

FINANCE & ADMINISTRATION COMMITTEE MEETING

Monday, December 7, 2015

6:00 p.m.

Hampden Town Office

1. Meeting Minutes – November 16, 2015 Meeting
2. Review & Sign Warrants
3. Old Business
 - a. Pine Tree Landfill Post Closure Monitoring – Proposal from Drumlin, LLC and SoilMetrics, LLC
4. New Business
 - a. Transfer Station Swap Shop Building Replacement
 - b. Approval of Expenditure of \$15,000 of Surplus Monies for Cruiser Replacement
 - c. Discussion of Preliminary Findings – FY15 Audit
5. Public Comment
6. Committee Member Comments

FINANCE & ADMINISTRATION COMMITTEE MEETING

Monday, November 16, 2015

MINUTES

Attending:

Mayor David Ryder

Councilor Terry McAvoy

Councilor William Shakespeare

Councilor Greg Sirois

Councilor Stephen Wilde

Town Manager Angus Jennings

Councilor Dennis Marble

Public Safety Director Joe Rogers

Mayor Ryder called the meeting to order at 6:00 p.m.

1. Meeting Minutes

- a. **October 19, 2015**– *Motion by Councilor McAvoy, seconded by Councilor Marble to approve the October 19, 2015 minutes. Unanimous vote in favor.*

- 2. Review & Sign Warrants** – *Warrants were reviewed and signed by Committee members.*

3. Old Business

a. Sale of Surplus Vehicles

- 1. 1996 Ford E-350 Miller/McCoy Ambulance – Public Safety** – *Motion by Councilor Marble, seconded by Councilor Wilde, to recommend sale of the old ambulance for \$3,500.00 which was the best offer received. Unanimous vote in favor.*
- 2. 2007 Ford Crown Victoria – Public Works (formerly Public Safety)** – *Motion by Councilor Marble, seconded by Mayor Ryder, to recommend sale of the old police cruiser for \$500.00 which was the best offer received. Unanimous vote in favor.*

4. New Business

- a. **Interview – Avery Caldwell – Applicant for Board of Assessment Review** – *The applicant for appointment appeared before the Committee and discussed his qualifications including fifteen years in real estate. Mayor Ryder and Councilor Marble thanked him for his interest in serving the community, and the Committee agreed. The Committee unanimously endorsed a recommendation of appointment.*
- b. **Public Safety Grant Acceptance & Approval of Matching Funds** – *Motion by Councilor Shakespeare, seconded by Councilor Marble to accept the Maine Municipal Safety Enhancement grant in the amount*

of \$2000 and to recommend expenditure of \$1,052 from the Matching Grants Reserve Fund. Unanimous vote in favor.

- c. Update regarding Sanitary Sewer System Mapping – Stillwater Environmental Engineering** – Town Manager Jennings read a memo into the record from GIS/IT Specialist Kyle Severance regarding a proposal from Stillwater Environmental Engineering to update the mapping of the Town's sanitary sewer system. Councilor McAvoy noted that this work would be helpful to the DPW Director to comply with Federal stormwater management requirements. Councilor Marble noted that if, in the course of their work, problems were found with the infrastructure, we would be notified. Town Manager Jennings said that, in order to help absorb or offset costs such as these, it will be important to update the Town's policies regarding inspections of tie-ins to the sewer system, and to update the fee structure. Motion by Councilor Marble, seconded by Councilor Wilde to refer the proposal to the Council with a recommendation for acceptance. Mayor Ryder noted that, because the work is budgeted and the amount of the contract will be less than \$5,000, Council approval isn't needed. Town Manager Jennings explained that, because the funding for this work was recently re-allocated from The Bus line item to a newly created stormwater line item through a budget adjustment, this was brought forward so the Council is aware of how the funding is helping the Town comply. Councilor Marble's motion was approved unanimously.
- d. Review of MRC Draft Agreement for Municipal Solid Waste Management Starting in 2018** – Town Manager Jennings reported to the Council regarding a working meeting that was held last week, and attended by the DPW Director, Councilor McAvoy, Councilor Wilde, and resident Ivan McPike, to review the draft legal documents proposed by the Municipal Review Committee (MRC). The Committee discussed the items in the draft memo prepared to convey to MRC the Council's comments on the proposed drafts, which was included in the meeting packet. Discussion items included questions regarding the capacity of Juniper Ridge to handle additional MSW if the Fiberight facility became unavailable; the proposed exclusivity clause; MRC's role under the proposed changes to the bylaw (which have not yet been provided) relative to its historical role representing Hampden and other communities; whether as host community Hampden would be exempt from tipping fees at the Fiberight facility; responsibility for MSW delivery; and acceptable waste. The Committee felt that the draft comments accurately reflected their questions and concerns, but also felt that legal review would be needed prior to entering into any binding agreements. Town Manager Jennings updated the Committee on ongoing efforts by a group of other communities to pursue shared legal review (with resulting reduced cost) focused on issues of common interest to many communities. He will continue to correspond with other Town Managers and, as long as the specific terms of that review

meet Hampden's interests, he will recommend that Hampden participate in this multi-town legal review. The Committee agreed that this would be a good idea. By unanimous consent, the Committee recommended the draft comments be forwarded to the Council for endorsement, then sent to MRC.

5. Public Comment – None.

6. Committee Member Comments – None.

There being no further business, the meeting was adjourned at 6:56 p.m.

Respectfully submitted –

Angus Jennings, Town Manager



Drumlin Environmental, LLC

Hydrogeologic and Engineering Consultants

November 16, 2015

Angus Jennings, Town Manager
Town of Hampden
106 Western Avenue
Hampden, ME 04444

RE: Hampden Technical Consultant – Technical Services for Pine Tree Landfill, Hampden Maine

Dear Mr. Jennings:

Thank you for contacting us to discuss the assistance that Drumlin Environmental, LLC and SoilMetrics, LLC have provided to the Town of Hampden to support technical review of activities at the Pine Tree Landfill (PTL). Since 2004 Steve Rabasca, P.E. of SoilMetrics and I have worked collaboratively in the role of Hampden Technical Consultant to provide technical input on behalf of the Town during operation, closure and post-closure activities at PTL. Steve has generally taken the lead role in reviewing engineering and geotechnical components of the work. I have generally taken the lead role in reviewing environmental and water quality components of the work.

You have requested that we provide the Town with a scope and budget to continue providing Hampden Technical Consultant review services to the Town and we would be glad to do this. Specifically, you requested that we provide a scope and budget estimate for the tasks described below.

1. Task 1 will involve reviewing Annual Reports and other documents prepared by Casella and the Maine Department of Environmental Protection (MDEP) covering the period since our previous review memorandum of December 2013. We will review the 2013 and 2014 Annual Reports as well as memoranda prepared by the MDEP project management and technical staff. This will include review of the supplemental residential well sampling that was conducted by Casella in 2014 at the request of the MDEP. It will also include review of any relevant water quality information in the June 2015 CDC report. Based on our review, we will prepare an update to the Town similar to the December 2013 memorandum. The estimated cost for this review would be \$3,000.
2. Task 2 would be an optional meeting with the Town Infrastructure Committee or Town Council. If this would be helpful, we would prepare a presentation of the findings of the review and meet to discuss questions from town officials and the public. The estimated cost for a meeting with a presentation would be \$1,000.
3. Task 3 would be annual review of on-going activities and data from PTL. This would include review of the Annual Report and associated MDEP comments. It would also include review of ancillary information or conditions that might arise during a particular year. A baseline cost for this annual review is estimated to be

in the range of \$2,500 to \$3,000. If there are additional environmental or engineering issues that arise, the cost may be higher, depending on the level of review and input required.

We understand that 2015 would be the 5th year of post-closure monitoring and operations for PTL. There is generally a 5-year review cycle that is part of the 30-year post-closure period. As part of this 5 year review, it is possible that Casella will propose changes to the current post-closure monitoring plan. Involvement in reviewing and providing comments on any proposed changes may increase the level of review activity in 2016.

The costs discussed above are estimates based on our familiarity with the PTL site and typical documentation. We propose to conduct the actual work on a time and material basis in accordance with Drumlin's Terms and Conditions for Technical Services, which is attached. The rate for professional services for Drumlin and SoilMetrics for 2015 and 2016 is \$90/hr.

We are glad to continue assisting the Town of Hampden in monitoring the post-closure conditions at PTL. If you have any questions, please call me at any time at (207) 771-5546 or my cell at (207) 242-2812. I would be glad to discuss this work further.

If you would like us to proceed with the work, please sign below and return an executed copy via fax or e-mail for our records.

Very truly yours,

Drumlin Environmental, LLC



Matthew D. Reynolds. P.E., C.G.
Senior Member

Accepted, Name _____ Title _____ Date _____

Encl: Drumlin Terms and Conditions

DRUMLIN ENVIRONMENTAL, LLC
STANDARD TERMS AND CONDITIONS FOR TECHNICAL SERVICES

SCOPE OF SERVICES. DRUMLIN ENVIRONMENTAL, LLC shall provide technical services for the project in accordance with these terms and conditions, which together with the authorized scope of services and budget for the project, constitutes the Entire Agreement between DRUMLIN ENVIRONMENTAL, LLC and the client and supersedes any other written and or oral agreement.

GENERAL CAVEAT. Unanticipated subsurface conditions and unforeseen occurrences and distribution of hazardous substances in the subsurface are commonly encountered and cannot be fully predicted by samples, borings or test pits. Such unexpected conditions frequently require that additional work be undertaken to successfully complete a project. Therefore, a contingency fund is identified in project proposals developed by DRUMLIN ENVIRONMENTAL, LLC.

RIGHT OF ENTRY. The client will provide for the right of entry of DRUMLIN ENVIRONMENTAL, LLC and all necessary equipment, in order to complete the work. While DRUMLIN ENVIRONMENTAL, LLC will take all reasonable precautions to minimize any damage to the property, it is understood by the client that in the normal course of work some damage may occur, the correction of which is not part of the Agreement.

UTILITIES. In the prosecution of work, DRUMLIN ENVIRONMENTAL, LLC will take all reasonable precautions to avoid damage or injury to subterranean structures or utilities. The client agrees to hold DRUMLIN ENVIRONMENTAL, LLC harmless for any damages to subterranean which are not called to DRUMLIN ENVIRONMENTAL, LLC's attention by the owner/client or the local agency coordinating subsurface utility information (e.g., Dig Safe) or which are not correctly shown on the plans furnished. This paragraph does not apply to the conduct of a Phase I ESA.

SAMPLES. All samples of geologic media or other materials collected from the site will be disposed of 30 days after submission of our report unless you make other arrangements. We will either (1) dispose of such samples by contract with a qualified waste disposal contractor; or (2) will ship such samples to a location selected by you for final disposal. You agree to pay all costs associated with the storage, transport, and disposal of samples, and to indemnify DRUMLIN ENVIRONMENTAL, LLC for any liability arising there from. This paragraph does not apply to the conduct of a Phase I ESA.

INVOICES AND CHARGES. Invoices will be submitted by DRUMLIN ENVIRONMENTAL, LLC on two to four (2-4) week periods or at the completion of a project. Payment shall be made by the client within thirty (30) days of receipt of invoice. Payments due DRUMLIN ENVIRONMENTAL, LLC under this Agreement shall be subject to interest of one and one-half percent (1 1/2%) per month commencing thirty (30) days after the date of invoice. If the client does not make prompt payments, DRUMLIN ENVIRONMENTAL, LLC may suspend services on the basis of non-performance on the part of the client. When such progress payments are restored, DRUMLIN ENVIRONMENTAL, LLC will continue services.

Charges for technical and administrative personnel are computed by multiplying the direct salary cost by a factor that includes the cost of benefits and overhead. The direct salary cost equals gross salary only and does not include fringe benefits. For calendar year 2015, the rate for Richard Fortin and Matthew Reynolds of DRUMLIN ENVIRONMENTAL, LLC is \$90 per hour. Preparation and participation in deposition and trial proceedings will be billed at \$125 per hour. Junior technical staff and clerical are charged at the rate of \$35 per hour.

Company and personal vehicles used in conjunction with project work will be charged at the rate of \$0.56 per mile. In the event that rental vehicles are used for project work, the rental car invoice will be charged at cost. Printing, reproduction, binding, permits, tolls, lodging, meals, and similar project-related expenses will be billed at cost plus 10 percent. Communications (telephone, fax, e-mail, etc.) will be billed at 4 percent of labor costs.

SERVICES OF OTHERS. On occasion, DRUMLIN ENVIRONMENTAL, LLC engages the specialized services of individual consultants or other companies to participate in a project. When considered necessary, these firms or other consultants will be used with your approval. The cost of such services will be included in our invoice.

ON-SITE SERVICES DURING PROJECT CONSTRUCTION. Should DRUMLIN ENVIRONMENTAL, LLC's services be provided on the job site during project construction, cleanup or other site activities, it is understood that, in accordance with generally accepted construction practices, the construction contractor will be solely and completely responsible for working conditions on the job site, including safety of all persons and property during the performance of the work, and compliance with OSHA regulations, and that these requirements will apply continuously and not be limited to normal working hours. Any monitoring of the contractor's performance conducted by our personnel is not intended to include review of the adequacy of the contractor's safety measures in, on or near the construction site. It is further understood that field services provided by our personnel will not relieve the contractor of his responsibilities for performing the work in accordance with applicable laws and regulations and with the plans and specifications. This paragraph does not apply to the conduct of a Phase I ESA.

TEST BORINGS AND OTHER EXPLORATIONS. To perform test borings and other explorations, we will engage a contractor or contractors experienced in this work. The contractor's invoice plus a ten percent (10%) service charge will be added to our fee. Alternatively, at your request, we can arrange for you to enter into a direct contract with the contractor. In that event, invoices for these outside services will be mailed to you for your direct payment to the contractors. We can provide review of each direct contract invoice, at your request. With your approval, we will select a contractor or contractors for this work but cannot undertake to guarantee or be responsible for their performance or the accuracy of their results. This paragraph does not apply to the conduct of a Phase I ESA.

OWNERSHIP OF DOCUMENTS. All reports, boring logs, field data, field notes, laboratory test data, calculations, estimates, and other documents prepared by DRUMLIN ENVIRONMENTAL, LLC as instruments of service, shall remain the property of DRUMLIN ENVIRONMENTAL, LLC. Clients agree that all reports and other work furnished to the client or his agents, which are not paid for, will be returned upon demand and will not be used by the client for any purpose whatsoever. DRUMLIN ENVIRONMENTAL, LLC will retain all pertinent records relating to the services performed for a period of five (5) years following submission of the report, during which period the records will be made available to the client at all reasonable times.

STANDARD OF CARE. Services performed by DRUMLIN ENVIRONMENTAL, LLC under this Agreement will be conducted in a manner consistent with that level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions. No other warranty, express or implied, is made.

Client recognizes that subsurface conditions may vary from those encountered at the location where borings, surveys, or explorations are made by DRUMLIN ENVIRONMENTAL, LLC and that the data, interpretations and recommendations of DRUMLIN ENVIRONMENTAL, LLC are based solely on the information available to DRUMLIN ENVIRONMENTAL, LLC. DRUMLIN ENVIRONMENTAL, LLC will be responsible for these data, interpretations, and recommendations, but shall not be responsible for the interpretation by others of the information developed. This paragraph does not apply to the conduct of a Phase I ESA.

In accepting this Agreement for consulting services, you acknowledge the inherent risk associated with oil, hazardous, radioactive, toxic, irritant, pollutant or otherwise dangerous substances or conditions as well as with construction.

INSURANCE. Insurance policies are maintained by DRUMLIN ENVIRONMENTAL, LLC to cover contracted work. We will furnish information and certification at your request. We will not be responsible for any loss, damage or liability beyond the amounts, limits, exclusions and conditions of such insurance. We will not be responsible for any loss, damage or liability arising from your negligent acts, errors and omissions and those by your staff, consultants, contractors and agents or from those of any person for whose conduct we are not legally responsible.

LIMITS OF LIABILITY. DRUMLIN ENVIRONMENTAL, LLC's liability for damages due to professional negligence will be limited to amount of the contract or \$25,000, whichever is greater.

Client further agrees to notify any contractor and subcontractor who may perform work in connection with any design, report or study prepared by DRUMLIN ENVIRONMENTAL, LLC of such limitation of professional liability for design defects, errors, omissions, or professional negligence, and to require as a condition precedent to their performing their work, a like indemnity and limitation of liability on their part as against DRUMLIN ENVIRONMENTAL, LLC.

ASSIGNS. Neither the client nor DRUMLIN ENVIRONMENTAL, LLC may delegate, assign, sublet or transfer his duties or interest in this Agreement without the written consent of the other party. Nothing herein shall be construed to give any rights or benefits hereunder to anyone other than the client and DRUMLIN ENVIRONMENTAL, LLC.

CONFIDENTIALITY. We will hold confidential all business or technical information obtained or generated in the performance of services under this Agreement. We will not disclose such information without your consent except to the extent required for (1) performance of services under this Agreement; (2) compliance with professional standards of conduct for preservation of the public safety, health, and welfare; (3) compliance with any court order or governmental directive; and/or (4) protection of DRUMLIN ENVIRONMENTAL, LLC against claims or liabilities arising from the performance of services under this Agreement. Our obligations hereunder shall not apply to information in the public domain or lawfully acquired on a non-confidential basis from others.

INDEMNITY. It is understood and agreed that, in seeking our consulting services under this Agreement, you are requesting us to undertake potentially uninsurable obligations for your benefit involving the presence or potential presence of hazardous substances. Therefore, you agree to hold harmless, indemnify, and defend us from and against all claims, losses, damages, liability, and costs, including but not limited to costs of defense arising out of or in any way connected with the presence, discharge, release, or escape of contaminants of any kind, excepting only such liability as may arise out of our sole negligence in the performance of services under this Agreement. This paragraph does not apply to the conduct of a Phase I ESA.

TERMINATION. This Agreement may be terminated by either party upon seven (7) days written notice in the event of substantial failure by the other party to perform in accordance with the terms hereof. Such termination shall not be effective if that substantial failure has been remedied before expiration of the period specified in the written notice. In the event of termination, DRUMLIN ENVIRONMENTAL, LLC shall be paid for services performed to the termination notice date plus reasonable termination expenses.

In the event of termination, or suspension for more than three (3) months, prior to completion of all reports contemplated by this Agreement, DRUMLIN ENVIRONMENTAL, LLC may complete such analyses and records as are necessary to complete its files and may also complete a report on the services performed to the date of notice of termination or suspension. The expenses of termination or suspension shall include all direct costs of DRUMLIN ENVIRONMENTAL, LLC in completing such analyses, records and reports.

MEDIATION. In an effort to resolve any conflicts that arise during the design or construction of the project or following the completion of the project, the Client and DRUMLIN ENVIRONMENTAL, LLC agree that all disputes between them arising out of or relating to this Agreement shall be submitted to nonbinding mediation unless the parties mutually agree otherwise. The Client and DRUMLIN ENVIRONMENTAL, LLC further agree to include a similar mediation provision in all agreements with independent contractors and consultants retained for the project and to require all independent contractors and consultants also to include a similar mediation provision in all agreements with subcontractors, subconsultants, suppliers or fabricators so retained, thereby providing for mediation as the primary method for dispute resolution between the parties to those agreements.



4a

Angus Jennings <townmanager@hampdenmaine.gov>

Fwd: Shed quote

1 message

Sean Currier <publicworks@hampdenmaine.gov>

Wed, Oct 7, 2015 at 8:13 AM

To: David Ryder <rydertowncouncil@hampdenmaine.gov>, Angus Jennings <townmanager@hampdenmaine.gov>

Please see the attached quote. The building they have in stock is all steel and ready for delivery. I believe our cost (no tax and the 200 off) would be approx. \$4800 including delivery. The other place I rec'd a quote from was very close to this price but a 4-5 week wait time. Second quote attached is for a wood sided building not steel and would also be 4-5 weeks out.

Should we proceed and where would the building funding come from?

Thanks,

Sean

Sean Currier
Public Works Director
Town of Hampden
106 Western Avenue
Hampden, ME 04444
(207)862-3337

—— Forwarded message ——

From: **Ed and Joan Lukacik** <topnotchl@hotmai.com>

Date: Tue, Oct 6, 2015 at 2:04 PM

Subject: Shed quote

To: "publicworks@hampdenmaine.gov" <publicworks@hampdenmaine.gov>

Sean Currier:

I have attached the shed we discussed that we have in stock. This shed is a year and a half old hold over; therefore we can discount \$200.00 off the listed price on the invoice. This shed can be delivered as soon as you are ready for it.

I have also attached a quote for our standard 12/16 Aframe with a roll up 6' x 6'6" door. This one we would have to build for you with a 5 week lead time. It takes 4 weeks to get the roll up door.

Look them over. Let us know how we can get you into a shed.

Joan

Ed's Sheds

Office 207-738-5315, cel 794-5121

2 attachments

 **Hampden quote in stock 12 16 all steel.docx**
130K

 **Hampden quote 12 16 AF.docx**
60K

ED'S SHEDS
 Office: 223 Danforth Rd
 Carroll Plt, Me 04487
 Office/Sales 207-738-5315

Showroom: 20 Access Rd, Chester, Me
 2171 Broadway, Bangor, Me

Cel: 207-794-5121/ 207-794-5021

Customer Name:
 Address:
 Phone #:

ORDER DATE:
 APPROX DELIVERY DATE:
 PID # 14AF3

MODEL	SHED COLOR	ROOF
12/20 Aframe	Grey- Steel	Steel- Ivy Green

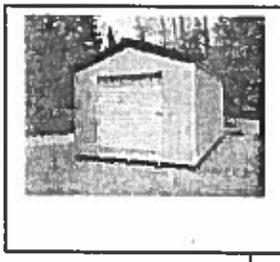
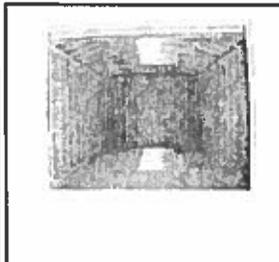
DESCRIPTION: \$3580.00

12/20 AFRAME

- Smartside Siding
- 5 4" x 4" Pressure Treated Skids
- 2" x 4" Construction 16" oc
- Vented
- Steel Sided 537.00
- 10' Skylite 125.00
- 6' x 6'5" Roll up door 550.00

Warranty- We stand behind our buildings.
 They carry manufacturers' warranty on the following: 30 yrs shingles,
 50 yrs paneling, 25 yrs steel roofing.; Garages- 50 yrs flooring
 & 25 yrs floor joists (option on all other buildings).
 Building placed on non-recommended base voids warranty.

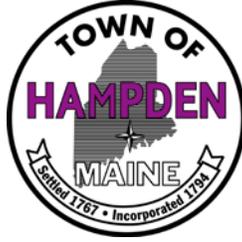
SUB TOTAL \$4792.00
 Sales Tax (5.5%) 263.56
 Total \$5055.56
 Delivery Fee
INVOICE TOTAL



Comments: Delivery Directions

Ed's Sheds is not responsible for any building permits required by the town. We recommend our buildings be placed on a level, compacted gravel base or concrete slab. Deliveries- we are not responsible for any tree cutting or removal of anything in order to place the building in its desired location; nor any damage to any shrubs, grass, etc. There may be an additional charge of \$50.00 per half hour if we are on sight more than 1 hour. Custom built buildings require a 50% non-refundable deposit.

Town of Hampden
106 Western Avenue
Hampden, Maine 04444



Phone: (207) 862-3034
Fax: (207) 862-5067
Email:
townmanager@hampdenmaine.gov

TO: Town Council
FROM: Angus Jennings, Town Manager
DATE: December 3, 2015
RE: Recommended expenditure of "surplus" monies for cruiser replacement¹

In working with the Auditor in recent weeks to review the preliminary FY15 audit, Finance personnel Tammy Ewing and I have identified an item that requires Council action.

As you know, the Town in recent years has routinely budgeted ~\$15-17,000/year to support the purchase of a new police cruiser every two years. These funds have typically been budgeted in the Public Safety Department. As such, in order for such funds to be available for use in a subsequent fiscal year they must be formally carried forward (with such carry-over reflected in the year-end audit).

When the new police cruiser (2016 Chevy Tahoe) was purchased on September 30, 2015, we paid the vendor \$33,345.46. We used \$30,000 from the 1-505-00 designated fund account and \$3345.46 from the Reserve Police Cruiser account. We had erroneously thought that the \$15,000 from FY14 had been carried forward and that the \$15,000 from FY15 had also been carried forward to the current fiscal year's designated fund account.

We have since learned from the auditor that the unexpended \$15,000 cruiser replacement line item from FY14 was never carried forward and, as with any unexpended monies not carried forward, was instead put into the "surplus" account. Because the FY15 is not yet final, we were able to carry forward the unexpended \$15,000 from FY15 (cruiser replacement) so we can use that money to correct the accounting. However, Council approval is required to use "surplus" money of FY14 funds. With the Council's approval to use \$15,000 "surplus" money from FY14, we can make the adjustments in our software to fully reconcile accounting for the purchase.

In the future, we will recommend that the Council budget for the cruiser replacement (and other such items) by funding a reserve account (3-753-00) so that year-to-year carry-forwards will not be necessary. This will eliminate the potential for such situations to arise in the future.

¹ For the record, we do not consider any public monies "surplus" – as we know you do not – but this is the term used by the auditors...

Town of Hampden
106 Western Avenue
Hampden, Maine 04444



Phone: (207) 862-3034
Fax: (207) 862-5067
Email:
townmanager@hampdenmaine.gov

TO: Finance and Administration Committee
FROM: Angus Jennings, Town Manager/Town Treasurer
DATE: December 5, 2015
RE: Initial updates from preliminary FY15 audit

We have received preliminary findings from the FY15 audit, and have been working with the Auditor in recent weeks to integrate the year-end audit adjustments and reconcile our accounting. These adjustments will allow the Auditor to close out the FY15 audit. Once the final audit is received, this will be introduced for review and consideration by the incoming Council.

In the meantime, I am working on a report to bring a few items to your attention that have policy implications for matters currently under consideration (in particular, consideration of sewer fees or revenues) and that will need to be taken into account during FY17 budgeting.

I will present the Finance Committee with my analysis in a preliminary report, and verbally, at Monday's 6 PM meeting. My analysis is primarily focused on the following topics:

- Trends: Sewer revenues, operations costs and debt service
- Current balances due for ongoing sewer operations and maintenance
- Trends: Budgeting for Debt Service
- Trends: Fund Balance draw-downs to reduce Property Tax Commitment
- Trends: Year-End Fund Balances
- Streets and Roads FY16 Reserve Budget

The scope of my review includes the preliminary FY15 audit findings; recent years' financial statements and audits; FY16 budgeting; and FY16 operational expenses. Because of this broad scope covering a number of years, prior to presentation I will review my analysis with our Finance personnel and Auditor during the day on Monday. I want to ensure that this work provides an accurate foundation to help inform FY17 budgeting and 10-year capital planning.

This budgetary and financial analysis is being undertaken in parallel with my office's review, with the Director of Public Works, of the sewer rate structure in order to recommend changes. These recommendations are expected to be ready for the December 21 meeting.

Town of Hampden
106 Western Avenue
Hampden, Maine 04444



Phone: (207) 862-3034
Fax: (207) 862-5067
Email:
townmanager@hampdenmaine.gov

TO: Finance and Administration Committee
FROM: Angus Jennings, Town Manager
DATE: December 7, 2015
RE: Initial updates from preliminary FY15 audit

We have received preliminary findings from the FY15 audit, and have been working with the Auditor in recent weeks to integrate the year-end audit adjustments and reconcile our accounting. These adjustments will allow the Auditor to close out the FY15 audit. Once the final audit is received, this will be introduced for review and consideration by the incoming Council.

In the meantime, I am working on a report to bring a few items to your attention that have policy implications for matters currently under consideration (in particular, consideration of sewer fees or revenues) and that will need to be taken into account during FY17 budgeting.

– Sewer Rates inadequate to support operations and debt service

During the October 2015 discussion of the Fees Ordinance, the Council acknowledged the need for sewer rates to increase, and directed my office with the Director of Public Works to undertake the analysis necessary to recommend specific changes. We are making progress on this analysis, and we are working toward a proposal which may be ready for consideration at the December 21 meeting.

Revenues generated by sewer fees have not fully covered sewer operating and capital costs for several years. In FY14, the Sewer Fund, with revenues of \$531,581 offsetting operating expenses of \$574,728, suffered a net operating loss of \$43,146.

In order to stay current with its obligations, the Sewer Fund (SF) has borrowed funds from the General Fund (GF) over the years through interfund transfers. The amount transferred was \$242,198 in FY14, a significant increase from \$9,034 per the FY13 audit. The FY12 audit shows a transfer of \$161,765 from the GF to the SF.

The need for last year's interfund transfer was compounded by unbudgeted expenses in FY15 (i.e. \$21,000 for a burst pipe on Route 1A, \$9,700 for manhole replacements, \$13,500 for a pump grinder replacement at the Souadabscook pump station). Because of this, and prior years' transfers, sewer reserve funds have been substantially depleted.

The Auditor, who completes municipal audits in many communities, advises that interfund transfers are not uncommon, and are a somewhat routine part of municipal

budget management to respond to cash flow issues, unanticipated expenses, etc. However, the combination of the amount of the transfers, and the fact that sewer rates year-to-year have not generated revenues to cover sewer operating and capital costs – meaning the shortfall will continue on an ongoing basis until revenues and costs are brought into balance – this issue needs to be addressed promptly to avoid further depletion of the GF. As noted above, proposed sewer rates, which are one part of the recommended resolution, will be ready for review as early as December 21.

Based on the preliminary FY15 audit it appears that progress was made toward lessening the cumulative amount of the interfund balance; however, a true accounting of the total amount due from SF to GF will await completion of the final FY15 audit. More information will be provided at future meetings as available.

– Budgeting for Debt Service

When it became apparent to me that SF revenues were not covering sewer related debt service, I prepared a summary of the town's total current debt service obligations and budgeting to ensure an overall understanding of the situation. The attached table entitled "*Town of Hampden Debt Service Analysis, working draft of 12-7-15,*" illustrates the situation.

The FY16 SF Budget carries \$387,000 for principal and interest payments on sewer debt service, which covers the \$378,092 in debt service obligations for the current fiscal year. However, as has been discussed, sewer revenues do not cover budgeted operating expenses and debt service, so this budgeted number does not correspond to actual projections of sewer revenues. Additional revenues will be required in order for the SF to be financially self-sufficient.

The attached table illustrates another notable item. The 2000 bond issue which supported road construction and utility line extensions to the Business Park obligate payments of \$117,282 in FY16, with continuing obligations through 2020 (FY21). However, the approved FY16 budget does not account for this obligation. In fact, since FY12, the debt service payments on this bond have been paid from the Host Community Benefits (HCB) account and, as a result, the balance in that account is dropping quickly.

Just as was the case with the interfund transfers described above between the GF and the SF, the cumulative amount of HCB payments toward debt service (\$565,696 as of FY14 audit) show up in the audit as assets, marked "Due from Other Funds." However, needless to say, these revenues will only become assets to the HCB account – and to the GF – once a revenue structure is in place for the SF which will enable it to not only keep current with operating costs and debt service, but also to repay the interfund transfers over a period of time.

Town of Hampden Debt Service Analysis, working draft of 12-7-15

Purpose Proprietary	Bond Series	Maturity Date	Remaining Balance (Year-End FY14)	FY16 Debt Service Due	FY16 Debt Service Budgeted	Notes
1996 Sewer SRF	1997 A	10/1/2017	\$ 358,915	\$ 96,348		The SF budget carries \$387,000 in FY15, which covers the SF commitments for FY15. However, because revenues don't cover the SF budget, payment of sewer debt service will require additional revenues.
2006 Sewer Construction Bond	2006 C	11/1/2026	\$ 947,371	\$ 103,990		
2010 Route 1A Sewer Bond		7/29/2029	\$ 1,512,492	\$ 108,537		
2014 Sewer Project	2014 A	11/1/2034	\$ 902,050	\$ 69,217		
			<u>\$ 3,720,828</u>	<u>\$ 378,092</u>	<u>\$ 387,000</u>	

General Obligation	Bond Series	Maturity Date	Remaining Balance (Year-End FY14)	FY16 Debt Service Due	FY16 Debt Service Budgeted	Unbudgeted Debt Service	Notes
2000 Road Construction & Line Extensions (Business Park)	2000 D	11/1/2020	\$ 630,000	\$ 117,282	\$ -	\$ 117,282	Debt service has been paid from Host Community Benefits Fund beginning FY12.
2002 Fire Station	2001 D	11/1/2021	\$ 674,400	\$ 111,970	\$ 111,970		
2006 Gravel Roads	2006 B	11/1/2015	\$ 166,668	\$ 84,167	\$ 84,167		Debt extinguished; cancelled bond received 11/9/15
2011 Mayo Road Bond	2010 F	11/1/2030	\$ 1,551,250	\$ 123,822	\$ 123,821		
			<u>\$ 3,022,318</u>	<u>\$ 437,241</u>	<u>\$ 319,958</u>	<u>\$ 117,283</u>	Remaining revenues in HCB cover FY16 obligations, but inadequate to extinguish remaining balance.

Sources:

Town of Hampden Financial Statements with Independent Auditor's Report, FY11, 13 and 14.

Town of Hampden General Fund and Sewer Fund FY15 and FY16 budgets.

– Balances Due for Ongoing Sewer Operations and Maintenance

As this work with the Auditor was ongoing, my office became aware of past due amounts to the City of Bangor, with whom we contract for Wastewater Treatment and for maintenance of Hampden’s Sewer Pump Stations. The invoices were dated October 31, 2014 (for period of service 1/1/14 to 6/30/14), November 18, 2014 (for 7/1/14 to 10/31/14), and March 6, 2015 (for 11/1/14 to 2/28/15), and the total amount due was \$293,938. More recently, we received an invoice dated October 27, 2015 (for 3/1/15 to 6/30/15), showing an additional \$98,603 due.

We have since paid the first of the four invoices (10/31/14) in the amount of \$94,535, drawing from sewer monies received for the third quarter of 2015. However, the current balance in the SF is not adequate to pay the other invoices. I am currently evaluating our options to pay these outstanding amounts. Additional interfund transfers will be looked at as an option, but because of the declining balances in the GF over the years this can be expected to create (or worsen) cash flow challenges. The Tax Anticipation Note (TAN) issued in September affords us a \$2M line of credit which we have not yet drawn from, and which is available, but because any funds borrowed through the TAN will come due by June 30, 2016, this will only help with the near-term challenge. A more complete resolution is required, and my office is working to prepare options for consideration by the Council.

– Year-End Fund Balances have fallen steadily in recent years

As referenced above, the Town’s year-end fund balances have fallen steadily in recent years, in part as a result of issues discussed above. Audits from recent years show the following year-end fund balances:

FY14 \$3.14M
FY13 \$3.57M
FY12 \$4.81M
FY11 \$5.42M

This amount will be determined for FY15 upon completion of the audit.

– Routine draw-downs of Fund Balances have directly reduced Property Tax Commitment

Interestingly, during this period of time, one contributing factor to the declining overall fund balances has been the Council’s annual draw from the fund balances in order to reduce the amount of the property tax commitment. Audits from recent years show the following “Beginning Fund Balance Used to Reduce Tax Commitment:”

FY15 \$500,000
FY14 \$550,000

FY13 \$661,350

FY12 \$455,000

FY11 \$332,500

During my work on the FY17 budget I'll look closely at whether, and at what level, further draw-downs may occur while maintaining a sustainable overall financial strategy.

- Streets and Roads FY16 Reserve Budget was fully depleted before FY16 began
The Town Council approved \$100,000 in the FY16 budget for Streets and Roads. However, because of two invoices from Maine DOT received in the fourth quarter of FY15 (as the local match for Route 1A projects approved in FY12 and FY14) totaling approx. \$122,000, the FY15 year-end deficit in that line item exceeded the \$100,000 budgeted. I have therefore advised DPW Director Currier that no reserve funds will be available for Streets and Roads in the current fiscal year. Annual funding received from Maine DOT will allow some work on streets and roads to go forward, but the work program will be planned based on a budget that is lower than standards in recent years.

In preparing budget message, which will kick off the FY17 budgeting process anticipated for the Council's second meeting in January, I will work with Finance staff and key Department Heads to prepare options for Council consideration for a comprehensive approach to implementing a sustainable financial plan to meet current obligations, ongoing operations and future policy and capital objectives.

In the meantime, I will keep the Finance Committee apprised of this continuing analysis and findings in support of present operations and future budgeting.