



CITY MANAGER'S ADOPTED FY 2018 BUDGET



Photo courtesy of Russ Lunt

Presented to:
Mayor Patricia Smith
South Portland City Council

Presented by:
Scott T. Morelli
City Manager

July 1, 2017

CITY OF SOUTH PORTLAND

Adopted FY 2018 Budget

City Council

Patricia Smith, Mayor

Linda Cohen

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Brad Fox

Maxine Beecher

Claude Morgan

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July 1, 2017

**CITY OF SOUTH PORTLAND
ADOPTED FY 2018 BUDGET
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Executive Department

Scott T. Morelli
City Manager

October 18, 2017

Mayor Patricia Smith
 South Portland City Council
 25 Cottage Road
 South Portland, Maine 04106

RE: Adopted Fiscal Year 2018 Budget

Dear Mayor Smith and City Councilors:

I am hereby submitting to the City Council the City Adopted Fiscal Year 2018 budget (FY18). This budget includes General Fund appropriations for municipal operations, school operations, and the Cumberland County tax obligation. Additionally, this budget includes the Sewer User Fund, Enterprise Funds, and Grant Funds budgets. The total operating budget for the City of South Portland for FY18 is \$101,024,683, an increase of \$2,931,139 or 2.99% from the FY17 budget.

Table I
 Total Budget Across All Funds
 Comparison FY 2017 and FY 2018

	FY17	FY18	Dollar	%
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	
General Fund	82,787,929	85,912,644	3,124,715	3.77%
Sewer User Fund	5,855,781	5,936,098	80,317	1.37%
Enterprise Funds	6,473,198	6,543,384	70,186	1.08%
Grant Funds	2,976,636	2,632,557	(344,079)	(11.56%)
	98,093,544	101,024,683	2,931,139	2.99%

The budget document as presented reflects all adjustments to the Manager's proposed budget. After reviewing the proposed budget, evaluating information obtained at budget workshops and the public hearing on the budget, City Council made a handful of adjustments. The budget was then approved on June 19, 2017, with a total tax to be raised of \$62,388,585. However, the City and School budgets as originally approved did not reflect significant revenue adjustments result from the State of Maine budget, which was not approved until early July. As a result, the Assessing department was asked to hold off committing taxes until more accurate revenue figures could be determined. Fortunately, South Portland Schools received a substantial increase (\$1,015,529) in

their State subsidy over what had been budgeted. On the Municipal side, the State Legislature adjusted downward the percentage for the Homestead reimbursement from 62.5% to 50%. This resulted in a decrease revenue of -\$254,000.

Staff and Council recognized during the budget process that the State Education subsidy could increase and thus, when approving the budget in June, Council also adopted an Order that provided options to the Board of Education if they received an additional State subsidy. The Board of Education was authorized to use all or part of additional State subsidy received to increase expenditures for school purposes in cost center categories approved by the School Board, increase the allocation of finances in a reserve fund approved by the School Board, and/or decrease the local cost share expectation, as defined in Title 20-A, section 15671-A(1)(B), for local property taxpayers for funding public education as approved by the School Board.

Amended Appropriation Resolve

The Board of Education meet on July 24, 2017 and approved several adjustments to the budget that were later that evening incorporated into the amended appropriation resolve approved by the City Council. The following adjustments were made to the Appropriation Resolve:

	<u>Budget Impact</u>
Municipal Adjustments:	
State Homestead revenue decrease	254,000
School Adjustments:	
State Education Subsidy increase	-1,015,529
Decrease in budget use of reserves	+135,164
Increase in expenditures	372,600
Net adjustments to taxes to be raised	-253,765

The various tables in this budget document reflect the final amended approved budget with a total tax to be raised of \$62,134,820.

The Economy and State Budget

An understanding of the City’s financial picture and the regional economy is an important part of the budget process. In order to do financial planning, staff must make **certain assumptions** about the economy and other external pressures. Changes in the very nature of economic activity can affect city resources as we have experienced for the coming fiscal year.

The following are highlights:

- ❑ Non-property tax revenues are staying flat with a few exceptions.
- ❑ Both commercial and residential properties are strong market-wise, with many indications the residential market here in the City remains hot. The City has seen a fair amount of building activity in recent years but the City is also limited as to available undeveloped land.
- ❑ Like in prior budgets, the Governor’s proposed State budget has certain changes that may impact the revenues of our City budget. These items include General Assistance, BETR to BETE conversion, Homestead, and others. The State’s budget also has certain changes in the Education Subsidy formula that may affect our School Budget. In the coming months the State Legislature will be balancing the State Budget and some of these issues may have a

trickle down impact on our revenues. This budget has been built to include a similar amount to be received from State Revenue Sharing, the anticipated increase in the Homestead Exemption program going from a \$15,000 exemption to \$20,000 as outlined in the State 2016-17 Budget, and continued State reimbursement at 70% for general assistance.

City Council Budget Guidance

On January 9, 2017, the School Superintendent and Interim City Manager updated the City Council on the status of the FY18 budget process. From the start, City administration was dealing with a 3.38% expenditure increase (\$1.1 million) without factoring in revenues changes and other requests from individual departments.

The City Council provided both the Schools and City an opportunity to grow their respective budgets by 3.0 to 3.5% (needs from taxes). Historically, the City has been below the LD #1 guidance and State Statute allows for the compounding of unused capacity from year to year. South Portland currently has significant capacity under the LD #1 Statute.

Average Personal Income Growth	2.84%
Property Tax Growth	<u>2.04%</u>
LD #1	4.88%

The LD #1 growth number for FY18 is 4.88%. The City’s budget meets both the City Council’s guidance and the LD #1 growth threshold.

Annually, the City Council has always committed itself to a number of goals while working on the budget:

- Maintain existing public goods and services the public has come to rely on
- Provide high “value” where “value” means high quality at a reasonable price
- Maintain a multi-year sustainable financial strategic plan
- Provide fewer services well, than many services poorly
- Recognize the public does not appreciate paying for poor service

Significant Impacts and Positions Added to Budget

Buildings and Grounds Manager (New - Eight Months) – One area the City has struggled with over the past several years is oversight and proper maintenance of the many buildings its departments operate in. In the development of the budget with the Finance Director, the Interim City Manager identified this as a high priority for FY18’s budget. The adopted budget moves us in that direction with the funding of a Building and Grounds Manager for three-quarters of the year who would become responsible for oversight of all City Buildings. **FY18 Cost: \$70,193**

Fleet Manager (Promotion of Existing Position) – When the new Municipal Service Facility opens in late November, the new seven bay garage will combine vehicle maintenance for Public Works, Parks, Bus, Fire and – to a lesser extent – other departments. This **will not** be a new

position but rather will elevate one of the mechanics to a Fleet Manager whose responsibility will be to manage the workload of all departments. The change in responsibility will come with additional compensation, which will impact the budget. We believe this change will bring about greater efficiency and coordination of work. **FY18 Cost: \$14,055**

Library Assistant II (Additional 3.5 Hours/Week) – This position is being brought from 34 hours per week to full-time at 37.5 hours per week. **Additional Cost: \$14,800**

Municipal Services Facility Custodian (New - Eight Months) – With the opening of the new Municipal Service Facility slated for late November, the new building will bring together three departments in excess of 50 employees. Presently, none of these departments has any custodial staff and to maintain this new investment, we believe a position should be added to provide daily cleaning and general maintenance of the facility. This position is being added for 30 hours per week starting the beginning of November and will be part of the overall building maintenance staff. **FY18 Cost: \$24,422**

Public Safety Secretary (Additional 3.5 Hours/Week) – This position is being brought from 34 hours per week to full-time at 37.5 hours per week. **Additional Cost: \$7,470**

Public Works Laborer (Additional 4 months) – The Public Works Department has had a tough time bringing on temporary help during winter and summer seasons. As the department is doing more and more projects in-house, a need is there to establish a suitable consistent workforce for these projects. Last year this position was added to the budget for a partial year. This budget includes the remaining four months' impact to the budget. **Additional Cost: \$23,664**

Recreation Superintendent (Additional 4 months) – Last year the budget included as a priority to reestablish the Recreation Superintendent position, creating administrative capacity and budget oversight within the Recreation Division. The position was funded for eight months. The FY18 budget includes the remaining four months' impact to the budget. **Additional Cost: \$33,825**

Safety Coordinator (Additional 7 ½ hours per week) – The City has done a tremendous amount of work around safety for our employees and within our buildings/parks. We have gone through a number of safety audits that highlighted areas of concern needing attention. As we continue to move forward in addressing these safety concerns, developing trainings, and working towards SHAPE (Safety & Health Award for Public Employers) certification, there is a need for more capacity towards this initiative. We have made great headway over the last 24 months working very close with the Maine Department of Labor and Maine Municipal Risk Management bringing South Portland in-line with current safety protocols, but there is still much more to do. This budget increases the position from a permanent part-time 30 hours a week position to a full-time 37 ½ hours a week position. **Additional Cost: \$11,453**

Sustainability Assistant (New - Eight Months) – The workload of this office necessitates additional staff hours. Funding currently exists for a part-time employee to work one day per week. Effective November 1, 2017, we are increasing this position to three days per week. The office would still have funding for an intern for a three-month period. **Additional Cost: \$19,288**

Homestead Exemption Changes

As a result of the Homestead Exemption changes approved in the previous biennial State Budget, full-time residents will see an increase in the exemption. For FY17, residents saw an increase in the exemption from \$10,000 to \$15,000. This resulted in an effective decrease (for residents) on their tax bill of roughly \$50 to \$75 depending upon valuation. For FY18 this exemption is scheduled to increase to \$20,000 and additional tax relief will result from the increased exemption. The offsetting impact of this increase in exemption is taxable valuation is decreased (approximately \$28 million in FY17 and \$27.4 million in FY18). For FY17, this valuation decrease was offset by a 50% reimbursement by the State for the lost tax revenues. The Governor's proposed FY18 state budget included substantial changes to the Homestead Exemption. Under his plan, the exemption was to only be provided to homeowners who are 65 and older. The Governor's proposal is similar to what he proposed last year and did not garner much legislative support. The Manager's proposed budget was built under the plan approved by the 2016-17 legislature, which would increase the exemption to \$20,000 and the State would provide 62.5% reimbursement.

As previously discussed, the late State of Maine budget adjustments negatively impacted the amount that the City anticipated to receive as State reimbursement for the Homestead program. Under the final approved State budget, this reimbursement was reduced from 62.5% down to 50%. This resulted in a decrease in revenues from the Manager's Proposed budget but an overall increase in the Homestead State reimbursement of approximately \$256,000 over last year due to the increase in the exemption from \$15,000 to \$20,000.

Municipal Service Facility - Debt Service

In November of 2013, voters approved borrowing \$14 million for construction of the Municipal Services Project. The project was delayed some to allow for debt repayments to start in coordination with the retirement of certain other older debt projects. This past August, the City issued \$12.8 million of bonds for the project at a net interest rate of 2.13%. The FY18 budget will be the first full year debt service for this bond issue. Debt Service for this bond issue totals \$1,046,956 for the new year. In total, debt service will increase on the Municipal side of the budget by \$258,864. It should also be noted that debt service on the School side shows a decrease of \$221,461.

Tax Rate Stabilization Fund

At the Council meeting of February 6, 2017, City staff discussed the results of the fiscal year ending June 30, 2016 audit. The City finished the year with a greater than anticipated revenue surplus and a strong Unassigned Fund Balance. Currently, the Unassigned Fund has a balance exceeding the Fund Balance Policy and, at that meeting, the recommendation was to use a portion of that excess to fund the FY18 capital budget and make an additional contribution into the tax rate stabilization fund. This budget contributes an additional \$500,000 to lower the taxes raised for five years by \$100,000 per year. Over the last seven years, the City has used fund balance as a means of reducing what is raised from taxes (lowering the tax rate). To provide a more level impact to the tax rate, the City uses a multi-year funding approach of a tax rate stabilization reserve. The stabilization schedule commits the use of fund balance to off-set the tax rate over several years, through declining funding. By increasing the funding in this account, the Council

would, in a sense, buy down the tax rate over the next five years. In the FY18 adopted budget, staff is proposing to increase the funding towards the tax stabilization account by \$500,000.

<u>Current FY17 Schedule</u>		<u>Adopted FY18 Schedule</u>	
FY17	\$500,000	FY17	\$500,000
FY18	\$400,000	FY18	\$500,000
FY19	\$300,000	FY19	\$400,000
FY20	\$200,000	FY20	\$300,000
FY21	\$100,000	FY21	\$200,000
FY22	\$ 0	FY22	\$100,000

By using \$500,000 from the Tax Rate Stabilization Fund, the City is able to buy down its share of the tax rate. For the median South Portland homeowner (\$198,400), this equates to a savings of their tax bill of \$29. We feel this approach accomplishes our goal of lowering the tax rate while also avoiding the roller-coaster effect on property tax bills.

Long-term Funding for Fire Vehicles Reserve – Increase annual Funding by \$125,000

While staff worked on the Operating Budget, we were also developing the 2018 Capital Improvement Budget (2018 CIP). As part of the development of the 2018 CIP, the continued pressures on funding the Fire Department’s Vehicle Reserve became obvious with the need to replace the 2004 Quint. That vehicle has had continual problems and, over the past four years, has required over \$100,000 in major repairs. During this time period, it was out of service for over 400 days, with four occasions being in excess of 30 days at a time. Recent issues with this vehicle forced the Fire Chief to pull it out of service in January. It is also at risk of not passing the required Underwriter Laboratory (UL) ladder certification test. During the 2015 testing, which it passed, it was noted the vehicle was approaching the deviation limit and might not achieve certification again.

After considerable discussion and review of options, it was decided to recommend moving forward this replacement to 2018 instead of the planned replacement in FY20. This will require the complete use of all funds (\$450,000) in the current Fire Vehicle Reserve and a considerable contribution from the City’s Unassigned Fund Balance to pay for the remaining \$650,000 in costs. Presently the operating budget provides an annual contribution to the reserve of \$75,000. With the other scheduled vehicles requiring replacement in the next several years, our recommendation is to increase this annual contribution from operations to \$200,000.

Funding of Mandatory ADA Paratransit

This current year, the State Department of Health and Human Services has instructed its Medicare contractor – Logisticare – to shift its ADA eligible clients to the local ADA complementary paratransit provider. For South Portland this service is provided by Regional Transportation Program (RTP). Historically, Logisticare would buy over a thousand monthly passes between Metro and South Portland Bus Service, but now only purchases a hundred or so a month. The 900 or so shifted clients are now provided service by RTP at approximately \$30.00 per ride as opposed to using a monthly pass which costs \$45.00 a month for an unlimited number of monthly rides. South Portland pays for all RTP trips originating in South Portland. ADA paratransit is a required service to be provided by any transit operator who receives Federal Transit Administration (FTA) operating assistance grant funds. This has resulted in both a revenue

decrease for our bus system as well as a significant increase in ADA paratransit cost. Fortunately, the FTA provides partial funding at 80% reimbursement for these added costs. The City has submitted for supplemental FTA funding for these added costs for FY17 and FY18. For FY18, the City has needed to increase its budgeted paratransit costs by approximately \$79,000 with increased FTA grant reimbursement of approximately \$63,000 for a net local cost of about \$16,000.

Landfill Solar

Recently the City Council approved a power purchase agreement associated with the Landfill solar project. As part of that proposal, the City is required to pay a slight premium for electricity for the first six years of the project while it is owned by a third party. The third party has the ability to utilize the federal tax credits available for the project. Once the six year holding period has passed, the City will have the opportunity to buyout the project at a value that allows for the project to stand on its own and, hopefully, achieve a substantial savings over the project's life. This project also achieves a goal of the council in supporting a sustainable solar project on the closed landfill. We have included the additional cost of approximately \$18,000 for electricity in this budget.

Behavior Health Liaison Position (Police Dept.)

The approved budget also includes a Behavioral Health Liaison position at the Police Department. This position, funded at \$79,337 including benefits, will enable the SPPD to hire a full-time, trained mental health and substance use disorder professional. With the rise in opioid use in Maine and across the county, local police departments have been dealing with an increase in drug-related calls. While our officers are trained to use Narcan to help reverse the effects of an opiate overdose, that temporary (albeit lifesaving) intervention is often the extent of the interaction with that person. By having this new position embedded within the department, our PD will be able to help provide referrals and support after an overdose, which can help lead to long-term recovery.

FY2018 – ADOPTED BUDGET

General Fund

The General Fund is the largest portion of the budget with a total appropriation request of \$85,912,644. The General Fund includes the property tax supported services for municipal operations, the School Department, and taxes levied by Cumberland County.

Table II
Total General Fund
Comparison FY 2017 and FY 2018

	FY17	FY18	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
Municipal	32,604,547	34,109,596	1,505,049	4.62%
School	47,679,294	49,205,018	1,525,724	3.20%
County	2,504,088	2,598,030	93,942	3.75%
	82,787,929	85,912,644	3,124,715	3.77%

Municipal Departments

The City's budget appropriation is divided into the following six major expenditure categories:

Personnel Services. The major expenditures of personnel services include salaries, wages, overtime, pension and health benefits, workers' compensation and unemployment insurance, and disability and life insurance. Personnel costs account for 67.36% of the total budget. The budget includes limited wage increases for union and non-union employees. The personnel services budget is \$22,975,892, an increase of \$793,120 or 3.58% over FY17.

Contracted Services. Contracted services include the City's cost of water, sewer, electricity, street and traffic lights, building and equipment maintenance, rent and leases, rubbish disposal costs at ecomaine, curbside solid waste and recycling contract with a private contractor, and the City's Contingency Account. Contracted services are \$4,701,133, an increase of \$203,957 or 4.54%. Contracted services represent 13.78% of the total general fund appropriation.

Supplies. Supplies include construction material, equipment and vehicle parts, road sand and salt, gas, oil, heating fuel, library books and periodicals, and office and printing supplies. Supplies are proposed at \$2,051,859, an increase of \$61,050 or 3.07%. Supplies represent 6.02% of the total general fund appropriation.

Fixed Charges. Fixed charges include tax abatements, general and commercial liability insurance, automobile and property insurance, and dues and memberships. Fixed charges represent \$845,390 in the budget up \$37,290 or 4.61%. Fixed charges represent 2.48% of the city's general fund budget.

Debt. The Debt Service budget includes annual bond principal and interest payments on the City's outstanding debt obligations. The new Municipal Services Facility debt will be fully coming onto

the books in FY18 making up a large increase in debt service. Debt Service this year will be \$1,372,646 or a 23.24% increase to bonded debt service payments. This year, Debt Service represents 4.02% of the total general fund appropriation.

Intergovernmental (Joint Dispatch) - The Cities of Portland and South Portland teamed up a number of years ago to share an E911 dispatch center. Located at the Portland Police Department, the dispatch center covers both communities and provides a great opportunity to share in public safety resources. South Portland has assumed responsibility of a percentage of the equipment and infrastructure in the dispatch facility. South Portland employees who went to work in the dispatch room are still under a South Portland union contract. When a South Portland dispatcher leaves their position, the position is filled by the City of Portland and the employee becomes a Portland employee. South Portland has gone from 11 dispatchers at the time of merger, down to three dispatchers today. Whether Portland or South Portland, the dispatchers in the facility answer both communities' calls for service. The FY18 cost of the Intergovernmental category is \$786,322, up \$37,712 or 5.04%. This represents 2.31% of the total budget.

Capital Outlay and Transfers. The Capital Outlay and Transfers budgets include appropriations for the replacement of vehicles and equipment. The proposed capital outlay budget represents 4.09% of the municipal total General Fund appropriation. Historically, capital outlay requests included funding of capital reserves, Police Department motor vehicles, equipment replacement; technology reserve accounts, and the Municipal Building Reserve Account. The capital outlay and transfers budgets for FY18 are \$1,341,354 up \$113,056 or 8.43%.

Table III
Municipal General Fund Appropriation
By Expenditure Category
Comparison FY 2017 and FY 2018

	FY17	FY18	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
Personnel	22,182,772	22,975,892	793,120	3.58%
Contractual Services	4,497,176	4,701,133	203,957	4.54%
Supplies	1,990,809	2,051,859	61,050	3.07%
Fixed Charges	808,100	845,390	37,290	4.61%
Debt	1,113,782	1,372,646	258,864	23.24%
Property Tax Reimbursements	35,000	35,000	-	0.00%
Intergovernmental (Jt Dispatch)	748,610	786,322	37,712	5.04%
Other	221,623	196,748	(24,875)	-11.22%
Capital Outlay	1,006,675	1,144,606	137,931	13.70%
Total	32,604,547	34,109,596	1,505,049	4.62%

Another way to look at the overall municipal appropriation request is on a programmatic basis by major functional area. The City's General Fund appropriation is divided into the following major functional areas:

Table IV
Municipal General Fund Appropriation By Function
Comparison FY 2017 and FY 2018

	FY17	FY18	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
Public Safety	11,339,752	11,729,675	389,923	3.44%
Insurance and Retirement	6,943,110	7,266,870	323,760	4.66%
Public Works	4,739,726	4,818,400	78,674	1.66%
Culture and Recreation	3,384,519	3,492,828	108,309	3.20%
General Government	3,103,460	3,308,716	205,256	6.61%
Debt	1,113,782	1,372,646	258,864	23.24%
Transportation and Waterfront	1,290,191	1,398,985	108,794	8.43%
Health and Welfare	543,007	574,476	31,469	5.80%
Contingency and Reserves	147,000	147,000	-	-
Total	32,604,547	34,109,596	1,505,049	4.62%

Municipal General Fund Revenues

On the revenue side of the Municipal General Fund budget, total non-property tax revenues are estimated at \$12,410,356, an increase of \$853,241 or 7.38%. This increase is largely due to additional excise and transit revenue being recognized.

Table V
Distribution of Municipal Non Property Tax Revenues
Comparison FY 2017 and FY 2018

	FY17	FY18	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
Excise Tax	5,925,000	6,589,000	664,000	11.21%
State Revenue Sharing	1,220,000	1,260,000	40,000	3.28%
Fee for Service	1,677,875	1,700,150	22,275	1.33%
Investment Income	420,000	400,000	(20,000)	-4.76%
Licenses, Permits and Fines	875,550	884,600	9,050	1.03%
Payments in lieu of taxes	244,150	270,108	25,958	10.63%
Federal Transit	589,000	700,748	111,748	18.97%
Other	605,540	605,750	210	0.03%
Total	11,557,115	12,410,356	853,241	7.38%

Municipal Needs from Property Taxes

With expenditures of \$34,109,596 and non-property tax revenues of \$12,410,356 the total need from property taxes for FY18 to support city services is \$18,493,240, an increase of \$196,808 or 1.08%.

Table VI
Municipal Needs from Taxes
Total Needs from Taxes
Comparison FY 2017 and FY 2018

	FY17	FY18	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
Municipal Expenditures	32,604,547	34,109,596	1,505,049	4.62%
Use of Fund Balance	500,000	500,000	-	- %
BETE State Reimbursement	1,521,000	1,720,000	199,000	13.08 %
Homestead State Reimbursement	730,000	986,000	256,000	35.07%
Non Property Tax Revenue	11,557,115	12,410,356	853,241	7.38%
Needs from Taxes	18,296,432	18,493,240	196,808	1.08%
Excluding Homestead Increase		256,000		
Needs from Taxes (excl. Homestead)	18,296,432	18,749,240	452,808	2.47%

School Department

As previously discussed, the “final” adopted budget approved July, 24, 2017 includes adjustments as a result of the additional State Education subsidy of \$1,015,529 that was approved by the State of Maine. The budget was initially approved with appropriations totaling \$48,832,418, with offsetting non-property-tax revenues totaling \$6,781,103 for a net needs from taxes of \$41,551,315. With the additional State revenue, the School board was authorized to come back to Council with a revised spending plan that considered the three options allowed under Title 20-A, section 15671-A(1)(B). The School Board elected to provide property tax relief (\$507,765) for half of the additional State Education subsidy.

School Needs from Property Taxes

The total need from property taxes for FY18 to support the School Department is \$41,043,550, an increase of \$892,531 (2.22%) over FY17.

Table VII
School Department Total Needs from Taxes
Comparison FY 2017 and FY 2018

	FY17	FY18	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
School Expenditures	47,679,294	49,205,018	1,525,724	3.20%
Use of Fund Balance	(500,000)	(500,000)	-	0.00%
Non property Tax Revenue	(7,028,275)	(7,661,468)	(633,193)	9.01%
Needs from Taxes	40,151,019	41,043,550	892,531	2.22%

Cumberland County

Cumberland County’s property tax assessment for FY18 is \$2,598,030, an increase of \$93,942 or 3.75%.

Total Needs from Property Taxes

The total need from property taxes to support municipal, school, and county services is \$62,134,820, an increase of \$1,183,281 or 1.94%.

Table VIII
General Fund Total Needs from Taxes
Comparison FY 2017 and FY 2018

	FY17	FY18	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
Municipal	18,296,432	18,493,240	196,808	1.08%
School	40,151,019	41,043,550	892,531	2.22%
County	2,504,088	2,598,030	93,942	3.75%
Needs from taxes	60,951,539	62,134,820	1,831,281	1.94%

Committed vs. Estimated Property Tax Rates

The FY18 budget required some adjustments as a result of the changes in the State budget and the revenues that pass down to the City. Initially, the Council approved the budget on June 19, 2017 with the best information available at the time. As mentioned previously, the increase in the State Education subsidy and the decrease in Homestead Exemption reimbursement resulted in the tax commitment to be delayed and the Council elected to amend the budget to allow for property tax relief to pass on to the taxpayers. More accurate valuation figures were also available and the resulting increase in overall valuation resulted in tax rate increase of 30 cents, or 1.69%.

	FY17	FY18	FY18		
	Final	Initially	Final	Change	%
	<u>Committed</u>	<u>Estimated</u>	<u>Committed</u>		
Municipal	5.31	5.35	5.36	0.050	0.94%
School	11.66	12.19	11.89	0.230	1.97%
County	0.73	0.76	0.75	0.020	2.74%
Total	17.70	18.30	18.00	0.300	1.69%
Valuation	3,425,000,000	3,409,000,000	3,452,000,000		

It should be noted in terms of property tax increases, South Portland stacks up well against peer communities. Between FY12-17, our tax rate increased by \$1.60 or 9.9%. Of the 79 communities in Maine designated as “Service Centers”, the median tax increase during this same period was 15.5%, meaning South Portland’s tax rate increase was well below what most of these communities experienced. In fact, 55 of these communities saw a larger percentage increase than South Portland. This supports the notion that City staff and elected officials have been successful in keeping tax increases relatively low.

Sewer User Fund

The Sewer User Fund Budget Appropriation for FY18 is \$5,936,098, an increase of \$80,317 or 1.37%.

Table X
Sewer User Fund Expenditures
Comparison FY 2017 and FY 2018

	<u>FY17</u> <u>Approved</u>	<u>FY18</u> <u>Approved</u>	<u>Dollar</u> <u>Change</u>	<u>%</u> <u>Change</u>
Administration	\$163,673	166,723	3,050	1.86%
Compliance Admin.	100,693	102,313	1,620	1.61%
Debt	96,532	96,309	-223	-0.23%
Engineering	240,722	249,717	8,995	3.74%
Equipment Reserve	1,512,000	1,512,000	-	0.00%
Pump Stations	558,329	545,452	-12,877	-2.31%
Retirement & Insur.	837,145	861,579	24,434	2.92%
Sewer Maintenance	820,961	832,547	11,586	1.41%
Sewer Use Billing	182,384	182,384	-	0.00%
Sludge Disposal	365,389	372,594	7,205	1.97%
Treatment Plant	<u>977,953</u>	<u>1,014,480</u>	<u>36,527</u>	<u>3.74%</u>
Total	\$5,855,781	5,936,098	80,317	1.37%

Table XI
Sewer User Fund Revenues
Comparison FY 2017 and FY 2018

	<u>FY17</u> <u>Approved</u>	<u>FY18</u> <u>Approved</u>	<u>Dollar</u> <u>Change</u>	<u>%</u> <u>Change</u>
Interest & Penalties	1,000	-	-1,000	
Industrial Compliance Fees	64,770	65,790	1,020	1.57%
Res/Commercial User Fees	4,213,924	4,277,139	63,215	1.50%
Industrial User Fees	1,426,087	1,438,169	12,082	0.85%
Cape Elizabeth Contribution	<u>150,000</u>	<u>155,000</u>	<u>5,000</u>	<u>3.33%</u>
Total	5,855,781	5,936,098	80,317	1.37%

The residential sewer user rate will increase from \$4.92 to \$5.01 per hundred cubic feet of water (PHCF), a 1.83% increase over FY17.

Enterprise Fund Budgets

The Enterprise Fund comprises self-funded programs and activities utilizing the revenue generated from program participants. The Enterprise Fund totals \$6,543,384, an increase of \$70,186 or 1.08%.

Table XII
Municipal Enterprise Fund Budget
Comparison FY 2017 and FY 2018

	<u>FY17</u> <u>Approved</u>	<u>FY18</u> <u>Approved</u>	<u>Dollar</u> <u>Change</u>	<u>Change</u>
TIF District	3,584,001	3,536,807	(47,194)	(1.32%)
Summer Rec. Camp	315,882	312,904	(2,978)	(0.94%)
Golf Course	166,055	169,748	3,693	2.22%
Community Television	194,950	216,500	21,550	11.05%
Westbrook Assessing	202,043	214,990	12,947	6.41%
Youth Rec. Programs	159,334	144,417	(14,917)	(9.36%)
Street Openings	101,605	97,502	(4,103)	(4.04%)
Afterschool Program	111,757	157,209	45,452	40.67%
Sewer Impact Fees	53,419	54,593	1,174	2.20%
Senior Rec. Programs	44,627	59,103	14,476	32.44%
Adult Rec. Programs	30,436	46,088	15,652	51.43%
Summer Sports Camp	25,275	34,663	9,388	37.14%
Portland St. Pier	23,470	21,800	(1,670)	(7.12%)
Art in the Park	20,750	20,750	0	0.00%
Adult Leagues	36,397	30,370	(6,027)	(16.56%)
Boat Ramp	19,490	21,661	2,171	11.14%
Vacation Camp	10,062	10,048	(14)	(0.14%)
School Lunch Fund	<u>1,373,645</u>	<u>1,394,231</u>	<u>20,586</u>	<u>1.50%</u>
Total	\$6,473,198	6,543,384	70,186	1.08%

Grant Fund Budget

The Grant Fund budget tracks those programs and activities funded directly by grants, state or federal government, or other sources. The total FY18 Municipal Grant Fund budget is \$2,632,557, a decrease of \$344,079 or -11.56%.

Table XIII
Grant Fund Budget
Comparison FY 2017 and FY 2018

	FY17	FY18	Dollar	Percent
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>Change</u>
Local Road Assistance- MDOT	\$256,444	264,000	7,556	2.95%
Community Dev. Block Grant	412,033	401,457	(10,576)	-2.57%
Supplemental Homeland Sec.	168,719	179,107	10,388	6.16%
Transit 5307 Planning	40,566	40,566	0	0.00%
School Part II Grants Budget *	<u>2,098,874</u>	<u>1,747,427</u>	<u>(351,447)</u>	<u>-16.74%</u>
Total	\$2,976,636	2,632,557	(344,079)	-11.56%

Conclusion

Having now concluded my first budget process at City Manager, I would like to thank the many staff who helped get us here. In particular, I would like to thank Interim City Manager Don Gerrish and Finance Director Greg L'Heureux for the months of work it took to prepare the budget. I would also like to thank the department heads and finance staff for their significant efforts as well. I believe we have continued with the tradition of proposing and adopting responsible budgets that balance the desire to keep property taxes reasonable while providing excellent services to the inhabitants of South Portland.

Sincerely,

Scott Morelli
City Manager

cc. South Portland City Council
South Portland School Board
Ken Kunin, Superintendent of Schools
Department Heads