

**TOWN OF OLD ORCHARD BEACH  
TOWN COUNCILOR WORKSHOP  
WEDNESDAY, MAY 30, 2007  
TOWN HALL CHAMBERS**

**A Town Council Workshop of the Old Orchard Beach Town Council was held on Wednesday, May 30, 2007 at 7:00 p.m. during which the following will be discussed: School Department; 20110 – Planning Department; 20202 – CIP- Fire Department; salaries for all departments; any budgets that were unable to be discussed at previous budget workshop.**

**Present from the Town Council:**

**Chairman Joseph Kline  
Councilor Roxanne Frenette  
Councilor Robin Dayton  
Councilor Shawn O’Neill  
Councilor James Long  
Town Manager James Thomas  
Assistant Town Manager Louise Reid  
Superintendent of Schools Rick Mathews  
Members of the School Board  
    Laura Bolduc, Chair  
    Patricia Clark  
    Dennis Robillard  
    Sharri MacDonald  
Absent:       Kay Dutton**

**The Chairman, Joseph Kline, called the meeting to order at 7:07 p.m. The indicated that this would be taped as the school receives about half of the budget. He explained the procedures for the evening workshop. It was noted that other members of the School Board will be coming in as the workshop moves along. Almost two months after the budget was first proposed the two Boards are meeting and the workshop is open to the public although the Chairman may not allow public comments. It should be noted that recently supporters of the School held a rally outside Town hall calling on the Council to approve the School budget as proposed with the \$1 million plus increase in spending. The proposed school budget includes contractual salary increases of more than \$438,000, health benefit increases of almost \$80,000, an increase to technology spending of more than \$115,000, and a new school bus for \$65,000. The increase in salaries is due to a new contract which essentially gave everyone a three percent pay raise across the board. Other increases include more than \$140,000 in special education costs; more than \$20,000 in heating fuel, propane and electricity costs; capital expenses of \$100,000; and almost \$60,000 in classroom supply costs.**

**Funding for the School during the past seven years has typically been less than the rate of inflation. The budget increases proposed by the School Board include salary and insurance increases, a new school bus, new security and phone system and updating technology. The Superintendent, Eric Matthews, thanked the Council for permitting them this opportunity. He indicated that the Auditor indicated that we only receive 39% of the municipal budget. It was a genuine concern of the Auditor. In wrapping up the presentation that he made in March it was a call to indicate the Schools concern that the School keep up with the inflation rate. This is intended to be a dialogue between us. Sharri MacDonald indicated that she is appreciative of the dialogue. I believe that we presented a pretty solid budget and we met with the parents and put that into our budget. We had meetings with the community and that is what went into our budget this year and I am hoping that we can address these issues. The budget process for the School begins around November.**

**The Chair gave a summary of how he understands the working of the School Board and their budget considerations. He also indicated that he would not support a tax increase and we need to look at how we can support these costs both for the School and the municipality. We are trying to find new ways of generating new revenue. We need to figure out how we are going to fund this without a tax increase. The Chair suggested that there needs to be ways that we can combine services such as the Finance Department. Consolidation of services is a requirement. The Chair indicated he cannot fund the 11.3% increase. He indicated that the Undesignated Fund cannot be under 12% - indicating we are over the 12% and we have neglected the infrastructure and maintenance of the municipality. He also indicated we do not want to go into debt. With the additional undesignated fund balance – this is the piggy bank for the town for security in case of needs. I am not interested in using the reserve to balance the budget.**

**The Superintendent of Schools asked when the last tax increase was and the Chair said it was about five years. He indicated that we had recently had a re-evaluation last year. The Chair said that 85% of our tax base is from the residents and we cannot burden them much more. It is more complex than will the mill rate was increased. The Superintendent indicated that the Council has been extremely conservative and he said he appreciates that but that he believed that the people of Old Orchard would appreciate the fact that the line has been held but after five years that it is time to increase the tax rate. The Chair indicated that fees have been increased so we have tried creative ways to increase the revenue. The Chair also indicated that he is concerned that in the future we may have a decrease in the ability for more revenue. Raise the revenues or cut the services are the two ways to balance the budget. Sharri MacDonald indicated that the School Board did a pretty detailed research on how and what they expect from the School Department. We believe that the plans for our budget are that we are planning big things for the Old Orchard Beach School System. We are thinking of increasing security at the school, technical improvements and she indicated that the thinking is big and therefore the needs of the School system are big. She indicated that goals have been set by the School and we need the 11% to fulfill these goals.**

**Councilor Frenette indicated she went to the forum and she said she supports the technology needs and she felt that we should plan ahead for issues. She indicated there is 10% increase in the salary alone. On the retirement that her parents are going to get, you have to keep the entire community in mind. The 10% is for four more positions. 11% is more than I can agree to and I do know that we will at some point have to have an increase in the tax rate at some point. She indicated that we have done everything possible to raise revenue. We have to be practical.**

**The Superintendent indicated that it is 6.92% increase for those four positions. The Vice Chair asked what the student population was – 962 and the proportion of teacher to student is 17 to 1. Councilor Shawn O’Neill indicated that he wanted to know about the \$54,000 and I made a motion to give the \$34,000 – so the school gained \$88,000. He indicated that evening it was a partnership to fix Jameson School. Essentially you gained \$34,000 because it was his belief that the Town would get back \$24,000 back. Council was misled and I don’t think that was reasonable. The comments that Councilor O’Neill has received comments from citizens that they do not want a tax increase. The 11% is about a million dollars. The Town Manager was told to flat line the budget and I believe for the School to come back with an 11% increase is not acceptable in his mind. He asked if there was any effort by the school to consolidate some of its services.**

**The Superintendent indicated that no one on the school side was hiding money; the money from the State felt that we were being cut terrible and there was no intent to hide the money. We had advised the Town of the money and if I had known how Councilor O’Neill felt I would have explained that more clearly. Dayton, Saco and Old Orchard Beach would become one school system according to the State. We have been in preliminary plans with Saco so there have been preliminary conversations but we are waiting to see what is going to be enacted by the State in the coming year.**

**Councilor Long indicated he said how intense the situation is and it is not easy to sit up here and to be respectful of our efforts. Last evening we had a workshop dealing with strategic plan together and Lisa Parker, Finance Director of Saco. She indicated that one of the difficulties we have is that we do not have standardized reporting so that we cannot compare to other schools. Standardization of reporting is important. There are eleven communities that use standard reporting and so it is no standard to compare. He indicated that in his years on the Council it is frustrating things are not reported in a comparable way. He indicated that many of the infrastructure updates aren’t attractive to the average taxpayer but they are requested and needed and expected. The problem the State is having is not going to get better. I heard the Auditor say something different than the Superintendent said he did. The Auditor’s standard said that when you compare you eliminate debt, you eliminate the County assessment; when you take those numbers out you are honestly comparing the operating budget of the Town against the**

operating budget of the School – the School comes out ahead. The dynamic we are working under is that the Federal and State government is under funded and so the heavy burden falls on the town municipality. Our responsibilities to the seniors are as important as our responsibilities to the students.

Councilor Frenette indicated the results of the audit and said she felt that these things also go to your children. We are not misspending your money; we are not insensitive – it is about the whole community. The 11% is not about the whole community. At the end of the year last year you had \$176,000 + at the end of the year. The Superintendent indicated it was encumbered funds. The Superintendent indicated that he expects nothing from the State.

It should be noted that back in March when the Town Manager presented to Town's side of the budget the Town Manager called for flat funding of the schools, citing declining enrollment figures and reductions in State aid to education. But Councilors have yet to publicly comment on the proposed school budget, or to indicate as a body whether they support the funding recommended by the Town Manager on the whole \$1 million plus increase being requested by the School Department. This is the first opportunity to question the Superintendent Rick Matthews about the budget, which if passed as it is would represent more than eleven percent increase in spending. The Superintendent indicated that he looked forward for the Council to ask questions and understand the School Department's position. He indicated he hoped that there would be a frank, honest and respectful discussion and an effort to understand the School's position. For the past six years Mr. Matthews indicated the School has been under-funded because the funding increases provided by the Town have not kept pace with the rate of inflation. He indicated that the School Department is looking for about \$1 million dollars over the next six year's in capital funding for upkeep and repairs at all three schools. Most of the increases he indicated are fixed costs over which the School has no control. If the School request is not met the School would have to look at lay offs and reductions in classroom supply expenditures.

The Town Manger indicated that the Town cannot afford a more than \$1 million dollar increase in school spending in one year. This would move certainly for the necessity of a tax increase. Thomas indicated that over the past ten years enrollment has declined twenty-five percent. For the schools to ask for a \$1.2 million increase is unreasonable. At \$10.2 million dollar budget is more than the Town can afford. Of the 962 students enrolled in the districts means there is one teaching position for every ten students. The Old Orchard Beach school systems educates 962 kids with 93 teachers and two dozen education technicians which translates to one of the lowest student-teacher ratios in Southern Maine at the cost to the taxpayers. The Town Manager indicated that there are other services that residents need. An aging population means more money should be put into emergency services and the continuing strain on the infrastructure from the high flux of tourists was also mentioned.

**It should be noted that during the 2003-2004 budget process the School Department received a minus 1.0 percent increase while experiencing 2.68 percent in inflation. During a seven-year period the budget has increased 7.58 percent while the Department has experienced an inflation rate of 17.65 percent. The Superintendent said he was asking for increased funding for teachers' salaries, health benefits, building maintenance, transportation, technology, text books, and an adjustment for the loss of grant money and an increased operating cost for classrooms. He indicated that the budget reflects the costs that the School realistically needs to operate. It was noted that the suggested three percent possible increase suggested by some members of the Council would not even cover the increased cost of health benefits and fuel. The high increase in this year's budget comes from the School's consistently being under-funded. Besides using the money to catch up, the School Board also has plans for a new technology center that would benefit both the High School and the adult education program.**

**The Town Manager indicated that he was not sure that the Town could afford that kind of student-teacher ratio. The Schools have 93 full time position and 23 Ed Tech positions and does not include any Administration. The Town Manger pointed out that the Legislature is currently working on a plan to reduce the total number of school districts in the State. In January, Governor John Baldacci called for cutting the 290 school districts now to 26 – a plan he projected would save the State \$250 million dollars over three years. The Legislature is working on a variety of proposals that have come out since January including a recent one this week. The newest proposal calls for the creation of 80 school districts and a minimum of 2,500 students each. With State aid to education dropping by \$300,000 last year and only \$40,000 more expected this coming school year, most of the increase will be borne on the backs of local taxpayers. The questions asked was if there are fewer kids in the school why should negotiated salary increases and benefits be such a big part of the proposed increase, to the tune of 30 percent, or \$400,000? He indicated we have done everything to quantify our budget needs and the revenue sources. The Town Manager indicated that there are some costs that we have no control over. On February 1<sup>st</sup> I met, at the request of the Chair, with the School Board and I specifically gave them funding information and the fact that the Council would not raise taxes. I toured the computer labs and I reported back that the technology is ten years past due and so I am supportive of spending money on the technological side of the needs.**

**The Superintendent indicated that people use different terms. There are things about the report that are not comparable. The problem with using the Audit Report is that you need to back out the encumbrances and you need to back out the Maine State Retirement. We are not doing an apple to apple comparison; it is not a comparison. It would be good for us to decide how we are going to compare. He referred to the Saco City Council – they showed their community what they are valuing. The Chair indicated they have been able to manage their money better than us.**

To summarize it was discussed that declining enrollment versus the proposed increase in funding is confusing. The Town Manager pointed out that a \$10.2 million proposed budget and an enrollment of just less than 1,000 students added up to about \$10,000 per student. He indicated people want to give the school more money but they do not want their taxes raised. He indicated that you cannot have it both ways. The Superintendent indicated the School has asked for money to fix the bleachers, some of which have been condemned and also to fix the track that the school as well as members of the community use. Computer systems are ten years out of date; the phone system is from the 1970's and the antiquated intercom system is in places held together with tape.

The Chair indicated we need to re-engineer our budget. The School system spends more than the State says it should. The Superintendent indicated that all school systems in the State are over what is indicated is the level of spending. Councilor Long said he had an opportunity to speak to Senator Hobbins and Representative Hogan and they believe the Saco, Old Orchard and Dayton will prevail and one high school will be the rule and we are the only one that has the High School. The funding program does not favor Old Orchard Beach. Councilor Long indicated that we need to play smarter and he felt that going forward he said he believes that there are not enough teachers; and too many administrators; and not enough teachers teaching the right subjects. Going forward he indicated that we are not going to get much of a break from the State. Councilor Long indicated his wife was a twelve month employee. He said he is just laying it out there; he indicated he felt that there are too many people on the administrative side of the formula. When we look on the Town side – doesn't get anything near what your administrator gets. If we are worried about the child; the child should be our focus not the administration. I see too many administrators making a great deal of money.

Sharri MacDonald, School Board member, indicated that 20% of our costs are administration. She said that the school budget was aggressive but the requests were necessary and future budgets might not cost so much. She said it not a want but a need. She indicated she did not believe that our administrative side is out of control. She indicated she did not believe the teacher nor the administrative costs are out of control. She talked about the paper work demands and administrative requirements are necessary. She indicated that she did not believe they were top heavy. Chair Bolduc indicated she believed that we had retention in our system. She said the administration is no different than ten, twenty or thirty years. She indicated that every year there are conversations about can a position be cut; is one needed or not needed. She mentioned about the school land being the responsibility of the School per Charter. She said she did not feel that presenting the budget the way they did was an appropriate way to present it. It was indicated as well that although charges for services in Town have increased taxes have remained flat for five years. Chairman Kline talked about a scenario of elderly people on fixed incomes having to get reverse mortgages and said he did not support raising taxes.

Councilor Long talked again about measurables. The way data is reported is so un-standard. It is difficult to evaluate statistics. We had department heads who work very hard and they asked for more staff and we said that we could not give them any more staff. They also have additional burden of paperwork as the School does.

He said he believes central to the gap of putting money to the needs is the inability to get standards on which to compare. Sharri MacDonald indicated that the numbers that were given by the School are accurate and they are valid. It was noted by Councilor Frenette that we have no ability to tell the School how to spend their money. Sharri MacDonald reminded the Council that last year you informed us not to put money in the capital line and we did not. She talked about the technology line which is not part of the capital. Councilor Long indicated his remembrance of what happened last year was that the message the Council sent out was that if you have an emergency repair the Council will step up to the plate and would certainly assist the School in that area. His concern was also what is noted as capital improvements. As a Town whether School or Town side we do not have a plan for maintaining our facilities. He indicated that the Town and School need to have a committee monitoring the facility needs.

Chairman Kline indicated that the reporting of information is important.

Interpretations of different budget items aren't fair because we don't have good information and comparable information isn't there. He again indicated that he felt the request for the 11% is not acceptable. He did not feel that he could fund what the School is asking for without raising taxes and he would not raise taxes.

The Town Manager had a conversation with the State who indicated they are 95% sure that \$1,142,000 which is about \$42,000 more than we got last year and we exceed EPS we are a minimum receivership but we are not going to get any less. Sharri MacDonald suggested that quarterly the School report showing the exact numbers of where the dollars are being spent. She indicated that the School Board is trying to be as transparent as possible. Chairman Kline said that is nothing new. The Superintendent indicated that it is an approach for a team effort. Chair Bolduc said she is concerned that we invest more in rust (cars) than in children. Chairman Kline indicated it would be good to meet so that you understand the purchasing policy of the Town and other accounting procedures that the Town follows. The Chair indicated we need to figure out how much we can afford and 11% is too much – we can't afford it.

Sharri MacDonald indicated that what has been happening on the School and Town communication level is that it is hard to get teachers to stay and even more difficult to attract new teachers. The Superintendent indicated if we were to do away with the stipends it would be about \$184 in stipends and \$70,000 on programs. The Vice Chair O'Neill said he didn't feel that these programs are not the ones to cut. He indicated all the kids that participate in these activities and yet one position at the School would be enough to handle all those activities. Sharri MacDonald indicated that we have been trying to figure out how we can cut cost. Grant money is dried up, costs are increasing on gas, electrical and other inflation items. \$1.5 million is spent on special education

needs. Vice Chair O'Neill asked if we took out the four positions what would that reduce the cost. The Superintendent indicated it would be approximately \$200,000 to \$240,000 for salaries and benefits. Councilor Dayton indicated that we have the ability to send to Thornton or to the University so that cutting the four positions is possible.

The Town Manager asked how much revenue was generated for the extra curricular activities - \$4,000 generated from the High School. School Board member, Dennis Robillard, indicated it would be about \$10,000. Councilor Dayton asked where we are about consolidation such as financial services; what happened in getting the School Munis, etc.? She indicated that she does not believe that we have even begun to discuss this situation so we can make a decision. This may be the beginning of the healing process and if we had consolidated some of the areas such as finance we would in a better place and I hope that we can meet quarterly and there are many things that we could do. Superintendent of Schools indicated that we do collaborate with oil but that is about it. The question was if the Munis system was compatible?

Councilor Frenette said that although it might be time to think about a tax increase, she did not support the School's request. She said we all have big dreams for our children but she did not think that 11.3 percent is practical and she also indicated that a zero increase is not acceptable either. Councilor Frenette concurred with Chairman Kline that older people who might not be able to afford a tax increase and that although children and parents might support the school budget; they represent only about 3,000 people in the entire community.

School Board Chair asked if it was policy for the Public Hearing to be the same night as the approval of the Budget. The Town Council Chair indicated that is correct. The Chair indicated that the School does need a number this evening. The Superintendent said that it is needed to give a 90 day notice so it is important that we know this evening the percentage of consideration. The suggestion was 3% or \$270,000 is what was suggested.

The School Budget will show a 3% increase per consensus. This would be approximately \$270,000 to the School. Vice Chair O'Neill indicated that he is frustrated that this is our first meeting and we have come down to this. He said he felt the dialogue should have happened sooner. The Chair indicated we had conflicts with the weather and vacations. Conversations included with understanding staffing changes and the request that consideration be given to raising that amount from 3% to a higher number. \$ 9,492,320 is the 3% increase for 2008.

The Council unanimously supported, although not able to vote in a workshop, a three percent increase to the School Department. The School officials said this would hamper the planning and goal setting that they had developed.

The School Budget portion of the Workshop concluded at 9:35 p.m. being completed the Council moved on to discussion of:

**20110 – Planning Department; \$50,000 reduction in costs.**

**20202 – CIP- Fire Department; \$200,000 reduction and let the rescue billing fund build itself up to bring it to the point where you can purchase it. Recommendation to explore lease purchase with Saco and the Finance Director will meet with the Finance Director in Saco about their program. It will then come back to Council for consideration.**

**Salaries for all departments: All non-union employees will get 3.5%. Specific salaries were discussed. We need to revisit the salary structure. A fully review is appropriate. The consensus is that we evaluate salaries – employees at will – the Charter does not require a contract with anyone except the Town Manager. It was recommended that we revisit salaries but not at the eleventh hour. Salaries need to be reexamined. The Assessor will be paid the cost of living retroactive.**

**Any other budget considerations unable to be discussed at previous workshops will also be considered.**

**Councilor Dayton indicated that she was interested in understanding the Undesignated Fund Balance. The \$170,000 will come out of the Undesignated Fund Balance.**

**Analysis of Undesignated Fund Balance  
As of May 30, 2007-05-30**

<b>Balance as of 6/30/06</b>	<b>\$</b>	<b>6,102,683</b>
<b>12% Reserve by Policy</b>		<b><u>(2,549,980)</u></b>
<b>Available Balance</b>	<b>\$</b>	<b>2,552,775</b>
<b>Less:</b>		
<b>Allocation for Little River/Jones Creek</b>	<b>\$</b>	<b>( 93,000)</b>
<b>Allocation for FY 07 Budget</b>		<b>( 100,000)</b>
<b>Allocation for Pier Settlement</b>		<b>( 25,000)</b>
<b>Allocation for Storm Water Outfall</b>		<b>( 185,000)</b>
<b>Allocation for Police Sub Station</b>		<b>( 65,000)</b>
<b>Allocation for School Department</b>		<b>( 31,583)</b>
<b>Allocation for FEMA Storm Damage</b>		<b><u>( 242,000)</u></b>
<b>Balance of Undesignated Fund</b>	<b>\$</b>	<b>1,770,618</b>
<b>Carry Forward fro FY 06</b>		<b>596,205</b>
<b>Balance of Undesignated Fund</b>	<b>\$</b>	<b>1,174,413</b>

**The Town Council Chairman closed the Workshop at 10:28 p.m.**

**Respectfully Submitted,**

**V. Louise Reid  
Secretary to the Town Council**

**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) is a true copy of the original Minutes of the Town Council Workshop of May 30, 2007.**

**V. Louise Reid**