

Town of Lunenburg

Finance Committee:**Terri Burchfield, Chairman****John Henshaw, Vice-Chairman****Hannah Anderson, Secretary****Jay Simeone****George Martin****Marc Luescher****Michelle Walton**

Lunenburg Finance Committee
09-13-18

17 Main Street, P.O. Box 135**Lunenburg, MA 01462-0135****978.582.4139****FAX 978.582.4148**

Location: Town Hall

Present: Terri Burchfield, John Henshaw, Hannah Anderson, Michelle Walton

Absent: George Martin, Marc Luescher, Jay Simeone

Guest: Heather Lemieux, TM.

1. Open Meeting:

The Chair called the meeting to order at 7:00 pm. This meeting is being recorded and televised for re-broadcast on the Lunenburg Public Access cable channel.

2. Communications:

Public Comment:

- A. Dave Passios, 56 Whiting Street, Welcomes Michelle to the board, his comments this evening have nothing to do with the person appointed to the committee but more the process that was taken to fill the vacancy. Town Council said 30-day clock never started because a written notice, which is required in that section, was never given for the vacancy. Mr. Passios' interpretation of that admission is that the entire process is flawed, start to finish. He believes that without written notice, that legally there is no open vacancy that appointing committee could act on. Again, his interpretation of town council's response was that it opens the entire process as being flawed. Terri agreed, and said that it was talked about at Charter Review Committee because her take on the situation was that Finance Committee wasn't part of that section but it is since Finance is a multi-member body. Also, in her 6 years, she cannot remember sending a written notice for a vacancy so that is also a factor. The other piece that was missing for Terri, was that there was no method of giving it back to the appointing authority. There have been many times that there has been no applicant within 60

days, so then there is no one to appoint, so does it go back to appointing committee or then go onto the Finance Committee? Mr. Passios responded that each time that one of these areas are seriously flawed or blatantly not followed will help put a better microscope on the whole process. In one of his emails his comment was, just like open meeting law, it may not be convenient but right at the moment that is the bylaw of the town and the law so we should be following it.

From the Committee:

- B. John suggests we keep the vertex study front and center as we go into the budget process. John is still looking into the new growth and the relationship of the new growth and how it effects year to year increase in revenue. The fear is with new growth, come 5-10 years from now, we will need more police, fire, education staff. It's not just money coming in, but money that may be needed to redirect to something else. Terri agrees that it is worth looking at and wonders if it is something to consider for policy development. John will have a presentation for us within 2-3 weeks.

New Communications:

Municipal directory came in the mail. Basically, a phone book for all the towns/cities in Massachusetts. MMA publication from the senior center and the Beacon. Remote participation policy.

3. Review policy areas the Board of Selectman want to revisit.

Meet with Board of Selectman on October 11, 2018 at 6:30pm then open the public hearing at 7:30 to warrant articles.

Terri asked Town Manager, Heather Lemieux if she could give the Finance Committee an idea on what the policies are that will be discussed on October 11, 2018.

First policy is on Borrowing, the question asked about that was taxing to the levy. If we include that in the policy and not tax to the levy was one selectman's concern.

Terri asked, where it says Section 3.01 B.4 the regular tax levy is the sum of the prior year levy, plus the increase allowed by prop 2 ½, plus new growth? Heather responded, yes. John asked if it was a question of not taxing to the levy or just being specific about not taxing to the levy? Heather responded, not taxing to the levy. Terri commented, when we say regular tax levy, that means taxing to the levy plus all the other things. Heather said yes it would be a general discussion about the concept that we have historically always taxed to the levy. John asked to interject because he felt this was a political decision, by somebody or board bigger than Finance Committee. Terri said that's why the Board of Selectman want to meet with us. John responded Okay, so they want us to talk about why we think it's a good or bad idea or what the tradeoffs are on taxing to or not taxing to the levy? Terri answered, yes.

Second policy is Section 3.03 Free Cash, to mend the language to change the priority levels of use of free cash. John asked if it was to make the second priority from focusing

on free cash use for road maintenance to focus on using some of the free cash for OPEB instead, is that the issue? Heather responded yes, she does not think there would be any disagreement it would just be a confirmation for the change in the policy.

Third policy, Investment Policy, goal is to condense it and make it more simplistic.

Fourth policy is the OPEB Funding Policy, discuss adding a reduction of OPEB liability and a budgeting for any new personnel in the operating budget to include that into the policy as a discussion point. Potentially the thought is to add into the operating budget if we added any new personnel add the costs of that persons OPEB liability amount into the budget. Terri asked, and leave it as is for anyone that's currently employed? Heather said, right as far as the 10% of the previous years certified free cash. John asked, when you say add the cost of the OPEB, what you're really saying is the costs to the town of contributing or funding, start beginning the fund the OPEB liability for this addition? Heather responded, yes. Terri added that she would need to take a another look at the policy in terms to see why it would be in regular borrowing. Terri asked, we are defining that as the rate at which we will hold, so that's basically defined in there, so we know what to hold the aggregate debt service too? John recalled one of the reasoning was that at least at the regular tax levy defined as 2.5% of the prior years tax levy plus 2.5% of the prior years tax, plus new growth, that's a formulate number that's consistent with the minor exception of new growth. It means we can be a little more stable and predictable. Terri commented, that she thinks if it's possible to have a discussion about not going to the 2.5% every year, and what she would look at in that definition to reword the policy by saying the regular tax levy is "typically or can be" but change it so it doesn't have to be, but that's what we are setting the debt service against the regular tax levy or total tax levy. But that's what we are looking at whatever comes out of the previous year plus whatever percent that we do rather than saying, well if we don't do that...its still the tax levy. It may be interesting to think of terms of that because all this is doing is defining what the tax levy is for the purpose of the debt service. John commented, but it does assume that we would always set the tax levy to what the prior years levy plus the increase law by prop 2 ½ plus new growth so that was a hidden assumption here that is probably needless. Terri asked if we should not define it at all? John replied no, we would want to define it but just not in a way to tie the definition to the limits of 2.5%. Terri responded, the line actually says, "The regular Tax Levy is the sum of the prior year levy, plus the increase allowed by prop 2 ½" and a 2% increase would be allowed by prop 2 ½ so its also all inclusive of any change. Terri then went on to say that she would probably go by what it says it's allowed by and say that its all inclusive of anything up to 2.5%. Terri asked if anyone had any questions about the debt service policy? Michelle asked, why would we want it to be more flexible? Terri said it sounds like what the Board of Selectman want to discuss is because of the tax burden town having an older demographic, do we want to always go to 2.5% or is there a year we want to lower it? Michelle answered that interpreted the policy as saying up to 2.5% so she interprets that as the ceiling where we cannot go above that. She doesn't see any restriction of that in the wording. Hannah commented that it sounds like something that needs to be discussed at Annual Town Meeting and Terri commented it will come to town meeting, but it will come to what priority do we not address because we don't go

all the way and can we take that hit this year? Like Marc said, we are still playing catch up and adding on with the new population. It will be good to see what Marc and George have come up with as well as what information we get when we hear from Chief Sullivan, Chief Marino, the schools, etc. And it will be interesting to see what happens over the budget season. I think the question from the Board of Selectman is why do we always go to 2.5%? Well we always go to 2.5% because we are saying no to so much. John commented that it is unbalanced, and it is a political decision as a town at town meeting we need to say look we will do without what we do without and we will have a 2.5% increase this year or a 1.5% increase or whatever. Terri responded and then we will have to see how it plays out and when the budget is presented we will hear the arguments on for or against but to get back to the meeting October 11, 2018 I think we will get more of a sense of what people are thinking along that. Terri and John went on to talk about free cash priorities. They gave a sum of what we have been talking about to help Michelle catch up. Initially when we set the priorities applying to free cash, roads and signage were a big deal. After the borrowing, it became okay, so now we are putting all the money in and we also have a standing agreement that until we reach 1 million dollars, combination of the pot hole fund and the \$550k from the debt it will be able to have 1 million dollars to maintain the roads in perpetuity, that's the reasoning, and now that is covered we can redirect the use of Free Cash. And that was originally written before the debt was agreed to the pavement management plan was funded through. Hannah asked, from our meeting last time, we have hit our goal, is that what Karen was saying? Terri asked, the goal of? Hannah answered the goal of 1 million dollars? John answered no, we haven't hit that, yet we were working towards it with what the town voted on that 10% each year (\$50K each year) so that's playing out. Terri said the scary thing is that there is an increase of excise tax that better than that each year. So that is one of the reasons why that was there and now it is coming out. Terri asked the town manager, we did not identify Free Cash as a source for the Capital Stabilization fund, we just have that in the budget, is that correct? Town Manager asked, you mean within the Free Cash policy? Terri said yes. Town Manager said, yes it's one of the priorities. Michelle read from the omnibus stabilization fund, "to increase the balance of the stabilization account if necessary, to level at least 5% of the current fiscal year budget". Terri replied that was a different stabilization fund, because it helps our bond rating and because we have so much borrowing going on right now, to keep that figure at 5% so within the budget you will see to the stabilization fund of an amount that is going to be 5% of the omnibus budget. The other funds, there is an OPEB trust fund, so that's not part of that, and the Capital Stabilization fund is within the 5%. I guess the question is, are we comfortable with that? Because that's interesting, because basically if we are putting into the capital stabilization fund then it's reducing what is coming out of the omnibus budget for the stabilization fund. Town manager then replied, it's an incentive for the omnibus budget though and Free Cash is not included in that. Terri replied, no if we are saying if we are taking free cash and putting it into the capital stabilization fund then reduces the amount coming from the omnibus budget into the stabilization fund or the amount that's needed in order to keep the fund? Town manager replied, the omnibus budget does not include the free cash bonds, total operating

budget and free cash is separate. Terri replied, she understands it's separate but we have a rising stabilization fund balance that won't have to be offset by as much contribution from the new budget because we've put money in it from Free Cash. Town manager said that's correct. Terri replied, but our plan is to take money out of the capital stabilization fund? Town manager said yes. Terri said she's not sure but asked the town manager if she was comfortable with it being aggregated within the 5%? Town manager replied, with the way it's written is to be calculated within the fiscal year for the capital planning process based on the upcoming large capital request, so we can use it to figure what amount we want to contribute into that account not percentage. Terri responded, that counting it in that 5% troubles her a bit. Town manager suggested it could be worded, "in excess of the 5%" because the regular stabilization fund is always 5%. John responded, in the effect it is worded that way if necessary level in at least 5% which means we can exceed the 5% if we have no better use for the free cash. Terri is not concerned with the free cash at the moment but more concerned with the stabilization fund itself and the fact that we have a policy around the stabilization fund that says, "the aggregate amount needs to be at least 5%". Because basically we are saying that withdrawals should only be used to mitigate a non-reoccurring extraordinary catastrophic or emergency event or events. So that's not what we do with the capital stabilization fund or that's not our plan for it and at the moment I am reading Section 3.04 B 2. Then in section 3.04 C it should be limited when possible to the amount available but the 5% minimum fund balance. Terri suggests separating out the capital fund because we are anticipating tapping it. Town manager replied, well we should say that the fund balance should not go lower than the 5% and Terri responded that we kind of said that but it is left a little bit open. So basically, when it does go below the 5% you have a lot of work to do because it needs to be brought up as expeditiously as practical. Terri mentioned us bringing that up at the meeting with the BOS on October 11, 2018. Because she doesn't know if it would make sense to segregate the capital stabilization fund. It would still need a 2/3 vote but it wouldn't be based on as an emergency. It's going to be based on, yes we know that we are buying a new roof or a capital expenditure coming up that we are going to spend a whole bunch of money on a fire truck so we are saving for it". John agrees with segregating the capital stabilization fund because it will be hard to address certain foreseen large capital expenditures to mitigate borrowing cost for instance. Terri noted that was the original plan of the capital stabilization fund and that finance would need to revisit the capital stabilization fund. Terri asked if anyone had any other questions on that and the reply was no. Terri asked if anyone had questions when we looked through the financial policies? Michelle said she is unclear what an enterprise fund is. Terri answered that an enterprise fund is basically self-sufficient through user fees and run like a business as oppose to the town. For instance, sewer and water district. John added that the town stands as a backdrop if the sewer department gets into trouble, they haven't but for some reason if they do the town will be there to back up their other enterprise.

4. 2020 Budget dashboard discussion. GM Lead.
Skipped, George was absent.

5. Online Budget presentation tools for more transparent public view of budget. ML Lead.
Skipped, Marc was Absent
6. Review of Minutes
 - 8.9.18 minutes for review, John motioned to approve minutes, Hannah second. 4-0
 - 8.23.18 minutes for review, John motioned to approve minutes with the changes of voting number from 5-0 to 6-0, Hannah second. 4-0
7. Town Manager/Financial Officer Reports

Town Manager, Heather Lemieux- no reports
8. Department Committee Updates:

<u>Committee/Department</u>	<u>Update</u>
Public Access Cable—Marc	
Capital Planning—John H.	Starting to meet in a couple weeks, hoping to get a 5 or in some cases a 10 year window so there is a lot of stuff put in place. Meeting September 25, at 5pm at Town Hall.
Dept. of Public Works—George	
COA – John H	
Library—Terri	<i>michelle will pick up</i>
Police Dept – Marc	
Fire Dept - George	
Schools - Hannah	Met with Superintendent Burnham. School started, one issue on the first day of school, new protocols for dismissal have been put in place and new policies will be added as well for the safety of children if they go missing at dismissal. Found out that the town has two dead spots for dispatch to get in contact with the buses so that is something they will be working on fixing. There is a safety team that meets, made up of staff members to figure out better ways to do things in case of emergencies. The first week was very hot so they schools had extra bottled waters for the kids and staff. The talk of adding air conditioning to THES and the Primary but not sure of a time line. And additional walkie talkies for the staff at the Primary school. There is a new education channel that they will be getting through Lunenburg Public Access at some point.
Monty Tech - Hannah	
Green Comm Task Force—Jay	
Sewer Commission —Jay	
Charter Review Comm – Terri	Looking at controversial items, i.e. renaming the Board of Selectman to Town Board, town clerk discussion, whether it is elected or appointed, whether there would be a second

town meeting. They added the vacancy appointing issue as it wasn't clear and not everyone had the same look at it. She believed the idea is to bring the charter to Special Town Meeting to get more public interaction and then bring it to Annual Town Meeting for a vote.

9. Public Comment:

No public comment from the public.

10. Next Meetings:

September 27, 2018

October 11, 2018 6:30 with Board of Selectman

7:30 Public Hearing for Special Town Meeting

11. Adjournment:

John made a motion to adjourn. Hannah seconded the motion. The committee approved the motion 4-0 at 8:00 pm

Submitted by: Hannah Anderson

12. Attachments: (3) Policy areas the Board of Selectman want to revisit.

1. Borrowing, Limits on Debt Service Costs Section 3.01
2. Free Cash Section 3.03
3. Investment Policy Section 3.06
4. OPEB Funding Policy Section 3.07