

City of Sanford



**From the Desk of
Steven R. Buck
City Manager**



Memo

To: City Council
Subject: Manager's Report for January 17th, 2017
Date: January 17th, 2017

SanfordNet Fiber:

The City is now working through the requirements associated with the EDA Public Works Assistance Funding under Section 201 of PWEDA Program for Project No. 01-01-14741. Pursuant to meeting these requirements, the City must first procure Architect/Engineering Services for Project Development, Design-Build Construction RFP, Reporting Requirements, and Testing and Acceptance. A Request for Qualifications for A/E Services meeting the City's Purchasing Policy as well as federal 2 C.F.R. 200.320-321 was issued to four qualified firms today. Pursuant to the Schedule within the RFQ a recommendation for Council acceptance for a Firm for A/E Services will be made for the February 6th, 2017 Council meeting.

The current Schedule as submitted to the EDA within the Grant Administration Outlines is:

Project Principle Components	Starting Day	Days to Complete	Ending Day
Request for Proposal for A/E Services	1/17/2017	14	1/31/2017
Award of A/E Contract	2/7/2017	0	2/7/2017
Start of Design Activities and Cost Estimates	2/13/2017	28	3/13/2017
Completion of Final Plans and Specifications - RFP for Bid for Design-Build Procurement	2/13/2017	28	3/13/2017
Environmental Permits - NEPA Compliance for Site Survey, SHPO and State Agency Review	2/13/2017	60	4/14/2017
Advertisement for Design-Build Bids	4/14/2017	28	5/12/2017
Bid Opening	5/15/2017	0	5/15/2017
Compliance and Qualification Review of Bids, Scoring, Award	5/15/2017	7	5/22/2017
Pre-Construction Conference	5/29/2017	0	5/29/2017

Issuance of Notice to Proceed	5/31/2017	0	5/31/2017
Design - Initiate Contract for Final Design for final strand mapping, verification of CAI drops, finalization of Pole Applications, final design review and verification of ONT equipment	5/31/2017	72	8/11/2017
Licensing and Make Ready - Pole Attachment Agreement, negotiation of Make Ready Costs, Make Ready for Pole Attachments by Utilities prior to SanfordNet Fiber construction	5/31/2017	180	11/27/2017
Community Anchor Institutions Pre-Construction - Verification for all 83 CAI attachment and entry points for Fiber Network connections	7/30/2017	30	8/29/2017
Procurement of Network Materials - Preliminary Order prior to final design, Finalized Order post Final Design, Receive and Inventory all materials for fiber construction and ONT/PoP	7/7/2017	112	10/27/2017
Construction - Head End installation, Strand/Fiber Placement, Splicing, Testing, head-end Activation, As-built documentation	11/27/2017	120	3/27/2018
Service Activation - ONT installation in PoP, System Activation	3/27/2018	45	5/11/2018

Governor LePage’s Proposed FY 18 – FY 19 Biennial General Fund Budget:

I have copied the well written summary from Maine Municipal Association of Governor LePage’s Biennial Budget submitted on January 6th, 2017 to the Maine State Legislature:

January 6, Governor LePage released his final biennial General Fund budget. The 830-page document, posted on the Maine Bureau of the Budget’s website (<http://www.maine.gov/budget/>), includes many of the policies the Governor has advanced throughout his six years in office. The two year budget includes initiatives to reduce the income tax rate, expand the sales tax base, and shift taxing authority over two-way telecommunication services property from the state to the municipalities.

When analyzing the proposed budget from a property taxpayer perspective, the positive changes are small in comparison to the increases in property taxpayer burden that could result if the proposed budget is adopted as is. As proposed by the Governor, eligibility under the Homestead Exemption program is limited to Maine homeowners 65 years of age or older. Funding for the revenue sharing program is permanently capped at 2% of state sales and income tax revenue. The General Assistance program is slated for repeal. And, the calculation of the state’s share of 55% of the cost of K-12 public education is further manipulated to make sure the state is not expressly obligated to cover 55% of the Essential Programs and Services school funding model.

The Governor's budget also includes proposals to frustrate the implementation of Question 2, *An Act to Establish The Fund to Advance Public Kindergarten to Grade 12 Education*, at the November 8, 2016 election. As enacted by the voters, starting on January 1, 2017 a 3% income tax surcharge is to be assessed on the portion of Maine incomes that exceed \$200,000 and the revenue used to supplement, rather than supplant, the state's share of K-12 public school education. The Governor's budget proposes to delay the implementation of the surcharge to January 1, 2018, apply the surcharge on all Maine income taxpayers (rather than just those with an income over \$200,000), and repeal the provision that the revenues be transferred to the Fund to Advance K-12 Public Education.

Budget Impacts on Municipal Programs, Services and Priorities

- **GA Repeal.** The Governor's budget proposes to repeal the state/municipal General Assistance program. By repealing the program, the state would be relieved of its \$12 million share of the state/municipal program. Repeal of the program would shift greater costs onto the property taxpayers in communities that might voluntarily elect to administer a locally funded program.

- **GA & Asylees Amendment.** After entirely repealing the body of General Assistance law in one section of the budget, another section inexplicably amends one of the GA statutes, enacted in 2015 that expressly allows certain asylees and other non U.S. citizens to receive General Assistance benefits. Federal law requires such an express statutory authority at the state level, but that authority would be repealed in the Governor's budget.

- **Revenue Sharing.** In 2015, the Legislature statutorily, but temporarily, reduced from 5% to 2% the portion of state sales and income tax revenue distributed to communities under the municipal revenue sharing program. According to current law, the share of state sales and income tax revenue is restored to 5% in FY 2020. However, the Governor's budget proposes to repeal the restoration to 5% by permanently reducing transfers to the revenue sharing program at the 2% level.

- **Homestead Exemption.** Under existing law, both the value of the Homestead Exemption provided to all qualifying Maine resident homeowners and the amount of state reimbursement for the lost property tax revenue are scheduled to increase on April 1, 2017. The value of the exemption is to increase from \$15,000 to \$20,000 and the state reimbursement from 50% to 62.5%. The Governor's budget proposes to radically amend those scheduled program changes. Beginning on or after April 1, 2017 the Homestead Exemption would be set at \$20,000 but only Maine resident homeowners 65 years of age or older would qualify. In addition, the state reimbursement for lost property tax revenue would be reduced from 62.5% to 50%. A similar initiative was included in the Governor's 2015 budget proposal.

- **BETR to BETE Conversion.** The Governor's proposed budget seeks to convert the taxable property currently enrolled in the Business Equipment Reimbursement Program (BETR) to tax exempt status by transferring its enrollment into the Business Equipment Tax Exemption Program (BETE) over a four-year period. The conversion schedule requires that in FY 2018, 25% of the value of the property enrolled in the BETR program be shifted to the BETE program, in FY 2019, 50% of value, in FY 2020, 75% of the value, until FY 2021 when

100% of the value of the property enrolled in BETR is shifted to the BETE program. A similar initiative was included in the Governor's 2015 budget proposal.

- **Two-way Telecommunications Services.** Under current law, the state is the taxing authority for two-way telecommunications personal property (e.g., telephone and broadband infrastructure). As proposed by the Governor, on April 1, 2018 that property would become taxable at the local level, resulting in a shift of roughly \$8 million of annual revenue from the state to the municipalities. A similar initiative was included in the Governor's 2015 budget proposal.

- **Property Tax Fairness Credit.** Under current law, Maine residents are eligible for an income tax credit that is equal to 50% of a portion of the property taxes or rent paid that exceeds 6% of a resident's income. For individual and married joint income tax filers, the maximum credit provided to a resident under the age of 65 is \$600 and \$900 for residents 65 years of age and older. For married individuals that file separate income tax forms, the maximum credit for a resident under the age of 65 is \$300 and \$450 for a resident 65 and older.

As proposed by the Governor, for tax years beginning on or after January 1, 2018, Maine residents would be eligible for an income tax credit that is equal to 100% of a portion of property taxes or rent paid that exceeds 5% of a resident's income. The maximum credit for a resident under 65 years of age would be \$750. The maximum credit for a resident age 65 and older would \$1,000. All Maine tax filers age 65 or older with annual incomes of less than \$20,000 would be guaranteed a minimum income tax credit of \$400. Married taxpayers that file separately would not qualify for the property tax credit.

- **Income Tax Reduction.** Over the next three years the Governor is proposing to both reduce the number of income tax brackets and the tax rates assessed. For tax year 2017, the current three brackets of 5.8%, 6.75% and 7.15% would be retained. In tax year 2018, the Governor is proposing two brackets of 2.75% and 3.15%. For tax years beginning on or after January 1, 2019, a flat tax rate of 2.75% would be assessed on all Maine income tax filers (who would all, also, be subject to the 3% surcharge. See below.).

- **Surcharge for K-12 Public Education.** As enacted by the voters of Maine at the November 8, 2016 referendum election, beginning on January 1, 2017 a 3% surcharge is to be assessed on the portion of taxable income that exceeds \$200,000. The revenue generated by the surcharge was dedicated by the initiative to support K-12 classroom expenses. The Governor's budget proposes to delay the implementation of the surcharge to January 1, 2018, apply the surcharge on all Maine income taxpayers (rather than just those with an income over \$200,000), and repeal the provision adopted by the voters requiring the revenues to be transferred to the Fund to Advance K-12 Public Education.

- **Sales Tax on Lodging.** As proposed by the Governor, the sales tax rate for lodging would be increased from 9% to 10%. The proposal also would require the 10% sales tax rate to be applied to the sales of rental space procured through the use of an electronic or internet-based system.

- **Expanded Sales Tax Base.** With exceptions for business-to-business transactions, the Governor is proposing to apply the general 5% sales tax to the following services:

- o **Household services** (e.g., interior home decorating, painting, cleaning, property maintenance, waste management, domestic staffing services, etc.);
- o **Installation, repair and maintenance services** other than for motor vehicles, watercraft and aircraft;
- o **Personal services** (e.g., all services provided by barber shops, hair salons, massage parlors, spas, tattoo parlors, etc.);
- o **Personal property services** (e.g., dry cleaning, laundry, vehicle restoration services, moving services, etc.);
- o **Recreation and amusement services** (e.g., admission to concerts, festivals, athletic events water and theme parks, golfing, skiing, bowling, etc.), excluding school sponsored events, admission to agricultural fairs, value of wagers or lottery tickets, reasonable and separately stated charges for instruction in art, sport, game or other recreational activities, and services provided to campers by licensed youth camps.

· **Modified Sales Tax Exemption for Nonprofit Organizations.** The proposed budget seeks to modify the sales tax exemption provided to charitable, nonprofit or other public purposes to exclude purchases of prepared food, the rental of living quarters, and the rental or lease of a motor vehicle.

· **Local Government Efficiency Fund.** The budget includes a \$10 million appropriation - \$5 million in each year of the biennium - to capitalize the Fund for the Efficient Delivery of Local and Regional Services.

· **Fund for the Efficient Delivery of Educational Services.** The budget includes a \$10 million appropriation - \$5 million in each year of the biennium - to capitalize the Fund for the Efficient Delivery of Educational Services. The one-time funding would be used as an adjustment to school systems willing to implement regionalized and collaborative educational services delivery systems.

· **Changing the structure of the state's 55% K-12 Education funding obligation.** When the voters adopted the citizens' initiative in 2004 that directed the state to pay 55% of the cost of K-12 education, that law specifically identified how the 55% standard should be calculated.

When implementing that initiative in 2005, the Legislature appropriately defined the required state share as 55% of the Essential Programs and Services school funding model (EPS).

Over the last six years, the Governor and the Legislature have been incrementally trying to restructure the state's "55%" funding obligation into something different. Specifically, the state policy makers want to include the state's payment toward the "unfunded actuarial liability" in the MEPERS retirement system as part of the overall "55%" school funding requirement even though the unfunded actuarial liability has absolutely nothing to do with the EPS model or the costs reasonably calculated to deliver an adequate public education pursuant to the Learning Results system.

In this budget, the Governor expressly restructures the 55% obligation by removing all elements of statute that track the state's financial contribution toward the EPS model and replaces it with a different 55% state obligation, which is to fund the EPS model plus the MEPERS teacher-related unfunded actuarial liability that was accrued decades ago, plus other state payments of various kinds.

To keep a clear historical record, what follows tracks the state's financial contribution toward the EPS model, as the 55% standard was established by the voters and originally established.

For the current school year (FY 2016-2017):

The total EPS allocation was \$2.123 billion.

The state contribution toward that allocation was \$1.001 billion.

The state percentage share was 47.15%.

Under the Governor's budget for the FY 2017-2018 school year:

The total EPS allocation is \$2.120 billion.

The proposed state contribution toward that allocation is \$991.4 million.

The state share percentage is 46.8%.

· **Mill rate expectation.** The property tax mill rate expectation is established at 8.29 mills. For comparison purposes, the mill rate expectation for the current fiscal year is 8.30 mills.

· **"System administration".** The component of the EPS model that calculates each school system's appropriate cost of "system administration" is repealed, thereby eliminating any state subsidy for the costs associated with the superintendent's office.

o The Governor's proposed budget also expressly establishes an authority for multiple school systems connected by an interlocal agreement to hire a single superintendent.

· **Change the "minimum subsidy" adjustment.** "Minimum receiver" school systems, that would otherwise receive no state subsidy through the regular operation of the school funding system, have always been granted a "minimum subsidy" adjustment. For the current school year, that adjustment is 30% of the school's special education costs, as calculated by the EPS. There is a schedule in current law, however, to increase the minimum subsidy adjustment to 35% of the special education costs for the upcoming school year (FY 2017-2018), and to 40% of those costs in FY 2018-2019, 45% in FY 2019-2020 and level off at 50% of those costs in FY 2020-2021 and thereafter. The Governor's proposed budget repeals that transitional ramp and fixes the minimum subsidy allocation at 33% of the special education costs.

· **Special Education per-pupil weights.** Under the current EPS model, a school's special education allocation utilizes a system of giving a 20% increase (1.2) to the standard per-pupil cost for each special education student. The Governor's budget proposes to increase that weighting to 50% (1.5). In addition, the budget creates a special education budgeting hardship adjustment that can be provided when unexpected special education enrollments cause significant school budget disruption.

· **Title 1 subtractions attached to student-to-teacher ratio changes.** The proposed budget repeals the current policy that subtracts from a school system's calculated subsidy the amount of Title 1 money the school receives from the federal government for additional teaching staff.

o As a collateral policy change, and because those federally funded teaching positions were not included in the original establishment of the EPS model's student-to-teacher ratios, those ratios are also changed in the budget. The current ratios are 17:1, 16:1 and 15:1 for the elementary level, middle school level and high school level, respectively. The proposed new ratios are 17:1, 17:1 and 16:1.

· **Development of entirely new school funding model.** The proposed budget directs the Department of Education Commissioner to develop a new school funding model based on a

single statewide teacher contract. The budget directs the new school funding model to be implemented no later than the FY 2019-2020 school year.

- **Other miscellaneous provisions.**

- o **CTE.** For many years, the EPS statute has maintained that the model's calculation of a school's costs for its career and technical education programming (CTE) be designed as a "program-driven" model. The "program driven" model was supposed to be in place for the upcoming school year (FY 2017-2018), but the proposed budget pushes that off, once again, for another year.

- o **Student counts.** The current EPS model includes two ways to calculate a school's student population for subsidy purposes, utilizing whichever system calculates a greater number. The first way is the average of the April count and the October count from the previous calendar year. The second way is to average three years' worth of that data. The proposed budget eliminates the three year averaging.

- o **K-grade 2 (or pre-K-grade 2) target adjustments.** The proposed budget increases the per-pupil weighting for early childhood school programs from a 10% increase to the standard per pupil cost for each student enrolled in that programming to a 15% increase. The budget also tightens up on both the definition and the accountability of those early childhood education programs.

- o **Casino-based education funding.** Current law, in line with the citizen initiatives that authorized Maine's gambling casinos, dedicated funding for K-12 education provided that the casino-generated funding "supplement rather than supplant" appropriations from the General Fund. The Governor's budget repeals the non-supplant requirement. The proposed budget also repeals language specially dedicating some casino-generated funding to early childhood education programming.

- **TANF/SSI/SNAP.** The Governor's budget proposes several amendments to the Temporary Assistance for Needy Families (TANF) program, which could shift greater burdens onto the GA program, if the GA program is not repealed. The Governor's proposal would shorten the lifetime limit on TANF benefits from 60 to 36 months and flatly disqualify persons convicted of drug felonies from receiving TANF benefits. The proposal would also repeal three separate laws that expressly authorize the Department of Health and Human Services to provide food supplement (SNAP), supplemental security income and TANF assistance to certain asylees and other non U.S. citizens.

- **100% General Fund Support of State Police Patrol Services.** Currently, state police expenses for the patrol of state rural highways, the Maine Turnpike and the interstate system is shared between the General Fund (65%) and the Highway Fund (35%). The Governor's budget proposes to shift 100% of the funding to the General Fund, resulting in a \$40 million increase in Highway Fund revenues over the next two years.

- **County Assessment for Jails.** In 2016, the Legislature relaxed the cap on property tax assessments for county jail operations by authorizing each of the 16 counties' established maximum assessments to be annually increased by no more than 3%. That change was enacted without amending a conflicting provision that prohibited increasing the assessment. The Governor's proposal allows the counties' jail-based tax assessments to municipalities to be

greater than the base, but it retains the requirement that the increase be limited to no more than 3%.

- **Repeal of State’s “LD1” Reporting Obligation.** The Governor’s Office of Policy and Management (OPM) was established in 2011 for the purpose of assisting the state in achieving long-term state economic goals and improving efficiencies in the delivery of state services. As proposed by the Governor, many of OPM’s economic projection and data analysis-related tasks would be reassigned to the Department of Administration and Financial Services. Of particular interest to municipal officials, the budget also proposes to repeal OPM’s charge to annually track municipal, county and school administrative unit progress with the so-called “LD 1” tax burden reduction-goals.

- **COLA Adjustment for Retirees Suspended.** The Governor is proposing to eliminate cost of living adjustments for state employee and teacher retirement benefits in both FY 2018 and FY 2019.

- **Coastal Zone Management Program.** The Governor is proposing to transfer oversight and management of the state coastal zone management program from the Department of Agriculture, Conservation and Forestry to the Department of Marine Services.

- **Maine Uniform Building and Energy Code (MUBEC).** As proposed in the budget, oversight authority of the Maine Uniform Building and Energy Code would be transferred from the Department of Public Safety to the Department of Economic and Community Development.

- **Sealers of Weights and Measures.** The municipal obligation to appoint a sealer of weights and measures was repealed in 2014 as part of an effort to cleanse state statutes of archaic and unnecessary mandates. In 19th Century language, the Governor’s budget proposes to reinstate the obligation for the municipality to participate in this obvious state function, including the establishment of a \$10/month fine should the municipal officers fail to remove an unqualified sealer. The municipal officers would be authorized to either appoint a local sealer of weights and measures or request that the state make the appointment on the community’s behalf. Issues of the sealers’ compensation and the liabilities on their “employers” are not covered in the budget proposal.

- **Estate Tax Repeal.** The Governor’s budget proposes to repeal the estate tax of decedents dying on or after January 1, 2018.

- **Office of Broadband Development.** The budget creates the Office of Broadband Development within the Department of Economic and Community Development to replace the ConnectME Authority. The Office would be charged with expanding broadband services for the purposes of encouraging job creation and improving accessibility for unserved and underserved communities and populations. The Office would obtain administrative oversight of the ConnectME Fund and the Municipal Gigabit Broadband Network Access Fund.

The Combined Court House:

For Discussion at 12 Town Group, January 9, 2017

York County Maine State Senator David Woodsome of Waterboro has submitted a bill, LD 1427, "An Act to Increase the Efficiency of the Court System in York County and Promote Fiscal Responsibility". According to the Senator, he is concerned about several issues that he wishes to see resolved.

Among them:

- County Government for York has estimated that the County will incur a minimum of \$532,000 in additional costs because the proposed combined courthouse will be located in Biddeford, not Alfred. These costs include:
 - a. Three additional corrections officers at \$232,332*
 - b. Two couriers for the District Attorney at \$130,000**
 - c. Travel costs, gas, mileage at \$40,000***
 - d. Alfred cost avoidance, \$130,000****

* Based on Penobscot County Judicial Center staffing

** Filing for original court paperwork and file transfers

***Travel to and from Biddeford for jail and District Attorney

****Personnel deduction if the combined court is located in Alfred

(Greg Zinser, 12/18/2016)

Note: \$0.84 of each \$1.00 raised and spent by County government comes from property taxes. That means that the 29 cities and towns in York County will face added costs because the new court will be located outside of Alfred.

Many believe that because a State of Maine branch of government made the decision to locate in Biddeford that the State of Maine should assume responsibility for all the costs associated with that decision.

- The York County District Attorney is quite concerned that there is very little space for them (500 square feet) in the proposed combined courthouse. She strongly believes that the District Attorney, the Assistant District Attorney and the complete staff should be located in the courthouse. The current plan is for the entire staff of that office to be located in the York County Courthouse, 13 miles from the new court.

The combined courthouse is supposed to be state-of-the-art and extremely efficient. Physically locating the District Attorney and staff 13 miles away surely demonstrates no commitment to efficiency. In fact, it adds costs. Informal discussions among county officials about square footage needs for the district attorneys in the new courthouse range from 10,000 to 20,000 square feet. The State of Maine judicial branch of government has made no provision for allocation of that space in the combined courthouse.

Again, state government made the decision to locate the court in Biddeford. State government should assume the responsibility for all costs associated with that decision.

- Senator Woodsome, quoted in a December 31, 2016 news story in the Journal Tribune, said "If they (the State) can't accommodate the needs of the County Commissioner, the District Attorney and the Sheriff's Office, I see no sense in building something at \$65 million (to last) the next hundred years." York County Sheriff Bill King is worried that the proposed combined courthouse will not have the detention grade facilities to hold inmates in a safe and secure manner.
- The District Attorney is also concerned that without the necessary efficiencies the new Unified Criminal Docket System will not work. This new system was one of the largest motivators for developing and promoting the combined courthouse concept.

If all the elements of the unified system and the combined courthouse are not in place, spending \$65 million for a shiny new building is, on its face, wasteful. Yes, the State purchased two parcels of land in Biddeford for \$810,000. Yes, the County of York offered to donate the land the court said it needed at no cost. Yes, informal one-to-one comments by Site Selection Commission members representing the judicial branch of state government said “We’ll attempt to work out any issue.” There are those who don’t feel any comfort at all with a vague commitment.