40% less than the March 2020 projections from State.
- Parking - FY20 estimated loss of approximately $2M
- Parks, Rec & Facilities - FY20 estimated loss of approximately $2M
- Public Works - FY20 estimated loss of approximately $500k
- Health & Human Services - TBD, many revenues reported or reimbursed on a lag
- Waterfront - FY20 estimated loss of approximately $500k
  - NOTE - Cruise ship losses are expected to carry forward into FY21 and will result in an additional $2.8M loss compared to what was originally estimated for FY21 Waterfront revenue.

FY20 Expenditure Reduction Measures

- March 2020 - Nonessential hiring freeze, spending freeze, travel / training restrictions
- March 2020 - Limited employee furloughs & hours reductions in various Departments
- April 2020 - Parks & Recreation furloughs / reduction of approximately $30k/week
- April 2020 - Library furloughs / reductions - savings of approximately $10k/week
- April 2020 - Minor furloughs in other Departments no longer able to perform duties
- May 2020 - Additional cost reductions measures in progress and in development (additional furloughs, staff time reductions, project deferrals) varying by Department

Although the current fiscal year ends on June 30th, we may need to take additional measures to address budget shortfalls during July, August and September 2020 or until a new FY21 budget has been approved by the City Council if our efforts to increase revenues are unsuccessful.

FY20 Expenditure Reductions - Why They Are Critical

- Although the City has currently collected 85.2% of our revenues and only used 80.6% of our expenditure budget, the COVID19 pandemic budget trends are deeply troubling.
- Monthly revenues vs expenditures are now significantly mismatched - City is operating at approximately a $16M per month spend but in the month of April there was over a $6-7M revenue shortfall. This is unsustainable & will quickly erode City reserves if not addressed.
- Assuming current expenditure levels ($16M/month) and COVID19 revenue trends with slight recovery ($4M of revenue per month) the City would end FY20 at a $10M+ loss
- The revenues vs expenditures mismatch is expected to continue into summer / fall 2020 due to the significant expected erosion of City's budgeted $114M in non-property tax revenues.
- We must take drastic and immediate action to ensure the monthly mismatch is addressed via furloughs, layoffs and additional expenditure reduction measures.
- The current level of City expenditures will be unsustainable in FY21 and significant layoffs and reductions in service will be required to address our significant decline in revenues.

CARES Act Funding & Other COVID Relief Opportunities

Name	Description	Amount
Coronavirus Relief Fund	$150 billion in direct aid specifically for COVID-19 related expenses to states, tribal governments, territories and local governments over the population of 500,000 people.	TBD - Because Portland population is under 500k we must apply to State of Maine for our share
FEMA Disaster Relief Fund	$45 billion through the disaster relief fund for state and local governments	TBD - Based on eligible expenditures only
Federal Transit Administration	$25 billion allocated in proportion to FY2020 program apportionments. All COVID-19 related operating and capital costs are eligible	METRO receiving $3.8M and will be voting on whether Portland receives $175k, $262k or $395k
Federal Aviation Administration	$9.9 billion in total available to commercial airports through the Airport Improvement Program (AIP).	$12,162,498 to the Portland International Jetport
Department of Justice	$850M for the Coronavirus Emergency Supplemental Funding (CESF) grant program to assist state and local law enforcement and jails with COVID19	$219,535
HUD CARES Act ESG Funding	Payments must be used for the benefit of unsheltered homeless, sheltered homeless, and those at risk of homelessness,	$573,734
HUD CARES Act CDBG Funding	Additional CDBG funding allocation flowing back to the community - City Council voting on recommendations next week.	$1,137,154
Other Cares Act Funding	Various payments to medical providers (Barron Center and Portland EMS) for COVID19	Initial payment of $135k on 4/10 and an additional $290k on 4/25

FY21 Budget Timeline - DRAFT as of May 14, 2020

- May 2020 - continued expense reduction measures and review of COVID19 impact on short and medium term revenues
- June 2020 - continued expense reduction measures and Department preparation of revised FY21 budget requests
- July / August 2020 - Carryforward of FY20 budget expenditure levels, adjusted for revenue shortfalls.
- August / September 2020 - Target budget presentation and approval to City Council
- Timeline above is just a DRAFT, subject to change based on length and severity of COVID19 pandemic.

Worst Case Scenario - April 2020 non-property tax revenue levels continue during all of FY21 ($6M less than FY20 budget per month)		
Would equal a	$72,000,000	revenue shortfall in FY21 budget ($6M per month)
One option would be a	38.70%	mil rate increase to collect the $72M from property taxes (mil rate jumps from $23.31 to $32.33)
Another option would be a	60%	decrease in expenditures across all staffed City Departments
Putting this in perspective it would be like cutting every City Department other than Parks & Rec, HHS and the Library and in excess of 700 layoffs		
Still Terrible Scenario - Revenue shortfall that occurred in April 2020 will only be 50% as severe during FY21 ($3M less than FY20 budget per month)		
Would equal a	$36,000,000	revenue shortfall in FY21 budget ($3M per month)
One option would be a	19.30%	mil rate increase to collect the $36M from property taxes (mil rate jumps from $23.31 to $27.82)
Another option would be a	30%	decrease in expenditures across all staffed City Departments
Putting this in perspective it would be like cutting the entire Police and Fire Department Budgets and would be in excess of 350 layoffs		
More realistic and scary scenario - Revenue shortfall that occurred in April 2020 will only be 25% as severe during FY21 ($1.5M less than FY20 per month)		
Would equal a	$18,000,000	revenue shortfall in FY21 budget ($1.5M per month)
One option would be a	9.70%	mil rate increase to collect the $18M from property taxes (mil rate jumps from $23.31 to $25.57)
Another option would be a	15.80%	decrease in expenditures across all staffed City Departments
Putting this in perspective a $18M reduction across all Departments would be approximately 200 FTE cuts		
Cut equally, this would be 36 in Police, 36 in Fire, 21 in Public Works, 59 in HHS, 22 in Parks & Rec and over 30 other position cuts elsewhere		
A $1.5M per month revenue decrease below FY20 budgeted levels is the most realistic of the above scenarios based on current State of economy		
Cruise ship revenue losses will be in the $2.8M to $3.3M range depending on whether ships return in 2021		
Excise tax revenue losses will be in the $2-3M range (most municipalities are estimating 15-20% decline)		
State revenues are currently projected to decrease by 30% so State Revenue sharing will be impacted (most municipalities are projecting a 25-40% decline)		
Permitting & Inspections and Planning/Urban Development revenues would decline in an economic downturn		
HHS revenues (most notably Barron Center) and Parks & Recreation revenues are also certain to decline - losses in the $4-5M range during March/April/May		
We have seen a significant decline in Parking revenues which may occur during FY21.		
Also the street closure / parklet proposal would result in approximately a $45k/month revenue loss in Parking through November		