

Minutes, February 5, 2020

FINANCE COMMITTEE – Meeting, February 5, 2020

A scheduled meeting convened at 7:00 p.m. at Town Hall in Room 5.

Present: Mr. Creighton, Ms. Harrison, Mr. Oldeman, Mr. Weld, Ms. Mellish and Mr. Pratt

Board of Selectmen: Ms. Jaques and Mr. Boling

Staff Present: Town Administrator, Mr. Federspiel, Finance Committee Clerk, Ms. Hunter

Mr. Creighton called the Finance Committee meeting to order at 7:00 p.m.

Review and Approve Meeting Minutes –

Minutes for January 22, 2020 and January 29, 2020 were held for review at the next meeting.

Review of Parks & Recreation Budget and Capital –

Parks & Recreation Operating Budget has been approved. Parks & Recreation Capital Budget will be reviewed with the Capital Budget later in the meeting.

Review of General Government Budget and Capital –

B-13 Electronic Voting estimate of \$4,500.00 is for reprogramming and battery replacement for the electronic voting devices.

Ms. Mellish moved to approve the Election Registration Budget in the amount of \$24,915.00, Mr. Weld seconded the motion. The motion passed unanimously.

B-28 Pension costs increase 7-8% annually to make up for the deficit in the program. In 2024 the annual increase will decrease to 4-5% dropping to 0% in 2033.

Mr. Weld moved to approve Contributory and Non-Contributory Pensions in the amount of \$1,322,600.00, Mr. Pratt seconded the motion. The motion passed unanimously.

Review of Debt Service

Mr. Creighton asked what the difference was between budgeted and actual in Debt Service. Mr. Federspiel replied it related to bonds approved but not issued. The most significant bond not issued related to the dredging project for which the Town received a grant and did not bond the full amount. Additionally, the water project was not fully bonded in FY20. Mr. Federspiel stated the Town debt will keep dropping to the \$800K level in 2-3-years, with debt being retired in 2033.

Ms. Mellish asked for clarification of GO, GO is general obligation most of the existing debt is related to sewer and water pipes and I & I projects. Mr. Creighton stated debt service ties back to Town Meeting Warrants and can be easily tracked from 2003 to present.

Ms. Mellish moved to approve Debt Service in the amount of \$1,174,802.00, Mr. Pratt seconded the motion. The motion passed unanimously.

Review of Non-Appropriated Expenses

Beyond the specific appropriation contained within the Budget Article and other Town Meeting articles the Town must account for those expenses which do not require or prohibit votes of appropriations. Such costs include various State assessments for services and county assessments for county services, tax title implementation, budget overdrafts in snow and ice removal, court judgements and an amount estimated for tax abatements and exemptions. Including Amounts certified for Tax Title, Cherry Sheet Offsets (Library), Snow and Ice Deficits, Allowance for Abatements & Exemptions, MV Park Surcharge, Mosquito Control, Air Pollution Control, MET Area Planning and MBTA.

The Committee discussed the \$200K requested for abatements and exemptions and concluded Mr. Federspiel would provide additional information from the Town's Principal Assessor Ms. Thompson regarding the abatement history. Mr. Pratt would like to see the line item reduced to \$150K.

Review of Capital Budget

- DPW decreased drainage and sidewalk repair budget line to account for work to be completed in house.
- Sweeney Park, total design now estimated at \$105K (no construction documents). However, includes testing and requirements to allow for Conservation Commission permits.
- Pay and Display Parking Meters have been deleted
- Planning Board Zoning Review for 40R increase in budget line from \$15K to \$25K (40R is mixed use development with a requirement for 50% residential). Ms. Mellish stated 40R gives the Town additional control over construction. Mr. Oldeman asked if 40R would allow for higher end developers to bid. Mr. Federspiel stated that was possible.
- Open Space Grant is anticipated to cover the Downtown Parking Study
- Ms. Mellish observed the Town has spent a significant amount on studies and asked when the Town will see an impact from the investment. Mr. Federspiel stated the Town is positioned to implement the recommendations of the Master Plan. And return on investment is 2-5-years out.

Cornerstone Church request for \$600K

The Cornerstone Church purchase price is \$1.2M. Ms. Mellish asked about the Church's timeline regarding exercising the option. Mr. Federspiel stated it is likely 2-5 years. Ms. Mellish stated the option locks in the price of the building and asked what is the point of setting aside money at this time? Mr. Pratt agreed. And Ms. Harrison stated she strongly preferred to fund the Church purchase at one time.

Mr. Weld asked about the possibility of leasing the building back to the congregation post purchase and believes the Town is in an interesting position. What will happen if the Church needs the \$1.2M to build and has no lease agreement with the Town.

The Committee discussed the request for \$600K in FY21 and again in FY22 and concluded it was best to go before Annual Town Meeting with one request to fully fund the purchase of the Church.

Mr. Federspiel stated an architect had designed the interior space of the Church and worked with an engineer on the renovation estimate. Renovations are estimated at \$2.6M. The design plans clearly layout the 2 floors of the Church with a Senior Center on the first floor and office space, kitchen and hall for seating up to 300 on the second floor.

The funding for the Cornerstone Church purchase was deferred for consideration in the FY22 budget. Ms. Harrison would like to provide some communication to residents about the Town's intent to purchase the Cornerstone Church and suggested an information piece with the Town Report indicating the report goes to all residents and not just attendees at Annual Town Meeting.

Mr. Weld outlined CPC recommendations for FY21.

Community Preservation Funding

- Open Space & Recreation
 - Sweeney Park Design \$50K
 - Park Signage, Water and Lighting \$12K
 - Landscape Restoration \$35K
 - Conservation Commission Land Plan \$20K with an additional \$10K in Capital
- Community Housing
 - Future Projects \$150K
 - Housing Production Plan \$8,500 – updated every 5-years
- Historic Preservation
 - Cemetery Restoration \$35K
 - Veterans Honor Roll \$25K
 - Seaside One Restoration \$39K
 - First Parish Church Restoration of Steeple Railings \$30K
- Administration \$20K

Total Community Preservation Funding \$424,500.00

Mr. Federspiel stated there was one additional item to be added to the Fire Department budget. The Zodiac used for pond rescues needs to be replaced the rubber is beyond repair. The cost for the new Zodiac is \$7K. Mr. Federspiel recommends moving \$10K out of the Fire Engine fund to fund the purchase of the Zodiac. Mr. Creighton recommended having the Zodiac evaluated at Brown's in Gloucester. He understands they strip the vehicle down and replace the rubber. Mr. Federspiel will follow up with Brown's prior to making the update to the Capital Budget.

The Committee will vote on the Capital Budget when updated sheets are final budget numbers are presented.

Review of Manchester Essex Regional School District Operating Budget and Capital

Mr. Creighton stated the School Committee voted last evening to approve the final operating and capital budgets for the District.

Total growth in the District budget is 3.82% with assessment to the Towns of 3.18% Manchester's portion of the District budget is 64.35% which represents a 2.94% increase to the Town. Essex increase is 35.65% an increase of 3.61%. In the multi-year model, the Town can manage an increase in the District budget up to 3.3%.

Apportionment formula is 50% enrollment, 25% equalized property values (a 3-year rolling average) and 25% population (based on census a 10-year number). Updated census numbers are anticipated for FY22. According to Mr. Federspiel the final equalized property value is determined post Annual Town Meeting.

Total operating budget for the District is \$24,464,801.00 with Manchester's apportionment \$15,099,530.00 an increase of \$431K or 2.94%.

Mr. Pratt asked about the potential for the Towns realizing savings in the District's budget due to the number of students attending Essex North Shore Agricultural & Technical School. Mr. Creighton asked Superintendent Beaudoin that question on January 15, 2020 and she replied in order for the District to cut a class and realize a savings 25-30 students from the 9th grade would need to attend Essex North Shore Agricultural & Technical School. Mr. Pratt believes there should be savings for the combined number of students from Manchester and Essex attending the School.

Mr. Creighton indicated the budget drivers for the District are health care, out-of-district placements and compensation.

Health insurance costs have been a challenge for the District due to two year's when the District experienced a 28% and 17% increase in health insurance costs for a total of \$1.5M. Health insurance costs are just now levelling out. Additionally, when the District regionalized it took on teachers for Manchester and Essex who were Town employees and the District had no retirees. According to Mr. Boling the retiree pool is just now filling in. Ms. Harrison pointed out teachers retire at a younger age. Mr. Federspiel indicated these younger retirees cost the District until they qualify for Medicare.

Mr. Pratt believes there are strategies, brokers and negotiations the District is not fully utilizing to help with the costs of the District's health insurance. He stated it appears the District accepts without fully realizing potential savings. Ms. Mellish and Mr. Oldeman did not agree that was a valid assessment of the District's efforts to maintain costs of their health insurance plan.

Teacher's union negotiated a 2.5% COLA in their contract and also have step and column increases depending on educational achievements. Ms. Harrison stated there are also longevity increases in the Teacher's contract. The compensation increase for classroom teachers is 4.6%

Ms. Mellish moved to approve the Manchester Essex Regional School District budget for Manchester for operating and debt in the amount of \$18,047,562.00, Mr. Oldeman seconded the motion. The motion passed unanimously.

Ms. Mellish moved to approve the Essex North Shore Agricultural & Technical School budget in the amount of \$152,731.00, Mr. Oldeman seconded the motion. The motion passed unanimously.

Mr. Federspiel outlined the tentative Warrant Articles for Annual Town Meeting.

- 1) Utility bills the responsibility of the landlord if a tenant leaves Town without paying. This is a local option.
- 2) Affordable Housing Trust language simplify when adding a new Trustee.
- 3) Conservation property in the Western Woods, 12 acres purchased for \$60K.
- 4) Move Annual Town Meeting to the end of April.
- 5) Tax on short term rentals – a local option of up to 6% tax. The additional tax will be based on the State's definition of short-term rental and collected by the State on the Town's behalf.

Mr. Boling stated when the 12-acre plot in the Western Woods was discussed previously the Board could not reach a consensus partly because there was not a holistic plan in place regarding the Western Woods. In the past couple of months there have been meetings with members of the Finance Committee, Planning Board, Conservation Commission, the Town Planner and Board of Selectmen. What has come out of those meetings is a document titled preserving the Western Woods. The Committee will receive a copy of the final document.

Preserving Manchester's Western Woods is a bold and timely initiative that will serve the Town and the region. It is an initiative that helps protect the Town's water supply, improve climate change resiliency, protect habitat and biodiversity, and expand opportunities for education and outdoor recreation. And it fits well into the overall Town's Master Plan.

The Town plans to develop a Forest Stewardship Plan outlining how to manage and use the Western Woods. Acquisition of land is part of the plan and the 12-acre plot is the beginning of that process.

Other Business, as may not have been reasonably anticipated by the chair (discussion only).

Mr. Oldeman moved to adjourn the meeting; Ms. Mellish seconded the motion. The motion passed unanimously.

Meeting Materials:

FY 21 Preliminary Budget and Meeting Minutes, January 22, 2020 and January 29, 20