Joint Finance Committee
Meeting Minutes
Thursday, August 11, 2011

Attendees: Chair John Anton, Councilor Jill Duson, Councilor John Coyne (absent), Mark Rees, Ellen Sanborn, Suzanne Knight, Mike Bobinsky, Mike Murray, Jim Morse, Mike Wilson, Jaimey Caron and Justin Costa. Chris Crovo-PWD. Members of the public.

Councilor Anton called meeting to order

1. **Approval of minutes from July 14, 2011 meeting**.
Motion made by Councilor Duson to approve minutes from July 14, 2011, seconded by Councilor Anton. Motion passed 2-0.

2. **Peaks Island Sewer Extension – Mike Bobinsky**
Mike Bobinsky explained that this is a follow up item and provided the memo explaining the proposed Peaks Island Sewer expansion that was provided to the Finance Committee back in January 2011. He and Chris Crovo have met and determined a schedule to complete the project. He explained that Year 1 they would be working with the Portland Water District on the engineering and design services with construction to occur in 2013. The sewer extension will require changes for residents regarding use of septic systems and also directing other types of water. The schedule takes into account right of way acquisitions, public meetings and an education process throughout the project. The $3.1 million cost project would be managed by the PWD and would be paid by the City through the sewer assessment. The impact on rate payers would occur in 2013.

   Councilor Duson was glad to hear that this has a 2-3 year timeframe where there will be a two year window to educate residents, answer questions from the public and prepare them for sanitary sewers versus septic. Councilor Anton wanted to know how to move this forward and put a cap on the amount. Ellen explained that since the City owns the sewer system, the Portland Water District needs council's approval to extend the sewer. The order can include a maximum amount. Discussion was held on bringing this to the Council on September 7th.

   Public comment was taken. Three members of the public spoke in support of the sewer extension.

   Motion made by Councilor Duson to recommend approval of the Peaks Island sewer extension at a cost of $3.1 million, seconded by Councilor Anton. Motion passed 2-0.

3. **Joint with School – Review of Fund Balance Policy Revisions**.
Ellen provided a revised Fund Balance Policy showing. She explained that the majority of these changes recognize the GASB54 changes related to classifications of fund balance. Based on prior request from the Committee, she added language that describes a formula to direct surplus funds to two reserves, Capital and Tax Rate Stabilization. Discussion was held on establishing a rate stabilization and capital reserve. Establishing

reserves is separate from funding the reserves, with fund balance being one of a number of ways reserves can accumulate funds. Also, once reserves are established they would be classified as part of "committed" fund balance.

Chairman Anton asked if a reserve needed to be created independent of fund balance policy. Ellen said they would have to be formally approved by the Council.

Chair Anton would like to have a mechanism of portioning off a part of any annual fund balance increase to tax rate stabilization. The stabilization reserve would be used to level off the peak years when the tax rate is at an elevated percentage increase. Ellen stated concern about directing surplus funds on an annual basis before meeting the City's policy goal to achieve and maintain 12.5% of unassigned fund balance. Mike Wilson raised the issue of having a separate capital reserve for the School Department and Chair Anton would like to flag this as an item for discussion. Ellen said that based on other efforts by the Committee as well as the Charter requirements, the capital reserve would be tied to the capital plan. Chair Anton would like to have corporation counsel review and report on the legal ability of the City to create reserves. He also said that ecomaine has a rate stabilization plan and we should review their policy. Councilor Duson is reluctant to have two separate reserves. Jaimey Caron stated that he would like to see procedures and policies in place stating how these funds work. Chair Anton would like to define the rate stabilization and capitalization reserve outside of the fund balance policy. Discussion was held on the implementation of these reserve funds.

Chair Anton proposed the following next steps: Next meeting – Debt policy review; review language on reserves; see draft council orders that create rate stabilization and capital reserves; Edits to fund balance – final page. Chair Anton would like Ellen to draft that contemplating up to 40% of annual general fund balance increase that the council can direct to rate stabilization, providing a sensitivity analysis. Discussion was held on multi-year forecasting.

Meeting adjourned 7:10