City of Portland, Maine

Joint City/School Finance Committee Meeting

Thursday, August 24th, 2017

5:30 p.m., Room 209

1. Joint City_School Finance Committee Agenda_08.24.2017

   Documents:

   JOINT CITY_SCHOOL FINANCE COMMITTEE AGENDA_08.24.2017.PDF

City of Portland, Maine
Joint City/School Finance Committee Meeting
Thursday, August 24th, 2017
5:30 p.m., Room 209

AGENDA

1. **Introductions**

2. **Approval of Minutes from 7/20/17 Meeting**

3. **Portland Public Schools – Presentation on Proposed FY18 Budget Amendment**

4. **Senior Tax Relief Proposal – Answers to Questions from 7/20/17 Meeting**

5. **Other Business**

6. **Adjournment**

City of Portland, Maine
Finance Committee Meeting Minutes
Thursday, July 20th, 2017
5:30PM - Room 209
Attendees: Committee Members Mavodones, Ali, Costa
Mayor Strimling, member of City staff and member of public

1. **Introductions (skipped - everyone knew each other)**

2. **City Council Common Goals / Finance Committee Goals Continued**
   - **"Develop proposal for targeted tax relief"**
   - **City Council Order 288-16/17 – Presentation by Mayor Strimling**

   FOLLOW UP QUESTIONS ASKED (to be answered at next meeting):
   1. **Is the State program 62 and up? Are other local programs 62 and up?**
   2. **Is the State program applicable to rents?**
   3. **How do we define residency / what residency requirements exist in the program?**
   4. **Do we otherwise have sensitive information on residents? Is this something that will trigger additional privacy / security concerns?**
   5. **Would we check eligibility annually?**
   6. **Would we want to consider requests for abatements?**
   7. **Has there been consideration of administrative impact?**
   8. **Would there be any timing issues with our property tax?**

3. **State of Maine Budget Discussion**
   - **General overview from Finance Director on State of Maine Budget highlights**
   - **Question from Mayor Strimling & Committee Members – Councilors received an email noting that GA law changed allowing local funding beyond 24 month GA limit. Is this accurate? (ANSWER: THIS HAS BEEN CONFIRMED AS INACCURATE – NO LOCAL FUNDING BEYOND 24 MONTHS IS LEGALLY PERMITTED, NO GA RULE CHANGES IMPACTING THIS WERE ADDED IN THE FINAL STATE BUDGET)**

Future Meeting Dates / Topics – <u>Next meeting set for August 24, 2017 at 5:30PM</u>

4. **Adjournment**

Additional State Revenue FY2018 Budget Amendment

Joint Finance Committee Meeting
August 24, 2017

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prepared & empowered

Meeting Goals

- Provide update on 2018-2019 State Budget re: Education Funding
- Provide brief overview for FY2019 Projection
- Discuss Timeline/Process for amending budget
- Present Recommendation for Additional Revenue

Recall, Key Context

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Supt Proposed Budget
14% Reduction in State Aid

Preliminary EPS estimate $13,507,466
Projected loss of $2,049,255 in State Aid
Based on Governor's Proposed changes to the EPS formula

MaineCare Seed Reduction
The FY18 Enacted Budget reflects a reduction in the state revenue category of $420,000

$13,507,466 - $420,000 = $13,087,466 State EPS Budgeted

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Revenue Adjustment

Finance Committee's Recommended Budget includes $14,087,466 in EPS Revenue

$14,507,466 less $420,000 Seed Reduction

- Calculated using current EPS Formula – adds an additional $1M
- Down $1,119,255 from FY2017 (7.36%)

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Fiscal Impact of Enacted Budget

	General Fund	Food Service	Adult Ed		
Total Spending	99,563,360	3,550,901	1,921,977	105,036,238	
			FY2017 Budget	103,602,884	
			increase over prior year	1,433,354	1.38%
FY 2018 Revenue					
General Revenue	(3,525,207)	(3,263,780)	(621,864)		
State EPS	(12,401,282)				
State Debt Service	(1,686,184)				
Fund Balance	(500,000)	(250,000)			
	(18,112,673)	(3,513,780)	(621,864)	(22,248,317)	
Assessed Value	7,800,000,000		Total Tax Levy	82,787,921	
			FY2018 Proposed	10.61	
			FY2017	10.33	
			Rate Increase	2.75%	

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Additional State Revenue

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Final Enacted State Budget

FY2018 EPS Revenue **$16,219,817**

$2,712,351 HIGHER than
Governor's Proposed Budget ($13,507,466)

$2,132,351 HIGHER than
Portland Public School's Approved Budget ($14,087,466)

After anticipated SEED reduction ($420,000) – we have **$1,712,351** in additional revenue to consider

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Changes to Formula

Partially Restores System Administration
- FY2017 PPS received $233 per student
- FY2018 PPS will receive $135 per student - added to final budget, $0 per student in Governor's Proposed Budget

Title I Revenue
- FY2017 PPS Title I Revenue Reduction **($2,250,147)**
- FY2018 No Title I Revenue Reduction

Student to Teacher Ratios Increased to Offset Title I
- FY2017 16:1 Middle School, 15:1 High School, 100:1 Ed Techs Elementary & Middle, 250:1 High School
- FY2018 17:1 Middle School, 16:1 High School, 114:1 Ed Techs Elementary, 312:1 Middle, 316:1 High School

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Changes to Formula (continued)

Declining Enrollment Adjustment Removed
- FY2017 PPS Received **$539,985** in additional subsidy due to declining enrollment
- FY2018 this part of the formula was removed

Disadvantaged Student Weights
- FY2017 PPS Received an additional 15% in subsidy allocation for 55.96% of its student population for a total of **$4,015,372**
- FY2018 PPS Received an additional 20% in subsidy allocation for 56.25% of its student population for a total of **$5,331,847** - changed from 15% to 20% in the final budget from the Governor's Proposed Budget

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Changes to Formula (continued)

Targeted Funds for Pre-K
- FY2017 Targeted funds were for K-2 Pupils Only
- FY2018 PreK Targeted Funds were added for **$78,286**

Local Contribution
- The FY2017 Mill Rate of 8.30 multiplied by our assessment meant a total local contribution of **$63,109,880**
- The FY2018 Mill Rate of 8.19 = local contribution of **$63,486,150**
- Governor's Proposed rate of 8.29 = local contribution of **$64,261,317**

What's Next?

In order to make any changes to the FY2018 Enacted Budget, we need to go through the same process

- School Finance Committee
- Portland Board of Public Education – 2 readings
- City Finance Committee
- City Council – 2 readings

There is no additional referendum needed as voters authorized us to make changes if we received more funds.

Proposed Timeline (8/15/17)

School Process

August 24	Joint Meeting of City and Disitrict Finance Committee District Finance Committee Public Hearing, Vote to Recommend
September 5	Board 1st Read
September 19	Board 2nd Read

City Process

*October 2	Present to City Council
*October 12	City Finance Committee
*October 16	City Council 1st Read
*November 6	City Council 2nd Read

*To be determined

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Keeping in Mind: FY19 Projection

Preliminary projection of FY2019 is $111M including:

$2.2M increase in debt service (Hall)

- We will receive approximately 95% back in State Subsidy, almost a net zero tax impact

$3.3M increase in salary & benefits

- Implemented contracts and anticipated benefit increases

$300k increase in all other

- Includes High School Device Lease ($167k) but no other new investments (staff or programming)

GOAL: PPS will not increase the tax levy from FY18 to FY19

- assuming $5-$6.5M in new revenue

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Options for New 2018 Revenue

1. **Tax Relief**
2. **Restoring Cuts**
3. **Restoring Investments**
4. **One Time Expenditures**
5. **Budget Additions (New Requests)**
6. **Reserve Funds – Capital, Tax Relief, Technology, etc.**

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Recommendation

Reserve	$1,000,000
One Time Expenditures	$ 276,829
Mentoring	$ 103,330
New Arrival Center	$ 121,840
Seal of Biliteracy	$ 15,000
School Allocation	$ 95,352
Proficiency PD	$ 100,000
	$ 1,712,351

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Reserve

Tax Stabilization Reserve $1,000,000

- Legally restricted fund to be used with the goal of reducing the tax levy for school purposes. Could be used for a direct tax rate reduction or to offset spending that would have otherwise been added to the local budget (i.e. not borrowing for capital needs)
- Would require authorization from both Public Board of Education and City Council

One-Time Expenditures

One Time investments for FY2018 $276,829*

- Immediate capital needs **
  - Classroom furniture $25,000
  - Facility repairs $106,829
- Student Health Centers $145,000

*balance of all other recommendations less reserve funds
**These amounts are estimates based on assumptions, we will continue to assess facility and furniture needs and update figures

School Based Health Centers

2013-2016 - MOU between Portland Public Schools and City of Portland

2016-2017 - MOU between Portland Public Schools and Greater Portland Health

MOU - Funding will come from a variety of sources, second party agrees not to see direct financial support from the School for services at the Centers.

For FY2018 Budget - PPS will use $145,000 to help offset State funding losses using additional revenue. However, this does not represent an ongoing financial commitment on behalf of PPS.

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Mentoring

1.0 Make It Happen Site Coordinator	$42,165
1.0 Mentoring Coordinator (Deering)	$42,165
2 Make It Happen Americorp Stipends	$19,000
	$103,330

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New Arrival Center

0.5	ELL Teacher - Lincoln	$32,500
1.0	Ed Tech - Moore	$40,000
1.0	Ed Tech - King	$40,000
0.2	Social Worker	$ 9,340
		$121,840

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Seal of Biliteracy

Seal of Biliteracy Testing $15,000

The Portland Board of Public Education approved a resolution in March of 2017 to implement the Seal of Biliteracy Endorsement. This seal would recognize students who demonstrate mastery of two or more languages.

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School Allocation

Restoration of the allocation $95,352.

A per student formula is applied to a school's student population to determine how much the school will receive in the upcoming budget year for discretionary budget items such as supplies, professional development, contracted services, etc.

Principals volunteered to take a 10% across the board cut to assist the district in making reductions during the FY2018 budget process.

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Proficiency Professional Development

Offset grant loss of $100,000

As part of the final enacted State budget, a grant that was used for proficiency based professional development was cut. Schools were not notified of this change until very recently. Portland Public Schools has approximately $75,000 in remaining funds from prior years and Academics has asked for $100,000 to meet the planned professional development plan for FY2018.

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Next Steps

August 24
Share recommendation with City Finance Committee
- Provide City Finance committee with most recent recommendation for additional revenue after receiving feedback from Finance Committee and Board

Public Hearing - Finance Committee Recommendation
Finance Committee Vote to Recommend to Board
September 5
First read by Board
September 19
Second read by Board

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Portland, Maine — Yes. Life's good here.

Finance Department

MEMORANDUM

TO: **Members of the Finance Committee**

FROM: Brendan T O'Connell, Finance Director

DATE: August 24, 2017

SUBJECT: **Responses to Questions and Answers on Proposed P-Step Program**

A number of questions were asked by the Finance Committee in regards to the proposed Portland Senior Tax Equity Program (P-Step) program. The backup materials provided by Mayor Strimling during the June 19, 2017 City Council meeting (which can be accessed by clicking here) were very helpful when answering many of these questions. A complete listing of the questions / answers can be found below.

Question 1: Is the State Program 62 and up? Are other local programs 62 and up?
The State of Maine program, called the Property Tax Fairness Credit, is actually open to any Maine resident regardless of age. There is a maximum credit amount of $600 per individual, but the credit may be increased by an additional $300 if you are age 65 or older. As proposed, the Portland P-Step would match up to the maximum of $900 of tax credit, not just the additional $300 related to being a senior citizen. A table summarizing the age limits within several local programs, as originally documented in an earlier memo from Corporation Counsel Danielle West-Chuhta, is included below.

	Maximum Credit Amount	Age Restrictions	Other Residency Restrictions
State of Maine	$600, plus extra $300 if you are age 65 or older	None. 65 for additional credit	None, Maine must be primary residence during tax year
South Portland	$400	70	Must be town resident at least 10 of last 12 years
Cumberland	$750	67	Must be town resident for 10 years preceding application including all of previous year
Kennebunk	$500	62	Must be town resident for 10 years preceding application including all of previous year
Portland (as proposed)	$900 – Proposing to match full credit, not just the amount related to being age 65 or older	62	None (match State)

Question 2: Is the State Program Applicable to Rents?

Yes, the State program is applicable to rents. Eligibility requirements from the State of Maine 2016 Property Tax Fairness Credit application are below.

SCHEDULE PTFC/STFC – PROPERTY TAX FAIRNESS CREDIT & SALES TAX FAIRNESS CREDIT INSTRUCTIONS
(Form 1040ME, lines 25d and 25e)

Who is eligible?

You may qualify for a **refundable** Property Tax Fairness Credit up to $600 ($900 if you are 65 years of age or older) if you meet all of the following:

- You were a Maine resident during any part of the tax year;
- You owned or rented a home in Maine during any part of the tax year and lived in that home as your principal residence during the year;
- Your total income during 2016 was not more than the amount shown in the table below for your filing status and the number of personal exemptions you claim:

If your Filing Status is: **AND**	You claim **no more than** 2 personal exemptions **OR**	You claim **more than** 2 personal exemptions
	Your maximum income limitation is:	
Single	$33,333	$33,333
Head of Household, or Married filing Jointly, or Qualifying Widow(er)	$43,333	$53,333
Married filing Separately	$21,667	$26,667

Question 3: How do we define residency?

Under the ordinance as proposed, the following definition of "Eligible Applicant" is included.

§ 2-453. Eligible Applicant.

In order to be an eligible applicant for a benefit from the City under the Program, an applicant must demonstrate all of the following:

(a) The applicant must be 62 years of age and have a homestead in the City at the time of application.

(b) If the applicant owns his or her homestead, the applicant paid in full all property taxes for the year for which the refund is requested. If the applicant rents his or her homestead, the applicant paid rent during the year for which the refund is requested.

(c) The applicant has received a tax credit under the State Program for the prior year.

Question 4: Do we otherwise have sensitive information on residents? Is this something that will trigger additional privacy concerns?

Yes, unlike the Homestead Exemption form, which does not require population of Social Security Number, a potential P-Step application would require usage of Social Security Number. New policies and procedures would need to be added to address the additional privacy, security and liability concerns.

Question 5: Would we check eligibility annually?

Yes, under the proposed P-Step program we would check eligibility annually.

Question 6: Would we want to consider requests for abatement?
This was not specifically addressed in the proposed P-Step program. It is likely something that could be handled on a case-by-case basis due to the limited number of abatement requests received annually.

Question 7: Has there been any consideration of the administrative burden on staff?
According to the Mayor's presentation at the July 20^{th}, 2017 meeting, the program was designed to match the State program in part to make the process as simple as possible.

Question 8: Would there be any timing issues with our property tax commitment?
This is something that needs to be discussed in more detail with the Tax Assessor, the State of Maine and the Finance Directors and Assessors from other local municipalities. City Staff has begun reaching out to other municipalities about the launch of their particular program to discuss best practices.