

Town Council Meeting

Minutes

April 29, 2020

Chair Kuhn called the meeting to order at 7:00 pm.

Roll Call

All Councilors were present and answering roll call.

Item 1 Presentation and Discussion of the Fiscal Year 2021 Proposed Budget.

Nathan Poore, Town Manager, said the Council passed an order at the April 27 meeting to change the election date from June 9 to July 14. He said now that the election date has been extended, the Council has more time to consider the budget. He said this hearing could still serve as the required public hearing. He said that he and the Town attorney are working on several scenarios that he could present at the May 11 meeting if the Council decided not to vote on the budget this week.

Councilor De Lima, Finance Committee Chair, said it is an unprecedented time and it is hard to know what the future will bring. She said the Council's direction to Town staff has been to prepare a budget that prioritizes safety of residents and staff and to defer capital expenses wherever possible. She said the major increase in the cost for the coming year will be the Fire-EMS Department staffing increases. She said this cost adds \$1.3 million to the FY21 budget. She said that Town staff made over \$1 million in reductions to the budget to offset the Fire-EMS Department increases so the overall increase is \$260,000. She appreciated the Library's budget reductions. She said that the reductions were not easy cuts and residents and staff will feel the impacts. She listed cuts that had been made. She said that the Council will continue to monitor the economy and adjust expense allocations as needed. She said that there will be additional expenses that the Council will have to tackle in the coming years. She thanked the other councilors and Town staff.

Pete McHugh, Finance Director, provided an overview of how the Town was doing with the current budget. He said the Town had collected \$30.7 million in property taxes to date which was on pace with the prior year. He felt good about where the tax collections will be. He said that the Town had collected \$2.7 million in excise taxes to date as compared to \$2.8 million this time last year. He thought that there might be a couple month delay in excise tax collections due to the Governor extending the registration deadline, but he did not think that there would be a long-term impact. He said that the Town would likely be \$40,000 short on growth revenues. He anticipated the Town coming in \$450,000 underspent to budget.

Mr. Poore delivered the presentation. He described the FY21 budget development process up to this point. He described the anticipated COVID-19 impacts on revenue. He reviewed changes made to the budget based on COVID-19 including operating expense cuts, not filling currently open positions, position changes and expense reductions. He reviewed a chart comparing the FY20 and FY21 budgets.

Mr. McHugh reviewed the proposed mooring fee structure increase. He reviewed anticipated changes in revenue between the FY20 and FY21 budgets. He discussed the proposed trash bag fee increase. He reviewed changes in expenditures between the FY20 and FY21 budgets. He reviewed the proposed Library budget. He reviewed the components of the mil rate impact. Mr. Poore added that the full-time salaries expenditure line was lower than might be anticipated because the Town eliminated four positions that were going to be funded and portions of salaries were moved into TIF districts.

Mr. Poore reviewed pie charts showing the FY20 and FY21 sources of revenue. 50% of the expected FY21 revenue is from property taxes. The next largest revenue source is excise taxes. He reviewed pie charts showing the FY20 and FY21 expenditures. He said that public safety and public works were the largest expenditures.

Mr. McHugh reviewed the FY21 Wastewater budget. He said that increases were largely attributable to the debt service for the West Falmouth sewer expansion. He reviewed the Wastewater FY21 proposed capital budget. He reviewed a chart showing yearly changes in monthly sewer rates. He showed a chart comparing Falmouth's sewer rates to surrounding communities. He reviewed a chart showing the property mil rate calculation. He said that the total mil rate increase is 18 cents. The municipal budget increased 15 cents and the School Department budget had a flat mil rate. The County increased by 3 cents. He reviewed the Town's bond rating and debt outstanding. He said that the Town has the lowest overall property tax mil rate amongst surrounding communities. Mr. Poore added that the wastewater treatment facility and the collection system is 100% funded by user fees. He said that the three percent increase is anticipated to continue. In 2015, the Town started planning the financial strategy for funding large projects at the wastewater treatment plant. The biggest increase was the first year but was then stabilized at an average of 3%. He showed graphs showing mil rate comparisons between towns in the Greater Portland region. He reviewed the mil rate history since 2009.

Mr. McHugh reviewed mil rate drivers over the next five years. He also reviewed mil rate drivers excluding the Fire-EMS Department changes and COVID-19. Mr. Poore said that Town staff wanted to review the five-year mil rate drivers excluding the Fire-EMS Department changes and COVID-19 to demonstrate the stability of the organization.

Dan O'Shea, School Department Finance Director, described the status of the current year School Department budget. He said that pre-COVID-19 the budget was looking positive. He described savings from a kindergarten teaching position that was not filled and converting the middle school custodial services to contracted services. He reviewed various savings due to COVID-19 operations. He said that those savings totaled \$360,000. He described expenses that had arisen including a break in the waterline at the Middle School, the Middle School locker conversion project, and two unbudgeted personnel additions. He discussed challenges with funding the food services program during COVID-19 as it is not supported by general fund revenues. He said that there is always some number of teacher retirements at year end which come with severance packages. He anticipates around \$100,000 for eight or nine retirements. He anticipated that the School Department would probably be \$100,000 to \$150,000 to the good.

Danielle Tracy, School Board Chair, reviewed the School Department's core beliefs and practices. She reviewed the School Department's mission statement. She reviewed FY21 expenditure increases. She reviewed the Educational and Community Impact. She reviewed FY21 budget COVID-19 implications and adjustments. She reviewed new personnel requests. She reviewed the original proposed FY21 school budget. She reviewed the revised school budget proposal expenditure adjustments. She reviewed a pie chart showing components of the FY21 budget expenditure increases. She reviewed how the School Department reached its zero mil rate impact. She reviewed components of the FY21 budget. She said that personnel are almost 80% of the budget. She reviewed the FY21 budget by cost center.

Geoff Bruno, Superintendent, said that he has been in direct contact with the Cumberland County superintendents, the Education Commissioner, and the Governor regarding school operations in the fall. He said that the goal is to get the students and educators back in school. He said that the challenge is trying to anticipate what that will look like. He said that they hoped to receive more direction from the State by mid-June. He said that the standard for reopening schools will be higher than for businesses because school attendance is compulsory. He also said that having children back in school is critical to getting parents and families back to work.

Item 2 Public Hearing to seek public input and inquiries relative to the Fiscal Year 2021 Proposed Budget.

Chair Kuhn opened the public comment period.

Lee Hanchett of 21 Stone Ridge Road felt it is useless to compare town budgets based on mil rates. He said that the Cumberland County assessor cautioned him to never use mil rate by itself although Mr. Hanchett felt that is how the Town justified its budget. He expressed concern about a \$53 gross citizen difference between the Falmouth and Windham police department budgets. He expressed concern that Town staff omitted administration from the Falmouth Police Department budget when doing their calculations. He noted that Windham's budget includes vehicle replacement which Falmouth includes in the CIP budget. He said that taken in the aggregate these differences impact the total expenses and then the individual tax bills.

Valentine Sheldon of Route 88 said that the budget must remain neutral going forward. He felt that keeping the mil rate neutral for several years during the Great Recession was responsible. He said that the current circumstances are dramatically different and worse. He described how everyone has been hurt by the pandemic. He felt that the Town should be cutting costs. He felt that raising property taxes during the pandemic was not preparing for the worst. He expressed concern about the Library's ability to return to regular hours. He felt that only essential purchases should be made for the foreseeable future. He expressed concern about reduced state revenue sharing and reduced excise tax revenue. He expressed opposition to the proposed fee increases. He felt that the fee increases were still a burden to taxpayers whether they were in the budget or a fee. He expressed concern about the School Department budget's reliance on state revenue. He said that other towns were staying budget neutral. He felt that the Town could remain budget neutral and add the necessary Fire-EMS staff by cutting non-essential expenses. He expressed concern about paying salaries out of TIF funding because that money is Town money and taxpayer money that needs to be spent wisely. He asked if the Town had a rainy-day fund. He said that 40 taxpayers had signed onto a letter asking that the budget be neutral. He said there had been an online poll with 60% of respondents desiring a neutral budget.

Marjorie Getz of 33 Old Powerhouse Road expressed concern about the School Board relying on money that they think might be available based on new property assessments. She said that a lot of states separate the budget process from the assessment process and that is how she thought it should be. She felt that the School Department needed to be upfront that its budget depended on higher taxes. She discussed how the property tax is the most regressive tax. She expressed concern about the School Department budget depending on increased state general purpose aid which is funded by state income taxes.

John Winslow of Gray Road expressed concern about the Town and School Department receiving less than projected state funding. He asked about the School Department's plans for reopening in the fall. He asked about the total savings for the Schools being closed during the pandemic. He expressed concern about the School Department having to bear the costs of the pipe rupture. He felt that this is not the time to be increasing the School Department budget. He asked about the Executive Order requiring schools to continue paying staff through June. He asked if any Municipal or School Department staff would be furloughed. He asked if the School Department had looked at doing virtual AP classes as a cost savings. He expressed concern about uncertain municipal revenues and that he felt that both the School Department expenditures and revenues were uncertain. He said that Falmouth is way above other towns in terms of what it costs to run a police department. He asked if any high paid staff would be willing to give up part of their salaries?

Lisa Joy of 142 Middle Road appreciated the work that had been done to get to this point. She appreciated Mr. Poore and Ms. Jackson-Darling's responses to her questions. She discussed the letter that was sent to the Town with 40 signatures. She said if the Town were a public company it would be facing more difficult decisions than it is already facing including cuts to staff and reduced hours. She felt that these times required

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even further consideration of future worse case scenarios coming up. She felt delaying a decision on the budget until a future meeting was a good idea.

Chair Kuhn closed the public comment period.

Mr. McHugh said that the State conducts their own property valuation studies and they bring all the towns up to 100% valuation and recalculate the mil rate, so it is an equalized mil rate.

Mr. McHugh said that Windham places all its employee benefits in a separate department in its budget. He said that none of their department line items include employee benefits. He said that Windham's employee benefits account for over \$960,000.

Mr. Poore said if the revenue projections are off, mid-year cuts would have to be made on the spending side unless other revenue sources could be found.

Mr. McHugh said that the Town is in the \$22 million range for the Uncommitted Fund Balance or rainy-day fund.

Chair Kuhn said that staff were working on a response to the question of whether staff had been furloughed.

Mr. Poore said that the additional value referenced when discussing the School Department budget is already established value that has been added from new homes, new businesses and new construction to April 1, 2020. It has nothing to do with predicting where the revaluation is going to come in. He said every year the Town puts that number in. He said that this year was the first year that the Cumberland County Assessor has given the Town more definitive answers. The numbers have been locked in and are around \$20 million of additional value.

Dan O'Shea, School Department Finance Director, said the Governor's Executive Order #19 said that schools were considered essential services and that employees must be paid through the end of the fiscal year.

Mr. Poore said a 2018 survey was conducted by a York County community that looked at 12 communities in York and Cumberland Counties including Falmouth and Windham. He said the average sized community was 16,700. He said the average number of personnel was 29.8 and Falmouth's was 19. He said that Falmouth had far fewer personnel per population. Mr. McHugh added that Windham has 5.9 more FTE police officers than Falmouth.

Chair Kuhn said that councilors have received emails questioning the need for the Library IT position and that position had already been eliminated in the budget that was offered.

Councilor De Lima asked what levers the School Department could pull were the state revenues to shift from projected. Mr. O'Shea said the School Department would go into a spending reduction or freeze across the schools. He said it was difficult to do because the School Department budget is 80% personnel costs. He said the goal would be to keep those reductions as far away from student learning as possible. Mr. Bruno added that the Commissioner of Education said on a call that day that she was cautiously optimistic that the subsidy number would hold for the coming year. She said she would give us as much advanced notice as possible if there was consideration during the year of cutting the subsidy.

Chair Kuhn asked about the relationship between enrollment and budget. Mr. O'Shea said each year the School Department starts the budget process with school staff demographics. Those numbers are inputted against current staffing and then the projections are used to evaluate how the current staffing holds up versus

projected class size. He said the goal is to keep class sizes as reasonable as possible. He said that the Department is not replacing an elementary school retirement because there is room to raise class sizes. He said that year to year fluctuations are not good indicators for staff adjustments, so the Department looks at multi-year trends. He said that the entering kindergarten class was the most difficult to project. He said enrollment has been very steady over the past 12-14 years. Mr. Bruno agreed that enrollment has been steady. He said there were fluctuating cohorts of students. He said that the Department plans for larger classes by adding additional teachers. He described not rehiring the elementary school retirement. Mr. O'Shea said immigration was very consistent in Falmouth.

Pete McHugh said that \$22 million is available spending. He said the uncommitted fund balance is around \$12 million.

Councilor Trickett asked if the Town is expecting to be dipping into the uncommitted fund balance next year. Mr. McHugh said the Town would be using \$350,000 to support capital. Councilor Trickett asked if staff could give an update in the context of the current fiscal challenges as to why the recommendation is still to phase in the Fire-EMS Department staffing increases with an initial \$1.3 million to next year's budget. Howard Rice, Fire Chief, said that the need is now. He said that the Department has been 52 days into the COVID-19 era and has had 282 calls, 193 EMS calls and 77 possible COVID-19 patients. He said that the call volume is up 38% in the last 52 days. He said the Department is on the frontline and that COVID-19 has proven that the increases are needed now. He felt that to delay the increases would be detrimental.

Councilor De Lima thanked Chief Rice and the Fire-EMS Department for their efforts. Chief Rice said a dozen members were in attendance and appreciated the Council's support.

Chair Kuhn thanked Chief Rice for everything the Fire-EMS Department was doing.

Chair Kuhn asked for councilors' opinions on the timing of the budget vote.

Councilor Hemphill thanked the School Department and Town elected officials and staff for the hard work that was put into developing a thoughtful budget. He recommended that the Council take some additional time to consider the budget. He recommended that the Council hold off additional considerations for voting to the May cycle.

Councilor Trickett agreed with Councilor Hemphill. He felt that the Council should hold off until May due to it being an uncertain time.

Councilor Cahan thanked School Department and Town staff. She agreed with Councilors Trickett and Hemphill that waiting was a prudent thing to do.

Councilor De Lima asked for the School Department's perspective on postponing to May. Danielle Tracy, School Board Chair said the School Board had several meetings on the budget and unless there was a large change in the state funding, she did not think that there was a lot that could be changed. She said the School Board voted to approve the budget on April 27. She did not think that it made a difference to the School Department.

Mr. Poore asked if the Town could start recruiting for the eight positions for the Fire Department. Councilor De Lima said ultimately if the Town's revenues fall short, the Council will have to deal with it on the expense side. She was not convinced that postponing the vote until May would help. She said her preference would be to go ahead and vote. She felt that delaying some of these decisions could be hurtful. Councilor Cahan said if a delay would cause the Town to lose traction on hiring then she would want to move forward.

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Councilor Trickett said he did not see any reason why the Town could not move forward with recruiting. Mr. Poore said that Councilor Trickett was correct. The Town could recruit without committing to any hires before the budget was passed.

Councilor Asherman felt it made sense to wait a couple of weeks. He needed to consider what he had heard. He would like to see the interviewing or advertising for the Fire-EMS Department start moving ahead.

Councilor Johnson agreed with Council Asherman's comments. He felt taking additional time to consider the budget echoed the sentiment of the callers. He asked whether recruiting costs for the Fire-EMS Department had already been allocated. Mr. Poore said the Town would cover that out of the current fiscal year recruiting and advertising funds.

Mr. Poore asked about next steps.

Councilor Asherman expressed support for scheduling the budget vote for May 11.

Chair Kuhn suggested scheduling the vote for May 11 and canceling the April 30 meeting.

Councilor Trickett supported scheduling the vote for May 11.

Chair Kuhn said she heard support for Town staff to begin the Fire-EMS Department recruiting process.

Mr. Poore said that he received legal advice that the order to set the next year's tax due dates and interest rate was supposed to be scheduled for the same meeting as the budget is adopted. Chair Kuhn said that both orders will need to be scheduled for May 11.

Adjourn

Councilor Cahan motioned to adjourn, Councilor Johnson seconded.

The motion carried unanimously.

The meeting adjourned at 10:05 pm.

Respectfully submitted,

Marguerite Fleming
Recording Secretary