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## MEMORANDUM

To: Bar Harbor Town Council and Warrant Committee

cc: Department Heads

From: Kevin Sutherland, Town Manager

Date: February 3, 2022

**Re: Questions raised since the 1/27 presentation budget workshop (Budget Memo #3)**

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There have been several questions and points of clarification this memo attempts to address.

- 1) **If the bond referendum passes for the solar farm project, what will be the estimated debt service related to it and how will that impact the FY23 budget?**

The debt service for the solar project is estimated to be \$295,500. The borrowing for the project would occur in FY23, but the first payment would not be due until FY24.

- 2) **Why is Parking revenue projected to decrease by \$200,000?**

I believe this question is response to Section 5, Page 1. The difference between estimated and requested.

<i>Account Number</i>	<i>Account Description</i>	<i>Actual FY2020</i>	<i>Actual FY2021</i>	<i>Budget FY2022</i>	<i>Estimated FY2022</i>	<i>Requested FY2023</i>
<b>64 FUND BALANCE - Parking Fund</b>						
Starting Fund Balance		261,359	1,175,989	1,117,599	1,117,599	1,358,796
Revenues & Other Sources		1,372,725	1,603,993	1,411,500	2,038,960	1,839,500
Expenditures & Other Uses		458,095	1,662,383	1,778,283	1,797,763	2,272,954
Ending Fund Balance		1,175,989	1,117,599	750,816	1,358,796	925,342

Our assumption is that last year was an outlier. Pent up demand for getting out after vaccinations occurred led to the surge in vehicles visiting Bar Harbor. Increasing the revenue line would have no addition impact on reducing the tax levy, but given actual to date for FY23 is \$1.6 million, it's more than likely this estimate is aggressive and FY23 should be left as is.

- 3) **Under revenues page 3 line 1093. Is this a rainy day fund? What is the starting balance of that fund and how much funding does it normally receive yearly?**

Use of Fund Balance is our "rainy day fund" or one might consider a savings account. Under our town's current policy (see budget memo #1 for more on that) it should only be considered for use with capital projects after the audit has been verified. I shared the current assumed (unaudited) fund balance number of \$1,039,520 in the [Manager's Office presentation](#) on 1/27 (last slide).

- 4) **What is the total cost of the 5.9% increase across the board for wages? What percentage of the change of municipal operations is that?**

The total cost of the 5.9% (base plus overtime lines) for non-union wages is \$149,883. This amount represents 1.5% of the increase from the prior year budget (\$9,968,271).

- 5) **What would the total cost be if it was 2.5%?**

At 2.5% it would be roughly \$63,600.

- 6) **What is the reasoning as to set the union baseline increase to 5.9% plus additional negotiation?**

Union baseline assumes a 0% change until a contract is settled. The current contract ends June 30<sup>th</sup>. Negotiations will likely begin in the next month or so.

- 7) **Can we do a slower roll out of the 5.9% wage/salary increase for non-union town employees? Maybe do a 1.5% this year, and 2.5% in FY24 and FY25?**

Council can set the increase for non-union employees at any figure they choose for FY23. I would advise against setting increases in future years, as the Council, without contracts, only has the authority to move this year's budget forward. The 5.9% was, in part, chosen based on the school's recent contract negotiations and matches next years figure. Another variable to consider is CPI from December 2020 to December 2021, which was just above 7%.

- 8) **The Climate Emergency Task Force is also working on a VISTA volunteer starting in June 2022. Could it be possible to wait to have the full-time position of Communications Coordinator and Sustainability Coordinator wait to start in January 2023 (working full time for 6 months of the FY23 fiscal year) with the VISTA volunteer starting the work this year? Or maybe have these be part-time positions for FY23 going full-time, if necessary, in FY24?**

This is feasible, yes. When it comes to efficiency, however - starts, stops, and starts slow down our momentum.

- 9) **Are the ARPA funds expenditures one-time expenses or will they be ongoing year after year? So next year, there will be another jump in the budget to pay for them using property tax dollars?**

The ARPA revenue is, as of this moment, a one-time boost. The increase in the fire department staffing is an ongoing expense. Without any further 'new lumber' increasing the valuation for Bar Harbor, the loss of future revenue will mean more of the expenditures will have to be covered with property tax.

**10) The HR position we will be splitting with Mt. Desert, does that mean we will be reimbursed (like with Chief Willis) for half the \$72,000? Does that \$36,000 show up in revenue somewhere?**

There are additional expenses and a revenue line for this position. The costs are a 60/40 split. See table below:

org	account	amount	budget book
1016	5100	72,000	section 3, page 1
1028	XXXX	28,800	section 3, page 3
1016	4515	-40,320	section 2, page 1

**11) What is the difference between line 1028-5230 and line 1028-5162? (Section 3, Page 3)**

These two account lines represent the Town's Health Insurance Reimbursement Program. This is an incentive program for eligible employees to opt out of the Town's health insurance coverage and participate in a qualifying alternative health insurance program. The Council most recently updated the maximum payout at their [November 16<sup>th</sup> 2021 Council meeting](#) (see page 22).

5230 – This line is for the reimbursement program for out-of-pocket health expenses (covering deductibles and co-pays from their qualifying provider). The other is a stipend program.

5162 – This line is for the stipend program. It is for employees who don't have a health insurance premium. These are employees who are retired military or they on their parent's insurance.

**A. I'd like to understand why line 1028-5162 went from \$13,000 last year to \$24,750?**

We added two retired military this budget year. Previously it was just two employees on parent's insurance. And just this month we hired another employee who is on their parent's insurance which is reflected in the requested budget.

**B. Can we remove \$10k and make it \$14k for this budget?**

If the employees who participate in the program remain employees with the Town, this account line will be over budget at the end of the fiscal year.

**C. Also can we remove \$10k from line 1028-5230 to go from \$260k to \$250k?**

About 25 employees take part in this program and, if additional staff are added, we estimate a few of them will participate in this instead of the health insurance plan.

Account line 1028-5225 has already been reduced to reflect that assumption. If this is reduced by \$10,000, we would recommend increasing 5225 by \$15,000.

12) Looking at the Technology Equipment Purchase (line 1022-5700). It looks like there are many of the same purchases as last year, especially Laptops and Toughbooks. I know there is a rotation of replacing old equipment, but a little explanation would be helpful. This line item went from \$33,500 to \$52,178 (an increase of \$18,678) with the same items given to be purchased. Only \$3,000 is for the new computers for the Sustainability and Communications Coordinators.

There is a replacement schedule of about \$32,000 (for equipment with a life cycle of 2-4 years). Additionally, there are some items that we've had for a lot longer that have reached end of life or are new to this year's budget. Here is a snapshot of the request that is driving this budget line:

	replacement schedule	add on or one-time
<b>Ambulance</b>		
Toughbook		\$4,300
<b>Assessing</b>		
Assessor PC	\$1,400	
Deputy PC	\$1,150	
Copier	\$144	\$875
Deed Plotter	\$400	
<b>Code</b>		
tablet for field work		\$775
Deputy laptop	\$1,450	
<b>Clerk</b>		
Clerk PC	\$950	
<b>Finance</b>		
Payables PC	\$950	
Billing laptop	\$1,450	
Billing laptop port		\$375
<b>Fire</b>		
Lower Office PC	\$950	
modem - Chief vehicle		\$2,985
modem - Ladder truck		\$2,985
Toughbook w/ dock	\$5,000	
Deputy laptop	\$1,450	
Chief Laptop	\$1,450	
<b>Highway</b>		
Mechanics PC	\$950	
Copier	\$270	\$1,200
tablet for field work		\$775
<b>Manager</b>		
Laptops for SC and CC		\$2,800
<b>Planning</b>		
Laptop for Deputy	\$1,450	
<b>Police</b>		
Primary Dispatch PC	\$1,500	
Toughbook	\$5,400	
modem for 504	\$2,985	
<b>Public Works</b>		
skate park camera		\$2,775
<b>TSA</b>		
TSA PC	\$1,500	
hard drive replacements	\$500	
<b>Total</b>	\$31,299	\$19,845
Contingency 2%	\$633	\$401
<b>Total+Contingency</b>	\$31,932	\$20,246
<b>Grand Total</b>		\$52,178

**13) The copier/deed plot license, is that an annual license fee of over \$2,400?**

It's unclear which section of the budget this question is being derived from, but the only \$2,400 expense that I can find re-occurring is in the CIP for Assessment 32-6160 (Section 6, Page 2).

Annual license fees would always fall in the operating side of the budget. This CIP funding is a savings for future pictometry/ortho photography. Current fiscal year has \$1,000 expended to integrate the photos with PeopleGIS. Town Assessor, Steve Weed does the majority of this work in house which is a huge savings.

**14) Are the increases at the schools due to the Pandemic, and if they are, can we use part of \$500,000 from the government to pay for them?**

An argument could be made that the pandemic is indirectly driving some of these costs, but that is a better question for the staff from the school who will be with us Tuesday night to present their budget.

I can better answer the second part. I assume the "\$500,000 from the government" is in reference to the ARPA funds that the town received to cover revenue shortfalls.

This revenue boost is coming to us in two steps. \$293,000 in FY22 and 293,000 in FY23.

A small amount of the FY22 funding has already been spent, but because the pandemic is not over and it is unclear whether or not the cruise ships will be in the harbor this spring, I am reluctant to recommend spending any more of it until we know for certain. The Cruise Ship fund has been depleted of its reserves to keep its share of costs from hitting the general fund. If no ships arrive this spring, we will need that ~\$230,000 to cover those expenses. (More on this will be explained Tuesday as well). If there are ships this spring, I would anticipate the remaining revenue would fall to the fund balance as assigned and we'd work to flush out the priority projects that could be paid for with those funds.

As for the FY23 amount, I've included it in the budget this year to help offset the increase tied to the changes in the Fire Department. Recruitment and retention is difficult in emergency services and the pandemic has made it even harder. Almost all of the peer towns in the region with full-time paramedic firefighters are on a 42 hour work week (vs our 56 hour work week). Part of this budget has us shifting to this new schedule, which will require an additional shift at the Fire Department.