

# **Town Council Finance Sub-Committee Meeting Minutes FALMOUTH ELEMENTARY SCHOOL CAFETERIA**

**June 22, 2020 – 5:00PM**

**Members Attendance:** Janice De Lima (Finance Committee Chair), Ted Asherman (Town Council), Jay Trickett (Town Council)

**Others in Attendance:** Amy Kuhn (Council Chair), Caleb Hemphill (Town Council)

**Nathan Poore (Town Manager); Peter McHugh (Finance Director); Amy Lamontagne (Assistant Town Manager), Maggie Fleming (Administrative Analyst).**

**The meeting was called to order @ 3:15PM**

- **Councilor Asherman moved to approve the minutes of March 4, 2020, motion was seconded by Councilor De Lima. Minutes were approved.**
- **Peter McHugh and Nathan Poore then presented an update of the financial results of FY2020.**
  - a. **Town revenues look to be in good shape versus the FY2020 Budget. Property taxes are currently at a current year collection percentage of over 95% with 2 months of collection remaining. The Town should be in the 97% collection range by Fiscal year-end. A 97% collection rate is the historical average.**
  - b. **Auto excise tax is currently at 91% of budget despite the deadline extension to July 9. Excise revenues will continue to be booked to FY2020 through July 9. There is no reason to believe the Town won't hit or exceed budget for this line item.**
  - c. **Other significant revenue variances include:**
    - i. **Ambulance revenues currently exceed budget by \$56K.**
    - ii. **State revenue share exceeds budget by \$164K**
    - iii. **Miscellaneous revenue exceeds budget by \$115K due to the FEMA reimbursement of \$115K for the November 2017 storm that destroyed the Town Harbor float system.**
    - iv. **Interest earnings and gain on the sale of securities exceed budget by \$400K**
    - v. **Outlook for the year is to hit or exceed budget in total for revenues**
  - d. **Town expenditures are currently \$584K below budget with \$44K remaining in the Contingency line item.**
    - i. **The spending freeze remains in place and will continue to be in place until there is more certainty about State revenues and other COVID 19 impacts.**
      - 1. **The only positions that are not being filled are the ones that were removed during the FY21 Budget.**
  - e. **Based on current projections, the Town's General Fund Uncommitted Fund Balance should increase by \$550K to \$650K based on the projected surplus of revenues over expenditures.**
  - f. **The Town's Recreation Special Revenue Fund balance is currently \$24K with 2 weeks to go in the year. This was welcome news as COVID 19 has significantly reduced revenues for the year (before and after bell**

- g. Staff projects the year-end fund balance to be just under \$10K.
- h. Capital spending for FY2020 is currently \$330K lower than budget primarily due to the delay of the Central Fire Station expansion project.

- Staff presented the FY2021 outlook and potential COVID 19 impacts.
  - a. Potential revenue shortfalls versus the FY2021 Budget are estimated to be between \$300K and \$800K.
    - i. The revenue shortfall range was constructed based on a minimum/maximum risk assessment for both Auto Excise and State Municipal Revenue Share (these are the line items historically most impacted by recessions).
    - ii. Maximum risk was developed assuming a 25% miss of budgeted Auto Excise Tax Revenue and a 40% miss of budgeted State Municipal Revenue Share.
      - 1. The group discussed current thinking on the challenges ahead due to the pandemic and the range of possible scenarios.
      - 2. Nathan mentioned that the State plans on releasing a revised revenue estimate in August which will enable staff to better estimate the impact to Falmouth revenue.
  - b. \$821K in CIP spending deferrals combined with a \$500K spend-down of the CIP Fund balance will require staff to completely rebuild the CIP plan as part of the FY2022 Budget process.
  - c. The COVID 19 impact on the Recreation Special Revenue Fund revenues will cause that fund to have a negative fund balance at FY2021 year-end of at least \$32K and will require re-structuring of both revenue and expenditures.
    - i. There was much discussion by the group about fund balances, the use of Uncommitted Fund Balance, and equity funding issues in the Recreation department.
- Nathan Poore then presented staff recommendations for next steps.
  - a. The expense freeze will continue until we get more definitive direction from the State regarding revenue projections.
    - i. There was a discussion about potential impacts to service levels if open positions are not filled.
      - 1. Nathan explained that the only positions not currently being filled are the ones included in the FY2021 Budget.
  - b. Staff will develop mid-year budget adjustment scenarios and will present them to the Finance Committee in late September.
  - c. Staff will rebuild the capital spending plan and will present it to the Finance Committee in October.
    - i. Nathan asked the Committee how they feel about staff presenting specific staffing adjustments as part of the mid-year adjustment plans.
      - 1. Presenting specific changes is a risk to staff morale and may cause good employees to leave for other opportunities. This could cause disruption to Town services.

2. The group discussed this and agreed that until those types of changes are necessary that it would be OK to present them generically until they are necessary.
  - a. There was a discussion of the types of things that could be done to reduce Town spending and their impacts. There was continued discussion about fund balances and how to best manage the tax rate long-term.
  - b. The Committee felt that the “TIF Cliff” discussion needed to be revisited and requested staff to present it at the next meeting.
- Councilor Kuhn gave an update on the Falmouth Land Trust request for Town participation in the purchase of an open space parcel. She told the Land Trust that it would probably be late September before the Council could act on this based on the pandemic uncertainties facing the Town.
  - a. The group discussed timing and alternative financing scenarios that could minimize the impact on fund balances.
  - b. The group agreed that it would be best to decide on this sometime in early fall when more is known about pandemic impacts.
- Adjourn – Councilor De Lima moved to adjourn the meeting, Councilor Trickett seconded. The meeting was adjourned at 5:00PM.

Respectfully submitted by Peter McHugh