

**TOWN OF OLD ORCHARD BEACH  
TOWN COUNCIL WORKSHOP  
Thursday, June 16, 2011  
TOWN HALL CHAMBERS**

**A Town Council Workshop of the Old Orchard Beach Town Council was held following the Town Council Meeting on Thursday, June 16, 2011 at 6.37 p.m.**

**The following were in attendance:**

**Chair Bob Quinn  
Vice Chair Michael Tousignant  
Councilor Robin Dayton  
Councilor Sharri MacDonald  
Town Manager Jack Turcotte  
Assistant Town Manager V. Louise Reid**

**Absent: Councilor Shawn O'Neill**

**The Chair indicated that again they would begin by further discussion of revenue and then proceed to other revisit items.**

**Revenue Sharing:**

**We were asked at the last Budget meeting to discuss revenue sharing with Finance Committee Member, Michael Gray and here is what he provided to us. "There are two figures in the file on the website. The actual projection from the Office of Treasurer puts us at \$866,975.85 in revenue sharing for the coming year. HOWEVER, the Governor wanted to cut that back to help balance the State Budget. If his proposal went through, then we would have been looking at \$599,300.89. He had proposed to do that by moving Revenue Sharing from an expenditure made through a calculated transfer payment to a direct expenditure made from the General Fund and had also proposed to cap Revenue Sharing at \$94M statewide. The Taxation Committee unanimously opposed the Governor's proposal, but then disagreed on the amount at which to fund the current formula. By statute, we should be getting the full \$866,975.85 (which is our share of the full '5%' formula), but they also can reduce the overall pool of money by a fixed amount before the calculation takes place – which they have done for the past couple of years. If they somehow used the Governor's proposed flat amount of \$94M, we would only be getting about 3.45%. The budget just made it out of the Appropriations Committee the other day. We could see the full \$866K. If we were funded at 4% (which could happen), we would see somewhere around \$692K."**

**The State proposed budget makes two major changes to the law governing municipal revenue sharing. First, it ends the programs as a direct sharing program and makes its annual funding a matter of year-to-year appropriations. Under the revenue sharing law that has been in place for nearly forty years, a certain percentage of the State's sales and income tax revenue is dedicated**

to the purpose of reducing property taxes throughout the State. It is because of that structural dedication that it is called a revenue “sharing” program. The proposed State budget repeals that element of the law and makes revenue sharing a simple appropriation that would be determined by the Governor and the Legislature who would determine the amount of General Fund revenue to distribute to the municipalities for a given year. The appropriation being recommended for revenue sharing for the next fiscal year cuts \$42.4 million from what otherwise would be distributed, a 31% reduction. For the second year of the biennium, it is being proposed a cut of \$50 million from what the current revenue sharing system would provide; a 35% reduction. After those cuts for each year of the biennium, \$94 million would be distributed in revenue sharing; \$76 million in the “Rev I” distribution and \$18 million in the “Rev II” distribution. \$94 million is roughly the same amount that will be distributed during this current fiscal year, after the \$35 million enacted a year ago and the \$2.8 million raid enhancement enacted in a supplemental State budget. After this year’s cuts, 3.5% of State sales and income tax revenue will be distributed through the municipal revenue sharing program rather than the 5% long-established in law. For next year, with a distribution of \$94 million, approximately 3.4% of State sales and income tax revenue would be provided as revenue sharing. It has been over thirty years since such a low level of sharing has been provided by the State.

Revenue projections are done with a conservation approach where past expenditures history are viewed to ascertain the trend line; a year-to-date analysis is performed; a review of over-expended line items was analyzed for probability or re-occurrence; and the state of the current economy was factored in with the affect on excise tax; building permits; and on the Town’s investment income.

Mike Gray of the Finance Committee indicated that the Legislature will begin debating and voting on the proposed state budget over the next two days (LD 1043). The proposed budget was given a unanimous “ought to pass” report by the Appropriations Committee last Thursday, and was just released to the general public yesterday evening on the state’s website. The Governor’s budget originally proposed to effectively eliminate the municipal revenue sharing program as it has existed for nearly 40 years and replace it with an annual appropriation to be determined by the Governor and the Legislature. Under that proposal, the Governor recommended that \$94 million be appropriated for each year of the biennium to be distributed as municipal revenue sharing. The municipal community strongly opposed gutting the fundamental structure of the municipal revenue sharing program, where 5% of state sales and income tax revenue is annually distributed to the towns and cities to reduce the over reliance on property taxes. The Appropriations Committee has responded in the final proposed budget by not changing the structure of the municipal revenue sharing program. Going forward, the Treasurer will still direct 5% of state sales and income tax revenue into the “Local Government Fund”.

### State Valuation

The Assistant Town Manager had provided to the Council this evening comments on the State valuation that they had requested before. The State valuation is around \$1,508,700,000, a drop of about 1.5% from last year. Combined ratio is 98%; residential 100%, condos 97%. This is the preliminary valuation from the State which is usually quite close or right on to

what they eventually finalize. As you can see the Town's value dropped only slightly from year to year. This valuation is based on sales through June 3, 2010 and will be the valuation used by the State in revenue sharing, etc., for this next fiscal year.

A lengthy Council discussion on several issues included the Undesignated Fund. The Finance Director indicated that nothing from the Undesignated Fund has been included in the proposed budget. The Contingency is a budgeted account that can be used for things that come up unexpectedly with Town Council approval. The Undesignated Account is the Town's savings account and after the 12% that we have to keep by policy, the balance can be used by the Town Council for what they decide is appropriate. The Finance Director indicated that our current bond rating by Moody's is A2 and Standard \* Poor's AA. Also discussed was the fact that the Town of Old orchard Beach has a fund balance policy that states we must have a fund balance that equals 12% of our current budget. Auditor's usually recommend between 8% and 16%; there is no law that say we have to have anything, but bond rating agencies look carefully at that number. At the present time we have approximately \$600,000 in the Undesignated Fund that can be used to help offset the tax rate; that would leave us with a balance of the 2% plus what we have carried forward into the current FY11 budget. It was pointed out that operational costs are on the rise at the same time the Town is experiencing a reduction in revenue, including \$100,000 less in State revenue sharing and another \$75,000 less in interest payments.

**Homestead Exemption:**

The Finance Director updated the Council on this account and reported that we have received only \$60,689 of the \$126,000 that we are supposed to receive for FY11 but that the additional \$66,000 will be coming in July 2011.

**REVISIT: Revisit the following two enhancements:**

**Public Works Finance**

Full Time Wages	\$ 37,360	\$ 33,471	
Benefits	<u>12,738</u>	<u>12,134</u>	
Total	\$ 50,098	45,605	
Total Reduction			\$ (4,493)

**Planning Code**

Full Time Wages	\$ 33,128	\$ 29,280	
Benefits	<u>11,786</u>	<u>11,265</u>	
Total	\$ 44,914	40,545	
Total Reduction			\$ (4,369)

Discussion revolved around what is a salary increase (increase in the amount of pay an employee receives for doing a specific responsibility; and compensation for accepting additional responsibilities. The Council, in consensus, made reduction in the above two scenarios. Both Planning and Public Works will be paid \$14.30 per hours. Public Works

has a forty hour a week schedule; therefore that salary will be \$29,744 and the Planning Department works 37 hours a week so that salary will be \$27,513.20.

**REVISIT: Revisit the possible part time Police Administrative Assistant Position.**

The consensus was to cut the proposed position which is approximately a \$38,000 savings, including benefits.

**REVISIT: The question of the salary of the Code Enforcement Officer/Department Head also needs to be revisited.**

The Council, after discussion, had a consensus that the Code Enforcement Officers salary would remain at \$53,000 based on the fact that a new Code Enforcement Officer is being hired and obviously that salary should stay as it is. Future considerations on raising it and the determination of department head status would be still in discussion.

**REVISIT: Seasonal Employment – Comfort Station -50108 and the Revolving Trash Removal for the summer – Extreme Clean. 50310 – Service Contracts**

There was continued discussion on this issue of trash removal and also the monitoring by attendants of the bathrooms run by the Town. There was a consensus that \$.50 per person was a fair charge for the use of the bathrooms. However, the Town Manager was to continue discussions with Extreme Clean to see if anything could be worked out for this summer.

### Questions of Reduction in Funding

#### Health Insurance Issues

The discussion of health insurance coverage and particularly the area of “In Lieu Of” was again reviewed and it was determined that since some of this is Union related that a workshop in the coming months might be necessary as well as frank discussions during the negotiation meetings with the four Unions who have open contracts on the table. One of the suggestions made by Council MacDonald was that insurance be offered to all employees as a single rate and that family rates would be the responsibility of the individual employee. This was an area for future discussion as it did not seem to have consensus. The Town Manager explained again that these issues are relative to Union contracts and changes can’t be made unilaterally without the Unions agreeing to terms. Presently non-Union employees pay 10% toward their insurance; in 2012 it will go to 12%; in FY13 it will go to 15%. All Unions are currently at 18%; there have been discussions of going to 20% in the contract negotiations but nothing has been settled at this point.

## Public Works

### 50400 – Electricity - \$17,000 – Chaned to \$22,000

**Revisit:** It was felt that this line for Electricity might be reduced.

Through discussion and review of electrical costs it was determined that this amount needed to be raised to \$22,000. The Council also suggested that in the future it might be helpful to have a comparison of three years of charges to give a better understanding of the rate structure.

### 50505 – Heating Fuel - \$20,000

**Revisit:** It was suggested a possible decrease of approximately \$4,000. At the present time the Town is included with other municipalities for bidding on the fuel contract.

The consensus of the Council was for this amount to remain the same but the Council also requested a current update on the heating contract for the coming year.

### 50300 -Professional Engineering Services - \$35,000 – Changed to \$30,000

**Revisit:** The Public Works Director was asked to provide to the Council the requirements of the DEP on the issue of the Boardwalks.

The Public Works Director explained that the cost of rebuilding twelve of the thirty-two boardwalks would be approximately \$50,000 just for the lumber and not including labor. They did reduce this line to \$30,000 and deferred decision on the building of the boardwalks till another time.

**Revisit:** A listing of the \$26,000 Smithwheel Drive/Ocean Park monies; where is that funding is scheduled for use?

In the mid 2000's the focus was on the development on Smithwheel Road and improvements to the intersection of Smithwheel Road and Ocean Park Road. Engineering reports were presented to the Department of Transportation who did not agree for the establishing of a traffic signal at this location. It has been a constant source of disagreement as to whether a traffic light is needed and the continued growth of areas such as Cider Hill, Birch Hill, the Dirigo Drive area has increased the need for further discussion and planning in this area. There are large amounts of documentation in the Planning and Code office on this project. It was determined that the amount would remain in this fund for future use.

**Memorial Park Maintenance Budget**

**50310 – Service Contracts - \$20,750**

The Public Works Director went into detail on each of these accounts. He explained the additional work needed on the Playground equipment and that there was not enough in the account to cover what is expected to be over \$5,000 in cost. He recommended that Defining Lines in the amount of \$10,000 be reduced to \$2,500 and the final total for the account would be \$13,250.

**50310 Service Contracts \$20750.00**

**Defining lines \$10,000.00 Mowing**  
**Defining lines \$ 1,500.00 Aerating, Thatching, Seeding**  
**Natural lawns \$ 6,500.00 Fertilization**  
**Playground \$ 2750.00 Inspection and Repair \***

**Memorial Day Parade – Did not Discuss**

Revisit: Account Number 30416/50311 – with a balance of \$7,027.98  
The Finance Director set up this special revenue account for donations to the Memorial Day Parade. This account is only to be used for the Memorial Day Parade unless approval by the Town Council

**Agencies**

**20102-50256- Dues/Memberships/Licenses - \$10,417 – Did not Discuss**

The Finance Director has already made the changes by adding to the Agencies accounts from the Town Council budget the Chamber of Commerce dues and the Eastern Trail dues.

**Waste Water**

Revisit: **20161-50340 - Waste Tipping/Disposal - \$110,000**

This item is to be revisited. Once the contract is settled it can be analyzed more clearly and more focused on an amount actually needed.

The Waste Water Superintendent has indicated that the contract with New England Organics expires in August of 2013 and is currently at \$78 per ton with annual CPI increases and a monthly fuel surcharge. The town must give six months written notice before the contract expires if the town intends to explore its disposal options. The annual disposal costs depend on the tons of solids produced. Annual ‘loading’ (solids within the wastewater stream) to the WWTF and the efficiency of the dewatering equipment are the biggest factors in how many tons are produced. It appears we will be slightly over the \$110,000 budgeted in FY11. My original FY12 request was

for \$130,000. It would be reasonable to lower the FY12 request to \$120,000. That change was made.

**Account Number 50501 and 50452**

The Council has talked about Account Number 50451 - and 50501 asking what the current balance is. As of June 13, 2011 the balance of 50452 – Operating Equipment Repair - was \$2,143.41; and the balance of 50501 – Operating Supplies/Equipment was \$2,183.82.

The meeting was closed at 9:30 p.m.

Respectfully Submitted,

V. Louise Reid  
Town Council Secretary

I, V. Louise Reid, Secretary to the Town Council of Old Orchard Beach, Maine, do hereby certify that the foregoing document consisting of seven (7) pages is a true copy of the original Minutes of the Town Council Workshop of June 16, 2011.

Louise Reid