



Special Meeting of the Town Council and Finance Committee

February 16, 2021 2:00 p.m.

Virtual Meeting

Minutes

Meeting video: <https://www.youtube.com/watch?v=x8FuJp2MHBI&list=PLz1ldXIdetU-euoo3K8hbbolTE4PWdokI&index=8>

Councilors participating remotely: Bahl-Milne, Brewer, De Angelis, DuMont, Griesemer, Hanneke, Pam, Ryan, Schoen, Steinberg, and Swartz

Councilors absent: Ross and Schreiber

Resident members of Finance Committee participating remotely: Hegner, Kubiak, and Sheffler

Resident members of Finance Committee absent: None

Others participating remotely: Finance Director Sean Mangano, Consultant David Eisenthal, Comptroller Sonia Aldrich, Town Manager Paul Bockelman

Sheffler disconnected at 2:04 PM, and reconnected at 2:05 PM.

DuMont and Bahl-Milne connected at 2:10 PM.

Pursuant to Governor Baker's March 12, 2020 Order Suspending Certain Provisions of the Open Meeting Law, G.L. c. 30A, §18, this meeting of the Town Council and Finance Committee is being conducted via remote participation.

1. Call to order

Steinberg declared the presence of a quorum, called the Finance Committee meeting to order at 2:00 PM, confirmed all members can hear and be heard, and announced audio and video recording.

Griesemer declared the presence of a quorum of the Town Council, called the Special Meeting to order at 2:04 PM, and confirmed all Councilors can hear and be heard.

2. Capital Planning Model – Plan for the four projects

Steinberg said the goal of this meeting is to discuss a proposed plan that will address all four building projects in some fashion. He said after the presentation, he will recognize members of the Council and Finance Committee who can ask questions and then open to public comment. Steinberg noted that the public comment is not for questions.

Town Manager Paul Bockelman and Finance Director Sean Mangano, Comptroller Sonia Aldrich, and Consultant David Eisenthal spoke about the following:

- Takeaways:
 - The Town's infrastructure needs considerable investment now
 - It can be done with one debt exclusion for the schools and firm budgets for all projects
 - Moving forward will impact future operating and capital budgets
 - The Town's finances are strong, confirmed by the most recent audit

- Topics to cover:
 - Town Manager goal/task
 - Stakeholder engagement plan
 - Guiding principles
 - Working prerequisites
 - Financial model
 - Other factors
 - Cautionary considerations
 - Key decisions
 - Next steps

Mangano presented charts that illustrated the debt service that would be needed if all 4 projects were to be initiated in the next 5 years, with a debt service override for the school. He highlighted the needed to increase the share of general revenues allocated to capital and impact on more restricted operating budgets in FY 22 and FY23. He also discussed the plan to draw down on reserves. (Illustrated in the Charts)

Schoen asked about FY24, FY25, and FY26 operating costs and drawing down reserves, specifically where is the give point and how much flexibility they have in reserves. Schoen also asked if it is possible to draw down more from reserves and if so, what would the limits be. She noted that DPW is starting soon, and asked if they have a site. Schoen said for the library they have a good sense of the total and know what the tax share would be and asked if they will be given a hard number and what will happen if the library can't do fundraising or project costs are higher, what would they do.

Mangano said if the library project is approved by the Council by April, the town will receive the first grant payment this fiscal year. He said they could use grant monies first and borrow when they have to or vice-versa, but traditionally they would use grant monies first and then borrow. He stated that they will talk about that more at the library presentation next Monday.

Mangano said regarding the DPW and fire station they are moving forward, but a major variable is finding a site for the DPW which could push the project back. He said to Schoen's reserves question, reserves are kept between 5-15 % and it is a little above that based on the FY21 budget. He said after FY23, there will be a small jump and then after that they will stay at 10.5%. He said there will be some additional years with friction between operating and capital budgets.

Mangano added that their budgets are reduced from the pandemic and after the pandemic they may see larger than normal receipts as things come back to normal.

Pam asked how much new revenue they counted on. Mangano said the primary new revenue is the property tax levy and it assumes the annual 2.5% increase and a conservative new growth the next decade.

Pam asked when the ribbon cutting would be for the projects. Mangano said the library project is assumed to be in summer 2024, the school is summer 2026, DPW is summer 2023, the fire station is 2025 but this is all based on construction.

Pam asked if the 2/26 meeting is the right date. Bockelman said that is the Council order to deliver an update on the Fire Station/DPW by the end of February, so he will be providing a memo with updates.

Pam asked if sidewalks will ever figure into this plan. Mangano said in the sense of funding for ongoing capital needs, they would come from that ongoing capital need bucket.

Hegner stated that there are limits on each project. He asked if they are going to budget them below that cost limit or budget at that level and what would be the impact of costs over that budget. Bockelman said they would budget to the contingency line item for each project.

Griesemer asked if there is a 10% contingency for the building budgets. Bockelman said yes. She said she assumes that they don't want to stretch these projects over more than 20 years so they can pay this off and get ready for the next round of building projects. Mangano said this way they can pay off the debt more aggressively to save.

Griesemer asked if the number used for the fire station in the south on DPW site also include the headquarters. Mangano said they still need to reengage designers with these numbers and see what they can get. Griesemer asked how they would accommodate for the Net Zero Bylaw. Mangano said when reengaging with designers, they will give project caps that building needs to be net zero.

Griesemer asked if the Centennial Water Plant will be paid for from funds for water and if debt will count from debt service. Mangano said it is part of the town's debt, but water fees are treated a little differently than regular debt.

Eisenthal said the water debt is outside 5% of the debt limit usually. He said water and sewer debt is paid for from water and sewer revenues and as long as enterprises are self-supporting, the rating agency would not count enterprise debt toward debt score credit rating for the town.

Sheffler asked about school and proposition 2 ½, specifically when would it be presented to voters and when would tax increase if it passes. Mangano said the last time around it was the end of feasibility study phase. He said in terms of when the impact would be, this model has the impact beginning in 2025. He said the debt exclusion would cover the long and short term interest payments while construction is going on and the first payment would be FY25.

Brewer said this is a reminder to tell this story everywhere they go for outreach. She said back with the loss of the school's project, taxpayers voted to increase taxes for the project and the Town Meeting overrode the vote. (EDITOR NOTE: The taxpayer vote did not reach 2/3.) She said at that point, there was not a laser-like focus on bringing these projects forward on a continuing basis. Brewer encouraged Councilors and staff to make this a focus on newsletters and communications. She said they need to do these projects.

Bahl-Milne asked what they can tell about Crocker Farm to the District 5 residents.

Mangano said the Capital Improvement Program (CIP) does have some elements of Crocker Farm repairs and improvements in there. He said some of the other costs Identified in the CIP are not slotted in a particular year yet, but they are on the radar and they are not losing sight of those potential costs.

Hanneke asked about the 5% debt limit, particularly what it would mean and what is that percentage based off of. She said to confirm, cost estimates for repair of the library are from \$14-\$17M. She said this plan would still have a 15.8 limit for repairs on the library that are needed. Hanneke asked if that limit is there whether it is the MBLC project or repairs.

Mangano said for the repair only-option for the library, the numbers are in the same ballpark, but it would still be up to the Town to decide how to undertake repairs in the future. He said the 5% upper limit is not the same metric.

Eisenthal said 5% of the EQV is the limit on indebtedness, and water debt is generally outside the debt limit. He said MSBA projects are outside the debt limit as well and the projection includes enterprise and regional school debt. Eisenthal said the regional school debt does not count towards the debt limit and is compliant with the 5% debt limit.

Steinberg asked if the borrowing for the Community Preservation Act proposals with repayment from future CPA funds are a part of debt limit. Eisenthal said they are part of that debt limit as well.

De Angelis said in terms of sending out an RFP for property for the DPW, where is the cost of purchasing property in all of this. She asked if they move the 6th grade to the middle school, does that move them to regional budget. Mangano said the cost of land becomes part of the project budget and if the 6th grade moved to the middle school, they would still be part of the elementary budget. He said unless there was a change to the regional agreement, they will be treated like elementary students from a cost perspective.

Schoen observed that the numbers for DPW and the Fire Station were a lot lower than previous numbers, and asked if they can get most of what they want or if there is any basis for thinking those are real numbers that will work. Schoen also asked if they have more information than before. Mangano said those numbers were a combination of looking at other towns and what the model can support. He said the wild cards are net zero impact on cost and pricing increase in the future.

Councilor Brewer disconnected and reconnected at 3:20 PM.

Public Comment

Richard Morse – Morse said there is a fear about the ability to take on these projects. He said he is a previous town meeting member and it was assumed they had a command of the town finances. Morse said they should not assume all councilors have a command of the town finances. He advised councilors before they make hugely consequential votes, to do their best to get a command of the finances of the town. He said there will be no such thing as a dumb question from Councilors.

Toni Cunningham – Cunningham acknowledged appreciation for assigning budget caps at the outset. She said the estimate for the library is the same cost for the library since 2016, and is not sure if that number is still solid. She asked why the number hasn't gone up, and where does the money come from if costs go up? She also asked if CPA funds are being counted as part of the cost. Cunningham said the water and sewer bills will go up more than \$300 and that is more than the increase due to the school override. She suggested a call for a forward-looking approach to projects and noted that it doesn't help to cast blame.

Mangano said the \$15.8M does not include the CPA portion. He said in terms of the cost of the project, they have been updating the total number recently, and there will be more information on Monday at the library presentation to the Council. Griesemer said on the CPA funds, the Council has the recommendation from CPAC, but they have not decided where it will go or approval yet.

Carol Lewis – Lewis said it seems that debt exclusion is functionally the same thing as a need for tax override. She said the presentation suggested that we keep 10.5% as capital percentage, but what makes it go up or down? Mangano said the debt override lasts as long as the debt lasts, and the tax override lives on. He said ultimately it is what the Town Manager puts forward in his budget and the Council approves and the percentage is what is approved by the Council.

Tim Neale – Neale asked if the presentation is available online. Mangano said it is in the meeting packet for today's meeting.

Griesemer encouraged everyone to ask questions and they want to hear all of the “stupid” questions they may have because there are no stupid questions. She said all questions are appreciated.

Schoen underscored what Griesemer said and she emphasized that this is not a small decision.

Steinberg said the option of not doing anything is no longer an option.

Griesemer adjourned the Special Town Council Meeting at 3:38 PM. Non-finance Councilors disconnected.

3. Meeting schedule and plan

Steinberg said they the committee will meet the first and third Tuesday of each month.

Griesemer said she would appreciate that the Finance Committee be an ear for finance-related questions regarding the library. She said they should consolidate questions.

Schoen said they should add the library to the two meeting agendas in case there are questions that cannot be answered in one meeting. She said the March 16 meeting may move to a later date. Members discussed the meeting plan and the timing of upcoming agenda items.

4. Topics not anticipated by the Chair 48 hours before the meeting

Steinberg said in the previous meeting there was one part of the audit that had to do with federal grants that is now available. He said this was put in the packet for the last meeting from 2/5.

5. Adjourn

Steinberg declared the Finance Committee meeting adjourned at 4:03 PM

Record of Agenda Packet Materials and Documents Presented:

Agenda planning

Finance Committee Agenda 02.16.2021

FinCom 2.16.21 : Presentation and Updated Model