

BUDGET WORKSHOP AGENDA

June 10, 2020 @ 5:15 pm

1. Questions/Outstanding Issues

Below is a summary of questions or issues raised to date during the budget review process and those items identified since the original budget submission that will be subject to additional review (additional information related to the items listed below will be distributed in advance of this meeting);

- **General Fund**
 - City Clerk Licensing Revenue Estimates
 - Code Enforcement Revenue Estimates
 - Ambulance Billing Revenue Estimates
 - Community Connector Revenue Estimates
 - Municipal Revenue Committee Reimbursements
 - Revenue Sharing Estimates
 - Excise Tax Revenue Estimates
 - Parks & Rec Summer Camp Revenue and Expense Estimates
 - Outside Assignments Revenue and Expenses (Waterfront Concerts, Fair..)
 - Staff to review and update personnel for turnover or other changes
 - BETE/Homestead Exemption Revenues
 - Tax Increment Financing Expenses
 - Impact of Estimated Taxable Value
 - Clarification on Infrastructure 5 Year Capital Plan
 - Update from 4th of July
 - Request to Increase Cultural Commission Funding
 - State Budget
 - Body Cameras

- **Enterprise Funds** – review and update personnel for turnover or other changes will be undertaken for all enterprise funds.
 - **Stormwater and Sewer**
 - Update based on recent Ordinance amendment changing the responsibility for oversight of Stormwater to Engineering.
 - **Parking**
 - Revenues
 - **Golf Course**
 - Revenues
 - **Economic Development Fund**
 - Revised Capital Plan – Boiler Replacement - 120 Venture Way – the initial cost included in the proposed budget was for the equipment only, total cost for the project is estimated at \$190,000 which includes the removal and disposal of the existing unit and installation of the new unit. This will result in a change in the recommendation of the funding source as well. Instead of

supporting with operating revenues, the recommendation will be to fund this work through the issuance of bonds.

- **Airport**
 - Detail of Leased Property Revenue
 - Revised Revenue and Expense Estimates
- **Bass Park (CIC)**
 - Revised Revenue and Expense Estimates
 - Track and Grandstand Capital – will be scheduled for review at an upcoming Committee meeting

To: City Council
From: Debbie Laurie
Date: June 10, 2020
RE: Budget Questions/Outstanding Issues Follow up

General Fund

Division Revenue Estimates – Below is a history of major City Clerk, Code and Fire Department revenues. For business related licenses and permits, staff made an initial 20% reduction. Based on the historical and year to date data, while the reduction in business licenses appear in line (with the unknown business climate), the reduction in anticipated building related permits does not seem to be appropriate (work continues). One area where no initial reduction was made, but the City did realize a significant drop in service is ambulance billings. With the historical data shown, additional adjustments to the proposed FY 2021 revenue is listed below.

	Actual 6/30/2017	Actual 6/30/2018	Actual 6/30/2019	Actual 5/31/2020	Budget FY 2021	Revised FY 2021	FY 2021 Adjust
CITY CLERK							
VICTUALERS	83,371	85,428	89,548	71,645	68,000	No Change	
LIQUOR	11,604	12,439	12,678	10,927	10,000	No Change	
INNKEEPERS	17,304	16,124	16,501	13,559	14,500	No Change	
TAXI DRIVERS	11,845	10,788	13,044	7,120	10,500	9,000	(1,500)
AMUSEMENT - DEVICE/PERM	13,476	12,518	14,763	11,038	8,000	10,000	2,000
VITAL STATISTICS	123,983	108,585	108,068	96,024	110,000	105,000	(5,000)
DOG LICENSE FEE	11,992	14,175	15,779	9,332	12,000	No Change	
CODE ENFORCEMENT							
BUILDING PERMITS	278,867	625,524	365,740	329,321	224,000	290,000	66,000
PLUMBING PERMITS	19,726	22,925	17,270	18,595	12,000	17,000	5,000
ELECTRICAL PERMITS	71,210	92,596	79,223	77,992	48,000	70,000	22,000
OIL BURNER PERMITS	16,265	14,570	12,105	9,295	9,600	No Change	
MISCELLANEOUS PERMITS	54,592	52,103	49,607	30,995	32,000	No Change	
FIRE DEPARTMENT							
AMBULANCE	1,749,462	2,194,389	1,797,881	1,652,547	2,000,000	1,800,000	(200,000)
REVENUE REDUCTIONS							(111,500)

Community Connector Revenue – While, social distancing restrictions are still in place for public transit, the City is working towards returning to front loading of passengers on the Community Connector in July. At that time, the operation will return to a fare based system instead of the current honor system. With the limits on capacity, the historically low gas prices and the unknown impact of the current pandemic, staff is proposing that the fares for the Community Connector be reduced from \$600k to \$400k. In addition, staff proposes that the City appropriate an additional \$200k in federal CARES Act to fund a higher share of the operating costs in FY 2021.

Municipal Review Committee Reimbursement – The reimbursements included in the initial proposed budget of \$95k were removed to reflect the current climate.

Revenue Sharing – The State of Maine released a Revenue Sharing Estimate in March 2020, which was based on the latest available data from the State Revenue Forecasting Committee. The State estimate was based on statewide tax revenues of \$3.8 billion. Approximately 45% of the revenues are generated from sales tax and 55% is based on income tax collections. The underlying assumptions in the initial proposed budget were to reduce state sales tax collections by 40% and reduce income tax collections by 25%, which equates to an overall reduction in revenue sharing of approximately 32%. Staff believes these estimates are still valid and are in-line with the assumptions utilized by the majority of municipalities statewide.

Excise Tax – The initial proposed budget assumed this revenue source would remain flat in the coming year at \$6.4 million. Staff provided an update on Excise tax collections and projections for this fiscal year at the June 1st Finance Committee meeting. Since that meeting we have reexamined our collections. At this point the City is collecting about \$30k a day in excise taxes. Assuming that continues, the City is likely to end the current fiscal year with \$5.8 million in excise tax revenues. The majority of the “lost” revenue can be traced to a lack of renewals by the rental car agencies. Looking to FY 2021, we believe excise tax will remain flat at \$5.8 million, but we believe we will have a number of renewals from the current fiscal year that will not occur until after year end (due to the existing Governor’s existing Executive Order). In addition, the City has not seen a reduction in the number of new vehicle registrations. With of these factors, the revised revenue estimate is \$6M, which is a reduction from the initial proposed budget of \$400k.

Parks & Rec Summer Camp – The revised budget assumes 75 K-5 participants at the Parks & Rec Center and 15 participants in a teen camp that will be relocated to the PAL Center. Under this configuration, the net impact of this change to the taxpayer is a net reduction of \$28k. This reduction is partially due to the conservative estimates included in the initial proposed budget.

Parks & Rec Swimming Pool – The City anticipates opening the public pools in July under the CDC recommended guidelines surrounding such operations. In general, attendance will be limited to 50 attendees. Instead of having one long afternoon session, the City will offer two 1½ hour afternoon sessions and continue with one evening session to allow access to a greater number of attendees. The reduction occupancy levels will reduce the number of staff hours needed to operate the pools (\$11k) and will result in lower revenues (\$19k).

Outside Assignments – (Waterfront Concerts, Fair, etc) – Since the original budget submission, it has become clear that any number of events will not occur this summer and fall. While downward adjustments had been made related to this type of activity, all were reexamined. Outside assignments are shifts worked by Police and Fire personnel at similar events. Most of which are rebilled to the requesting agency (not all are – parades, public events etc). With the cancellation of the fair and no waterfront events to occur for the remainder of the calendar year, staff reviewed the underlying costs and estimated revenue associated with these assignments. The revised budget assumes an average waterfront concert series in the spring of 2021, an average number of no charge events, as well as an estimate of time providing security for the testing site both from an expense and revenue perspective. When all revenues and expenses are netted together, the impact is a reduction of \$64k in operating expenses

Personnel Changes – In reviewing the personnel budget assumptions and vacancies there has been little change since the initial budget submission. Minor changes were identified that reduced expenses by \$27k.

BETE/Homestead Exemption Revenues – Unlike prior years where exemption requests need to be filed with the City Assessor by a date certain, this year applications must be accepted up to the date of commitment. The budget assumptions are based on the current status of applications and the Assessor’s estimate of those to be received in the coming weeks.

BETE is a State program under which certain equipment used by businesses is exempt from municipal property taxes. In return the State reimburses municipalities a portion of the “lost” tax revenue. For FY 2020, Bangor’s reimbursement percentage was 59.4%. The estimated total BETE exempt value is \$158,557,800, which results in an anticipated reimbursement from the State of approximately \$2 million. As the BETE exempt value and tax rate are anticipated to increase, this results in an increase in revenue of \$114k.

Homestead exemption is a State program under which \$25k of a resident’s primary resident is exempt from municipal property taxes. This exemption amount is an increase over the prior year amount of \$20k. In addition, State Statute requires an increase in the percentage of state reimbursement from 62.5% of the exempt value to 70% of the exempt value. This budget assumes the increased reimbursement rate will be funded by the State. This is an area of concern, as in the past, the State has delayed changes to homestead exemptions due to the fiscal impact on the State budget. As the Assessor shared, the increase in homestead exempt value is \$25.4 million. At the increased reimbursement rate this is an increase in revenue of \$600k.

Taxable Value Impact – Due to the way that increased value flows through the various subcategories, Homestead and BETE Exemption, Downtown TIF etc, the additional net impact of the estimated change in value is an additional \$116k in tax revenues. The majority of the impact of the increased assessed value is reflected in the BETE/Homestead Exemption reimbursements. A revised estimate municipal tax rate has been attached based on the changes included in this memo. It does not reflect any changes related to the outstanding items listed below.

To put this into context, the typical example we use is the average homeowner.

	2020	2021
Average Home Value	150,000	154,500 (includes overall adjustment of 35)
Less Homestead Exempt	-20,000	-25,000
Taxable Value	130,000	129,500
Tax Rate (Estimated)	23.00/000	23.20/000
Tax Bill	2,990.00	3,004.40

Infrastructure 5year Capital Plan – The total project costs did not agree to the total of all proposed funding sources. The difference was \$1,035,000. This difference was a data entry error in the summary by funding source. The bond funding for the State Street culvert was entered as \$1,150,000 instead of \$115,000.

4th of July Update – As staff shared previously, the intent was always to have the State’s bicentennial as part of any parade. In fact, the organization received a grant from a State Commission for the BSO as part of their plan. Representatives have been asked to follow up with the Council/Committee once plans are finalized.

Outstanding Items – Additional funding in the amount of \$15,000 for the Cultural Commission remains open. Under existing CDBG regulations, there does not appear to be any means to allocate funds to a non-profit for operating costs.

Staff is still working with the two likely potential vendors to obtain an estimate of pricing for the purchase and storage of body cameras for our police officers. In addition to the equipment and storage costs, the City would need to add a technology position, the estimated annual cost of which is approximately \$90k.

The final outstanding item is the State of Maine budget. It does not appear that the Legislature will reconvene prior to the City adopting its annual budget. It is possible that the Legislature could take action that would negatively impact the City’s adopted budget (i.e. revenue sharing, Homestead exemption, Aid to Education, etc.). The City’s proposed budget includes \$500,000 in contingency funding from the Unassigned fund balance to mitigate any potential action taken by the Legislature.

FY2022 and Beyond – The revised proposed budget includes a number of one-time or temporary measures to address the unprecedented situation we are in at the moment. These actions were taken to address what is hoped to be a short-term issue. However, if the impact of the pandemic lasts beyond FY 2021, or if the new “normal” looks drastically different than the pre-pandemic normal from a financial perspective, the City will need to consider programmatic changes. The use of unassigned fund balance to offset permanent losses in revenues should not continue. We will not be able to flat fund the local share of the Community Connector once CARES Act funding is fully utilized. What larger scale events and programs look like under a new normal is unknown, but could generate significantly less revenue. So while this proposed budget does much to maintain existing programming and service levels, much remains to be seen as we look forward to future years.

Stormwater Fund

There were slight personnel changes in the Stormwater budget due to vacancies and the reorganization which assigns oversight of this area to the City Engineer. The net impact was an increase in operating expenses of \$7k.

Sewer Fund

There were slight personnel changes in the Sewer budget due to vacancies and the reorganization which assigns oversight of this area to the City Engineer instead of the Director of Water Quality. The net impact was an increase in operating expenses of \$5k.

Parking Fund

As part of the Council review process a concern was raised regarding the proposed revenue projections. As with many areas of revenue, staff has reassessed parking revenue estimates. While the reopening of businesses has begun, employee commuting remains low. Therefore, it is necessary to reduce the projected revenue for FY 2021. The overall proposed estimate is a decrease of \$159k. The Parking Fund is fully self supporting and has accumulated an excess cash position of approximately \$800k. It is staff recommendation that the shortfall created by the reduction in revenues be funded from the accumulated reserves. There is an opportunity for some expense savings in FY 21, based on demand and the proposed reconfiguration of the Abbott lot. In addition, as employment patterns continue to increase, it is likely additional revenues may be realized. Below is a history of the revenues by type as well as proposed reductions by type.

	Actual 6/30/2017	Actual 6/30/2018	Actual 6/30/2019	Actual 5/31/2020	Budget FY 2021	Revised FY 2021	FY 2021 Adjust
Off Street Parking	279,925	269,600	274,118	220,583	265,348	220,000	(45,348)
Leased Spaces	42,901	53,759	35,674	38,329	53,220	53,220	-
Abbott Sq Permits	135,166	129,468	133,598	108,910	123,515	110,000	(13,515)
Abbott Sq Fees	52,823	57,876	52,364	44,594	47,516	35,000	(12,516)
Garage Permits	284,746	252,389	256,556	231,518	304,082	275,000	(29,082)
Garage Fees	64,445	92,761	86,707	65,981	80,000	40,000	(40,000)
Tickets	142,935	106,001	103,144	96,118	129,271	110,000	(19,271)

Revenue Reductions

(159,732)

Golf Course

During the Council's review of the Golf Course budget, a question was raised about the anticipated revenue budget. At that time, it was unclear how and when Golf Courses would be allowed to reopen. As you are aware the Golf Course is now open and is providing cart rentals all in accordance with CDC guidelines. The initial proposed budget was based on the FY 2018 budget as key periods of the 2019 calendar year had impacted the operating results for 2019 and early 2020. It appears, the pandemic and the limitations on other activities has led to a renewed interest in golf. Since reopening the City has realized higher monthly revenues during similar months in past years and it appears that will continue into FY 2021. Monthly revenues for May were \$67k and if June continues to remain on track, it is estimated that June revenues will be approximately \$80k. Below is a history of major revenues by source and staff recommendation is that the proposed FY2021 revenues are appropriate.

	Actual 6/30/2017	Actual 6/30/2018	Actual 6/30/2019	Actual 5/23/2020	Budget FY 2021
Resident Membership	106,478	116,160	112,176	101,389	100,000
Nonresident Membership	67,233	85,235	71,661	67,168	75,000
Greens Fees	279,772	325,968	274,631	227,015	336,700
Golf Cart Fees	181,580	198,047	172,465	161,044	185,000

Economic Development Fund

The capital plan for FY 2021 has been updated to reflect the total cost of the project at \$190,000. The recommended fund source has been updated to bond issue. The operating budget has been reduced by \$85,000, the initial project funding which was included in the operating expenses.

Airport

During the Council's review of the Airport budget, a question was raised regarding the increase in leased property revenue (\$236k). A number of the Airport tenant leases include a contractual increase, the contractual increases account for \$78k of the overall increase or approximately 4.5% of overall lease revenues. In addition a number of our leases require tenants to reimburse utilities (\$38k). Lastly, a number of the reimbursements had not been previously included in the operating budget and some of the lease payments were previously accounted for in a different operating area.

Staff had shared that while downward adjustments had already been made in the initial proposed budget, additional significant adjustments would be necessary as the passenger load factors had continued to drop off sharply. Staff also shared that the Airport had been awarded CARES Act funding that would allow BGR to continue to fund operations in light of reduced traffic. The passenger load factors have been increasing over the last 2-3 weeks, they are currently at 50%. It would appear that this trend will continue and is in line with the revised budget assumptions developed by staff. The revised revenue projections assumes that load factors would return throughout the year but the Airport would see an overall reduction in commercial flights of 56% or \$1.6 million in lost direct and ancillary (concessions, rental car agencies, parking, etc) revenues. Staff also identified additional costs related to cleaning, signage and messaging. The initial proposed budget also deferred virtually all capital investment, with the award of CARES Act funding, operating revenues can be redirected to support continued capital investment to ensure our facilities are in good condition and prepared for the return of the traveling public. The revised budget proposes to fund nearly \$1.1 million of capital improvements. The most significant of which are replacing 1996 refueler, 1985 pushback tractor, 1994 lav truck, 1975 stair truck, 1980 belt loader, 1989 aircraft cabin heater and to repair underground deicing fluid disposal tanks. With the reduction in operating revenues and the increase in expenses, the revised budget includes the use of \$2.9 million in CARES Act funding.

Bass Park

As was reviewed with the Council during the May 20th Budget Workshop, the operating budget for the Cross Insurance Center has been revised downward for both operating revenues and expenses. In light of the CDC and State guidelines, larger scale events are not likely in the near term and will require some form of social distancing. To that end, the final budget assumes 67 events starting early/late fall of 2020. This represents a reduction in anticipated event/sponsorship income of approximately \$720k. As one would expect expenses will show a similar reduction due to fewer events, total expenses reduced \$801k. Of that reduction \$101k is a result of the recently approved management contract extension with Spectra. As a result of a recent review by the State, the City learned that the BETE exempt value that is located within the

Downtown TIF district needs to be considered in determining the TIF revenues as the BETA reimbursement program is providing 100% reimbursement of that value. Therefore, adequate Downtown TIF funds are available to provide the additional support needed due to the reduction in gaming revenues. Based on this, the City will not need to utilize accumulate reserves and will utilize an additional \$360,838 in Downtown TIF funds to support the facility in FY 2021.

The City Solicitor has reviewed the contracts with Hollywood Casino and capital costs are not specifically referenced in the agreements. Hollywood Casino is to provide all maintenance and repair of the premises and buildings, including anything needed to keep all facilities in compliance with fire and life safety codes.

**Revised Estimated
Municipal Tax Rate
Subject to Change**

**Estimated General Fund
Municipal Property Tax Rate Calculation
2020 and 2021**

	FY 20	FY 21	\$ Change	% Change
City Expenses				
Operating Expenses	47,985,439	49,158,540	1,173,101	2.4%
Capital Expenses	1,070,410	1,102,090	31,680	3.0%
Debt Service/TIF	4,188,840	3,916,598	(272,242)	-6.5%
Pension Obligation Debt Service	2,532,480	2,589,039	56,559	2.2%
Voter Approved Debt Service	216,375	213,375	(3,000)	-1.4%
Total City Expenses	55,993,544	56,979,642	986,098	1.8%
School Expenses				
Operating Expenses	47,056,929	48,552,874	1,495,945	3.2%
Debt Service	1,410,000	1,410,000	-	0.0%
Total School Expenses	48,466,929	49,962,874	1,495,945	3.1%
Total Expenses	104,460,473	106,942,516	2,482,043	2.4%
Less: Non- Tax Revenues				
City	28,624,989	29,357,145	732,156	2.6%
School	22,406,044	23,674,153	1,268,109	5.7%
Total Non-Tax Revenues	51,031,033	53,031,298	2,000,265	3.9%
Proposed Tax Levy				
City	27,368,555	27,622,497	253,942	0.9%
School	26,060,885	26,288,721	227,836	0.9%
County	3,789,778	3,849,264	59,486	1.6%
Overlay	340,000	390,000	50,000	14.7%
Total Tax Levy	57,559,218	58,150,482	591,264	1.0%
Total Assessed Value	2,895,021,400	2,950,703,800	55,682,400	1.9%
Less Downtown DD	146,433,800	162,883,300	16,449,500	11.2%
Less Homestead	97,471,700	122,893,900	25,422,200	26.1%
Less BETE Exempt	149,001,700	158,557,800	9,556,100	6.4%
Net Available Taxable Assessed Value	2,502,114,200	2,506,368,800	4,254,600	0.2%
Proposed Tax Rate				
City (Including Overlay)	11.07	11.18	0.11	1.0%
School	10.42	10.49	0.07	0.7%
County	1.51	1.54	0.02	1.4%
Total	23.00	23.20	0.20	0.9%