

**TOWN OF OLD ORCHARD BEACH
SPECIAL TOWN COUNCIL MEETING
TUESDAY, MARCH 25, 2008
TOWN HALL CHAMBERS**

A Town Council Workshop of the Old Orchard Beach Town Council was held on Tuesday, March 25, 2008 at 7:00 p.m.

Present from the Town Council:

**Chairman James Long
Councilor Shawn O'Neill
Councilor Roxanne Frenette
Councilor Robin Dayton
Councilor Sharri MacDonald
Town Manager Stephen Gundy
Assistant Town Manager Louise Reid
Superintendent of Schools Rick Mathews
Members of the School Board**

MOTION: Councilor Frenette motioned and Councilor O'Neill seconded to call the meeting to order at 7:00 p.m.

VOTE: Unanimous.

- 1. Discussion with Action: Approve the Employment Agreement with Michael Nugent as Code Enforcement Officer, effective March 25, 2008, at a salary of \$50,000.**

The Department Head, Gary Lamb, gave a synopsis of the process used by the Assistant Town Manager in the hiring of a Code Enforcement Officer. There had been over twenty-five applicants and it was narrowed down to four; one removed herself from the process as a result of accepting another position. Ken Shupe, Alan Borg, Louise Reid and Gary Lamb made up the interview team and presented a list of questions to the applicants. It was a unanimous decision of the four that Mr. Nugent was the best candidate and could bring a very impressive degree of experience to the position. In addition references on Mr. Nugent by two of his most recent department heads were glowing as was the reference from our legal Counsel.

Vice Chairman O'Neill indicated he could not vote for this because he saw no need of a contract for such a position. Councilor Frenette indicated she was going to support the appointment because she believed the process was done completely. She did mention that she had received some calls regarding Mr. Nugent's previous employment eighteen years ago but that she believed time and experience adds to what we bring to present positions. Councilor Dayton also indicated she had received a few calls but that she had worked with Mr. Nugent and found him to be very professional in their dealings.

In response to Vice Chair O'Neill's concern about the need for a contract it should be noted that the Old Orchard Beach Charter requires the CEO and Town Planner be given two year contracts subject to removal for cause. Charter Sec. 901.1. Subject to confirmation by the Council, the Town Manager shall appoint a Town Planner and a Code Enforcement Officer for a six (6) month probationary period during which they may be removed by the Manager with or without cause. After the probationary period, and subject to confirmation by the Council, the Town Planner and the Code Enforcement Officer shall be given two (2) year contracts subject to removal for cause by the Town Manager during the term of the contract, after notice and hearing. The Town Planner and the Code Enforcement Officer shall be given at least 60 days notice of non renewal of contract. The Town Planner and Code Enforcement Officer shall attend all meetings of the Planning Board and the Zoning Board of Appeals, or send a designee or request the Town Attorney to advise and assist these Boards, when they are unavailable.

MOTION: Councilor Frenette motioned and Councilor Dayton seconded to Approve the Employment Agreement with Michael Nugent as Code Enforcement Officer, effective March 25, 2008, at a salary of \$50,000.

VOTE: Yea: Councilors Frenette, Dayton, MacDonald and Chairman Long.
Nea: Vice Chairman O'Neill

Chairman James Long thanked those who were in attendance and indicated this was the original and first presentation of the budget which in the next couple of months would be discussed in detail and the development of what will be a final budget approval process.

SUPERINTENDENT ERIC MATTHEWS PRESENTATION:

School Superintendent Rick Matthews strongly presented his budget plan constantly reminding us that the important issue here is the education of our children and also recognizing the difficult financial situation that we all find ourselves in as a result of the current economic crisis. He indicated he was asking for \$10.3 million dollar budget proposal and that the budget already was lean and mean and any cuts would mean the loss of staff or programming and would affect the entire school system. He pleaded with the Council to work with the school department in a cooperative, non-judgmental manner and "throw out a lifeline to help us get through this year." He also mentioned that the school is facing a State cut of \$582,000.

The Superintendent then presented his scenario of reasoning for the budget recommendation by the school board and administration:

FY '09 School Budget
Old Orchard Beach
March 25, 2008

In review

•FY '08

•Myths vs. Reality

•Collaborative Efforts

•Innovation - Goal Oriented Plans

•Vested Traditions

•Budget Needs

•EF-M-46, Adm./Operations - 20%

Municipal/School Budgets

	School	Town
SAD 35	70.7	29.3
Gorham	70	30
York	68.5	31.5
SAD 60	65	35
Yarmouth	62	38
Saco	60.6	39.4
Freeport	58	42
Portland	52.5	47.5
Biddeford	50	50
Scarborough	46	54
Augusta	42	58
OOB	42	58
Auburn	39.9	60.1

FY '06 per pupil costs

School Budget	Students	Ave. Cost
A.) 18,604,162	1,486	12,519.62
B.) 12,998,616	1,268	10,251.27
C.) 26,907,526	2,896	9,291.27
D.) 9,097,161	1,002	9,079.00
E.) *9,097,161	990	9,189.05
F.) 24,394,988	2,766	8,819.59
G.) 25,581,936	3,313	7,721.68

**** 05 - 06 State Secondary Tuition Rate 7,205.39
Elementary Tuition Rate 6,672.09**

'05-'06 Budget Presentation

•Possible Option

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•TO BEGIN TO PROVIDE A BALANCE BETWEEN THE MUNICIPAL/SCHOOL BUDGET MOVE 1.5% POINTS FROM THE MUNICIPAL SIDE TO THE SCHOOL SIDE FOR THREE YEARS

•BY THE 08-09 BUDGET OUR % SPLIT WOULD BE SCHOOL 46.5 AND MUNICIPAL 53.5

Capital Improvements

•'08 - '09 Priorities

•Security Upgrades-	56,000
•Phone System-	150,000
•Bus-	65,000
•Tractor / Lawn Equip	75,000
•LMS Bleachers	35,000
•Total	\$ 381,000

Budget History

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FY07/FY09 Comparison

•FY '07 Loss of State Subsidy -	\$315,000
•Salary Adjustments - etc.	\$291,000
•Total	\$606,000

FY '09 Loss of State Subsidy -	\$581,000
Salary Adjustments - etc	\$390,000
•Total	\$971,000

Proposed Budget Figure

•Grand Total	\$10,254,944
•Salaries	\$ 6,929,647
•Benefits	\$ 1,845,597
•Total	\$ 8,775,244

•Fixed Costs

•Building/Bus Repair	\$ 164,000
•Heating Oil	145,600
*Electric	125,000
*Contracted Services	50,000
•Insurance	39,900
*Legal	35,000
•Copier Leases	30,000

•Bus Gas	18,000
•Telephone	13,000
•Water & Waste	23,000
•Audit / Liability	13,200
•Propane	7,500
•Total	\$ 664,200

Funds for Instruction

•Salaries & Benefits	\$ 8,775,244
•Fixed Costs	\$ 664,200
•Total	\$ 9,439,444
•Funds left for Instruction	
•If flat funded	\$ 176,876

Position Cuts '05 - '08

- HS Math
 - HS Science
 - HS Coop
 - Gifted & Talented
 - (2) 5th Grade
 - 1/2 Maintenance Director
 - 1/2 FCS
 - (2) Ed. Tech - 3 people
 - 9 FTE's involving 11 people
- Funding Crisis**
- Read the Warning Signs
 - React to the Warning
- If nothing is done, this will demolish our School District
 - Anything will become a possible cut
 - Years of under funding have caught up with us
 - Any cut will be felt by all

Are we in a Crisis?

- \$ 581,000 Loss of State Subsidy
- \$4.6 Million Contingency Fund
- Cost of Living Increase
- The State has caused this problem
- To avoid a disaster the school department will need more local assistance

EPS Funding Formula

- Additional Local Share?
- Increased \$1.4 Million
- Three Factors

- We are a “Minimal Receiver”
- Gov. changed the Mill Rate to 6.54
- Loss of financial support for Central Office
- These factors were designed to save the State Budget and shift the cost to the Local Building Compassion
 - We can get through this with your help
 - Acceptance versus non-acceptance
 - Non-judging versus quick judgment
 - Patience versus anger
 - Calm mind versus "monkey mind," or our internal chaos
 - Trust versus mistrust
 - Non-striving versus encompassed striving
 - Letting go versus hanging on to

The Future

- We are asking you to do right by the children of OOB
- Our future rests you, the Council

The Chairman expressed his appreciation to the Superintendent for his presentation.

TOWN MANAGER’S PRESENTATION

TOWN OF OLD ORCHARD BEACH

March 21, 2008 (revised March 25, 2008)

To: TOWN COUNCIL
 From: Town Manager Stephen J. Guntz
 Re: FY 2009 PRELIMINARY BUDGET (for REVIEW)

INTRODUCTION

From January 8 through March 4 of 2008, Louise Reid filled the vacant position of Town Manager until the appointment of Stephen Guntz. As a result necessitated by this transition period, the FY09 Budget process incorporates a different approach than previously used by the Town. Normally, individual budget review meetings with each Department and the Manager would occur in this process. However, due to the 11th hour entry into the process by the new Manager, time did not afford it to the degree normally preferred. While this suggests an inherent weakness in our approach, fortunately both Louise Reid and Treasurer/Finance Director Jill Eastman did a terrific job to help compensate by working closely with the entire Staff to bring together the necessary financial and operational information found in this document. This information along with

input by Louise, Jill, Council Chairman Jim Long and other Staff, has been the basis for decision-making in the Manager's recommendation.

CREDIT

Jill Eastman conscientiously assembled numerous financial scenarios and provided the format used for this budget, as well as expert financial advice. She is already scoping new budget formats in anticipation of the FY10 Budget process. One day Louise was no where to be found, which prompted a town-wide search. After all efforts failed to locate her, it finally dawned on us; "where else could she be"? We then found her in the dictionary under "Wonder Woman of the Year". Of particular note, has been the role of Council Chairman Jim Long who spent a considerable amount of quality time, first with Louise and Staff early on during the gap period, and then with the new Town Manager to provide needed perspective, background and direction on many of the capital improvement needs cited in this budget and how best to prioritize and approach those difficult items. Without his input and assistance in this transition, the entire process would not have been as effective. All of the Department Directors cooperated fully and the Town Council has been very considerate of the needs of the Staff and Manager during this interim period and budget preparation process.

BUDGET APPROACH

The Manager's recommendation is presented in the attached FY09 Budget and is a collaborative result of this participative process. The attached Budget is preliminary, subject to review and adoption by the Town Council and is summarized as follows.

Most major budget line items are explained on separate detail sheets following the spreadsheet summary of each department's request. Significant changes in either new personnel, added programs/services or substantial increases from last year will be explained either in this summary, the detail sheets or during the Budget process.

Through a series of Council Workshops, the Town Manager, Assistant Town Manager and Treasurer/Finance Director will partner with the Council providing advice and direction through the difficult choices necessary in order to facilitate the best long term outcome possible for our community within the fiscal constraints it faces.

Since the operational budgets are very similar to last year, we encourage the Council to focus its attention on the major highlights, such as capital improvements (major equipment and infrastructure needs) and how to fund them, new employee requests, new programs/services and the School Budget. Budget Workshops will be setup as needed after a two week period of individual review by the Council. Councilors are encouraged to contact either the Town Manager or any Staff to help answer any advance questions you may have prior to the Budget Workshops. Although not required, it will help the process considerably if questions can be fielded in advance.

We will invite Department Directors to be present for the Budget Workshop corresponding with their Department. The intent is for each Director to provide additional information or insight upon request during the forthcoming Budget Workshops. Any detail on new employee requests, equipment or vehicle purchases and the CIP will be handled each night while the specific Department is in attendance.

FINANCIAL PICTURE

\$1,454,855,840 estimated taxable Total Assessed Value [.65% increase of \$13 million]

Total FY09 Tax Commitment (Levy) \$18,272,989 [2.9% increase of \$517,056]

The County Tax increased \$79,842 [12.1% increase]

State Revenue Sharing decreased \$400,000 [46.2% decrease]

State School Funding decreased \$581,746 [51.4% decrease]

Budgeted Town revenues are projected to increase only 1%

Departmental Appropriation requests rose 6.17%

The Manager recommended Appropriation is a 1.76% decrease.

- **FY09 projected tax rate is \$12.56 per \$1,000 of Assessed Value** [This is a flat-lined tax impact scenario; representing a 0.0% increase from FY08].
 - *on a \$100,000 home this equals \$1,256 in taxes HOWEVER most homes in the Town will have higher values than this.*

If further cuts or additions are considered

- every \$100,000 cut or addition to the Budget affects the tax rate @ .07 mil and equates to homeowner savings or costs of \$0.07 (7 cents) per thousand of Assessed Value.
 - *on a \$100,000 home this equals \$7.00 in taxes*
- every \$1 million cut or addition to the Budget affects the tax rate @ .70 mil

The Town has approximately \$1.6 million in dedicated reserves (*including Sewer, Rescue Call Fees, School, and general infrastructure*), mostly obligated for specific ongoing and future projects. As of 6/30/07 prior to deducting the required obligated Fund Balance [12% of Net Municipal General Fund & School Expenditures], the Town's Undesignated Fund Balance is calculated at approximately \$4.9 million. The required reserve equals \$2.8 million followed by a preliminary estimate of \$300,000 of additional draw downs from anticipated overages in certain Public Works storm related line items. In addition the withdrawal of \$460,000 would occur to reduce the tax impact of this Budget, leaving the Town with a net Unobligated Fund Balance going into FY10 of only \$1.3 million. This represents a reduction of 38% of the Town's net Unobligated Fund Balance.

This Budget proposal uses \$460,000 of the Town's Unobligated Fund Balance to help fund needed Capital Improvements. After adoption of the FY09 Budget, a large percentage of the remaining Unobligated Fund Balance should be placed into a dedicated reserve fund entitled "Infrastructure Stabilization Fund" to provide toward future pay-as-you-go financing of major CIP projects as needed. This Budget proposal also adds no Overlay, which is an amount ranging from 1-5% of Expenditures toward unanticipated obligations such as tax appeals and changes in the final assessed valuation. Only \$41,602 is added to the Contingency Fund for unanticipated projects in this Budget. \$225,000 of current Rescue Call Fees Fund on-hand will be utilized, with no impact to the Tax Rate, to fund the Fire Rescue/Pumper, Police Squad and Rescue Fund Billing position.

NEW EMPLOYEE REQUESTS

- **Police Dept: 3 additional full-time Patrol Officers**
- **Fire Dept: 1 Deputy Chief position**
- **Public Works: 1 Assistant Director position, 1 additional Laborer**
- **Code Enforcement: Reinstate 1 additional full-time Building Inspector**

- **Town Clerk: 1 Part-time Deputy position**
- **Library: Reinstating 1 position**

Note: Manager's Budget Proposal eliminates all of these requested positions.

EMPLOYEE WAGES & BENEFITS

Employee Health Insurance premiums are projected to increase 8%.

Budgeted compensation for Union employees (*Police, Dispatch, Fire, Public Works and WWTF*) reflects current labor contracts in effect. C.O.L.A. (Cost of Living Adjustment) if contracted is reflected, otherwise strictly for Budget purposes, we projected a 3% increase for Union employees. Compensation budgeted for Union employees is subject to bargaining for successor labor contracts and this Budget document is not to be construed as actual Town intention or commitment to settle at the budgeted amounts.

A 4% C.O.L.A. increase across-the-board is recommended for all Non-Union Full-time and regular Part-time (over 20 hr/wk) employees [unless unsatisfactory performance is reported] [*except Library and Schools which handle their own budget line items, including salaries, within the overall amount approved by the Town Council*].

Additional market based wage adjustments are anticipated in light of a cursory review of Town wages for Non-union employees. Specific recommendations will be developed later during the Budget process to address any such market based wage inequities that may exist. Any such recommendations by the Manager will be based on a comparative wage survey to support any market based adjustments. In time, a process will have to be developed to support performance based merit increases. To assure credibility of that process, the Manager will need to be in place for one year to develop familiarity with the Staff as a basis to support any such performance based wage recommendation that he makes.

The Town Council however may want to act quicker in awarding performance increases to key contracted and other Town Department Directors as part of this Budget process, as it is certainly qualified to have gauged key employee performance over the past year.

Our approach to future wage adjustments will be critically important in order to retain and attract the best talent possible. Our goal should be to keep municipal wages reasonably current within the regional market for similar positions and consistent within the internal hierarchy. Additionally, besides the standard C.O.L.A. increases typically awarded, grade adjustments from one grade to another should depend on major changes in job duties and movement within the established pay range of each grade is best based on exceptional performance.

HIGHLIGHTS of INTEREST

Lease of Police Substation @ \$15,000 (out of Undesignated Fund Balance last year)
Tops in Blue concert & other Special Events @ \$15,000
Implement Conservation Commission Memorial Park @ \$50,000 (\$109,385 requested)
Reduction in CIP funded through the Operating Budget (in anticipation of Bonding)
Bonding of six major infrastructure projects totaling \$5.3 million
Lease/Purchase of a Fire Rescue/Pumper @ \$425,000
Purchase of a Grader @ \$225,000

Purchase of a Police Cruiser @ \$35,000
Purchase of a Police portable office @ \$24,000/yr
Major GIS system upgrade @ \$80,000
Major computer upgrade @ \$60,000
Town Clerk Records scan project @ \$30,000
Eliminate Community Center Facility Plan (until definite focus appears on ballpark issue)
Road maintenance @ \$375,000
Stormwater maintenance @ \$30,000

SCHOOLS

State Education Funds to the School Department are projected to decrease 51.4% or \$581,746. This Budget scenario shows the School Budget flat-lined, i.e. at the same level of funding as last year, minus \$100,000 that the Town invested in the technology lab for which the School Department later received reimbursement via a state grant.

Town support of the Schools actually increases in this scenario by \$481,746 or 5.74% as the Town steps forward to make the School Department whole for the loss in State Education Funds.

One idea recently proffered for discussion by the Council is to consider that perhaps the School Department split the State Funding reduction with the Town. Obviously this would require significant cuts in the School Budget. A School Department reserve fund of \$224,735 existed as of the 6/30/07 Annual Financial Report. Other administrative cuts would be preferred over any program or teaching cuts.

CAPITAL IMPROVEMENTS

The Capital Improvement Plan as recommended by the Manager contains approximately \$6.8 million of projects funded as follows:

- **\$1,034,000 via Operating Funds (i.e. funded by the Tax Levy and Fund Balance)**
- **\$5,300,000 via Proposed Bonding (i.e. Debt Service only funded by the Tax Levy)**
- **\$460,000 via Rescue Billing Fund (current & future, not funded by the Tax Levy)**

A major shortfall in this proposal is the lack of a permanent solution to the problems associated with the Public Safety Building pertaining to both its size and condition. Suggested solutions have ranged between \$866,000 for short-term improvements to \$4.7 million for a longer-term investment. All this Budget proposal funds is a portable office at \$24,000 and \$50,000 toward continuing maintenance and investment in the structure to alleviate various code related deficiencies, which are likely to increase over time.

An additional concern is the lack of budgeted operating capital to address numerous stormwater and sewer projects and the Town's required contribution to the roundabout project, should the Bonding scenario not be approved.

Funding has typically been pay-as-you-go via use of Unobligated Fund Balance (surplus funds) and the annual tax levy. Consideration for appropriate long-term bonding that spreads the cost across future residents benefiting from such improvements is a sound strategy to address the Town's staggering \$30 million of projected capital improvement and infrastructure needs. Postponing needed capital improvements typically increases

future costs when extreme deterioration is a factor. Paying cash for costly long-term improvements limits the amount of projects that the Town can do on a yearly basis. The Town's current Total Bond Debt at \$8.3 million or .5% of Assessed Value is well below the maximum indebtedness of 15%, allowing future flexibility for longer-term financing strategies.

Other financial strategies include establishing a sewer use fee, deferring infrastructure projects, utilization of undesignated fund balance, raising revenue through service fee increases or sale of town equipment or property (such as a portion of the ball park), or increasing the tax levy.

Other Bonding scenarios can also be explored perhaps during a separate Workshop for that purpose if the Town Council wishes to pursue a more aggressive CIP approach.

CONCLUSION

A review of forthcoming projects in this Budget, suggests that the Town of Old Orchard Beach is poised for significant improvement in its quality of life and infrastructure development. These positive conditions should lead to further economic development prospects. How the Town handles its future Capital Improvement planning and Economic Development efforts is of prime importance at this stage to help stimulate the continued growth of the Town's Tax Base.

On behalf of the entire Town Staff, we look forward to partnering with you on positive solutions to the Town's needs.

*** end of Budget memo ***

CHAIRMAN LONG: I thank the Town Manager for his diligence in getting the budget together considering the difficulties of the issues. We thank each of you for the presentation this evening and we now begin the workshop process of dealing with these vital and important issues.

MOTION: Councilor Frenette motioned and Councilor O'Neill seconded to adjourn the meeting.

VOTE: Unanimous.

Respectfully Submitted,

V. Louise Reid
Secretary to the Town Council

I, V. Louise Reid, Secretary to the Town Council of Old Orchard Beach, Maine, do hereby certify that the foregoing document consisting of twelve (12) is a true copy of the original Minutes of the Town Council Workshop of March 25, 2008.

V. Louise Reid