

TOWN OF IPSWICH
Tri-Board Meeting
Finance Committee
Meeting of January 22, 2018
Town Hall, 25 Green Street

With a quorum present, the Chair called the meeting to order at 7:32.

Finance Committee members present: Chair Janice Clements Skelton, Tammy Jones, Chris Doucette, Rob White, Michael Schaaf, and Kevin Murphy, Jamie Fay, Mike Dougherty

Select Board Members Present: William Craft, Linda Alexson, Chair Nisahn Mootafian, Ed Raucher, William Whitmore

Also present: Anthony Marino, Town Manager; Alyson von der Esch, Recording Secretary; Sarah Johnson,

1. Pledge of Allegiance – Nishan Mootafian

2. Welcome Announcements – Nishan Mootafian

3. Citizens Queries – Nishan Mootafian

- Phil Goguen, King Fisher Road, asked who chair is tonight, Nishan clarified it is himself.

4. FY20 Budget Overview Presentation– A. Marino, S. Johnson

Mr. Marino gave a presentation of the FY20 budget. Budget is posted on the newsfeed on the town website and the budget book is also available at town hall. Mr. Marino began by presenting the revenue estimates. New growth estimate is higher than last year, because last year came in high, so trying to be more aggressive with growth estimates this year. Mr. Marino then explained the Cherry Sheet, which showcased a number of 54,831,085. This number is made up from the following: School Building Authority payment from MSBA, total State Aid, Local Receipts (does not include water and sewer), Free Cash balance, Overlay Surplus, Tourism, Septic Loan Program, and the pilot program at the ELD. Next Mr. Marino explained the Major Fund and Reserve Balances, which are made up of Certified Free Cash, Stabilizations, OPEB, Certified Sewer Retained Earnings, Open Space, Capital Stabilization, Education Stabilization, and SPED Reserve. OPEB is the funds we invest, so the balance is down due to the dip in the stock market. The budget objectives were presented next, and include the following: maintain existing service levels, meet mandated and contractual costs, fund 5% increase in solid waste and recycling costs, use conservative revenue estimates with no increase in State Aid (this will be revisited in October due to Governor proposing a 2.7% increase in local aid), and funding including OPEB and Capital. The largest section in this budget book is a breakdown of the town departments. Each department provided a mission statement, goals and objectives, accomplishments, funded position comparisons for three years, a fiscal plan, and the proposed FY20 budget.

Mr. Marino also summarized appropriations, and explained which requests were denied and why. Had to lower IT increase in capital, could not fund additional hours for planning, conservation, and code enforcement part time admin assistants, and had to take reductions in overtime requests for Police. Also, could not fund request from Public Works for a new backhoe. Planning to push this out one year, with the goal in mind of purchasing vehicles as opposed to leasing. Cemeteries and Parks made requests for funds for Pony Express and Bialek Park, but requests need to wait a few years. COA requested higher salaries for clerical and van drivers, the budget was able to accommodate some of these requests but not all. The rest of appropriations includes reserves, insurance, miscellaneous expenses, and debt service total.

Budget highlights include a \$10,000 increase in legal spending to cover Special Legal for 40B projects, a 4% increase in Health Insurance Costs, and partial funding for the part-time archivist position that was hired for the library. The town also continues to fund the town wide HR Department in both the Town and School Budgets. Planning to combine the two budgets for next year. Also included in the budget is a 5% contractual increase for Solid Waste and Recycling to J.R.M., and contractual salary increases for union with everyone else receiving a 1.5% increase for FY20. Some employees are proposed to receive a larger than 1.5% increase for a market rate adjustment after salary review was completed.

Our Budget Tells Ipswich's Story. The goal of the budget is for anyone to be able to pick this book up and be able to understand it. Ipswich Fire and Police continue to lead our Public Safety Departments as they prepare their departments for the next decade, there is a new Human Resource Department, and the Recreation department continues to impress with a number of events. Public Health and Code Enforcement continue to keep our resident's safe and are always looking for more efficient ways to run their offices. The new Facilities Director Chris Rais spoke. Planning and Conservation process new project applications and work hard to complete additional projects. Water and Wastewater Department has been busy with repairs, aging infrastructure and leaking damns.

Subcommittee to create Capital budget consisted of William Whitmore, Dr. Blake, Sarah Player, and Anthony Marino. Mr. Marino reviewed the Capital Chart. Moving forward, department heads are prepared and scheduled to meet with Select Board and Finance Committee. Will start working on Annual Town Meeting Warrant Articles, and will continue to fine tune this budget document to prepare and send it out to GFOA in May. Lastly, will be finalizing OpenGov website and will launch by the end of February.

5. Capital Budget – A. Marino, S. Johnson, B. Blake

Mr. Marino explained the budget book. The first section is the introduction and budget message, followed by a guide to the fiscal year which includes a schedule, overview of annual budget process, dates, and explanation of town meeting. The back of this section contains the annual tax levy, levy limit and how taxes are calculated. The Community Profile section explains government structure, private sector, community stats, geography and demographics, how we rate in the region, employers in town, does budget comparisons for the last few years, and has a brief history of Ipswich. Our Government section talks about former government with a copy of the charter, an org chart of the town, and the Select Boards goals. Next section includes policies in town. Budget Summary includes summary of revenue estimates, graphics on total revenue, and dollar bill breakdown of where money goes. Balanced Budget Summary is all of the revenues that came in and how the town and school splits. All of the money is accounted for. Revenue Budget summary includes details on local receipts, motor vehicle excise, etc., as well as FY20 Staffing sheet and utilities allocation. Next largest section is Town Departments, which contains the budgets for every department. This section will become more streamlined next year, but this is the first year department heads of been asked to do this. Next section is Debt, which contains a history on debt service and bond ratings, as well as the towns debt. Enterprise Funds include water, wastewater, and sanitation. Capital Improvements include a capital message, free cash, individual project requests, and a breakdown with a spreadsheet that the subcommittee worked on. Section 8 is Economic Development which contains individual breakdowns with details on capital requests. Lastly, the appendices explain acronyms and have a glossary of terms. Another section will also be added to show how we compare with similar communities on public safety and education spending.

Mr. Marino then took questions from FinCom and the Select Board. Walter asked about the salary request survey. Mr. Marino explained that the chart showcases the requested salaries and what was given. Mr. Hartford also asked about the noticeable difference in IT for the specialists. Mr. Marino explained the reason for this was a new hire, who came it at a lower salary, as well as a drop in allocation of funds. Rob asked about the agenda and if anything has changed since presented to FinCom. Janice clarified that these are the numbers that were voted in the December meeting. Sarah Johnson then further clarified that one piece was different, the Harbormaster budget went from an estimate to an actual. She also clarified that the car excise was kept the same as last year, and we will know more once the first commitment comes in. Mr. Marino also noted that the Governor advised to be cautious, that the economy is teetering.

Rob asked how revenues are performing and if a no-growth scenario makes sense. Sarah answered that we are at 50% of revenues, not including excise growth. Once the first commitment goes out, excise might send us over. We have previously done better than 50%, so Sarah took this, along with the Governor's message, as a sign to be cautious. Sarah analyzed everything, spoke with all of the department heads, and took local revenue and made adjustments throughout all of local receipts, but ended up being a little higher than last years. Last year's local receipts were increased a lot, so this year revenue was increased in other areas including new growth and overlay. Last year we had a million dollars in overlay. We have to set money aside for outstanding receivables. We have a little more there that we could use, so can increase use of overlay instead of increasing local receipts and to allow more growth.

Rob White asked about actuals from FY18, as well as for budgeted FY19 and FY20. Every revenue stream is down from actuals 19 and 20. Is there a reason for this? Sarah answered that she spoke with all of the departments and looked at all of the activity. Only allowed to increase within a certain level or else DOR will deny, so must be conservative. Some indicators already make Sarah want to pause and wait to make sure we can bring in this revenue. If we cannot bring in the revenue, expenses would need to be halted and spending would need to slow down. However, if we are more conservative and there is extra, it can flow over to Free Cash. Rob asked to understand the numbers deeper. Sarah explained that the differences are due to people paying their taxes late because interest is changed. Mr. White also asked about the \$150,000

delta, the run rate, as well as the licenses and permits run rate. Sarah explained that it varies year to year because you don't know when money is going to come in. Doesn't run smoothly and cannot rely on interest or could have a shortfall, which would affect free cash. Sarah explained that the revenue was increased so much last year and she is not comfortable bumping all of these up again because if the economy takes a dip, we will be in trouble. She would rather have extra money in Free Cash to use in capital if we underestimate. Michael Schaff clarified that by doing it this way, the town will not lose money, because the money will go to Free Cash. However, there is a tradeoff because free cash tends to be used for different things so there will be a compromise in services. Mr. Schaff understands Sarah's point of view and does not want to budget more aggressively, but does want to point out the trade-off. Sarah also clarified that she went through each line item and put money back in places that were reduced last year. She also met people in the middle where she could.

Janice thanked Anthony for his work on the budget book. She also asked for clarification on strategy for payments and asked how it will look in the future. Anthony referred to the DPW section to find the lease payment schedule. He explained that by skipping payments on the backhoe, there will be more free cash and capital spending for other line items. This year the town had to make all payments on dump trucks as well. If the town can avoid signing new leases and can wean off of lease payments, we will be able to afford to buy things outright from Free Cash and leave more money in Capital for projects. Janice also commented that she likes the Major Funds Balances chart and asked if there are any that Anthony is uncomfortable with or are outside of what we can do. Anthony answered that we still have a AAA Bond rating, we would like more money for everything but overall, we are in a good place. He also commented that Veteran's went down, this number fluctuates but it was felt that we could absorb that number and balance the budget. Janice asked about what would happen if those funds were exhausted. Sarah explained costs have been decreasing over last 3 years which is why this could be lowered. If needed, fund balance transfers between departments are possible if approved by Town Manager.

Michael Dougherty reiterated that the goal is to get lease obligations off of the capital. Under the facilities school budget, he asked about the school bus and if 2020 is year 2. Clarified that in this capital budget there are no new leases. Walter asked about the increase in legal expenses and if it will be enough. Mr. Marino thinks it will be okay because the towns legal budget has dropped. Janice asked about Pony Express and hopes that if additional investment is needed the tax payers should not have to pay. Kevin Murphy asked when Pony Express will be in use so we can charge user fees. Mr. Marino answered spring. Michael Schaff asked about schools using money for improvement on athletic facilities and if it was a source of funds. Turf Field Committee applied for, and has obtained grants for construction of turf fields as well as a small building. Outside of tax payer funds, funds are from Feoffees. Janice asked what that leaves for delta for fundraising committee, but they are not sure yet. Numbers are coming up by the beginning of next month and will be presented to school committee next month.

Chuck Whitman on the School Committee asked about Capital for roof repairs for Doyon and Winthrop and if the roof budget lines up with roof report that was done. Dr. Blake answered that it does not line up completely due to complete facilities assessment. Entire capital plan will change on school side. Tammy Jones asked if the plan is conservative or if it is underestimating what it's going to take to keep the schools in one piece. Dr. Blake thinks it is conservative. Once we have a complete facilities studies done, we will have a much better idea of how bad the need is, although we have a pretty good idea that it's bad. There are leaks in both elementary school buildings on a regular basis, and both buildings are in desperate need of work, which is why the town went forward with the new building project last year. There is also water pipe and insulation problems at high school. Dr. Blake noted that we need to stop fixing things as they break, and instead, have a plan to solve the problem preemptively. Janice mentioned how much we will be spending in this year's budget for basic repairs in schools. She pointed this out because people may not have understood this prior to last year's vote for the new elementary school. If the school project had gone through, this money would have been allocated elsewhere in education. Rob asked Dr. Blake if resources would be shifted to the schools with the most need after facilities needs assessment is done. Dr. Blake answered that it is possible but not desirable because all of the items in capital budget are needed. Rob also asked what the money for technology at the high school will be used for, Dr. Blake answered it will be for laptop carts and Chrome Books.

Janice asked the finance committee to look at budget book and get questions to Janice or Tony ahead of time so hearings can be streamlined.

Phil Goguen, King Fisher Road, spoke about his concerns regarding extra increases, and if economy doesn't do well, tax payers will be responsible. He would like to have a meeting for citizens regarding budget. Janice clarified that the strategy for town budget is to maintain services, and it can be difficult to balance cuts in municipal budgets because when services are cut, the community has to pay. For example, last year the trash budget was increased, because if it was not, it would have fallen on the community members to pay for these services. It's less costly for the town to pay for items. Cost benefit analysis is beneficial. Mr. Goguen also asked what is allocated for Council on Aging and where the money comes

from for this.

6. New Business – N. Mootafian

- none

7. Old Business – N. Mootafian

- none

8. Miscellaneous and Correspondence – N. Mootafian

- none

9. Adjournment – N. Mootafian

- Motion to adjourn made to adjourn by Rob, seconded by Michael Schaff.
→*Vote: Motion passed unanimously, 8-0*

Respectfully Submitted By
Alyson von der Esch
1.24.19