

Town Council Finance Sub-Committee Meeting Minutes

LARGE CONFERENCE ROOM

Falmouth Town Hall

February 13, 2019 – 5:30PM

Members Attendance: Amy Kuhn (Finance Committee Chair), Ted Asherman (Town Council), Hope Cahan (Town Council)

Others in Attendance: Caleb Hemphill (Council Chair)

Nathan Poore (Town Manager); Peter McHugh (Finance Director); Susan Gibney (Accountant), Pete Clark (Wastewater Superintendent), Andi Jackson-Darling (Falmouth Memorial Library Director), Vicki Swerdlow (Falmouth Memorial Library), Catherine Cleale (Falmouth Memorial Library), Steven Knapp (Falmouth Memorial Library).

The meeting was called to order @ 5:30PM

- **Approval of December 13, 2018 Meeting Minutes.**

- a. Councilor Kuhn requested a correction be made to paragraph b. ii. 3. Instead of “is expected to add” it should read “has the capacity to add”. Councilor Cahan agreed with the proposed change. Councilor Asherman moved to approve the minutes of December 13, 2018, seconded by Councilor Cahan. The revised minutes were approved.

- **Presentation of Library Proposed Budget**

- a. Library Director Andi Jackson-Darling and Vicki Swerdlow presented the proposed FY2020 Library Budget.
 - i. FY2020 will be another unusual year for the Library as the construction project will require the relocation of staff to a combination of a conference room at Town Hall and 2 classrooms at Mason-Motz for 9 months of the year.
 - ii. Total projected revenue is \$656K including a requested Town contribution of \$573K.
 - iii. The Budget included total expenses of \$656K. Highlights include: \$37K for content acquisitions to bring that category more in line with past year acquisition budgets; \$23K in technology resulting from an additional \$10K in internet access costs (required for 9 months of temporary internet access) and includes \$7K in needed equipment investments.
 - iv. The group discussed what the Library Budget will look like in future years as the renovated Library is open and returns to normal operations. Efficiencies in the new building should keep utility and energy costs flat despite the larger space and no new staff additions will be required as a result of the new design. Fundraising is expected to return to more normal levels as construction fundraising is completed. Vicki Swerdlow said that there is a great deal of uncertainty going forward as the new space could increase user rates and generate new service and resource needs.

- **Presentation of the Wastewater Proposed Budget.**

- a. Nathan and Pete Clark presented the Wastewater Budget to the group including an overview of Wastewater plant history, the Cumberland and Portland Water District relationships, future major project needs as the plant ages and growth continues, fund balance strategies, rate history and future rate change plans.
 - i. The Budget calls for a 3% increase in the service rate and is consistent with the 10-year Budget projection completed 2 years ago. Superintendent Clark explained the design thought process used to size plant improvements and account for future growth.
 - ii. The proposed new rate of \$44.19 per month should continue to be reasonable when compared to surrounding municipalities. We are currently just below the median rate and

- expect that to continue to be the case. Staff will prepare an updated rate comparison study for the March Budget presentation.
- iii. Nathan mentioned that the Wastewater plant was a \$33 million Town asset and has been managed efficiently at under \$3 million per year in operating and capital costs.
1. Councilor Asherman asked how Cumberland charges are calculated.
 - a. Pete Clark explained that Portland Water District acts as the agent for both Falmouth and Cumberland and is the intermediary for the relationship. Portland Water District does the billing for both Towns as well. Cumberland's share of costs is calculated in various ways depending on the type of expense.
 - i. Operating and maintenance charges are based on Cumberland flows as a percentage of total flows. Capital costs are calculated based on the plant capacity Cumberland chooses to buy. As an example, the Treatment Plant allocation to Cumberland is 30%.
 - b. The Town benefits from this relationship as costs of adding additional capacity do not add much to overall costs of projects. In addition, Cumberland helps cover fixed costs that do not change in relation to capacity.
 2. Councilor Kuhn asked whether rates vary with usage.
 - a. Residential rates do not vary with usage as they are the same for everyone. Commercial rates do depend on usage as do connection charges.
 - b. The Town has explored usage-based rates and found that the benefits did not justify the additional costs. Staff can provide that analysis.
 3. Councilor Cahan asked about the type of training that the Town provides to employees.
 - a. Pete Clark responded that the bulk of training is field-related and designed to satisfy the state requirement of 18 hours of training for each employee every 2 years. Training is focused on operations and maintenance of the plant.
 4. Councilor Cahan asked if we do advancement training.
 - a. Pete Clark and Nathan replied that the Town does advancement training. The Town pays course fees and pays employees for the time spent in classes. There are 5 license levels available and the Town currently has 2 level 5 licenses (highest) and one level 3 license. The Town is rated as a level 3 system.
 5. Councilor Kuhn asked why there is a \$18K increase in Maintenance/Buildings.
 - a. Pete Clark explained that they plan on cleaning the aeration tanks in FY20 which is done every 5 years.
 6. Councilor Kuhn asked why Sewer Line Maintenance is increasing \$13K.
 - a. Pete Clark explained that this is due to required sewer line maintenance on Middle Road and Route 88. They need to use outside vendors for this work because of traffic control concerns. Outside vendors are best suited to perform this type of work with minimal disruption of traffic.
 7. Councilor Kuhn asked what anniversary pay was.
 - a. Nathan replied that this is a tool for non-union workers similar to step increases for union workers. It is designed to aid in employee retention. This has been successful as most Wastewater employees have been with the Town for many years.
 8. Councilor Cahan asked if there was a succession plan in place to plan for retirements.
 - a. Nathan replied that there are currently two "number 2" employees who may be qualified to take over as well as opportunities to move the department under other departments if needed.

- **Presentation of Town Operating Budget Spreadsheet.**

- a. Nathan presented the Town Proposed Budget worksheets showing a \$.09 or 2.85% increase in the Town Mil rate from \$3.16 to \$3.25.
 - i. It was noted that the Library Budget request was not in the current proposed Budget but can be added with no mil rate impact due to the State revenue share increase proposed by Governor Mills which is expected to pass.
 - ii. Nathan explained that this Budget continues the trend over the last few years of large increases in Fire/EMS costs.
 - 1. Nathan explained the history of the Fire Department including a description of a 360 study done by a consultant after the previous Fire Chief left. This study identified issues that the new Fire Chief was able to address successfully. This allowed the Town to continue as a "Call Department" (staffed by volunteers) for many years.
 - a. The Town has been experiencing a rapid decline in volunteers over the last couple of years and now relies on a core group of volunteers that are all in their 60s. Younger folks are not volunteering as they did in the past because the Town has a more transient population drawn by the Town's excellent school system.
 - b. Based on these trends, the time is rapidly approaching where we will need to increase our employee level from the current 8 to as many as 32 full-time Fire Fighter/EMS employees that will be needed to satisfy service level demands. The current Budget includes the addition of one Full-time Operator for Engine 2 (Tower Truck).
 - c. Based on the number of years our current Fire Chief has been running the department, Nathan feels that an outside firm needs to be hired to evaluate Fire Department operations and make recommendations. This is an important step to support the Chief and ensure we proceed in the most efficient way possible.
 - 2. Councilor Cahan asked why the sudden shift as she was under the impression that we had a great volunteer program in Town.
 - a. Nathan replied that things have gotten significantly worse recently as the number of volunteers has declined at an accelerated pace causing increased reliance on a small group of volunteers who are over 60 years old.
 - 3. Nathan suggested that he would like to put money in the FY20 Budget for the department study he had described.
 - iii. Nathan then presented the proposed Revenue Budget.
 - 1. Non-property tax revenues are projected to increase \$60K or 1.1% overall. Key variances are as follows:
 - a. A reduction in use of fund balance of \$172K which was in last year's budget to pay for a State claw-back of BETE reimbursement overpayments made to the Town. This item was also in the FY19 expense total. It was included in both Budget revenue and expense so it would not impact the FY19 mil rate.
 - b. Excise tax is projected to increase 2.5% over FY19 latest estimate or \$122K
 - c. Building permits are projected to increase 2% or \$24K over the FY19 latest estimate. Nathan pointed out that this may be too high and may need to be adjusted.
 - d. Interest income is projected to increase \$81K over FY19 due to increased CD interest rates.
 - e. State Revenue Sharing will increase significantly in this Budget and will be updated in the next pass of the Budget.
 - iv. Nathan presented the operating expense Budget. (Summary attached)
 - 1. Expenses are projected to increase 2.9% or \$380K overall.
 - a. Salaries are projected to increase \$223K due to a 2.5% COLA, a full year of the Fire Prevention Captain and the SRO, the addition of an Engine 2 Operator in the Fire Department, The replacement of a Patrol Officer with a Lieutenant, union step increases and some wage adjustments based on a salary survey. These increases were offset by an increase in employee allocations to the TIF Districts.

- b. Part-time salaries increased \$27K due to Fire/EMS call volume increases and a proposed adjustment of Council Stipends based on a survey of Councilor payments made by other municipalities in the Metro region. This \$8K increase would put Falmouth Councilors at the average pay level.
 - c. Other variances included health insurance, retirement, Workers Comp, Brown-tail Moth Spraying, Highland Lake testing, the Library construction Debt Service offset by the reduction of the BETE claw-back expense mentioned in the revenue discussion.
 - 2. Councilor Kuhn asked about the level of detail that will be included in the Budget Book that will be presented at the next meeting.
 - a. Nathan and Pete McHugh explained the contents of the Budget Book with descriptions of the Summary Section that contain explanations of all major variances and does mil rate comparisons to other communities in the area.
 - b. The Operating Expense Section is organized by Department and contains detailed descriptions of every line item in the Budget.
 - c. The CIP and TIF sections include listings of projected spending detail for all years in the plan.
 - d. Department Heads will attend the next Finance Committee meeting and will be available to answer specific questions about their department.
 - e. Budget Books will be distributed to all Councilors at the Council Retreat on March 1 for their review in preparation for the March 6 Finance Committee meeting.
 - v. The group discussed including various pie charts and schedules that detail Total Budget spending including operating expense, salaries, capital, Wastewater, the Library, debt service and all other. Staff will also provide detail on fuel and electricity.
 - vi. A pie chart breaking down revenue sources would also be prepared.
- b. Pete McHugh then reviewed the CIP, Special Revenue and TIF Budget Schedules explaining changes that have occurred since the January presentation.
 - i. The CIP Budget now calls for a reduction of \$28K in FY20 appropriations to CIP from the January presentation. Additions in the outer years were made to cover Light replacements for LED street Lights and LED interior lights that are being installed in FY19.
 - ii. Changes to TIF Plans include additional staff time allocations to each TIF based on a review of actual time spent on each TIF, Wayfinding signage costs were split evenly among the 4 TIF Districts and the timing of the Route 100 project was changed based on the latest projections.
 - iii. Special Revenue Funds were unchanged other than the addition of a \$25K grant for Long Range Planning and a wage adjustment in the Recreation Special Revenue Fund.
 - iv. Pete will send out a detail operating expense variance analysis by Department via email.

- **Adjourn** – The meeting was adjourned at 8:30PM.

Respectfully submitted by Peter McHugh

TOWN OF FALMOUTH
2020 BUDGET
VARIANCE BREAKDOWN

DESCRIPTION		\$ Variance	%	FY2019 BUDGET	FY2020 PROPOSED	FY2020	
						VS FY2019	%
Total Town Operating Expense (excluding County)				13,075,027	13,454,539	379,512	2.9%
Major Variances:							
Full-Time Salaries				4,248,102	4,470,937	222,835	5.2%
	COLA	107,931	2.5%				
	Increases/Adjustments	17,613	0.4%				
	Full Year of Fire Prevention Captain and SRO	71,954	1.7%				
	TIF allocation Changes	(72,356)	-1.7%				
	Police Step/Stipend Increases	7,946	0.2%				
	Replace Police Officer with an additional Lieutenant	23,566	0.6%				
	PW Step increases	6,181	0.1%				
	Add new Fire Department Position - Engine 2 Operator	60,000	1.4%				
		222,834	5.2%				
Part-Time Salaries				730,722	758,001	27,279	3.7%
Fire/EMS	Call volume Increase (reduced Chief request by \$5,000)	15,568					
Town Clerk	Adjusted to reflect actual spending level	(4,820)					
Cable TV	Increase to attract headcount to cover as TV backup	531					
Police Communications	Utilization of reserve dispatchers cuts OT	2,000					
Public Works	Winter sidewalk plowing operator	6,000					
Council	Increase in Councilor Stipends	8,000					
		27,279					
Social Security		22,704		399,507	422,211	22,704	5.7%
Health Insurance				1,008,080	1,037,561	29,481	2.9%
	Health Insurance - 2% increase in 2019 vs 8%, Assume 8% in 2020, FY19Act<Bud	18,505	1.8%				
	Employee adds	27,921					
	Full-year employees FY20 vs half-year in FY19	4,323					
	Change TIF allocation	(12,510)					
	Plan/Coverage level changes	(8,758)					
		29,481					
Retirement				449,301	504,140	54,839	12.2%
	Impact of Non-COLA wage Changes	5,038					
	Employee adds, Full year vs 1/2 year	16,971					
	Change TIF allocation	(7,518)					
	Move FD to 3C Plan	11,357					
	Replacement differs from FY19 Budget	17,758					
	COLA Impact	11,233	2.5%				
		54,839	12.2%				
Transfer to Special Revenue - Parks and Community Programs				125,000	99,000	(26,000)	-20.8%
	Replace transfer with revenue from Affordable Housing TIF	(26,000)					
Street Light Power	Savings due to LED replacement of Street Lights	(29,000)		66,500	37,051	(29,449)	-44.3%
Computer Sevices	Vision Upgrade	25,633		-	25,633	25,633	
Contingency	Utilized a portion in FY19 to cover Union Contract Increases	19,264		72,736	92,000	19,264	26.5%
Workers Comp	Experience rate increase from 73.5% to 91% in 2019	13,141		105,039	118,180	13,141	12.5%
FD Part Time Salaries	Increase due to call volume increase	15,568		531,360	546,928	15,568	2.9%
Browntail Moth Spraying	Special Appropriation in prior year	35,000		-	35,000	35,000	
Highland Lake	Special Appropriation in prior year	15,000		-	15,000	15,000	
Metro Assessment	9.8% Assessment Increase	16,068		163,873	179,941	16,068	9.8%
Debt Service	Library Debt Service	263,150		252,625	515,775	263,150	104.2%
Overlay/Abatements	FY19 has State BETE Clawback	(196,600)		246,600	50,000	(196,600)	-79.7%
Transfer to CIP	Per CIP Budget Request (Library debt Service in Operating Budget)	(176,274)		1,276,651	1,100,377	(176,274)	-13.8%
Machine EQ Maintenance	Covers Street light repairs	8,000		-	8,000	8,000	
IT Computer Equipment	Replace 70% of employee laptops and computers	7,600		32,000	39,600	7,600	23.8%
Police Patrol OT	Adjusted to reflect true spending level	9,000		87,000	96,000	9,000	10.3%
Dispatch OT	Run rate is much higher than Budget, cut run rate by \$4K due to PT help	6,000		44,000	50,000	6,000	13.6%
Fuel Oil	Propane cost increase of \$.051 per gallon	8,460		53,315	61,775	8,460	15.9%
Fire Hydrant Rental	mid-year 4.3% price increase	4,888		125,112	130,000	4,888	3.9%
Other		3,925				3,925	
Total Variance				13,075,027	13,454,539	379,512	2.9%