CITY COUNCIL WORKSHOP

MEETING TO BE HELD REMOTELY

DATE: January 25, 2021

TIME: 5:30 PM

ZOOM INFORMATION:

The Portland City Council will hold a meeting on Monday, January 25, 2021 at 5:30 PM. This meeting will take place remotely using Zoom.

Virtual meetings are allowed using emergency legislation approved by LD 2167; 1 M.R.S. §403A, 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. For public comment, you will need to use the "raise your hand" feature. To raise your hand via the telephone, please hit *9. You will be unmuted by the host when it is time for public

Please click the link below to join the webinar:
https://us02web.zoom.us/j/84578565148?pwd=RnpDM3JELzllT3dEa2NJRS9YWHZZQT09
Passcode: 374437
Or iPhone one-tap :
US: +19292056099,,84578565148#,,,,,,0#,,374437# or +13017158592,,84578565148#,,,,,,0#,,374437#
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Dial(for higher quality, dial a number based on your current location):
US: +1 929 205 6099 or +1 301 715 8592 or +1 312 626 6799 or +1 669 900 6833 or +1 253 215 8782 or +1 346 248 7799
Webinar ID: 845 7856 5148
Passcode: 374437
International numbers available: https://us02web.zoom.us/u/kbTIAjwd7

AGENDA ITEMS:

Discussion of FY22 budget

City of Portland
FY22 Budget Workshop

Challenges and Opportunities

Brendan T. O'Connell – Finance Director

AGENDA

- FY21 Budget Updates - Total Expenditures, Total Revenues, Key Revenues Status
- FY22 Budget Challenges
  - Revenue Volatility / FY22 Uncertainty
  - Debt Service & Pension Obligation Bonds
  - Portland State of Maine Equalized Valuation Increase & Offsetting Impacts
  - Collective Bargaining Agreements
  - Continued Lack Direct Federal COVID19 Relief Funding / Grant Expiration
  - Less Tools for Budget Relief in FY22
- FY22 Budget Opportunities
- FY22 Budget Calendar

FY21 Budget Update - Total Expenditures

Approved FY21 General Fund Expenditures:	$202,806,660
Spending Through December 31, 2020:	$ 97,253,540
Percentage Expended:	48.0%

If spending were done in equal monthly installments the “norm” through six months or 50% expended. However, City spending isn’t done equally and we pay several large bills in full at beginning of year (County Tax, METRO, etc) so we’re trending more favorably than the 48.0% indicates.

FY21 Budget Update - Total Revenues

Approved FY21 Revenues	$202,806,660
Revenue Through December 31, 2021:	$112,371,671
Percentage Collected	55.4%

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.

FY21 Budget Update - Key Revenues

	FY21 Approved Budget (Full Year)	YTD Actuals through 6 months (7/1/20 - 12/31/20)	FY21 Percentage Collected (through 6 months)	FY20 Percentage Collected (through 6 months)	FY19 Percentage Collected (through 6 months)
Property Taxes	$188,093,438	$100,929,519	53.7%	52.3%	51.2%
Auto Excise Taxes	$10,545,000	$6,377,658	60.5%	51.7%	47.9%
State Revenue Sharing	$4,650,000	$3,967,011	85.3%	68.0%	49.7%
Parks & Recreation	$5,828,980	$1,905,093	32.7%	46.4%	49.1%
Parking Tickets	$1,170,000	$766,337	65.5%	42.9%	39.3%
Parking Garages	$2,596,935	$1,271,430	49.0%	50.3%	46.2%
Parking Meters	$3,224,900	$1,422,498	44.1%	48.8%	47.2%
EMS Revenue	$3,300,000	$1,348,077	40.9%	48.9%	24.7%
Building Permits	$2,850,000	$977,014	34.3%	58.6%	87.1%

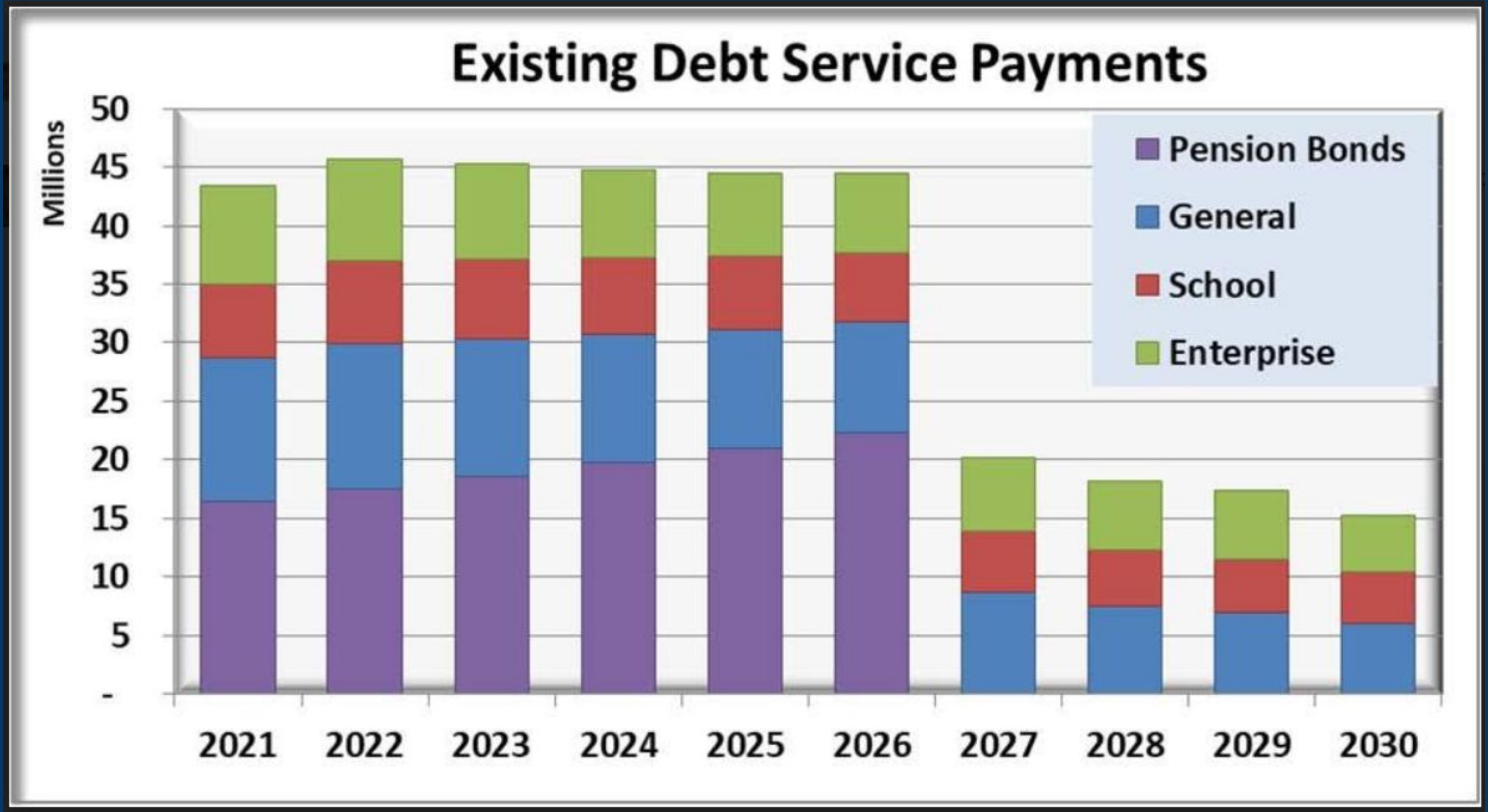
FY21 Budget Update - Key Revenues

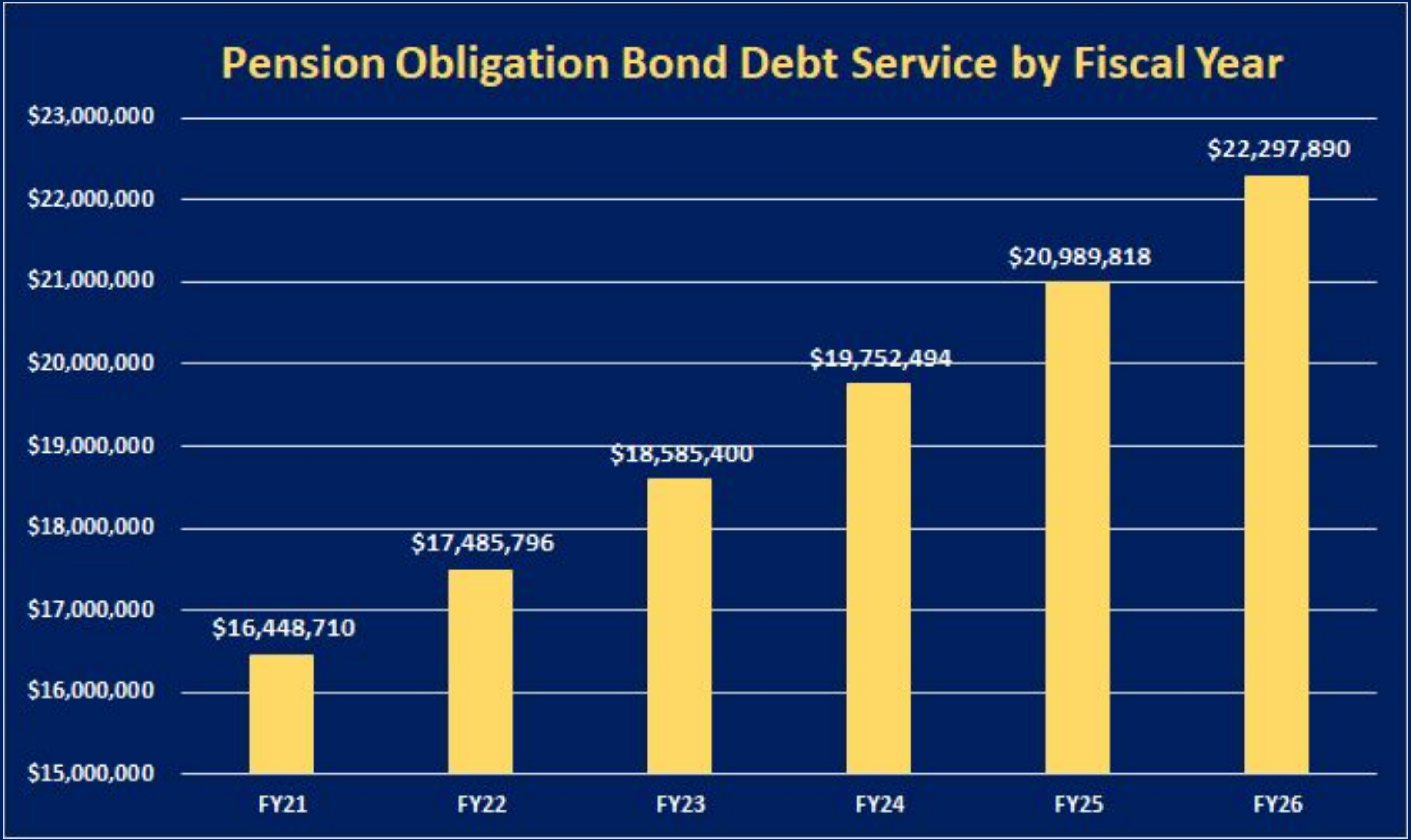
	FY21 Approved Budget (Full Year)	YTD Actuals through 6 months (7/1/20 - 12/31/20)	FY20 Actuals through 6 months (7/1/19 - 12/31/19)	FY21 vs FY20 through 6 months Increase / (Decrease)
Auto Excise Taxes	$10,545,000	$6,377,658	$ 5,975,860	$ 401,798
State Revenue Sharing	$4,650,000	$3,967,011	$ 3,115,619	$ 851,392
Parks & Recreation	$5,828,980	$1,905,093	$ 3,630,299	$ (1,725,206)
Parking Tickets	$1,170,000	$766,337	$ 772,649	$ (6,312)
Parking Garages	$2,596,935	$1,271,430	$ 1,738,215	$ (466,785)
Parking Meters	$3,224,900	$1,422,498	$ 2,108,634	$ (686,136)
EMS Revenue	$3,300,000	$1,348,077	$ 1,515,787	$ (167,710)
Building Permits	$2,850,000	$977,014	$ 1,648,048	$ (671,034)

FY22 Budget Challenge: Revenue Volatility

- Will excise tax revenue continue to outperform?
- Will downtown parking meters activity remain slow?
- Will downtown workers return and fill garages?
- Will cruise ships return?
- Will building permits bounce back from slow FY21 start?
- When will Parks & Rec have events / concerts again?

FY22 Budget Challenges - 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

FY22 Budget Challenges - POB Debt Service

	Annual Pension Obligation Bond Debt Service	Increase from Prior Year	Addition to the Mill Rate	Cumulative Increase from FY22
FY21	$ 16,448,710	$ 976,312	Already Included	
FY22	$ 17,485,796	$ 1,037,086	$ 0.13	
FY23	$ 18,585,400	$ 1,099,604	$ 0.14	$ 1,099,604
FY24	$ 19,752,494	$ 1,167,094	$ 0.14	$ 2,266,698
FY25	$ 20,989,818	$ 1,237,324	$ 0.15	$ 3,504,022
FY26	$ 22,297,890	$ 1,308,072	$ 0.16	$ 4,812,094
	$ 99,111,398		**$ 0.72**	**$11,682,418**

FY22 Budget Challenges - Collective Bargaining Agreements & Payroll

- City has over $82M in budgeted FY21 payroll / wages expense
- City has 8 bargaining units but only 1 settled agreement for FY22
- 2 bargaining agreements have contracts which expire 6/30/21
- 2 bargaining units have a contract which expired on 7/1/20
- 3 bargaining units have a contract which expired on 1/1/20

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. Using a 4% estimate on $82M, payroll could rise to $85.3M in FY22 **adding an estimated 41 cents to the mill rate**.

FY22 Budget Challenge: Lack of Direct Federal COVID 19 Relief Funding

- State of Maine received $1.25B of Coronavirus Relief Funds in 2020 - no direct allocation to City of Portland was made. Status of future rounds of funding to states and local governments is uncertain.
- City received approximately $1.4M of KeepMEHealthy Grant funding included in FY21 budget which will likely NOT be available in FY22
- Barron Center has received approximately $500k of COVID19 relief funds during FY21. Continuation of these funds into FY22 is uncertain.
- Portland International Jetport (an enterprise fund) has been awarded a second allocation of CARES Act funding - final amount still TBD.

FY22 Budget Challenge: State of Maine Equalized Valuation Increase

- $10.51B in 2020 rising to 11.15B in 2021 (6.1% 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 $218M higher
- It is essential to continue to carefully manage the City’s three area TIF districts to ensure significant valuation increases are captured

FY22 Budget Challenge: State of Maine Equalized Valuation Increase

- $10.51B in 2020 rising to 11.15B in 2021 (6.1% increase).
  State of Maine Valuation has several impacts on budget

- *Impact #1 – Cumberland County Tax Assessment will increase*
  Although final county assessment is not yet available, County Tax is expected to rise **$136k** (1.9%) up to $7.15M in FY22.

- Equates to an 2 cent increase in the tax levy (0.1%)

2020 vs 2021 State Equalized Valuations

Town	State 2020 Valuation	2020 Tax	State 2021 Valuation	Val Change %	2021 Tax	Percent Tax Change
Baldwin	181,600,000	121,180	194,350,000	7.0%	124,590	2.81%
Bridgton	1,106,700,000	738,484	1,205,750,000	9.0%	772,951	4.67%
Brunswick	2,509,500,000	1,674,551	2,595,900,000	3.4%	1,664,113	-0.62%
Cape Elizabeth	2,275,600,000	1,518,473	2,427,750,000	6.7%	1,556,320	2.49%
Casco	707,700,000	472,237	757,400,000	7.0%	485,535	2.82%
Chebeague Island	237,100,000	158,213	253,150,000	6.8%	162,283	2.57%
Cumberland	1,406,550,000	938,569	1,503,000,000	6.9%	963,505	2.66%
Falmouth	2,726,900,000	1,819,618	2,887,550,000	5.9%	1,851,077	1.73%
Freeport	1,863,700,000	1,243,618	2,006,100,000	7.6%	1,286,019	3.41%
Frye Island	175,100,000	116,842	185,950,000	6.2%	119,204	2.02%
Gorham	1,992,000,000	1,329,231	2,152,750,000	8.1%	1,380,030	3.82%
Gray	1,133,450,000	756,334	1,173,400,000	3.5%	752,213	-0.54%
Harpswell	1,992,700,000	1,329,698	2,101,500,000	5.5%	1,347,176	1.31%
Harrison	545,700,000	364,137	602,950,000	10.5%	386,524	6.15%
Long Island	179,800,000	119,978	188,900,000	5.1%	121,095	0.93%
Naples	850,150,000	567,292	859,900,000	1.1%	551,243	-2.83%
New Gloucester	588,450,000	392,664	611,050,000	3.8%	391,716	-0.24%
North Yarmouth	570,400,000	380,617	617,650,000	8.3%	395,947	4.03%
Portland	10,507,000,000	7,011,159	11,149,300,000	6.1%	7,147,309	1.94%
Pownal	267,550,000	178,532	284,200,000	6.2%	182,188	2.05%
Raymond	1,175,550,000	784,426	1,206,850,000	2.7%	773,657	-1.37%
Scarborough	4,778,350,000	3,188,519	4,807,600,000	0.6%	3,081,933	-3.34%
Sebago	420,650,000	280,693	463,600,000	10.2%	297,193	5.88%
South Portland	4,622,350,000	3,084,423	4,866,700,000	5.3%	3,119,820	1.15%
Standish	1,198,800,000	799,941	1,215,150,000	1.4%	778,977	-2.62%
Westbrook	2,268,700,000	1,513,868	2,420,050,000	6.7%	1,551,384	2.48%
Windham	2,272,500,000	1,516,404	2,441,900,000	7.5%	1,565,391	3.23%
Yarmouth	1,863,100,000	1,243,218	1,958,950,000	5.1%	1,255,794	1.01%
	50,417,650,000	33,642,919	53,139,300,000	5.40%	34,065,186	1.26%

FY22 Budget Challenge: State of Maine Equalized Valuation Increase

- $10.51B in 2020 rising to 11.15B in 2021 (6.1% 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 FY22 funding still unknown – many factors to be considered including formula changes in biennial budget and whether program is funded to Statutorily required levels.

FY22 Budget Challenge: State of Maine Equalized Valuation Increase

- $10.51B in 2020 rising to 11.15B in 2021 (6.1% 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 State of Maine budget includes 3.75% revenue share

FY22 Budget Challenges: Less Tools for Budget Relief in FY22

- Budget was deeply cut in FY21 (65+ job cuts, $4M in expenditure reductions) and equivalent cuts in FY22 would be devastating to City operations
- Payroll cost reductions were already built into FY21 budget due to lockdown / significant summer 2020 furloughs. Workforce is largely back to work and those savings will not be realized again in FY22.
- Health Insurance claims decreased in FY20 and early FY21 due to furloughs, a trend which has ended now that workforce is largely back to work
- Energy costs were near historic lows in FY20 and early FY21 but prices have risen on hopes of quick vaccine rollout and end of pandemic
- Very limited appetite for fee increases in current environment

FY22 Budget Opportunities

- Revenue bright spots from FY21
- Continued investments in green energy and potential savings
- Continued low interest rate environment
- Flexibility in timing of debt issuances
- Benefits broker hired in FY21 and potential for future savings

FY22 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.
- April – Presentation of City Manager recommended budget to City Council, referral to Finance Committee for detailed review
- May – Budget workshop and final approval by City Council
- June/July (odd years) - State of Maine biennial budget approval

City of Portland Budget & Financials Team

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Jen Lodge

Budget Manager

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Controller

Q & A

Thank you!

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