

1. 5:30 P.M. Agenda

Documents:

[AGENDA.PDF](#)

2. FY19 Budget Workshop Presentation

Documents:

[FY19 BUDGET WORKSHOP PRESENTATION.PDF](#)

3. Portland Revaluation

Documents:

[PORTLAND REVALUATION.PDF](#)
[REVAL ESTIMATED TIMELINE 1-5-18.PDF](#)



CITY OF PORTLAND, MAINE

**CITY COUNCIL WORKSHOP
JANUARY 8, 2018
5:30 p.m.**

City Hall – City Council Chambers

AGENDA

1. FY19 Budget
2. Revaluation

Portland, Maine



Yes. Life's good here.

FY19 Budget Discussion

WORKSHOP FOR CITY COUNCIL – 1/8/17

Brendan T. O'Connell – Finance Director
Anne Bilodeau – Deputy Finance Director

FY19 Budget Discussion

Purpose of Budget Workshop

- Provide overview of City of Portland budget process and general budget timeline
- Discuss FY19 City of Portland budget challenges

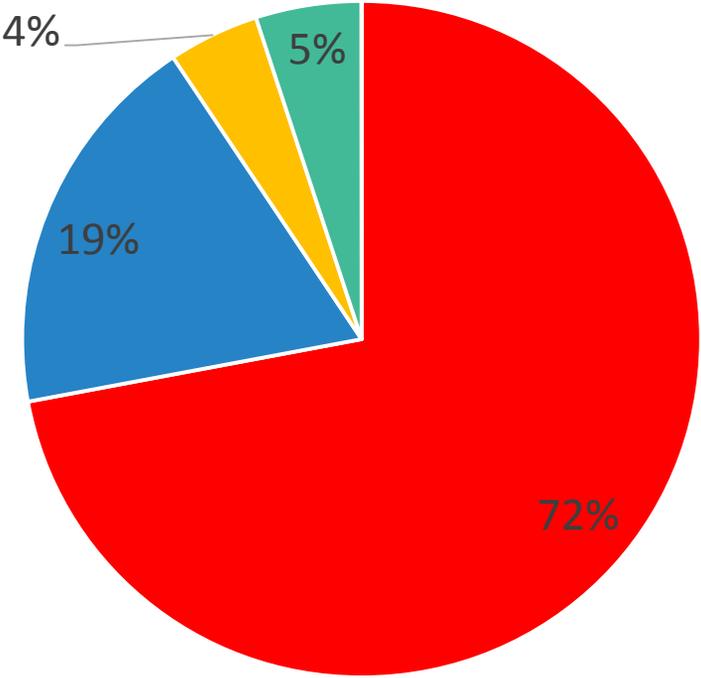
FY19 Budget Discussion

Budget Calendar and Process

Building the City of Portland budget is a 6 month process

- **December** – City Departments compile revenue budgets
- **January** – City Departments compile expenditure budgets
- **February** – Finance & HR Department review of submissions
- **March** – City Manager review of submissions
- **April** – Presentation of City Manager Recommended Budget, detailed review of budget by City Councilors
- **May** – Final Budget Approval by City Council

FY18 Budget Composition Excluding Debt Service and County Tax



■ Payroll & Benefits ■ Contractual Services ■ Maintenance & Repairs / Rentals ■ Supplies

Note: This breakdown excludes debt service and county tax



FY19 Budget Challenges

City Council Goal – Shelter Improvements

- **Oxford Street & Family Shelters – Operating 24 Hours**
- Significant impact to both FY18 and FY19 Budget
- Cost Estimate for FY18 (November through June) - \$500k – Unbudgeted operating and startup costs
- Operating Cost Estimate for FY19 - **\$638,036** - a 61% increase in net operating costs for overall City shelter operations
- Equates to an 8 cent increase in tax levy (0.4%)

FY19 Budget Challenges

City Council – Pesticides Ordinance

- **Pesticides Ordinance**
- Significant impact to all future operating budgets
- Annual Operating Budget Cost Increase - **\$148,000**
- Equates to an 2 cent increase in the tax levy (0.1%)

- Additional one-time initial capital costs of **\$298,000**
- Annual additional capital costs of **\$100,000 - \$250,000** per year



FY19 Budget Challenges

City Council Goal – Senior Tax Relief Program

- **PSTEP Senior Tax Relief Program**
- Projected FY19 revenue decrease - \$250,000
- Equates to an 3.5 cent increase in the tax levy (0.16%)

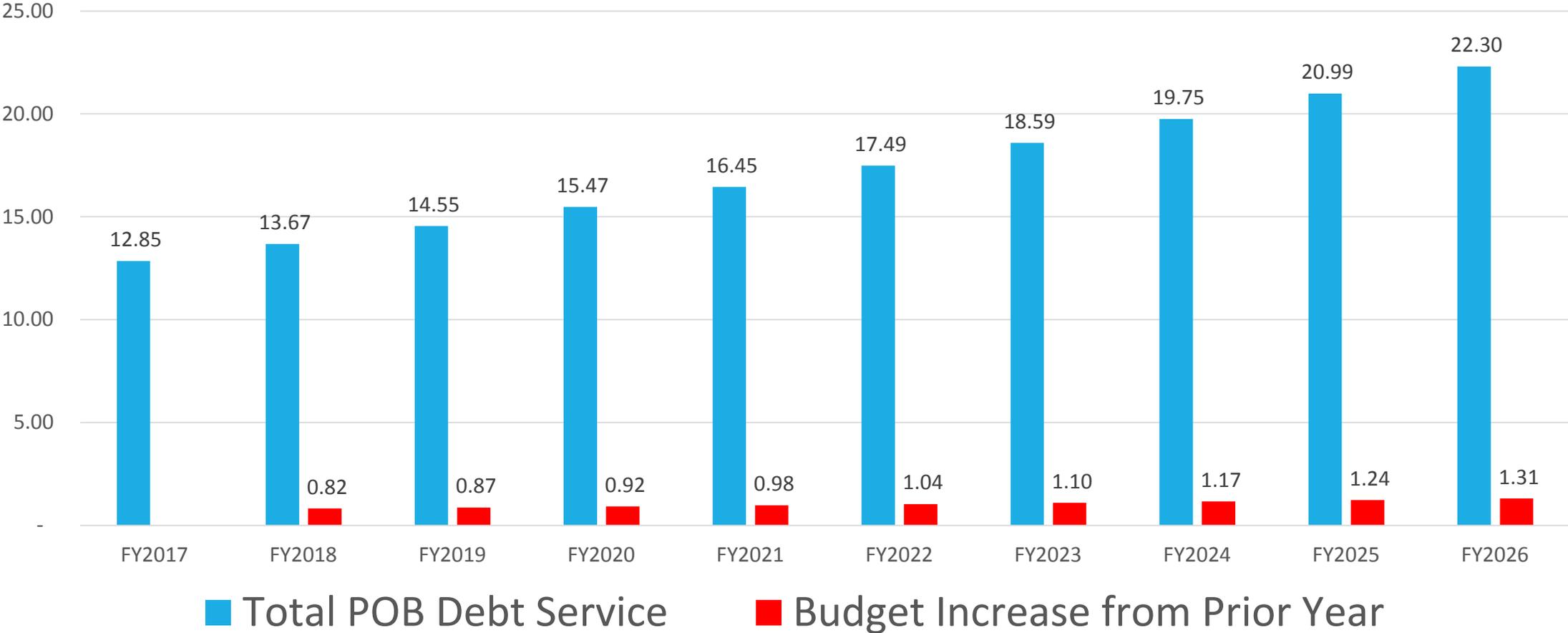
FY19 Budget Challenges

Pension Obligation Bond

- **Pension Obligation Bond Debt Service**
- \$13.76M in FY18, rising to \$14.48M in FY19
- Increase of **\$873,030**
- Equates to an 11 cent increase in tax levy (0.51%)
- POB debt service rises about \$1M annually through FY26

FY19 Budget Challenges

POB Debt Service by Budget Year (in Millions)



FY19 Budget Challenges

Other Significant Budget Items

- **Contractual Salary Increases – Settled Union Agreements**
- Total of approved amounts for FY19 to date - \$2.39M
- Amounts to a 31 cent tax increase in the tax levy (1.4%)
- Three union contracts are still unsettled for FY19



FY19 Budget Challenges

State of Maine Valuation

- **State of Maine Valuation – City of Portland**
- \$8.50B for 2017, rising to \$9.05B in 2018 (6.45% increase)
- State of Maine Valuation has several impacts on City budget
- *Impact #1 – Cumberland County Tax Assessment will increase*
- Portland's share of county tax increasing from 20.17% to 20.55%
- Cumberland County Total FY19 Tax rising to \$30.6M (4.5% increase)
- Portland's overall estimated increase is \$381k (6.5% increase)
- Equates to an 5 cent increase in the tax levy (0.23%)



FY19 Budget Challenges

State of Maine Valuation

- **State of Maine Valuation – City of Portland**
- \$8.50B for 2017, rising to \$9.05B in 2018 (6.45% increase)
- State of Maine Valuation has several impacts on City budget

- *Impact #2 – School Educational Subsidy*
- Impact / EPS estimates typically calculated by PPS staff
- If \$9.05B had been in place during FY18, Portland’s educational subsidy would have been approximately **\$4M** lower due to valuation
- Actual change in FY19 funding still unknown – many factors to be considered including formula changes and additional State funds

FY19 Budget Challenges

State of Maine Valuation

- **State of Maine Valuation – City of Portland**
- \$8.50B for 2017, rising to \$9.05B in 2018 (6.45% increase)
- State of Maine Valuation has several impacts on City budget

- Impact #3 – State Revenue Sharing Formula
- Impact #4 – Portland Water District Assessment

- Reminder: Valuation increases within TIF's are sheltered from the State of Maine valuation

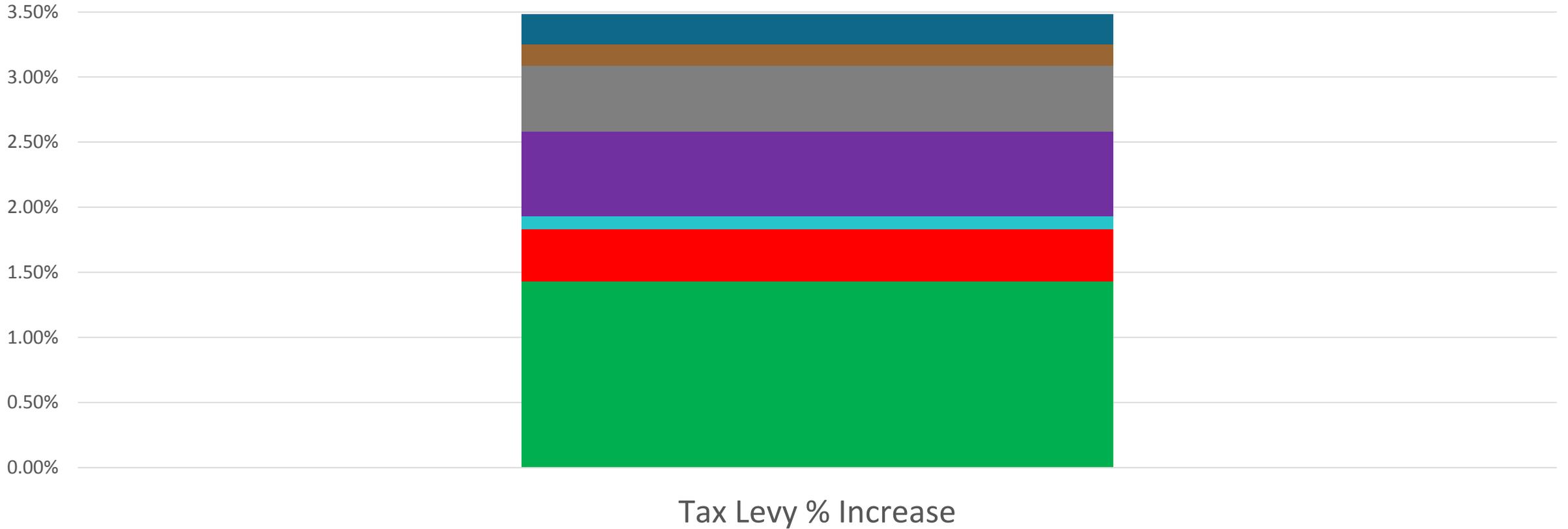
FY19 Budget Challenges

Citywide Revaluation

- **Citywide Revaluation**
- Estimated one time cost of **\$1,000,000**
- Estimated 14 cent increase in the tax levy (0.65%)
- City Tax Assessor will cover the revaluation in more detail

FY19 Budget Challenges

Summary of Existing FY19 Tax Rate Impact Items



■ Settled Union Contracts ■ Shelter ■ Pesticides ■ Revaluation ■ POB Debt Service ■ PSTEP ■ County Tax

FY19 Budget Challenges

Final Thoughts for FY19 Budget

- Amounts shown do not reflect any other budget changes
- Other City budget additions would increase tax levy
- Changes in local City valuation would lower tax levy
- Changes in local City revenues would help lower tax levy
- City Council Goals have significant impact on budget & tax levy



(re)Value Portland!

City of Portland

~~Revaluation~~ Program

Tax Equalization



City of Portland Assessor's Office

Mission Statement: Our mission is to serve the citizens of the City of Portland by efficiently and fairly valuing all real estate and business personal property for ad valorem tax purposes. We provide a full and fair opportunity for taxpayers to examine and question their assessments. Our office maintains the assessment rolls, tax maps, and real estate registry for all parcels within the City. We strive to provide useful information in a courteous and friendly manner to the public. We carry out this mission with impartiality, fairness, equity, transparency and in compliance with all State of Maine statutes and laws.

Motto: *We appraise property, but we value people!*

The Team

Combined total of 106 years of service to the City in this office!



Joe Montefusco

**Tax Assessment
Analyst**

Handles all data and report requests. Appraises all condos and commercial properties in the City



Jim Merrill

Senior Appraiser

Appraises all residential properties within the City



Laurie Carlson

**Personal Property
Appraiser**

Appraises personal property, administers BETE and BETR program



Suzanne Jennings

**Assessment Support
Services Specialist**

Administers all deed registry and ownership changes, Homestead and Veteran Exemptions and mapping changes



Brad Saucier

Office Clerk

Provides outstanding customer service to callers and visitors; supports all office functions

How is a Property Assessment Derived?

1. **Market approach**

- Compare and adjust similar properties that have recently sold
- Most often used method to value residential, vacant land

2. **Cost approach**

- Calculate the cost to replace a structure with a similar one using today's labor and material prices
- Subtract for depreciation and obsolescences
- Add the value of the land

3. **Income approach**

- Analysis of how much income a property would produce
- Takes into account:
 - Income (PGI - EGI - NOI)
 - Operating expenses (Insurance, Maintenance, etc.)
 - Financing terms
 - Amount expected to be earned (Capitalization Rate)

Assessors use Computer Assisted Mass Appraisal (CAMA) techniques to analyze property sales and estimate values for multiple properties simultaneously.

What is a Revaluation?



A program undertaken by a municipality to appraise all property according to its full and fair just value.

The term “just value” has been interpreted by the Law Court to mean market value.

Why Revalue??

A revaluation program seeks to spread the tax burden equitably within a municipality. Real property must be assessed at the same standard of value to ensure that every property owner is paying his or her fair share of the property tax. Inequitable assessments result from the following situations:

- a. Changes in characteristics in areas or neighborhoods within the municipality and within individual properties
- b. Fluctuations in the economy
- c. Changes in zoning which can enhance or adversely affect value
- d. Time lapse between revals

Why Revalue??

The purpose of a revaluation is to insure uniformity and equity in property values by eliminating the inequities that have developed since the last revaluation due to changing market conditions.

A revaluation is undertaken to:

- Secure a more equitable distribution of the tax burden
- To bring the assessment level up-to-date
- To modernize assessment procedures
- To comply with State statutes

Maine Laws and Guidelines in Property Assessment

- Maine Constitution; Section 8, Taxation: All taxes upon real and personal estate shall be apportioned and assessed equally according to the just value thereof.
- Maine Constitution; Section 7, Valuation: While the public expenses shall be assessed on estates, a general valuation shall be taken at least once in 10 years.
- Maine Revised Statutes, Title 36, §327 Minimum Assessing Standards
 - Ratio: A municipality should have a minimum assessment ratio of 70% of its just value
 - Quality Rating: A municipality should have a maximum assessment rating of 20

Upon a municipality's failure to achieve the minimum assessing standards, the bureau may choose at least one or more administrative practices as necessary corrective steps to be undertaken by the municipality, in accordance with sections 271, 272 and 329.

Where Are We Today?

Standard:

Reval every 10 years

Ratio - 70% minimum

Quality Rating - 20 max

Portland:

Last Reval - 2006

Declared Ratio - 94%

Quality Rating - 14

So then, WHY?!



- **Ratio - State Developed vs. City Declared**
 - **Real and Personal Property: 100% vs. 94%**
 - **Personal Property: -\$22M → -\$488,000**
 - **Homestead Exemption: \$20,000 → \$18,800 → -\$113,000**
 - **Veteran Exemptions: \$6,000 → \$5,640**
 - **Blind Exemption: \$4,000 → \$3,760**

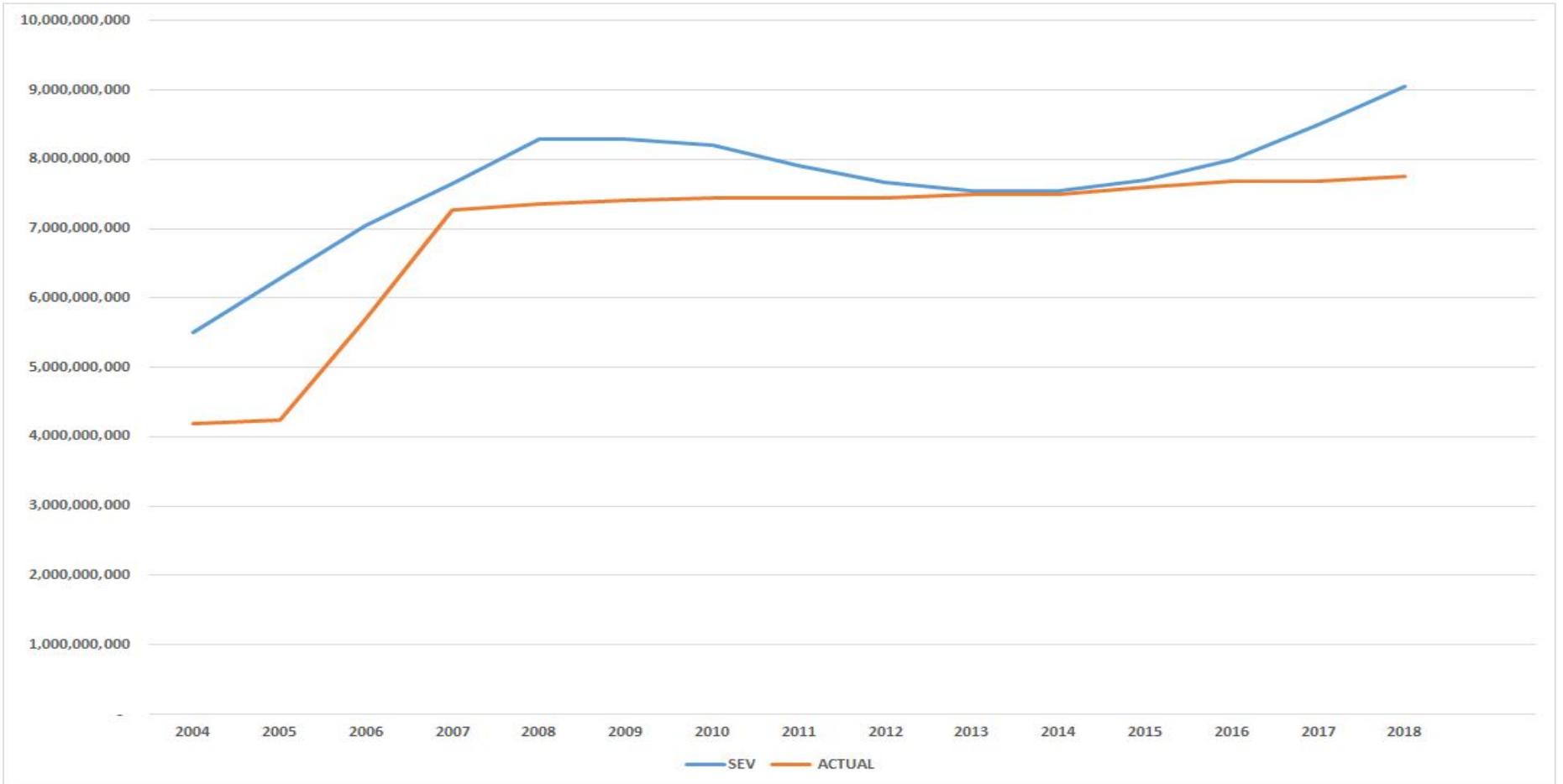
State Equalized Valuation (SEV)

The State Tax Assessor must adjust and equalize the assessment of each town equal to its just value as of April 1. State valuation represents a determination of the 100% valuation of all taxable property, plus the percentage of exempt value of Homestead Exemptions and Business Equipment Tax Exemption (BETE), less the captured assessed value in Tax Increment Financing Districts.

- School Subsidy / School Bond Debt
- County Fee
- Revenue Sharing
- PWD Wastewater Assessment



Portland's SEV vs. Actual Taxable



Looking Ahead...

State's Preliminary Certified Ratio for 2018 (FY19) - 80%
Quality Rating: 15

Portland's Preliminary Declared Ratio for FY19 - 88%

- Personal Property: Estimated -\$20M or -500K revenue
- Homestead: \$17,600 vs. \$20,000
- Veterans: \$5,280 vs. \$6,000
- Blind: \$3,520 vs. \$4,000

Looking Ahead...

In analyzing the most recent sales July 2016 - June 2017:

- In looking at 1,100 sales across the City

Overall Average: **73%**

Revaluation Important Points

Revaluation DOES NOT raise new revenue for the City. The purpose is to value all properties by the same standard and equalize those values so that no one is paying more than their fair share.

FY18 budget called for raising \$168,870,000 from taxable value.
 $\$7,800,000,000 \times .02165 = \$168,870,000$

If that taxable value was \$9,049,500,000, the tax rate would be .01866 or \$18.66

Tax Equalization

	Mrs. Smith	Mrs. Jones	Collected Taxes
Current Assessment	100,000	100,000	
Current Taxes	\$2,165	\$2,165	\$4,330
Assessment after Reval	300,000	150,000	
Taxes following Reval	\$2,887	\$1,443	\$4,330

Think of the total amount taxes collected as a pie. The assessor does not determine the size of the pie - that is a task of City Council.

The assessor's job is to ensure that the pie is cut up fairly - that taxes are fairly distributed based on current market values.

Revaluation / Assessment Myths

Myth 1: The Assessor's Office determines property taxes

Tax rates are set by the City Council through the annual budget process. The budget dictates the total amount of taxes needed to be raised and then divides that number by the total taxable assessed value of the City.

The Assessor's Office is responsible for determining the property's assessed value.

Revaluation / Assessment Myths

Myth 2: Taxes are high because of assessments

It's important to distinguish between taxes and assessments.

Taxes are levied based on the City's needs through an annual budget.

Assessments are based on a property's market value.

Revaluation / Assessment Myths

Myth 3: Equalization rates alone can correct unfair or unequitable assessments

An equalization rate represents the overall ratio of the City's total taxable assessed value to the total market value.

Because this rate is applied citywide, it is not intended to correct unfair individual assessments.

Revaluation / Assessment Myths

Myth 4: A Revaluation will cause my taxes to increase

Your taxes may increase, decrease or stay the same.

If your assessment increases, it does not mean that taxes automatically increase. If the increase in your assessment is less than the average increase, your taxes will decrease.

- Your assessment increased by 15%
- The average increase was 20%
- Your taxes will decrease

Potential Costs

Scope 1: Full measure, list and photo - \$1,500,000

Scope 2: Sketch Verification utilizing GIS, Street-level images - \$1,000,000

Both scopes include:

Full project supervision including PR

Data Entry

Data Mailers (mailing, postage, processing, inspections)

Market Analysis, Model Development, Table Creation

Full Field Review

Assessment Notices

Informal Hearings

Revaluation Program Guidance

Maine Revenue Services: Rule 208 - Revaluation Guidelines

- Firm providing services must have at least one CMA
- Prior to the project start, chosen firm and Assessor must meet with M.R.S.
- Copies, explanations and written descriptions of grading and pricing schedules, land pricing formulas, depreciation schedules, must be filed with the State Tax Assessor for review

International Association of Assessing Officers (IAAO)

- Professional membership organization of government assessment officials
- Promote excellence in assessment administration and property tax policy through professional development, research, technical standards and guidance.
 - Standard on Mass Appraisal of Real Property
 - Standard on Valuation of Personal Property
 - Standard on Verification of Sales
 - Standard on Ratio Studies
 - Standard on Contracting for Assessment Services
 - Standard on Automated Valuation Models (AVM)





Steps in a Revaluation Program

Step 1

RFP Process, Bid Award, Contract Negotiations

Step 2

Sales Verification and Data Collection

Step 3

Cost Table Development and MRA Residential/Condo Modeling

Step 4

Develop Tables, Income/Expense Analysis and Commercial Models

Step 5

Field Valuation Reviews

Step 6

Valuation Hearings

Step 7 - Final Valuations



Projected Timeline





Projected Timeline





Assessor's Department
Christopher A. Huff
Tax Assessor

City of Portland Revaluation Project **Estimated Timeline**

- 12/17: City Council Workshop / Committee – “Let’s Get Ready for a Reval” Presentation
- 01/18: Process for Bid or RFP to Begin for Mass Appraisal Consultant Contract
- 07/18: Bid or RFP Award for Mass Appraisal Consultant Contract
- 09/18: Mass Appraisal Consultant Contract Signed
- 10/18: Public Information Meetings Begin – Neighborhood meetings schedule TBD
- 12/18: Consultant Project Commencement and Kick-Off
Residential / Condo / Commercial Table Development and Modeling Begins
- 01/19: Residential Data Mailers Sent
- 02/19: Commercial Income & Expense Forms Mailed
- 03/19: Sales Verification Forms Mailed to New Property Owners
- 04/19: City Council Workshop / Committee – Project Update
- 04/19: Residential, Condo and Islands Data Pre-Review
- 05/19: Residential and Condo Field Valuation Review
- 08/19: Commercial / Industrial Data Pre-Review
- 09/19: Commercial / Industrial Field Valuation Review
- 11/19: City Council Workshop / Committee – Project Update
- 01/20: Final Valuation Review
- 02/20: Notification to Taxpayers Regarding Proposed Valuations
- 03/20: Valuation Hearings Begin
- 04/20: Assessment Valuation Date – Ownership Updates Finalized
- 05/20: City Council Sets Tax Rate
- 08/20: Tax Bills Mailed Out with New Values