

**City Managers Report  
Belfast City Council Meeting  
October 20, 2009 7 p.m.**

**Please note that the City Council will start its meeting at 6:45p.m to interview potential committee applicants.**

Agenda items:

**11 E Further discussion on recommendation by Performance Center/Community Center Committee**

There are several things to report on:

A- If the City was prepared to move forward how would we finance this expense?

Financial options depend upon anticipated City expense. The Committee suggested that the City buy the Building (listed at \$1,300,000) and have someone run a capital campaign to raise the renovation money (\$6,000,000). It also seems clear that the City would be asked to pay for any shortfall in annual operating expenses.

Options:

1. Bonding: Currently we would expect that \$1,000,000 of debt will result in a payment of about \$66,000 per year for 20 years. We are going to retire some City debt (make our last payment) next year (\$30,900) but we anticipate that those savings will be offset by increased sewer debt related to our share of the stimulus money which is paying for the current construction. We are upgrading our sewer plant and replacing or improving several sections of line to help eliminate overboard discharges into the bay.
2. Seek a tax specialist to determine whether, because of our government (non-profit) status we could negotiate a lower purchase price that provides other tax benefits to the owner.
3. Pursue a Federal Earmark through one of our Federal Representatives
4. Utilize some of our Undesignated Fund Balance (Currently at about \$3,000,000.)
5. Jane's Trust- Boston, Mass spends about \$9,000,000 a year on Arts and Culture in New England- Competitive – Seek Foundation or other arts/community charitable organizations
6. Possible Community Development Block Grants- public facilities, blight, community infrastructure, distressed neighborhood, multi-media business incubator- This requires detailed exploration and Belfast is less likely than Rockland to qualify because they have a larger percentage
7. Research the possibility of owner financing

B). If the City bought the building or bought the building and also paid for the renovations and also paid to supplement annual operating cost per year how much would that be on a tax bill for every \$100,000 of assessed value ?

There are many if's here. Nevertheless, in general here is what the annual impact would be upon a City taxpayer who has property assessed at \$100,000. First we show the Development Cost under several scenarios depending on the scale of the City's investment. Secondly we show the annual Operating Cost impact depending on how large you anticipate the City's annual expense to be.

	1 million	1.5 million	7 million	8 million
<b>Potential Development Cost</b>			\$	
	\$ 66,000	\$ 99,000	462,000	\$ 528,000
	x 20 yrs	x 20 yrs	x 20 yrs	x 20 yrs
<b>Total Debt</b>	\$ 1,320,000	\$ 1,980,000	\$ 9,240,000	\$ 10,560,000
<b>Annual Taxpayer Cost for Every \$100,000 of valuation</b>	\$ 9.56	\$ 14.34	\$ 66.90	\$ 76.45
XXXXXXXXXXXXXXXXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX	XXXXXXXXXXXX
<b>Potential Operational Cost</b>	\$ 50,000	\$ 100,000	\$ 150,000	\$ 200,000
per year				
<b>Annual Taxpayer Cost for Every</b>	\$ 7.24	\$ 14.48	\$ 21.72	\$ 28.96

\$100,000 of valuation

C. What is the Process if the City wanted to go forward with a purchase?

As I understand it, the City Attorney thinks, the Charter creates the appearance of two distinctly different and potentially exclusive methods of approving funding. I have asked him for an updated memo.

The First is under Article II which contemplates that during the course of the fiscal year the Council may wish to spend money in excess of \$300,000 for non budgeted or non emergency items. It requires that a public hearing be held first if the Council wishes to spend in excess of \$300,000. I think our attorney feels that the decision, following the public hearing goes to the Council as the City's legislative body.

The Second is Article VIII ("Budget) which aside from the annual departmental expenditures also includes the Capital Improvement Plan to be done as part of the annual budget process. Since purchasing a building is likely to be considered a Capital Improvement Project someone might argue that the only time of year such a decision can be made is during the annual budget process.

The point here is that the answer is not as clear as everyone would like and that can create an increased risk of a legal challenge.

The City has had a less than stringent practice of dealing with its Capital Improvement Plan for many years. Projects have been completed but the remaining balances have not all been voted back to fund Balance. Capital Project monies have been reauthorized during various fiscal years for other purposes.

The Capital Improvement Plan is part of the Budget process because it falls directly under Article VIII which is entitled "Budget". Article II recognizes that there are points during the fiscal year where there may be a desire to spend monies in excess of \$300,000 that were "non-budgeted" or were "non emergency appropriations should go to a special public hearing.

To me this says that the Charter certainly expects that there may be a desire for changes after the budget process is concluded and has designed a mechanism to accommodate that anticipated event. If it's less than \$300,000 the City Council can address the matter without a Public Hearing. If it's in excess of \$300,000 there must be a public hearing first. Either way the Budget- including the Capital Improvement Plan which is part of the budget should be able to be amended during the fiscal year. That's just my practical opinion and it is not a legal opinion. When I get Bill's updated memo I will get it to you. If you want him at the meeting then please let me know.

D. Can Chris Schrum come to the meeting to discuss the study?

I have called him and I think he will be available

#### **11 F Update on the status of the Knox Waldo Economic Development Council.**

The Knox Waldo Economic Development Council started in the summer of 2006 and for the first-year, Executive Director Alan Hinsey ran from place to place throughout the two county region trying to do

whatever he could do to assist with the development of new business and the growth of existing business. Mr. Hinsey was a full time employee of Eastern Maine Development Corporation and municipalities supported his salary. Unfortunately there was never a written contract set up for this arrangement.

In this line of work, calls from the private business sector can consume and at times overwhelm a schedule. Different businesses and different business development groups have different needs, timetables etc. The essentials of economic growth -- capital, labor force, transportation systems, utility costs, infrastructure support, quality-of-life issues etc. are not limited to the political boundaries in any particular city or town

The mission statement of KWRED is very broad:

- **providing time and effective assistance to existing businesses**
- **aggressively recruiting new business for our region**
- **developing shared regional goals are clear and achievable**
- **leveraging resources throughout the region**
- **building a sustainable, year-round employment base**

**The organization has 5 main subcommittees**

- Business attraction**
- Business retention and expansion**
- Education and Workforce development**
- Marketing**
- Finance**

KWRED has been exclusively funded by municipalities with some income derived from administering grants: Belfast: \$15,000, Camden \$15,000, Rockland: \$7,500 and the County of Knox: \$15,000. Presently the Board has eliminated grant administration as a function.

KWRED has been a success on many levels. It assisted with the relocation of athena Health in Belfast, Boston Financial in Rockland, the development of a marine trades facility and program in Thomaston, finding grants and other funding sources for businesses and it promoted a multi level educational effort called "4 Flags" in the Rockland area. KWRED held most of its monthly meetings at different business through out the two county region, improving communication and enhancing our awareness of the resources and challenges that our existing businesses face.

Late in 2008 it was clear to the Executive Committee that to fulfill the organization's broad mission and properly respond to the economic development needs of the region, - we needed to find larger financial resources and that we might have to hire additional staff and provide even greater compensation for our Executive Director.

In the summer of 2008, KWRED representatives traveled to Aroostook County to study an economic development entity located there that was completely funded by the private sector. It is known as "Aroostook Partners for Change". In Aroostook County a great need was identified: the large-scale

departure of workforce population. This need was deemed significantly serious and urgent to warrant the major economic players in the region to put together large financial resources to fund a regional economic development group. In exchange for their financial contributions, the various business interests owned a voting seat on the Board of Directors.

The KWRED Board embraced the concept of creating a hybrid organization that would be funded in the future by both the public and private sector. We were working on this issue when a series of unexpected challenges hit KWRED hard starting in September of 2008.

1. Executive Director, Alan Hinsey, resigned to take another opportunity with Maine Biz Magazine and create a television show patterned after the one he helped to create with KWRED.
2. The Executive Director of the KWRED Board, former Belfast City Manager Terry St. Peter, also resigned to take a more time in private business interests.
3. To round out the losses, Bob Hastings, the long time successful Director of the Penobscot Chamber of Commerce, accepted a similar position in Gloucester Massachusetts.
4. The global recession- tightening up funding sources and opportunities for general economic development efforts.

In the process of seeking a replacement for Mr. Hinsey, the absence of a contract with Eastern Maine Development Corporation clarified two things: First that the Municipalities were not paying for the full cost of Mr. Hinsey's actual services and secondly that Eastern Maine Development Corporation charges additional administrative fees to cover the business cost associated with handling such employment services. This led to a decision to hire an interim part-time person to run KWRED that was not an employee of EMDC. KWRED needed to live within its limited financial resources.

As part of this overall restructuring, there have indeed been discussions on where the long term economic development needs of both Knox and Waldo Counties would be best served- continue as part of the 6 county region coordinated by EMDC. -realignment with another economic development area- form a new zone etc.

Where is KWRED today?

1. The non-municipal Board members of KWRED are preparing to directly solicit businesses within the region for financial contribution.
2. A budget has been drafted (\$111,000-120,000) and presently there are discussions with Knox County to act as an interim employer/paying agent for the next 18 months.
3. During these 18 months. The KWRED Board will review its options as to whether to realigned itself with another existing economic development district, stay with EMDC as our development district or join with other communities ( such as Lincoln County) to form an entirely new economic development district centered in the mid coast.

4.. The Board has recently hired ALH Productions- a company run by Alan Hinsey- to act as a part time interim Executive Director for a year while it seeks to pull together the larger financial resources needed to hire a full time Director plus the addition staff this 2 County regional effort needs.

Unfortunately, the two County effort presently lacks the financial resources it needs to be as effective as it believes it should be.

#### **11 D Further discussion and possible action on hiring a full-time economic development director.**

I have spent a lot of time over the last 28 months working on Economic Development for Belfast. I have over 30 years of part time experience in this field. I have also looked at our staff resources and spoken with many other Maine Municipalities who are our size and maintain a full time Economic Development or Community Development Directors. Here are my thoughts for your consideration:

A). The term “economic development” is extremely broad and encompasses a great deal of City activity that many people may not fully appreciate.

Because the notion of Economic Development is so broad, I think it is imperative that the City develop an Economic Development Plan so that everyone is clear as to what our goals, timetables etc are. The Comprehensive Plan can help with this. Without a plan we risk having an Economic Development effort that is scattered and unfocused and also cause a great deal of stress over expectations whether realistic or unrealistic.

Community Development, seeking municipal grants and implementing improved infrastructure, rejuvenating neighborhoods, enhancing municipal centers (downtowns) etc-- is also a form of Economic Development. In Hampden the Economic Development Director is also the Community Development Director. In Bucksport the Economic Development Director does some of the Community Development work. In Ellsworth, there are separate Community Development people from Economic Development people.

Please note that Belfast and Rockland are not the same communities for purposes of Economic Development. The Gross property valuation of all of 16 Towns in Knox County (\$6.5 billion) (Rockland) is three times the value of the 26 Towns in Waldo County (\$2.05 billion) (Belfast). Moreover, Rockland has 53% of its population at low to moderate income levels. Belfast has 41%. In every competitive Community Development Block Grant application on the same stuff Rockland will score higher and be more likely to get those grant funds because they have a higher percentage of poorer people than Belfast does. Rockland also gets another benefit by being surrounded by Towns with more affluent property owners- with larger purchasing power than Belfast has. That’s why we need a realistic Plan and one that is tailored to the dynamics of Belfast and not other communities like Rockland.

Belfast has a diversified economy which is a huge asset.

- Manufacturing Economy
- Retail Economy
- Art and Culture Economy

- Healthcare Economy
- Education Economy
- Tourism, Entertainment and Recreational Economy
- Agricultural Economy
- Finance, Professional Services Economy
- Building Trades Economy
- High Tech/Informational Economy
- Marine/Working Waterfront Economy
- Large Business/Small business/Home based business Economy
- Retirement/Second Home Economy

If you build a Plan I would focus 80% of the effort at keeping and growing these different economic sectors. I think that is the best strategy in a recession. I am expecting copies of Job descriptions from Bucksport, Hampden and Ellsworth. As soon as they come in I will forward them to you.

B). Economic Development is a pursuit – like fishing. You won't catch much unless you try and there is a very real possibility that you can bring a good project right up to the boat and still lose it. There are no guarantees and that should be clear at the outset. It is important to separate hope from expectations. This is a highly competitive field that can take years to produce significant results.

C). I think the level of investment depends on where you think Belfast is in 2009. If you think our challenges are considerable, that our need is significant right now and that you are at a crucial fork in the road to enhance the Belfast Economy for the future then you might want to embrace a full time Economic Development person and try this idea for a couple of years.

Historically the City has selected different Economic Development options to match the challenges of the day:

In the early 80's we had an Economic Development Director for a while.

- In 80's and early 90's we hired EMDC to put one of its employees in Belfast several days a week to help us recover from the demise of the poultry and shoe industry.
- In 1995 luck smiled upon the City and MBNA built what is today athenahealth
- In 1997 MBNA built 3/4ths of its other main campus
- In 1999 MBNA built the Hutchinson Center and the last quarter of their main campus
- In 2000 MBNA built Spring Brook Apartments
- In 2001-2002 we tried to help beef up the Chamber with about \$25,000 of support
- In 2006 MBNA sold to Bank of America
- In 2006 we helped set up Regional Economic Development with Rockland and Camden (KWRED\$15,000 per year)
- In 2007 we provided \$75,000 to the Chamber, \$15,000 to KWRED
- In 2007 Bank of America sold part of its campus to athenahealth
- In 2008 we provided \$50,000 to the Chamber and \$15,000 to KWRED
- In 2008 we provided \$150,000 to the Hutchinson Center expansion

-In 2009 we provided \$25,000 to the Chamber, \$3,000 to Downtown Business group, \$15,000 to KWRED and provided support for Art walks, Poetry Festival, Street party etc.

It is important to match the challenge of the times to the resources that are or will be needed to meet those challenges. Today, while we are not a one chicken town, we continue to face many challenges from both our existing economy and from the economy we will be evolving into.

The major challenges I see are:

1. The uncertain future of the Bank of America presence in Belfast. I have no information that should arouse fear but we are naive if we do not keep mindful of the risk that many of the services they provide from here are relocating off shore. If -and I say this loudly- If- we were to lose this business it would have a serious impact upon the City.
2. Our large manufacturers are highly challenged by Utility and Transportation cost
3. Keeping our diverse population with a healthy blend of locals and those from away who are certain to continue to come in larger numbers.
4. This International, National and Statewide recession which has caused us to see 40 and 50% increases in job losses over the same months as one year ago
5. I believe we will see major changes to a significant portion of our Downtown and Working Waterfront with the next 10 years. Recession aside, this is a beautiful and large Harbor and those resources will never go out of demand. These properties may be drowsy for now but they will indeed wake with investors and we will all see significant transformation on both sides of our downtown sooner than we might think.

D) If we go this route then hire a qualified person to focus exclusively on Economic and Community Development. The salary will likely range from \$50,000 to \$60,000.

E). What about KWRED and our participation in the Regional Economic Development effort? I have learned first hand over the last two years that our \$15,000 annual contribution to KWRED paled in comparison to the time we gradually realized it would consume of any City or Town Manager. We were owners who had to become players in order to meet the scope of the need. This regional experiment took me away from the management of daily governmental services but I also willingly went because this City said over and over again that economic development was the top priority.

Last summer the Chamber hosted a luncheon where a leading economics development person in the state came to speak. His overriding message was that we needed a good State Economic Development strategy, a good Regional Economic Development strategy and a good local economic development strategy. I think there is value in continuing our participation but I would want to make sure that we would not be shortchanged because the regional effort saw the City as having its own full time effort.

F). How do we pay for this? That is indeed a good question. In everything we do we are torn between trying not to spend money and still get the job done. That's something that often causes delays that people rightly fret over.

You might want to access some undesignated Fund balance (surplus) and try this idea for a couple of years. If the Plan calls for the person to also be a Community Development Director there may be some opportunities to recover some administrative income that comes back to the City from grant funds. I was asked about our existing Capital Projects Reserves and I do believe that there is between \$200,000 and \$300,000 of reserves there that can be returned to Undesignated Fund balance. Presently, Undesignated Fund Balance is roughly \$3,000,000.

### **11 H Discussion and possible action of the City Manager's Employment contract**

The City Council has recently concluded my third job performance evaluation since June of 2007. My current contract with the City is set to expire next June.

That's about it for now. Before I sign off I wanted to say that Public Service is very challenging. Sometimes we get it right and sometimes we are a mile off. The key to being wrong is to acknowledge it when we are and to follow that acknowledgement with a determination to do better right away. I don't know every person in Belfast but many of us here do think about each of you every day. This is your City and you have the right to expect to be listened to, treated fairly and respected at all times. We want the best for you even though we often lack the financial or legal ability to just say "sure". It's your money that pays our salaries and turns on the lights and I have been honored to work with so many people who have never forgotten that. City Employees and City Volunteers have done some really great things for you- most of which you will never hear about. I am privileged to witness so much of it on your behalf. Have a safe and enjoyable weekend