



Town of Swampscott
Finance Committee Meeting Minutes
Monday February 1st, 2021 7:00 PM
Virtual Meeting

FINANCE COMMITTEE MEMBERS PRESENT

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

OTHER TOWN OFFICIALS PRESENT

Ronald Mendes, Asst. Town Administrator Admin & Finance; Patrick Luddy, Asst. Town Accountant; Peter Spellios, Chair, Select Board; Michael McClung, Town Moderator

7:02 PM Meeting called to order

Approval of Minutes

On **MOTION** (Mary Ellen Fletcher) and **SECONDED** (Gail Rosenberg) it was **VOTED** by **ROLL CALL** to approve meeting minutes from 12/14/20, 12/21/20, and 1/11/21, as amended by the finance committee. **ROLL CALL:** Mary Ellen Fletcher (YES), Gail Rosenberg (YES), Cinder McNerney (YES), Jill Sullivan (YES), James Goldman (YES), Eric Hartmann (YES) Joan Hilario (YES), Tim Dorsey (YES)

Public Comment

Anne Driscoll, the chairperson of the Swampscott Equity Association, was recognized. Ms. Driscoll stated that the association's mission is to find equity and balance between the need for affordable housing and the needs of Swampscott residents. She briefly summarized the association's concern with the proposed five-story affordable housing development on Elm Place, specifically listing concerns regarding straining public safety and other municipal resources, the tax rate, traffic, parking, infrastructure, and residents' quality of life.

Joel of 34 Pitman Road was recognized. He echoed the concerns of Ms. Driscoll, citing specifically the timing, scope, and size of the proposed project on Elm Place. He also mentioned an online petition existed that had been signed by a number of residents concerned about the project, that the proposed project is an abuse of 40B zoning, and that there is insufficient time in the review process for the town to assess the development's financial implications.

Gerry Perry, a resident and member of the Swampscott Equity Association, was recognized. He summarized his concerns regarding overdevelopment in town, including the proposed Elm Place project. Mr. Perry suggested that the town adopt a policy of requiring municipal impact studies

for new developments, such as the proposed Elm Place project, to better help residents understand the costs and benefits associated with development. Mr. Perry cited increases to school operating costs as an example of one area of potential concern where a municipal impact study might be useful, among others.

Mr. Perry shared his plans to request support for a municipal impact study of the Elm Place project from the Select Board. Mr. Perry explained that he and Ms. Driscoll have had some general discussion with the developers of the proposed Elm PI project regarding municipal impact studies, and whether the developers would fund a study if the town requested one, but that determination has yet to be made.

Furthermore, Mr. Perry suggested that the finance committee be involved in determining the scope of services for the independent municipal impact study, if performed, to ensure that the study adequately addresses concerns the committee may have about the project. He also requested that the finance committee consider sponsoring bylaw changes that may be proposed in the future to require municipal impact studies as part of the review process for new developments in town.

Discussion Regarding FY 2022 School Budget Process

The committee deliberated about the best medium for review of the school budget proposal with the school business administrator, prior to the school committee's vote on approval of the budget scheduled for February 10th.

Chairperson Dorsey requested that the committee review the school budget proposal, develop questions for the school business administrator regarding the proposal, and submit the questions directly to him via email no later than Friday February 5th to be compiled and forwarded to the school business administrator. This approach is intended to allow for adequate time for the school business administrator to review the committee's questions prior to the vote of the school committee.

Discussion Regarding Management of Excess Levy Capacity

Chairperson Dorsey requested that Mary Ellen Fletcher report to the committee on her thoughts on excess tax levy capacity, since she has volunteered to research the topic for the committee.

Mary Ellen Fletcher discussed the ongoing goal of the committee to better understand the implications of accumulated excess tax levy capacity and to potentially develop a policy that manages it. Ms. Fletcher found in her research that Swampscott ranks 48th out of 280 communities that reported excess tax levy capacity. The town's current excess tax levy capacity is 10.09% of the maximum tax levy. Also, Ms. Fletcher referenced an article from the Swampscott Reporter, published last September, in which the Town Administrator mentioned that excess tax levy capacity could be used to fund construction of a new school if a debt exclusion was not available. Ms. Fletcher highlighted that the committee is still unclear on the Select Board's opinion regarding potential applications of excess tax levy capacity.

Ms. Fletcher asked each committee member to articulate their opinions regarding the town's excess tax levy capacity. Offering her opinion, Ms. Fletcher felt that excess tax levy capacity is a

liability to the taxpayers in town, and that there is no current need to maintain excess tax levy capacity greater than \$1 million since the town has sufficient balances in its stabilization funds. Ms. Fletcher suggested that an appropriate way to address excess levy capacity greater than \$1 million would be to have town meeting consider whether the town should vote on an override.

Eric Hartmann agreed with some of Ms. Fletcher's thoughts in terms of the proposed method of addressing surplus excess levy capacity, however he felt that her proposed \$1 million threshold was likely too small relative to the town's total operating budget.

Mr. Hartmann briefly contrasted the risk associated with accumulated excess levy capacity, with the risk that the town violate its tax levy growth policy, and drew attention to the various stopgaps that exist to prevent this.

It was Mr. Hartmann's opinion that the best approach for managing excess levy capacity may be to develop a policy that disqualifies capital projects valued at a certain dollar threshold, or that meet some other criteria, from being funded via the excess levy capacity. Mr. Hartmann also expressed desire to know more what policies/stopgaps if any other towns are using to manage their excess levy capacities, other than relying on overrides, to identify opportunities to implement guardrails and controls in town relative to this topic.

Next, Cinder McNerney offered her opinion regarding the excess levy capacity. She stated that she did not necessarily believe in using overrides to reduce the excess levy capacity. Ms. McNerney did feel that there should be some standard or policy in place to require that approval of capital projects meeting certain criteria be contingent upon authorization for a debt exclusion to prevent utilization of excess levy capacity for such projects. Ms. McNerney furthermore expressed a desire to understand what the Select Board's opinion was regarding utilizing excess levy capacity, as well as what kind of a vote the town was going to be asking for relative to the upcoming school project.

Peter Spellios, Chair of the Select Board, was recognized in the meeting. To clarify for the committee, he commented that he personally considers funding school building projects with anything other than a debt exclusion to highly irresponsible.

Jill Sullivan spoke to the importance in general of having policies in place to guide future decision-makers in town. Ms. Sullivan summarized the need for a multifaceted policy to address excess levy capacity, with broad triggers such as Mr. Hartmann suggested. Ms. Sullivan agreed with Ms. McNerney that the committee needs clarity on what is happening with the upcoming school project, and that there needs to be some policy in place to require a debt exclusion for the approval of certain capital projects to reduce the risk posed by the accumulated excess levy capacity.

Matthew Kirschner offered his opinion regarding the excess levy capacity, suggested a policy that caps it as 2.5% of the operating budget. The logic behind this being that the limit would grow with the operating budget, rather than utilizing an arbitrary number such as \$1 million suggested by Ms. Fletcher. Mr. Kirschner found that a policy of 2.5% would put Swampscott more in line with what most other towns maintain as accumulated excess levy capacity.

Joan Hilario agreed with Ms. Fletcher's statement that excess levy capacity is a liability to the taxpayer and agreed with Mr. Spellios that the only appropriate way to fund a new school would be via a debt exclusion. Additionally, Ms. Hilario agreed with Mr. Hartmann's suggestion that

some stopgaps may exist to manage the excess levy capacity. Ms. Hilario commented that she had some doubts about the efficiency of a policy that specifically calls for overrides, because the current tax levy policy would lead to a constant cycle of excess levy capacity build-up, followed by the need for an override to correct it.

Gail Rosenberg generally agreed with the points that the other committee members had made and felt that the committee was making progress towards policy development.

The committee collectively agreed to revisit the topic of excess levy capacity after budget season, with the intent to develop policy that governs its use and accumulation. In the meantime, Ms. Fletcher agreed to conduct some additional benchmark research on other communities in the commonwealth that have excess levy capacity to better inform the committee's policy development process.

Liaison's Report on SBC and Hadley Re-Use Committee Meetings

School Building Committee:

- Several upcoming forums regarding site, community access, and traffic
- Potential acquisition of property adjacent to the school site; appx. value \$1.5M

Hadley Re-Use Committee:

- Project guardrails exist: keep existing building, consider affordable housing/civic uses
- Site tour: Committee was able to walk through Hadley to better understand the condition of the building (concerns about heat distribution/asbestos/roof)

Mary Ellen Fletcher asked for clarification regarding how the financial impacts of the re-use options available are being evaluated.

Jill Sullivan commented that the determining the best re-use of the property is not solely a financial decision; there are planning considerations as well that must be factored into any decision to assure the best return overall for the town.

Mary Ellen Fletcher requested that Mr. Kirschner ensure the Hadley Re-Use committee explores the financial benefits of a hotel as a potential re-use. Ms. Fletcher recalled the Town Administrator mentioning in a prior meeting that getting a hotel in town could have a lot of positive impacts.

The Moderator was recognized and commented that the property adjacent to the Hadley building that was previously being considered by the Hadley Re-Use committee for potential acquisition is currently under contract for private sale.

Financial Implications – Proposed Projects and Employment Contracts

Mr. Dorsey recognized the concerns of the Swampscott Equity Association that were brought before the committee in public comment.

Mr. Dorsey requested clarification of any financial impact assessments that the town may already have underway relative to the proposed project on Elm Place.

Jill Sullivan suggested the committee allow Peter Spellios to speak regarding the permitting process for the proposed project, given his experience on the planning board and his current position as Chair of the Select Board.

Mr. Spellios elaborated on the DHCD eligibility process for a 40B project. The Select Board is allowed a 30-day comment period and has already been provided with an extension to hold a public forum which has already occurred. The Select board's role is to provide comments that address whether the project meets the eligibility criteria outlined by DHCD. DHCD makes the final determination of eligibility, and then the developer can file with the Zoning Board of Appeals for a comprehensive permit. Once this occurs, the Zoning Board of Appeals has complete authority over whether to grant the comprehensive permit to the developer. Mr. Spellios emphasized that staff should be prepared to fully educate the Zoning Board of Appeals of any impacts this project may have, financial or otherwise, in order to inform their review of the project and the ZBA should require the applicant to fund certain studies.

Gail Rosenberg asked Mr. Spellios if the ZBA can ask for changes to the proposal, and whether they may enforce those requests. Mr. Spellios clarified that the DHCD appeals process often favors the developer in cases of appeal but are very prolonged so often developers are willing to compromise on changes to project proposals in order to acquire the comprehensive permit without significant delay.

Jill Sullivan asked Mr. Spellios to confirm the ZBA can require a municipal impact study such as Gerry Perry suggested, or some other comprehensive study from the applicant. Mr. Spellios clarified that the ZBA can ask the developer for anything, however he could not comment on whether the town could have a financial basis to deny a project.

Mary Ellen Fletcher asked if Mr. Spellios felt the Select Board needed any formal recommendation from the Finance Committee to facilitate anything for their meeting. Mr. Spellios clarified that the Finance Committee's input for this project is likely going to be needed more after the DHCD eligibility criteria are filed, given the time constraints for approval and the unlikelihood of another extension.

The discussion regarding employment contracts was deferred to a future meeting by the chair.

Planning for Special Town Meeting

Chairperson Dorsey asked for the committee to comment regarding topics of significance to potentially share with town meeting in the committee's report.

Jill Sullivan commented on her desire to make sure the relationship between current tax policy and excess levy capacity is understood, especially in terms of how it all relates to everyone's tax bill. She also identified that misunderstanding in this area may have lent to the belief amongst some at last town meeting that the town does not spend enough.

Mary Ellen Fletcher felt the public needed a better understanding of the capital plan and the condition of the town's assets. Ms. Fletcher also suggested that perhaps the meeting should be delayed until the facilities director is able to provide more information regarding capital needs.

Chairperson Dorsey asked Ron Mendes, Asst. Town Administrator of Admin. & Finance to comment on the facilities director's progress on assessing the capital needs the town's buildings. Mr. Mendes verified that the facilities director is progressing through his assessment, and he has articulated several projects to the capital improvements committee as part of their planning process. The facilities director is preparing a presentation for Town Meeting as well that will detail some of the major needs he has identified to date.

Cinder McNerney commented that it may be beneficial to provide town meeting with an overview of the town's financial position; she feels there may be confusion amongst town meeting members regarding the strengths and challenges that the town is facing financially. Ms McNerney expanded on her point, stating that town meeting members might not necessarily understand how the budget connects to the tax levy because they only vote to appropriate expenses.

Eric Hartmann echoed Ms. McNerney's sentiments and also highlighted confusion that likely exists for town meeting members around how capital connects to the budget as well.

Jill Sullivan recognized that a lot of the committee's suggestions relate to illustrating Fixed Costs vs. Discretionary Costs and discussing expenses in terms of broad categories. Ms. Sullivan tied this back to the cost of employment contracts, and a need to explain the cost of services better to town meeting. Peter Spellios elaborated on Ms. Sullivan's point, stating that the median tax bill has gone up on average .53% over the past 5 years, and some town meeting members will look at that figure and not understand why more money is not being spent.

Mary Ellen What people see vs what they are hearing at town meeting. Would want the financial summit to be advertised to the entire town, not just town meeting. Mary Ellen is concerned that there is not enough time between now and the potential town meeting for the finance committee to consider the articles and prepare an informative presentation for town meeting members.

Eric Hartmann suggested focusing on one topic for the upcoming special town meeting, and then tackling another topic at annual town meeting due to the time constraints.

Jill Sullivan asked the moderator if there was an efficient mechanism to survey town meeting members and find out what they would like to hear about from the committee (i.e. google form)

Joan Hilario suggested that a survey be done, and the topics be prioritized. One topic would be addressed at the March town meeting, and the rest of the topics would be prioritized for future town meetings. Jill Sullivan agreed, however mentioned that because capital articles are the main content of the town meeting, capital should be the topic presented on by the committee at the March town meeting.

Mary Ellen reiterated her concern that the committee will not be able to develop an in-depth capital presentation in time for Spring town meeting, based on the CIC meetings she has attended, her understanding of where Max is in his process of assessing facilities, and the time constraint of a 3/1 town meeting. Ms. Fletcher felt that the best capital presentation would probably be one brought to town meeting in the Fall.

The topic was tabled for further discussion at the next meeting.

Old and New Business

Liaison's Report on CIC

- Max presented to CIC his requests for facilities-related projects
- There will be a capital article requesting ~\$2 million in funding for repairs to the middle school roof on the Warrant for the Special Town meeting
- Noticeable improvements in the capital planning process

Peter Spellios mentioned that there is tentatively a request for additional funds relative to the school building committee. These funds would be used to increase the capital budget for geo-technical and environmental review for the new school project, which will give the town access to more accurate pricing estimates for the project and addresses some of the questions that have been brought up by the neighborhood. The request will be for approximately \$150K and there is currently a placeholder in the warrant for this, which the Select Board will address at their next meeting.

Mary Ellen Fletcher asked for clarification regarding how much of the originally approved project has currently been utilized to date. Ron Mendes confirmed that the project, approved for \$750K, has been nearly fully encumbered by the existing contract.

The committee agreed to hold their next meeting on Monday February 8th.

On **MOTION** (Jill Sullivan) and **SECONDED** (Cinder McNerney) the meeting was **ADJOURNED at 9:23 PM**

True Attest,

Patrick Luddy

Patrick Luddy, Assistant Town Accountant

Minutes APPROVED by vote of the Finance Committee 03/15/2021