

Town Council Finance Sub-Committee Meeting Minutes VIA ZOOM

December 16th, 2020 – 3:00PM

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

School Members Attendance: Nicole Benzanson (Finance Committee Chair), Jen Libby (School Board), Christopher Hickey (School Board)

Others in Attendance: Amy Kuhn (Council Chair), Peter LaFond (Town Council), Whitney Bruce (School Board Chair), Matthew Pines (School Board).

Nathan Poore (Town Manager), Peter McHugh (Finance Director), Amy Lamontagne (Assistant Town Manager), Maggie Fleming (Administrative Analyst), Susan Gibney (Assistant Finance Director), Geoff Bruno (School Superintendent), Dan O'Shea (School Director of Finance and Operations), Christina Howe (RHR Smith & Company), Karen Olivier (RHR Smith & Company), Gretchen McNulty (Falmouth Schools Director of Learning).

The meeting was called to order @ 3:04 PM

- **Approval of the minutes from the November 18, 2020 meeting**
 - a. **Councilor Asherman made a motion to approve, Councilor Trickett seconded. The minutes were approved.**
- **Joint Town and School Finance Committee Meeting**
- **Christina Howe from RHR Smith & Company presented the FY2020 audit results and an overview of the FY2020 financial results.**
 - i. **The audit found no material weaknesses or significant deficiencies.**
 - ii. **There were no findings in the Single Audit.**
 - iii. **Ms. Howe presented the Town's FY20 financial results. Highlights included unassigned fund balance ending the year at \$11.5 million and school unassigned fund balance was \$1.6 million. Town and School expenditures were \$747K lower than Budget.**
 - iv. **State school funding percentage was 21% in FY2020 roughly the same percentage as 2019. Local school tax funding was 76% in FY2020.**
- **Dan O'Shea and Geoff Bruno presented an overview of challenges and opportunities they see for the school in the FY22 Budget.**
 - a. **Challenges**
 - i. **State funding is projected to be reduced by 10% in FY22. The State will announce a new projection on January 6 as part of the State Budget.**
 - ii. **School enrollment decreased by 74 students. This is both an opportunity and a caution as it could impact State funding.**
 - 1. **The group discussed possible causes for the declines in enrollment numbers and the impacts they may have going forward.**

- iii. There are many unknowns related to COVID costs for FY22. Cost areas that have impacted FY21 include:
 1. To overcome substitute teacher availability issues, the School Department has placed 2 temporary full-time substitute teachers at each school building.
 - a. Program has been very successful so far and may be a model for the future.
 2. Transportation costs have increased due to the need for additional mid-day bus runs due to the hybrid school schedule.
 3. Increase facilities costs due to cleaning, PPE management and storage, furniture including barriers and tables.
 4. Increased instructional and student support due to the hybrid teaching model (online, hybrid teaching and learning).
 5. Child-care needs resulting from the hybrid school schedule.
 6. Increases in the school nutrition program costs due to increased demands and reduced revenues.
 - b. Opportunities
 - i. State is expected to maintain share of State Funding for Education.
 - ii. Teacher contract is settled.
 - iii. Expanded learning opportunities – outdoor classrooms, online/virtual tools/programs, expanded “tool kits” and tech skills for staff.
- Peter McHugh and Nathan Poore presented an overview of how things are looking for the FY22 Budget from the Town perspective identifying challenges and opportunities as they currently stand.
 - a. Opportunities included flat health insurance rates for calendar 2021, electricity savings from the landfill solar project, healthy revenue performance in FY21 is expected to continue for FY22.
 - b. Challenges include returning staffing and spending to pre-COVID levels, restoring the capital plan funding to pre-COVID levels and the 2nd year impact of the Fire Department expansion.
- Review of FY22 Budget Schedule
 - a. It was noted that the January 11 School Board preliminary budget meeting was at the same time as the Town Council meeting and would not offer Councilors the opportunity to attend.
 - i. After some discussion it was decided that the School Board budget meeting should be recorded so Councilors could review it the next day and submit questions.
 - b. Other dates were added to the schedule including a February 1 School Board Workshop at 7PM, a March 19 School Board Budget presentation and a March 22 School Board follow-up Budget meeting. The March meetings are good opportunities for the Town Council to ask questions about the School Budget.
 - c. There was a request to remove the Foreclosure/Lien report from the January Finance Committee meeting due to the sensitive nature of the discussion. Staff will send the report to the Town Council for their review instead.
- Due to time constraints, it was decided to move the Senior Tax Deferral Proposal presentation to the January Finance Committee meeting.

- Nathan Poore presented a review of the Town Initial Budget Projection. The Budget projection was developed using base line assumptions without a thorough review with all Departments and is not to be considered an initial proposed budget.
 - a. Nathan presented a schedule showing how the FY21 original budget mil rate increase was primarily due to the Fire Department expansion. Due to concerns around the COVID 19 pandemic, cost reductions of \$1.4 million reduced the mil rate increase to \$.15.
 - i. If the initial FY22 budget estimate mil rate is adjusted to remove the Fire Department expansion increase and restore other spending to pre-COVID levels, the mil rate change from FY21 is essentially flat.
 - b. The presentation included the base case assumptions with three prioritized tiers of potential Budget adjustments that could reduce the mil rate increase.
 - c. There was much discussion around each tier and cost prioritization:
 - i. Councilor DeLima felt that the entire appropriation for Open Space acquisition should be included in tier one adjustments. She also felt that Police Body Cams are not needed in Falmouth and should also be included in tier one.
 - 1. Councilor Asherman said the Open Space is important particularly during a pandemic.
 - ii. Councilor Trickett asked about the status of Fire Department hires scheduled for January 1.
 - 1. Amy Lamontagne responded that there are currently 4 positions in process that have not completed the hiring process.
 - 2. Councilor Trickett asked if the Town should hold off on those hires as an expense reduction.
 - a. Councilor DeLima said she felt the hires were part of a long-term plan developed with the help of a consultant and should not be in question so soon.
 - 3. Councilor Trickett felt that all other departments were impacted by cuts detailed in the 3 tiers do the Fire department should be on the table as well.
 - a. Councilor Trickett said that the Committee should get a status update from Chief Rice on service levels to determine if the hires are necessary.
 - iii. Councilor Asherman said that by reducing operating expenses by \$1.4 million in FY21 had the impact of just “kicking the can down the road”.
 - 1. Councilor Asherman asked what was wrong with an increase given that the Town seems to be doing well in the pandemic evidenced by the favorable tax collections, excise taxes and permits and fees. He feels the mil rate is reasonable.
 - iv. Councilor Kuhn said that she had no problem slowing down the Fire Department hires but reminded the group that the Council did make a plan to provide adequate Fire/EMS services to the Town with a lot of care and study. She said that an increase below 10% might be good.
 - 1. Councilor Kuhn asked if surplus funds could be used?
 - a. Nathan responded that, based on our current fund balance policy, use of fund balance should be sustainable for 5 years but could be amended by the Council if they felt it necessary.

2. Councilor Kuhn said that the Committee should communicate to the School Board that they were looking to limit the mil rate increase.
 - v. Councilor DeLima stated that, for her, the only sacred cows would be the Fire Department and the staff COLA adjustment as it is important to retain good employees. She said that 10% is not a bad target and feels that it could be achieved by reducing discretionary spending.
 - d. Nathan then presented a 5-year outlook of big items that will cause the Town mil rate to increase. The list included Cumberland County fiscal year change, Blackstrap road reconstruction, Phase II of the Fire Department expansion and debt payment for the Central Fire Station expansion bond among other items.
 - e. Nathan also presented the Town mil rate history from 2009 to present showing a flat mil rate until 2019 when increases began.
- Councilor DeLima then asked the group to summarize key takeaways from the meeting.
 - a. Councilor DeLima said that Fire Chief Rice should report to the group on Fire Department progress at the next meeting.
 - b. Nathan summarized his takeaways:
 - i. Staff should create a plan to get to a roughly 10% mil rate increase
 - ii. The Senior tax deferral presentation is deferred to the January meeting
 - iii. Staff will look at an option to provide tax relief to all low income residents regardless of age
 1. Councilor LaFond asked Nathan if COVID had an impact on Fire Department staffing needs.
 - a. Nathan responded that it did not impact staffing.
 - c. Councilor Trickett said that from the perspective of a taxpayer he would ask “Am I getting my money’s worth for Government Services”. He also believes the School may be coming in with a large increase as well. He would like to see what value he is getting from government costs.
 - i. Nathan responded that the increase in Fire Department costs may not be seen by all taxpayers as an added value but should be thought of as managing overall risks for the community. The expansion of staff will reduce the risk of not having enough staff to respond to emergencies.
 - ii. Councilor DeLima said that if we looked at surrounding Towns we are seeing some large increases as well. She said that we need to show residents the Fire Department analysis again to help them understand the Town need.
 - Adjourn
 - a. Councilor Trickett motioned to adjourn, Councilor De Lima seconded and adjourned the meeting at 5:40PM.

Respectfully submitted by Peter McHugh