JOINT LEWISTON CITY COUNCIL & SCHOOL COMMITTEE
WORKSHOP AGENDA

Tuesday, December 9, 2014

City Council Chambers

6:00 p.m. Workshop

Pledge of Allegiance to the Flag.
Moment of Silence.

WORK SESSION

1. Discussion with Newly Elected State Legislative Delegation.
2. Any issues Legislators may wish to discuss.
3. Discussion of County Budget Committee and Commissioners' Salaries and Benefits.

EXECUTIVE SESSIONS
Immediately Following Workshop

1. Executive Session regarding consultation with the City Attorney.
2. Executive Session to discuss Acquisition of Property of which the premature disclosure of the information would prejudice the competitive bargaining position of the City.

The City of Lewiston is an EOE. For more information, please visit our website @ www.lewistonmaine.gov and click on the Non-Discrimination Policy.

Workshop

EXECUTIVE DEPARTMENT

Edward A. Barrett, City Administrator
Phil Nadeau, Deputy City Administrator

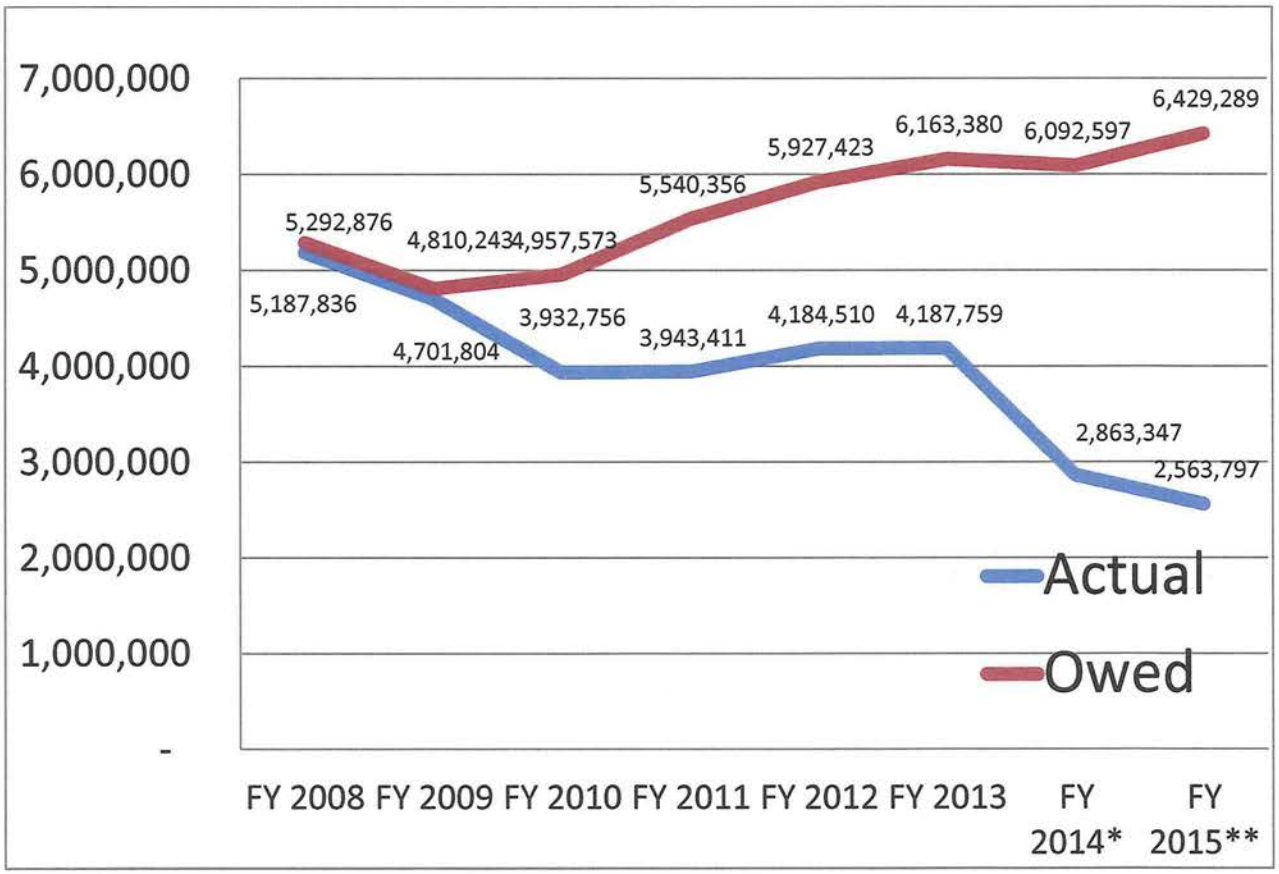
December 3, 2014

To: Members of the Lewiston State Legislative Delegation
Fr: Edward A. Barrett
Su: Legislative Issues

The new legislative session will be underway in the near future, and I would like to take this opportunity to outline our priorities for this session.

1. Preserve and Restore Municipal Revenue Sharing

   By statute, 5% of state sales and income tax revenue is to be distributed to municipalities under the revenue sharing formula. Over the last several Administrations, the State has repeatedly "raided" the revenue sharing fund to balance its own budget. This year, less than half of the statutory amount is going to municipalities. The following chart clearly shows the extent of the impact of the State's raid on the City of Lewiston over the last few years.



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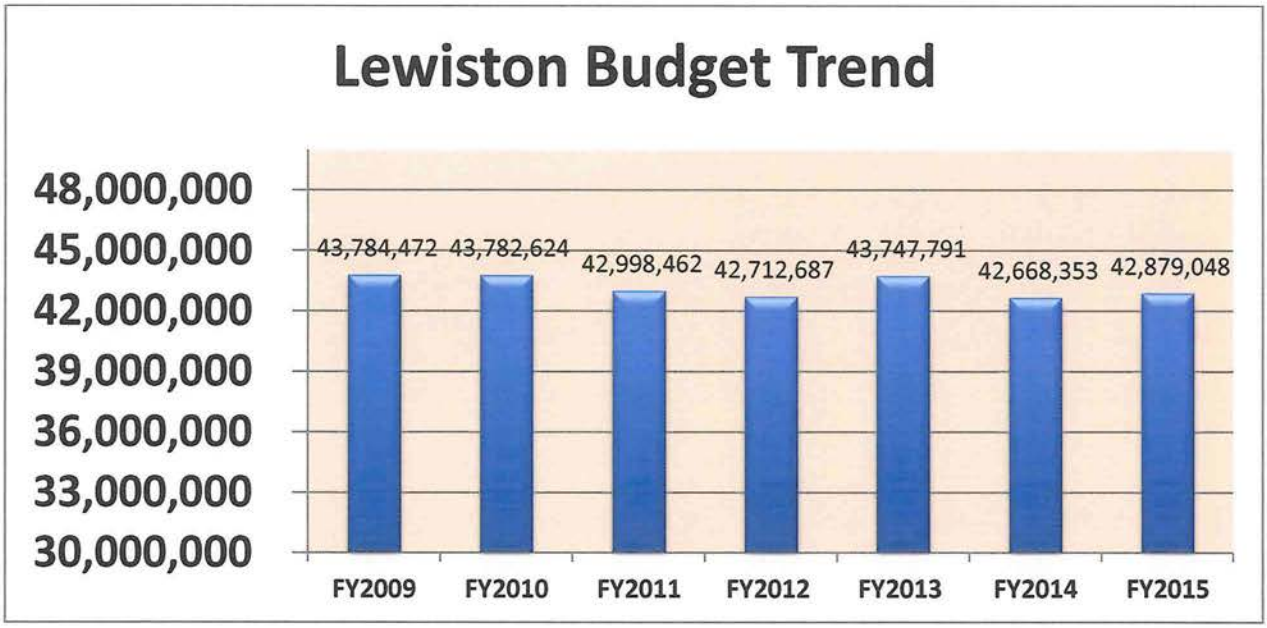
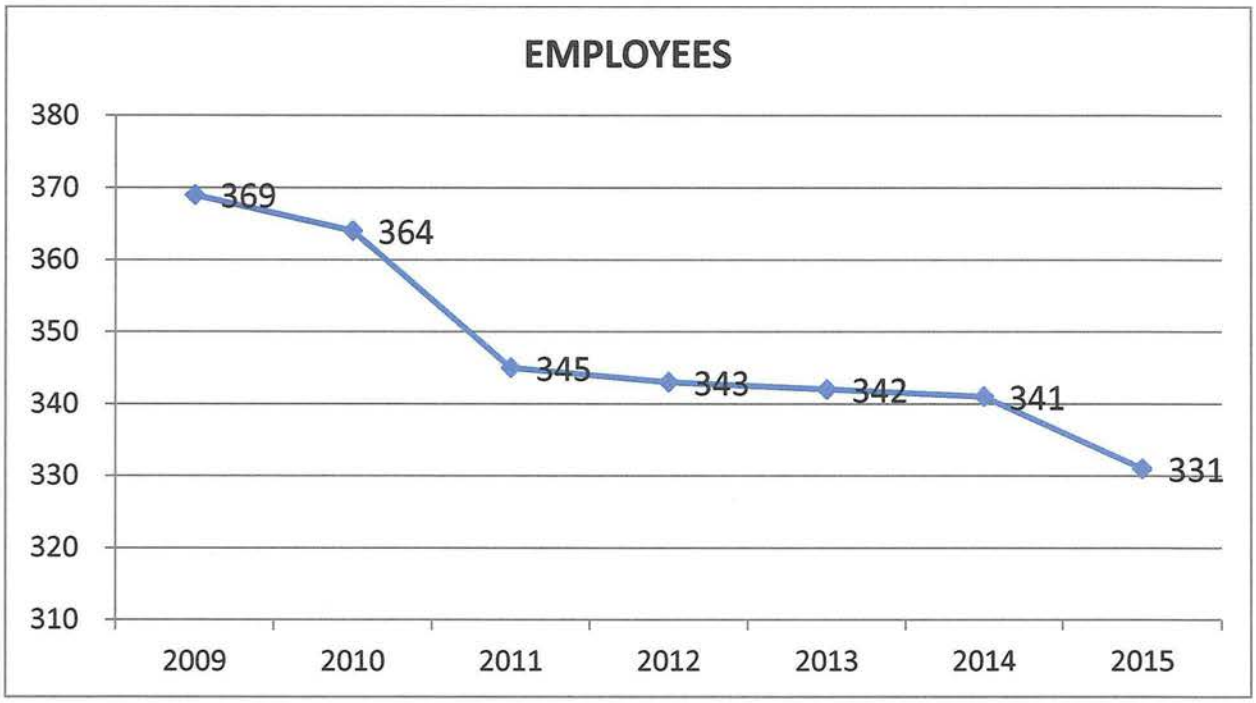
Lewiston is losing about $4 million in this year alone. This loss has been covered through budget reductions and property tax increases. (See Charts below) The Governor has recently indicated an interest in eliminating revenue sharing and replacing it with an unspecified system to return money to property tax payers. Should this happen, the City would lose an additional $2.5 million. To replace this loss through property taxes would require an addition of $1.36 to our tax levy next year. It should also be noted that Lewiston disproportionately benefits under the revenue sharing formula since it provides greater assistance to communities, such as Lewiston, with lower per capita assessed values. Thus, should the Governor pursue a rebate program, we must carefully evaluate it to determine whether it constitutes an effective method to take income or assessed value into account.

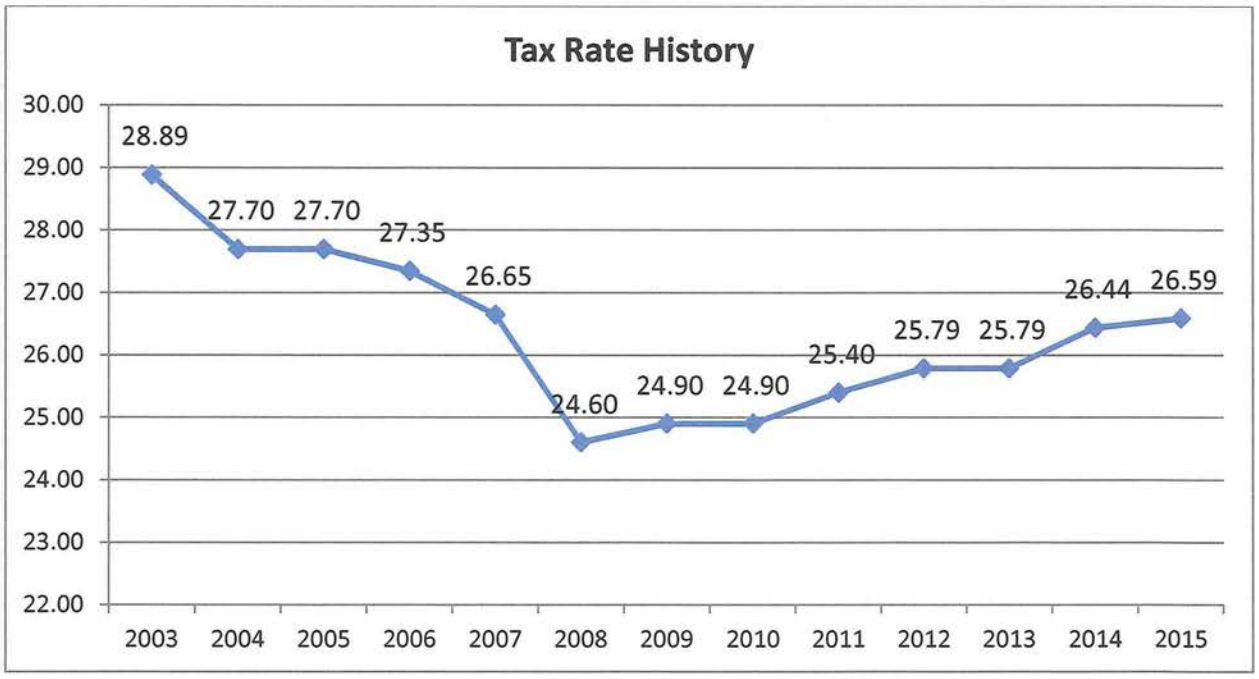
Since FY 09, the City has actually reduced the municipal side of the budget by about $900,000. This has been accomplished through reducing staff, managing the City's debt, eliminating all but absolutely necessary expenditures, and judiciously reducing service levels and hours.



City employment has been on a consistent downward trend since 2002, when we had about 411 full time equivalent employees. As the following chart shows, this trend has continued since the onset of the great recession, with employment falling from 369 to 331, a loss of 38 positions. Since 2002, we have cut about 20% of the City's workforce.



In spite of the City's strong and successful efforts to hold the line on spending, the extent of the reductions we have received from the state have led to increases in our property tax rate even though our municipal budget is less than it was six years ago. Since FY 09, our tax rate has risen by 6.8% or, on average, about 1.1% per year. Even with this, the increase in our tax levy has only covered about 40% of the revenues we have lost from the state.



2. Resist Further Erosion of Municipal Revenues/Restore Other Funding

In addition to revenue sharing, municipalities have seen a fairly continuous string of actual and attempted efforts to erode our revenue base from Augusta. For example, the Business Equipment Tax Exemption (BETE) has removed a significant portion of our property tax base. This year, this exemption, after state reimbursement for a portion of lost revenue, is costing us $1.6 million. Proposals have been advanced to shift property from the Business Equipment Tax Reimbursement (BETR) program (where municipalities are fully reimbursed for lost revenue by the state) to the BETE program where reimbursement falls to 57%. This would further reduce our revenues. The Local Road Assistance Program used to be funded with 10% of State Highway Fund Revenues. That has been reduced to 9%. Each legislative session sees a slew of bills designed to change the auto excise system, most of which would have a negative financial impact on us. Such erosion must stop and be reversed.

3. Transfer General Assistance to the State

General Assistance is a state mandated program that is administered locally. In recent years as the state has changed its welfare programs, it has not always taken into account the effect of such changes on general assistance. For example, capping TANF at 60 months led to a number of individuals moving from the state/federal system to GA. In addition, proposals have been made recently that would either eliminate the 90% reimbursement for heavily impacted communities or transition the program to "block grants" that would require the City to establish its own program, one that would have to meet the equal protection test of the U.S. constitution and that would potentially result in legal and practical issues. Finally, service center communities tend to have larger numbers of individuals who seek some sort of assistance given that many services they require are provided in Maine's larger cities, often by non-profit organizations. This places an additional burden on communities like Lewiston. Given all of this and the on-going debate about GA, the program should be transferred to the state and integrated into its overall assistance programs.

4. Local Option Sales Tax

Municipalities in Maine are exceptionally limited in their taxing authority. That authority is limited to the property tax, and that tax has been providing a growing proportion of the overall property/sales/income tax mix of the state. The revenue sharing program was established over 40 years ago at the same time that the state eliminated the business inventory tax and dramatically expanded the functions it mandates on municipalities. The state recognized the over-reliance on property taxes and the additional burdens it was placing on municipalities by establishing the Revenue Sharing program. That program's distribution formula is based on per capita adjusted taxable value and also takes into account the overall tax rate of a community. This means that communities that have a lower property tax base per resident and a higher overall mill rate receive a higher proportion of revenue sharing funds. While restoration of revenue sharing remains our top priority (since the majority of state sales and income taxes come from economic activities clustered in and supported by its service center communities), it's clear that this program remains a target for reduction or elimination. Should the state be unable to restore revenue sharing or decide to eliminate it in its entirety, local governments must be given access to other revenue sources such as a local option sales tax. Representative Libby worked hard last session on such a proposal. It was approved in the House; however, it failed in the Senate. We are seeking your support for such a proposal in the coming session.

5. Non-Profit Fees in Lieu of Taxes

Lewiston and certain other communities are home to a disproportionate share of the state's property tax exempt institutions. These institutions, some of which are large and have a significant revenue base, look to the city to provide basic services including police, fire, and public works. They do not, however, contribute to the cost of these services. Attempts have been made throughout the years to establish a system that would provide for some municipal funding from these organizations. To date, these efforts have largely failed. Many of the proposals that have been advanced have been sweeping in nature, covering a wide range of non-profits through a variety of mechanisms. One possible approach that could be pursued is establishing a fire service fee. Such a fee would, in effect, move the fire department from property tax support to a fee basis. The fee could be based on the square footage of each building. Since it would cover all buildings in a community, it would be paid by everyone. Our Fire budget is $8.6 million. This represents $4.55 of our tax rate. With 14% of the City's total square footage tax exempt, a per square foot fee would raise $1.2 million from these institutions. If this was implemented, virtually all single family homeowners would set a net reduction in total tax and fee payments to the City. Many other categories of property would, however, see an increase. Maine Municipal has adopted this proposal into its legislative program for the coming year.

6. Strengthen Municipal Authority to Deal with Abandoned Properties

Lewiston has struggled with a significant number of "orphaned" properties, many of which are multi-family dwellings. These are properties that the owner has walked away from and abandoned and where the mortgage holder, most often a bank, takes no action to foreclose or protect the property. These properties are often vandalized and deteriorate as they remain unheated and unmaintained. Existing in limbo as they do, there is no way to move them into the hands of individuals or organizations that could return them to service. Eventually, the City declares these structures dangerous and orders their demolition, a demolition that the City frequently has to pay for. While the City can place a special tax on property to attempt to recover its expenses, there is no guarantee that the tax will be paid. More importantly, a property which could have been rehabbed or renovated is now destroyed. It also appears that many financial institutions are effectively protected against losses since the mortgage may be federally guaranteed, eliminating any incentive for the bank to act. We are working with MMA and our attorneys to attempt to identify constitutionally supportable legislation that could provide the needed tools for us to move financial institutions to take greater responsibility for such properties.

7. Incentives for Municipal Cooperation.

From time to time, the state has funded programs designed to provide an incentive to municipalities to cooperate or share services. Uniformly, this funding has been eliminated whenever the state faced budget shortfalls. A different approach would be to allow cooperating municipalities to shelter from state assistance formulas (school funding; revenue sharing) and the County tax the assessed value required to support the funding of joint services. This would be similar to the way Tax Increment Financing shelters value. As an example, assume that Lewiston and Auburn each provide $1,000,000

to support our 911 system. In Lewiston's case, our property tax levy accounts for roughly 50% of the General Fund budget. Thus, $500,000 of the $1,000,000 Lewiston spends is supported by the tax levy. To raise this amount requires $18,611,865 in assessed value. This amount of value would then be sheltered from the various formulas potentially reducing the County tax and increasing state education aid and revenue sharing.

8. Repeal of State Exemption of the Maine Turnpike Authority and Maine DOT from Stormwater Fees.

   The following legislation was adopted in 2007 with little notice and public comment after MTA and MDOT slipped it into a bill virtually sight unseen:

   *"**Sec. 11. Limitation on certain stormwater fees.** The Department of Transportation and the Maine Turnpike Authority are not subject to any fee or tax imposed pursuant to a municipal storm water ordinance that was in effect on January 1, 2007."*

   The only Stormwater utility this applies to is the City of Lewiston's since ours was the only utility in place on January 1, 2007. Since then, the City of Bangor has established a stormwater utility and the City of Portland is in the process of establishing one as well. Bangor tells us they have billed Maine DOT and it has paid the fee. Since this legislative action was taken, the Maine Supreme court upheld Lewiston's Stormwater Utility as a fee and not a tax. Other parts of State Government have paid their share of stormwater fees for State owned properties in the City (Court System, etc.). The City pays stormwater fees for the properties the City owns. Even the US Justice Department ruled that the General Services Administration is responsible and should be paying stormwater fees assessed for federal government owned facilities. It's unreasonable for the Maine Department of Transportation and the Maine Turnpike Authority to be exempt from utility fees that all other property owners are paying. Please note that these fees would not apply to actual roads since they are exempt from the fee system.

SCHOOL ISSUES AND CONCERNS

9. Shift Charter School Funding to the State

   Municipal School Districts are currently required to pay a per pupil cost to charter schools for each resident student who is enrolled in that school. In effect, the local district must send both the state and local share of this funding to the charter and must budget for it. During the first year, the City receives no funding, even for the state share, from the state. This creates an immediate budget issue, especially for those districts that see large numbers of students moving to charter schools. This could potentially have a significant impact on the Lewiston School Department. One alternative is for the state to separately fund charter schools much as they have traditionally done for the Limestone School of Math and Science.

10. Unfunded Teacher Retirement.

    Additional assessments continue to come out of Augusta on teacher retirement costs. State-wide, school districts now absorb nearly $30 million in teacher retirement costs that until two years ago had

been entirely a state expense. In addition, we have already received notice from the State that Lewiston Public Schools will be assessed an additional $200,000 in FY16 as a result of an increase in the retirement contribution rate. This cost and other unfunded mandates (teacher evaluation, bullying prevention, suicide prevention and more) are burying local school budgets.

11. Uncertainty around school funding formula.

    The Commission on School Funding Formula continues to meet and is expected to present recommendations to the next legislative session. While the Superintendent is hopeful that outcome will benefit Lewiston, he is equally concerned that there might be an unanticipated surprise that might be detrimental to our budget. It is important that the work of this Commission be completed sooner rather than later to allow for a complete review of the recommendation.

12. Title 1 Funding

    The federal government provides Title 1 funding to local school districts that have a high level of socio-economically distressed students. This funding is meant to supplement rather than displace state and local funding. Maine's education funding formula, however, actually deducts Title 1 funding from the amount of school aid provided to a district. Last year's outside consultant review of the funding formula recommended that this practice be changed to not penalize schools for receiving federal supplemental funding for students in need of additional educational support.

13. Required Local Share

    The Essential Programs and Services model that underlies Maine's School funding system calculates the total amount of per pupil spending necessary to meet Maine's learning results. It also calculates a required local share that must be raised at the local level. If this is not done, state funding is significantly reduced. Up until this year, the state routinely provided a waiver of the local share requirement given the extent to which the state is underfunding its share. Even though the state continues to underfund, local school districts are now required, over a three year ramp up period, to meet local share. Lewiston will be required, based on where things stand today, to provide at least an additional $500,000 in property tax support for education next year or face significant state aid losses. At a time when the state is both complaining that local governments and school systems are spending too much and when state aid to localities is dramatically declining, this seems unreasonable. One way to address the local share issue would be to reinstate the waiver process. A second would be to allow local debt service payments made for school improvement projects that normally would have been supported by the state if the state had sufficient funding available to be counted toward the local share.

14. MaineCare Seed - The Department of Education implemented a new billing system three years ago for the portion of MaineCare that is to be paid by school districts on behalf of special education students attending private schools. The new system, however, is broken. We have not received any billing for

January 2014 onward and lost virtually any opportunity to follow-up on inappropriate or unnecessary programming. We also have no idea at this time whether or not we have accrued sufficient expense for FY14. Any shortfall is potentially devastating for FY15.

15. Truancy and School Attendance - State law only requires school attendance at age 7. Unfortunately, over 15% of Lewiston 5 and 6 year olds are chronically absent, meaning that they are missing 10% or more of school. These are our future dropouts and non-graduates because they are getting too far behind their classmates. The age in the law should be lowered to 5 years old with appropriate exceptions for home-schooled students. Issues behind students not attending school are complex, and our efforts to get some families behind school attendance are too often met with the remark that "attendance is not required until age 7."

LEWISTON CITY COUNCIL
MEETING OF DECEMBER 9, 2014

AGENDA INFORMATION SHEET: **AGENDA ITEM NO.** 1

SUBJECT:

Executive Session regarding consultation with the City Attorney.

INFORMATION:

The Maine State Statutes, Title 1, section 405, define the permissible grounds and subject matters of executive sessions for public meetings. Discussing a legal matter with the City Attorney is a topic permitted under the statutes.

APPROVAL AND/OR COMMENTS OF CITY ADMINISTRATOR:

The state statutes outline the issues that will be discussed in executive session.

EABlkmm

REQUESTED ACTION:

1	2	3	4	5	6	7	M

To enter into an Executive Session pursuant to MRSA Title 1, section 405(6)(E) to discuss a legal matter with the City Attorney.

LEWISTON CITY COUNCIL
MEETING OF DECEMBER 9, 2014

AGENDA INFORMATION SHEET: **AGENDA ITEM NO.** 2

SUBJECT:

Executive Session to discuss Acquisition of Property of which the premature disclosure of the information would prejudice the competitive bargaining position of the City.

INFORMATION:

The Maine State Statutes, Title 1, section 405, define the permissible grounds and subject matters of executive sessions for public meetings.

APPROVAL AND/OR COMMENTS OF CITY ADMINISTRATOR:

The City Administrator recommends approval of the requested action.

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REQUESTED ACTION:

1	2	3	4	5	6	7	M

To enter into an Executive Session, pursuant to MRSA Title 1, section 405(6)(c), to discuss Acquisition of Property, of which the premature disclosure of the information would prejudice the competitive bargaining position of the City.