

Town of Raymond  
401 Webbs Mills Road  
Raymond, Maine 04071

ROAD IMPROVEMENT STUDY COMMITTEE  
Thursday, March 29, 2012

MINUTES

ATTENDANCE: Rolf Olsen, Chairman; Bob Harmon, Committee member; Sam Gifford, Selectman; Nathan White, Public Works Director; and Don Willard, Town Manager.

OTHERS: Mike Reynolds, Selectman; and Dick Ranaghan, Senior VP Gorham Savings Bank.

1. Call to order: Rolf Olsen called the meeting to order at 10:00 am at the Broadcast Studio.

2. Minutes from February 8, 2012.

MOTION: Sam Gifford motioned to approve the minutes from February 8, 2012.

Seconded by Bob Harmon.

VOTE: Carried

3. Funding Road Improvements.

DISCUSSION: Mr. Ranaghan explained how Raymond can finance its road maintenance and emphasized that good capital planning is important and necessary. There are three ways to finance: pay as you go through the annual budget, capital reserves, or borrowing from a bond bank, a local bank, or issue municipal bonds. Borrowing would require a town meeting approval.

Maine Municipal Bond Bank has two application deadlines May and October. The accepted applications are then combined to find funding as a block by the bond bank. The only cost [\$2,000] would be for a bond counselor who would review the application. The bond bank fee, which is added over the bond percentage rate, is paid out over the life of the bond.

Local banks would answer a town RFP for a bid. These can be done at any time. The rate is usually a little higher than the MMBB. Local banks usually bond up to \$500,000 and won't go over a 10 year term. Typically the rate is higher than the MMBB and the rate is only fixed for the first 5 years and the second 5 years of the term would be tied to a variable index until final payment.

Town Issues its own bond. The bond rating will influence the percentage the town will be paying. This can make a significant difference. Demographics, money, and management go into the rating. The strength of the municipality is very important. Cumberland County has a high rating which would help the County's towns. Road inventory and value is important as an asset. Collection of property taxes percentage is very good in Raymond which will be a positive. The fact that Raymond's debt is very low can help but also hinder. The bonding company would see it as a positive asset but also question whether the lack of debt signifies that the town has not been

maintaining its hard assets. Having a low mill rate might infer that Raymond is due for a large jump in taxation because they have to spend a large amount to catch up on infrastructure improvements.

Town issuance of a bond would allow maximum control. The application processing would take about 8 to 12 weeks. The cost would be about \$40,000 and include a Moody's rating. The first year the cost would be half of the total annual amount with the full annual amount coming due the following year. There are many other variables in writing a bond which were discussed. If you go for a bond there is a time limit in which you need to use the money. You can't make a profit on the borrowed financing. It's important to have a capital improvement plan in the town's planning which should dovetail with anything the school administration is borrowing. It's very important to catalogue the town's hard assets and keep it current for financial planning. This inventory parameter should be for 5 years; going beyond that "it gets fuzzy".

Mr. White said that he felt our road system is better than most of our neighboring towns, however if we don't begin improvements soon that won't be the case. There was discussion about what the tax rate will do and what the population will accept.

Each time you apply for a bond it will cost the initial fee again. Also don't bond a road for the full life of the road i.e. bond for 8 years of the expected 10 year lifespan.

The bond application fee [\$40,000] can be built into the annual budget or as a part of the bond request from the voter which would be the issue cost.

Mr. Olsen felt there was a need to set a time to meet with the Selectmen to discuss this and a possible \$2,000,000 bond. Mr. Willard noted that if the decision was for local bond issue then a special town meeting could be arranged to move on it this year. Mr. Olsen said that he would write a report for the Selectmen and then decide on a meeting date. Mr. White said that he would need some time to put his information together. They felt that the November 2012 election would have the highest turnout to make a decision. Mr. Harmon asked whether an update with the Selectmen would be helpful planning for the future. Mr. Olsen said he would work on that.

NEXT MEETING: Wednesday, April 18, 2012 at 7:00 pm.

ADJOURNMENT: Rolf Olsen adjourned the meeting at 11:30 am.

Louise H. Lester  
Town Clerk