



Town of Swampscott
Finance Committee Meeting Minutes
Monday July 7th, 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

Amy Sarro, Director of Finance & Administration; Patrick Luddy, Treasurer/Collector

Meeting called to order 7:00PM

Public Comment

None.

Approval of Minutes

None.

Fiscal 2021 End of Year Transfers

Tim Dorsey asked how the total aggregate dollar amount of the requested end-of-year transfers being requested this year compared to prior years. Amy Sarro responded that the aggregate dollar amount of this year's requested transfers (appx. \$500K) is slightly above average compared to the last five years.

MaryEllen Fletcher voiced concern that funds were spent in excess of appropriation without prior conversations with the finance committee and that over-expenditures were only brought to the attention of the finance committee after the fact at year-end.

Tim Dorsey asked for clarification regarding whether the state legislature has expanded the town's abilities to manage budget transfers.

Amy Sarro clarified that the town has not adopted the special legislation that expands powers relative to budget transfers. She recapped the legal lines of control in the budget, and the role of the finance committee to review transfers between those legal lines each year in June/July.

Amy Sarro also assured the committee that the bulk of the funds presented in the shuffle have not been expended yet, but rather are encumbered. The exceptions would be salary items because the town is obligated to pay people their wages, and the harbormaster boat engine which was previously discussed with the finance committee as an immediate, emergency need. Should the finance committee choose not to approve the transfers, the remaining unpaid bills would go to town meeting for approval and payment from other available funds such as free cash.

Jill Sullivan commented that it would be helpful if Amy Sarro could indicate on her monthly expenditure reporting to the finance committee any line that is projected to run over so the finance committee is aware and can ask questions if necessary.

Amy Sarro highlighted approximately \$99K of general fund revenue collected relative to the solid waste reduction program that has been credited to the general fund which offsets largely the overrun on the expense side.

Eric Hartmann asked Amy Sarro to explain the overrun in the health insurance line item.

Amy Sarro explained that there was a formula error in the spreadsheet that was used to estimate the amount required to fund employee health insurance. Although originally estimated to be a \$400K overrun, the true variance was closer to \$200K. This appropriation includes health insurance for school department employees as well.

MaryEllen Fletcher asked for clarification surrounding the year-end transfer process and whether it is appropriate to approve transfers for new spending items that were not discussed at town meeting. Cinder McNerney also commented that some of the transfers appeared to be for items that were not discussed during budgeting.

Jill Sullivan stated that the Charter affords the administration spending flexibility by allowing the finance committee to transfer at year-end amounts between legal lines of control in the budget, up to a certain % of each appropriated line.

Tim Dorsey also commented that the Town Charter in this respect is more restrictive than state law, especially with the changes brought forth by the Municipal Modernization Act.

Amy Sarro agreed with Tim Dorsey's statement and clarified for the committee that the Municipal Modernization Act allows the budget to be approved in larger cost-centers which would serve as the legal lines of control in the budget, whereas the Town Charter requires each department to have personnel and an expense control.

MaryEllen Fletcher asked Amy Sarro to elaborate on the overage in the budget for legal/town counsel. Amy Sarro commented on the extensive protests that took place in town that required a lot of analysis of first amendment rights, as well as legal consulting that was required to process requests for FMLA or other accommodations for employees during the pandemic in the absence of a Human Resources Director.

Approximately \$10K of these costs are eligible to be covered by regional CARES Act funding that was awarded to the town from Salem, MA.

Cinder McNerney asked Amy Sarro to clarify the additional expenses under the recreation appropriations.

Amy Sarro recapped the additional expenses which include an uptick in beach sticker purchases, requiring the town to pay additional processing fees and replenish sticker inventory, replacement of the stage, and replacement of a lifeguard chair which were both deemed unsafe to use by the Department of Public Works.

MaryEllen Fletcher commented that she would like to see more communication and transparency around over-expenditures going forward.

On **MOTION** (MaryEllen Fletcher) and **SECONDED** (Jill Sullivan) it was **VOTED** by **ROLL CALL** to **APPROVE** year-end transfers for Fiscal 2021 as presented.

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

MaryEllen Fletcher asked Amy Sarro to clarify how much money the school department will be returning to the general fund from their Fiscal 2020 appropriation. Amy Sarro confirmed that the school department will be returning \$107K from their FY 22 appropriation, and her preliminary estimated for free cash are \$3.4M.

School Financing Updates

Patrick Luddy briefly recapped the eight scenarios for stabilizing tax impact of the proposed new school project that had been provided to the finance committee, including the three revised scenarios that were generated in response to feedback provided by the finance committee at their last meeting.

Eric Hartmann asked for confirmation that the assumptions used for free cash are conservative in the reserve projection. Patrick Luddy confirmed that unbudgeted revenues from new growth and recreational marijuana in future years are anticipated but not included in the free cash estimate here and would add to the free cash estimates that are shown.

Cinder McNerney commented that the scenario which stabilized the tax impact to the median single-family home at \$300 annually stood out as a good approach.

MaryEllen Fletcher asked Tim Dorsey what the next step would be to tie in an override to the conversation around the school financing.

Tim Dorsey commented that Peter Spellios would need to discuss the topic of an override with the Select Board first.

Jill Sullivan commented that it would be most efficient for conversations regarding an override to happen in a joint SB/Fincom meeting as opposed to separate meetings.

Eric Hartmann commented that he is interested in seeing the tax impact to this project stabilized to \$300/yr for the median single-family home as presented in the treasurer's stabilizing scenarios but did think that the more aggressive approach to stabilization would leave less of a balance in stabilization to offset the tax impact of other future improvements such as at the middle school.

Cinder McNerney responded to Eric Hartmann stating that although that is true, the aggregate impact will be to the same taxpayer and the average taxpayer would rather see the break sooner on this project and would be more likely to consider and accept additional impact for projects like the middle school down the road knowing that effort was made to mitigate the impact of this project.

Cinder McNerney commented that the excess levy capacity the town holds is considered a reserve by the bond rating agencies, and because of that the town can more confidently draw down on some of its stabilization funds without a risk to its credit rating.

Jill Sullivan commented that the town's stabilization funds are composed of amounts that have been taxed in previous years' levies and it makes a lot of sense to draw down on those funds, rather than use excess levy capacity which triggers additional current tax.

Tim Dorsey asked the committee if they were comfortable voting on the drafted town meeting warrant article for the new school financing without the exact figures that will be put in the article. MaryEllen Fletcher and Cinder McNerney felt the committee should not vote on the article without the exact figures. Tim Dorsey asked the committee for a consensus around the drafted warrant article language and suggested that the formal recommendation on the article be voted once the exact figures are available.

On **MOTION** (Jill Sullivan) and **SECONDED** (Cinder McNerney) a **CONSENSUS** of the committee was met that the drafted language for the special town meeting article in appearance is appropriate, and that the committee was supportive of stabilizing net tax impact of the proposed school project to the median single-family home to \$300/annually through the application of general stabilization funds.

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

Summer Priorities

Water/Sewer Rates for Fiscal 2022

Tim Dorsey asked for clarification surrounding the timeline for water/sewer rates and when information might be available to the finance committee to consider.

Patrick Luddy commented that the water/sewer advisory committee has a meeting scheduled next week and is hopeful that a recommendation will come out of that meeting that can be shared with the finance committee for discussion, perhaps jointly with some of the members of that committee.

Financial Impacts of Development

MaryEllen Fletcher commented that she would like to see a discussion on how costs and impacts are evaluated relative to new development in town.

Cinder McNerney agreed with MaryEllen Fletcher that this discussion should be a priority.

Tim Dorsey asked what the desired outcomes would be for the discussion.

Eric Hartmann brought up the recent Elm Place proposal and suggested one outcome would be that the committee and the town is able to approach developers when they first arrive with a proposal and pose questions/evaluate costs and impacts much earlier in the process going forward.

Cinder McNerney also commented that the capital impacts of new development need to be considered as part of the conversation as well, and therefore the Capital Improvements Committee should be involved.

Jill Sullivan commented that it is key to include the Planning Board in these discussions because they have a detailed master plan and will be able to help the finance committee better evaluate the merits and cost of new development.

Joan Hilario suggested that while committee members gather their thoughts on the goals and outcomes for this proposed meeting, that Tim Dorsey reach out to the chairs of the other committees involved to establish a date for the meeting.

Tim Dorsey stated that he will reach out to the other committees and depending on interest and availability will try to schedule a meeting sometime after special town meeting and form an agenda later on.

MaryEllen Fletcher also commented that she would like to see this meeting publicized to encourage members of the public to join and comment and provide input to the discussion.

Cinder McNerney commented that a key component for these discussions would be to identify areas in town that are ripe for development to anticipate potential future projects.

Committee Updates

Hadley Re-Use

- Next meeting on 7/12
- 7/20 Forum will be discussed; this will also be advertised at the farmers' market.
- Forum on the 7/20th will be to recap current options (mixed use/civic arts, affordable housing, hospitality)

SBC

- Will meet next week to go through larger updates relative to the project
- Meeting this past week was short/interrupted due to power outages in town

On **MOTION** (Eric Hartmann) and **SECONDED** (Jill Sullivan) it was **VOTED** to adjourn the meeting at 8:21PM.

True Attest,

Patrick Luddy

Patrick Luddy, Treasurer/Collector

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