

**TOWN OF OLD ORCHARD BEACH
SPECIAL TOWN COUNCIL MEETING
Wednesday, April 1, 2015
TOWN HALL CHAMBERS
7:00 p.m.**

A Special Town Council Meeting of the Old Orchard Beach Town Council was held on Wednesday, April 1, 2015. Chair O'Neill opened the meeting at 6:32 p.m.

The following were in attendance:

**Chair Shawn O'Neill
Vice Chair Joseph Thornton
Councilor Jay Kelley
Councilor Michael Tousignant
Councilor Kenneth Blow
Town Manager Larry Mead
Assistant Town Manager V. Louise Reid
Finance Director Diana Asanza**

This evening we will have the presentation of the 2016 Fiscal Year Budget projection by the Town Manager, Larry Mead.

The operating budget is probably a municipality's most important work product. The budget serves a number of functions. At the most basic level it is a legal document that gives city or county officials the authority to incur obligations and pay expenses. It allocates resources among departments, reflecting the legislative body's priorities and policies and controls how much each department may spend. In most jurisdictions, the budget has evolved from just being a bunch of numbers. Budgets often include mission statements, goals, and objectives that convey to the citizens the vision for the future of the municipality's elected officials and let the officials communicate why they have allocated the scarce resources in the manner that they did. A budget can also be an evaluation tool, comparing commitments made in the previous year's budget with actual accomplishments. A municipal budget is the projected financial operating plan. In general, a budget accounts for expected revenues and allocates resources to particular expenditures. Generally, a municipal budget contains two broad types of categories: expected revenues and estimated expenditures for the upcoming fiscal year. The number of subcategories that make up the total revenues and expenditures varies according to the size of the municipality, taxes and fees the local government imposes, and the number of services the municipality provides to its residents. The anticipated revenues in municipal budgets will usually include a detailed account of expected income and the sources from which the income will be derived. Common sources of municipal revenue include taxes -- property, occupation (income), motor vehicle usage and hospitality (hotel, restaurant and liquor.) In areas where utilities such as water, sewer, electric and gas are owned or operated by the municipality, residents may pay a utility tax. Fees collected from business licenses and building permits are part of many municipal budgets. In some areas, incorporated towns and cities receive a portion of state-shared revenue. Expenditures in a municipal budget include anticipated expenses for

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services the local government provides. Common among these expenditures are salaries, wages and benefits for municipal employees, and expenses for supplies and housing to maintain and operate government offices. Larger municipalities may provide schools and fund social agencies for their residents. However, many municipalities, both large and small, provide public safety services such as law enforcement, fire protection and a 911 service. Many urban areas also provide public parks, libraries, swimming pools and other common areas. Maintenance of these public areas, as well as roadways and public transit systems, are other common expenditures.

Presentation of the 2016 Fiscal Year Municipal Budget.

RE: INTRODUCTION TO THE FY16 MUNICIPAL BUDGET

The following was presented by Larry Mead, Town Manager.

“In developing the FY16 budget I have endeavored to stay within the guidance of the Town Council to limit the property tax impact to no greater than 3%. Adhering to that guidance inevitably involves making choices and recognizing that there are limits which prevent desired projects and proposals from going forward.

I am presenting a detailed proposed operating budget as well as a proposed capital improvements appropriation amount for consideration. I recognize that it is by charter the responsibility of the Finance Committee to present to the Town Council a recommended capital improvements budget. The Finance Committee has completed its work, which is part of your FY16 budget binders. As the Council reviews departmental budgets at workshop sessions the capital requests will be addressed at that time in addition to the operating budget requests.

To assist you in reviewing the FY16 budget I have identified a list of “budget drivers”, factors that significantly affect the proposed budget’s bottom line. These are included in the power point presentation slides to be presented at the budget presentation workshop.

Proposed Budget Results in a Projected Tax Increase of Less Than 3%

The property tax commitment is made up of the municipal budget, school assessment, and County assessment. The overall tax rate increase under the proposed budget is less than 3%, based on the following assumptions:

- Adoption of the Manager’s proposed budget
- State revenue sharing will remain close to the FY15 amount
- The RSU budget will be adopted as recommended by the Superintendent
- The County assessment will be close to the initial County budget proposal
- The Town’s valuation will increase by at least ½% for FY16.

These factors will become firmed up as the budget development process proceeds and certainly prior to the June adoption by the Council.

Proposed Municipal Budget Commitment Increases by 4.1%

The three legs of the municipal budget are the operating expenditures, capital expenditures, and non-property tax revenues. Taken together these three elements comprise the municipal budget commitment to be funded by property taxes. As presented for consideration by the Council and the Finance Committee the municipal commitment increases by \$425,535, or 4.1% over FY15.

Operating Budget

The operating budget comprises most of the total municipal expenditures, and includes the funding for day-to-day operations of municipal departments, as well as funding for debt service, the Libby Library, solid waste disposal, and contributions to the transit district. The FY16 proposed operating budget of \$14,153,166 increases by \$464,025, or 3.4% above the FY15 budget. I have included in your budget materials a listing of the most significant drivers of increased cost, which include debt service, health and retirement costs, workers compensation, and increases in electricity and water rates.

Three Firefighter Positions Added

The proposed budget significantly recommends the addition of three new fire fighter/paramedic positions for FY16. Adding these positions will allow the Fire Department to staff a second ambulance on a year-round basis. It is anticipated that the increased revenues from the second ambulance, combined with reductions in overtime costs, will limit the added cost of these positions to less than \$25,000. In addition the three positions will provide for added manpower in responding to fires, as well as allow for regular fire inspections three days per week. Chief Plummer will elaborate on this request at the Fire Department budget workshop.

In the Planning and Code office I have added a \$30,000 to the wage line in order to allow for two 20-hour positions, one in Planning and one in Code. The additional funds expand on two existing part-time positions in order to meet the very real needs of these offices.

I have also included in the budget a 2% COLA for non-union positions. I believe that this increase is more than justified given that the Town's non-union employees are, with few exceptions, well below the average compensation of neighboring municipalities, usually in double digits below average. It is critical for equity, recruitment and retention that our non-union compensation not fall further behind.

Capital Budget

The capital budget funds improvements that are beyond the scope of day-to-day operations. Usually the improvements or equipment have a useful life of 10 years, or over 5 years in the case of equipment, and typically have a cost in excess of \$10-15,000.

The FY16 proposed capital budget is \$1,330,000, an increase of 120,992, or 10% over FY15. The Finance Committee is recommending a capital budget of just over \$1,900,000. Although I do not disagree with the need for the proposed capital expenditures my proposed capital budget was curtailed in order to stay within the Council's budget guidance. I look forward

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to working with the Council, staff and Finance Committee members during the budget workshops to arrive at final decisions with respect to capital expenditures.

Non-Property Tax Revenues and Transfers

Non-property tax revenues and transfers include all sources of funding other than the property tax, including fees for services, permits and licenses, revenue from other governmental entities, excise taxes on motor vehicles, rescue service revenues, and transfers from fund balance. As proposed in FY16 these revenues total \$4,692,480, an increase of \$159,482, or 3.5%. The increase is primarily due to increased rescue billings resulting from a second full time ambulance (\$125,000) and an increase in use of fund balance (\$50,000) to be used for a building reserve fund as recommended by the Town's auditors.

I want to thank all of the Department Heads for their work in developing departmental budgets, and the Assistant Town Manager for helping keep me organized and on task. In particular I recognize Finance Director Diana Asanza for all of her hard work and for providing "checks and balance" in working through the details. I look forward to working with the Council, staff, and Finance Committee to improve and revise the FY16 municipal budget."

If adopted as proposed this revenue growth reduces the property tax rate by about 14 cents.

Municipal Commitment:

\$ 10,790,686
Up \$425,535
4.1%

Town Increase - \$50
School Increase - \$30
County - \$2
Total Increase - \$82
\$200,000 home - \$82

The budget was well received by the Council. The Chair thanked the Finance Director and the Town Manager and the Department Heads for the effort and time they have spent on formulating and putting the budget together.

Michael Gray, head of the Finance Committee, indicated that it has been a good year and the Committee has had some real success in their endeavors, meeting with the Department Heads and having a chance to meet on property of the various facilities which was very helpful. He said that the Council will be receiving the recommendations of the Finance Committee and although in order for the budget to be projected at the 3% increase boundary recommended to the Town Manager, he understands why the Committee's recommendations and the Town Manager's recommendation are very different. The needs are their but the funding has to be determined.

The Chair adjourned the Special Town Council meeting at 7:02 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 five (5) pages is a true copy of the original Minutes of the Special Town Council Meeting of April 1, 2015.

V. Louise Reid