

**TOWN OF OLD ORCHARD BEACH
TOWN COUNCIL WORKSHOP
Thursday, June 27, 2013
TOWN HALL CHAMBERS
6:00 p.m.**

A Town Council Meeting of the Old Orchard Beach Town Council was held on Thursday, June 27, 2013. Chair O'Neill opened the meeting at 6:04 p.m. The following were in attendance:

Chair Shawn O'Neill
Vice Chair Bob Quinn
Council Kenneth Blow
Councilor Roxanne Frenette
Councilor Jay Kelley
Councilor Malorie Pastor
Councilor Joseph Thornton
Interim Town Manager Robert Peabody, Jr.
Assistant Town Manager V. Louise Reid

The Workshop this evening will encompass the Edith Belle Memorial Library, Waste Water Department, Debt Services, Revenue, Town Council, Town Manager's Budget, and Town Hall Maintenance.

Edith Belle Memorial Library

The Library is a quasi-municipal organization with its own Board of Trustees and Bylaws. It does, however, receive almost all of its funding from the Town of Old Orchard Beach. In June the Town approved \$180,900 for the Library's current fiscal year funding. Additionally the Town provided them an additional \$6,000 in September to hire a part time bookkeeper. The Library had originally proposed \$241,610 and the amount that was provided was less than the \$225,880 that the Library Board had requested last year. There was an embezzlement of funds estimated to be at approximately \$140,000 from the Library over a six year period. The request this evening is for an additional \$75,000 to cover operating expenses. It was noted that the Library has felt that it has been "woefully under funded." They also noted that they had spent approximately \$14,000 in unbudgeted legal fees to get its 503C status reinstated by the IRS. The discussion with the Library was very positive and the Library Board Chair thanked the Council for this type of discussion and a suggested future Workshop was requested. The Library presented a very impressive picture of the patrons visiting the Library and even though there was negative press directed at the Library because of the embezzlement, the numbers have increased. Also it should be noted that July 2012 to February 2013 there was a period of time that the Library had reduced hours; and February 2013 reflected two snow days. January through April of 2013 reflected significant increases in patron visits in the off-season. June through August consistently reflects the increase in patron visits due to summer visitors including international students who use the Library as their sole means of contact with home. In the coming summer months it is anticipated that they are on track to see the largest number of patrons visiting to date. The Library has not had fewer than 2,000 patron visits in one month since May of last year. In discussion about the increase in the Director's salary, it was noted that the average salary (2011 statistics) for

Non-MLS Maine Library Directors serving population of 7,000 to 9,999 indicates that what she is asking is not out of the realm of what is paid throughout the Library world. In discussion of FICA and Medicare it was noted that this funds the Library's share of FICA and Medicare; Health Insurance – funding the Library's share for four full time employees – Employer contributes 80% and employee contributes 20%; and Dental Insurance is a 50/50 split. There was discussion on the recent installation of a Retirement program and whether the Town knew about this new benefit and whether it would fund it. A discussion about the future building of the new Library saw the presentation of funding requests to cover a year's rental of a building, electrical costs, storage fees, etc. There was discussion on whether moving out was the proper way to cover this situation but the final determination was that it was agreed to be the most sensible solution to the building requirements. Part of the increase in the requested funding is for the temporary relocation of the library staff during the building process. It was also noted that the bond money does not cover the soft charges sometimes referred to as indirect costs, costs of business that are not involved in the direct process of a business operation. While essential, these types of costs generally focus on ancillary issues not affecting the day-to-day operation. Within the construction industry, soft costs are understood to be just about any expense that is not directly connected with labor or the cost of materials used in the construction effort. This would include expenses like premiums on builder's risk insurance plans, interest charges that are connected with any financing done to manage the overall costs of the construction itself. It is considered expenses outside the scope of the budgeted amount set aside. With that in mind the Council recommended a budgeted amount of \$273,736, a decrease of \$61,073 from the \$334,849 for which they asked. Included in the \$61,073 reduction is the removal of \$36,750 in moving/temporary location expenses. The Library also requested that the Town consider including the Library in the audit process or provide funds for an audit to be completed.

Waste Water Department

The Waste Water Department is responsible for the maintenance and operation of the pollution control facilities and eight remote pump stations. The Waste Water Superintendent gave the Council an update on the Electrical costs and said that with the installation of the new blowers he thought we would save approximately \$1,000 a month and that could be adjusted higher when more time is available to consider the savings. The electricity line – Account Number 50400 was reduced \$5,000 from \$160,000 to \$155,000. The overtime wage line – Account Number 50111 – saw a decrease of \$2,000 from \$30,000 to \$28,000. The phone expense line was reduced by \$500 from \$5,000 to \$4,500. The Operating Equipment Repair Line, Account Number 50452, was reduced by \$5,000 from \$45,000 to \$40,000. The Wastewater Superintendent also gave an update on the CWSRF grant program. He said if the Town made the priority list we would need a workshop with the Council sometime in September.

Debt Services

The total Principal payments of \$618,040 covers GOB, all leases and the Library authorized bond projections. Interest payments amounted to \$377,061. Equipment Replacement/Lease totaled \$128,200 which was part of Public Works' projects.

Revenue

The Finance Director provided a listing of the FY14 Budget Projections including General Government with a total of \$2,651,039; Government Licenses/Permits/Fees at \$307,200; Public Safety Licenses/Permits Fees at \$402,000; Public Works Licenses/Permit Fees at \$6,000; Sani Licenses/Permit Fees at \$31,000; Intergovernmental Revenue/Other Income at \$119,850; and Other Fund Revenue at \$574,654; with a total Revenue (non property Tax Revenue) of \$4,090,743. During this period discussion also continued on the tax rate history of the Town. In 2010 – 2011 and 2011 – 2012 it was \$13.40 and the interest rate was 7%. Ten years ago in 2002 – 2003 with a reevaluation it was \$20.10; and in 2005-2006 with an adjustment it was again at \$13.50. Revenue Sharing Projections are calculated in the same manner as actual monthly distribution except that the total dollar amount projected for distribution is provided by the Revenue Forecasting Committee instead of a percentage of tax receipts. The State budget reduced municipal revenue sharing by one-third over other years. Specifically \$65 million in revenue sharing will be distributed in FY 2014 and \$60 million in FY 2015. This compares to approximately \$95 million that was distributed each year which was itself a 33% reduction of the \$135-145 million that is supposed to be distributed. Education funding was also reduced in this year's state budget. It was also noted that changes to the General Assistance Program and the Circuit Breaker program. To determine the level of revenues expected, budgetary decision makers will often use the prior year's revenues as a starting point and this is what we have done. Budget staff has compared the actual amount of revenues collected with what was predicted in the last adopted budget. They have analyzed differences between these two amounts and use revenue forecasting techniques to estimate what can be expected in the next budgetary cycle. Making these estimations are challenging, partly because of pressure to assure the numbers are correct.

Town Council

There were no changes in the Town Council budget in the amount of \$45,460.

Town Manager's Department

The Town of Old Orchard Beach has a Council-Manager form of Government since 1950. The Town Manager is the Chief Executive Officer of the Town and is accountable to the Town Council. Account Number 50256 – Dues/Members License was increased \$2,675 from \$21,000 to \$25,675. General Legal Services was reduced by \$20,000 from \$120,000 to \$100,000 with discussion about possibly looking at the hiring of an outside attorney rather than a firm. Debt card fees were reduced \$2,500 from \$5,000 to \$2,500. The Town Manager's budget of \$670,772 was reduced by \$19,825 to \$650,947.

Town Maintenance

The Town Maintenance budget was not changed. The total amount appropriated was \$69,045. In addition the Maintenance Staff includes two individuals specifically assigned to do maintenance services at the Police, Recreation, Town Hall, Waste Water, and Harmon Museum. That, however, falls under the Town Manager's budget for two full time employees. This was done to save a great deal of funding rather than hiring outside cleaning services which charge far more than these two positions and allow for repairs to be done as well as cleaning.

Tax Department

No changes were made to the budget for the Tax Department at an amount of \$93,640. There was a question raised about the employment of the Tax Clerk and the suggestion that perhaps there was an error in the increase noted for this full time employee. The former Town Manager approved the increase to \$16 per hour based on the fact that the employee had previous experience and did not have to be trained. The employment agreement in the file stated \$16 per hour and that is the Finance Director and that is what being used.

Finance Department

The Finance Director went over several financial functions. She has requested the hiring of a Finance Clerk to assist her. The audit, she felt, spoke for itself and the Town Council in consensus agreed. The Town Manager also stated that it is vital that the Finance Department be part of the grant process. She provided a copy of a status spreadsheet which defined the staffing data in detail. She reminded the Council that during budget cycles many choices have to be made during the preparation of the local municipal budget. The financial plan for the Town has been made with the desire to provide services and programs to achieve objectives and goals within the specific fiscal year and at a specified dollar amount. The budget must also recognize a larger political process in which decisions are made about how much money to spend, how much money comes into the government, and how that money should be spent.

Undesignated Fund Balance

The Town recognizes the importance of maintaining an appropriate level of undesignated fund balance. After evaluating the Town's operating characteristics, property tax base, reliability of non property tax revenue sources, working capital needs, state and local economic outlooks, emergency and disaster risks, and other contingent issues, the Town established the following goals regarding the undesignated account balance of the general fund of the Town. The level of fund balance that the Town wishes to maintain as undesignated is an amount equal 12% (1/8) of Old Orchard Beach's Operating Budget. Once the Town achieves an undesignated fund balance of 12% (1/8) of Old Orchard Beach's Operating Budget, any excess will be designated for capital needs to the Town. By designating any excess for capital improvements, the Town will reduce future amounts required to be financed and in turn the related interest costs. At year end capital and certain other budget items, in which appropriated amounts exceed actual expenditures, are to be reviewed to determine if they should be undesignated and carried over into the next year or if they should be designated for a specific purpose. Annually, the Finance Director/Treasurer is to present to the Town Manager a list of items for approval by Council to be designated, with the remaining surplus balance lapsing to undesignated fund balance. This policy has been established to recognize the importance of a stable and sufficient level of undesignated fund balance. The Council reserves the right to reappropriate funds from undesignated fund balance for emergencies and other items it feels necessary to be in the Town's best interest.

Insurance and Employment Issues

A question was raised on the Federal Affordable Care Action Act which was passed on 2010 but many of its provisions will begin to affect Towns in late 2013 and into 2014. One of the provisions limits the waiting period that Towns may impose before new employees are covered under Town-sponsored health insurance. This provision takes effect January 1, 2014 for all Towns offering a health insurance benefit. The Human Resource Director has provided the plan to the Council but it is a complicated issue and will require close study by the Town Administration.

In addressing the \$967,000 projected for health insurance it was noted the amount paid for the employer portion of Maine Health Trust for July 2013 is \$845,000 and with the 5% projected increase (which is 10% increase for ½ the fiscal year, January 2014 through December 2014), the increase would be \$42,250 for a total of \$887,250. In addition to this I am projecting benefits for five additional benefit eligible employees which would result in an increase if they all took health insurance of approximately \$64,500 (average 12,900 per employee) which totals \$951,750. However, not all five benefit eligible employees are getting coverage starting July 1st plus we don't know if they will be electing health insurance. It was recommended by the Finance Director that the projected health insurance amount should be reduced to \$936,000 which is a reduction of \$31,000 to the current budget projections. This will still allow for changes that may occur during open enrollment as well as the five additional eligible employees.

In reviewing previous health insurance charts, non-union employees paid twelve percent (12%) of their health insurance premium for 2010, 2011, 2012 and on January 1, 2013 non-union employee went to paying fifteen (15%) percent of their health insurance after they had received the merit pay that was done in the latter part of 2012, however employees were retroed back increases to July 1, 2012 (excluding the Human Resource Manager, Planning Secretary and Accounts Payable/HR Assistant).

In questions about the Union payment of benefits:

**Fire: Dental: Employer pays fifty percent (50%) of monthly premium.
Employee pays fifty percent (50%) of monthly premium.**

**Police: Dental: Employer pays fifty percent (50%) of monthly premium.
Employee pays fifty percent (50%) of monthly premium.**

**WWTP: Dental: Employer pays fifty percent (50%) of monthly premium.
Employee pays fifty percent (50%) of monthly premium.**

**PW: Dental: Employer pays fifty percent (50%) of monthly premium.
Employee pays fifty percent (50%) of monthly premium.**

Other Budgetary Information:

Effect on the Tax Rate:

Every \$100,000 of budget increase is about seven cents on the mill rate.
Every \$100,000 of budget on a \$200,000 house is an increase of about \$14.
Every \$500,000 of budget on a \$200,000 house is a \$70 increase in taxes.

Effect on the rate (decrease):

\$100,000 - \$.7 cents
\$200,000 - \$.14 cents
\$300,000 - \$.21 cents

Town: \$15,073,617

RSU: 9,591.534

County: 884,185

Total: \$24,665.151 times 12% = \$2,960

\$ 1,907,816

Undesignated Fund Balance (audited)

\$4,867,816 or 19%

Significant Budget Differences:

Health Insurance and Benefits	\$270,000
Library	156,000
RSU	409,000
County	67,000
Public Works (Equipment)	70,000
Police (Personnel)	88,000
Normal Operation Increase	290,000
Revenue Reduction	90,000

ADJOURNMENT:

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 six (6) pages is a copy of the original Minutes of the Town Council Meeting of June 27, 2013

V. Louise Reid