

Finance Committee Meeting Minutes (Approved 5/15)

Monday May 6, 2019 held at 1st Floor Conference Room, Town Hall

Members Present: Dorsey (Chair), Fletcher, Sullivan, McNerney, Rosenberg, Hartmann, Hilario

Members Absent: None

Others Present: Ronald Mendes (minutes taker & Asst Town Administrator); Sean Fitzgerald (Town Administrator); Michael McClung (Town Moderator)

Called to order 7:03pm

Mr. Dorsey called the meeting to order at 7:03pm.

Mr. Dorsey and committee members welcomed new member Eric Hartman. Mr. Hartman offered a few introductory comments. Mr. Dorsey then explained that the plan tonight is to hear from Mr. Fitzgerald on the Administration & Finance budget along with other items, and on Wednesday the Committee will be meeting with Attorney Darren Klein and going into executive session. There was some discussion on negotiations with the Teachers Union. Mr. Fitzgerald explained the School Committee and Superintendent will provide more details when the Finance Committee meets with them. He then talked a bit about the cost of contract approach to negotiations, and reminded the committee that these discussions should be held in executive session. There was some discussion about the warrant article asking to appropriate funds from free cash to support collective bargaining.

Discussion then turned to line items, specifically about the line item under the Selectmen's budget on community programs. Mr. Fitzgerald discussed the recent Idea Exchange and the Financial Summit that were recently held. This line is intended to fund events such as these. Mr. Fitzgerald advised that having expense lines such as these in the executive budgets (i.e. Selectmen & Town Administrator) will allow the executive officers of the town lead with events such as these. Ms. Sullivan discussed the issue of the line item that paid for the Idea Exchange, which appears to be over-budget. Mr. Fitzgerald explained that the expense lines for community programs was initially \$10,000, but it was scaled back to \$8,000.

Mr. Dorsey then asked to discuss the expense line for performance management. This expense line is proposed to increase by \$6,750 (or 22.5%). Mr. Fitzgerald explained that he cut out more than \$30,000 in benefits that non-union employees have received, such as annual vacation buy-backs. He explained that he is now requiring non-union staff to schedule vacations as staff will no longer be permitted to buy back vacations annually. He also explained to staff that if they continue to perform, these funds allow him to reward employees who perform exceptionally. Mr. Fitzgerald explained that under the current job market his experience is such that top tier department heads are being recruited by other cities and towns and he needs to have flexibility to work with employees to prevent talent from leaving Swampscott, while at the same time we are taking away benefits such as vacation buy backs. He explained that this performance management expense line provides him with a tool in his toolbox to retain staff. Mr. Dorsey asked if the amount is sufficient to retain employees, and Mr. Fitzgerald explained that he is trying to keep the executive team together at least for the next couple of years in order to continue to build on the successes of the last couple of years.

There was a question on whether there is any other community that gives performance bonuses to executive staff. Committee members expressed that their main concern was that this expense line item increased out of proportion with the rest of the budget. There was further discussion on how the

elimination of the vacation buy-back benefit and how the performance bonuses are being awarded. Ms. Fletcher asked how clear of an evaluation there was in order to determine when someone is awarded a bonus. Mr. Fitzgerald used the example of how the Human Resources Director recently took the initiative to coordinate regional workplace harassment training with Marblehead and Nahant, which is a way Swampscott and our team can provide leadership in the region. Mr. Fitzgerald explained that the process includes an evaluation tool where the employee evaluates themselves, and he then sits down to discuss goals and objectives in detail. He explained that this process makes it clear which employees excel in their positions.

A question was asked about how Mr. Fitzgerald comes up with the actual dollar amounts that are awarded to employees. Mr. Fitzgerald explained that a new personnel plan is in draft form that eliminates the vacation buy back benefit, but also explains in better detail how goals and objectives are set. Ms. McNerney asked what the timing of the payout of these benefits. Mr. Fitzgerald explained that timing varies based on key actions that occur throughout the year, such as when a key project is completed.

Ms. Sullivan expressed that bonuses should be given for over and above examples of staff that perform exceptionally, which led into a discussion about the circumstances that give rise to when a bonus is given out. Mr. Fitzgerald explained several examples of when bonuses were given out. Ms. Sullivan explained the importance of the difference between the term "salary adjustments" and "performance bonuses" or "spot bonuses" and why there should be a distinction between the two. Mr. McClung explained that he feels the misapprehension of what is being spent out of this line item could be troublesome. He felt that it is important that Mr. Fitzgerald is utilizing modern management techniques, but it is important to explain in detail how these funds are spent and whether these escalate from year to year and how they impact other employee benefits.

There was then some discussion about how annual raises for non-union staff are awarded. Mr. Fitzgerald explained that it was in the discretion of the Town Administrator to determine compensation for non-union staff, including department heads. There was then some discussion about how raises, bonuses and other adjustments are determined.

Mr. Dorsey asked if there were any final questions about the performance management expense line item and whether there were any questions about the recent growth in the Community Development Department. Ms. Sullivan asked about the growth in this budget from just over \$74,000 to a department that is now just over \$222,000. There was then some discussion about the level of engagement between the Administration and the Finance Committee on issues that include staff recruitment and the financial impact of needing to recruit quality staff. Mr. Fitzgerald explained that not only in Community Development, but also other departments, we are continually seeking to improve efficiencies government. He said that next year's budget may see some changes in FTEs because he feels that there are some departments with too many FTEs and others that lack sufficient staff.

There was some discussion about a land use coordinator position, or some consolidation of customer service functions that will add some positions, but also allow the elimination of others. Mr. Fitzgerald explained that the growth in Community Development was paid for with reductions in other departments. There was then some discussion about comparative salaries in other communities and appropriate levels of staffing.

There was a question about contracted consulting services, including the advocacy for Chapter 70 reform, relocation of the DPW Yard, and other projects.

Discussion turned to looking at the proposals in the warrant regarding establishing water & sewer capital stabilization funds. The Town Administrator is proposing to use \$210,000 toward offsetting water & sewer rates, plus adding an additional \$500,000 to seed a newly proposed water enterprise fund capital stabilization fund and a sewer enterprise fund capital stabilization fund. There was some concern regarding the level of retained earnings within the enterprise funds and whether there is a plan for what to do with the retained earnings that are being held in these funds.

Mr. Fitzgerald reminded the committee that we are under a consent order to remedy the environmental issues at Stacys Brook and explained that he is working to try to get state funding to supplement the efforts of the Town.

There was discussion about having a meeting to address these issues and several other issues, including the Harbor Plan, Stacys Brook, enterprise funds, and other issues of concern after town meeting. Mr. McClung also expressed that he would like to make sure that a dialog happens sooner rather than later. Ms. Sullivan expressed an interest in scheduling summer meetings before town meeting so that they are scheduled and don't get forgotten.

The conversation then turned again to enterprise fund finances, especially on the use of retained earnings. Mr. Fitzgerald explained that the purpose of these articles for this town meeting is to seed these stabilization funds and a more comprehensive policy on the use of retained earnings and rate stabilization is to come over the summer.

Mr. Dorsey reminded the committee that they have 15 minutes left in the allotted time and wanted to shift the focus to other articles. Mr. Dorsey asked about Article 9 on the Stabilization and OPEB funding.

Ms. Sullivan then brought up the issue of Article on the issue of the increase in the COLA proposed by the Retirement Board. Mr. Fitzgerald indicated that he appreciates the Retirement Board's willingness to work with the town over the past few years, but he believes it is too soon to advance a COLA at this time without a fuller understanding of the cost implications on the overall pension liability. He suggested that this might be a good issue to study over the summer.

Mr. Fitzgerald explained that there was an additional \$50,000 capital project added to the capital plan that the Capital Improvement Committee just voted to add to the capital plan. The purpose of the late add to the capital plan is a response to the Land Development Agreement with B'Nai B'rith to redevelop the former Machon School. This project will be a way of setting aside these funds for pedestrian safety improvements for Burpee Road in the vicinity of the Machon School.

Meeting Adjourned 9:02 pm.