



Town of Swampscott
Finance Committee Meeting Minutes
Monday, June 28th, 2021 – 7:00PM
Virtual Meeting

FINANCE COMMITTEE MEMBERS PRESENT

Tim Dorsey (Chair), Mary Ellen Fletcher (Vice-chair), Eric Hartmann, Joan Hilario, Matthew Kirschner, Cinder McNerney, Jill Sullivan

ABSENT

Gail Rosenberg

OTHER TOWN OFFICIALS PRESENT

Peter Spellios, Chair, Selectboard; Sean Fitzgerald, Town Administrator; Amy Sarro, Director of Finance & Administration; Patrick Luddy, Treasurer/Collector; Lt. Bill Waters, Harbormaster

Meeting called to order 7:03 PM

Harbormaster Patrol Boat Engine Failure

Lt. Bill Waters provided the committee with an update on the status of the Harbormaster Patrol Boat which recently suffered a catastrophic engine failure. He describes the nature of the failure – a faulty hose causing salt water to flood the engine and corrode its components.

The outboard marine engine requires \$5-\$15K to repair, and would still be prone to future failures. The age of the current engine is 15 years old; the boat is also 15 years old but in very good condition and the harbormaster figures the boat has many useful years left. Replacement cost of the engine is approximately \$25K. Because of the good condition of the boat and the necessity for reliable power to this boat in emergency situations, Lt. Bill Waters recommends complete replacement of the outboard engine as opposed to repairs.

MaryEllen Fletcher asked Lt. Bill Waters to clarify when the engine failure occurred. Lt. Bill Waters clarified that the damage to the boat was discovered the Tuesday after the Memorial Day Holiday.

MaryEllen Fletcher suggested that in the interest of safety and liability the finance committee should vote to transfer funds to the harbormaster for replacement of the engine in order to expediently resolve the issue. She recapped that although the fire dept. also has a boat, it does not have the same capabilities as the Harbormaster boat and therefore cannot fulfill those duties.

Sean Fitzgerald commented that the town's fire department does have a boat with emergency response capabilities to perform open water rescues. He will be working with the police department to develop additional redundancies in the event that the primary Harbormaster boat be offline again in the future.

The sense of the committee was to support the \$25K transfer in the operating budget for the replacement of the harbormaster engine.

The administration will request a formal vote on this transfer at a later meeting as part of the standard end-of-year transfers that are brought before the Finance Committee for consideration.

Approval of Minutes

On **MOTION** (MaryEllen Fletcher) and **SECONDED** (Jill Sullivan) it was **VOTED** to **APPROVE** minutes from 03/29/21, 04/05/21, 04/07/21, 04/12/21, and 05/05/21.

ROLL CALL: Tim Dorsey (YES), MaryEllen Fletcher (YES), Eric Hartmann (YES), Joan Hilario (YES), Matthew Kirschner (YES), Cinder McNerney (YES), Jill Sullivan (YES)

New School Financing

Tim Dorsey recapped the current status of the financing associated with the proposed new elementary school.

- MSBA has approved the project and the town share has been reduced to approximately \$64 million dollars (estimated)
- Treasurer has revised the 30yr level-debt schedules

Patrick Luddy provided an overview of updates made to the debt-service and reserve fund projections presented previously, based largely on feedback from the finance committee.

Most recent scenario assumes \$64M worth of bonds required to finance the town's share of design and construction costs for the proposed new elementary school.

Updated Assumptions/Structure:

- Front-Load borrowing to maximize the interest rate environment (\$60M issuance in July of 2022 @ 2.5% est.)
- \$4M BAN June for 2023 and 2024, Permanent \$4M Issuance in 2025 when final cost is known/project completion.
- Contributions to Stabilization assumed at \$250,000 per year from free cash (in line with past practice)
- Return on Investment for Stabilization Fund reduced to conservative 4%
- Return on Investment for Capital Stabilization Fund increased to 4%, reflective of anticipated migration to Investment Portfolio like General Stabilization.
- Net impact on adjustments to assumptions in Capital Stabilization fund is positive.

Cinder McNerney suggested advancing the \$60M issuance as early as March of 2022 to lock in lower interest rates.

MaryEllen Fletcher asked for clarification regarding whether bonds could be issued earlier than March of 2022. Cinder McNerney commented that there are spend-down requirements for bond proceeds, so it is unlikely that the town would issue bonds more than six months before project expenditures begin.

Sean Fitzgerald provided an overview of the town's financial strength that has grown over the past number of years, and the town's ability to mitigate increases to the average single-family's tax bill.

Additionally, Sean Fitzgerald summarized trends in new growth and local receipts that have positive future outlooks and will help support some of the costs associated with projects like the proposed new schools.

Patrick Luddy stepped through various hypothetical scenarios for stabilizing the projected annual tax impact of the debt associated with the proposed new elementary school project, using varying levels of reserves.

Cinder McNerney asked for clarification regarding timing/debt service estimates for middle school renovation projects and whether that is built into any of the scenarios.

Sean Fitzgerald commented that a comprehensive study has been done on the middle school detailing a lot of the renovations that are required, and that Max Kasper the town's Director of Facilities is developing a plan forward for renovations that will be shared.

Cinder McNerney commented that it would be advantageous for the town to apply reserves in a manner that levels off the tax impact of the debt service early on and eliminates fluctuation year-over-year, creating clear capacity for additional debt service in future years to address issues like the renovations that are needed at the middle school.

Peter Spellios commented that the charts as presented only show the est. tax impact through 2030, but beyond 2030 there is a precipitous roll-off of other excluded debt that benefits the taxpayer in those years. Cinder McNerney acknowledged that it would be helpful to see all the charts presented all the way out to 2051.

Jill Sullivan commented that it will be important to have a response prepared for town meeting regarding estimates for the middle school project, and how that fits in to the plan for the proposed new elementary school project, even if an exact dollar amount or exact timing is still unknown in the event town meeting asks questions.

MaryEllen Fletcher asked for clarification on how many times stabilization funds have been used in the last twenty years; staff confirmed three times.

Tim Dorsey acknowledged a perceived consensus around using a 30-yr level debt approach to financing for this project, as well as the desire to apply stabilization in a manner that flat-lines tax impact across the peak years, creating capacity for additional debt service in the future for other projects.

Tim Dorsey stated that he is comfortable with a 30-yr level-debt approach to financing for this project and is interested in exploring drawing reserves down to 10% and spreading those reserves in a manner consistent with Cinder McNerney's earlier suggestions.

Peter Spellios commented that given the positive outlook on free cash as a result of some of the operating variables Sean is projecting including new growth in excess of assumption and growth in local receipts, there may be opportunities in future years to contribute to stabilization in future years in excess of the assumptions used in this model. Additional contributions and growth in the stabilization fund would create the opportunity to apply additional reserves to mitigate tax impact of this and other projects, within the town's reserve guidelines.

MaryEllen Fletcher confirmed that she likes the 30-yr level-debt approach and that she would be inclined to draw reserves down to as much as a 9% threshold vs. the 10% presented to further mitigate tax impact.

MaryEllen Fletcher mentioned that she would like to see a debt-exclusion and a potential override relative to this project.

Jill Sullivan agreed that it would be interesting to explore an override and whether it is appropriate. However, she stated that it would not make sense to take up a debt-exclusion an override at the same town meeting because discussing the two concepts together would be confusing to the average taxpayer.

Jill Sullivan also stated that she would never support funding this school through the use of excess levy capacity instead of a debt-exclusion.

Tim Dorsey agreed with Jill Sullivan's sentiment against funding the proposed elementary school through excess levy capacity and was interested in debate regarding whether an override discussion could take place parallel to the discussion of the excluded-debt financing for the new school project.

Cinder McNerney commented that it is rating agencies consider excess levy capacity a credit positive, and an override might negate that.

MaryEllen Fletcher commented that excess levy capacity is a liability to the taxpayer.

Cinder McNerney asked Peter Spellios if he felt the Select Board would have an appetite for an override since they would need to initiate it.

Peter Spellios commented that there is some amount of an override that would be interesting to him to explore, especially in the event that it offsets the amount of overrides that had been done

in the past in town, however it has not been discussed by the board to date. He stated that there is not a lot of time between now and town meeting, but if the finance committee wanted to discuss an override along with the financing of the new school he would help facilitate that conversation. He did mention it would be important to involve the town's bond consultant to determine what amount of an override if any may be detrimental to the credit rating so that could be considered.

Tim Dorsey recapped that the draft town meeting warrant article language were shared with the Finance Committee

Jill Sullivan asked for verification that the warrant article authorizing the debt for the new school can be contingent upon a debt exclusion as drafted in order to ensure that financing cannot be otherwise done using excess levy capacity. Peter Spellios confirmed that the contingency language can and will be used in the warrant article.

Cinder McNeerney asked for clarification surrounding whether operating costs estimates for the new school were known at this point, and what if any new operating expenses would be coming online.

Peter Spellios commented that the School Superintendent and the School's Finance Director are still working out cost estimates. Specifically, he mentioned a bussing plan for the new school that is still being worked out due to the complexities of adjusting start times etc.

Summer Priorities for Finance Committee

- Evaluating financial impact of new development in town

Further discussion was deferred to a future meeting.

Committee Updates

Tri-Chair Meetings

- Ongoing discussions about new elementary school
- Ongoing discussions with Facilities Director on middle school repair plan
- Ongoing discussions surrounding staffing (senior center, human resources, etc.)

Town Administrator Sean Fitzgerald commented that an HR director has been hired and will begin in July.

MaryEllen Fletcher asked Sean Fitzgerald to confirm which union contracts were currently under negotiation or otherwise expired

- Clerical and Library contracts are expiring this fiscal year
- Department of Public Works contract expired last year
- Police & Fire contracts have one-year contracts that will expire in FY22
- Teacher contract will expire in FY22

Hadley Re-Use Committee

- Mixed-use option; public/private partnership that would incorporate some civics/arts with residential and commercial
- Affordable Housing w/ ground lease (town retains ownership)
- Hospitality Option; Hotel w/ restaurant (modeled after Salem Hotel)
- Community Forum to be held July 20th

School Building Committee

- MSBA funding awarded higher than expected (est. \$34.3M)
- Developing addl ways to engage the community in the project

Tim Dorsey will reach out to the committee regarding scheduling the next meeting to accommodate the year-end shuffle.

On **MOTION** (Mary Ellen) and **SECONDED** (Jill Sullivan) it was **VOTED** to **ADJOURN** the meeting at 8:53PM.

True Attest,

Patrick Luddy

Patrick Luddy, Assistant Town Accountant

Minutes APPROVED by vote of the Finance Committee 9/27/21