



**MINUTES
TOWN FINANCE COMMITTEE**

Thursday – July 11, 2024

Hybrid - 5:00 P.M

Item 1. J. Anderson called the meeting to order at 5:00 p.m.

Item 2. Those Present. Finance Committee members present: Jonathan Anderson - Chair, Donald Cushing and Karin Shupe. Others present: Thomas J. Hall, Town Manager, Liam Gallagher - Assistant Town Manager, Norman Kildow - Finance Director and Karen Martin, President of SEDCO.

Item 3. Approval of Minutes: June 13, 2024. Motion by D. Cushing, seconded by K. Shupe, to move approval of the meeting minutes of June 13, 2024.

Vote: 3 Yeas. Motion Passes.

Item 4. Discussion and possible action on recommended language from Staff on the Fund Balance Policy. J. Anderson, Chair, noted this had been discussed at the at the last meeting and at that time we all agreed to keep the policy itself the same, but make sure that language would be added that expressed the intent to try and get to a 16.6 target in the future as well as to clear up any concerns as to what happens to the fund balance. Staff pulled together a recommendation for the Committee to discuss.

T. Hall, Town Manager, stated that he felt that staff went a bit further than the Committee's directive; however, he felt the Committee would like what has been done. The confusing thing is that the Policy references two different metric, unassigned fund balance and unrestricted. He then went on to review the changes that were being proposed mainly to the unassigned, which is the more conservative of the two.

Committee discussion ensued. N. Kildow, Finance Director responded to concerns that the Committee had with regards to what other communities do. He noted that in his research for coming up with the changes, he had looked at a number of other communities in Maine and found that a number of them had the two months expenditure policy and not one made a reference to unrestricted fund balance. It was recommended that the Committee would lock in this piece of the policy and then keep working through the rest of the Policy before moving it to the full Town Council. A lengthy discussion ensued and the following motion was made:

Motion by J. Anderson, seconded by D. Cushing, to move approval that the Committee accept staff's recommendation with the exception of making that any excess above 12% may be assigned by any combination to one of the following subsequent language; as follows:

UNASSIGNED FUND BALANCE

Unassigned Fund Balance is the residual amount of Fund Balance in the General Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls.

In the event of projected revenue shortfalls, it is the responsibility of the Town Manager to report the projections to the Town Council's Finance Committee on a quarterly basis and will include an outline of recommended Management actions to address any shortfall.

~~The Town aspires to reach an Unassigned Fund Balance of 16.67% (two months or 1/6) of the prior year's Operating Budget. Until the Town reaches this goal, the minimum Fund Balance Policy shall be set to maintain the level of Unassigned Fund Balance equal to 10.00% of its Unassigned Fund Balance, consideration should be given to raise the minimum level of Unassigned Fund Balance until the aspirational goal is met. The Town has set a goal, through this Fund Balance Policy, to maintain the level of Unassigned Fund Balance equal to 10.0% of the Town's Operating Budget for the prior fiscal year and to not fall below 8.33% (or 1/12) of the Town's Operating Budget.~~

Once the Town achieves an unassigned fund balance ~~greater than equal to 10.0%-% but less than .67%~~ of Scarborough's Operating Budget, any excess above 12% ~~may must~~ be assigned by any combination to one of the following:

- Retained in non-spendable and restricted accounts that offset unfunded liabilities, and/or
- Retained in assigned accounts that may be used in future budget cycles as a property tax rate stabilization; available for use during a catastrophic event, and/or

~~Once the Town achieves an Unassigned Fund Balance greater than 16.67% of the Town's Operating Budget, any excess above 16.67% must be assigned by any combination to one above.~~

In the event that the balance drops below the established minimum level, the Town Council will develop a plan to replenish the fund balance to the established minimum level within two years. ~~Policy statement: Unrestricted Fund Balance as a Percentage of Revenues: The level of unrestricted fund balance will not be allowed to drop below 8% of annual revenues with a goal of building unrestricted fund balance to 12% of annual revenues.~~

Vote: 3 Yeas. Motion Passes.

J. Anderson, Chair, stated we could prioritize what other parts of the policy we need to look at. Do we need to look at some annually or every two years? If staff could direct us as we plan the next meeting of specific ones we need to look at first and maybe we can prioritize what the next steps would be and it could be an agenda item for discussion at the next meeting.

J. Anderson, Chair, noted that Item 5. are items that he was not necessarily looking for solutions to today, but more for the Committee to align on how we want to approach tackling some of the big items that are big in scope. We can have a conversation with staff and then have them come back with a recommended plan of how we would approach each of next these three items.

Item 5. Discussion:

a. Discuss approach to achieve Council Goal to "Establish multi-year Capital Facilities prioritization list representing investment needs of \$5M or more over the next 20 years."

J. Anderson, Chair with this goal in mind, what do we want to do, how do we want to do it and what can we reasonably get through this year on this goal to help move it forward. He then open this topic up for discussion. For clarification, if we read this goal at face value for what it is, the discussion should be around Capital facilities over \$5 million, e.g. the new school the community center and all the things in the Parks and Facilities master plan that exists today above that threshold.

Discussion ensued around how to educate the public regarding what potentially could be coming forward. It was recommended that projects are identified and then placed it on a list; however, before the list is prioritized, a public meeting could be held to receive feedback and then from that feedback we could make a list, by using the model from past facility plans. It was suggested to take the last Master facilities Plan and updating it with what is new.

T. Hall, Town Manager, felt that it would be helpful for staff to take a first pass and look at what is near-term, medium and long-term as to what those items are. He further stated that the Council needs to be engaged and assist in setting the priorities in terms what would be first, second and third.

Further discussion around establishing a list; criteria through how it is prioritizes; get public input and then prepare a recommendation to be reviewed. It would then be applied to the long-term financial model, to say what does this really mean financially just to show are we seeing surges in taxes in certain years based on timing and how does that impact where we want things to be. This list should be vetted through the public before we send it on to the Town Council as a whole.

There was discussion on maintenance of facilities and how often it gets revisited; every five years, every two years? This could be something that is documented in the fiscal policy to revisit that formally and make updates when necessary. A lengthy discussion ensued.

b. Discuss TIF/CEA Policy Next Steps for Council Goal, including Downs review [[Excel Workbook](#)]

J. Anderson, Chair, noted that the Council had a goal to review and update the CEA Policy to align with Council goals regarding expenditures, growth and housing options. Should the TIF Policy should be updated to include affordable housing or should there be a separate affordable housing policy; the potential of changing the TIF boundary for the existing Downtown Development TIF; the challenge to allocate all of the TIF funds to qualified projects and looking at the Downs TIF. What's the priority and what do we think is most important to start with?

After a lengthy discussion on where to start, it was recommended that the Committee start with the analysis and looking at how the TIF is performing collectively and then once that's clear, we start the conversation on TIF capture.

T. Hall, Town Manager, was concerned with the policy piece and felt we would have another affordable housing project in our community and would be shocked if they didn't ask for CEA and we could be back in that same dilemma as to we have a policy why aren't we following it? With the Committee's permission, staff like to take a stab at modifying that policy to carve out and create a separate set of Standards for affordable housing that would be a different set of metrics than what is for economic development.

Committee discussion ensued. Before moving forward with further discussion on the TIF, J. Anderson wanted to have a brief conversation on the budget retrospective.

c. Discuss how to activate ideas from Budget Retrospective

Discussion ensued around what could be done differently in the next budget cycle to assist the public to better understand the process and make the information more transparent. As well as to work with the Board of Education [BOE] with goal setting and that we aligned the same budget goal. It was suggested that there be more time for presentations and try to anticipate everything we can. It was pointed out the BOE starts their budget process earlier than the town does and the unknowns are even more challenging.

D. Cushing would be meet with staff on items discussed and then come back to the Committee when he is ready for the Committee to review and discuss.

At this point in the meeting, the Committee went back to the TIF/CEA discussion. K. Martin, President of SEDCO, noted that the changes to the document from the last time we looked at it. She took out the marginal cost options for the schools and it's 100% of the school costs in this so that's why cost to serve has gone up and she corrected the current year six projections. She further reviewed the numbers as presented on the document begin presented to the Committee.

Further discussion ensued about the caps that would be implemented when certain percentages and triggers have been reached. It was asked what would the tax rate look like with this and without it, so that Committee could at least communicate that to the residents. There was discussion around the live, work, play aspect of the Downs and what benefits are there to the Scarborough residents.

T. Hall, Town Manager, noted that the Downs Group is arranging a site walk with the Planning Board to walk the proposed town center and he has asked the invitation be extended to members of the Council, so you can start to see in the field what their vision, is where it's going to be. He would make the Council aware of when this would happen.

At the next meeting we could focus on assumptions and focus on the TIF. J. Anderson noted that he would like to have something to include in the packet, not necessarily on the agenda, what this multi-year plan looks like for Capital and how we want to approach it and discuss it and hopefully at least have a couple near-term steps outline that are generally amenable.

Item 6. Public Comments.

- Jim Pritchard of Maple Avenue, had not planned to speak, but listening to the conversations on the fund balance the word stuck out to me was “may” he disliked it as it can be interpreted differently and he hoped that the Committee could find a different word to use. He then went on to comment about capital projects and if there was a line for a catastrophe and went on to give an example of a microburst it taking the roof off from the portable in the school. The Town Manager noted that that would probably be covered by insurance. Mr. Pritchard further comment on the TIF and noted that he had other questions, but would put them in writing to the Committee.

Item 7. Adjourn: Motion by D. Cushing, seconded by K. Shupe, to move approval to adjourn the meeting.

Vote: 3 Yeas. Motion Passes.

Meeting adjourned at 6:34 p.m.

Respectfully submitted,

Yolande P. Justice

Town Clerk

[Transcribed by Video]