

Final, Approved unanimously, March 8, 2017

FINANCE COMMITTEE

MEETING, January 4, 2017

A Finance Committee meeting convened at 7:00 pm in Room 5.

Members of the committee in attendance: Mr. Creighton, Ms. Mellish, Ms. Kaneb, Mr. Oldeman, Mr. Susko, Mr. Evans and Ms. Thorne. Mr. Croft and Mr. Furlong were absent.

Board of Selectmen in attendance: Mr. Kehoe

Town Administrator, Mr. Federspiel and Town Accountant, Ms. Mainville were also present.

Mr. Creighton presided.

Agenda items scheduled for discussion:

- Budget Overview and Discussion – Capital Exclusion
- Progress with Budget Liaisons – Department Meetings
- School Budget Discussion
- Other business that comes before the Committee.
- Approval of Minutes

Ms. Thorne moved the Finance Committee meeting to order.

Mr. Federspiel started the discussion regarding **Capital Exclusion** by stating it is a means of keeping pace with capital improvements without incurring an additional bond. There are times it is difficult to keep pace with spending bonds within the time limit and terms of the bond. Capital Exclusion is a way of topping off the debt balance at \$1.9 M, maintaining a steady levy for taxpayers and continuing to address the capital needs of the Town. Mr. Creighton inquired about the mechanics of implementing a Capital Exclusion. Mr. Federspiel indicated the exclusion is like debt service and requires a majority vote at Town Meeting and two thirds at the ballot.

The Committee discussed the concept of focusing Capital Exclusion funds on a specific project. In the proposed Capital Budget for FY 18 Capital Exclusion funds are spread over several line items. Ms. Mellish thought it important to justify why the Town was spending the funds and define how important a specific item or project being funded by Capital Exclusion funds is to the community.

Ms. Kaneb stated it appeared difficult for the Committee to fully grasp the concept of Capital Exclusion and wondered how best to present the new concept at Town Meeting. Mr. Federspiel thought a graph or image might help to present the idea.

Ms. Thorne stated she supported the concept of keeping the debt levy even. Mr. Creighton stated the smooth approach has some merit it keeps taxes moving evenly. The citizens can say yes or no to the Capital Exclusion plan at Town Meeting. Mr. Oldeman indicated with Capital Exclusion the Town was not

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paying on debt services, which is favorable. Ms. Kaneb stated it is a more prudent way to fund some Capital Projects.

Ms. Mellish proposed moving some of the smaller capital items into departmental operation budgets; specifically mentioning police cruisers which are purchased annually. Ms. Mellish would like to see the Capital Budget providing for big items like storm drains, sea walls, water and sewer pipes and items over \$100K. This approach would be a significant change in the budgeting process, per Mr. Federspiel but could be done.

Capital Budget and specifically Capital Exclusion will be reviewed further into the budget process. Mr. Federspiel will identify specific projects to be considered for Capital Exclusion funding. Mr. Creighton stated he was generally in favor of including Capital Exclusion in the FY 18 Budget.

Progress with Budget Liaisons:

Major Department heads will meet with the Finance Committee in coming weeks – Fire, Police and DPW will make FY 18 budget presentations to the Committee.

Initial discussions with the Fire Chief indicate he is requesting an additional \$200K for his Department and proposed funding the additional expenses by moving to Regional Dispatch. The Fire Department liaison is Mr. Croft.

The Police Chief anticipates keeping to his proposed budget. There has been some discussion about a school resource officer, however, this is in initial stages and would require input from MERSD and the Town of Essex. The Police Department liaison is Ms. Mellish.

DPW, Interim Director, Ms. Murray will make a presentation to the Committee. Discussions are ongoing on a final DPW site. Additionally, DPW is undergoing an audit, the Master Planning Committee is evaluating Facilities and there is an outstanding question on Building and Grounds and if Buildings and Grounds will remain in the Parks and Recreation budget or be moved to DPW. Mr. Oldeman is the liaison with DPW.

Mr. Federspiel asked that liaisons and Committee members go through the FY 18 Budget Book and develop questions. It is anticipated that liaisons will answer questions related to their departments.

MERSD Budget Discussion:

Mr. Creighton has requested a meeting with school officials, he is working with the Chairman of the School Committee, Ms. Cameron, to schedule that meeting. In advance of the meeting the Finance Committee members have been asked to forward questions for School Committee Chair, the Superintendent and Finance Director for MERSD.

Mr. Oldeman asked if the School Committee was aware of the Town's goal for the Fiscal Year? Mr. Creighton cited an article from the Gloucester Times that mentioned the MERSD budget may increase by 3.7%. With appropriations, this would result in an increase of 4.2% for MBTS. At a recent meeting of the

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School Committee, Mr. Federspiel, indicated that an increase of 4.2% would mean an override for MBTS. There is no interest on the part of the School Committee for an override in FY 18 and it is anticipated the school budget will come in at approximately 3.7%. The school officials are aware of the Finance Committee and Town's goal for FY 18.

Finance Committee discussion focused on concerns with the costs related to MERSD and on questions to be addressed with the School Committee Chair and Superintendent.

The consensus of the Committee is that an annual increase of 3.7% in the MERSD Budget is in the long term unsustainable for the community. Especially considering the proposed new Elementary School and the debt the Town will incur with that project. The current budget including debt for the High School (retiring in 2024) is approximately 47% of the Town's total budget.

Mr. Creighton indicated, assuming 1,000 students enrolled in MERSD, the population of the school represents 25% of the Town's population and the cost of the schools is nearly 50% of the annual revenue for the Town. The concern of many Committee members is the Town is held to a 2.5% budget increase while the School District is consistently increasing at the rate of more than 3.5%. Several members of the Committee agree it may be time for the Town to let the School Committee know in advance what funds are available for the upcoming budget year and the District will be asked to work to the Budget figure provided by the Town.

Additionally, enrollment is decreasing. Although it is difficult to establish the exact number of students enrolled since enrollment numbers need to be certified by the state Department of Education and that certification is not available until early in the year.

Additional discussion of the Committee focused on School Choice and Special Needs Programs – these questions will be answered and clarified in the upcoming meeting with the Superintendent.

Meeting Minutes Approved:

February 24, 2016 Minutes, Ms. Thorne moved the minutes be approved, Mr. Creighton seconded. The motion was passed unanimously.

September 7, 2016 Minutes, Mr. Susko moved the minutes be approved, Mr. Creighton seconded with one correction on page 3, correct the spelling to Ms. Thorne's name. The motion was passed unanimously.

September 27, 2016 Minutes, Mr. Oldeman moved the minutes be approved, Ms. Thorne seconded. The motion was passed unanimously.

October 13, 2016 Minutes, Mr. Susko moved the minutes be approved, Ms. Thorne seconded. The motion was passed unanimously,

Ms. Thorne moved the meeting be adjourned, the motion passed unanimously.

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