Joint Finance Committee
Meeting Minutes
Thursday, September 8, 2011

Attendees: Chair John Anton, Councilor Jill Duson, Councilor John Coyne, Mark H. Rees, Anita LaChance, Ellen Sanborn, Suzanne Knight, Ian Houseal, Mike Murray, and Mary Costigan. *School*: James Morse, Justin Costa, Connie Packard, Jaimey Caron, and Ed Bryan.

Anton called meeting to order.

1. **Approval of minutes from August 11, 2011 meeting**
   Motion made by Councilor Coyne to approve minutes from August 11, 2011 meeting, seconded by Chair Anton. Motion passed 2-0.

2. **Review of Debt Management Policy and revised Fund Balance Policy**
   Debt Management Policy - Mark provided a spreadsheet based on Chair Anton's email request establishing ratios. He explained the criteria used in developing a debt policy and that these are looked at by rating agencies. Mark worked with Ellen and determined that we cannot exceed 15% of equalized valuation. Discussion was held on the percentage of per capita income. Chair Anton is looking for a set of parameters that allow the City to maximize debt capacity without damaging ratings. Ellen explained that the City has been well below the 15% state statute for quite some time and that if we borrowed to the limit the tax rate would be significantly increased.

   Fund Balance Policy **–** Ellen provided information showing a summary of fund balance history showing the impact of 40%. She explained the need to achieve and maintain a fund balance of 12.5% of expenditures. Discussion on setting up a capital and rate stabilization fund. Draft orders were provided creating a capital reserve for capital asset purchases and property tax rate stabilization funds.

   Chair Anton would like these two policies to come back with guidance from staff and wants to have these in place by the end of the council year. Mark asked that the orders for tax rate stabilization and capital funds go to council along with the Debt Management and Fund Balance policy. Chair Anton would like language added on the intent of the rate stabilization fund regarding stabilizing against fluctuations as opposed to bringing down the tax rate.

   Jaimey asked about timeframe for approval of these policies. Chair Anton said that these policies will be approved by the Finance Committee on September 22nd and then sent to the School Committee, then forward to council. There was discussion on scheduling a School Committee workshop in October.

4. **<u>Update on Capital Needs Assessment</u>**

Ian provided a capital asset inventory listing, needs assessment and a chart with replacement costs. He has completed assessments of buildings, vehicles, infrastructure, equipment and open space assets along with cemeteries. Discussion was held on reinvestment percentages. Chair Anton stated that the capital needs assessment needs more work but that the valuation exercise is worthwhile. Ellen said that the benefit of this exercise is that the City now has a full summarized asset listing with values. Discussion was held on the annualized replacement costs. Ellen pointed out that there are some buildings that will never be replaced, example City Hall. Ian said that there are a number plans underway such as paving and facilities assessment that will inform what needs to be invested over a couple of years.

Jaimey explained they went through this process with elementary schools to determine the need. Once that is defined then costs can be defined. They had to look at meeting the needs of education as well as value. James said they hired WBRC to help them with costs and suggested hiring professional support for Ian.

Chair Anton said that this inventory is a major accomplishment. He would like staff to put something together that acknowledges assets are not all the same, showing the condition of assets and recommending next steps. He would like to get a rough summary in front of the council this year. He would like the Finance Committee to take another look at this and recommend bringing it to council in a workshop.

5. **<u>General Discussion on Implementation of Capital Plan</u>**

Discussion was held on capital projects. Mark explained how needs are assessed, whether they to maintain, mandate, or risk to public safety. He explained how capital projects should be prioritized based on certain criteria while managing capacity of funding sources.

6. **<u>Peaks Island Sewer Expansion – Discussion of connection fees</u>**

Mark said some additional information has come forward. Mary explained that when Mike started the outreach to people on Peaks, we discovered there are 68 people within the City that are not currently hooked up to sewer and are paying an availability fee. An outreach letter has gone out to Peaks residents. Mary explained that the City's ordinance states two different things and she is requesting either a policy or a connection between the two be written into the ordinance. Chair Anton asked Mary to draft this and bring this to council with recommendations.

7. **<u>Scheduling</u>**

Chair Anton will not be at the September 22 Finance Committee meeting. He would like to get policies recommended to council so that the school committee can act on these and have them go to the full council by November.