



CITY MANAGER'S ADOPTED FY 2019 BUDGET



Photo courtesy of Christina Fernald

Presented to:
Mayor Linda Cohen
South Portland City Council

Presented by:
Scott T. Morelli
City Manager

July 1, 2018

CITY OF SOUTH PORTLAND

Adopted FY 2019 Budget

City Council

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City Manager

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July 1, 2018

**CITY OF SOUTH PORTLAND
PROPOSED FY 2019 BUDGET
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Executive Department

**Scott T. Morelli
City Manager**

August 18, 2018

Mayor Linda Cohen
South Portland City Council
25 Cottage Road
South Portland, Maine 04106

RE: Adopted Fiscal Year 2019 Budget

Dear Mayor Cohen and City Councilors:

I am hereby submitting to the City Council the City Adopted Fiscal Year 2019 budget (FY19). 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/TIF Funds, and Grant Funds budgets. The total adopted operating budget for the City of South Portland for FY19 is \$103,135,400, an increase of \$1,985,717 (or 1.96%) from the FY18 budget.

Table I
Total Budget Across All Funds
Comparison FY 2018 and FY 2019

	FY18	FY19	Dollar	
	<u>Approved</u>	<u>Adopted</u>	<u>Change</u>	<u>%</u>
General Fund	\$ 85,912,644	\$ 88,338,226	\$ 2,425,582	2.82%
Sewer User Fund	\$ 5,936,098	\$ 6,041,540	\$ 105,442	1.78%
Enterprise Funds	\$ 6,543,384	\$ 6,470,310	\$ (73,074)	-1.12%
Grant Funds	\$ 2,757,557	\$ 2,750,591	\$ (6,966)	-0.25%
	\$ 101,149,683	\$ 103,600,667	\$ 2,450,984	2.42%

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 several adjustments. Staff also made several budgetary tweaks based on updated information. The budget was then approved on June 19, 2018, with a total tax to be raised of \$65,388,585.

FY19 Budget Objectives

The FY19 budget was crafted with three high-level objectives in mind: 1) to live within the 3 – 3.5% overall tax rate increase guidance given by Council at a January workshop, 2) to maintain or enhance the City services that our residents and business-owners have come to expect, and 3) to address the City Council’s adopted goals for 2017-2020.

Objective 1: Submit a Budget that Falls Within the Guidance Given by City Council

Both the FY19 Manager Proposed and Council Adopted budgets lived within the general guidance given by Council to staff at a January workshop. At that time, Council indicated it would be amenable to a tax rate increase of between 3 – 3.5%.

For the budget initially proposed by the City Manager, both the Municipal (3.4%) and School (3.1%) tax rate increases were within the guidance given by Council. Although the County percentage increase was significantly higher than this (6.4%), the overall budget was still within the overall range set by Council (3-3.5%).

Table II a
Tax Rate Increase (Manager Proposed)

	<u>Tax rate</u>	<u>Increase to Tax Rate</u>	<u>% Increase</u>
Municipal	\$ 5.54	\$0.184	3.36%
School	\$12.26	\$0.369	3.11%
County	<u>\$ 0.80</u>	<u>\$0.048</u>	<u>6.67%</u>
TOTAL	\$18.60	\$0.601	3.33%

After the Manager’s budget was proposed, several additional tweaks were made by staff, a number of amendments were made by Council, and the School Board approved a budget that was higher than what the Superintendent had proposed. The resulting impact on the tax rate was slightly higher than the guidance given by Council in January:

Table II b
Tax Rate Increase (Council Adopted)

	<u>Tax rate</u>	<u>Increase to Tax Rate</u>	<u>% Increase</u>
Municipal	\$ 5.55	\$0.195	3.64%
School	\$12.35	\$0.456	3.83%
County	<u>\$ 0.80</u>	<u>\$0.048</u>	<u>6.67%</u>
TOTAL	\$18.70	\$0.700	3.88%

As adopted, the municipal share of the budget would have resulted in a \$0.19 increase on the tax rate, from \$5.36 to \$5.55. Although many Council goals are able to be addressed thanks to this increase (see Objective 2), it would be the most significant hike in the City’s share of the tax rate in at least half a decade.

The last adjustment to the tax rate comes with the final valuation figures and BETE and Homestead revenue numbers. Until this time, estimates are used and the tax rate self-adjusts to reflect these final figures. Fortunately, the final numbers for all three of these issues saw increases in the bottom line with positive results to the tax rate. Of note, is the increase in the reimbursement percentage the City received for the homestead reimbursement. The City’s budget anticipated the homestead percentage would remain at the 50% reimbursement and not increase to the 62%. The State Legislature was able to balance the budget and allow the increase to the homestead reimbursement (unlike the prior year). This resulted in the City receiving an additional \$248,000 homestead reimbursement. Together with an additional \$289,000 of BETE reimbursement and an additional \$8,000,000 of taxable valuation, the mil rate was able to be reduced by 20 mils to 18.50 as shown in the following final committed tax rate increase table:

Table II c
Tax Rate Increase (Committed)

	<u>Tax rate</u>	<u>Increase to Tax Rate</u>	<u>% Increase</u>
Municipal	\$ 5.38	\$0.028	0.51%
School	\$12.32	\$0.427	3.59%
County	\$ 0.80	\$0.046	6.11%
TOTAL	\$18.50	\$0.500	2.78%

The homestead and BETE revenues appear on the municipal side of the budget so it somewhat distorts the increase to the tax rates for municipal services. However, as you will note, it brings both the City share of the tax increase (0.51%) and the overall tax rate increase (2.78%) to below what Council had given guidance on in January. We have been fortunate in keeping the tax rate increases down for several years. Over the prior five years, the tax rate has increased by an average of 1.83% per year. This year’s increase exceeds that but provides our residents and businesses with improved service.

Objective 2: Maintain or Enhance City Services that our Residents and Business-Owners have come to Expect

The adopted budget maintains the City’s existing levels of service and, in some cases, is able to enhance it. Some of these enhancements include:

- **New Planner Position:** Although approved in December 2017, the FY19 budget commits a full-year of funding for this position, which will assist the Planning Department in providing better response to citizen and business needs.
- **New Assistant Code Enforcement Officer Position:** This new position will assist the Code office in better responding to complaints and enforcing our ordinances. NOTE: position funded for half-year.
- **Four New Firefighter Positions:** As discussed at a workshop last September, the Fire Department underwent a slight reorganization last fall. During this discussion, the Fire Chief noted the increase in call volumes and the need for additional personnel. The FY19

budget funds four new positions – one per shift – to help meet this need. NOTE: positions funded for half-year.

- **New Parks Laborer Position:** Utilizing funds from their “Temporary Wages” line, the Parks Department will be able to hire a full-time laborer position in FY19. This position will be utilized to help better maintain the City’s numerous and growing list of parks.
- **Increased Maintenance Staff Hours:** The City will gain 11 additional hours per week of maintenance help by bringing two part-time maintenance staff up to full-time (37.5 hours/week). Some of these additional hours will be funded by eliminating the outsourcing of custodial services at the Planning Department and instead, using the increased hours to help better maintain that building.
- **New Public Works Operator Position:** This position will enhance the department’s maintenance efforts, including improved sidewalk snow plowing.
- **New Park Ranger Position:** This full-time position will provide coverage to various parks in the spring and summer seasons (i.e. monitoring dogs at Willard, geese at Mill Creek, etc.) and supervise winter recreation activities. Council indicated this position would be for a one-year trial and would revisit it, if needed, during the FY20 budget process.
- **City’s Share of a New Middle School Resource Officer Position:** This represents our 15% share of the cost of a new officer who will serve the Middle Schools during the school year.

Other service enhancements, while worthy, were unable to be funded. These will be further discussed in an upcoming section.

Objective 3: Address the Council’s Adopted Goals for 2017-2020

The City Council’s adopted goals for 2017-2020 were at the forefront of many of the decisions that went into this year’s budget. These eight goals were formulated at a workshop in early June and then formally adopted by Council in July. Below is a listing of each goal and a summary of how the FY19 operating and CIP budgets address them.

❖ GOAL 1: A waterfront master plan including desired uses and climate modeling for adaptation, brown field assurance and an evacuation plan

The FY19 operating budget includes a full-year’s funding for an Economic Development Director. The new director – set to join staff this spring – will be charged with developing a plan as to how best assess our community’s desired future uses of the waterfront. S/he will work with members of the Economic Development Committee, Planning Department, Sustainability Office, and other relevant stakeholders – including the Councilor assigned to this goal – drafting this plan.

The most significant way the FY19 budget addresses this goal is through the CIP, where funding has been ear-marked to enter into a joint contract with the City of Portland to hire a

consultant to create a Community Climate Adaptation and Action Plan (CAAP). Cobbled together with funding from other sources, South Portland will be able to commit its portion of funding (\$125,000) for this large-scale project. While not specific to the City's waterfront, the CAAP will provide a plan of action to help South Portland achieve a reduction in carbon emissions.

- ❖ **GOAL 2: Diversity (ethnic, gender, age) in the City Council, boards, committees and workforce. The City has assessed the barriers and mitigated them and has an outreach plan.**

The Human Resources Department requested \$13,000 in its budget to continue with current efforts to improve the City's diversity and inclusion efforts. After working with a consultant to review and update our employment application to remove unintended barriers that might discourage a minority candidate from applying for a job, the next step proposed is to get a baseline assessment of the City's intercultural competence. This would essentially include a survey of senior staff and City Councilors, the results from which would be used by the consultant to create a strategy to improve our intercultural communication.

Unfortunately, due to the need to cut approx. \$1.2 million from department requests in order to achieve a budget that increases taxes no more than 3.5%, the funding for this assessment was not able to be included in the Manager's Recommended Budget. However, the new Human Resources Director will be tasked with building upon our current efforts to improve diversity and inclusivity.

- ❖ **GOAL 3: A contingency plan for economic resilience, including the possibility of marketing.**

The new Economic Development Director will be charged to work with various stakeholders to create a plan for economic resiliency. It is possible that s/he will need to request funds in next year's budget (FY20) to complete such a plan, though at this time it is unclear as to if that will be necessary and, if it is, what those costs would be. However, this budget does address marketing. Through the City's FY19 TIF budget, \$58,000 has been set aside for yet-to-be-determined marketing purposes. Once again, the Economic Development Director will be charged to work with the Economic Development Committee to plan for the best and most effective use of those funds.

- ❖ **GOAL 4: Streets and continuous sidewalks that are in great condition so that no one notices it or complains. There are fewer vehicles, protected bike lanes, more pedestrians, effective public transportation and safe road crossings.**

The Public Works budget lines for Street Paving (\$625,000) and Sidewalk Maintenance (\$75,000) remain flat. However, this goal is addressed in a meaningful way in the adopted FY19 Capital Improvement Program (CIP), with funding for various projects and equipment upgrades. These projects include additional sidewalk work, Cottage Road improvements, and other PACTs projects. The addition of a new Public Works Operator position will also help with the City's maintenance efforts.

- ❖ **GOAL 5: Encourage development that is compatible with the comprehensive plan, meets zoning and has engaged the public and the neighborhoods in the process.**

With changes that occurred outside of this budget process – in particular the addition of a new Planner position and freeing up the Planning Director’s time by no longer overseeing the Code Enforcement Office – we can expect to see processes that engage the public/neighbors whenever the City plans to recommend a zoning change. The addition of an Assistant Code Enforcement Officer within the Manager’s Recommended Budget will also help achieve this goal.

- ❖ **GOAL 6: Seniors who are connected with neighbors and the community, which knows what seniors’ needs are, and there are services to help seniors age in place.**

City staff are awaiting the results of the ad hoc Senior Citizen Committee before allocating funds toward this goal. However, this budget does propose to decrease the age limit needed to qualify for the Senior Citizen Property Tax Relief Program. By adding an additional \$10,000 in funding, we believe we can lower the age requirement from 70 to 68 and provide many more South Portland seniors with property tax relief.

- ❖ **GOAL 7: Access to the detailed data that it needs to make well informed decisions on city policy.**

As more information unfolds about the desired outcome of this goal, staff will be working to better address it. With the hiring of an additional Planner, more information should become available for the various planning-related items considered by Council.

- ❖ **GOAL 8: Has underway an inventory of green assets and a 21st century green space plan (all green spaces, watersheds, urban forest, etc.).**

Significant progress has been made on this issue. An *ad hoc* Open Space Committee has been formed and was provided with funding to hire a consultant to assist in a community effort to create an Open Space Plan. The committee is currently in the process of finalizing its membership and will soon be launching this effort with guidance from the selected consultant. Staff from Planning and Parks & Rec have been involved to date.

FY19 Budget Process

In late 2017, department heads were tasked with coming up with their FY19 CIP and operating budget requests. The manager instructed each department head to request what they felt was needed to maintain or improve their operations. This was a slight departure from year’s past. In January, Council provide guidance to City and School staff regarding an acceptable tax increase range and, in early February, department heads submitted their requests. In mid-February, the City Manager, Finance Director, and Deputy Finance Director met with each department head to

review their requests. Over the course of the next several weeks, departmental budgets were scoured to ensure compliance with Council guidance, Council goals, and the LD #1 growth factor.

LD #1 Growth Factor

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	2.61%
Property Tax Growth	<u>3.27%</u>
LD #1	5.88%

The LD #1 growth number for FY19 is 5.88%. The City's budget meets both the City Council's guidance and the LD #1 growth threshold.

Getting to Below 3.5% Needs from Taxes

With fixed cost increases, additional departmental requests, and anticipated changes in revenues, the Municipal share of the budget would have increased its share of the tax rate by \$0.39 – a 7.31% increase. This meant staff needed to find over \$1.2 million in savings from the budget requests.

While we were able to fund several new, needed positions in the FY19 budget, several requests were denied in order to help reach the target of \$1.2 million in savings. Positions requested but not funded in the FY19 budget include:

- Sustainability Coordinator: Increase from PT to FT (\$23,296). This position would have enhanced the capacity of the Sustainability Office.
- Teen Center Coordinator: Increase from PT to FT (\$18,086). This position would have increased the capacity of the center to offer teen services.
- Public Works Laborer: New position (\$63,511). Although Council approved one of the requested positions, the second position request was not approved.
- Pipeline Patrol Officer: New position (\$65,071). This position would have better enabled us to send officers to the Police Academy, which occurs twice per year (January and August). It would allow for a retiring officer to be replaced with a fully trained officer in a time when there is significant difficulty in recruiting new people into the profession.
- IT Help Desk: New position (\$70,855). This position would have improved the IT department's ability to provide service to City staff.

- Various Library Positions: 2 new PT and 3 increased hours (\$73,399). These changes would have enabled the Main Library to open on Mondays.

In reviewing the non-personnel portions of the departmental budget requests, we were able to reduce or eliminate requests in 49 different lines, resulting in \$756,822 of savings. Some of the more significant cuts included:

- Various savings from reorganizing and new hires at lower rates of pay incorporated into the manager's budget (\$21,000).
- Eliminating the HR Department's request for \$13,000 for diversity training/assessment.
- Reducing Parks & Rec temporary help by \$54,000, the savings from which helps fund a new Parks Laborer position.
- Eliminating a \$12,000 request from Parks & Rec to host two sample sites of organic lawn care maintenance at Bug Light and Sawyer Park. These demonstration sites, which would help show the public how organic lawn care free from pesticide use can be successful, was requested by Protect South Portland and would be managed by an industry expert. I did include \$5,000 in the Sustainability Department's capital budget to host a site at Bug Light.
- Eliminating outsourced janitorial services for the Planning Department (Hamlin School), saving \$13,000. These duties will now be performed by the added hours that were requested and approved for two part-time City maintenance staff to become full-time.
- Cutting \$10,000 from contracted services for the Sustainability Office. Some of these funds would have been used to hire a consultant to assist the City with implementing the Community Rating System (CRS), a program through FEMA by which communities can take various steps that improve a community's resiliency to flooding and also reduce flood insurance rates for property owners.
- Cutting \$30,000 from the Police Department to remediate their gun range. We hope to encumber unspent FY18 operating funds into a reserve account to help build up the necessary funding.
- Reducing overtime in the Fire Department by \$37,500. Due to the addition of four new Firefighters half-way through the FY19 budget, we were able to reduce the amount of OT needed for the department.
- Pushing back the start date for four new Firefighters from July 1st to January 1st, saving \$95,000 in wages and benefits.
- Eliminating Parks & Rec's request for \$1,000 for holiday lights at more parks. We are hopeful this is something a community group will help fundraise.
- Adding \$10,000 in revenue from the Transfer Station by requiring fees be raised to better help offset costs.
- Saving \$4,000 by eliminating a Summer Intern position in the Executive Department.
- Saving \$121,500 (net) as a result of the street light project (as further discussed below).

Debt Service – New Leases

The adopted budget includes two new leases. In lieu of buying a new Quint fire truck with funds from the Fire Vehicle Reserve (as proposed in the FY18 capital improvement budget), the Council elected to finance that vehicle predominately through a municipal lease purchase agreement. The estimated annual lease cost (\$137,300) for the fire truck is budgeted in the adopted budget. The previously approved Fire reserve funds will be reallocated to do mold remediation and a major rehabilitation of the Cash Corner Fire Station.

The second new lease proposed will be to purchase the streetlights from Central Maine Power and refurbish those lights with highly efficient LED streetlights. The City has been working on this project for several years and we hope it will be started this summer with lease payments for FY19 estimated at \$100,500. Streetlights are presently leased through Central Maine Power and that cost is currently charged to the Code Enforcements budget along with the related energy costs. Included in the budget is a reduction in the Code Enforcement budget of \$222,000 for an estimated net savings of \$121,500.

Tax Rate Stabilization Fund

At the Council meeting of February 6, 2018, City staff discussed the results of the fiscal year ending June 30, 2017 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, fund the expensive remediation costs for Cash Corner Fire Station, provided supplemental funding for the Clear Skies lawsuit, and make an additional contribution into the tax rate stabilization fund. For the latter, this budget contributes an additional \$500,000 to lower the taxes raised for five years by \$100,000 per year. Over the last eight 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 FY19 adopted budget, staff is proposing to increase the funding towards the tax stabilization account by \$500,000.

	<u>Current Schedule</u>	<u>Adopted Schedule</u>
FY18	\$500,000	\$500,000
FY19	\$400,000	\$500,000
FY20	\$300,000	\$400,000
FY21	\$200,000	\$300,000
FY22	\$100,000	\$200,000
FY23	\$ 0	\$100,000

For the median South Portland homeowner (\$229,400), this equates to a savings on their tax bill of \$33.

FY2019 - ADOPTED BUDGET

General Fund

The General Fund is the largest portion of the budget with a total appropriation request of \$88,338,226. The General Fund includes the property tax supported services for Municipal operations, the School Department, and taxes levied by Cumberland County.

Table III
Total General Fund
Comparison FY 2018 and FY 2019

	FY18	FY19	Dollar	
	<u>Approved</u>	<u>Adopted</u>	<u>Change</u>	<u>%</u>
Municipal	\$ 34,109,596	\$ 35,205,632	\$ 1,096,036	3.21%
School	\$ 49,205,018	\$ 50,346,899	\$ 1,141,881	2.32%
County	\$ 2,598,030	\$ 2,785,695	\$ 187,665	7.22%
	\$ 85,912,644	\$ 88,338,226	\$ 2,425,582	2.82%

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 67.6% of the total budget. The budget includes limited wage increases for union and non-union employees. The personnel services budget is \$23,815,443, an increase of \$839,551 or 3.65% over FY18.

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. This year the City will be buying out the streetlights from Central Maine Power and retrofitting all lights. As noted in the Debt category below, this approximately \$245,000 decrease will be partially offset with an increase in Debt. Contracted services are \$4,592,519, a decrease of \$108,614 or -2.31%. Contracted services represent 13.0% of the total 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 \$2,138,327, an increase of \$86,468 or 4.21%. Supplies represent 6.1% of the total appropriation.

Fixed Charges. Fixed charges include tax abatements, general and commercial liability insurance, automobile and property insurance, and dues and memberships. Fixed charges represent \$917,128 in the budget, up \$71,738 or 8.49%. Fixed charges represent 2.6% of the budget.

Debt. The Debt Service budget includes annual principal and interest payments on the City's outstanding debt obligations. This year the City anticipates to add two lease obligations that will impact this portion of the budget. The City will be leasing a new fire truck and will also be retrofitting street lights upon purchasing the lights from Central Maine Power. As a result, for streetlights you will see a substantial decrease in Contracted Services. Debt Service this year will be \$1,581,912, a \$209,266 or 15.25% increase to bond and lease debt service payments. This year, debt service represents 4.5% of the total 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 FY19 cost of the Intergovernmental category is \$793,434, up \$7,112 or .90%. This represents 2.3% of the total budget.

Capital Outlay and Other. The Capital Outlay and Other budgets include appropriations for the replacement of vehicles and equipment. The proposed Capital Outlay budget represents 3.90% 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 proposed Capital Outlay and Transfers budgets for FY19 are \$1,321,869, down \$19,485 or -1.47%.

Table IV
Municipal General Fund Appropriation
By Expenditure Category
Comparison FY 2018 and FY 2019

	FY18	FY19	Dollar	
	Approved	Adopted	Change	%
Personnel	\$ 22,975,892	\$ 23,815,443	\$ 839,551	3.65%
Contractual Services	\$ 4,701,133	\$ 4,592,519	\$ (108,614)	-2.31%
Supplies	\$ 2,051,859	\$ 2,138,327	\$ 86,468	4.21%
Fixed Charges	\$ 845,390	\$ 917,128	\$ 71,738	8.49%
Debt	\$ 1,372,646	\$ 1,581,912	\$ 209,266	15.25%
Intergov (Dispatch)	\$ 786,322	\$ 793,434	\$ 7,112	0.90%
Property tax reimbursements	\$ 35,000	\$ 45,000	\$ 10,000	28.57%
Capital	\$ 1,144,606	\$ 1,144,949	\$ 343	0.03%
Other	\$ 196,748	\$ 176,920	\$ (19,828)	-10.08%
Total	\$ 34,109,596	\$ 35,205,632	\$ 1,096,036	3.21%

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 V
Municipal General Fund Appropriation by Function
Comparison FY 2018 and FY 2019

	FY18	FY19	Dollar	
	Adopted	Adopted	Change	%
Public Safety	\$ 11,729,675	\$ 11,664,308	\$ (65,367)	-0.56%
Insur. and Benefits	\$ 7,266,870	\$ 7,773,735	\$ 506,865	6.98%
Public Works	\$ 4,818,400	\$ 4,846,256	\$ 27,856	0.58%
Culture and Rec.	\$ 3,492,828	\$ 3,297,077	\$ (195,751)	-5.60%
General Gov	\$ 3,308,716	\$ 3,818,663	\$ 509,947	15.41%
Debt	\$ 1,372,646	\$ 1,581,912	\$ 209,266	15.25%
Transp. & Waterfront	\$ 1,398,985	\$ 1,443,192	\$ 44,207	3.16%
Health and Welfare	\$ 574,476	\$ 633,489	\$ 59,013	10.27%
Conting. and Reserves	\$ 147,000	\$ 147,000	\$ -	0.00%
Total	\$ 34,109,596	\$ 35,205,632	\$ 1,096,036	3.21%

Municipal General Fund Revenues

On the revenue side of the Municipal General Fund budget, total non-property tax revenues are estimated at \$12,647,140, an increase of \$236,784 or 1.91%. This increase is largely due to additional building permit revenue being estimated.

Table VI
Distribution of Municipal Non Property Tax Revenues
Comparison FY 2018 and FY 2019

	FY18	FY19	Dollar	
	Approved	Adopted	Change	%
Excise Taxes	\$ 6,589,000	\$ 6,588,400	\$ (600)	-0.01%
State Revenue Sharing	\$ 1,260,000	\$ 1,250,000	\$ (10,000)	-0.79%
Fee for Service	\$ 1,700,150	\$ 1,779,400	\$ 79,250	4.66%
Investment Income	\$ 400,000	\$ 400,000	\$ -	0.00%
Licenses, Permits and Fines	\$ 884,600	\$ 987,250	\$ 102,650	11.60%
Payments in lieu of taxes	\$ 270,108	\$ 278,050	\$ 7,942	2.94%
Federal Transit	\$ 700,748	\$ 708,200	\$ 7,452	1.06%
Other	\$ 605,750	\$ 655,840	\$ 50,090	8.27%
Total	\$ 12,410,356	\$ 12,647,140	\$ 236,784	1.91%

Municipal Needs from Property Taxes

With expenditures of \$35,205,632 and non-property tax revenues of \$12,647,140 the total need from property taxes for FY19 to support City services is \$19,321,492, an increase of \$828,252 or 4.48%.

Table VII
Municipal Needs from Taxes
Total Needs from Taxes
Comparison FY 2018 and FY 2019

	FY18	FY19	Dollar	
	Approved	Adopted	Change	%
Municipal Expenditures	\$ 34,109,596	\$ 35,205,632	\$ 1,096,036	3.21%
Use of Fund Balance	\$ 500,000	\$ 500,000	\$ -	0.00%
Use of BETE	\$ 1,720,000	\$ 1,800,000	\$ 80,000	4.65%
Homestead	\$ 986,000	\$ 937,000	\$ (49,000)	-4.97%
Non Property Tax Revenue	\$ 12,410,356	\$ 12,647,140	\$ 236,784	1.91%
Needs from Taxes	\$ 18,493,240	\$ 19,321,492	\$ 828,252	4.48%

School Department

The Superintendent's FY19 proposed budget of expenditures of \$50,024,733 goes through a series of School Board and Council budget meetings and public hearings. Ultimately, the final

budget approved resulted in a total School budget of \$50,346,899. FY19 State General Purpose Aid for Education (GPA) is budgeted at \$6,165,597, a decrease of \$822,622 from the FY18 budgeted amount. With the GPA subsidy decrease, and total school revenues of \$7,384,473, the approved budget for the School Department results in an increase in needs from taxes of \$1,918,876 or 4.68%.

School Needs from Property Taxes

The total need from property taxes for FY19 to support the School Department is \$42,962,426, an increase of \$1,918,876 (4.68%) over FY18.

Table VIII
School Department Total Needs from Taxes
Comparison FY 2018 and FY 2019

	FY18	FY19	Dollar	
	Approved	Adopted	Change	%
School Expenditures	\$ 49,205,018	\$ 50,346,899	\$ 1,141,881	2.32%
Use of Fund Balance	\$ (500,000)	\$ (500,000)	\$ -	0.00%
Nonproperty Tax Revenue	\$ (7,661,468)	\$ (6,884,473)	\$ 776,995	-10.14%
Needs from Taxes	\$ 41,043,550	\$ 42,962,426	\$ 1,918,876	4.68%

Cumberland County

Cumberland County’s property tax assessment for FY19 is \$2,785,695, an increase of \$187,665 or 7.22%.

Total Needs from Property Taxes

The total need from property taxes to support municipal, school, and county services is \$65,069,613, an increase of \$2,934,793 or 4.72%.

Table IX
General Fund Total Needs from Taxes
Comparison FY 2018 and FY 2019

	FY18	FY19	Dollar	
	Approved	Adopted	Change	%
Municipal	\$ 18,493,240	\$ 19,321,492	\$ 828,252	4.48%
School	\$ 41,043,550	\$ 42,962,426	\$ 1,918,876	4.68%
County	\$ 2,598,030	\$ 2,785,695	\$ 187,665	7.22%
Needs from taxes	\$ 62,134,820	\$ 65,069,613	\$ 2,934,793	4.72%

Property Tax Rate

The budget is adopted based on estimates for valuation and final BETE and Homestead reimbursements from the State. Those numbers continue to adjust up until taxes are formally committed by the Assessor. In July, the Assessor committed taxes based on a valuation of \$3,488,200,000 and additional homestead and BETE revenues as previously discussed on page iii. This resulted in a smaller than anticipated tax rate increase of \$0.50, raising South Portland’s mil rate from the FY18 rate of \$18.00 to \$18.50 (2.78%).

	FY18	FY19	FY19		
	<u>Committed</u>	<u>Adopted</u>	<u>Committed</u>	<u>Change</u>	<u>%</u>
Municipal	5.357	5.552	5.385	0.0276	0.51%
School	11.890	12.346	12.317	0.4267	3.59%
County	0.753	0.800	0.799	0.0460	6.11%
Total	18.000	18.698	18.500	0.5003	2.78%
Valuation	3,452,000,000	3,480,000,000	3,488,200,000	36,200,000	

The median value of an owner-occupied home in South Portland is \$229,400. For this taxpayer, a 2.7% tax increase translates to an additional \$115 per year (\$105 if they qualify for the Homestead Exemption).

Comparing South Portland’s history of tax rate increases to a variety of other peer groups and metrics is a relatively useful tool, especially in a year where the Municipal share of the rate will increase at a higher percentage than in at least six prior years. To do this, comparisons with the percentage increases in South Portland’s tax rate have been made to: 1) the Consumer Price Index (CPI), 2) all Cumberland County communities, 3) all Service Center communities in Maine, 4) all similar-sized Service Center communities (+/- 12,500 pop.), and 5) all communities abutting South Portland.

If the goal is to keep tax increases to a minimum, South Portland performs better than both the CPI and communities in all six of the above categories. When comparing the percentage change in each community’s tax rate over the past half-decade (FY13-FY18), South Portland’s increases are at, or below, the median increases for all of these groups (and in some cases well below the median). So although our tax rate is increasing, it is doing so at a slower pace than most of our peers and thus we remain in a favorable overall position.

NOTE: Comparing tax rates can be somewhat of an “apples to oranges” comparison. A community could see a tax rate decrease because of a re-valuation, for example. This means the community’s overall value went up and therefore the tax rate went down but still raised the same amount of money. So while this can be a good tool to use for comparative purposes, it is not intended to tell the whole story.

Consumer Price Index (CPI)

Below is a table showing the annual CPI–Urban (Northeast) amount. According to the U.S. Department of Labor, the CPI is defined as “a measure of the average change over time in the

prices paid by urban consumers for a market basket of consumer goods and services.” As you will see, between calendar year 2013 and 2017 (which encompass City fiscal years 2014 through 2018), the CPI increased 5.63%. However, during that same time, the City’s share of the budget resulted in a 5.10% tax increase, meaning we were over half a percent below the CPI during this time.

Table XI

Consumer Price Index - Urban (Northeast) vs. South Portland Tax Increases (City Share)			
Year (FY)	CPI-U NE*	City Tax Increase	Difference
2017 (FY18)	1.84%	0.94%	-0.90%
2016 (FY17)	1.06%	0.19%	-0.87%
2015 (FY16)	-0.11%	1.15%	1.26%
2014 (FY15)	1.38%	1.95%	0.57%
2013 (FY14)	1.36%	0.78%	-0.58%
TOTALS	5.63%	5.10%	-0.53%
<i>*Percent changes in CPI obtained by comparing annual averages</i>			

It is important to note that the overall tax increase for the City during this time was 9.1% when including the School and County budgets. This number is significant higher than the CPI.

Cumberland County

Of the 28 communities in Cumberland County, 23 saw their tax rate increase and only five decreased from FY13-18. The median change in the tax rate for these communities during that time was a 12.7% increase. South Portland’s increase of 9.1% was below that and lower than 17 other communities.

All Service Center Communities

Of the 79 communities in the state that are defined as service centers, 72 saw their tax rate increase and seven decreased from FY13-18. The median change in the tax rate for these communities during that time was a 14.7% increase. South Portland’s increase of 9.1% during that time was below that and, less than 57 other communities.

Similar-Sized Service Center Communities

Of the 14 Service Center communities in the state within +/- 12,500 population of South Portland, all but two saw their tax rate increase from FY13-18. The median change in the tax rate for these communities during that time was an 11.0% increase. South Portland’s increase of 9.1% during that time was lower than that and less than seven other communities.

All Abutting Communities

Of the five communities that abut South Portland (and including South Portland itself), all saw their tax rates increase from FY13-18. The median change in the tax rate for these communities during that time was a 13.6% increase. South Portland’s increase of 9.1% during that time was below that and less than all but one other community.

Sewer User Fund

The Sewer User Fund Budget Appropriation for FY19 is \$6,041,540, an increase of \$105,442 or 1.78%.

Table XII
Sewer User Fund Expenditures
Comparison FY 2018 and FY 2019

	FY18	FY19	Dollar	
	<u>Approved</u>	<u>Adopted</u>	<u>Change</u>	<u>%</u>
Administration	\$166,723	\$171,435	\$4,712	2.83%
Compliance Admin.	\$102,313	\$104,045	\$1,732	1.69%
Debt	\$96,309	\$96,087	(\$222)	-0.23%
Engineering	\$249,717	\$252,676	\$2,959	1.18%
Equipment Reserve	\$1,512,000	\$1,512,000	\$0	0.00%
Pump Stations	\$545,452	\$562,147	\$16,695	3.06%
Retirement & Insur.	\$861,579	\$894,466	\$32,887	3.82%
Sewer Maintenance	\$832,547	\$849,416	\$16,869	2.03%
Sewer Use Billing	\$182,384	\$200,142	\$17,758	9.74%
Sludge Disposal	\$372,594	\$379,469	\$6,875	1.85%
Treatment Plant	\$1,014,480	\$1,019,657	\$5,177	0.51%
Total	\$5,936,098	\$6,041,540	\$105,442	1.78%

Table XIII
Sewer User Fund Revenues
Comparison FY 2018 and FY 2019

	FY18	FY19	Dollar	Percent
	<u>Approved</u>	<u>Adopted</u>	<u>Change</u>	<u>Change</u>
Interest & Penalties	\$500	\$0	(\$500)	-100.00%
Industrial Compliance Fees	\$65,790	\$65,875	\$85	0.13%
Residential/Commercial User Fees	\$4,276,639	\$4,374,889	\$98,250	2.30%
Industrial User Fees	\$1,438,169	\$1,440,776	\$2,607	0.18%
Cape Elizabeth Contribution	\$155,000	\$160,000	\$5,000	3.23%
Use of Surplus	\$0.00	\$0.00	\$0	0.00%
Total	\$5,936,098	\$6,041,540	\$105,442	1.78%

The proposed residential sewer user rate will increase from \$5.01 to \$5.10 per hundred cubic feet of water (PHCF), a 1.80% increase over FY18.

Enterprise/TIF Fund Budgets

The Enterprise Fund comprises self-funded programs and activities utilizing the revenue generated from program participants. The Enterprise Fund, including Tax Increment Finance (TIF) districts, totals \$6,466,946, a decrease of \$76,438 or -1.17%.

Table XIV
Municipal Enterprise Fund Budget
Comparison FY 2018 and FY 2019

	FY18	FY19	Dollar	Percent
	<u>Approved</u>	<u>Adopted</u>	<u>Change</u>	<u>Change</u>
TIF District	\$3,536,807	\$3,355,556	(\$181,251)	-5.12%
Summer Rec. Camp	\$312,904	\$320,107	\$7,203	2.30%
Golf Course	\$169,748	\$167,500	(\$2,248)	-1.32%
Community Television	\$216,500	\$227,000	\$10,500	4.85%
Westbrook Assessing	\$214,990	\$211,058	(\$3,932)	-1.83%
Youth Rec. Programs	\$144,417	\$116,779	(\$27,638)	-19.14%
Street Openings	\$97,502	\$97,355	(\$147)	-0.15%
Afterschool Programs	\$157,209	\$218,216	\$61,007	38.81%
Sewer Impact Fees	\$54,593	\$69,247	\$14,654	26.84%
Senior Rec. Programs	\$59,103	\$68,375	\$9,272	15.69%
Adult Rec. Programs	\$46,088	\$31,292	(\$14,796)	-32.10%
Summer Sports Camp	\$34,663	\$38,213	\$3,550	10.24%
Portland St. Pier	\$21,800	\$29,300	\$7,500	34.40%
Art in the Park	\$20,750	\$21,650	\$900	4.34%
Adult Leagues	\$30,370	\$57,768	\$27,398	90.21%
Boat Ramp	\$21,661	\$20,161	(\$1,500)	-6.92%
Vacation Camp	\$10,048	\$14,250	\$4,202	41.82%
Employee Recognition	\$0	\$12,000	\$12,000	
School Lunch Fund	\$1,394,231	\$1,394,483	\$252	0.02%
Total	\$6,543,384	\$6,470,310	(\$73,074)	-1.12%

Grant Fund Budget

The Grant Fund budget tracks those programs and activities funded directly by grants from the state or federal government, or other sources. The total FY19 Municipal Grant Fund budget is \$2,752,103, a decrease of \$5,454 or -0.20%.

Table XV
Grant Fund Budget
Comparison FY 2018 and FY 2019

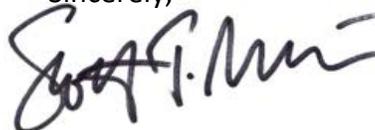
	FY18	FY19	Dollar	Percent
	<u>Approved</u>	<u>Adopted</u>	<u>Change</u>	<u>Change</u>
Local Road Assistance- MDOT	\$264,000	\$259,368	(\$4,632)	-1.75%
Community Dev. Block Grant	\$401,457	\$401,457	\$0	0.00%
Supplemental Homeland Security	\$179,107	\$176,170	(\$2,937)	-1.64%
Drug Free Communities Support *	\$125,000	\$125,000	\$0	0.00%
Transit 5307 Planning	\$40,566	\$20,000	(\$20,566)	-50.70%
School Part II Grants Budget	\$1,747,427	\$1,768,596	\$21,169	1.21%
Total	\$2,757,557	\$2,750,591	(\$6,966)	-0.25%

**FY18 Drug Free Communities grant was added during the year and is included for comparative purposes.*

Conclusion

This is my second budget process as South Portland's City Manager, but the first one in which I was able to participate in the full process. I would like to thank the many staff who helped get us here. In particular, I would like to thank Finance Director Greg L'Heureux and Deputy Director Kristie Bradbury 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 presenting a responsible budget for City Council consideration.

Sincerely,



Scott Morelli
City Manager

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