



Town of Swampscott
Finance Committee Meeting Minutes
Monday, November 7th, 2022 - 7:00 PM
Virtual Meeting

FINANCE COMMITTEE MEMBERS PRESENT

Eric Hartmann (Chair), Naomi Dreeben, Joan Hilario, Cinder McNerney, Suraj Krishnamurthi, Erik Schneider, Sunit Shah

FINANCE COMMITTEE MEMBERS ABSENT

Matthew Kirschner (Vice-chair)

OTHER TOWN OFFICIALS PRESENT

Michael McClung, Town Moderator, Peter Spellios, Selectboard member, Amy Sarro, Director of Admin. & Finance; Patrick Luddy, Town Treasure/Collector; Trang Vu, Assistant Town Accountant.

The meeting was called to order at 7:03 PM

Public comment

Ms. Fletcher was recognized and had some opinions about some Special Town Meeting articles:

- She commented that *Article #3: Transfer of Free Cash to OPEB Stabilization* (has been removed now), if voted at Special Town Meeting, could possibly have negative ramification for the town when it comes to creditors of not showing that we are consistently putting money into OPEB.
- Regarding *Article #4: Establish a Compensated Absences Reserve fund*, she had a concerned about the amount of \$250,000 while the average for past 5 years was \$150,000 commented that there should be money in operating budget for what was anticipated in FY2023. She would like to make sure there's significant policies surrounding the fund.
- Under *Article #5: Appropriation for Capital projects* (Article #6 now), Ms. Fletcher commented that the Repair for Town Hall Garage should not be put on shoulder of taxpayers but instead being responsible by insurance companies of Swampscott Yacht Club and Town; Purchase of Recreation sailboats should be paid from Recreational Revolving fund since they are used for programs but not used for the town.

Liaison report out

School Building Committee update: By Eric Hartmann and Erik Schneider

- We've received 2 bids for the new school, the lowest bid is \$79.7M, lower than the total budgeted.
- However, it only allows for contingent fees about \$725,000 which is less than 1% of total cost (recommended 3-5% of total project cost).
- Agreement between SBC and OPM that it's not prudent to start the project with such a low contingency.
- Some options are discussed including:
 - Ask Town meeting for the whole recommended 5% level amount, which is approximately \$2.9M
 - Use \$350,000 saving from Swing space and ask for the remaining of 5% from the town.
 - Ask the town for the whole \$2.4M (3% level) of contingency.

- Use saving of \$350,000 of swing space project and ask for the remaining of 3% of the total project cost.
- Try to cut on things and no more money asked.

Selectboard member Peter Spellios was recognized and mentioned that the project management team, the OPM and the design team went through the whole process with Select board and the next step will be for the School Committee and Town Administrator to sign the contract. Once it is signed, it locks most of the hard costs related to the project. The town will bear with some certain risks that are not included in the contract or unforeseen circumstances and contingency will be used for these cases.

Cinder McNerney asked how many bids total the Town has got for Elementary School project, if it's a debt exclusion and if that price is typical for the same kind of construction project. Eric Hartmann responded that we have had 2 bids so far.

Mr. Spellios responded that the School Building Committee and Selectboard have not got into a conversation about it, but his assumption is that it might only require a town meeting approval because of the time sensitivity.

Erik Schneider asked what the MSBA reimbursement is based on. Peter Spellios responded that its based one estimated cost that we submitted 3011. If the project costs come higher than our 3011, we should anticipate no reimbursement from MSBA.

Naomi Dreeben asked if the contract had been signed and what SBC's preferences regarding some contingency fee options Mr. Spellios answered that it has not but anticipated to be imminently. The SBC selected the option in which we shift \$350,000 saving from swing budget and ask for a new appropriation of \$2.9M (5% committed contingency).

Responded to Cinder McNerney's question, Peter Spellios said the 2 participating bidders were CTA Construction and Brait Builder, CTA Construction was the lower bid. To Suraj Krishnamurthi' questions, he mentioned that the site is ready and prepped for mobilization. The demolition contractor is a few days ahead of the schedule, so the site is ready to commence as soon as the contract is signed.

Eric Hartmann and Suraj Krishnamurthi supported the contingency options that SBC selected.

Cinder McNerney would like to know what the administration thinks about the use of reserve funds to mitigate of the debt exclusion. She thinks the committee should look the whole picture before making a decision on whether contingency should be bonded or added as deb exclusion.

Naomi Dreeben and Cinder McNerney suggest that we should build a debt model of existing debts after adding the new amount of contingency.

Discussion and potential vote on capital article

Article #1: Amend appropriation for FY2023 operating budget

Changes in Regional Vocational – Tech school assessment, projected revenue, and water & sewer.

Amy Sarro responded to Cinder McNerney's question regarding how much higher the assessment came. It is an addition of \$31,603 and the town is still working on updated revenue adjustment.

Article #4: Establish a Compensated Absences reserve fund

Amy Sarro said the fund will give us the flexibility in the unfortunate circumstances. To Erik Schneider's question, she mentioned that the purpose of the fund is supposed to be for the end of employment costs upon retirement. Operating budget will only include the known expenses. \$250,000 in the new reserve fund is to

cover essentially 5 maximum payouts but based on the average payout that we have now, this is set to cover us for at least 2 years of retirement.

Responded to Cinder McNerney' question, Amy Sarro commented that the purpose of the reserve fund is to protect the general fund in the years when we have many high-payout employees notify that they are retiring (Public Safety is an example). It could result in staff cutting in order to pay for end of employment.

Article #5 (Article #6 now): Appropriation for Capital projects

The **Elevator upgrade** project was removed since the Director of Facilities had found a better quote.

Amy Sarro commented that the **Repairs to Town Hall Garage** that is proposed here is for the garage side which did not collapse. We found that there were structural issues on the right side of it, so the insurance won't cover.

For **Recreation Sailboats & SUP** capital item, Amy Sarro commented on Cindy McNerney's question that even though Recreation department has its own Revolving fund, spending \$40,000 would exceed the set spending limit of the fund. Additionally, they were also purchased through capital.

Cinder McNerney commented that in the long-run, Recreation revolving fund should be used for everything associated with recreation activities, including their own capital.

Article #6 (current article #8): Acceptance of public way – Supreme court

There was some discussion whether there is some financial implication related. Amy Sarro said the town is waiting for more information under this article.

Old and new business

Before taking any vote next week, the committee asked to see the last few years compensated expense average and projection for next couple of years.

On **MOTION** (Naomi Dreeben) and **SECONDED** (Cinder McNerney), it was **VOTED** to adjourn the meeting at 8:50PM. **ROLL CALL:** Suraj Krishnamurthi (YES), Erik Schneider (YES), Joan Hilario (YES), Sunit Shah (YES), Eric Hartmann (YES).

True Attest,

Trang Vu

Assistant Town Accountant

Approved by vote of the finance committee 02/07/2023.