



HAMPDEN TOWN COUNCIL
HAMPDEN MUNICIPAL BUILDING
AGENDA

TUESDAY

FEBRUARY 16, 2016

7:00 P.M.

• 6:00 pm – Finance & Administration Committee Meeting

- A. PLEDGE OF ALLEGIANCE
- B. CONSENT AGENDA
 - 1. SIGNATURES
 - 2. SECRETARY'S REPORTS
 - a. February 1, 2016 Meeting Minutes
 - 3. COMMUNICATIONS
 - a. Penobscot-Downeast Cable Television Consortium – Broadcast Equipment Reimbursement
 - b. DHHS – General Assistance Review
 - c. DHHS – MaineCare Estate Recovery Program
 - d. Fresh Ginger Restaurant – Victualers License Renewal
 - e. Maxim Fitness Studio & Health Spa – Victualers License Renewal
 - 4. REPORTS
 - a. Finance Committee Minutes – 1/19/2016
 - b. Services Committee Minutes – 1/11/2016
- C. PUBLIC COMMENTS
- D. POLICY AGENDA
 - 1. NEWS, PRESENTATIONS & AWARDS
 - 2. PUBLIC HEARINGS
 - a. Amendments to Fees Ordinance – Article 2.9 Sewer Rates
 - 3. NOMINATIONS – APPOINTMENTS – ELECTIONS
 - a. Aimee Smith – Reappointment to Board of Appeals – Finance Committee Recommendation

NOTE: The Council will take a 5-minute recess at 8:00 pm.

4. UNFINISHED BUSINESS

- a. License Plate Issuance Policy Review – Finance Committee Recommendation
- b. Goals & Objectives Update

5. NEW BUSINESS

- a. Library Lighting & Electrical Work Bid Results – Finance Committee Recommendation
- b. Confirmation of Town Manager’s Appointment of Town Clerk
- c. Appointment of Finance & Administration Committee Chair

E. COMMITTEE REPORTS

F. MANAGER’S REPORT

G. COUNCILORS’ COMMENTS

H. ADJOURNMENT



TOWN OF HAMPDEN PUBLIC HEARING NOTICE SEWER RATES

TAKE NOTICE: The Town of Hampden hereby gives notice pursuant to section 2.9 of the Town of Hampden Fees Ordinance, that the Town Council will conduct a public hearing at 7:00 pm on Tuesday, February 16, 2016 at the Hampden Municipal Building, 106 Western Avenue, for the purpose of receiving information and comments concerning Town of Hampden sewer rates. Sewer rates will be established by the Town Council based on information and comments received at the public hearing.

Denise Hodsdon
Town Clerk

**TOWN OF HAMPDEN, MAINE
FEES ORDINANCE**

TABLE OF CONTENTS

ARTICLE 1- ADMINISTRATION	3
ARTICLE 2 - FEES FOR ACTIVITIES REGULATED BY TOWN ORDINANCE	4
ARTICLE 3 – FIRE DEPARTMENT	8
ARTICLE 4 – POLICE DEPARTMENT	9
ARTICLE 5 – PUBLIC WORKS DEPARTMENT	10
ARTICLE 6 – RECREATION	11
ARTICLE 7 – LIBRARY	12
ARTICLE 8 - POOL	13
ARTICLE 9 – ANNUAL REVIEW BY TOWN COUNCIL	15

ADOPTED: Hampden Town Council October 20, 1986
Effective: November 19, 1986

AMENDED: Hampden Town Council December 7, 1987
Effective: January 5, 1988

AMENDED: Hampden Town Council March 21, 1991
Effective: April 21, 1991

AMENDED: Hampden Town Council July 6, 1993
Effective: August 5, 1993

AMENDED: Hampden Town Council December 20, 1993
Effective: January 19, 1994

AMENDED: Hampden Town Council May 6, 1996
Effective: June 6, 1996

AMENDED: Hampden Town Council February 7, 1998
Effective: March 18, 1998

AMENDED: Hampden Town Council November 17, 2003
Effective: December 17, 2003

AMENDED: Hampden Town Council March 21, 2005
Effective: April 20, 2005

AMENDED: Hampden Town Council April 4, 2005
Effective: May 4, 2005

AMENDED: Hampden Town Council October 6, 2008
Effective: November 5, 2008

AMENDED:	Hampden Town Council June 15, 2009 Effective: July 15, 2009	
AMENDED:	Hampden Town Council August 3, 2009 Effective: September 2, 2009	
AMENDED:	Hampden Town Council January 19, 2010 Effective: February 18, 2010	
AMENDED:	Hampden Town Council September 19, 2011 Effective: October 19, 2011	8.8.4, 8.9, 8.10, 8.11, 8.15, 8.16.1, 8.16.3, 8.16.5 (new 8.11 added and remainder of Article 8 re-numbered)
AMENDED:	Hampden Town Council April 23, 2012 Effective: May 23, 2012	New 1.13 added and remainder of Article 1 re-numbered, 3.5, 3.6, 3.7, 3.8, 7.2, 7.3, added 7.4 and 7.5
AMENDED:	Hampden Town Staff, November 27, 2012 Effective: December 27, 2012	Deleted Article 8.12 and 8.13
AMENDED:	Hampden Town Council, April 22, 2014 Effective: May 22, 2014	Articles 6.2, 6.3 and 6.4
AMENDED:	Hampden Town Council, September 2, 2014 Effective: October 2, 2014	Articles 8.1, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.8, 8.9, 8.10, and 8.16
AMENDED:	Hampden Town Council, December 1, 2014 Effective: December 31, 2014	Articles 3.1, 3.3, 3.5, 3.7 and 3.8; 3.9 and corrected numbering of Article 3; and Articles 4.2, and 4.4

**TOWN OF HAMPDEN, MAINE
FEES ORDINANCE**

The Town of Hampden hereby ordains:

In addition to those Town fees and charges, the authorization of which is provided for by Town Ordinances, the following schedule of fees for Town services is approved:

**ARTICLE 1
ADMINISTRATION**

Amended 11-17-03, 3-21-05, 6-15-09; 4-23-12

1.1. Business or Corporation filing	State Regulated
1.2. Copy of Certificate (marriage/birth/death)	State Regulated
1.3. Copy of Subdivision Ordinance	At Cost
1.4. Copy of Zoning Ordinance	At Cost
1.5. Copy of other ordinances	
1.5.1. up to 20 pages	\$0.25/page
1.5.2. and a page after that	\$0.15/page
1.6. Photocopies	
1.6.1. 8 ¹ / ₂ inch x 11 inch or smaller	\$0.25/page
1.6.2. 8 ¹ / ₂ inch x 14 inch	\$0.50/page
1.6.3. 11 inch x 17 inch	\$0.75/page
1.7. Marriage License	State Regulated
1.8. Notary Fee	\$3.00
1.9. Record Search	\$5.00/hour
1.10. Recording of Pole Permits	
1.10.1. 1 st page	\$2.00
1.10.2. Additional pages	\$1.00/page
1.11. Tax Maps	
1.11.1. (11 inch x 17 inch)	\$50.00/complete set
1.11.2. (24 inch x 36 inch)	\$4.00 map
1.12. Compact Disk copies of ordinances or documents	\$5.00
1.13. DVD copies of recorded meetings (Added 4/23/12)	\$3.00
1.14. Liquor License (Amended 6/15/09)	
(Public hearing not required)	\$ 50.00
(Public hearing is required)	\$125.00

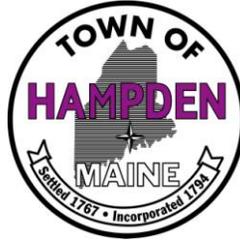
ARTICLE 2
FEES FOR ACTIVITIES REGULATED BY TOWN ORDINANCE

Amended 11-17-03, 3-21-05, 6-15-09, 8-3-09

2.1. Animal Control Ordinance	
2.1.1. Animal Impoundment Fee	\$30.00 for each offense.
2.2. Cable Television Ordinance	
2.2.1. Initial Franchise Application Filing Fee	\$500.00
2.2.2. Renewal Franchise Application Filing Fee	\$500.00
2.2.3. Modification of a Franchise Agreement	\$500.00
2.2.4. Combined Filing Fee for participating towns	\$7,000.00
2.3. Cemetery Ordinance	
2.3.1. Lot Fees including perpetual care.	
2.3.1.1. Resident	\$200.00
2.3.1.2. Resident -Infant or Cremation	\$200.00
2.3.1.3. Non-Resident	\$300.00
2.3.1.4. Non-Resident Infant or Cremation	\$300.00
2.3.2. Interment fees	
2.3.2.1. Grave Openings Weekdays Adult	\$250.00
2.3.2.2. Grave Openings Weekdays Infant or Cremation	\$125.00
2.3.2.3. Grave Openings Weekends or Holidays Adult	\$350.00
2.3.2.4. Grave Openings Weekends or Holidays Infant or Cremation	\$200.00
2.3.3. Town Crypt Fees	
2.3.3.1. Resident	Free
2.3.3.2. Non-Resident	\$25.00
2.3.4. Disinterment	\$800.00
2.3.5. Vault Cremation	\$250.00
2.3.6. Public Works Dept. Labor After 3:00 PM	\$25.00/hour
2.4. Concourse Gathering Ordinance	
2.4.1. Concourse Gathering Permit Fee	\$100.00
2.5. Floodplain Management Ordinance	
2.5.1. Application Fee	\$75.00
2.5.2. Experts Fee	\$500.00 horizontal review \$1,000.00 vertical review and horizontal review. This is a draw account established for a professional to establish flood elevation data where possible. Any unspent funds are to be returned to the applicant
2.6. Harbor Ordinance	
2.6.1. Overnight tie up to public float	\$0.40 per ft. boat hull length.
2.6.2. Private mooring	\$25.00 annual fee.

2.7. Historic Preservation Ordinance	
2.7.1. Certificate of Appropriateness Application Fee	\$75.00
2.7.2. Historic Site or Landmark Designation Ap, Fee	\$150.00
2.8. Mobile Home Park Ordinance	
2.8.1. Annual Mobile Home Park License <i>(This includes application review, initial inspection of premises and a follow-up inspection).</i>	\$150.00
2.8.2. Additional Inspection Fee <i>(If the town needs to perform additional inspections as a result of applicant deficiencies, each inspection will be charged prior to the inspection).</i>	\$100.00
2.9. Sewer Ordinance	
2.9.1. Sewer Service Charge Rate <i>(Amended 8/3/09)</i>	\$4.28 per 100 cubic feet of water (c.f.w.) consumed as indicated by consumer's water meter.
2.9.1.1. Sewer Charge Flat Rate Town Water No Meter	\$64.24
2.9.1.2. Sewer Charge Flat Rate Well Water No Meter	\$105.44
2.9.2. Sewer Service Capital Charge	
2.9.2.1. Base Rate for 1 to 2,999 c.f.w. consumed	\$18.12
2.9.2.2. 3,000 to 5,999 c.f.w. consumed (double base)	\$36.24
2.9.2.3. 6,000 to 8,999 c.f.w. consumed (triple base)	\$54.36
2.9.2.4. Other c.f.w. amount	Divide cubic feet of water consumed by 3,000 and round up to nearest whole number then multiply by \$18.12
2.9.3. Sewer Service Minimum Charge Rate	\$18.12
2.9.4. Sewer Service "Ready to Serve" Charge	\$18.12
2.9.5. Special Sewer Service Charge	As determined by Town Council.
2.9.6. Sewer Service Charge Rate Outside Town Limits	As determined by Town Council
2.10. Solid Waste Flow Control Ordinance	
2.10.1. License Application Fee	\$10.00
2.10.2. Annual License Fee Per Vehicle	\$25.00
2.11. Special Amusement Ordinance	
2.11.1. Permit Application Fee	\$50.00
2.12. Subdivision Ordinance	
2.12.1. Subdivision Sketch Plan	No Charge
2.12.2. Minor Subdivision <i>(Less than 5 lots and no public improvements).</i>	\$35.00 plus \$20.00/acre
2.12.3. Minor Subdivision Review/Inspection Draw	not required.
2.12.4. Major Subdivision Preliminary Plan <i>(Five or more lots and /or public improvements).</i>	\$85.00 plus \$50.00/acre plus \$1,000.00 peer technical review draw account.

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

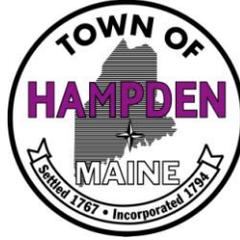
DATE: February 11, 2016

RE: Sewer Rates Public Hearing

Find attached prior correspondences to the Finance and Infrastructure Committees documenting the need for increased sewer rates.

I am working to finalize materials for Tuesday night's public hearing, and will circulate these via email, and upload to the Town website, tomorrow.

Town of Hampden
106 Western Avenue
Hampden, Maine 04444



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

TO: Infrastructure Committee

FROM: Angus Jennings, Town Manager

DATE: January 12, 2016

RE: Sewer Rates

Prior reports have documented the Sewer Fund's financial trends over the past several years (see esp. "Initial updates from preliminary FY15 audit" memo to Finance Committee dated 12/7/15). This memo does not repeat that information, but is intended to provide information to the Committee to inform consideration of changes to the Sewer rate structure (established in the Fees Ordinance) in order to get the Sewer Enterprise Account back onto solid financial footing.

Sewer Fund Financial Structure

At prior meetings it has been presented that, for a number of years, the combination of sewer operating costs and capital costs has exceeded annual sewer revenues by approximately \$200,000/year or more.

The (final review draft) FY15 Audit shows Sewer Fund operating revenues of \$528,165 against expenses of \$786,509 for a Net Operating Loss of \$258,344 (see Audit Exhibit F, attached). In order to meet some of its FY15 financial obligations, the Sewer Fund borrowed \$240,000 from the General Fund through an Interfund Transfer. At FY15 year-end, the total amount due from the Sewer Fund for Interfund Transfers was \$541,666.

In evaluating potential rate changes, I recommend consideration of the following policy objectives:

- 1) Ensure that revenues cover operating and capital costs on an ongoing basis;
- 2) Generate enough revenues over and above Item 1 to enable the Sewer Fund to repay the Interfund Transfers over an established period of time; and
- 3) Re-establish reserve funding to support future system investments, including capital improvements, periodic maintenance, and emergency investments (such as the burst pipe on Route 1A last spring, costing ~\$21,000).

Sewer Fund Rates and Capital Charges

Sewer bills combine two charges: usage charges and capital charges. The usage portion of the bill is based on the customer's water usage (as provided to us, in advance of our quarterly billing, by the Hampden Water District and, for a small number of customers, by the Bangor Water District). Usage is measured in Cubic Feet (CF).

Customers are also billed a tiered capital charge of \$18.12 per 3,000 CF (per the formula in the Fees Ordinance). Customers showing no sewer usage during a particular quarter are still invoiced for the minimum capital charge (\$18.12).

While the information above summarizes the cost structure for most sewer customers, a small number of sewer customers are charged based on a flat rate pursuant to Sec. 2.9.1 of the Fees Ordinance. Specifically:

- Customers of sewer that have private wells, and do not have accounts with Hampden Water District. Because sewer bills are based on records of water usage, sewer customers without water accounts (and therefore without water meter readings) are charged a flat rate of \$105.44. This flat rate was set years ago by the Council in order to reflect the then-average residential sewer bill. Five customers fall into this category.
- Customers of sewer that do have accounts with Hampden Water District, but that don't have water meters, are charged a flat rate of \$64.24.¹

In order to bring sewer costs and revenues back into balance, the Council could revise the usage charge, the capital charge, or both. I recommend that the Council consider whether its policy objective is for the usage charges to cover operating costs and the capital charges to cover capital costs (i.e. debt service). The new rate structure would vary significantly depending on whether this is the policy objective. At Wednesday's meeting we can review these effects in more detail.

Sewer Customer Base

To understand the customer base, we evaluated all sewer customer's usage and billing records, including service and capital charges, for one year (2014, the most recent complete year records).

There are 1,492 customers in our database. The median customer, by usage, was billed for 4,900 CF in 2014. Usage of the 25th percentile customer was 3,000 CF; usage by the 75th percentile customer was 7,300 CF. Average usage – 6,500 CF – is not viewed

¹ There are two customers that fall into this category in our billing system. We are currently researching to ensure that these customers are appropriately classified.

as a good basis for analysis in understanding the customer base because it is skewed by large users. (The largest customer, by usage, was billed for 272,900 CF in 2014).

The following tables summarize the usage and annual costs (usage and total) for the system's 25th percentile, median and 75th percentile customers:

25th percentile usage customer analysis, 2014			
		Bill/Yr (test)	
Usage/Yr (100 CF)	Bill/Yr (current)	Usage	Total
30	\$ 200.88	\$ 128.40	\$ 200.88

Median usage customer analysis, 2014			
		Bill/Yr (test)	
Usage/Yr (100 CF)	Bill/Yr (current)	Usage	Total
49	\$ 282.20	\$ 209.72	\$ 282.20

75th percentile usage customer analysis, 2014			
		Bill/Yr (test)	
Usage/Yr (100 CF)	Bill/Yr (current)	Usage	Total
73	\$ 384.92	\$ 312.44	\$ 384.92

My office has prepared a dynamic sensitivity analysis that will allow the Committee to see the effect of potential changes to the usage and/or capital charges in total, and as it would affect each of the illustrative "customers" profiled above. This calculates how new customer costs would compare with current (2014) costs.

This analytical tool will be available at Wednesday's meeting in order to support the Council's evaluation of potential rate changes, including how any such changes would affect both the bottom line revenues, as well as typical sewer customers.

Cost Trends and Projections

A summary of obligated debt service payments is attached. Aside from debt service, the most significant costs to the sewer fund result from the sewage treatment charges and the maintenance charges paid to the City of Bangor pursuant to the "Interlocal Agreement Between Bangor and Hampden Regarding the Use of Bangor's Wastewater Treatment Plant Complex by Hampden" (2/13/96) and the "Pump Station Maintenance Contract between Bangor and Hampden" (4/6/99). Both of these costs have increased over the years, and the Public Works Director is working closely with the Bangor WWTP

personnel to review charges to ensure they're accurate and appropriate, and to assist us in estimating future costs for budgeting purposes.

In addition, we are working to assign numbers to the following expected contributors to future cost increases:

Bangor Sewer Rate Increases

We have been advised that the City of Bangor is expected to increase its sewer rates by 3-5% for FY17. Hampden's FY15 sewer treatment costs were \$250,000. An increase of 5% to this cost would be an annual increase of approx. \$12,500.

Maintenance Costs

Bangor is responsible for maintenance of Hampden's pump stations through the Pump Station Maintenance Contract. We expect that these costs, which have not been increased in some time, will increase, and one (or maybe two) pump stations would be added for the Fiberright facility. Budgeting should take into account anticipated cost increases.

Bangor Capital Costs

The Bangor Wastewater Treatment Plant is overdue for replacement of the plant's biofiltration system (see 1/6/16 Bangor Daily News article, attached). Based on the terms of Hampden's interlocal agreement with Bangor, the Town expects to be responsible for 8.333% of the cost of capital improvements.² If this is correct, Hampden's share of this \$4.8M project would be \$392,000. Because these costs aren't yet certain, we recommend carrying a budget estimate of \$400,000 for this one-time expense (which, alternatively, may be bonded).

On the revenue side of the ledger, it is worth considering that, if the Fiberright facility moves forward, and if it discharges 150,000 gallons per day into the sewer system, it would generate substantial revenue. We have estimated revenues at between \$226,000 and \$316,000 per year, depending on whether the facility operates 5 days/week or 7 days/week. However, because we are essentially a pass-through, these revenues will be largely absorbed by additional treatment costs due to the City of Bangor

Revenue Needs and Policy Options

The sewer rates were last increased by vote of the Town Council on August 3, 2009, when the usage fee was increased from \$3.28 to \$4.28. No change was made to the

² The interlocal agreement provides for the Town to pay for capital improvements in proportion to its share of purchased plant treatment capacity. Hampden's purchased capacity of 1.5 million gallons/day divided by the plant monthly average flow of 18 MGD equals 8.333%. (Interlocal Agreement, Feb. 13, 1996. Sec. C(12), pg. 13).

capital charge at that time. According to the minutes of that meeting, the 2009 rate change was the first rate increase since 1998.

In preparation for Wednesday's meeting, I have prepared the following policy questions. These are intended to help focus the Committee's consideration on key items that will inform how rate adjustments are prepared. Any rate changes would need to be included in an amended Fees Ordinance, which would be preceded by a public hearing. However, in order to get an updated fee structure in place for the 2016 2nd quarter sewer billing, it will need to be voted by the end of February. Therefore, it will be necessary to make progress toward establishing the Committee's policy objectives.

Policy question 1: Does the Committee agree with the three policy objectives included on the first page of this memo?

Policy question 2: Should Usage and Capital Charges cover Operations and Capital, respectively? Or should revenues from usage fees contribute to capital costs?

Policy question 3: What is the goal for the period of time (number of years) over which the sewer fund should repay the interfund transfers from the General Fund?

Policy question 4: Will the Council budget for the debt service payment for the Business Park from the General Fund, or is the intent to pay this out of the Sewer Fund?

Since FY12, the payments for Bond 2000 D (Road Construction & Line Extensions, Business Park) have been paid out of the Host Community Benefits account. This account is not adequate to extinguish the remaining balance on this bond (bond matures 11/1/20; principal balance \$540,000 as of year-end FY15). Without including this bond payment, the FY17 amount due toward the four sewer bonds currently outstanding will be \$381,455. The debt obligation summary enclosed in the meeting packet projects inclusion of the 2000 D bond payment in the Town budget for FY17.

Policy question 5: When fees are changed, will the Committee also recommend adjusting flat rate sewer customers (see pg. 2 of this memo) to match the projected "average" sewer bill?

Policy question 6: Will the Committee support an increase to the interest rate for late payments, as authorized by the Public Utilities Commission?

Effective January 1, 2016, the allowable interest rate for late payments of utility bills increased to 11.25% (see attached letter from Maine Public Utilities Commission, 11/17/15). Late payments on sewer bills are currently subject to an

interest rate of 7.0%. Will the Council support an increase to the interest rate for late payments, as authorized by the Public Utilities Commission?

Other Sewer Policy Matters

The Infrastructure Committee has previously endorsed the recommendation of the Public Works Director to amend the permit process and fee structure for sewer connections to follow the Bangor model (meeting minutes, 10/26/15). These changes would, among other things, adjust the current \$200 sewer connection fee – which applies the same to a single-family home as it does to a laundromat, hotel or industrial facility – to take into account volume of flows in pricing. We anticipate bringing changes forward for consideration within a public hearing concurrent with the rate hearing.

TOWN OF HAMPDEN
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2015

Exhibit E

	<i>Sewer Enterprise</i>
Assets	
Current Assets:	
Cash and Equivalents	187,899
Investments	7,804
User Fees/Liens Receivable	37,976
Capital Assets:	
Construction Work in Progress	884,701
Other Capital Assets, Net of Depreciation	6,678,109
	<hr/>
Total Assets	7,796,489
	<hr/> <hr/>
Liabilities	
Current Liabilities:	
Accounts Payable	393,516
Accrued Interest Payable	18,622
Retainage Payable	
Due to Other Funds	541,666
Long-term Liabilities:	
Due Within One Year	300,252
Due in More Than One Year	3,168,721
	<hr/>
Total Liabilities	4,422,777
	<hr/>
Net Position	
Net Investment in Capital Assets	3,141,764
Restricted	294,957
Unrestricted	(63,009)
	<hr/>
Total Net Position	3,373,712
	<hr/>
Total Liabilities and Net Position	7,796,489
	<hr/> <hr/>

The notes to financial statements are an integral part of this statement.

TOWN OF HAMPDEN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN PROPRIETARY NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit F

	<i>Budget</i>	<i>Sewer Enterprise</i>	<i>Variance Favorable (Unfavorable)</i>
Operating Revenues:			
Charges for Services	546,133	528,165	(17,968)
Total Operating Revenues:	546,133	528,165	(17,968)
Operating Expenses:			
Repairs	12,000		12,000
Sewer Flush Repairs	500		500
Utilities/Fuel	42,000	41,414	586
Pump Station Contracts	42,000	73,796	(31,796)
Treatment Service Charges	185,000	318,746	(133,746)
Special Projects	10,000		10,000
Liens/Transfers	4,000		4,000
Wages	60,000	60,000	-
Supplies	18,400	13,146	5,254
Depreciation and Amortization		279,407	(279,407)
Total Operating Expenses	373,900	786,509	(412,609)
Net Operating Income (Loss)	172,233	(258,344)	(430,577)
Non-operating Revenues (Expenses)			
Interest Revenue	12,850	12,855	5
Change in Fair Market Value		(541)	(541)
Miscellaneous Income	20,000		(20,000)
Interest Expense	(344,000)	(91,702)	252,298
Total Non-operating Revenues (Expenses)	(311,150)	(79,388)	231,762
Net Income (Loss) Before Contributions and Transfers	(138,917)	(337,732)	(198,815)
Total Net Position - Beginning		3,711,444	
Total Net Position - Ending		3,373,712	

The notes to financial statements are an integral part of this statement.

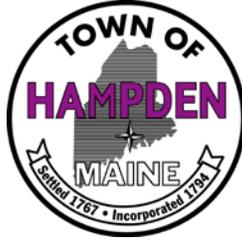
TOWN OF HAMPDEN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit G

	<u>Sewer Enterprise</u>
<i>Cash Flows from Operating Activities;</i>	
Received from Customers	528,165
Payments to Suppliers	(447,102)
Payments to Employees	(60,000)
Other Receipts (Payments)	<u>(197,332)</u>
 <i>Net Cash Provided by (Used in) Operating Activities</i>	 <u>(176,269)</u>
 <i>Cash Flows from Capital and Related Financing Activities</i>	
Purchases of Capital Assets	(353,620)
Principal Paid on Capital Debt	(251,855)
Interest Paid on Capital Debt	<u>(91,702)</u>
 <i>Net Cash Used in Capital and Related Financing Activities</i>	 <u>(697,177)</u>
 <i>Cash Flows from Investing Activities</i>	
Net Purchases / Sales of Investments	143,161
Interest and Dividends	<u>12,855</u>
 <i>Net Cash Provided by (Used in) Investing Activities</i>	 <u>156,016</u>
 <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	 <u>(717,430)</u>
 <i>Balances - beginning of the year</i>	 <u>905,329</u>
 <i>Balances - end of the year</i>	 <u><u>187,899</u></u>
 <i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>	
Operating Income (Loss)	(258,344)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	279,407
Changes in Assets and Liabilities;	
Receivables, net	7,434
Accounts Payable	57,627
Accrued Interest	(377)
Retainage Payable	(22,016)
Due to Other Funds	(240,000)
 <i>Net Cash Provided by (Used in) Operating Activities</i>	 <u><u>(176,269)</u></u>

The notes to financial statements is an integral part of this statement.

Town of Hampden
106 Western Avenue
Hampden, Maine 04444



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

TO: Town Council Infrastructure Committee

FROM: Angus Jennings, Town Manager

DATE: December 23, 2015

RE: Update on Sewer Rates

As you'll recall from the December 7 meeting of the Finance Committee, the revenues generated from our sewer bills have fallen short of actual expenses for many years.

DPW Director Currier and I are working to prepare proposals for consideration by the Infrastructure Committee, and eventually by the Finance Committee and Town Council, to adjust rates in order to cover ongoing operations, repay funds borrowed from the General Fund over the years, and rebuild capital reserves in order to make necessary investments in our sewer infrastructure. As part of this work, we have been actively engaged with the City of Bangor to ensure that their invoices are appropriate based on the terms of our agreements, and to anticipate potential rate increases by the City of Bangor that would affect us. Recent correspondence regarding a potential Bangor rate increase of 5% is enclosed.

Find enclosed two spreadsheets representing budgeted costs and revenues from the Sewer Fund for FY11 to FY16. This illustrates that, on average, costs have exceeded receipts by approximately \$150,000 to \$200,000+ per year.

At Monday's meeting, Director Currier and I will present our work to date with the goal of advancing a process to evaluate and amend sewer rates.

Due to the quarterly billing cycle, and the 30-day lag time after Ordinance amendment before the amendment takes effect, it will be critical to establish a new fee structure no later than February 2016 in order to apply new rates to second quarter billing (April to June) in 2016. Although additional revenues would not be received until July and August 2016, and there are nearer-term cash flow challenges that still need to be resolved, this timeline will help the Sewer Fund get back on a sustainable financial plan.

	Budget 2010/2011	Expended 2010/2011	Budget 2011/2012	Expended 2011/2012	Budget 2012/2013	Expended 2012/2013	Budget 2013/2014	Expended 2013/2014	Budget 2014/2015	Expended 2014/2015 (6/17/15)	Budget 2015/2016	Expended 2015/2016
60 - SEWER												
10 - FUND 2												
01 - COMPENSATION	\$60,000.00	\$65,410.40	\$60,000.00	\$68,188.71	\$60,000.00	\$66,351.23	\$60,000.00	\$65,027.81	\$60,000.00	\$60,225.05	\$60,000.00	
05 - WAGES												
10 - SUPPLIES												
05 - POSTAGE/SHIPPING	\$6,000.00	\$5,887.93	\$6,000.00	\$6,225.98	\$6,000.00	\$5,745.63	\$6,000.00	\$4,955.63	\$6,000.00	\$6,338.95	\$6,000.00	
20 - SUPPLIES/MATERIALS	\$10,000.00	\$6,939.32	\$10,000.00	\$7,530.55	\$10,000.00	\$12,650.82	\$10,000.00	\$11,229.23	\$10,000.00	\$5,814.42	\$10,000.00	
99 - MISC	\$2,300.00	\$2,246.01	\$2,300.00	\$2,340.94	\$2,300.00	\$2,340.94	\$2,300.00	\$2,385.41	\$2,400.00	\$2,400.00	\$2,400.00	
	\$18,300.00	\$15,073.26	\$18,300.00	\$16,097.47	\$18,300.00	\$20,737.39	\$18,300.00	\$18,570.27	\$18,400.00	\$12,153.37	\$18,400.00	\$0.00
15 - UTILITIES												
10 - FUEL	\$36,000.00	\$39,867.02	\$36,000.00	\$31,329.18	\$40,000.00	\$35,219.15	\$40,000.00	\$33,990.45	\$42,000.00	\$40,557.67	\$42,000.00	\$0.00
	\$36,000.00	\$39,867.02	\$36,000.00	\$31,329.18	\$40,000.00	\$35,219.15	\$40,000.00	\$33,990.45	\$42,000.00	\$40,557.67	\$42,000.00	\$0.00
20 - MAINTENANCE/REPAIRS												
53 - Repair	\$12,000.00	\$5,687.00	\$12,000.00	\$6,028.89	\$12,000.00	\$10,560.31	\$12,000.00	\$10,322.65	\$12,000.00	\$0.00	\$12,000.00	\$0.00
	\$12,000.00	\$5,687.00	\$12,000.00	\$6,028.89	\$12,000.00	\$10,560.31	\$12,000.00	\$10,322.65	\$12,000.00	\$0.00	\$12,000.00	\$0.00
30 - PROFESSIONAL SERVICES												
40 - LIENS/TRANSFERS	\$2,800.00	\$2,730.00	\$2,800.00	\$2,314.00	\$2,900.00	\$3,081.00	\$3,500.00	\$3,651.00	\$4,000.00	\$3,877.00	\$4,000.00	\$0.00
	\$2,800.00	\$2,730.00	\$2,800.00	\$2,314.00	\$2,900.00	\$3,081.00	\$3,500.00	\$3,651.00	\$4,000.00	\$3,877.00	\$4,000.00	\$0.00
60 - SEWER EXPENSES												
02 - TREATMENT SERVICE CHARGE	\$175,000.00	\$180,744.90	\$185,000.00	\$231,854.42	\$185,000.00	\$189,940.44	\$185,000.00	\$122,634.00	\$185,000.00		\$185,000.00	
04 - MAIN PUMP STATION CONTRACT	\$38,000.00	\$37,986.42	\$39,000.00	\$39,161.26	\$40,000.00	\$40,372.44	\$41,000.00	\$41,621.08	\$42,000.00		\$42,000.00	
16 - BRINK/INT FMHA	\$442,000.00	\$441,505.43	\$431,000.00	\$430,641.47	\$425,000.00	\$429,578.45	\$419,000.00	\$418,830.20	\$344,000.00	\$321,138.60	\$387,000.00	
72 - SPECIAL PROJ	\$10,000.00	\$0.00	\$10,000.00	\$10,418.00	\$10,000.00	\$6,527.00	\$10,000.00	\$0.00	\$10,000.00		\$10,000.00	
	\$500.00	\$235.43	\$500.00	\$10,418.00	\$500.00	\$6,527.00	\$500.00	\$206.74	\$500.00		\$500.00	
74 - SEWER FLUSHER REPAIRS	\$665,500.00	\$660,472.18	\$665,500.00	\$712,075.15	\$660,500.00	\$656,418.33	\$655,500.00	\$583,292.02	\$581,500.00	\$321,138.60	\$625,500.00	\$0.00
	\$665,500.00	\$660,472.18	\$665,500.00	\$712,075.15	\$660,500.00	\$656,418.33	\$655,500.00	\$583,292.02	\$581,500.00	\$321,138.60	\$625,500.00	\$0.00
	\$794,600.00	\$789,239.86	\$794,600.00	\$836,033.40	\$793,700.00	\$792,367.41	\$789,300.00	\$714,854.20	\$717,900.00	\$432,951.69	\$761,900.00	\$0.00

Sewer Revenue Budget

Account	2010/2011 Budget	2010/2011 Received	2011/2012 Budget	2011/2012 Received	2012/2013 Budget	2012/2013 Received	2013/2014 Budget	2013/2014 Received	2014/2015 Budget	2014/2015 Received 6.16.2015	2015/2016 Budget	2015/2016 Received
60 - SEWER												
01 - SEWER BILLS	\$557,450.64	\$556,957.73	\$554,501.04	\$560,561.76	\$539,560.08	\$552,831.31	\$546,375.68	547368.11	\$546,133.04	562403.88		
03 - INTEREST ON SEWER BILLS	\$2,500.00	\$2,034.67	\$2,000.00	\$1,931.43	\$2,000.00	\$1,988.73	\$2,000.00	\$1,751.83	\$1,850.00	\$1,904.44		
05 - INTEREST/COSTS ON SEWER LIENS	\$6,000.00	\$7,442.59	\$6,000.00	\$6,254.46	\$7,500.00	\$7,843.11	\$8,000.00	\$8,403.53	\$8,500.00	\$9,744.35		
08 - ABATEMENTS	\$0.00	-\$1,461.68	\$0.00	-\$473.82	\$0.00	-\$1,039.48	\$0.00	-\$1,784.19	\$0.00	-\$14,000.43		
23 - INTEREST EARNED ON INVESTMENT	\$3,600.00	\$615.85	\$3,600.00	\$3,825.43	\$2,500.00	\$2,380.16	\$2,500.00	\$56.99	\$2,500.00	\$530.70		
79 - MISC SEWER INCOME	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00		
Final Totals	\$589,550.64	\$585,589.16	\$586,101.04	\$592,099.26	\$571,560.08	\$584,003.83	\$578,875.68	\$565,796.27	\$578,983.04	\$580,582.94		

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		<i>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.</i>
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	<i>Debt service has been paid from Host Community Benefits Fund beginning FY12.</i>
2002 Fire Station	2001 D	11/1/2021	\$ 674,400	\$ 111,970	\$ 111,970		<i>Debt extinguished; cancelled bond received 11/9/15</i>
2006 Gravel Roads	2006 B	11/1/2015	\$ 166,668	\$ 84,167	\$ 84,167		
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>	<i>Remaining revenues in HCB cover FY16 obligations, but inadequate to extinguish remaining balance.</i>

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.