

# **FISCAL CONDITION**

## **Inventory and Analysis**

## FISCAL CONDITION<sup>1</sup>

### I. Portland Budgetary Process

Article VII of the City's Charter provides for a budget process. The fiscal year (or "budget year") of the City begins on the first day of July and ends on the thirtieth day of June of the following year. The Charter provides that the City Manager submit a budget to the Council not later than two months before the end of the fiscal year. The Council holds a public hearing before its subsequent final passage of the appropriation resolve ("Appropriation Resolve" or "Resolve").

The following table sets forth the trends in the General Fund's budgets for the City for the last four fiscal years and the current fiscal year:

	<b>Fiscal Year Ending June 30, (000)</b>				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>REVENUES</b>					
Taxes	\$ 86,575	\$ 90,888	\$ 94,603	\$98,684	\$105,202
Licenses and Permits	1,890	1,835	1,758	2,225	2,321
Fines, Forfeits and Penalties	734	735	741	766	785
Use of Money and Property	4,399	4,556	4,390	5,132	5,180
Intergovernmental	6,198	6,570	6,726	7,775	7,431
Current Services	15,140	15,839	15,972	17,532	17,744
School	17,830	18,484	18,372	19,947	20,068
Reimbursements & Other	2,220	2,189	2,516	2,515	2,929
Interdepartmental	15,634	15,441	18,964	19,221	18,943
Fund Balances (City)	1,500	2,700	2,700	3,150	2,400
Fund Balances (School)	<u>1,800</u>	<u>1,000</u>	<u>1,800</u>	<u>1,735</u>	<u>0</u>
<b>TOTAL REVENUE</b>	<b>\$153,920</b>	<b>\$160,217</b>	<b>\$168,743</b>	<b>\$178,682</b>	<b>\$183,003</b>
<b>EXPENDITURES</b>					
General Government	\$ 10,789	\$ 14,265	\$ 13,147	13,815	\$13,736
Public Safety	17,090	18,358	19,374	20,503	21,218
Public Works	8,955	9,465	11,383	10,782	10,506
Health and Human Services	13,114	13,785	14,789	15,944	16,134
Parks and Recreation	3,480	3,806	4,631	5,389	5,072
Public Library	2,102	2,182	2,305	2,458	2,474
Pension and Insurance	15,368	15,314	13,874	14,722	10,706
Education	60,848	63,126	65,519	69,249	71,382
Other/County Tax & Metro	7,174	4,525	5,867	6,793	7,104
Debt Service	<u>15,352</u>	<u>15,871</u>	<u>17,854</u>	<u>19,027</u>	<u>24,671</u>
<b>TOTAL EXPENDITURES</b>	<b>\$154,272</b>	<b>\$160,697</b>	<b>\$168,743</b>	<b>\$178,682</b>	<b>\$183,003</b>
<b>Other Financing (Sources) Uses</b>	<b>(352)</b>	<b>(480)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL EXPENDITURES &amp;</b>					
<b>TRANSFER</b>	<b><u>\$153,920</u></b>	<b><u>\$160,217</u></b>	<b><u>\$168,743</u></b>	<b><u>\$178,682</u></b>	<b><u>\$183,003</u></b>

Note: (1) Totals may not add due to rounding.

<sup>1</sup> Official Statement Dated March 21, 2002, City of Portland, Maine \$14,445,000 General Obligation Bonds, ABN-AMRO Financial Services, Inc. Duane G. Kline, Director of Finance, City of Portland, Maine. Entire Fiscal Conditions chapter from this source, pages 31-41. Edited 2002.

The City continues to meet its responsibility for sound financial management.<sup>2</sup> Actual revenues, on the budget basis for the combined general and enterprise fund operations, exceeded revenue estimates by \$441 thousand, and departmental and enterprise fund expenditures on the budget basis were less than appropriated amounts by \$3.6 million.

## II. Capital Improvement Program

The City of Portland has a multi-year Capital Improvement Program (“CIP”). The CIP is a ten year plan which includes the Capital Budget for the current year, and the projected expenditures for capital projects for the next nine years. The City develops its capital needs based upon an inventory of the City’s facilities, property and equipment. The present condition is evaluated, a useful life expectancy is estimated and replacement, if necessary, is projected. The following displays the current CIP schedule:

<b>2000</b>											
<b>City of Portland</b>											
<b>Ten-year Capital Improvement Program (000's)</b>											
<b>Fiscal year</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Total</b>
Roadways	2,715	3,349	1,300	2,500	2,000	2,000	3,000	3,000	1,500	3,000	24,364
Utility/infrastructure	1,650	2,780	2,000	2,000	2,000	1,500	1,500	2,000	2,000	1,500	18,930
Downtown infrastructure	-	150	200	200	400	-	350	-	200	500	2,000
Public facilities											
buildings/garages	325	735	850	800	500	500	800	500	1,500	1,500	8,010
schools	-	-	-	-	500	5,000	5,000	500	-	-	11,000
Schools	950	1,000	1,000	500	500	250	700	500	500	1,000	6,900
Elementary Schools	-	-	-	4,000	4,000	4,000	-	4,500	5,000	3,000	24,500
Ports	100	535	800	800	12,000	750	1,000	750	750	1,000	7,685
Parks & Recreation	1,075	545	600	800	800	600	1,000	750	1,000	800	7,970
Equipment	1,070	611	3,000	700	700	200	200	500	500	500	8,281
Public Art (.5%) <sup>1</sup>	39	48	49	62	63	74	69	65	65	64	598
<b>TOTAL</b>	<b>7,924</b>	<b>9,753</b>	<b>9,799</b>	<b>12,362</b>	<b>12,663</b>	<b>14,874</b>	<b>13,919</b>	<b>13,065</b>	<b>13,015</b>	<b>12,864</b>	<b>120,238</b>
CSO Projects	5,140	5,725	5,500	5,700	5,500	5,500	5,500	5,000	5,000	5,000	53,565
<b>Grand Total</b>	<b>13,064</b>	<b>15,478</b>	<b>15,299</b>	<b>18,062</b>	<b>18,163</b>	<b>20,374</b>	<b>19,419</b>	<b>18,065</b>	<b>18,015</b>	<b>17,865</b>	<b>173,803</b>

(1) The City Council appropriated an amount equal to one-half of one percent of the annual CIP for City art projects.

The City’s CIP is an indication of future projects which may be financed through the issuance of bonds. The CIP excludes the combined sewer overflow program. The issuance of debt, however, is subject to the prior review and approval of the City Council.

Major capital asset events during the 2000/2001 fiscal year included the following:<sup>3</sup>

- Street and sidewalk construction projects throughout the city. Completed projects during the year totaled approximately \$2,270,000.
- Jetport capital improvements for its parking, terminal and runway facilities (\$3743,000).

<sup>2</sup> Ibid. Management’s Discussion & Analysis, page 22.

<sup>3</sup> Ibid. Management’s Discussion & Analysis, page 27

- The city is in the midst of a multi-year combined sewer overflow abatement program. During the current year \$5,771,000 was spent on these and other capital asset projects.
- Approximately \$2,124,000 was transferred from construction in progress to land improvements for completed projects during the year and at the end of the current year projects under construction totaled \$3,618,000.

On January 7, 2002, the Portland’s City Council unanimously passed a resolution adopting a fiscal policy limiting new long-term capital improvement plan debt to a maximum of \$10 million per fiscal year unless an emergency is declared by the City Council. The \$10 million capital improvement plan debt limitation policy excludes the combined sewer overflow (CSO) projects.

### III. Property Taxation

The following table sets forth the trends for the City’s state equalized value, local assessed value, tax rate, and tax collections rates for the last ten fiscal years and current fiscal year.

<b>Fiscal</b>	<b>Equalized</b>	<b>Local</b>	<b>Tax</b>	<b>Tax</b>	<b>Collections (after</b>		
<b>Abatements)</b>	<b>State</b>	<b>Assessed</b>			<b>Supplements</b>	<b>and</b>	
<b>Yr. End</b>	<b>Valuation</b>	<b>Valuation<sup>1</sup></b>	<b>Rate</b>	<b>Levy</b>	<b>Year End</b>	<b>% of</b>	
<b>June 30,</b>	<b>(000)</b>	<b>(000)</b>	<b>(Per/000)</b>	<b>(000)</b>	<b>(000)</b>	<b>To Be Collected</b>	<b>----</b>
2002	\$4,305,150	\$3,990,000	\$24.31	\$96,995	-----		----
2001	3,873,900	3,770,000	24.00	89,789	\$88,340	98.39%	99.14%
2000	3,577,800	3,332,691	25.29	86,077	84,816	98.53	99.77
1999	3,358,800	3,246,414	25.29	82,101	82,776	98.61	100.56
1998	3,333,000	3,263,921	24.56	80,161	78,496	97.92	100.05
1997	3,229,700	3,202,269	24.56	78,647	76,800	97.65	100.69
1996	3,111,350	3,162,788	24.56	77,696	75,627	97.34	101.42
1995	3,079,950	3,139,009	24.56	77,093	73,321	95.11	99.85
1994	3,157,150	3,160,476	24.66	77,937	73,888	94.81	100.20
1993	3,347,250	3,212,357	24.66	79,218	74,023	93.44	100.68
1992	3,661,150	2,744,375	29.25	80,273	73,912	92.08	96.47

Note: (1) Market Adjustment valuation for 2001 and 2002.

The principal tax of the City is the tax on real and personal property. There is no limit as to rate or amount. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The City’s Tax Collector receives the tax commitment from the City Assessor, with assessed values as of April 1 of each year, after which time the tax bills are mailed. For fiscal 2001/2002 the tax due dates are September 2001 and March 2002. The distribution of property taxes between the general fund, county tax, transit district and education is shown on the following chart.

**Property Taxation (Per \$1,000 of Assessed Value)**

<b>Fiscal Yr. End June 30,</b>	<b>General<sup>2</sup></b>	<b>County Tax</b>	<b>Transit District</b>	<b>Enterprise Fund</b>	<b>Education</b>	<b>Total</b>
2002	10.16	.75	.52	.02	12.86	24.31
2001 <sup>3</sup>	10.35	.71	.54	(.22)	12.62	24.00
2000	10.70	.73	.58	(.15)	13.43	25.29
1999	10.66	.81	.58	(.15)	13.39	25.29
1998	10.45	.82	.59	(.11)	12.81	24.56
1997	10.14	.83	.59	(.07)	13.07	24.56
1996	10.00	.86	.58	.05	13.07	24.56
1995	10.05	.74	.56	.07	13.14	24.56
1994	10.05	.76	.51	.10	13.24	24.66
1993 <sup>1</sup>	10.15	.61	.48	.11	13.31	24.66
1992	12.00	.80	.57	.27	15.61	29.25

Note: (1) Revaluation; (2) General Fund and Debt Service Tax Rates combined. (3) Market Adjustment valuation effective for year 2001 and 2002

**IV. Tax Increment Financing Districts**

Tax increment financing (“TIF”) pursuant to Chapter 207 of Title 30-A of the Maine Revised Statutes, enables a municipality to finance development by borrowing against the future increased property tax receipts attributable to that development. The municipality may designate, or “capture”, all or a portion of the increase in assessed value resulting from development within the district and dedicates the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. The City has designated several tax increment financing districts and is actively considering proposals for other districts on an ongoing basis. **(Shall we list them?)**.

**V. State Aid**

The State of Maine provides aid to the City in a number of areas including education, welfare assistance, road maintenance and revenue sharing. The amount of aid in each category is based upon a number of formulas, many of which change annually, and dependent upon provisions of State law and/or appropriation by the State legislature. Educational subsidies include general purpose aid, financing costs relating to certain school construction projects and categorical aid. The State annually estimates State aid but actual payments may vary from the estimate. The following table displays State aid received by Portland for the last five fiscal periods and budgeted year:

<b>Fiscal Yr. End June 30,</b>	<b>State Revenue Sharing</b>	<b>School Aid</b>	<b>Welfare Assistance</b>	<b>Other State Aid</b>	<b>Total From State</b>
2002 <sup>1</sup>	\$6,800,000	\$22,900,000	\$1,517,875	\$2,282,125	\$33,500,000
2001	7,123,035	23,046,963	1,456,063	1,736,574	33,362,635
2000	7,287,368	22,722,547	1,516,441	1,550,373	33,076,729
1999	6,600,820	22,918,902	1,392,940	1,724,421	32,637,103
1998	6,331,920	21,766,089	1,357,251	1,759,156	31,214,416
1997	5,623,254	21,022,886	1,569,784	2,172,957	30,388,881
1996	5,254,091	19,401,972	1,775,058	2,736,681	29,167,802
1995	5,062,206	10,036,127	1,663,749	1,909,065	18,671,147

(1) Budgeted for fiscal year 2002

## VI. INDEBTEDNESS

### A. Limitations and Exclusions<sup>4</sup>

As of June 30, 2001 the City's long term debt outstanding was \$124,380,000 or 3.21% of its 2001 equalized State Valuation. The City of Portland's 2002 equalized state valuation is \$4,305,150,000. The 15% total debt limit is \$645,772,500. The 7.5% general debt limit is \$322,886,250. Upon issuance of the Bonds, the City will certify that it has not exceeded any of the established debt limits.

### B. Enterprise Funds

There are eight services provided by the City, administered by four departments, which are established as Enterprise activities. The intent of the City is for the respective activity to provide services on a continuing basis financed primarily through user charges and therefore be self-supporting. The Transportation and Waterfront Department administers four enterprise operations including the Portland International Jetport and the International Ferry Terminal. Public Works administers the City's sanitary sewer operations and Parks and Recreation administers the City's ice arena and two municipal golf courses<sup>5</sup>. Revenues for the City's combined enterprise operations increased by \$504, or 1.9%. The ice arena was the only enterprise fund that has an actual decrease in revenues during the year. Except for certain Jetport and Auditorium debt as described below, all Enterprise fund debt is general obligation debt of the City, which is backed by its full faith and credit, ad valorem taxing power.

As of June 30, 2001 the Jetport issued a limited obligation bonds payable from Passenger Facility Charges. The amount borrowed under the \$7,500,000 line of credit equaled \$2,237,413 as of June 30, 2001. As of December 2001, the Jetport entered into an agreement with Fleet National Bank to borrow up to \$10,000,000 under a line of credit. The line credit is a limited obligation payable from revenues of the Jetport.

<sup>4</sup> Ibid., refer to page 40 and 41 for details on limitations and exclusions provided under relevant State laws.

<sup>5</sup> Ibid. Management's Discussion & Analysis, page 26.

At June 30, 2001, the City has \$1,971,053 of Merrill auditorium revenue bond outstanding. These bonds are not general obligation bonds of the City or a pledge of the full faith and credit of the City. Repayment of the bonds will be made from revenues generated by a surcharge on tickets or rental of the City’s Merrill auditorium. Not being general obligation debt of the City, that portion of the bonds is not included in the calculation of the debt ratios below.

The table below displays a summary of Enterprise Fund debt payable as of June 30, 2000 and 2001 for these activities:

<u>Activity</u> <u>6/30/2001</u>	<u>Department</u>	<u>Debt A/O 6/30/2000</u>	<u>Debt A/O</u>
Fish Pier	Transportation and Waterfront Facilities	\$ 762,783	\$811,384
Sewer	Public Works	21,664,098	22,349,854
Jetport	Transportation and Waterfront Facilities	1,710,311	1,532,204
Parking Garage	City Manager	447,823	410,458
Golf Courses	Parks	535,835	593,044
International Ferry Terminal	Transportation and Waterfront Facilities	1,254,111	1,129,982
Dry Dock and Ship Repair Facility	Transportation and Waterfront Facilities	2,049,750	1,366,500
Ice Arena	Parks	<u>408,262</u>	<u>323,331</u>
		<u>\$28,832,973</u>	<u>28,516,75</u>

**C. Overlapping Debt**

1) County of Cumberland

The City is subject to an annual assessment of its proportional share of the County of Cumberland (the “County”) expenses, including debt repayment, as determined by the percentage of the City’s equalized State Valuation to the County’s equalized State Valuation. At June 30, 2000 the City’s equalized State Valuation of \$3,577,800,000 was 20.7% of the County’s equalized State Valuation. Thus, the City’s share of debt was 20.7%, or \$4,561,245 of Cumberland County’s \$22,035,000 long-term debt outstanding as of June 30, 2000.

2) Greater Portland Transit District

The Greater Portland Transit District (the “GPTD”) is a joint venture with Portland and the City of Westbrook, Maine to provide public transportation services to the residents of both cities. The GPTD’s long-term debt outstanding will be repaid from subsidy payments to be received from participating municipalities. The City of Portland’s proportional share of the debt subsidy payments made to the GPTD during the year ended June 30, 2000, is included in the city’s member assessment of \$205,463 or 87%, of GPTD’s \$236,165 debt as of June 30, 2000

## 3) Portland Water District

The City is also served by the Portland Water District (the “PWD”), a wholly separate quasi-municipal entity whose operations are not part of the City, for treatment of its wastewater. The City is also served by the Wastewater Division of the Portland Water District. The City owns and maintains the infrastructure sewer lines and is responsible for the cost of their maintenance, improvements and expansion. The PWD owns and operates a treatment plant for sewage delivered to the plant by the City, for which the City pays a monthly fee. The City is responsible for the entire debt service required to finance the PWD’s treatment plant in Portland (the “Wastewater System Debt”). All City users of the wastewater system pay monthly or quarterly fees, based upon water volume, to support expenditures from the Enterprise Fund which are paid for these services. At June 30, 2000 the City was responsible for 100%, or \$8,638,500 of its portion of PWD’s Wastewater System Debt. The Portland Water District is planning to issue bonds in 2001.

**D) Contingent Debt**

## 1) Portland Water District

The Water Division of the PWD provides water to the inhabitants of ten cities and towns within the Greater Portland Area (the “PWD Municipalities”), including the City. The Water Division’s debt is not a debt or obligation of the City. However, under Title 35-A, Section 6103 of the Maine Revised Statutes (the “Act”) and pursuant to an agreement with nine of the ten PWD Municipalities, the PWD possesses authority for taxation in the event of default in the payment of the indebtedness of the PWD incurred for water purposes. In the event of a default by PWD in the payment of the principal of, or interest on, its Water System. At June 30, 2000 the City was responsible for 32.29%, or \$12,680,404 of the PWD’s \$39,275,000 Water System Debt.