



Presque Isle City Council Meeting

Monday, June 17, 2013

5:00 PM

Presque Isle Council Chambers

Present: Chairperson Emily Smith, Vice-Chairperson Randy Smith, Councilors Richard Engels, Craig Green, Peter Hallowell and Bruce Sargent

City Manager James A Bennett and Kim A Rohn were also present.

Chairperson Emily Smith called the meeting to order at 5:13 PM and led those present in the Pledge of Allegiance.

WORKSHOP

13-140 Update on impacts of proposed State budget to the City

City Manager Bennett provided Councilors with a detailed update of the budget, as of Wednesday and a forecast of what it would mean to the community. City Manager Bennett stated that he has heard from several people that revenue sharing would only be 2%-4% of the municipal budget. He stated that Presque Isle's percentage is pretty high, being the highest out of 22 communities coming in at 22% of the total municipal budget appropriation. That does not include the school or county.

City Manager Bennett stated that over the last couple of years the City has absorbed the changes in revenue sharing, which started in the 2009-2010 biennium. The City's on a calendar year of January to December. If you take up until June 30th of this year, we have received \$2,111,528.00 less than what we were supposed to get. If the State had maintained the 3.5 %, which is the current level that we have been receiving, we would have a lost another \$849,000.00. Based on the budget that has now been passed and sitting on the Governor's desk with the decision to pass it or veto it, we have a decrease in revenue sharing of \$849,178.00, with a grand total of close to \$3,300,000 of revenue that was supposed to come back to Presque Isle that the State used to pay for bills instead. The graph is available on the website.

We are supposed to receive projections from July 1, 2013 to June 30, 2014, somewhere around \$775,000 and next year we would expect to get around \$720,000.00. Knowing what we received to date and the forecast for next year, we have to look at eliminating in this year's budget, \$290,000 in order to keep the budget balanced. This also means going into next year's budget, we will be short another \$225,000 automatically. Even if we come in with a flat budget for 2014, because of revenue sharing, people will see at least a fifty cent increase in their taxes. When combined with the School Budget which

is another \$411,000 for the first half of next year plus whatever the budget does next year, we are looking at another \$1.10-\$1.20 in next year's budget on top of the guaranteed eighty-two cents that we are looking at now plus the \$290,000 which represents somewhere around sixty cents over and above that.

City Manger Bennett stated that the Councilor's choices are: (1) Pass the entire \$290,000 onto the taxpayers as an additional tax increase; (2) eliminate \$290,000 out of the budget so that none of that is passed onto them, or (3) combination of the above.

He is hoping to get some idea on where the Council sits on that. It takes 4 votes of the Council to amend the budget. Have a discussion tonight and then come back with some specific recommendations for the next meeting on Monday, June 24, 2013. They will hopefully have a better idea of the State budget and whether it passed or was vetoed. If the budget goes into effect, the Council would vote 2 weeks from tonight, on whatever the final solution is on July 1st so that they can get tax bills out.

13-141 Discussion regarding approach to amend the 2013 budget

The budget that the school put forth last week and was approved by the voters will increase the payments this year by \$411,449.85 which is eighty-one cents on the tax rate. The \$441,000 gets repeated next year because they are on July to June calendar year. When you run the numbers, you are guaranteed that plus whatever the budget impact is next year with about a penny because of county tax, that is eight-two cents right now plus whatever is decided to do with the \$290,000.00

Question was asked if the \$290,000 includes any of the adjustments already proposed. City Manager Bennett stated that this is the gross number that we are looking at. He was estimating it at \$290,000 at 3.5%. What he did when he forecasted the budget for 2013 with the assumption that it would go back up to 5% and he made that number only impact for 5 of the 12 months. There was a little room to move and even with the reduction it's at \$290,000 vs the \$200,000.

City Manager Bennett looked at this year's budget numbers that have the potential to be repeated, but do not have a major impact on service levels and employees, about \$80,000. There is an additional \$25,000 from building permits that is over and above the revenue forecast. The decision the Council made by not operating the outdoor pool will save \$21,000 operationally. There is about \$3,000.00 because of turnovers in the Police Department where senior employees left and they have hired at the lower pay scale. City Manager Bennett and Deputy City Manager Puckett elected not take raises this year and that is a \$2,000 savings. MMG bought a new plane so there is an additional \$10,000 in excise tax for aircraft that was not planned on. City Manager Bennett feels that from an operational standpoint they could take \$5,000 out of Public Works, either placing less gravel on the road or less paving. Also, City Manager Bennett stated that

they have taken all of the interest earned from the Emergency Fund and moved it to the Undesignated Fund. There is no requirement that the interest stay in the Emergency Fund so he is suggesting to take the proposed \$13,300 in interest and put in as revenue to the City as opposed to leaving it in the Emergency Fund. The long term impact is that it will add an additional year of funding to the Emergency Fund to get to the minimum that we are required to have after about 9 years because that is about 1/9 of what we are putting into the account. So by doing this it will take us an additional year. That is about \$80,000 without a lot of impacts to anything, which takes us back to the original \$200,000 we are talking about. The other piece is that whatever the Council does this year can't be repeated. There is a \$225,000 hole that you will have next year and increases it by that much.

City Manager Bennett also talked about funding and de-funding the Emergency Fund in the amount of \$100,000 or taking \$100,000 out of surplus to put it back in to cover the \$200,000. That was under the pretense that they went under the 3.5% or the 5% we would be all set because we wouldn't have that same hole going forward. City Manager Bennett is not sure that strategy would work because you are increasing that impact in 2014 by another \$100,000 so instead of looking at \$225,000 in the hole you will be looking at \$325,000 in the hole next year.

There is about \$1,800,000 in the Emergency Fund. The question was asked about what constitutes an emergency, and when can you use the money in the Emergency Fund. City Manager Bennett stated that is totally up to the discretion of the Council. The only requirement is that all 7 have to agree. To take it out of fund balance, it would only take 4 votes. The Emergency fund is set up by Charter and about \$90,000-\$100,000 per year is put in.

City Manager Bennett stated that personally this is extremely frustrating because they all worked extremely hard to develop a budget so that there was no tax increase for the community and that this is a result of other people's decisions. He hopes that the citizens understand that this is all being driven by decisions that are being made in Augusta and not by the City Council.

To sum things up, we have about \$80,000 of suggested amendments to take care of that is part of the \$290,000 deficit. Then by using the surplus fund balance is another \$100,000, so instead of \$290,000 we are talking \$110,000 with more reductions or increased taxes. City Manager stated if they decide to use the Fund Balance, there will be an additional deficit of \$225,000. He feels you can do it safely, but is concerned about back to back increases of over a dollar to the tax rate two years in a row. Unless they decide to take services away on the municipal side, the eighty-one cents because of the school budget is done this year and next year as well. Taking \$100,000 this year and set it up again for more challenges, is going to be a tough call. City Manager Bennett stated that he has taken some heat regarding Deputy City Manager Puckett and the citizens keep forgetting that they had two positions that were combined and City

Manager Bennett and Deputy City Manager Puckett are doing the job of 3 people for less money.

City Manager Bennett stated that we are underfunded in capitol; he has tried to articulate what the needs are to the community differently then what was done in the past. There was no Capital Improvement Plan with the kind of detail that they have been getting, that's new since he has been here. Most people don't understand that there is \$100,000,000 of assets that are supposed to be taken care of and we should be funded somewhere between \$1,500,000 to \$2,000,000 and some of the Councilors would like it to be funded at \$2,000,000 to \$2,500,000. City Manager Bennett talked about the condition of some of the buildings in Presque Isle, such as the Outdoor Pool, the Recreation Center, City Hall and the Indoor Pool. He mentioned that the ice in the summer months at The Forum is causing damage. He also mentioned the buildings that were fixed and being maintained such as the Public Safety Building and the Library. We need to prioritize our needs in the next few years.

Councilors discussed that taxes are substantially more for the businesses and the money spent in property taxes would stay here in Presque Isle. They need to be creative and figure it out what can we go without. This represents 22% of the gross municipal budget of what we should be getting in revenue sharing. The City has already eliminated 15% of employees to accommodate the nearly \$1,000,000 lost in the last few years. The decisions are going to get tougher. Councilor's mentioned that we give \$25,000 to the Chamber of Commerce and \$19,000 to NMDC. Maybe we don't contribute to those this year. Councilors feel that they have done what they needed to do the last 3 years and that this is put on them by the Administration. We need to be sensitive to some of the business pressures also because we have such low valued homes generally, when you look at the comparison tax bill on the medium home, it equals about what the medium home's in the other communities around us are paying. The problem is that when you get above those medium homes and businesses there is a significant advantage to driving the extra 5 or 10 miles. You can put your higher value home on the outskirts of Presque Isle and then depend on this community for services. The other communities have gone up on their tax rates all around us, we haven't for 3 years.

City Manager Bennett stated that we need to be careful about passing on the full \$290,000,000 to the tax payers. City Manager Bennett mentioned passing on \$100,000 to the taxpayers so that would be a dollar or a little more, take \$80,000 that he has talked about to date and take \$50,000 in a one-time savings such as coming out of the Surplus account and \$50,000 or so in some adjustments with programs/employees. Coming into next year, there is the potential \$50,000 coming out of surplus, so that would bring next year's problem to \$275,000 and then to the degree any of the other \$50,000 that they are looking at through programs or employees that are one time that that may add to that, but he doesn't think the full \$50,000 would end up being one time stuff. There

would be a onetime potential savings if they ask all of the employees that are not on Maine State Retirement, that are in the Deferred Compensation Program, to defer 1% of that contribution for 6 months and go back to the regular one, that's \$13,000 savings for the 6 month period. This would not have the same impact on the employees as some of the other things they have been looking at. He also mentioned that this would not necessarily be permanent. Keep in mind that you will have \$13,000 in the budget for next year.

A proposal from Councilors suggested that we have to have \$75,000 in reduced expenses or increased revenue. A \$75,000 tax increase, which is about fifteen cents on the tax rate and take \$75,000 out of the Emergency Fund. Based on policy, we need to have about 4% in the Emergency Fund, so essentially there is an extra \$1,000,000 that we need to have by policy, that's earning 0.2%. He also recommended that the City sell \$75,000 of non-essential assets. City Manager Bennett doesn't know that there is \$75,000 worth of stuff to sell he thinks \$35,000 to \$40,000, but has no problem with selling some non-essential items. City Manager Bennett will have a list of possible non-essential assets for the meeting on June 24, 2013.

Councilor Green mentioned that instead of paying for a new fire truck, to look into the possibility of buying a refurbished/used pumper truck instead. City Manager Bennett stated that the truck they are looking at buying currently is custom built and will get a 20-30 year life. We could save \$100,000 with a straight Pumper combination. A used Rescue vehicle would be \$10,000 to \$15,000 used depending on the condition it's in, and then put another \$20,000 in, that will run us 6-8 years and then we are back in the same cycle again. By the time we are done it makes a lot more sense to spend more money, design it right and make that your front line piece for 20 years, in the long run, the tax payers will be better off. He feels that buying a used pumper as a front line piece is a huge mistake. He thinks in the long run we will pay more. Councilor Green asked what a used pumper would cost. The cost would be estimated at \$100,000 to \$300,000. Councilor Green then asked what we are paying for the new one. We are paying \$550,000, but it will be specifically built for the City of Presque Isle. Councilor Green would rather do some extra maintenance on a vehicle then to lose an employee. City Manager Bennett will provide some figures to the Council.

13-142 Report on the 2013 summer swimming lessons

Chris Beaulieu, Director of Rec & Parks, provided a memo to the Council on what the plan is to help accommodate the loss of lessons at the Outdoor Pool. He stated that they have added a number of slots at the Indoor Pool as well as utilizing the indoor pool at UMPI one morning a week. So far out of 130 lessons, 90 have been moved. There are several who have not gotten back to them and only a handful wanted a refund. He gave an example of the reason a parent wanted their money back was because they were unable to get all 4 of her children's lesson at the same time. They are offering 3-4

lessons at a time at each facility. The summer lessons were \$6.00 at the outdoor pool and \$35.00 at the indoor pool. The new proposal will be \$10.00 for lessons regardless of whether it was at the indoor pool or outdoor pool during the summer months. The out of town fee stayed the same at \$20.00. Chris stated that they pay \$525.00 rent to the UMPI for 7 weeks at 2 hours a week. The rate is normally is \$100.00 an hour. The City of Presque Isle provide the instructors. There is now \$1.00 fee for Open Swim during the week.

13-143 Discussion about long term outdoor pool future/replacement

Discussion was had about the possibility of closing the outdoor pool permanently; sell it and then look at an alternative for replacement. The Councilors also discussed the possibility of having a new indoor pool at the Community Center being built with the possibility of an interactive water park. A suggestion was also made to look for the possibility of any other outdoor facility that could be used, such as the Presque Isle Stream or any other outdoor free flowing stream, depending on health regulations.

Executive Session

13-144 Pursuant to 1. M.R.S.A. Section 405 (6)(c) to discuss real estate transaction

BE IT RESOLVED by Councilor Randy Smith, seconded by Councilor Green to enter into Executive Session at 6:36 PM to discuss a real estate transaction. **Vote 6-0.**

Councilors came out of Executive Session with no action taken.

13-145 Pursuant to 1. M.R.S.A. Section 405 (6)(c) to discuss real estate transaction

BE IT RESOLVED by Councilor Green, seconded by Councilor Hallowell to enter into Executive Session at 6:37 PM to discuss a real estate transaction. **Vote 6-0.**

Councilors came out of Executive Session with no action taken.

Adjournment

BE IT RESOLVED by Councilor Randy Smith, seconded by Councilor Hallowell to adjourn the meeting at 7:14 PM. **Vote 6-0.**

Attested by: _____
Kim Rohn, Deputy City Clerk