

Finance Committee Meeting Minutes

Monday May 13, 2019 held at 1st Floor Conference Room, Town Hall

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

Members Absent: Sullivan

Others Present: Ronald Mendes (minutes taker & Asst Town Administrator); Peter Spellios (Chair, Board of Selectmen); Sylvia Belkin (resident & town meeting member)

Called to order 7:03pm

Mr. Dorsey called the meeting to order at 7:03pm. Mr. Hartmann indicated that he has been sworn in as a member of the committee, which makes him eligible to vote as a full committee member.

Mr. Dorsey indicated that he would like the committee to get through all the town meeting warrant articles this evening, and then move through as many of the line items in the budget as possible.

Starting with Articles 1 & 2, it was noted they do not require a recommendation. Articles 3 & 4 have already been approved for favorable action. Mr. Spellios indicated that while Article 5 may be voted at a future town meeting, the Board of Selectmen will likely vote to recommend indefinite postponement at this time because there are conversations that need to happen in terms of how this proposal relates to the town operating budget that won't be able to happen before Monday's town meeting. On Motion of Ms. McNerney and 2nd by Ms. Fletcher it was voted to recommend indefinite postponement of Article 5 at this town meeting.

Article 6, which is the budget will be handled later in the meeting.

It was noted that Article 7 was already voted to be recommended for favorable action. It is not expected that Articles 8 & 9 will be needed, so on motion made by Ms. Rosenberg with a 2nd by Ms. McNerney it was voted to recommend indefinite postponement of Article 8. On motion made by Ms. Hilario with a 2nd by Ms. Fletcher it was voted to recommend indefinite postponement of Article 9.

There was then some discussion on Article 7, which proposes to transfer \$600,000 from Free Cash to reserves (\$500,000 to Stabilization and \$100,000 to OPEB). Mr. Spellios indicated his preference that \$100,000 be added to the Capital Stabilization but that he is open to whether \$100,000 is redirected within the recommended \$600,000 or possibly increased the total to \$700,000 with the additional \$100,000 going to Capital Stabilization. On motion made by Ms. McNerney and 2nd by Mr. Hartman it was voted to increase the total transfers to \$700,000 with the additional \$100,000 being transferred to the Capital Stabilization Fund.

There was then some discussion about Article 11, which proposes to transfer \$506,147 to resolve deficit balances in various capital projects and some grant accounts; and also transfers \$220,012 to the School Department to reimburse the School budget with funds that were received from the Town of Nahant for Special Education costs that were planned to be included with the School budget. On motion made by Ms. McNerney and a 2nd by Ms. Hilario it was voted to recommend approval of Article 11.

There was then some discussion about the use of retained earnings in the enterprise funds to offset water & sewer rates. It was explained that the town administration projected water & sewer expenses over the next 5 years and it was projected that if water & sewer rates were increased at a rate of 3% per year the enterprise fund would still be operating at a deficit. The \$210,000 being proposed to

supplement revenue from retained earnings would change the analysis such that the rates would be able to increase at 3% and have the enterprise funds operate at least at break-even. Alternatively, we would need to increase rates at 6.47% in FY2020 if we do not utilize this \$210,000 to supplement the rates in FY2020. There was then some discussion about the amount of retained earnings that the town is holding in the enterprise funds. It was discussed that it would be advisable to hold at least 3 months (ideally 4 months) in retained earnings as an operating reserve, but at roughly \$3.0 million in reserves we have approx. 6 months in retained earnings. There was some feeling that more of the retained earnings should be used for rate relief, but there was then some discussion that the additional amounts in reserves should be held there for now in order to give the town administration time to further analyze the enterprise funds and come up with a plan that will address on-going operating needs of the enterprise funds, as well as getting a better grasp on the significant capital needs of the enterprise funds given the Stacy's Brook issues and additional capital needs to repair water & sewer infrastructure. On motion made by Ms. Fletcher with a 2nd by Ms. Hilario it was voted to recommend approval of Article 12; and on motion made by Ms. McNerney with a 2nd by Ms. Rosenberg it was voted to recommend approval of Article 13.

There was then some further discussion about enterprise fund financing from the perspective of Articles 14, 15, 16 & 17 that recommend creating a water capital stabilization fund and a sewer capital stabilization fund and funding them with initial funding of \$200,000 to the proposed water capital stabilization fund and \$300,000 to the proposed sewer capital stabilization fund. There was then some discussion about how retained earnings and free cash are calculated and where the funds come from and it was explained that free cash and retained earnings are essentially the town's accumulated surpluses from operations. On motion by Ms. McNerney, with a 2nd by Ms. Fletcher it was voted to recommend approval of Article 14; on motion by Ms. McNerney, with a 2nd by Ms. Fletcher it was voted to recommend approval of Article 15; on motion by Ms. McNerney, with a 2nd by Ms. Rosenberg it was voted to recommend approval of Article 16; on motion by Ms. Hilario, with a 2nd by Ms. Fletcher it was voted to recommend approval of Article 17.

It was then noted that the committee has already voted to recommend favorable approval of Article 18. It was also noted that the warrant indicated that for the Committee voted "disapproval" on Article 19 (proposal from Retirement Board of increase the COLA base) and that "disapproval" was underlined. This was essentially a typo that made its way into the warrant. Upon motion by Ms. Fletcher with a 2nd from Ms. McNerney it was then voted to recommend unfavorable action on this Article 19.

It was then noted that Articles 20 and 21 were both previously voted to recommend favorable action.

There was then some discussion about Article 22, which is proposing to locally adopt the short-term rental local option tax and the local option tax on the sale of marijuana. It was noted that there are currently no establishments selling marijuana, and short-term rentals are minimal, these are potentially future revenue generating opportunities. On motion by Ms. Fletcher with a 2nd from Ms. McNerney it was voted to recommend approval of Article 22.

There was some discussion on the spending limits of the revolving accounts referred to in Article 23. It was noted that the spending limit on Recreation Revolving the amount was adjusted from the draft warrant to \$275,000; and on motion by Ms. Fletcher with a 2nd from Ms. McNerney it was voted to recommend approval of Article 23.

On motion by Ms. McNerney with a 2nd from Ms. Fletcher it was voted to recommend approval of Article 24 (Chapter 90 improvements).

There was then some discussion on Article 25 (Capital Projects), specifically about the late addition of the \$50,000 project for Pedestrian Safety Improvements on Burpee Road. Upon motion by Ms. McNerney, with a 2nd from Ms. Hilario, it was voted to recommend approval of Article 25.

Discussion then turned to Article 32, which is proposing to sell town-owned land. Mr. Spellios then explained that the Board of Selectmen will be making a final decision at its meeting on Wednesday regarding its plans on disposition of this parcel. He asked the committee to delay any recommendation until the Board of Selectmen makes a final recommendation. The committee then decided to defer a recommendation until there is a final recommendation from the Board of Selectmen.

The committee then returned to Article 6 (FY2020 town operating budget) for consideration of its recommendations line item by line item. Except for the following Line Items, as explained in more detail below, it was noted that all other line items were recommended for approval based on the Town Administrator's recommendation as itemized in the warrant booklet.

There was then extensive discussion of the several line items from the operating budget as itemized in the Warrant Booklet.

The committee noted that Line Items 1 through 21 were voted to recommend approval. The Committee then proceeded to discuss Line Item 22 further and a discussion about the performance management line item ensued. Some members were uncomfortable with the Town Administrator paying out bonuses, but other members spoke in favor of the performance management. Ultimately, upon motion duly made and seconded it was voted to reduce Line Item #22 by \$6,750 by reducing the performance management line. The revised recommended total for Line Item #22 will be \$338,000.

The committee then continued with line items 23 through 26, which the committee approved, and then a discussion ensued regarding concerns about whether Line Item #27 (Community Development – Personnel) is appropriately funded. No final vote was taken for Line Item #27, and with the hour being late, it was decided to pick up with this Line Item at the next meeting.

Meeting Adjourned 9:03 pm.

Minutes Approved June 19th