

Frederick A. Lynk, Chair  
Peter J. Kahn, Vice Chair  
Peter L. Griswold, Secretary  
Michael F. Collins  
Michele A. Tourangeau



**Ogunquit Budget Review Committee**  
**7 February 2023**  
**9:00 AM – Meeting**  
**Dunaway Community Center**  
**23 School Street, Ogunquit, Maine**

## Minutes

### 9:02 AM MEETING

#### 1.0 WELCOME AND CALL TO ORDER

- 1.1 Roll Call – all five BRC Members were present along with the Town Manager and Assistant Town Manager/Treasurer.
- 1.2 Pledge of Allegiance was said.

#### 2.0 APPROVAL OF MINUTES

- 2.1 Approved the 31 January 2023 Minutes as amended – 5/0 (Collins / Kahn)

#### 3.0 UNFINISHED BUSINESS

- 3.1 **None**

#### 4.0 NEW BUSINESS

##### 4.1 **Remaining General Government Questions**

The Chair opened the meeting and asked the Assistant Town Manager/Treasurer to present her prepared remarks. She started with an explanation of how she **projected the parking lot income**, using the traditional 98% of the past three years (not as useful as in the past given impact of Covid, especially FY2021 and FY2022). She then included an analysis of projected revenues for each parking lot, including the \$1.00 fee increases for each hour and \$5.00 per day, times 90% (used to cover potential rainy days since 2023's summer weather was almost perfect). If the Select Board adopts a different parking fee schedule later this month, then she will make the appropriate adjustments. Resident parking fees generated approximately \$100K last summer. The advent of utilizing PassPort that enables parking customers to extend their time and pay for the additional fees may generate additional revenues. She feels that the new hourly fee option was quite successful.

##### **Reserve Funds**

Griswold supported the use of reserves and the Undesignated Fund to stabilize taxes for two reasons: 1) the Town Manager wanted to increase the compensation of Department Heads to equal the average of several "similar" towns given the current reality of inflation and scarcity of qualified applicants. Since the salary/benefit expense represents over 60% of the Town's Budget, overall compensation increases have understandably affected the total budget; 2) for the first time the Town's management team provided a five-year projection of CIP expenses of about \$4.3 million. Part of this projection is a catch-

up strategy, replacing older machines that have understandable repair expenses with new one under the manufacturers' warranties.

The Assistant Town Manager/Treasurer thinks reserves provide financial flexibility for equipment decisions pertaining to repairs and maintenance, particularly since the Town has a fleet of vehicles. It is better to make immediate repairs and maintenance challenges than wait for election dates to obtain CIP approvals from the voters. The public participates in any discussion of using a Reserve. The Department Heads know what is needed. CIPs are projected out to five years as seen in ClearGov. The Town Manger said that the total cost of new police radios was about \$10K less than anticipated. This amount is now in the Police equipment reserve and available for any future equipment needs.

**The BRC Members agreed that reserves are essential for capital planning.** Last November 2022, several new reserves were approved. They were funded by the Undesignated Fund. During Town Meetings, other sources of funding include increased taxes or additional borrowings. The Assistant Town Manager/Treasurer will clean up the list of reserve accounts, and if any are no longer need, she will transfer the remaining balances to the Undesignated Fund.

#### **Undesignated Fund**

This Fund has been used to absorb a limited amount of the Town's expenses, when necessary, to stabilized real estate taxes. She agreed with **Kahn** who suggest that the Select Board's policy concerning the Undesignated Fund should be changed to specifically cover this Fund as opposed to the General Fund. She will make that change when it is approved. The Chair recalled how businesses experienced a very difficult FY2021 even though parking revenues were quite strong. He said the BRC did a thorough analysis and supported using the Undesignated Fund in their opinion sent to the Select Board.

The Assistant Town Manager/Treasurer answered Kahn's question about maintaining the required minimum balance of the Undesignated Fund. Our Auditors might qualify their opinion if the balance dropped below the minimum, and the Town's potential credit rating, once established, might be negatively affected as well. She would appreciate receiving from BRC Members Collins and Kahn a draft policy governing the use of the Undesignated Fund.

#### **Capital Leases**

How should leases be categorized – operating versus capital. Collins read the FASB four-point requirement for classifying a capital lease. Kahn suggested that this definition may have been modified to reduce the subjectivity of the four points. The revised GASB may obligate the Town to document a five-year lease obligation in the same manner as a five-year bond. Lease obligations should be classified as a long-term commitment if they have a maturity date greater than twelve months, and included in the town's financial reports as such. To ignore long-term obligations greater than twelve months would result in an understatement of the Town's debt obligations.

A separate issue is the procedure to obtain voter approval for CIPs. Structuring a debt obligation to avoid voter approvals should not be done. For instance, the Town is renting the blue New Holland Tractor for reasons determined by the DPW Head. An examination of the actual rental agreement should be reviewed by the BRC. We collectively decided to continue this discussion at a later date.

**Encumbrances**

The Assistant Town Manager/Treasurer said that encumbrances should be kept to a minimum given the accounting rules of GASB. An example is the FY2022 Facilities expense of \$167,905 for replacing the Dunaway’s HVAC system. The range of RFP bids for the HVAC was \$30K to over \$200K. Furthermore, the Town Manager did not want to proceed until the Dunaway’s future was approved by the voters. He also said that there may be an opportunity to obtain a grant to cover this large expense. Kahn did an analysis of encumbrances and found that historically they ranged between \$ 11K to one dollar, not counting the above HVAC project.

**Bond Market**

Without getting into the details, the Assistant Town Manager/Treasurer said that Ogunquit would benefit by using Bond Counsel to tap the municipal bond market directly versus going through the Maine Municipal Bond Bank. Griswold asked about her preference between a 20 versus 30-year bonds. She said it depends upon the market’s yield curve, but for a building it typically is advantageous to tap the 30 year market with a lower interest rate. Current rates are at least 4.5%.

**5.0      OTHER BUSINESS**

None

**6.0      PUBLIC COMMENT**

**Barbara Ferraro** – She said that taxpayers are concerned about salaries being “out of control.” The comparative analysis of other towns’ wages does not take into consideration job content. She is also concerned about the confidentiality of license plate scanning. While the Select Board approved the purchase of this equipment, the public has not had a chance to discuss the issues. Finally, she suggested that those who do not support using reserves should look at Ogunquit’s Sewer District where a major reserve is being built up for specific reasons whereby rate payors are covering costs well into the future.

**7.0      ADJOURN**

At 11:03 a motion was made – 5/0 (Collins / Tourangeau)