

Swampscott Finance Committee
September 11, 2017

Attending: Marzie Galazka (Chair), Tim Dorsey (Vice Chair), William Jones, Mary Ellen Fletcher, Jill Sullivan, Cinder McNerney, Gail Rosenberg, Polly Titcomb

Absent: Joan Hilario

Also attending: Sean Fitzgerald (Town Admin.), Ron Mendez (Asst. Town Admin.), Leah Ryan (Capital Improvements), Cheryl Herrick-Stella (Town Accountant), Michael McClung (Moderator)

The committee held a moment of silence in honor of 9/11.

TA introduced new Town Accountant Cheryl Herrick-Stella.

Ms. Herrick-Stella will discuss the 18/19 budget situation. Reviewing FY 17 year end, YTD 18 expenses and revenues, FY 19 budget process, and FY 19 capital planning process.

FY '17 came in relatively close to budget projections in both revenue and expenses. YTD '18 – we are at about 19% of the budget expended, which is what would be expected at this point. The revolving funds have been added to the spreadsheet of information for our information. Mr. Dorsey asked if there are any surprises in how the broad categories of expenses are being drawn down. TA and ATA indicated that, although they are planning to bore down to monthly trends, what we see so far is pretty close to expectations. Mr. Dorsey remarked that there are many school expenses that were absorbed by the town – and that will be reflected in the budget. Policy level decisions across town and school will affect the broader budget.

Mr. Jones and Ms. McNerney would like to see a break-out of shared costs between town and school. Ms. Fletcher asked if the DESE comparisons of school spending use the same measures of spending. Mr. Mendez indicated that they try to look at apples to apples but there is a range of spending categories. He will provide the finance committee with an analysis of the costs of town hall personnel time spent on school issues. For example, Mr. Mendez handles school payroll.

Revenues were \$1.3MM more than anticipated in '17. Tax collections were higher than expected – some long standing overdue receivables. There was approximately \$300K of unanticipated revenues – some were one-time grants received. There were also unanticipated revenues from SPED health reimbursements, earnings on investments, motor vehicle excise, meals tax, penalties and interest on taxes and excise, and a few others.

Going forward, we are going to look at three years of actuals so that we budget revenues that make sense. The FY '19 budget will have more realistic revenue

estimates that are more closely tied to three-year trends. The recent history has been an underestimation of revenues, in part in order to build up healthy levels of cash reserves. Now that we are in a good reserve position, the revenue forecasts need to be disciplined in order to stabilize the tax rate.

The residential tax base has continued to grow as a slice of the revenues. Part of that is due to the fact that development of residential properties is more profitable to developers. Mr. Fitzgerald indicated that Swampscott has not had a discussion about tax-setting policy in years. Ms. Sullivan indicated that she argued for several years while on the board of selectmen that the split between commercial and residential rates should be narrowed. The board agreed we would like to see the analysis on this policy and be brought into the policy discussion with the Board of Selectmen.

Ms. Herrick-Stella presented a break-out of the revolving funds: revenue, expenses, and EOY balances. Mr. Fitzgerald indicated that the Recreation Budget would be better off within the budget. He's planning to look into it.

FY '19 Budget Process:

- Employing Zero-Based budgeting – start with actuals and trends rather than just tacking a number on to last year's budget.
- Redesigning the budget book: change line items if necessary to be clearer on expenditures. May shift some line items.
- Charging to the appropriate lines.
- Better transparency and accuracy in budgeting.

Mr. McClung asked how many department heads have been through zero-based budgeting before. Mr. Fitzgerald indicated that he has started the process of looking at prior year actuals with department heads and preparing them for this type of budget process. Ms. Herrick-Stella showed a prototype of a new style of worksheet for the budget. This includes breaking out personnel expenses and other general expenses. Mr. Fitzgerald indicated that this level of detail in budgeting will bring much better operational and financial controls – a better sense of exactly connecting programming to expenses.

Ms. Galazka asked if we can look forward to a Special Education Stabilization Fund in '19. Mr. Fitzgerald indicated that a variety of measures to maintain stability are being investigated.

Mr. Mendez showed the committee the memo that went to department heads detailing the capital planning process and the spreadsheet he is putting together that will illustrate the next 30 years of capital needs. They are trying to get the capital plan done before beginning on the departmental budgets. Facilities director, Mike Scola, is doing an extensive review of all our buildings to determine their needs – and may need to ask for some funds for some outside consulting to help

with that. Ms. Rosenberg noted that if it is decided that we need to hire a consultant, soliciting proposals and interviewing those firms who can do Facilities Condition Assessments can be done in CommBuys.

Mr. Mendez described a new Procurement Policy manual that is rolling out. We are implementing a new PO system. It adds structure, focus and discipline to our procurement system. The administration is also looking at updated other accounting and financial policies and will share drafts with the finance committee.

Ms. Galazka asked about having department heads come see the finance committee earlier in the budget process than in the past so that we really have time to discuss their budgets with them. Mr. Fitzgerald is committed to having them do that. She also requested that the Town Accountant comes once a quarter to present the YTD information to the finance committee.

Motion to approve the minutes of May 1, May 8 Regular meeting and executive session, May 15, May 16. Approved unanimously.

We will take up minutes for May 10 and July 10 at our next meeting.

Motion to adjourn Hilario/Fletcher unanimous.