



CITY OF SACO, MAINE

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MEMORANDUM

TO: Mayor Michaud and Saco City Council
FROM: Kevin L. Sutherland, City Administrator
DATE: July 6, 2017
RE: **Administrative Updates**

My apologies for this long overdue update to Council. Since the passage of the budget, I've been busy with performance reviews, learning some of the ins and outs of the Finance position, approving job descriptions, and visiting all the new businesses that are opening up here in Saco!

Finally, a State Budget was Adopted

Below is what was sent to me by the Maine Municipal Association. In **bold** is my take on what it means for Saco's budget.

After four failed attempts, a 72-hour state government shutdown, and the convention of four Committee of Conferences tasked with drafting a compromise budget, the FY 2018-19 biennial General Fund budget was finally adopted by two-thirds of both the members of the House and Senate and signed into law by Governor LePage on Tuesday, July 4.

With respect to municipal government, what was negotiated out of the budget is just as important as the initiatives included in the two year funding package. With respect to the issues of greatest concern to municipal officials, the following measures were not enacted as part of the final compromise budget bill.

- Revenue Sharing. The budget does not permanently reduce to 2% the amount of state sales and income tax revenue distributed to municipalities through the revenue sharing program. State law is still on course to restore revenue sharing to 5% of state sales and income tax revenue in FY 2020. **(No local budget impact for FY18)**
- General Assistance. The budget excludes proposed changes to the General Assistance program, which would have made the assistance provided to certain non-U.S. citizens ineligible for state reimbursement. **(No local budget impact for FY18)**

- TANF, SNAP, SSI. The budget excludes the Governor's proposed program eligibility limits (e.g., reduced lifetime limits, ineligibility standards based on felony drug convictions or U.S. citizenship, etc.) for Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP) and Supplemental Security Income (SSI). **(No local budget impact for FY18)**
- BETR to BETE. The budget excludes the Governor's proposal to convert the taxable property currently enrolled in the Business Equipment Reimbursement Program (BETR) to tax exempt status by transferring its enrollment into the Business Equipment Tax Exemption Program (BETE). **(No local budget impact for FY18)**
- Two-way Telecommunications Taxing Authority. The budget excludes the Governor's proposal to shift taxing authority over two-way telecommunication property from the state to the municipalities. **(No local budget impact for FY18)**
- Lodging Tax. Also excluded from the budget is an increase in the lodging tax rate from the current 9% to 10.5%. **(No local budget impact for FY18)**

Several municipally relevant initiatives were enacted as part of the budget, including:

- Retroactive Reduction in Homestead Exemption Reimbursement (April 1, 2017). Under existing law, both the value of the Homestead Exemption provided to all qualifying Maine resident homeowners and the amount of state reimbursement for the lost property tax revenue was increased on April 1, 2017. The value of the exemption increased from \$15,000 to \$20,000 and the state reimbursement from 50% to 62.5%. Despite the fact that some municipalities have already committed taxes according to state statutes, as enacted, the amount of state reimbursement provided to municipalities is retroactively decreased from 62.5% to 50% for the \$20,000 exemption made available to Maine homeowners on April 1, 2017. The Homestead Exemption reimbursement rate for FY 2018 and subsequent fiscal years increases to 62.5%. **(No effect for FY18 as we made this assumption back in January and took the hit at that time. The effect of 50% versus 62.5% was a loss of roughly 200,000 in state revenue for FY18. Had the state approved the 62.5%, we would have seen a revenue increase (or windfall)).**
- 3% Surcharge Repealed. As enacted by the voters of Maine at the November 8, 2016 referendum election, as of January 1, 2017 a 3% surcharge has been assessed on the portion of taxable income that exceeds \$200,000, with the generated surcharge dedicated to support K-12 classroom expenses. The budget repeals the citizen-initiated school funding law. **(No local budget impact for FY18)**
- \$162 million Increase in GPA. The budget appropriates an additional \$162 million (\$48 million in FY 2018 and \$114 million in FY 2019) for K-12 education over the biennium. With one exception, the budget also stipulates that for fiscal years 2018 and 2019, 50% of all unanticipated K-12 funding must be returned to the

contributing school district's member municipalities for the express purpose of reducing the property tax assessment for public education. The exception to the 50% property tax relief requirement pertains only in FY 18 and to school budgets approved by the voters that have earmarked unanticipated state funding for increased expenditures for school purposes. In that case, the use of unanticipated state funding is permitted as approved by the school district voters. **(Still unclear how this will play out for FY18 - waiting for info from the state. Whatever the windfall, I would suggest that be to pay down or pay off the negative fund balance at close of FY18 and at least 50% of any projected revenue for FY19 be used to reduce the tax levy).**

- Redefining 55% of K-12 Education. The budget amends the calculation of the state's share percentage of the total cost of funding K-12 public education to include roughly \$130 million in unfunded actuarial liabilities of the Maine Public Employees Retirement System attributable to teachers. **(Still unclear how this will play out for FY18 - waiting for info from the state)**
- Education Policy Changes - State Funding for School Administration. The budget amends the formula that previously included funding for 50% of the costs of system administration in the calculation of the state's share of K-12 education. As enacted, between FY 18 and FY 20 the state share of administrative costs will be calculated on a per pupil basis, with an incrementally increasing portion of those state revenues targeted for regionalized administrative services. In FY 21 and subsequent fiscal years, only school administrative units that have established regionalized administrative services or are identified as high-performing, efficient school administrative units will be eligible for the system administration allocation. **(Still unclear how this will play out for FY18 - waiting for info from the state)**
- Study of Conserved Lands. The budget directs the Legislature's Agriculture, Conservation and Forestry Committee to study how land owned by nonprofit conservation organizations impact municipalities, the economy and general public. Specifically, the Committee is charged with reviewing the: (1) extent to which landowners make property tax payments, including payments in lieu of taxes, to municipalities; (2) economic impacts of land conservation efforts, including impacts on Maine's tourist industry; (3) community benefits associated with conserved property; and (4) any other issues the Committee determines is relevant to the study. The Committee is directed to hold at three least meetings and to report out its findings no later than February 15, 2018. **(No local budget impact for FY18)**
- County Assessment for Jails. Existing law allows the property tax assessment for county jail operations to increase from one year to the next by either 3% or the county's appropriate "LD 1" growth limitation factor, whichever percentage increase is less. The budget amends the property tax assessment increase limit to the "LD 1" limit or 4%, whichever is less. **(This might have a small impact on the local budget for FY18 – still unclear by how much)**
- County Jail Operations. The adopted budget provides the Department of Corrections with the authority to inspect, review and take custody of county records related to the funding and operations of county jails. The

Department is further directed to submit to the Appropriations Committee and the Criminal Justice and Public Safety (CJPS) Committee plans to restructure the funding and operations of county jails and correctional facilities and prisoner population and capacity. The CJPS Committee is authorized to report out legislation in 2018 implementing the Department's recommendations. **(No local budget impact for FY18)**

- Local Government Efficiency Fund. The Committee's recommendation reduces the appropriation for the Fund for the Efficient Delivery of Local and Regional Services from the proposed \$10 million over the biennium to \$3 million in FY 18 only. **(No local budget impact for FY18, but we will look to apply for some of these funds.)**
- Fund for the Efficient Delivery of Educational Services. The adopted budget appropriates \$10 million over the biennium for the Fund for the Efficient Delivery of Educational Services. **(No local budget impact for FY18, but we will look to apply for these funds)**
- Next Steps. Although the budget is enacted, the Legislature will reconvene sometime next week to complete its work. The items that remain on the Legislature's agenda include roughly 40 bond proposals, initiatives parked on the Appropriation's Table waiting funding before being finally enacted, and the Governor's vetoes, if any. **(No local budget impact for FY18)**

Upcoming Council meeting set for July 17th

At this point in time, we already have a rather long list of items to discuss on the 17th. I thought I'd provide a glimpse as to what is currently on my radar screen for the meeting. Please be sure to meet with me before middle of next week if you questions or concerns. As discussed, we're going to have an hour for workshop ahead of the Council meeting.

Workshop (6pm)

Capital Plan and Bond Questions

Cable Advisory Committee Update

Regular Meeting (7pm)

(2nd & Final) Zoning Ordinance Amendments, portion of I1 to B6

(2nd & Final) Multi-Family Dwelling Units Ordinance

(2nd & Final) Recreational Marijuana prohibition ordinance

Extension the Emergency Ordinance on Medical Marijuana

(First Reading) Ordinance on Medical Marijuana

(First Reading) Paper Streets

(First Reading) Contract Zone – Commercial Riding Stable at 115 Loudon Road

(First Reading) Bond Questions

Department Head Retreat

Last Friday (6/30) – I took the Department Directors out to the Sweetzer facility for a half day retreat/team building exercise. My main goal was to work on communication as well as learning to support each other's weaknesses and rely on each other's strengths. Every department was represented and I would say it was a great success.

Reorganization of City Administration

There is an ever increasing need to communicate - with Council and with the public. In addition to keeping the Council abreast of developments, Administration plays a vital role in assisting departments with projects, grants, and external information. With the demands of this office (and within the budget), I am creating two positions to support this office. A Marketing and Communications Specialist (through an internal search) and a Grants and Projects Specialist (an external search). I will look to eliminate the Executive Assistant role and move phone coverage to the Human Resources Executive Assistant once that role is filled.

Finance Director Search

The position was posted and a large net has been cast. Applications are due this Friday. Our HR Director is out of the office this week, so I won't know how many have come in until then. I have asked our HR Director, a Finance Director from another community, the Mayor, and Councilor Doyle to join me in interviewing potential candidates for the position. In the meantime, I've retained Cheryl's services to help with tax commitment and the beginning steps for our Comprehensive Annual Financial Report.

Grant awarded to Southern Maine Planning and Development Commission (SMPDC)

With support from several river/ocean front communities, SMPDC will be awarded a grant to look at the feasibility of purchasing a dredge for regional dredge and beach nourishment projects. They will be utilizing the Woods Hole Group to assist in the study. The announcement on this has not been officially released, but I wanted to give you a heads up. As we learn more, I will be sure to update.

Leadership Matters

We've been awarded a scholarship through the Public Sector Consortium to participate in the Leadership [Matters program](#). Last December, I participated in a conference at the Lincoln Institute of Public Policy in Cambridge Massachusetts. At the conference I met the director of the Public Sector Consortium. They provide four scholarships for the classroom training piece of the Leadership Matters program to communities in Massachusetts. This year, they have an opening for the first time for a community outside of Mass and they have invited Saco! Through this training opportunity, I hope to provide addition communication, facilitation, and negotiation skills to help us through the update to our zoning ordinance in the spring of 2018.

Appointment to the Portland Area Comprehensive Transportation System (PACTS) Executive Committee

I've been appointed to the PACTS Executive Committee. What is PACTS, the Executive Committee, and what does that mean for Saco?

What is PACTS?

PACTS is the federally-mandated metropolitan planning organization (MPO) for the Portland Region. The federal government established these entities in all urbanized areas of the country in order to improve the coordination of transportation planning and investment decisions by state, municipalities and public transportation organizations.

The PACTS Area includes portions or all of 18 communities: Arundel, Biddeford, Cape Elizabeth, Cumberland, Falmouth, Freeport, Gorham, North Yarmouth, Old Orchard Beach, Portland, Raymond, Saco, Scarborough, South Portland, Standish, Westbrook, Windham and Yarmouth.

PACTS members include the 18 communities, seven public transportation providers, the Maine Department of Transportation (MaineDOT), the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the Maine Turnpike Authority, the Greater Portland Council of Governments, the Southern Maine Planning and Development Commission, other public and private transportation organizations, and interested citizens.

PACTS provides a continuing, coordinated and comprehensive planning process for the Greater Portland urbanized area, and a forum for collaborative decision-making amongst the members. We sponsor and conduct studies, assist other planning agencies, and monitor compliance with federal air quality goals. They also approve the use of FHWA and FTA funds for transportation improvements in the PACTS area. The largest contribution to the funding of our work comes from the FHWA and the FTA. The MaineDOT and all of our member agencies and municipalities also contribute.

What is the Executive Committee?

While the Policy Committee is the final voting body of PACTS, The Executive Committee meets with PACTS staff to organize Policy Committee meetings and to coordinate the work of the PACTS committees; offers recommendations for action to the Policy Committee; and makes certain TIP project changes, including revising the scope of work of funded MPO Allocation and FTA-funded projects. The Executive Committee also performs the annual evaluation of the Executive Director and reports to the Policy Committee, appoints “appointees” to the Planning, Transit and Technical committees, and takes on other responsibilities as requested by the Policy Committee.

What does this mean for Saco?

The former Southern Sub-region representative Larry Mead has become the Vice Chair leaving the spot open for another Southern Sub-region rep. Having two members from our region on the committee will be advantageous in our attempts to see federally funded projects in our area. PACTS has also moved to awarding money to projects with components that take into consideration complete streets, greater emphasis on public transit, and pockets of density. All three of which will be strongly considered in our Comprehensive Plan Update scheduled for review and Council consideration this fall.