

Minutes, March 4, 2020

FINANCE COMMITTEE – Meeting, March 4, 2020

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

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

Absent: Mr. Weld

Board of Selectmen:

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 February 5, 2020 were approved. Minutes for January 22, 2020 and February 26, 2020 were held for review at the next meeting.

Mr. Creighton requested an edit on 2/26 minutes, p.4 School Committee spending level long term should be 3.2%.

Ms. Mellish moved to approve the Minutes of February 5, 2020 , Mr. Oldeman seconded the motion. The motion passed unanimously.

Review of Unfunded Liabilities -- OPEB

Review of Remaining Items FY21 & Long-Term Budgets

Mr. Federspiel presented the 5-year model stating assumptions in the model include the following increases, Salary 2.5%, General Expenses 1.5%, Health Insurance 7%, Pension 7%, School 3.3% and Enterprise Funds steady.

Ms. Mellish asked if the Town does not increase the levy capacity by 2 ½% how does that impact future years. Mr. Federspiel stated if the Town has not maximized 2 ½% the unused capacity can be applied to a future year tax increase without an override. The Town is building levy capacity.

The unused capacity for next year is the result of better rates on funding for the new Memorial School for a decrease of \$500K. Additionally, the Town is taxing at 2% for a reduction of \$200K in revenue. Totaling \$700K. To increase the tax rate from 2 ½% + ½% the vote is a majority at Town Meeting.

Mr. Creighton asked Mr. Federspiel to confirm the line in the model referencing real estate taxes. The \$30M figure is tax revenue.

Ms. Mellish asked about funding for North Shore Agricultural & Technical School. Mr. Federspiel stated for FY21 the school is level funded, however, in the model the school is projected to increase 5%. Mr. Creighton confirmed \$500K of the \$700K is the result of better rates on Memorial School project.

Mr. Federspiel stated the budget is stable given the current assumptions. Ms. Mellish asked what could go wrong? Mr. Federspiel stated a natural disaster would be the most significant challenge.

The possibility of a recession was considered by the Committee and how that might impact the forecast. Mr. Federspiel stated in 2008 real estate stayed pretty stable, although real estate plummeted in value the tax rate goes up accordingly.

Ms. Harrison asked about the Harbor Fund at \$2M. Mr. Federspiel stated that assumes dredging in FY25.

Ms. Mellish asked about the sewer project with Beverly. Mr. Federspiel stated the study is starting and assuming the project is feasible implementation is 5-10 years off. Mr. Federspiel stated if there is a catastrophic event at the sewer plant, a storm impacting sea walls or other major event Federal Funding would likely be available.

Mr. Pratt asked about life expectancy for the new water pipes and how close to completion the water pipe project is at this time. Mr. Federspiel stated water pipes are expected to last for 100-years and the water pipe project is overall less than 50% completed with critical updates more than 50% completed.

Mr. Creighton confirmed the Town's annual investment in road work is \$300K with an additional \$150K from the State. Mr. Federspiel stated that is correct.

Ms. Harrison asked about the bridge over Harbor St. Mr. Federspiel stated that bridge is owned by MBTA. MBTA has declined to participate in the sea wall restoration at Boardman Ave. and may be unlikely to update the bridge.

Mr. Creighton asked at what point Debt Service decreases. Mr. Federspiel stated FY30 to FY32 the Town's Debt Service is almost zero. The Town will hold the course for 12-13 years at which time the Town may consider a bond for a significant project or multiple projects. In the early 2030's OPEB, Pension and High School debts are retired.

Mr. Creighton stated he believes the Town will always have some level of school debt, but the school debt will likely never be higher than it is at this time. High School debt will retire, Memorial School debt is a 30-year investment and there will be a new Essex Elementary School to build. Mr. Oldeman indicated the Memorial School is a 50-year build according to MSBA and Ms. Harrison indicated educational standards change over time.

The Committee discussed CPC project funding and agreed CPC project funding could be more strategic. Mr. Federspiel stated there is no requirement from the State that funds be spent

within a specific time frame. Mr. Federspiel would like to see CPC funded projects incorporated into the Capital Plan. He suggested saving to fund Affordable Housing Trust projects. Mr. Federspiel stated this would be a good discussion to have in May or June with the Community Preservation Committee. Mr. Creighton asked if there would be blow back from the taxpayers if funds were saved. Mr. Federspiel stated it may require some education and planning.

Other items considered, reviewed and discussed in the Five-Year Model:

- Using reserves to provide a tax break for residents against school debt.
- Mr. Creighton asked about road projects discussed at BOS meeting and where are those funds held. Mr. Federspiel indicated the funds are in the expenditure report as unspent money.
- Ms. Mellish asked about capacity, incomplete projects and continuing to fund new projects. Incomplete projects are not always related to capacity according to Mr. Federspiel. There is an approval process and residents can slow downs that process.
- DPW Barn was funded at \$285K Mr. Oldeman asked what happened to the allocated funds. Mr. Federspiel stated the funds were spent on new heating, insulation and a new office at the DPW barn.
- Town Hall improvements funds were allocated and spent on new HVAC equipment additional funds are in the FY21 budget for installation of the equipment.
- Ms. Mellish understands the rollover funding of 6 months but some of the allocated funding is not spent for 12-18 months and she finds that unacceptable.
- District budget including teacher's salaries, health insurance and use of reserves for FY21 was also considered.
- Mr. Pratt stated the Town demonstrates a high degree of confidence with managing OPEB, Pensions and Town Debt.
- Ms. Mellish stated she understands residents vote for schools and public safety but when the bills come due there maybe reaction to the increases in taxes.

Mr. Creighton thanked Mr. Federspiel for sharing the model and requested the excel spreadsheet be forwarded to the Committee.

Finance Committee Report Recommendations

Mr. Pratt asked to discuss the level of reserves projected in the Finance Committee Report. He would prefer the reserve level to be 8% to 10% not the currently referenced 10% to 12%. Ms. Mellish agreed 10% to 12% was high but was comfortable with 10% which was part of the Finance Committee's long-range plan. Mr. Oldeman agreed historically the goal was 10%.

Ms. Mellish suggested the language might be equal to about 10%. Mr. Pratt agreed he would prefer to discuss the change with the auditors for an understanding of their recommended target but that was not possible at this time.

Ms. Harrison stated it seemed like a big jump going from 15% to 8% in one step. She is comfortable with reserves at 10%.

Mr. Creighton stated estimated reserves at the end of FY21 are 11%. In July 2019 reserves were \$5.8M, in July 2020 reserves are projected at \$4.9M and in July 2021 reserves are projected at \$4.2M.

Final Finance Committee Report is due on Tuesday, March 10, 2020.

Review of Proposed Town Meeting Warrant Articles

Article 1 – Mr. Oldeman moved to recommend Article 1, Ms. Mellish seconded the motion. The motion passed unanimously.

Article 2 – Ms. Harrison moved to recommend Article 2, Mr. Oldeman seconded the motion. The motion passed unanimously.

Article 3 – Ms. Harrison moved to recommend Article 3, Ms. Mellish seconded the motion. The motion passed unanimously.

Article 4 – Ms. Harrison moved to recommend Article 4, Ms. Mellish seconded the motion. The motion passed unanimously.

Article 5 – Mr. Oldeman moved to recommend Article 5, Ms. Mellish seconded the motion. The motion passed unanimously.

Article 6 – Ms. Harrison moved to recommend Article 6 in the amount of \$725,000, Mr. Oldeman seconded the motion. The motion passed unanimously.

Article 7 – Ms. Harrison moved to recommend Article 7, Ms. Mellish seconded the motion. The motion passed unanimously.

Article 8 – Ms. Mellish moved to recommend Article 8, Ms. Harrison seconded the motion. The motion passed unanimously.

Article 9 – Mr. Oldeman moved to recommend Article 9 in the amount of \$264,769.00, Ms. Mellish seconded the motion. The motion passed unanimously.

Article 10 – Ms. Harrison moved to recommend Article 10, Ms. Mellish seconded the motion. The motion passed unanimously.

Article 11 – Ms. Harrison moved to take no position on Article 11, Mr. Pratt seconded the motion. The motion passed unanimously.

Article 12 – Ms. Harrison moved to recommend Article 12, Ms. Mellish seconded the motion. The motion passed unanimously.

Article 13 – Ms. Mellish moved to recommend Article 13, Ms. Harrison seconded the motion. The motion passed unanimously.

Article 14 – Mr. Creighton moved to recommend Article 14 on Town Meeting Floor, Ms. Harrison seconded the motion. The motion passed unanimously.

The Committee fully discussed Article 14:

- The Committee would like to hear the presentation on the plans for the Western Woods. And specifically discuss the 12-acre lot in light of long-term conservation goals.
- Mr. Pratt supports the Town procuring the 12-acre lot and holding it but not placing it in conservation.
- Mr. Federspiel stated the area of Town in which the 12-acre lot sits is well suited for conservation according to the Town’s Master Plan.
- The BOS, Planning Board, Conservation Commission and Mr. Creighton representing the Finance Committee have had several meetings and developed a preliminary plan for the Western Woods.
- Several members of the Finance Committee have not received a copy of the plan.
- Mr. Creighton stated the project and goals for the Western Woods is a 10-15-year commitment.
- The Committee is interested in understanding preliminary discussions around the Western Woods and LCD. Ms. Mellish specifically asked what area of the LCD would be preserved.
- Mr. Oldeman would like to hear from conservation groups to fully appreciate their goals and objectives.
- Mr. Creighton stated he would recuse himself from the discussion on Town Meeting floor and would let another member of the Committee to state the position of the Committee.

Article 15 – Ms. Mellish moved to recommend Article 15 on Town Meeting Floor, Mr. Oldeman seconded the motion. The motion passed unanimously.

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

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

Meeting Materials:

- FY 21 Preliminary Budget
- Meeting Minutes, January 22, 2020, February 5, 2020 and February 26, 2020
- Town Meeting Warrant Articles