

MINUTES
REGULAR FINANCE COMMITTEE MEETING
Monday, September 27, 2021 – 5:30 p.m.
Gorham Municipal Center, Conference Room A

Present: Council Chairman Lee Pratt (Ad Hoc), Council Vice Chairperson Suzanne Phillips, Councilor James Hager - Committee Chair, and Councilor Janet Kuech.

Also Present: Town Manager, Ephrem Paraschak, and Finance Director, Sharon Laflamme.

1. Consideration of the minutes of July 19, 2021 Meeting

A motion was MADE by Councilor Phillips, SECONDED by Councilor Kuech, and VOTED to accept the minutes of the July 19, 2021 Finance Committee Meeting. Unanimous vote.

2. Current Business

A. Review and discuss June financials.

When referring to the attachment A containing the June 2021 financials, Finance Director Sharon Laflamme noted that there were still some entries to make equating to less than ten thousand dollars, so year-end was not officially closed.

A discussion ensued in which Councilor Hager noted that the financials reflected that the Town had underspent – he asked why that happened to which Town Manager Ephrem Paraschak said that there wasn't any specific reason. Mr. Paraschak said that most departments asked for encumbrances, so they had a surplus of funds for things that they needed, which had to be approved through him. Generally speaking, Mr. Paraschak said that departments were conservative.

Councilor Hager noted that revenue was significantly up to which Mr. Paraschak said that it is hard to use federal funding to replace lost revenue. He added that it is likely that the same occurrence will happen in the current fiscal year as well, but not to the same extent.

A brief discussion ensued between Council Vice Chairperson Phillips and Ms. Laflamme regarding the remaining amounts shown as expenditures on the third page in which Ms. Laflamme said half of the amounts will go into department savings account, and half will remain in the account.

Councilor Hager asked if we should be referring to the additional remaining amount as a savings account to which Ms. Laflamme said it is a reserve or contingency account.

Regarding the overage in revenue and leftover amount in expenditures, Councilor Phillips asked if when looking at the figures, does it mean that there is a healthy capital part two budget for the next fiscal year to which Mr. Paraschak said that it will be healthy; he added that as a new

norm, he would consider a healthy budget as being two million dollars, and that the number inches up as budgets and revenues increase.

Mr. Paraschak said that we plan on healthy contingencies and revenue sharing, but unforeseen events like the pandemic can take three, four, five-to-six hundred thousand dollars out in an instant.

Council Vice Chairperson Phillips commented that historically, the Town did not have that contingency cushion before, which she feels is healthy and good to plan for that to consistently increase.

Mr. Paraschak said ultimately he would build up the capital part one budget, so the Town is not dependent on what the surplus revenue is.

Regarding trash bag fees, Councilor Hager noted that revenue was up and he asked if we are selling more to which Mr. Paraschak said that without consulting Public Works Director Bob Burns, he suspects that perhaps people are economically comfortable to buy tags and not looking for a less costly waste collection facility; another factor may be that maybe people are buying a little more tags than needed based on pandemic spending.

Council Chairman Pratt commented that it make take two-to-three years for revenue to even out, because the people that have always bought the trash bags were uncertain about trash tag supplies; plus the price increased.

Councilor Vice Chairperson Phillips commented that she noticed more people buying trash tags and that they are buying more at once.

Councilor Kuech commented that it may be helpful to provide trash tags to the Market Basket grocery store in Westbrook for sales to which Ms. Laflamme said that the Market Basket has been buying the tags. Councilor Kuech said that a sign reflecting which Towns sold bags there did not list the Town of Gorham to which Mr. Paraschak said that Public Works staff can follow up with Market Basket and ask how to help get the word out that Gorham tags are sold there.

Councilor Keuch asked what the letters "CEO" meant on the first page of the attachment to which Ms. Laflamme said it meant Code Enforcement Officer. Councilor Kuech said that she assumed that some of the unexpected building maintenance expenses were somewhat COVID-related to which Mr. Paraschak said that building maintenance is usually an area in which the Town does not spend as much as it should.

Councilor Hager commented that by the time this committee receives the financials, the money is spent, so all the committee can do is be reactive, and scrutinize the data and ask questions, whereas it is up to the Town Manager and management to be proactive with how funds are spent; it is their hope that if any corrective actions were needed, they would have been done.

Mr. Paraschak said that he requests that department managers propose department budgets that are less than "X" percent. He sees where more departments try to put money toward things that will be endorsed. He added that MMA performed an inspection of the Municipal building

and noted that trees need to be cut back that are currently hanging over the back of the building to which Councilor Hager said that the action will help save on liability for the Town. Mr. Paraschak agreed, and noted, however, that the tree trimming will likely equate to five to 10 thousand dollars that were not accounted for in the approved budget.

Ms. Laflamme noted that the format of the financials looks different than normal, because she has to export the data from the Trio financial software into Microsoft Excel to add the encumbrances.

A brief discussion ensued between Councilor Hager, Ms. Laflamme, Council Chairman Pratt, and Mr. Paraschak regarding the hindrances within the Trio software program, and the cost of the alternative Munis financial software in which they discussed that there would be a \$250,000 investment to upgrade to Munis, but there could be a potential cost savings if implemented at the same time as the School department.

Mr. Paraschak commented that the School department will be required to upgrade to the Munis software at some point and it would be advantageous to do the same on the municipal side at that time.

Ms. Laflamme commented that there would be efficiencies gained by being on the same financial software as the School department. She added that the Town would need to go out to bid to get pricing.

Mr. Paraschak said that he would need to talk to School Superintendent Heather Perry to understand when the School department would be looking to make the upgrade. He added that he will check with the Town attorney, but the item would most likely need to go to referendum.

Ms. Laflamme said that she would ask Assistant Finance Director Alisha Barrows to create a list of Maine towns and cities and what financial software they were using.

Councilor Hager commented that Casey Leonard of the Town's auditing firm, Runyon Kersteen and Ouellete (RKO), strongly suggested switching to Munis.

Ms. Laflamme shared that the overall experience since the Trio software switched from using SQL to a web-based application has been very challenging.

Councilor Hager asked Mr. Paraschak to please put this matter on an agenda in the spring time for review to which Mr. Paraschak said that we'll likely need to get pricing before the spring if the School department is moving forward in order to be included in the School department's and the municipal proposed budgets.

Councilor Hager asked Mr. Paraschak to please research what legal counsel recommends and to keep the committee apprised.

The committee then reviewed the Recreation Reimbursable attachment and no further dialogue was had.

Councilor Hager thanked Ms. Laflamme for her work preparing the June financials.

B. Review and recommend establishing a formal debt to income ratio goal for the Town.

Councilor Hager shared that when he met with RKO auditor, Casey Leonard, in July 2021, he advised that he has no municipal clients that have a formal debt-to-income ratio policy. Mr. Leonard also told Councilor Hager that there are some organizations that have debt covenants like water and sewer districts. Mr. Leonard also suggested consulting with the Bond Consultant Dick Rattigan as he would be a good resource to advise if the Town should or should not have a formal debt-to-income ratio policy. Mr. Leonard personally recommended that the Town not have a formal policy from which to tie the Town's feet. Mr. Leonard also recommended connecting with the Government Finance Officers Association (GFOA) for their input.

Ms. Laflamme said that she could reach out on the national GFOA Facebook page for input from that online community if there are other municipalities that have a formal policy.

Councilor Hager wants to be sure that the committee and staff does their due diligence with researching this item referred by Councilor Hartwell.

Mr. Paraschak commented that a policy is only as good as the Council is willing to enforce it, and big items like this are more governed by the Town's ability to obtain the debt at a reasonable rate. He added that if a bonding agency is no longer willing to give the Town a good rating, or because the Town has too much debt, he is not sure if there will be a magical number, but they will have given the Town a little nudge and said "you have a lot of debt on the books." He further said that it is not debt that the Town owes, because the state has to pay half of it, but bonding agencies will still consider it debt and potentially the state can default.

Councilor Hager commented that was why he wanted to have the data, because there are two parts to the equation: the Town side and School side. He said that the Town paid a fraction of what the state paid for the construction of the Gorham Middle School and Great Falls Elementary. He added that a goal should be to do the same with the Gorham High School.

Mr. Paraschak said that it would be nice to have a formal policy to use as a tool to keep a 100 million dollar project from passing and crippling the Town, but he does not know how to get to that number, and he is not certain if the bond consultant, Dick Rattigan, could recommend that number.

Councilor Hager said that the policy would be based on a sliding scale.

Mr. Paraschak said that we could ask Dick Rattigan if there is a way for the Town to go out and get a rating from the bonding agencies for a hypothetical project without hurting the Town's rating, which would help identify the maximum amount that the Town could secure without negatively impacting the Town's triple or double A-rating. He added that the bonding agencies look at economic development and growth potential, and the experience of Town staff when rating, so he would not want to go through this process often unless it was for a high value bond.

Councilor Hager said that if we are to request bonding, he would want it to incorporate multiple projects.

Council Chairman Pratt was in support of reaching out to the bond consultant to find out what we can request without triggering a credit risk.

Councilor Hager said, alternatively, the question could be to request the bond consultant's recommendation on the maximum amount that could be bonded without impacting the Town's double or triple A-rating.

Council Chairman Pratt commented that if staff are able to obtain a sliding scale, it would serve as a good visual of what amounts could be borrowed for projects.

Councilor Hager said that the visual will also reflect changes in interest rates.

Councilor Kuech commented that the Facilities Study will provide a good long-range, 20-year plan for the Town to which Mr. Paraschak said that the Town has historically tried to adhere to the last facilities study so the plan is helpful.

A discussion ensued regarding the Town Council Capital Improvement Projects (CIP) Committee in which Council Vice Chairperson Phillips said that committee was just waiting on the results of the Facilities Study. She said that it will be a council decision to organize which project should come first.

Mr. Paraschak said that the Council and School Committee will be given a chance to guide the direction of the Facilities Study. He added that the study is moving slowly, and the architectural firm managing the study, CHA, are experiencing turnover.

Councilor Hager asked if there was a timeline and deliverables to which Mr. Paraschak said – yes, but the process got kicked off late due to the pandemic, and extensions were given.

Council Vice Chairperson Phillips added that CHA were trying to meet with staff within the School department during school hours, which delayed the process.

Mr. Paraschak shared that he had a reassuring conversation with CHA in which they are looking at the end result and dollar figure, and will make recommendations at the end of the study that will maximize spending across for completing multiple projects at the same time. He noted that nobody disagrees that the High School needs to be redone, but CHA may [hypothetically] propose completing options A, B, and C, because those options are cheaper.

Council Vice Chairperson said that she wanted recommendations, because the Council may be focused on one thing, and CHA may recommend fixing multiple things at the same time, which may be more cost effective.

Mr. Paraschak said that without state funding, in an honest attempt to take on the Town's biggest hurdle, he doesn't know how to accomplish it without spending 50 million dollars. He added that the proposed work is a 10 or 20-year patch.

Councilor Hager said that the proposed work would cost 72 million dollars and that was quoted when materials were cheap.

Mr. Paraschak said that getting back to this item, the committee needs to determine how we smartly provide either a cap or the knowledge base for recommendations on a 50 or 100-million dollar project.

Councilor Hager said that it may be advantageous to continuously have the same amount of debt over time - when something drops off, we can replace it with debt-value, so we won't always be in the hole for 80 million dollars, which will grow with inflation.

A brief discussion ensued regarding the current debt, which Ms. Laflamme said the principle was roughly 29.9.

Mr. Paraschak said that staff's marching orders could be to provide more information at the next meeting, and that staff will have a conversation with Dick Rattigan. He suspects that somewhere in the U.S., a municipality or organization takes their credit rating very seriously and follows a sliding scale or debt-to-income ratio policy.

C. Review request for consideration of accepting possession of land.

Ms. Laflamme referred to attachment C referencing a request for the Town to accept possession of land on Brackett Road. Ms. Laflamme further said that the Town foreclosed on the land and auctioned it off to an abutter, because it connected to her residential property; however, when the woman sold her house in 2018, the new property owner would not take the additional abutting land since it was a quitclaim deed. The woman ended up keeping the land, but she no longer pays taxes on the land.

A brief discussion ensued regarding where the property was located and the background on the auction of the foreclosed land.

Mr. Paraschak said that a problem lies in the Town accepting the land as the Town would have to get rid of it, and have to pay the Town attorney to do research on it, and no one is going to buy it except for the abutting land owners. He said we can say – no, sorry, but we highly recommend you reach out to the abutting landowners, and offer to give the property to them for no cost, but someone will have to pay for a closing. He added that the Town may end up having to take possession anyway. He said the requestor wants to pay the outstanding taxes and give it to the Town as a foreclosure since she doesn't want ownership.

Councilor Hager drew on a whiteboard to illustrate the intersection and location of the property in question.

Council Chairman Pratt said he is in favor of giving some recommendations to the landowner before the Town takes over possession to which Mr. Paraschak concurred, and said Executive Assistant Jessica Hughes could write a simple letter that could list abutting landowners and advise that the Town unfortunately does not want to take possession of the land at this time,

and we recommend that if you do not want to go through the foreclosure process, pay the outstanding taxes owed, and please reach out to your neighbors to see if you can transfer the land to one of the neighbors.

Ms. Laflamme noted that the total amount due in property taxes due is 712 dollars.

Councilor Hager said that his vote is that we don't want to take possession, and that we want taxable income to which Councilors Phillips, Kuech, and Pratt agreed.

A motion was MADE by Councilor Kuech, SECONDED by Councilor Phillips, and VOTED to not accept the request at this time, and staff will try to provide assistance. Unanimous vote.

3. Other Business

A. Request from Councilor Keuch.

Regarding Town fees, Councilor Kuech said that she would like to request that Library Director James Rathbun attend a future meeting to review Library fees, and how much money in books they do not get back each year. She said it may not be pertinent to the committee, but Library fees were not reviewed at the time that this committee reviewed all other Town fees.

Council Vice Chairperson Phillips said that Mr. Rathbun did attend a Finance Committee meeting when he took over as Library Director, and presented a list of recommendation for Library fees.

Mr. Paraschak that the council order to review Town fees was fairly generic, and James may love to come to a future Finance Committee meeting.

Councilor Keuch said that she is interested in learning more about how the library works, what the library fees are, and about the role of the Friends of the Library. She added that she has heard anecdotes about students being here, and leaving with lots of books, or moving out of Town.

B. Request from Council Chairman Pratt.

Council Chairman Pratt requested that the committee review past due property taxes again. He said that the committee hasn't talked about them in about one year to which Ms. Laflamme said she was going to try to have the data ready for this meeting.

Councilor Hager said that he believes it is a recurring agenda item to which Ms. Laflamme said that she believes it is an item that is scheduled for recurring annual discussion after foreclosures in February.

Mr. Paraschak said that it may have been postponed last year due to the pandemic.

Council Chairman Pratt asked if a list of past due property taxes was public record to which Ms. Laflamme said – yes, but she will tell requestors of the lists that the properties may be foreclosed and the Town has not yet taken possession.

Mr. Paraschak said that he would advise requestors that it is an ongoing process. He added that there are very few instances in which it benefits the Town to take possession of foreclosed properties.

C. Trio financial software errors.

Mr. Paraschak advised the committee that there was an error within the Trio financial software, which staff could not have easily caught, because there was a computer glitch between the address owner and deeded owner of properties, but essentially 500 tax bills incorrectly went out to former property owners although they were addressed on the letters to the new owners. He said that Ms. Laflamme will re-do the commitment book, extract those 500 properties out, and re-mail the letters to the property owners that should have gotten the bills.

Mr. Paraschak forewarned the committee that the Council may receive some calls with concerns regarding this issue.

Council Vice Chairperson Phillips asked how many tax bills get sent out to which Ms. Laflamme said approximately 7,000.

Ms. Laflamme explained that this error would not have happened under the former SQL-based application of the Trio financial software.

Ms. Laflamme added that residents may also think that they don't have the homestead exemption as the amount was incorrectly categorized under the "other" exemption line on tax bills, which was another error as a result of the Trio software moving from SQL-based to the web-based application.

D. Recommendation for workshop agenda item.

Mr. Paraschak said that he will recommend at the next Town Council meeting to schedule a workshop to discuss the American Rescue Plan Act (ARPA) funding and recommendations on what to do with the 1.8 million in funding; he knows the Town has to spend the money in a couple of years, but he is not clear on if the money needs to be allocated. He noted that the categories are very restrictive on what the funds can be used for. He said the most open category is countering the COVID-19 pandemic, and there is also a section in which we might be able to invest some money in parks, but a lot of it has been used for things like sewer infrastructure. He added that staff will write up a recommendation on this.

Council Chairman Pratt said the October or November Town Council workshop could contain two agenda items to incorporate this item.

A brief discussion ensued in which the committee and staff discussed ideas for ARPA funding.

4. Schedule next meeting and discuss agenda items for next meeting

The next regular meeting will be decided at a later date, and will include a discussion regarding the bond consultant's recommendations regarding a debt-to-income ratio policy, a discussion with Library

Director James Rathbun regarding Library fees, and any other items referred by the Town Council to the committee.

5. Adjournment

There being no further business, a motion was MADE by Councilor Kuech, SECONDED by Councilor Phillips, and VOTED to adjourn at 7:00pm. Unanimous vote.

Respectfully,

Jessica Hughes
Executive Assistant