

**TOWN OF OLD ORCHARD BEACH
TOWN COUNCIL WORKSHOP
TUESDAY, DECEMBER 16, 2008
TOWN HALL CHAMBERS**

A Town Council Workshop of the Old Orchard Beach Town Council was held on Tuesday, December 16, 2008 following the regular Town Council Meeting. Chair MacDonald opened the meeting at 745 p.m. Discussion was on the following: 1) Financial Issues.

The following were in attendance:

**Chair Sharri MacDonald
Vice Chair Robin Dayton
Councilor Laura Bolduc
Councilor Shawn O'Neill
Councilor Mike Tousignant
Town Manager Steve MacDonald
Assistant Town Manager Louise Reid
Finance Director Jill Eastman**

The following report was provided to the Town Council.

The Finance Director, Jill Eastman reported on her copy of the November 2008 financial report, which shows that at this time the Town is right on track as far as expenditures and revenues are concerned. Below is my memo to you that accompanied this report:

We are 5 months into the fiscal year and we are right on track with both revenues and expenditures. Current year property tax collections are .7% higher than last year at this time. Vehicle excise taxes are down 1% for the same period last year, but are still right on track for this point in the fiscal year. Investment income is down slightly from last year, in part due to lower interest rates and also the timing of the maturities of the CDs. Some of the CDs pay on a monthly basis and some of them pay the interest upon maturity. Interest rates at this time last year were between 4.5% and 5.25%, currently I have been getting rates of 3.5% to 3.65%. At this time, there has been no negative impact on the state revenue sharing, but I am watching it closely as it is tied to income taxes and sales taxes. The state subsidy for education shows a 8.4% reduction from last year, but this is only because the November 2008 check was not received until the 1st of December.

Expenditures are also right in line with last year. The large departments are on track for this time of year. The accounts that are over the target percentage are generally accounts where most of the expenditures are made during the summer, for example the lifeguards. The Conservation Commission (Memorial Park) shows an overage, but we received the \$50,000 of grant money from the State Department of Conservation on December 1, so this account is no longer in the red. I want to also note that I have added two new sheets to this months report. These are for the Bonded projects approved by the voters for this fiscal year. They are on pages 41 and 42. As you can see, we received the \$4,100,000 from the bond proceeds at the end of October. To date the only expenditures that have been made are engineering fees.

Revenues

Current year property tax collections are .7% higher than last year at this time. Vehicle excise taxes are down 1% for the same period last year, but are still right on track for this point in the fiscal year. Investment income is down slightly from last year, in part due to lower interest rates and also the timing of the maturities of the CDs. Some of the CDs pay on a monthly basis and some of them pay the interest upon maturity. Interest rates at this time last year were between 4.5% and 5.25%, currently I have been getting rates of 3.5% to 3.65%. At this time, there has been no negative impact on the state revenue sharing, but I am watching it closely as it is tied to income taxes and sales taxes. The state subsidy for education shows an 8.4% reduction from last year, but this is only because the November 2008 check was not received until the 1st of December. Additionally, the State Department of Education has indicated that OOB will receive \$54,979 less in its upcoming school subsidy due to the State curtailment.

Expenditures

Expenditures are also right in line with last year. The large departments are on track for this time of year. The accounts that are over the target percentage are generally accounts where most of the expenditures are made during the summer, for example the lifeguards. The Conservation Commission (Memorial Park) shows an overage, but we received \$50,000 of grant money from the State Department of Conservation toward Memorial Park projects on December 1, so this account is no longer in the red. While there is a forthcoming change order due to unanticipated site and drainage conditions encountered, the balance of the grant dollars is earmarked to address future overages.

Bond Projects

I want to also note that I have added two new sheets to this months report. These are for the Bonded projects approved by the voters for this fiscal year. They are on pages 41 and 42. As you can see, we received the \$4,100,000 from the bond proceeds at the end of October. To date the only expenditures that have been made are engineering fees.

Index of Financial Report

Summary Dept. Revenues (see page 3) Summary Dept. Expenses (see page 4)

Detailed Dept. Revenues (see pgs 9-14) Detailed Dept. Expenditures

(see pgs 15-34)

Special Revenue Funds

Special Revenue Funds represent grants or other Revenues dedicated for certain purposes either by a grant or by a policy adopted by the council. The Town has a number of these dedicated use accounts that bear mentioning on pages 35-50 of the Financial Report.

School Special Revenue Funds

School Special Revenue Funds-These are various programs that are funded by Federal, State or local grants, including Title I, Local Entitlement, Tobacco Grant, Adult Ed and Drug Free Schools. These funds remain with these programs and are carried forward from year to year, which will move to the RSU. As of June 30, 2008, the Fund Balance was \$166,882.50.

Note: this fund is separate and not to be confused with these other dedicated School Funds:

- Summer Salary Reserve Account with current 12/1 balance of \$353,979.71
- Special Education Fund with current 12/1 balance of \$150,000.00
- Unemployment Compensation Fund with current 12/1 balance of \$10,000.00
- Teacher Recertification Fund with current 12/1 balance of \$10,000.00

Rescue Billing Fund

This is revenue generated from the Rescue Calls through the Fire Department. This money has been set aside to purchase vehicles and equipment for public safety by a policy adopted by the Council. As of June 30, 2008, the Fund Balance in this account was \$488,425.37.

Sewer Fund

This is revenue collected from developers for sewer connection fees, to help offset the cost generated by the new development. As of June 30, 2008, the Fund Balance in this account was \$289,098.22.

Other smaller Funds

Other Special Revenue Funds with significantly smaller Fund Balances include Police Grants, Recreation Programs and Dog Fund.

Undesignated Funds

The worksheet below lists the status of the General Fund’s Undesignated Fund Balance:

**ANALYSIS OF UNDESIGNATED FUND BALANCE
AS OF December 10, 2008**

Balance as of 6/30/08	\$ 4,964,498
Less: 12% Reserved by Policy	\$ <u>(2,907,336)</u>
Available balance	\$ 2,057,162
Less: Allocation for FY 09 Budget	\$ <u>(460,000)</u>
Balance of Undesignated FB	\$ 1,597,162
Carry forward from FY 08 (Educational Note: The \$706,058 recent Staff request to re-designate funds from FY08 for accounting/audit purposes to move them into FY09 consistent with Budgetary intent is not reflected on this sheet...as this sheet only expresses the status of Undesignated Funds).	\$ (358,900)
(Policy Note: Account designations in the future will be approved as part of the FY10 Budget to reflect Carry Forward Dollars that actually reduce the tax rate impact by appropriate use of Fund Balance for specific unfinished projects or major purchases. This will eliminate the type of confusion that resulted from the recent Council action items on this topic. After project completion, any budgeted dollars remaining lapse back to the General Fund Balance at year end).	<hr/>
Available Balance of Undesignated FB	<u>\$ 1,238,262</u>

Important Unknown Variables / Trends of Interest

As we get ready to work on the budget for the next fiscal year, we've identified several unknown issues and trends that could impact the budget, listed below:

State Revenue Sharing

At this time I don't know how the State's situation and the economy will impact this revenue. My guess is that State Revenue Sharing will be reduced next year and it could even impact the remainder of this fiscal year. Revenue Sharing is based on a number of different State revenues, 2 of the largest parts are personal income tax and sales tax. As the economy slows and more jobs are cut, this will have an impact on the amount of money that we receive from the state. I have been keeping a close watch on these figures each month and we are ok as of this fiscal year to date. If I see signs of a reduction or get other information regarding this, I will pass it on to council and management.

County Tax

This is another area that we have seen fairly substantial increases in over the past few years. The County Manager assured me that they are doing all they can to keep the County's budget increase within LD1 limits. This could mean an increase of up to 6% on the County Tax or approximately \$45,000 for FY10 (last year FY09 the increase was \$79,000).

RSU Start Up and Budget Costs

While the School is projecting an initial RSU start-up cost of \$30,000 none of which is budgeted, this estimate is thought to be low and it could be substantially more as another Audit may be required prior to the RSU transition. Additionally, the 6/30/08 School Audit is incomplete with the Auditors having received only partial information on the scholarship funds at this point. With FY10 being the first year as a member of the RSU, there is no history as to what the OOB portion of the budget will be.

Fuel

While the School unfortunately faces a shortfall of \$175,000 in this area, the Town has budgeted sufficiently. The 3 largest Town users (WWTF, Public Safety, Town Hall) were under-budget for FY08 and going into FY09 we budgeted appropriate increases for heating fuel by 12% and gas and diesel by 22%. Since we get rack rate and a fixed delivery cost, we get the benefit of the fluctuation in the lower current rates for gas & diesel (\$1.86 and \$2.25 respectively as of 11/12). While locked into a higher rate for heating oil at \$3.77 for one year, we will offset this spike by blending a lower price from an advanced contract for next year.

Foreclosure / Property Tax Liens

According to Tax Collector Deb Mulherin, looking back to last year's 2006 foreclosure process which began with a 30-45 day notice last December, we sent out 65 notices and half of those paid them before the foreclosure date of 12/29/07.

Deb is now working on the 2007 foreclosures and it looks like approximately the same number of letters in December 2008 will be sent out with the same results expected of at least half paying before the foreclosure date of 1/20/09. In other words, we do not have more foreclosures this year than usual. We have 6 bankruptcies, 3 of them new this year, and again, this is a usual number.

Here's a yearly comparison:

For FY06 225 liens were filed totaling \$383,338. Filing date 6/29/06

For FY07 201 liens were filed totaling \$350,750. Filing date 7/20/07

For FY08 243 liens were filed totaling \$500,306. Filing date 7/14/08

Out of the 243 liens filed this year, 90 of those have been paid leaving 153. Deb anticipates that once the foreclosure date arrives (18 months from the lien date) we will be left with the usual 65-70 automatic foreclosures.

The 65-70 foreclosure notices are sent 30-45 days before the actual foreclosure date. Once that date arrives, at least half of the above are paid before the date, sometimes even more than half.

According to Assessor George Greene, we have seen relatively few foreclosures in OOB as compared with some other communities, particularly Sanford, which heads the list for York County. According to the Market Street Settlement Group, LLC information, shared in an 11/08 report by the Neighborhood Stabilization Program, OOB had 12 foreclosures from Sept 2007-Nov 2008 versus Saco with 19 and Biddeford with 22.

Of the approximately 5,400 single family residences including condominiums, the actual OOB foreclosure rate is .0022 or .22% or approx 1/5 of 1%. This is minimal in comparison with the State-wide foreclosure rate, which the Maine Office of Community Development website shows as 4.3%. Foreclosure is the ultimate conclusion of a lien filing for delinquent property taxes, sometimes resulting in Town ownership of a parcel.

While OOB is lower in actual number of foreclosures than Saco and Biddeford, they have a larger population. Other New England States foreclosure rates are: NH 3.6%, MA 4.2%, RI 6.0%, VT 2.4%, CT 3.6%. Some localities in Massachusetts as well as other urban areas around the country are as high as 10% - 12%. Any number is painful, but from a trend standpoint it's too early to sound any alarm based on this information.

General Assistance

According to a report from Assistant Town Manager Louise Reid, based on input from General Assistance Director, Pat Saunders, we discussed the increased demand on General Assistance funding and the projected increase over the next couple of months. During the summer months with heating oil costs spiking to more than \$4 a gallon and more than 80 percent of Maine homes relying on oil as a primary source of heat, there seemed to be an increased "panic" mode by general assistance clients in almost a "fear" drive to come in well before the winter season even began to get additional assistance.

Both Pat Saunders and the Assistant General Assistance Director, Jill Daugan, have actively participated in discussions with State and local agencies approaching this season with diligence and understanding of legal requirements and funding levels in which the State permits municipalities to assist citizens and they have progressively provided as much assistance as is legally possible under specific guidelines. They have been diligent in a good referral program when the municipality has not been able to assist. They have attended seminars on general assistance programs instituted over the last few months and have provided to citizens "Keep Me Warm" Kits as well as mentoring clients on the need to turning down thermostats, replacing light bulbs, unplugging electronics, faucet aerators, low-flow showerheads and low-flush toilets. While no guarantees that all will take advantage of this type of direction or suggestion, the information has been provided.

There has been an increase in winter rentals as a result of individuals losing their jobs and winter rentals are available here in Old Orchard so that increased use has increased the number of clients we have to serve. Involved in Helping to Keep Neighbors Warm program will enable the General Assistance staff to give additional help to individuals who are somewhat above the level of eligibility from a State standpoint and it is expected that we will ask for and receive these funds during January and February.

The Maine Municipal Association has also provided helpful information to General Assistance Directors indicating that according to Human Resource Director, Brenda Harvey, "as long as a General Assistance Administrator provides sufficient documentation of the provision given, the municipality will have no difficulty receiving reimbursement for the emergency assistance."

The Assistant Town Manager indicates from her personal dealings with The Salvation Army and the coordination between the Town's General Assistance Office, that both acknowledge the increase in requests for help from individuals who have never asked for assistance before. The majority are seeing heating oil assistance (Pat Saunders had to order over \$900 in oil assistance in the last three week) and electrical costs. The Army has seen an increase in the request for food vouchers and assistance as well.

Recognizing that we can't operate "under fear" or we can't do our best, the General Assistance director has focused on distributing the funding as fairly as is possible based on guidelines. She does, however, project that we will be anywhere from 18% to 20% over the established budget of \$28,000. As of the end of November we have spent \$14,743 in services requests. We project an increase of \$4,200 to \$5,200 over last years over our granted budget total of \$28,000. Again, much depends on the type of winter that we have and that is something one cannot even calculate.

Town Hall employees have always been willing to assist citizens in filling out forms for any type of service and the General Assistance office will do the same in filling out forms necessary to apply and comply for additional assistance. In addition our staff has volunteered time at The Salvation Army unloading food trucks for the holiday season and manning the registration for food and assistance during the winter months. We have set up a Christmas tree in the main lobby of Town Hall for gifts for children that the Washington Avenue Methodist Church will be assisting as well as an available distribution area to leave canned goods for the Church as well and our employees have been asked to bring a canned good to the employee Christmas party to be given to the Methodist Church food bank.

Tax Rate History

The tax rate for the current fiscal year FY09 is \$12.94 per \$1,000 valuation. I have also inserted a chart that shows the tax rate history for the last 10 years.

**TOWN OF OLD ORCHARD BEACH, MAINE
Property Tax Rates - All Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Fiscal Years**

Year	Total	Town	School	County	Water quality control
1999	23.65	6.86	15.14	0.47	1.18
2000	23.65	10.48	11.52	0.44	1.21
2001	23.40	10.66	11.21	0.31	1.22
2002*	24.40	8.68	11.87	0.68	3.17
2003	20.10	7.65	9.33	0.65	2.47
2004	20.10	6.67	9.64	0.59	3.20
2005	20.10	7.57	9.71	0.59	2.23
2006**	13.50	5.10	6.26	0.44	1.70
2007	13.32	5.20	6.09	0.44	1.59
2008	12.56	4.73	5.94	0.43	1.46

* Beginning in 2002, the rate for Water Quality Control is calculated on all expenses related to Wastewater Treatment, including related debt service.

** The Town did a revaluation that became effective in 2006.

Property Valuation

According to Assessor George Greene, the State Property Valuation for FY'09 is based on OOB sales for the period 7/06-6/07. We are maintaining an appropriate assessment ratio, which indicates a fair distribution of the tax burden to all property owners. If you take the FY'09 State Valuation for OOB which is \$1,575,350,000 at Full valuation (100%) and the Town's Taxable Valuation for this year which is \$1,465,153,538 you can see that we are at about a 93% assessment ratio. The State uses 100% to make sure the revenue sharing, etc. is equally distributed to the cities and towns. Some towns have low assessment ratios in the 70% - 80% range which if the state didn't use 100% would give those municipalities more revenue sharing, etc. which would be unfair to the others who are closer to 100%.

Here's a breakdown of the residential/commercial industrial values and their respective percentages of the Town's total valuation.

Count	Assessment	% of Assessment	Type	% of Type	
3,346	\$733,649,700	48.468%	Residential Improved		
558	\$23,479,400	1.551%	Residential Vacant		
2,017	\$443,633,500	29.309%	Residential Condo		
58	\$39,332,200	2.598%	Residential Apartment	82%	Residential
51	\$20,997,700	1.387%	Mixed Use		
240	\$188,943,400	12.482%	Commercial Improved		
12	\$1,978,300	0.131%	Commercial Vacant	14%	Commercial
8	\$5,537,100	0.366%	Industrial Improved		
1	\$21,800	0.001%	Industrial Vacant	0.37%	Industrial
100	\$55,779,000	3.685%	Exempt	3.69%	Exempt
9	\$279,800	0.018%	Special Open Space (TG)	0.02%	
19	\$34,800	0.002%	Open Space	0.002%	
6,419	\$1,513,666,700	100%		100%	

**** End of State of Town Finances Report ****

A discussion continued on two items that will be included on the January 6th agenda:

5075 Discussion with Action: Affirm the appropriations \$706,058.00 in account 10013/30101, Designated Fund Balance as of June 30, 2008 as follows: Account 21003/50800 - CDBG Grant Town Share \$25,000; 21003/50810 Stormwater West Grand \$10,638.00; 21003/50833 Temple/Manor Improvements Expense \$56,900.00; 21003/50886 Little River/Jones Creek Flood Mitigation \$12,520.00; 21003/50862 Smithwheel Outlet Project \$47,180.00; 21003/50885 PWD Catch Basin/Vac All \$100,100.00; 21004/50871 WWTP Capital \$425,000.00; and 21005/50838 Memorial Park \$28,720.00.

Here is the explanation of each of the Accounts presented at the last Council Meeting 11/18 and “Removed without Prejudice” until more detail could be given to the Council. Finance Director Jill Eastman has provided the following information. If this sufficiently explains these items, we propose to re-introduce these requests at the December 2 Council Meeting, otherwise it will go to a Workshop for more discussion.

Item #5075

Discussion with Action: Affirm the appropriations totaling \$706,058.00 in account 10013/30101, Designated Fund Balance as of June 30, 2008 as follows:

21003/50800 CDBG Grant Town Share \$25,000;

- The CDBG Grant Town Share is for the match money for Staples St sidewalk.

21003/50810 Stormwater West Grand \$10,638.00;

- The Stormwater West Grand is the balance of the original \$25,000 appropriated to study the stormwater problem on West Grand Ave. This account ties into the new Bond Issue Project for West Grand.

21003/50833 Temple/Manor Improvements Expense \$56,900.00;

- The Temple/Manor Improvements is for the project that was completed this summer on Temple Ave. The project had begun at year end, but was not complete.

21003/50886 Little River/Jones Creek Flood Mitigation \$12,520.00;

- The Little River/Jones Creek Flood Mitigation was originally designated in FY08 for \$93,000. The \$12,520 is the balance in this account that will be spent on small mitigation projects in the upstream watershed.

21003/50862 Smithwheel Outlet Project \$47,180.00;

- The Smithwheel Outlet Project is funds set aside for intersection work on Smithwheel Rd and the Spur.

21003/50885 PWD Catch Basin/Vac All \$100,100.00;

- The PWD Catch Basin/Vac All was budgeted in FY 06 to purchase a Truck to clean the catch basins. It was decided to lease/purchase this vehicle, which we did in FY07. The lease/purchase payments are \$34,234.78 per year. We have carried forward the amount in this account each year to pay these payments. When this money is gone, this will be budgeted under Debt Service.

21004/50871 WWTP Capital \$425,000.00;

- The WWTP Capital is money that has been carried forward for about 4 years. During the budget process last year, approval was given to proceed with 2 projects, the SCADA System and the Comprehensive Facilities Study. Any balance left in this account would be used for future projects as they arise.

21005/50838 Memorial Park \$28,720.00.

- The Memorial Park money is money that was set aside for the Conservation Commission to use to get the park back in shape during the spring and summer of '08. This work was done throughout the summer.

EXPLANATION of Item #5075:

These are previously Designated Funds from FY08 (past Budget Year) for Capital Improvement / Equipment projects that are in process and anticipated to be done in FY09 (current Budget Year). These are balances at the FY08 year end 6/30/08 that need to be re-designated now for accounting/audit purposes to move them into FY09 consistent with the Budgetary intent. These are not new projects nor do they represent additional money over the current Budget. Once these re-designations are approved by the Town Council, any \$ left in these accounts at year end will lapse into the General Fund unless they are re-designated again in FY10 next year.

5076 Discussion with Action: Transfer \$349,900.00 from account 10013/30300, Undesignated Fund Balance to account 10013/30301, Designated Fund Balance as of June 30, 2008 for the following accounts and purposes: 21001/50802 Comprehensive Plan \$10,000.00; 21001/50856 Computer System-Assessing 21001/50856 \$5,900.00; 21003/50507 PW Road Maint/Improvement Non-Cap \$115,000.00; 21003/50508 Sewer Maint/Improve Non-Cap \$33,000.00; 21003/50826 PW Building Improvements \$35,000; 21004/50871 WWTP Capital \$160,000.00.

Item #5076

Discussion with Action: Transfer \$349,900.00 from account 10013/30300, Undesignated Fund Balance to account 10013/30301, Designated Fund Balance as of June 30, 2008 for the following accounts and purposes:

21001/50802 Comprehensive Plan \$10,000.00;

- The Comprehensive Plan money will be used along with the FY 09 budgeted money to begin the process of updating the Town's Comprehensive Plan.

21001/50856 Computer System-Assessing \$5,900.00;

- The \$5,900 for the Assessing Department will be used to finish the work that has been started to transfer all Personal Property Tax records from MUNIS to VISION (which is the same program that is used for Real Estate).

21003/50507 PW Road Maint/Improvement Non-Cap \$115,000.00;

- The PW Road Maint/Improvement money was for Temple Ave and other small projects around town that were done this past summer.

21003/50508 Sewer Maint/Improve Non-Cap \$33,000.00;

- The Sewer Maint/ Improvements were for the completion of the Foote St and Imperial St sewer projects.

21003/50826 PW Building Improvements \$35,000;

- The PW Building Improvements was for work done at the Sand/Salt Facility and DPW Building.

21004/50871 WWTP Capital \$160,000.00.

- The WWTP Capital is to be used for the same type of projects as listed above.

EXPLANATION of Item #5076:

These are Undesignated Funds from FY08 (past Budget Year) in the Operating Budget which were Budgeted for special projects, some of which are not completed but anticipated to be done in FY09 (current Budget Year). These are balances at the FY08 year end 6/30/08 that need to be earmarked (i.e. designated) now for accounting/audit purposes to move them into FY09 consistent with the Budgetary intent. These are not new projects nor do they represent additional money over the current Budget. Once these designations are approved by the Town Council, any \$ left in these accounts at year end will lapse into the General Fund unless they are re-designated again in FY10 next year.

Why are dollars needed for projects already done?

Paid invoices toward completed projects were already coded to the correct account, but it results in a negative balance until the designation or re-designation of that account occurs, which will replenish the particular account from the General Fund Balance (i.e. the Surplus will look artificially higher if this procedure is not done). The authorization to designate or re-designate the appropriate funds is not a request for project approval nor for additional money, as these are already budgeted projects at a specific amount. It merely affects the accounting status of each fund bringing it into alignment with the budget intention. Any projects that might require Council approval will still come before the Council separately as needed for the appropriate approval for any necessary bid awards or expenditure of funds over the \$5,000 threshold (as our purchasing policy stands now).

If a project has leftover money in its balance, what will that be used for?

Dollars will be lapsed (i.e. expired for the designated use) and automatically revert to the General Fund Balance, with the source account closed.

Discussion continued on the new budget format being developed by the Finance Director and the Town manager. Suggestions were given by Council members to the design of that format including user friendly monthly projections easily definable for a new town councilors.

The meeting adjourned at 9:05 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 ten (10) pages is a true copy of the original Minutes of the Town Council Workshop of December 16, 2008.

Louise Reid