

**Town of Brunswick, Maine**

**Finance Committee Meeting – Joint meeting with school department  
Thursday, October 20, 2016 – 3:30-5:00 PM  
85 Union Street – Town Council Chambers**

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**Meeting Minutes** (Approved 11/17/16)

**Elected Officials**        Steve Walker, Alison Harris, Dan Harris, Bill Thompson

**Staff:**                        John Eldridge, Julie Henze, Paul Perzanoski, Jim Oikle, Branden Perreault

**Others:**                     Hank Farrah from RKO, Richard Fisco, Jean Powers, Town Councilor Jane Millett

**1. Acknowledgement that Meeting was Properly Noticed**

JH confirmed that the meeting was on the Town Calendar

**2. Adjustments to agenda / Public Comment**

No adjustments to agenda  
No public comment.

**3. Approval of meeting minutes from 9/15/16**

*Alison Harris moved, Steve Walker seconded, to approve the 9/15/16 Finance Committee Meeting minutes. Motion passed with all in favor.*

**4. 2015-16 Audit – Hank Farrah from Runyon Kersteen Ouellette**

Hank reviewed the auditor responsibility, and described the timing. The financial reports are written by management, auditors express opinion on them, reviewing with sample-based testing. Interim testing is conducted for few days during May or June, complete review is done for two weeks in October. The interim process involves review of internal controls and transactional testing (cash disbursements/accounts payable, payroll, cash receipts, purchasing cards, student activities accounts, etc) with more in-depth ‘walk-throughs’ of specific functions on a rotational basis.

Hank reviewed “Uniform Guidance”, formerly called the Single Audit, and described changes to requirements for auditing federal programs, and how the testing is scheduled.

Hank also mentioned GASB 68 (Accounting and Financial Reporting for Pensions), and how the net liability for pensions affects the entity-wide financial statements. Explained that this is a large liability that is not expected to be funded by the Town, but is actuarially determined, and sees fluctuations from year to year. The liability doubled between 2015 and 2016, after having decreased by half between 2014 and 2015.

Hank asked the committee: (1) if they would recommend any areas that might warrant a particular audit focus, and JH encouraged the committee to reach out to the auditors privately if that was preferable; (2) how often the committee receives financial data, and both Steve Walker and Paul Perzanoski replied monthly; (3) if there are any subsequent events that should be noted, and Paul Perzanoski pointed out that Jim Oikle is retiring on Oct 31<sup>st</sup>.

## **5. Finance Committee Policy**

AH provided suggested language changes, for both clarifying rotation/continuity and to expand committee purpose section. DH mentioned that the existing language allows for flexibility, but is satisfied with amendments. *Committee agreed to recommend amended policy to Council for adoption.*

## **6. Capital Improvement Program** (item taken out of order for convenience of School Dept)

JH described the current status of the process, which is normally further along by this time of year. Based on the School Facilities Committee work and submissions from various departments, JH will be working to compile a draft. JH reviewed several 'new' items the Finance Committee will see this year, including projects at the Central Fire Station, a project to outfit the cruiser fleet with video cameras and radio repeaters, a developing Cooks Corner road project, and the landfill closure project. JE also mentioned the new school project and the numbers recently received for that.

DH asked about the timetable/process for the 'new' Cooks Corner Rd. JE said that the RFP for the planning engineer is going out next week, with 3-4 weeks for responses, with selection anticipated in December with work completed by end of February. \$50K has been appropriated from TIF revenues for the study. For the CIP, the road project will be in the 'In Development' section, and will be a preliminary cost estimate and is likely to be on the high side. JE is also looking at alternative funding sources in addition to the TIF and bonding.

Committee discussed meeting times – preferably evening for the CIP workshops. JH will work with department heads and School Department to develop a schedule. Goal is to have a draft CIP to the Committee for the November 10<sup>th</sup> workshop.

JE reviewed the qualifications for projects to be included in the CIP - \$100,000 and a useful life of at least 5 years. Recently have been considering lowering the \$ threshold to \$50,000 for projects which are significant enough to need the kind of evaluation the CIP process offers. JH cited the example of the police cruiser outfit project at \$80K, which could easily get lost and then cut during the budget process. JH plans to include that project in the draft CIP and the Committee may choose to remove it later.

*School Dept representatives left after this item.*

## **7. Finance Report**

### **a. September revenue & expenditure reports**

JH discussed the monthly budget reports as of September 30, 2016, reporting no surprises. For explanation on the expenditure report, JH pointed out the "Transfers Out" line, which represents amounts appropriated for capital projects, vehicle reserves and enterprise funds. The budget needs to be adjusted for the capital budget amount of \$20K for the Vehicle Wash Bay Study and \$20K for the Rec Ctr Space Study. JH also pointed out the negative amounts in the Encumbrances column, and explained the procedure for 'carryforwards' of previous year budget amounts for certain items.

### **b. Moody's Annual Comment**

JH presented 10/12/16 document published by Moody's, representing a new analysis/reporting system recently instituted by Moody's. JE described the 'surveillance' that Moody's typically does each year, only responding actively if there is a change that warrants further investigation into the Town's rating. This annual comment is a more routine review/report. The Committee discussed the report, noting the Town's 'exceptionally low' debt and pensions ratio – which per JE is partly because of the funding levels at MainePERS, and because the bulk of the school pension obligation

falls to the State, but also that the Town isn't carrying much debt right now – which is likely to change. JE also explained the Town's available fund balance in relation to the US Cities Median (which is listed as 30% and more), clarifying that based on Brunswick's situation with the relatively stable source of property taxes, in comparison with the volatile source of a sales tax, the Town's fund balance target is appropriate.

**c. Banking Request for Proposals (RFP)**

JH informed the Committee that the Finance Dept issued the RFP for banking services on 10/14/16, with the deadline for submissions 11/14/16, Results to be brought to the Finance Committee at the 11/17/16 meeting, and selection/award completed by early December.

Discussion by the committee, and clarification that the RFP is for the daily depository and disbursement banking services. The Trust Funds are managed separately by the Trust Fund Advisory Committee and are invested differently.

JE pointed out the pricing form attached to the RFP document, which lists the annual volumes for many different types of transactions. JH explained that the list is an excel workbook which will calculate the annual service charge when rates are put in. Explained the 'earnings credit' rate which determines the average monthly bank balance required to cover the service fees. Also explained the FDIC rate, which is the bank's insurance cost and is charged to the account by some banks.

**8. Adjourn**