

Finance Committee
Wednesday, January 31, 2018
Swampscott High School

Joint meeting with the Board of Selectmen.

Attending: Marzie Galazka (Chair), Cinder McNerney, William Jones, Joan Hilario, Gail Rosenberg, Jill Sullivan, Maryellen Fletcher. Polly Titcomb.
Absent: Tim Dorsey

Also attending: Sean Fitzgerald (TA), Ron Mendes (ATA), Cheryl Herrick-Stella (Town Accountant). Michael McClung (Town Moderator)

Public Comment:
Jackie Shanahan. Stanley parent opposed to increasing class size.

Terry Lorber supports residential exemption. It benefits the majority of citizens and it's revenue neutral. Also supports low class sizes.

Ron Landen discussing the school committee budget. The way the issues are being addressed by the School Committee are not to the benefit of the education of our children. School committee proposes to cut a class from the elementary schools (k-3). Each class will be larger. He asks the BOS and Fincom to reach out to the school department to bridge the gap so that we don't have to increase class sizes.

Maryellen Fletcher asks a question as a citizen. She is concerned about loud music coming from the Mission on the Bay restaurant in the summer months. There were a variety of different answers as to when this will come up at the BOS. Peter Spellios (BOS) indicated the matter will be discussed on Wednesday 2/7.

Ms. Galazka invited the BOS and TA to discuss the revenue calculations and our tax levy history and models going forward. Mr Spellios indicated that the town has generally focused primarily on the expense side of the budget. We are now trying to focus more closely on the revenue side. What goals should we be setting for our budgeting process going forward? The zero-based budgeting process should make us comfortable that all of our expenses have been justified and rationalized.

Mr. Spellios described our history of being overly conservative with our revenue projections that led to large amounts of free cash. And then we used those amounts to increase reserves and take care of other needs. Now is the time to really take a hard look at revenue projections and how we are using our levy capacity.

Cherry sheets (government aid) are relatively predictable. We are predicting it will be a 3% increase in cherry sheet revenue this year, but we have to also subtract the assessments from the state.

Local receipts, on the other hand, is the most volatile element of our revenues. We have been historically overly conservative in predicting these. The BOS would now be interested in a policy that guides the financial team to estimate local receipts to be within a certain percentage of either the YTD recap or the most recent fiscal year. Ms. McNerney mentioned that the DOR has guidelines about estimating local receipts. Mr. Fitzgerald noted that it's very important to return to predictability in budgeting revenues so we really know how much we can/should spend.

New growth is almost always budgeted at \$300K. The reality over the past five years has not borne out that prediction. The new growth has been averaging closer to \$650K. The BOS would like to work with FINCOM to establish a new baseline figure of about \$500K as a revenue target for new growth.

The overall goal is to create alarms or triggers around a policy or expectation that the levy growth will be set at a specific percentage.

Ms. McNerney mentioned that perhaps the plan for local receipts might be to estimate what we really think it will be and then budget it 10% conservatively based on that.

On new growth, the idea is that we need to do a bit more analysis of what is causing the jumps in new growth in order to predict it going forward. We think there is probably a new level of the "normal" new growth that is greater than the \$300K that's been predicted for the last number of years. Figuring out the difference between that new normal level and the lumpy jumps when big projects come in is the goal. This discussion will also ultimately guide our municipal planning priorities.

The BOS recommends that a smaller subset of each committee makes time to meet to come up with these recommendations for revenue triggers, alarms, or targets.

Mr. Fitzgerald went through the time line he has been working with to finalize the budget. In addition, the team is working on a 30 year capital planning analysis, so that we can time all the capital projects that are needed smoothly so as to avoid undue hits to the tax rate.

A brief discussion was held as to some school budget issues as well as ongoing timing and planning issues.

Meeting adjourned on a motion by Jones/Rosenberg.