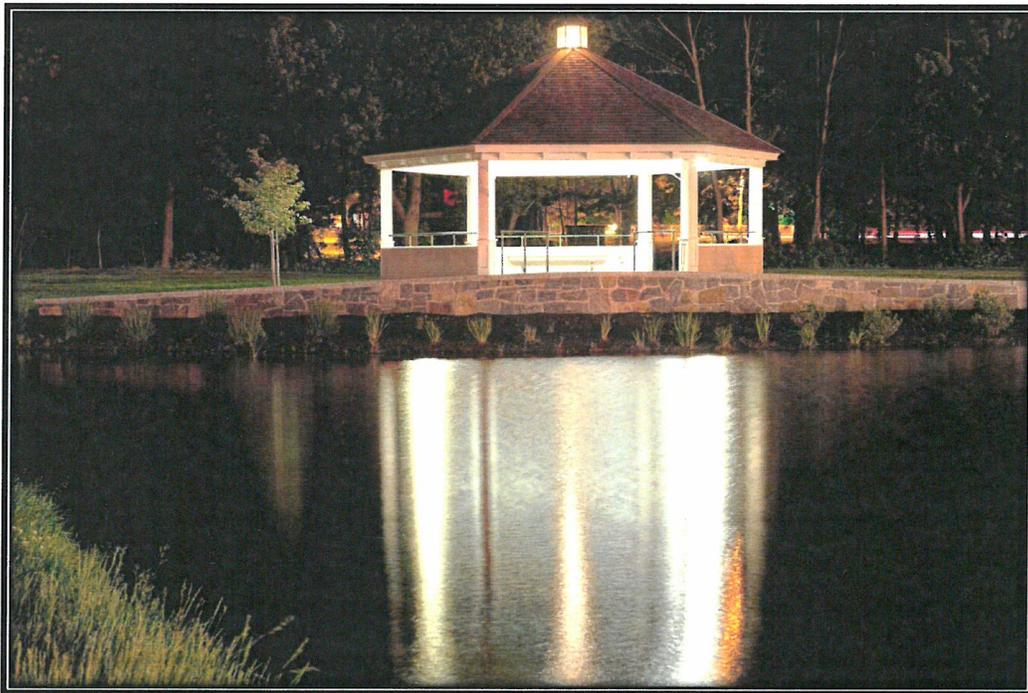




CITY MANAGER'S ADOPTED FY 2017 BUDGET



Courtesy of Denise Michaud

Presented to:
Mayor Thomas Blake
South Portland City Council

Presented by:
James H. Gailey
City Manager

July 1, 2016

CITY OF SOUTH PORTLAND

Adopted FY 2017 Budget

City Council

Thomas Blake, Mayor

Linda Cohen

Eben Rose

Brad Fox

Maxine Beecher

Claude Morgan

Patricia Smith

City Manager

James H. Gailey

July 1, 2016

**CITY OF SOUTH PORTLAND
ADOPTED FY 2017 BUDGET
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Executive Department

**James H. Gailey
City Manager**

July 8, 2016

Mayor Thomas Blake
South Portland City Council
25 Cottage Road
South Portland, Maine 04106

Subject: Adopted FY 2017 Budget

Dear Mayor Blake and City Councilors:

In accordance with §502 of the City Charter, I am hereby submitting the City Council the City Manager Adopted Fiscal Year 2017 Budget. This budget includes General Fund appropriations for municipal operations, school operations and Cumberland County tax obligation. Additionally, this budget includes the Sewer User Fund, Enterprise Fund and Grant Funds budgets. The total proposed operating budget for the City of South Portland for FY17 is \$98,093,544 an increase of \$2,506,662 or 2.62% from the FY16 budget.

Table I
Total Budget Across All Funds
Comparison FY 2016 and FY 2017

	FY16	FY17	Dollar	%
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	
General Fund	79,907,849	82,787,929	2,880,080	3.60%
Sewer User Fund	5,691,834	5,855,781	163,947	2.88%
Enterprise Funds	6,799,472	6,473,198	(326,274)	-4.80%
Grant Funds	3,187,727	2,976,636	(211,091)	-6.62%
	95,586,882	98,093,544	2,506,662	2.62%

External Scanning: The Economy

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

The following are highlights:

- ❑ Non-property tax revenues are staying flat with a few exceptions.
- ❑ Both commercial and residential properties are strong market wise, with many indications that the residential market here in the City is hot.
- ❑ External attacks at local budgets are not impacting this fiscal year's budget process. Wait until next year and how the Governor's last budget under his administration will impact local governments.

City Council Budget Guidance

On January 13, 2016, the Superintendent and City Manager updated the City Council on the status of the FY17 budget process. From the start, city administration was dealing with a 3.74% expenditure increase (\$682,000) without factoring in revenues, employee salary/benefits and requests from individual departments.

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

The City's budget came in at 0.28% needs from taxes, while the School Department's budget ended up at 2.27%. The LD #1 growth number for FY17 is 4.81%. The City's budget meets the City Council's guidance and the LD #1 growth threshold.

Average Personal Income Growth	2.67%
Property Tax Growth	<u>2.14%</u>
LD #1	4.81%

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

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

Increases in department's budgets were largely in building maintenance, vehicle/fleet related, utilities, and personnel. As in past years, the proposed departmental budgets excluded any special projects.

City Council Goals for 2016

Open to New Ways – Proactive

- Council open mind, let go and work together
- Budget that follows new needs – future focus
- How do we stay ahead of the curve?

Fiscal Responsibility

- Fiscal responsibility people oriented sustainability
- Emphasis on taxpayers' economic well-being

New Positions & Services to Budget

Recreation Superintendent - 8 months - Over the last number of years we have reduced the administration of the Parks, Recreation & Waterfront Department to a point that it may have gone too deep. Six years ago we had six administrators between the Parks and Recreation Divisions. Today the City has three. After reviewing the department, I feel it should be a priority to reestablish the Recreation Superintendent position, creating administrative capacity and budget oversight within the Recreation Division. I propose bringing this position on-board in November of 2016 and spreading the impact of the full position over two fiscal years.

Public Works Laborer - 8 months - The Public Works Department has had a tough time bringing on temporary help during winter and summer seasons. As the Department is doing more and more projects in-house, a need is there to establish a suitable consistent workforce for these projects. I proposed to split this position over two fiscal years and fund this position starting in November just prior to the winter season.

Safety Coordinator - 30 hours per week - the City has done a tremendous amount of work around safety for our employees and within our buildings/parks. We have gone through a number of safety audits that highlight areas of concern needing addressing. Currently we are paying a \$4,000 stipend to an existing employee to be the safety coordinator. As we continue to move forward in addressing safety concerns, developing trainings and working towards SHAPE (Safety & Health Award for Public Employers) certification, a need is there for more capacity towards the initiative. The selected person will oversee and manage the different projects and initiatives and work on safety related items with employees. We have made great headway over the last 18 months working very close with the Maine Department of Labor and the Maine Municipal Risk Management bringing South Portland in-line with current safety protocols, but there is still much more to do.

Sunday Bus Service

City Council members for a few years now have inquired about the feasibility of bringing back Sunday transit service. South Portland Transit currently operates Monday through Saturday. The service once operated on Sunday, but was cut a number of years ago due to budget constraints. This year the Council asked for staff to consider expanding the service to Sundays and to incorporate that cost into the FY17 budget. The current estimated cost for Sunday service is \$153,000. This expense would be off-set by \$80,500 in federal transit and fare revenue funding for a net cost of \$72,500 or a 0.40% needs from taxes.

Homestead Exemption Change

As a result of the Homestead Exemption changes last year in the State Budget, over the next two years communities will see an increase in the exemption for full-time residents. The current exemption is \$10,000, but starting in FY17 the exemption will be \$15,000. This results in a loss of valuation of \$28,000,000. There is off-setting revenue to be received from the State of Maine in the amount of \$245,000. The increase exemption will reduce residential property owner's valuation, in turn, reducing their real estate taxes roughly between \$50.00 and \$75.00 depending upon valuation (more value, less of savings due to off-setting increase in tax rate). Factoring in the State revenue reduces the impact to the municipal tax rate by approximately 4 cents.

Tax Rate Stabilization Fund

On March 14, 2016, City staff met with the City Council to discuss the City's Unassigned Fund Balance. Currently the Unassigned Fund has a balance that exceeds the Fund Balance Policy. As staff brought forward a number of capital expenditures for City Council consideration, a strong desire of the City Council was to increase the use of fund balance to support the upcoming and future operating budgets. Over the last six 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 four years and extend the schedule out an additional year. In the FY17 proposed budget, staff is proposing to increase the funding towards the tax stabilization account by \$700,000.

<u>Current FY16 Schedule</u>		<u>Proposed FY17 Schedule</u>	
FY16	\$425,000	FY16	\$425,000 (No Change)
FY17	\$350,000	FY17	\$500,000
FY18	\$250,000	FY18	\$400,000
FY19	\$150,000	FY19	\$300,000
FY20	\$ 50,000	FY20	\$200,000
		FY21	\$100,000

We feel this approach accomplishes our goal of lowering the tax rate while also avoiding the roller-coaster effect on the tax rate.

FY2017 - ADOPTED BUDGET

General Fund

The General Fund is the largest portion of the budget with a total appropriation request of \$82,787,929. The General Fund includes the property tax supported services for municipal operations, the School Department, and taxes levied by Cumberland County.

Table II
Total General Fund
Comparison FY 2016 and FY 2017

	<u>FY16</u>	<u>FY17</u>	<u>Dollar</u>	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
Municipal	31,359,989	32,604,547	1,244,558	3.97%
School	46,113,804	47,679,294	1,565,490	3.39%
County	2,434,056	2,504,088	70,032	2.88%
	79,907,849	82,787,929	2,880,080	3.60%

School Department

The Superintendants FY17 budget expenditures are \$47,679,294, resulting in an increase of \$1,565,490 or 3.39%. On the Revenue side of the School Department budget, non-property tax revenues are \$7,528,275, which is an increase of \$672,662.

Recently, the School Department received new information concerning their preliminary FY17 State General Purpose Aid for Education in the amount of \$6,278,169, an increase of \$615,468 from the FY16 budgeted amount. This figure was an increase over the first estimate due to the Legislature just recently providing \$15 million of additional funding for education.

With the additional State Education subsidy, the total amount to be raised from taxes for the proposed School Department is \$40,151,019, an increase of \$892,828 or 2.27%.

Cumberland County

Cumberland County's property tax assessment for FY17 is \$2,504,088, an increase of \$70,032 or 2.88%.

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 68.04% of the total budget. The budget includes limited wage increases for union and non-union employees. The personnel services budget is \$22,182,772, an increase of \$733,483 or 3.42% over FY16.

Contracted Services. Contracted services include the City's cost of water, sewer, electricity, street and traffic lights, building and equipment maintenance, rent and leases, rubbish disposal costs at ecomaine, curbside solid waste and recycling contract with a private contractor, and the City's Contingency Account. Contracted services are \$4,497,176, an decrease of \$181,788 or -3.89%. Contracted services represent 13.79% of the total general fund appropriation.

Supplies. Supplies include construction material, equipment and vehicle parts, road sand and salt, gas, oil, heating fuel, library books and periodicals, and office and printing supplies. Supplies are proposed at \$1,990,809, a decrease of \$47,748 or -2.34%. Supplies represent 6.11% of the total general fund appropriation.

Fixed Charges. Fixed charges include tax abatements, general and commercial liability insurance, automobile and property insurance, and dues and memberships. Fixed charges represent \$808,100 in the budget up \$135,930 or 20.22%. Fixed charges represent 2.48% of the city's general fund budget.

Debt. The Debt Service budget includes annual bond principal and interest payments on the City's outstanding debt obligations. The new Municipal Services Facility debt will be coming onto the books in FY17 making up a large increase in debt service. This year there will be \$1,113,782 or 20.23% increase to bonded debt service payments. This year Debt Service represents 3.42% of the total general fund appropriation.

Intergovernmental (Joint Dispatch) - The City of Portland and South Portland teamed up a number of years ago to share an E911 and dispatch center. Located at the Portland Police Department, the dispatch center covers both communities and provides 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 dispatches at the time of merger down to 3 dispatchers today. Whether Portland or South Portland, the dispatchers in the facility answer both communities' calls for service. The FY17 cost of the Intergovernmental category is \$748,610, up \$351,110 or 88.33%. This represents 2.30% of the total budget.

Capital Outlay and Transfers. The Capital Outlay and Transfers budgets include appropriations for the replacement of vehicles and equipment. The proposed capital outlay budget represents 3.77% 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 FY17 are \$1,228,298 up \$76,145.

Table III
Municipal General Fund Appropriation
By Expenditure Category
Comparison FY 2016 and FY 2017

	FY16	FY17	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
Personnel	21,449,289	22,182,772	733,483	3.42%
Contractual Services	4,678,964	4,497,176	(181,788)	-3.89%
Supplies	2,038,557	1,990,809	(47,748)	-2.34%
Fixed Charges	672,170	808,100	135,930	20.22%
Debt	926,356	1,113,782	187,426	20.23%
Property Tax Reimbursements	45,000	35,000	(10,000)	-22.22%
Intergovernmental (Jt Dispatch)	397,500	748,610	351,110	88.33%
Other	221,623	221,623	0.00	0.00%
Capital Outlay	930,530	1,006,675	76,145	8.18%
Total	31,359,989	32,604,547	1,244,558	3.97%

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

Table IV
Municipal General Fund Appropriation By Function
Comparison FY 2016 and FY 2017

	FY16	FY17	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
Public Safety	10,578,609	11,339,752	761,143	7.20%
Insurance and Retirement	7,014,990	6,943,110	(71,880)	-1.02%
Public Works	4,577,541	4,739,726	162,185	3.54%
Culture and Recreation	3,256,513	3,384,519	128,006	3.93%
General Government	3,273,434	3,103,460	(169,974)	-5.19%
Debt	926,356	1,113,782	187,426	20.23%
Transportation and Waterfront	1,144,223	1,290,191	145,968	12.76%
Health and Welfare	391,323	543,007	151,684	38.76%
Contingency and Reserves	197,000	147,000	(50,000)	-25.38%
Total	31,359,989	32,604,547	1,244,558	3.97%

Municipal General Fund Revenues

On the revenue side of the Municipal General Fund budget, total non-property tax revenues are estimated at \$11,557,115, an increase of \$874,113 or 8.18%. This increase is largely due to additional excise and transit revenue being recognized.

Table V
Distribution of Municipal Non Property Revenues
Comparison FY 2016 and FY 2017

	FY16	FY17	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
Excise Tax	5,425,000	5,925,000	500,000	9.21%
State Revenue Sharing	1,185,000	1,220,000	35,000	2.95%
Fee for Service	1,649,650	1,677,875	28,225	1.71%
Investment Income	390,000	420,000	30,000	7.69%
Licenses, Permits and Fines	797,650	875,550	77,900	9.77%
Payments in lieu of taxes	240,850	244,150	3,300	1.37%
Federal Transit	490,352	589,000	98,648	20.12%
Other	504,500	605,540	101,040	20.03%
Total	10,683,002	11,557,115	874,113	8.18%

Municipal Needs from Property Taxes

With expenditures of \$32,604,547 and non-property tax revenues of \$11,557,115 the total need from property taxes for FY17 to support city services is \$18,296,432, an increase of \$50,445 or 0.28%.

Table VI
Municipal Needs from Taxes
Total Needs from Taxes
Comparison FY 2016 and FY 2017

	FY16	FY17	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
Municipal Expenditures	31,359,989	32,604,547	1,244,558	3.97%
Use of Fund Balance	425,000	500,000	75,000	17.65%
Use of BETE	1,521,000	1,521,000	-	0.00%
Homestead	485,000	730,000	245,000	50.52%
Non Property Tax Revenue	10,683,002	11,557,115	874,113	8.18%
Needs from Taxes	18,245,987	18,296,432	50,445	0.28%

School Needs from Property Taxes

The total need from property taxes for FY17 to support the School Department is \$40,151,019, an increase of \$892,828 a 2.27% increase over FY16.

Table VII
School Department Total Needs from Taxes
Comparison FY 2016 and FY 2017

	FY16	FY17	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
School Expenditures	46,113,804	47,679,294	1,565,490	3.39%
Use of Fund Balance	(500,000)	(500,000)	-	0.00%
Non property Tax Revenue	(6,355,613)	(7,028,275)	672,662	10.58%
Needs from Taxes	39,258,191	40,151,019	892,828	2.27%

Total Needs from Property Taxes

The total need from property taxes to support municipal, school and county services is \$60,951,539, an increase of \$1,013,305 or 1.69%.

Table VIII
General Fund Total Needs from Taxes
Comparison FY 2016 and FY 2017

	FY16	FY17	Dollar	
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>%</u>
Municipal	18,245,987	18,296,432	50,445	0.28%
School	39,258,191	40,151,019	892,828	2.27%
County	2,434,056	2,504,088	70,032	2.88%
Needs from taxes	59,938,234	60,951,539	1,013,305	1.69%

Estimated and Final Property Tax Rate

As mentioned previously, the increase in the Homestead Exemption results in an overall decrease in taxable valuation of about \$28 million. With the valuation estimated at the time of the council approval in June of 2016 at \$3,422,000,000, the FY17 property tax rate was estimated at \$17.81 per thousand. Due to the early date of this process and the complexities of the city's valuation base, this figure was the best estimate at that time. Valuations have since been finalized for FY17 and committed with a valuation of approximately \$3,432,000,000 along with actual Business Equipment Tax Exemption (BETE) and Homestead revenue coming from the State exceeding earlier estimates by approximately \$205,000, the tax rate was lowered to \$17.70.

Table IX
City Tax Rate Comparison
Comparison FY 2016 and FY 2017

	FY16	FY17		%
	<u>Adopted</u>	<u>Estimated(1)</u>	<u>Committed (2)</u>	
Municipal	5.30	5.35	5.31	.28%
School	11.40	11.73	11.66	2.27%
County	0.71	0.73	0.73	2.88%
Total	17.40	17.81	17.70	1.69%

1. Estimated at time of initial passage based on preliminary valuation of \$3,422,000,000
2. Based on valuation at time of commitment of \$3,432,000 and additional BETE revenues.

Sewer User Fund

The Sewer User Fund Budget Appropriation for FY17 is \$5,855,781 an increase of \$163,947 or 2.88%.

Table X
Sewer User Fund Expenditures
Comparison FY 2016 and FY 2017

	FY16 <u>Approved</u>	FY17 <u>Approved</u>	Dollar <u>Change</u>	% <u>Change</u>
Administration	160,727	163,673	2,946	1.83%
Compliance Admin.	98,218	100,693	2,475	2.52%
Debt	35,893	96,532	60,639	168%
Engineering	226,266	240,722	14,456	6.38%
Equipment Reserve	1,512,000	1,512,000	0	0.00%
Pump Stations	558,056	558,329	273	0.04%
Retirement & Insur.	812,638	837,145	24,507	3.01%
Sewer Maintenance	819,880	820,961	1,081	0.13%
Sewer Use Billing	182,384	182,384	0	0.00%
Sludge Disposal	364,080	365,389	1,309	0.35%
Treatment Plant	<u>921,692</u>	<u>977,953</u>	<u>56,261</u>	<u>6.10%</u>
Total	5,691,834	5,855,781	163,947	2.88%

Table XI
Sewer User Fund Revenues
Comparison FY 2016 and FY 2017

	<u>FY16</u> <u>Approved</u>	<u>FY17</u> <u>Approved</u>	<u>Dollar</u> <u>Change</u>	<u>%</u> <u>Change</u>
Interest & Penalties	1,000	1,000	0	0.00%
Industrial Compliance Fees	62,960	64,770	1,810	2.87%
Res/Commercial User Fees	4,131,493	4,213,924	82,431	1.99%
Industrial User Fees	1,351,381	1,426,087	74,706	5.52%
Cape Elizabeth Contribution	<u>145,000</u>	<u>150,000</u>	<u>5,000</u>	<u>3.44%</u>
Total	5,691,834	5,855,781	163,947	2.88%

The proposed residential sewer user rate will increase from \$4.80 to \$4.92 per hundred cubic feet of water (PHCF) a 2.88% increase over FY16.

Enterprise Fund Budgets

The Enterprise Fund comprises self-funded programs and activities utilizing the revenue generated from program participants. The Enterprise Fund totals \$6,473,198 a decrease of \$326,274 or -4.80%.

Table XII
Municipal Enterprise Fund Budget
Comparison FY 2016 and FY 2017

	<u>FY16</u> <u>Approved</u>	<u>FY17</u> <u>Approved</u>	<u>Dollar</u> <u>Change</u>	<u>Change</u>
TIF District	3,681,061	3,584,001	(97,060)	-2.64%
Debt Service Fund	250,000	-	(250,000)	-100.00%
Summer Rec. Camp	257,471	315,882	58,411	22.69%
Golf Course	193,000	166,055	(26,945)	-13.96%
Community Television	217,455	194,950	(22,505)	-10.35%
Westbrook Assessing	195,489	202,043	6,554	3.35%
Youth Rec. Programs	132,896	159,334	26,438	19.89%
Street Openings	100,628	101,605	977	0.97%
Afterschool Program	148,199	111,757	(36,442)	-24.59%
Sewer Impact Fees	52,284	53,419	1,135	2.17%
Senior Rec. Programs	36,048	44,627	8,579	23.80%
Adult Rec. Programs	31,163	30,436	(727)	-2.33%
Summer Sports Camp	24,694	25,275	581	2.35%
Portland St. Pier	21,970	23,470	1,500	6.83%

Art in the Park	20,650	20,750	100	0.48%
Adult Leagues	14,239	36,397	22,158	155.61%
Boat Ramp	13,500	19,490	5,660	44.37%
Vacation Camp	8,390	10,062	1,672	19.93%
School Lunch Fund	<u>1,400,335</u>	<u>1,373,645</u>	<u>(26,690)</u>	<u>-1.91%</u>
Total	6,799,472	6,473,198	(326,274)	-4.80%

Grant Fund Budget

The Grant Fund Budget tracks those programs and activities funded directly by grants, state or federal government, or other sources. The total FY2017 Municipal Grant Fund Budget is \$2,976,636, a decrease of \$211,091 or -6.62%.

Table XIII
Grant Fund Budget
Comparison FY 2016 and FY 2017

	FY16	FY17	Dollar	Percent
	<u>Approved</u>	<u>Approved</u>	<u>Change</u>	<u>Change</u>
Local Road Assistance- MDOT	\$255,000	\$256,444	\$1,444	0.56%
Community Dev. Block Grant	\$411,945	\$412,033	\$88	0.02%
Supplemental Homeland Sec.	\$177,896	\$168,719	(\$9,177)	-5.16%
Transit 5307 Planning	\$39,035	\$40,566	\$1,531	3.92%
School Part II Grants Budget *	<u>\$2,303,851</u>	<u>2,098,874</u>	<u>(\$204,977)</u>	<u>-8.90%</u>
Total	\$3,187,727	\$2,976,636	(\$211,091)	-6.62%

Conclusion

Thank you to the department heads who have done an outstanding job in presenting a responsible budget for FY17. The budget process brings together a strong team of City Councilors and city staff members and the result of the work is experienced every day by the residents, business community and our visitors. *Thank you.*

Sincerely,



James H. Gailey
City Manager
City of South Portland

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