

Minutes
Town Council Finance Committee Meeting
January 9, 2017
Town Hall Conference Room B

1. The meeting was called to order at 7:00 PM.
Present: Matthew O'Brien, Hannah Pietrantonio, Andy Brodersen, Julie Blanchard
Also present: Beth Bauer, Finance Director

2. **Acceptance of Minutes, December 19, 2016:**
Andy Brodersen moved to accept the minutes of the Finance Committee meeting on December 19, 2016, seconded by Hannah Pietrantonio. The following corrections were requested:
 - Page 2, first paragraph, 8th line: change "for that" to "our 1.5%."
 - Page 2, last paragraph, 2nd line: add "with descriptions explaining changes in each line item in the budget" to the end of the first sentence.
 - Page 3, Item 4, last sentence: add "for the collection rate" after average.The motion to accept the minutes as corrected carried on unanimous vote.

3. **Reports:**
A. Chairman – Matthew O'Brien: Matthew wants to make everyone aware that we received an email from the Chair of the Board of Education Fiscal Committee suggesting we come to their meeting next Thursday to discuss budget cuts. That date doesn't work for him but we are trying to get something set up. An alternative might be to meet early before the Council meeting next Monday.

Matthew and Thomas Pope went to the CCM budget training workshop on Saturday. It was interesting. There were about 50 people there. Some it was for people who are new to serving on Town Councils. They talked about how to use fund balance, how to budget conservatively, the difference between cyclical and structural issues in reporting, where to look for things, etc. It was helpful and worthwhile. He took some notes and will bring some items up at budget time.

B. Committee members: none.

C. Finance Director – Beth Bauer: Revenues continue at a pace ahead of last year so that is a good trend. Beth has updated the amounts we've been notified by the State we will not be receiving. You will see that in the revenue report but we are projecting revenues for conveyance tax, sale of property and supplemental motor vehicles will exceed estimates so the overall revenue picture will be net loss of \$186,000 not \$400,000. Matthew noted for the record that the State cut us by \$400,000.

COVRRRA fees continue at a pace less than last year. This could be due to a number of factors. Because it is not in the tax bill it may be perceived as something separate. We are not sure what the decision making factors are. Beth did an analysis last month - current bills are at same level. Where we are dropping is in delinquent collections.

Expenditures: we are looking at building repairs as mentioned past couple of meetings.

The big news at Town Hall is that we installed the VOIP phones. Matthew O'Brien said it looked

like a couple departments are over their budgets for phones and electricity. Beth replied she didn't see any overages. As far as electricity, some departments like to encumber. We will be evaluating these areas.

Supplemental Appropriation Report: Matthew O'Brien noted we are doing well on unencumbered funds this year.

4. **Consideration/possible action: Supplemental Appropriation, Electricity Charges FY 2015/16:** Beth Bauer reported that we got a surprise regarding solar electricity charges. We received an estimated bill for the year and part of it was during FY 2015/16. It arrived too late to post the expenditure to the prior year. The document attached to the agenda shows an unexpended balance of \$16,943 in the Electric line item. The portion of the bill we received in November was \$11,338. If that had been charged to last year we would have still had unexpended funds of \$5600. The monies that were unexpended are now part of fund balance. The Council could consider authorizing a supplemental appropriation to pay this bill. Matthew O'Brien asked if we could charge this to the Claims & Losses line item and then replenish it during the year. Julie Blanchard said don't we have money to spend in this year's budget? Beth replied this bill came in November but covered January – December 2016, so 6 months were in last year's budget. If we charge it all to this year, then this year's budget will be over-inflated. It will throw off trend analysis. March is when the company does the true bill. For some reason they can't bill as we go.

Beth referred to an additional document included with the agenda materials, a letter from Bay State giving an annual review and forward projection of electric supply costs. Because we are contracted with them until December 2020 they show an estimate of what we will be saving by not paying the increased capacity charges. Based on our kilowatt usage they have come up with projected savings of \$119,000. Matthew O'Brien noted he doesn't understand the 3-fold increase. Beth replied she doesn't understand it either. The letter seems to explain it as a regulated component of supply charges. If the Council wants more information we could try to get it. Matthew replied yes.

Matthew O'Brien said that \$11,338.92 is the exact amount of the supplemental appropriation we would need to make to cover the electricity bill. The Finance Committee should make a recommendation to the Council that they appropriate funds to pay the bill. He would prefer to take the funds from Claims & Losses but the other option is the Council's 1.5% fund. Beth replied that Claims and Losses is a line item – she recommends it come from the Council's 1.5% otherwise it is an extra charge to this year's budget. Committee consensus was to recommend a supplemental appropriation from the Council's 1.5% fund.

5. **Consideration/possible action: Impact of State Budget Cuts:** Beth Bauer said that Town Manager John Elsesser has prepared a worksheet with several scenarios that we may wish to consider for budget remediation as a result of the mid-year State budget cuts. Two rounds of cuts were made by the State. The first reduction was \$335,221 to Education and MRSA. The second round of cuts was \$68,213 in ECS and \$156,000 to LOCIP for total reduction of \$559,434 in this fiscal year. The Education Aid portion is \$291,260. We are freezing local LOCIP projects leaving a shortfall of \$403,434 to date. We feel this needs to be taken seriously. It's not just a one-time loss. We have to figure out how to address it this year and how to move forward. There are a couple of ways to look at things, as were outlined in the worksheet. On a positive note, strong revenue in conveyance taxes, supplemental motor vehicles, sale of Town-owned

property and building permits will allow \$217,500 in local revenues to offset the shortfall, leaving approximately \$186,000 in reductions to achieve a balanced budget. The worksheet assumes debt service is a fixed cost that can't be adjusted. Education operating, Town operating and Capital are the other three items that make up the budget.

Item A shows the percentages of total budget allocation for the Town, Board of Education and Capital, reducing those 3 components in the same proportion to achieve a reduction of \$186,000. Whether or not that is possible is a question because the Town doesn't have the authority to adjust the education operating budget.

Item B makes no cuts to the Education operating budget, using only the Town operating budget and Capital budget to achieve the reduction. Beth Bauer and John Elsesser do not recommend this approach because it is too deep a cut in Capital. Beth said you suffer consequences when you reduce capital - it may give a short term benefit but pushes problems into the future.

Item C would also require agreement from the Board of Education. It minimizes cuts to Capital and takes an equal amount of reductions in both the Education operating and Town operating budgets.

Item D assumes that we could bear a \$50,000 deficit at the end of year, bringing the reductions down from \$186,000 to \$136,000. Matthew O'Brien noted that next year we would start from this number. Beth said yes, wherever we end this year is the level we start from next year. Andy Brodersen cautioned that the State might make additional cuts next year too. Matthew agreed, saying even if they raise the sales tax there are still going to be big holes so he thinks we have to anticipate there will be more cuts going forward.

Beth Bauer said for LOCIP we have been told any project not applied for prior to 12/22/2016 is not available because of the bonding ceiling. We don't know if that bonding authority will be increased and what impact that has on next year. That hasn't been explained. Matthew O'Brien said future cuts may not come in the same pattern as they happened this year. Some of the wealthier towns have already been cut so much there is nothing left.

Matthew O'Brien said a lot of the action we may take depends on the Board of Education's feelings - we don't have the authority to reduce their operating budget. We do have control over Capital. There could be trade-offs. He would like to cover the revenue loss. He is hoping the property tax sales will help. He would like to talk with John Elsesser more before making a decision on what our recommendation should be. Items C & D seem closer to something he could live with. He doesn't think we want to do it all from Capital or all from Operating. Hopefully we will be able to get together with the Board of Education Fiscal Committee soon. Julie Blanchard said Item C would be her first choice. It seems the most fair.

The Committee agreed to forward this discussion to the full Council at their next meeting and request more guidance from John Elsesser. Matthew O'Brien said perhaps we will hear more from the Board Education by then.

6. **Discussion/possible action: Recommendations for Consolidation of Non-Educational Services:** Matthew O'Brien noted that the window is closing for the Council to make recommendations for consolidated non-educational services per State statute. He had brought up a few ideas at

the last joint meeting with the Board of Education Fiscal Committee, but he doesn't know if any these ideas are viable and immediate. He asked if Beth Bauer had any thoughts regarding his suggestions for combined HR, combined finance departments and using the same computer platform. Beth suggested if the Council doesn't have something specific now to wait until we receive their budget and then you have 10 days after that to make suggestions, at which point the Board can accept or reject them. If the suggestions we have are generally good ideas but aren't at a point where they could be implemented, you could bring it up again when you have something concrete. If you know there is something you definitely want to respond with then you could prepare for it. Matthew said he doesn't personally have something he feels we can implement in this budget but he wanted to make sure we discussed it.

7. **CGA - Legislative Program Review & Investigations Committee: Regional Cooperation Between Local Boards of Education:** A report about regional cooperation between Boards of Education was provided for informational purposes. It is a lengthy report, but Beth Bauer noted there is a summary in the beginning (pg. 7) that talks about areas where you don't seek cooperation, such as administrative and back office functions, snowplowing etc. The report acknowledges that there is already cooperation between Boards and towns but it gets lost. Matthew O'Brien said he took this report to be board to board, not board to town cooperation. Beth replied there are lots of opportunities – for example our health collaborative is town/board. When we assume we are two separate agencies that do not have the same self-interest, it is not the way we should be thinking. Hannah Pietrantonio asked if a combined finance function is common. Beth replied yes. Andy Brodersen asked if it saves money. Beth replied that is not clear.
8. **Adjournment:**
The meeting was adjourned at 7:50 PM on a motion by Hannah Pietrantonio, seconded by Andy Brodersen and unanimously approved.

Respectfully submitted,

Laura Stone
Town Council Clerk