

**TOWN OF OLD ORCHARD BEACH
TOWN COUNCIL WORKSHOP
Tuesday, June 26, 2012
TOWN HALL CHAMBERS
7:00 p.m.**

A Town Council Workshop of the Old Orchard Beach Town Council was held on Tuesday, June 26, 2012. Chair Quinn opened the meeting at 7:05 p.m.

The following were in attendance:

**Chair Bob Quinn
Councilor Sharri MacDonald
Councilor Robin Dayton
Councilor Michael Coleman
Town Manager Mark Pearson
Assistant Town Manager V. Louise Reid
Finance Director Catherine Saltz
Members of the Finance Committee**

Absent: Vice Chair Michael Tousignant

The Chair indicated that several of issues still not resolved during budget discussions would be discussed this evening.

Staffing: The Council continued discussion of suggested staffing changes presented in the current budget proposal. The request for a Tax Clerk has also been budgeted for thirty-seven hours a week and a General Assistance Director for 20 hours; previously these positions were combined. Also included in the budget is the addition of the full time Code Enforcement Officer and funding for an “on call” individual for Code responsibilities, when necessary.

One of the new positions being suggested by the Finance Director is a full-time Staff Accountant to assist in daily processes that include account reconciliation, bank reconciliations, journal entries, accounts receivables, and special projects. The position would require a four-year accounting degree and advanced computer skills in both Microsoft Office and general systems. The Finance Director had put in the budget an \$18 an hour position but with the possibility of hiring someone at \$15 to \$16 an hour. The Finance Director indicated that there is no one in the Finance Department to assist with these duties. The Accounts Payable person also serves as the Human Resource Assistant and is presently performing the weekly payroll function in addition to Accounts Payable processing. The Human Resource Director has now been able to focus on the many areas of hiring, policies and procedures, and other related activities.

A letter had previously been received from Mike Gray, Chair of the Finance Committee, presenting his position on the subject of the hiring of a full time Accountant. He indicated: “I understand the argument that adding two full-time employees may burden the taxpayers, but I do think that this argument is short-sighted. One of the main reasons why our Finance Director has been able to find so many issues in the finance area is because she has been freed from the many daily account tasks. A Staff Accountant will

continue to allow her to not only find more resolutions, but also stay on top of the budget and budget process. Without our current temporary employee in the Finance Department we would not have nearly as much detail and oversight as we do now and this will permit the Finance Director to have more. As for the Tax Office, it is obvious that we need someone else there to handle the work load. The Tax Office handles the bulk of our revenue. It does not make fiscal sense to make it more difficult for people to pay taxes to the Town. On top of that there is a possibility that funding both positions could result in new streams of revenue. Foreclosures need to be completed and back taxes need to be collected. Additional staff is needed to oversee these processes. We have tried the philosophy of cross-training staff to do what seems like complimentary positions in Town over the past few years. That was done out of seeming necessity to keep tax rates down and stretch a dollar. In my opinion, it has not gone well. We owe it to our citizens to foster a professional atmosphere in our Town offices and facilities. We owe it to the staff we employ to create a professional environment that provides training for their jobs and opportunities for advancement and enrichment. We owe it to the businesses that are here, and those that we hope to attract, to build the kind of place where they can feel that their business is truly appreciated. We owe it to all of the many visitors that come to this Town to have a safe, clean and friendly Town that wants to give them an exceptional visit or vacation. Two positions will not attain all of those goals – but it would be a good start.” Also speaking in support of the position was Councilor Dayton and Councilor Coleman.

The Assistant Town Manager, as a tax payer, asked if she could speak and the Chair agreed. She indicated that after a lengthy discussion with the Finance Director she also believed this position would pay for itself and would assure that some of the issues still not addressed or solved could be handled with the position of an Accountant. Pat Brown, also as a tax payer, added her voice of support. Jerome Begart agreed with the Accountant position but felt it should not have benefits. Larry Littlefield, a member of the Finance Committee and a resident of Old Orchard Beach also spoke in favor of the position. Never-the-less adding the position was not supported by Councilor MacDonald and Chair Quinn, the consensus was two to two which means the Accountant Position was not added to the Budget for 2013.

The Finance Director reminded everyone that this request is not political in nature, just realistic for economy and support that we feel is necessary with this complex and confusing operation. A Staff Accountant position is roughly 0.4 cents on the tax rate.

Non-Union Health Insurance Increase: With the suggested delay in giving non-union employees a raise (none given since July of 2008), it is recommended that without guaranteed staff wage increases for non-union, employee health insurance contribution, scheduled to increase effective July 1, 2012 by 3%, remain the same, especially given the fact that a potential 5% increase is expected in the rates. This will be effective January 1, 2013. It was agreed the 3% increase becomes effective January 1, 2013.

Contingencies:

The approach this year was to strip the individual line items of costs that can be expected to escalate during the fiscal year, which is undeterminable at this time, and to place an estimate in the contingency line. When the costs are incurred, the budget would be transferred from the contingency to the individual line items in the budget. It was discussed about reducing the vacation/sick time - \$200,000, out of the contingency line, and

that designated amount be set-aside from the undesignated fund balance to establish a fund to charge these costs to in the future. It was recommended to add to overlay/general contingency: \$100,000 for unexpected items since this is the first year of a strict line-item budget. The recommendation was keeping this item in the budget at a low estimate of \$25,000. The heating/oil transportation costs of \$75,000 was left in the budget; the \$46,000 already discussed remaining in the budget for merit increases; and an estimate Health Insurance increase of \$50,000 (5%). Discussions continued on the payout for accumulated vacation/sick time which has never been considered by the Town before so when people leave or retire a great deal of funding is taken from the general fund to cover the expense of the costs of retirement or termination. The Finance Director has requested setting aside \$200,000 toward the suggested liability of \$800,000.

Capital Improvements Plan:

It was noted that there are uncompleted projects in Public Works from the FY11 and the FY12 budgets in the amount of \$1.2 million plus \$811,000 in the proposed FY13 budget, plus \$52,000 in overtime in the operating budget, and an additional equipment lease of \$30,000 with the suggestion to defer.

Undesignated Reserve

The Town of Old Orchard Beach recognizes the importance of maintaining an appropriate Undesignated Fund Balance to assure financial stability. This will assure the citizens of the Town that a prudent level of reserve funds is available to the Town to protect taxpayers from current and future risks. It should be noted that the operating budget is that part of the total budget that includes normal operating costs but excludes contingency, reserve accounts, long-term assets or liabilities, and one-time extraordinary or emergency costs that may be part of an approved budget. As a fiscal year closes the difference between the actual revenues and actual expenditures is applied to the general fund and so becomes “undesignated” or not part of a budget or reserve. Several years of surplus can accrue and become a significant amount of money to manage. A budget contingency account is a specific amount of money raised by the Town to assure against unforeseen costs. It is not considered part of the operating budget for the purpose of calculating the level of the undesignated fund balance. Reserve accounts, however, in the Town’s annual budget are monies raised for a specific use as part of a long-range financial plan. They are considered to be designated funds and therefore are not part of the undesignated fund balance; and they are also not considered part of the operating budget. It was noted that the Auditor recommends each year that we specify the types of future expenditures to be designated, how the amounts for such designations are arrived at, and whether the governing body will set the designations annually or will set up a designation process and appoint someone to make the determination based on the guidelines established by the governing bodies. Other considerations include the predictability of revenues, the volatility of expenditures, higher levels of unreserved fund balances may be needed if significant revenue sources are subject o unpredictable fluctuations or if operating expenditures are highly volatile. The availability of resources in other funds as well as the potential drain on the general fund resources from other funds could affect the level of unreserved fun balances needed. The availability of resources in other funds may reduce the amount of unreserved fund balance needed in the general fund, just as deficits in other funds may require that a higher level of

unreserved fund balance be maintained in the general fund. The Finance Director anticipated that we will possibly have a \$200,000 surplus for FY2012 exclusive of the \$400,000 IUUAL credit we have received in a one-time refund. However, after all of the balance sheet accounts are reconciled for the fiscal year, there will be additional expenses to be recorded and the anticipated surplus will be reduced. The revenues are estimated to come in within the FY12 budget. The substantial savings on the expense side related to electricity costs, contingency, abatements, the library, public works and wastewater.

The Finance Director provided the following numbers:

- Undesignated fund balance:

Balance 6/30/11	\$4,387,000 (rounded)
Reclass PY CIP	(\$1,250,000)
Balance 6/30/12	\$3,137,000
IUUAL refund	400,000
FY12 Surplus	200,000
Potential Balance	\$3,737,000

If we achieve the surplus and there are no further adjustments or unanticipated expenses then, the actual for FY2012 was under the budget by over \$600,000 exclusive of the IUUAL refund. The Finance Director also recommended that any deemed surplus beyond required state designated reserve levels in this fund be set aside and designated separately to fund “unfunded liabilities”, and also to set up separate funds for future CIP, and possibly “unemployment payments” to minimize the future impact on future budgets.

Historical Society

There is a separate cash account with \$24,000 in it donated to the Historical Society for the specific purpose of maintaining the building- these funds are available immediately for use. In addition there is \$6,500 in general cash available to offset one time budget costs. The following two issues were discussed – is the budget decreasing by \$4,700 for building repairs to be paid out of the separate fund maintained by the Historical Society; and is the budget decreasing by approximately \$6,000 to account for the separate cash maintained by the Historical Society? The result of the discussion was an increase of revenue from the Historical Society cash by \$10,000.

Library

A budget has been presented for approximately \$185,000 which included an offset of \$11,000 of cash for a net budget of \$185,000. There was also a discussion around the \$50,000 insurance check that the Library received for the theft. Since that time the Library has requested an additional \$5,000 be added to their budget and the cash balance has decreased by \$5,400. The question discussed is whether the budget is decreasing from any available cash? The cash available at the time of the presentation was \$6,800 general cash and \$4,700 Poduse fund cash. As of today the Library has stated there is only \$700 available in general cash. Since the Town has been paying all vendor invoices and payroll prior to the budget, the Administration asked for accountability as to the \$6,000 difference;

perhaps used for a retainer for legal. There was quite a discussion on decreasing the budget by \$50,000 for the insurance check that the Library received as a result of the embezzlement and why it had not been turned over to the Town since it is definitely tax payer money. The Library has requested staff increases and the addition of another position for a total of increases of \$15,000. The Finance Director reported that there will be funds allocated for computers from this budget as there has been a report stating that there is a need for substantial computer upgrades to servers and equipment and our IT consultant agrees but the estimated cost is to be determined. The Library budget was reduced by \$3,500.

Revenue: The amount of money that the municipality receives during a specific period of time is the revenue it has to expend on equipment and services. Special revenue funds are useful budgeting tools that allow municipalities to set money apart from the general fund for specific purposes. Understanding the difference between these funds in terms of how money is placed in each fund, and expended from each fund, is necessary to insure that the right tool is chosen for the right job. Reserve funds can be established to finance capital projects, capital acquisitions, revaluations, extraordinary legal fees, and to fund maintenance or operational costs. If a reserve fund is designated or named, the Council may authorize expenditures from the reserve fund at any time without further appropriation by the Council but only for purpose for which the fund was established. It appears that there has been an across the board decrease in Motor Vehicle/Boat Exercise Tax; Rescue Call Revenues; Time Warner Franchise Fee; Permits/Fees and Licenses; and Parking Fees/Fines. There does not appear the desire to utilize the Undesignated Reserve as a revenue source; and it appears that State Revenue Sharing will be lower than other years. Recently the parking fee was raised from \$2 per hour to \$10 per day but the Police Enforcement Supervisor feels that this will not increase revenue but might cause us to lose revenue.

Transit District – Although not discussed, it should be noted that on June 6, 2012 the Department of Transportation provided a letter to the Town of Old Orchard Beach indicating that it has received thirty Transit Bonus certifications for a total of \$2,420,203.19. The total qualifying certifications for reimbursement exceeded the \$590,000 in annual funding dedicated for the Transit Bonus Payment Program. Therefore the funds will be apportioned according to the amount of each municipality's increase for qualifying expenditures. The amount available was 0.24% of the total request. The Town of Old Orchard Beach requested \$70,000 and will receive \$16,821 in the FY 2013. The Transit Bonus Payment Program funds will be added and disbursed to the municipality's allocated URIP amount for FY 2013 paid in the regular URIP process, and used for URIP purposes. The Chair suggested that the budget line for the Transit District needed to be reduced by the \$16,821 awarded.

CIP:

In discussion of two major projects concerning the Town Hall, the Town Manager formerly discussed the Town Hall painting and the Town Hall siding projects. There were two original quotes back in June of 2010 for the painting of the Town Hall; the first one from Clarke Painting for \$42,000 and the second from Seaside Painting and Maintenance in the amount of \$32,780. Basically both quotes covered the same pre-work maintenance, surface preparation, priming and painting (number of coats.) Clarke Painting included other maintenance including set nail heads, etc.) and Seaside Painting and Maintenance indicated that the rotted wood would be replaced by the Town. The siding project saw three bids received for the Portland Avenue facade; the first from Maine Properties, Inc. in the amount of \$33,250; Trades Center, Inc. in the amount of \$52,297; and Langford and Low in the amount of

\$84,813. The Scope of Work for each included complete siding; strip and dispose of shingles, install Typar/Tyvek house wrap (except for Langford and Low); and install siding. Maine Properties, Inc. quoted \$35 per man hour and 15% material mark up. The other two bidders did not include information on this. Maine Properties noted that they would use either Alcoa Discovery or Certainteed Impression siding. Corners will be finished in a manner that looks acceptable until the other sides are completed. Trades Center, Inc. indicated they would use Certainteed Triple 5 Cedar Impressions. There was no provision for repair of any rot that may be found; and no provision of lawn repair from needed equipment. Langford and Low indicated they will prep and paint existing trim; does not include siding underlayment or replacement of deteriorated material; use Certainteed Vinyl Cedar Impression; and can substitute corner boards instead of woven corners to save \$3,000. all three on the Town Hall siding would begin with the Portland Avenue façade; with other sides completed at a later date. Discussion this evening included the request that an RFP be done so that the building issues could be addressed in the 2013 budget time frame. It should be noted that with the changes made this evening there is a net overall decrease (including the impact of the RSU budget) of four cents. CIP amounts that were deferred were \$329,000.

RSU: The budget for the Regional School Unit 23, serving Saco, Dayton and Old Orchard Beach, were voted in at \$43.6 million, up \$91,000 from the budget proposed by the RSU Board. The budget went up for a final vote on June 12 at the referendum in all three communities; passing in Old Orchard Beach but failing in Saco and Dayton. Failure to pass the budget prior to July 1st means that the latest approved budget at the regional school unit budget meeting and submitted to the voters for validation at a referendum in accordance with Section 1486 is automatically considered the budget for operational expenses for the ensuing year until a final budget is approved, except that, when the regional school unit board delays the regional school unit budget meeting, the operating budget must be approved within 30 days of the date the Commissioner notifies the regional school unit board of the amount allocated to the regional school unit under Section 15689-B, or the latest budget submitted by the regional school unit board becomes the operating budget for the next school year until a budget is approved at a regional school unit budget meeting and validated at a referendum. If the budget of a regional school unit is not approved and validated before July 1st and the officer of any affected municipality determine that the property taxes must be committed in a timely manner to the collector pursuant to Title 36, Section 709, the municipal assessor or assessors may commit the property taxes on the basis of the latest budget approved at a regional school unit budget meeting and submitted to the voters for validation at a referendum in accordance with Section 1486. On Tuesday night the RSU Board voted on the budget again and it will go to residents in a district-wide meeting July 11, 2012. The original budget estimate was \$9,200,000, and was lowered at later meetings to \$9,155,000 based on information provided by the RSU. We received a letter indicating that the revised budget is \$9,182,596 which is a \$731,445 increase, or a 49 cent increase in the tax rate over 2012. This has been included in the current budget. The Finance Director raised the following questions asking if the Council pass-through the full tax increase as the taxpayers voted to accept the RSU budget? If the Council decides this course of action, then it could be utilized as an opportunity to fully fund unfunded liabilities such as OPEB (other post-retirement benefits – we have an unfunded liability of approximately \$500,000) or vacation/sick (unfunded liability of \$800,000) or set aside funds for future expenditures that are anticipated such as a library bond and minimize the municipal tax increase in future years. Does the Council minimize the impact of the increase through offsets on the municipal side of the budget? If the Council decides this course of action, then the present budget with or without additional changes will achieve this goal. Does the Council offset that tax increase in total? If the Council chooses

this course of action then the FY13 budget as presented will need to be cut further by an additional \$300,000. The most efficient means to achieve this goal would be to not fund future liabilities in this budget and/or defer some of the CIP work. This budget does not include future library bond payments.

Administrative Vehicles – Police Department

Recently, as raised every year by Council members, the question of the cost relative to police officers taking vehicles home was brought up again this year. A chart shows not only the make of the vehicle, the odometer reading, miles per week, miles from home to the office and back, average cost of gas, yearly cost of gas from home to work and back, yearly cost of gas minus taking home the vehicle, the annual repair cost and the estimated value of the vehicle. It would seem that the question of value should be asked not in the financial consideration only but in the time for officers at this level to be on call in emergencies which is the main responsibility of police officers.

ASSIGNE TO	CAR #	DESCRIPTION OF VEHICLE	ODOMETER	Miles per week	Miles per yr from home to work and back	AVERAGE COST OF GAS	Yrly cost of gas from home to work and back	Yrly cost of gas minus take home	DRIVEN HOME	COST ANNUAL REPAIRS	ESTIMATED VALUE
Chief Kelley	C1	2005 Ford Crown Vic	115905	25	1075	\$3.00	\$230.34	\$1,026.13	Yes	\$1,620.00	\$1,608.12
DC Babin	C2	2006 Ford Crown Vic	139473	32	1376	\$3.00	\$194.84	\$2,818.93	Yes	\$1,517.00	\$2,300.00
Lt. DeLuca	C3	2004 Ford Crown Vic	129890	120	5280	\$3.00	\$1,131.42	\$4,338.90	Yes	\$2,208.75	\$1,100.00
Det. Hemingway	C10	2005 Ford Crown Vic	157649	32	1440	\$3.00	\$294.84	\$3,530.83	Yes	\$956.00	\$1,400.00
K-9	C15	2007 Ford Crown Vic	123200	150	6900	\$3.00	\$1,478.55	\$2,422.39	Yes	\$1,029.00	\$4,500.00
Total							\$2,738.56	\$14,157.18		\$7,330.75	\$10,908.12

NOTE: Tires for Car 1, 2, 3 are used tires that come off other vehicles when new tires are needed.

NOTE: The Estimated value for each vehicle is a ROUGH estimate - it was difficult to obtain an accurate value

Dealership consensus was that the value was much less but no specific amount was given.

Miles per year from home are based on 52 weeks minus vacation time for each unit

The Town Chair thanked everyone for attending this evening.

The meeting was closed at 10:15 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 eight (8) pages is a true copy of the original Minutes of the Town Council Workshop of June 26, 2012.

V. Louise Reid