City of Portland, Maine
Remote Finance Committee Meeting
Thursday, July 22, 2021
5:00 PM, Remote 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. §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.
Please click the link below to join the webinar:
https://zoom.us/j/91849160165?pwd=bVprYWFjV0JxT2cyRkdYRm5uUUp3UT09
Passcode: 980880
Or One tap mobile :
US: +13126266799,,91849160165# or +16465588656,,91849160165#
Or Telephone:
Dial(for higher quality, dial a number based on your current location):
US: +1 312 626 6799 or +1 646 558 8656 or +1 301 715 8592 or +1 346 248 7799 or +1 669 900 9128 or +1 253 215 8782
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1. Introductions

2. American Rescue Plan Act of 2021 – City of Portland Funding Update

The Committee will hear an update from City staff on the American Rescue Plan Act of 2021 (ARPA). As noted in previous meetings the US Department of the Treasury released interim guidance for State and Local entities in May 2021 and comments were due within 60 days (the deadline was July 16th, 2021). Final implementation guidance from the US Treasury detailing appropriate uses of ARPA funds and addressing questions from funding recipients is expected shortly. During the meeting staff will discuss the City of Portland ARPA website and highlight the links to available ARPA information. Staff and the Committee will also discuss next steps for public outreach including links to the public portal for comments and suggestions on uses of ARPA funding. Demand for funding will exceed supply and some ideas suggested for funding may be ineligible based on final ARPA implementation guidance.

i. Finance Director ARPA Presentation July 22, 2021

3. Discussion of Final State of Maine FY22 Budget, Additional State Educational Subsidy, Additional Revenue Sharing Funding and Resulting Tax Rate Decrease from FY21 to FY22

The State of Maine biennial budget has been finalized and contains significant increases to critical City and School Department revenues including State of Maine Revenue Sharing (an increase from FY21's 3.75% of total revenues distributed to municipalities to 4.5% of total revenues for FY22) and increases to General Purpose Aid for Education (fully funding the subsidy to the statutorily required 55% of the cost of K-12 education). 100% of the increase in municipal Revenue Sharing, expected to be in excess of $1.25M, is planned to be used for tax reduction and will have a significant downward impact on the final mill rate which will be calculated by the City Tax Assessor later this summer (current estimate prior to the new funding is $13.49 per the recent revaluation notices). The Portland Public School Department is also expected to receive between $6.1M and $6.2M of additional educational subsidy and earlier this month the Portland School Board voted on use of these funds. The PPS recommendation is being voted on by the full City Council at the Monday, July 19th City Council meeting and details can be found on the meeting agenda. The Finance Director will discuss the total projected reduction to the City mill rate (both pre and post revaluation) as a result of these revenue increases and will highlight the significant overall tax and mill rate decrease from FY21 to FY22 as a result of these additional funding sources.

4. Revaluation Discussion - Programs and Options for Taxpayers

Finance Director Brendan T. O'Connell and City Tax Assessor Christopher Huff will review existing tax relief programs (https://www.portlandmaine.gov/145/Tax-Relief) and options available to taxpayers. The Committee may also review and discuss additional programs and tax relief options which exist elsewhere in the State of Maine and would be permitted under Maine Revised Statutes.

i. Property Tax Relief Programs

5. Adjournment

THE AMERICAN RESCUE PLAN ACT

PRESENTATION TO CITY OF PORTLAND FINANCE COMMITTEE - 6-24-2021 (UPDATED FOR 7-22-2021 MEETING)

AMERICAN RESCUE PLAN ACT OF 2021

$1.9 Trillion TOTAL

Municipal Portion (called the State and Local Fiscal Recovery Funds or SLFRF) is $130 billion of the $1.9 trillion

- 45.5 B allocated to Entitlement Communities utilizing a modified formula
- 19.5 B to smaller jurisdictions under population basis
- Counties receiving $65B

Payments made to local governments in two tranches - first half 60 days after enactment, second half one year later.

City completed long US Treasury application and verification process and has received first tranche payment.

FUNDING FOR PORTLAND (AND OTHER ENTITLEMENT UNITS) IN MAINE

Maine	Auburn	$13,545,799.00
Maine	Bangor	$20,478,297.00
Maine	Biddeford	$9,759,098.00
Maine	Lewiston	$20,970,428.00
Maine	Portland City	$46,290,652.00
Maine	South Portland city	$10,498,362.00

NOTE: There were minor changes in funding amounts in the final ARPA. South Portland was previously an entitlement community but aligned itself with Cumberland County to provide the full county with entitlement status in 2006. For ARPA payment purposes South Portland appealed their initial treatment as a non-entitlement unit and received an increase in funding in from $2.5 to $10.5M.

- Other Towns/Cities (non-entitlement units) in Maine are all receiving smaller allocations.
- State Counties (including Cumberland, who will receive $57,300,87) are also receiving allocations.
- The State of Maine has also released their initial plans for the $4.5 billion invested by the American Rescue Plan in the State of Maine

ELIGIBLE EXPENDITURES: GENERAL RULES

Unless otherwise noted, covered period is March 3, 2021-December 31, 2024

- Costs can be committed by December 31, 2024 but must be expended by December 31, 2026

Cannot spend funds on pension deposits

States and territories cannot spend the funds to reduce taxes or delay a tax increase

May not be used as non-Federal Match for other Federal Programs

USE OF FUNDS

- **Eligible uses include (section 602 and 603)**
  - "(A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
  - "(B) to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the State, territory, or Tribal / local government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
  - "(C) for the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal / local government due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or
  - "(D) to make necessary investments in water, sewer, or broadband infrastructure.

PUBLIC HEALTH EXPENDITURES

Services and programs to contain and mitigate the spread of COVID-19, including:

- Vaccination programs (Portland is >90% vaccine rate according to latest data released by the State of Maine (see chart to the right) so not considered high need)
- COVID texting and other related medical expenses
- Contact Tracing
- Personal protective equipment purchases
- Support of vulnerable populations to access medical or public health
- Capital investments in public facilities to meet pandemic operations needs
- Public communication efforts

Zip Code	Rate	updated 6/14/21
04101	89%	
04102	91%	
04103	91%	
04108	99%	Peaks
04109	78%	Islands
04019	99%	Cliff

PUBLIC HEALTH EXPENDITURES

Services to address behavioral healthcare needs exacerbated by the pandemic, including:

- Mental health treatment
- Substance use treatment
- Other behavioral health services
- Services or outreach to promote access to health and social services

ADDRESS NEGATIVE ECONOMIC IMPACTS CAUSED BY THE PUBLIC HEALTH EMERGENCY

Supporting small businesses

Speeding the recovery of the tourism, travel, and hospitality sectors

Serving the hardest-hit communities and families

- Addressing health disparities and the social determinants of health
- Investments in housing and neighborhoods
- Addressing educational disparities
- Promoting healthy childhood environments

Delivering assistance to workers and families

REPLACE LOST REVENUE

Recipients may use these funds to replace lost revenue

Treasury's Interim Final Rule establishes a methodology that each recipient can use to calculate its reduction in revenue.

Ability to calculate this revenue loss for several years (with growth factor 4.1%)

Most flexible category of eligible expenses and funds can be used to sustain municipal services, for maintenance and capital needs, cybersecurity, healthcare, police, fire or pubic safety and more.

Calculation method is being developed and Treasury is still taking input on Interim Final Rule.

PROVIDE PREMIUM PAY FOR ESSENTIAL WORKERS DURING COVID19 EMERGENCY

Employees of the jurisdiction designated by executive as essential

Can be provided directly, or through grants to private employers to public health/safety staff and essential workers outside the public sector.

INVEST IN WATER, SEWER, AND BROADBAND INFRASTRUCTURE

Necessary investments

Uses aligned with Environmental Protection Agency's Clean Water Revolving Fund and Drinking Water State Revolving Fund to expedite project identification

- Building/upgrading facilities and transmission, distribution, and storage systems, including the replacement of lead service lines
- Invest in wastewater infrastructure projects- constructing publicly-owned treatment infrastructure, managing and treating stormwater or subsurface drainage water, facilitating water reuse, and securing publicly-owned treatment works

Broadband Infrastructure

- Build broadband infrastructure with modern technologies in mind, specifically projects that deliver services offering: reliable 100 Mbps download and 100 Mbps upload speeds

REPORTING REQUIREMENTS
GUIDING PRINCIPLES

- 34 pages of reporting requirements released earlier this week - staff review in progress
- Requirements include one initial interim report, quarterly reports, and in some cases annual reports
- Guidance addresses four priority areas for ensuring an equitable economic recovery:

Accountable: The SLFRF requires program and performance reporting to build public awareness, increase accountability, and monitor compliance of eligible uses. Recipients are required to account for every dollar spent and provide detailed information on how funds are used.

Transparent: Large recipients will publish a detailed Recovery Plan each year so the public is aware of how funds are being used and outcomes are being achieved; Treasury will provide comprehensive public transparency reports each quarter across all recipients.

User friendly: SLFRF reporting has improvements requested by recipients of CARES Act funding, including deadlines 30 days after the close of the reporting period (versus 10 days in CARES), streamlined requirements for smaller funding recipients, and increased availability of bulk upload capabilities.

Focused on Recovery: The SLFRF reporting guidance addresses priority areas for an equitable economic recovery, including provisions that prioritize equity, focus on economically distressed areas, support community empowerment, encourage strong labor practices, and spotlight evidence-based interventions.

ARPA GUIDING PRINCIPLES

Temporary Nature of ARPA Funds

- Care should be taken to avoid creating new programs or add-ons to existing programs that require an ongoing financial commitment.
- Use of ARPA funds to cover operating deficits caused by COVID-19 should be considered temporary and additional budget restraint may be necessary to achieve/maintain structural balance in future budgets.
- Investment in critical infrastructure is particularly well suited use of ARPA funds because it is a non-recurring expenditure that can be targeted to strategically important long- term assets that provide benefits over many years.

ARPA GUIDING PRINCIPLES

Take Time and Careful Consideration

- Use other dedicated grants and programs first whenever possible and save ARPA funds for priorities not eligible for other federal and state assistance programs.
- Whenever possible, expenditures related to the ARPA funding should be spread over the qualifying period (through December 31, 2024) to enhance budgetary and financial stability.
- Adequate time should be taken to carefully consider all alternatives for the prudent use of ARPA funding prior to committing the resources to ensure the best use of the temporary funding.

AGENDA FOR 7-22-2021 ARPA UPDATES

- Provide additional details on the State and Local Fiscal Recovery Funds (SLFRF) section of ARPA and new updates that have been released since last Finance Committee meeting.
- Provide links to key sources of information where more information can be found on the American Rescue Plan, SLFRF and FAQ with more details on eligible expenditures.
- Provide updates on the public process, City staff process, and introduce the public facing City ARPA website and comment portal

ARPA Updates - June & July 2021

- Interim Final Rule (151 page document) public comment period closed on Friday, July 16th. City submitted feedback and question responses (example questions from Interim Final Rule included below). https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf

Question 4: The Interim Final Rule permits deposits to Unemployment Insurance Trust Funds, or using funds to pay back advances, up to the pre-pandemic balance. What, if any, conditions should be considered to ensure that funds repair economic impacts of the pandemic and strengthen unemployment insurance systems?

Question 5: Are there other types of services or costs that Treasury should consider as eligible uses to respond to the negative economic impacts of COVID-19? Describe how these respond to the COVID-19 public health emergency.

ARPA Updates - June & July 2021

- SLFRF Frequently Asked Questions Document has been released
- Updates being made multiple times weekly based on questions and feedback received (including updates on July 14th and July 19th).
- Document provinces key insights into what will likely be contained in the Final Rule
- https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf
- Example Q&A on next slide

ARPA June and July Updates - Samples from US Treasury Frequently Asked Questions Document

- https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf

2.1. What types of COVID-19 response, mitigation, and prevention activities are eligible?

A broad range of services are needed to contain COVID-19 and are eligible uses, including vaccination programs; medical care; testing; contact tracing; support for isolation or quarantine; supports for vulnerable populations to access medical or public health services; public health surveillance (e.g., monitoring case trends, genomic sequencing for variants); enforcement of public health orders; public communication efforts; enhancement to health care capacity, including through alternative care facilities; purchases of personal protective equipment; support for prevention, mitigation, or other services in congregate living facilities (e.g., nursing homes, incarceration settings, homeless shelters, group living facilities) and other key settings like schools; ventilation improvements in congregate settings, health care settings, or other key locations; enhancement of public health data systems; and other public health responses. Capital investments in public facilities to meet pandemic operational needs are also eligible, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics.

ARPA June and July Updates - Samples from US Treasury Frequently Asked Questions Documen

- https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf

2.8. May recipients use funds for general economic development or workforce development?

Generally, not. Recipients must demonstrate that funding uses directly address a negative economic impact of the COVID-19 public health emergency, including funds used for economic or workforce development. For example, job training for unemployed workers may be used to address negative economic impacts of the public health emergency and be eligible.

ARPA June and July Updates - Samples from US Treasury Frequently Asked Questions Document

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2.18. Would investments in improving outdoor spaces (e.g. parks) be an eligible use of funds as a response to the public health emergency and/or its negative economic impacts? [6/23]

- https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf

LINKS TO KEY ARPA AND SLFRF DOCUMENTS

Document Title (# of pages)	Description	Link
American Rescue Plan Act of 2021 State and Local Fiscal Recovery Funds website	The general landing page for the ARPA State and Local Fiscal Recovery Funds	https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds
Full Text - American Rescue Plan Act of 2021 (242 pages)	Full text of the American Rescue Plan Act (State and Local Fiscal Recovery Funds section is on pages 220 - 233).	https://www.congress.gov/117/bills/hr1319/BILLS-117hr1319enr.pdf
Interim Final Rule - State and Local Fiscal Recovery Funds (151 pages)	The US Department of Treasury's initial implementation guidance (interim only, not expected to be finalized until late summer 2021) containing more details on SLFRF and eligible categories of expenses	https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf
State and Local Fiscal Recovery Funds - Frequently Asked Questions As of July 19, 2021 (42 pages)	Complete list of frequently asked questions and responses from the US Treasury on implementation. Excellent source of more detailed information, updated frequently.	https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf
State and Local Fiscal Recovery Funds Compliance and Reporting Guidance (35 pages)	Contains detailed information on the reporting requirements for entities which receive funding (including subrecipients).	https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf

NEXT STEPS

- Public facing website and public comment portal has been released
  - https://portland.civilspace.io/en
  - Public comment portal now opened on the CivilSpace
  - Public health survey to be launched on the site in early August
  - Press release highlighting City ARPA project in upcoming week
- Staff awaiting Final Rule from US Treasury (may take 30-60 days)
- Public forum to be scheduled for August 2021
- City Manager will compile staff and public comments received via email and portal for release to Council

English

City ARPA website → https://portland.civilspace.io/

Welcome to Portland's Civil Space

Civil Space is the City of Portland's new hub to share, discuss, inform, and collaborate on creating sustainable solutions for important issues, challenges, and opportunities in our community. Thanks for taking part, joining with us, and making your voice heard!

THE AMERICAN RESCUE PLAN

AMERICAN RESCUE PLAN ACT OF 2021

THE AMERICAN RESCUE PLAN ACT

QUESTIONS?

Property Tax Relief Programs

City Council Finance Committee
July 22, 2021

Real Estate Taxes	Business Personal Property Taxes	Income Taxes	Current Land Use Tax Programs
Homestead Exemption	Business Equipment Tax Reimbursement (BETR)	Property Tax Fairness Credit (PTFC)	Farmland
Veterans, Surviving Spouse, Minor Child or Widowed Parent of a Veteran Exemption	Business Equipment Tax Exemption (BETE)	Portland Senior Tax Equity Program (P-STEP)	Open Space
Blind Persons Exemption			Tree Growth
Senior Tax Deferral Programs (2)			Working Waterfront
Renewable Energy Equipment Exemption			

Real Estate Tax Relief Programs

- Homestead Exemption Program
  - Provides property tax relief for individuals that have owned a home for at least 12 months and occupy it as their primary residence
  - Provides $25,000 of exempted value
  - One time application; deadline is April 1st each year
  - FY21 - 8,871 approved Portland homesteads; $448.72 tax reduction
    - Provided $3.98 million in total tax relief to Portland residents
    - 70% State reimbursement - $2,786,401

Real Estate Tax Relief Programs

- Veterans Exemption Program
  - Provides property tax relief for Veterans who served during a recognized war period and are:
    - 62 years of age or older; or
    - Receiving 100% disability as a Veteran; or
    - Became 100% disabled while serving
  - Provides $6,000 of exempted value
    - Surviving spouses, minor children and widowed parents eligible
    - Parapalegic Veterans can be eligible for $50,000 in exempted value
  - FY21 - 719 approved Veterans exemptions; $107.69 tax reduction
    - Provided $77,429 in total property tax relief
    - 50% State reimbursement - $38,715

Real Estate Tax Relief Programs

- Blind Persons Exemption
    - Provides property tax relief for 100% legally blind individuals
        - Provides $4,000 of exempted value
    - FY21 - 21 qualified Blind Person exemptions; $71.79 tax reduction
        - Provided $1,508 in property tax relief
        - 50% State reimbursement - $754

- Renewable Energy Investment Exemption
    - Exempts some or all of increased assessed value for items such as solar panels, wind turbines and associated equipment
    - Portland does not add assessed value for these items, therefore we do not participate in this program

Current Land Use Programs

The State of Maine has four "current use" programs that offer property owners a reduction in assessed value by establishing property valuation at its current use, rather than at market value

- Farmland
  - 5 contiguous acres used for farming, agriculture or horticulture
  - Must generate $2,000 in gross income from these activities each year
  - FY21 - 3 parcels enrolled covering 26.2 acres; provided $10,145 in tax relief

- Tree Growth
  - 10 acres or more of forested land used for commercial harvesting
  - Forest management and harvest plan required by licensed Maine Forester
  - FY21 - 3 parcels enrolled covering 85.7 acres; provided $68,745 in tax relief

Current Land Use Programs

- Open Space
  - Eligible parcels are preserved or deed restricted to provide a public benefit
    - Public recreation, scenic resources, game management, wildlife habitat
    - Up to a 95% reduction in value on land
  - FY21 - 23 parcels enrolled covering 229.4 acres; provided $365,712 in tax relief

- Working Waterfront
  - Eligible parcels abutting tidal waters or located in intertidal zone
    - More than 50% of parcel used to support commercial fishing activities
    - Up to 50% reduction in value of land
  - FY21 - 1 parcels enrolled; provided $1,577 in tax relief

Business Personal Property Tax Relief Programs

- Business Equipment Tax Reimbursement (BETR)
  - Programs were developed to encourage capital investment in Maine
  - Reimburses taxpayers for local property taxes paid on most qualified business assets first placed in service between April 1, 1995 and April 1, 2007
- FY20 - 203 applications received; taxpayers reimbursed $1,446,657

- Business Equipment Tax Exemption (BETE)
  - Provides 100% tax exemption for eligible business assets first subject to taxation on or after April 1, 2008
- FY21 - 426 applications received; $253,325,290 in exempted PP assets
  - $5,905,013 in tax relief
  - 53.09% State reimbursement - $3,135,148

Income Tax Relief Programs

- Maine Property Tax Fairness Credit (PTFC)
  - Eligible Maine taxpayers receive a portion of the property taxes or rent they paid during the tax year on their Maine 1040ME income tax return, whether they owe income tax or not
  - Schedule PTFC determines the credit amount based on income, property tax and/or rent paid

- Portland Senior Tax Equity Program (P-STEP)
  - Provides tax relief in the form of a direct payment to Portland seniors (62 or older) who receive a PTFC credit from the State of Maine
  - PTFC credit is matched dollar for dollar, up to $900
  - Annual application period is January through June
- FY21 - 194 applications with $135,203 in total refunds

Senior Tax Deferral Programs

- Municipal Property Tax Deferral for Senior Citizens
  - Allows municipalities to enact a property tax deferral program to help elderly homeowners keep their homes
    - Taxpayer must be at least 70 years of age
    - Must have owned their home for at least 10 years
    - Income cannot exceed 300% of the federal poverty level
  - Eligibility is determined by the municipality
  - A lien is established and recorded in the Registry of Deeds each year of deferral
  - Interest accrues on deferred taxes at .5% above the annual delinquent rate
  - All administrative duties of processing, noticing, filing and record keeping are the responsibility of the local municipality

Senior Tax Deferral Programs

- Municipal Property Tax Deferral for Senior Citizens
  - Events requiring the payment of deferred taxes and interest
    - The taxpayer passes away
    - The property sells or transfers to a new owner
    - The property is no longer occupied by the taxpayer (except if absence is health related)
  - If transferred to a family member of the same household, they may apply for continuation of the deferral

Senior Tax Deferral Programs

- LD 1638: An Act To Help Seniors and Certain Persons with Disabilities Remain in their Homes by Providing for the Deferral of Property Taxes
  - Signed into law by Governor Mills on Monday
  - Taxpayer must be 65 years of age or older or unable to work due to disability
  - Taxpayer has annual income less than $40,000 in year preceding application
  - Taxpayer has less than $50,000 in liquid assets or $75,000 if joint application
  - Taxpayer must be receiving the Homestead Exemption

Senior Tax Deferral Programs

- LD 1638: An Act To Help Seniors and Certain Persons with Disabilities Remain in their Homes by Providing for the Deferral of Property Taxes
  - Applications are submitted to the local assessment office and forwarded to the State Tax Assessor for determination of eligibility and approval
  - Once approved, the State pays the municipality the deferred taxes for the year
  - Administrative duties of processing, noticing, and filing are the responsibility of the State
  - Same events trigger the repayment of deferred taxes and interest with the State collecting those amounts

<u>Senior Tax Deferral Programs</u>	<u>Local Program</u>	<u>State Program</u>
Eligibility Age	70 or older	65 or older or disability that prevents employment
Eligibility Time	Owned for 10 years	Must be receiving a Homestead Exemption
Income Requirements	No more than 300% of federal poverty level	No more than $40,000 in income and liquid assets of $50,000 single / $75,000 joint
Taxes Repaid	When no longer eligible for deferral	Deferred taxes paid to municipality by State each year
Administrative Duties	Local municipality	State

Thank You!