

**Town of Brunswick, Maine**

**Finance Committee Meeting  
Thursday, May 16, 2019 6:00 – 7:30 PM  
85 Union Street – Town Council Chambers**

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**Meeting Minutes** (approved 6/20/19)

Elected Officials: Christopher Watkinson (chair), John Perreault, Dan Ankeles

Staff: John Eldridge, Julia Henze

1. Acknowledgement that meeting was properly noticed  
JH confirmed that the meeting was properly noticed.
2. Adjustments to agenda / Public comment  
No adjustments to the agenda.

*Jean Powers* – 1. Curious about donations to Property Tax Assistance Fund. (JH confirmed that only Councilor Ankeles has contributed. Councilor Perreault pointed out that all taxpayers are contributing to the fund through their taxes.) 2. Noted increase in Metro Breez fares. 3. Commended Bowdoin College for contribution to new elementary school. Concerned that the construction costs will be kept under control. (Councilor Watkinson commented on the Discovery Classroom and the process to manage the budget.) 4. Asked about Bowdoin’s contribution to the Town. (JE specified that the contribution in 2018-19 is \$311,800 and 2018 taxes totaled approx. \$73K)

3. Approval of meeting minutes from 4/30/19.  
JH noted a change to the draft, changing Jean Powers’ comment on the parking garage.  
**DA moved approval, JP seconded, unanimously approved.**

4. Fund Balance

- a. Policy review

JH presented the Fund Balance policy for annual review. Described the development of the policy and its specificity to Brunswick. Target unassigned fund balance is 16.67% of revenues – which is approximately 2 months of operating costs. Committee discussed the policy – including the considerations to establish the rate at 16.67%, such as the relative stability of property taxes vs. sales and/or income tax, the diversification of Brunswick’s tax base. Also discussed the mechanism for expending the amount above the target.

JH pointed out comments from rating agencies which emphasize the importance of having a fund balance policy and following the policy. Committee discussed how the Town’s bond ratings relate to the interest rate on the Town’s debt. JH also pointed out that the CIP is also an important consideration to the rating agencies, as it indicates that the Town actively plans ahead. JE noted that in recent years the CIP has been a very effective tool in communicating upcoming capital projects.

- b. Historical balances & uses

JH presented a graph of the fund balance in relation to the target over 9 years, and a spreadsheet outlining 7 years, illustrating the use of fund balance in the annual budget, the amount over/(under) the target, and the use for capital or one-time projects. Committee

discussed the historical use of fund balance to 'balance the budget', noting the years when BNAS closed and the Town used \$1M to offset the loss of federal and state aid. JE noted the years when the fund balance dipped below the target (2014-2016), and the actions taken to bring the balance back above the target. Pointed out that in those years debt was issued for certain projects for which it might have been preferable to use fund balance.

c. Projected?

JH stated that it is premature to project the fund balance for June 2019, but based on the fiscal year so far, we can be fairly certain that the balance will again be above the target. JE pointed out that because the target is based on the general fund revenue amount, the target increases each year. JH noted that page 98 of the municipal budget outlines the calculation of the target, and provides 10-year trend information.

5. Long-term financial planning

a. Historical trends

JH presented several trend graphs for expenditures and property tax revenues. Committee noted level expenditures during the recession, corresponding to personnel layoffs and curtailed capital spending.

b. Projection model

JH went to the presentation computer to demonstrate an Excel worksheet with eight years of actual operating expenditures (2009-2017), two years of budget (2019-2020), and modeling five years of projections based on assumptions. The model incorporates the estimated debt service from the CIP, which includes \$28M borrowing for the new elementary school.

Model shows a line called "Gap" – which is revenues over/(under) expenditures, in which bracketed (negative) numbers show a budget shortfall, positive numbers show an budget surplus. This line changes as the model is manipulated.

JH outlined the increase percentage assumptions at the bottom of the page. Percentages can be adjusted to see how each element affects the bottom line. For example, in the printed version, FY21 shows a \$2.3M shortfall (primarily a result of the new elementary school debt service), and by changing the assumptions of property tax and/or intergovernmental revenues, this gap can be closed. JE suggested several assumptions, and the committee discussed the elements and how they affect the model.

JH stated that the rating agencies typically ask if the Town adopts a long-term financial plan. Though there is no formal adoption, the Finance Committee sees this model several times each year to work with projections of the operating budget in conjunction with the estimates from the CIP, to understand the impacts of intergovernmental revenues, and to anticipate the effects on the property tax.

JH will email the worksheet to Councilors Watkinson and Ankeles so they can 'play' with the model on their own.

6. Adjourn

**DA moved to adjourn, JP seconded, unanimously approved.**