

Finance Committee Meeting

April 14, 2021 7:00 PM EST
Zoom Remote Meeting Platform
Millis, MA 02054

In Attendance:

Pete Berube, Chairman
Craig Schultze, Vice Chairman
Joyce Boiardi
Jim Borgman
Jodie Garzon
Cathy MacInnes
Katie Tieu

Invited Guest:

Michael Guzinski, Town Administrator
Carol Johnston, Finance Director
James McCaffrey, Select Board Chair
Patty Kayo, Council on Aging Director
Herb Lannon, Council on Aging Chair
Carl Valente, Community Paradigm Associates LLC
James McKay, Department of Public Works Director
Kris Fogarty, Recreation Director

Pete Berube called the Finance Committee Meeting to order at 7:03 PM.

Chair's Opening Remarks:

Pete Berube stated this is the Finance Committee's crunch time in making recommendations to the residents at the Annual Spring Town Meeting. He appreciates the committee member's time and input participating and voicing their concerns/opinions regarding the Warrant Articles presented to the committee by the Select Board.

Due to the advanced deadline for the Finance Committee's Report to be delivered to residents, one week prior to Town Meeting, he is requesting the committee members prepare their synopsis of their assigned Warrant Articles by Saturday; preferable Friday.

Council on Aging FY22 Budget Request Discussion Follow-up:

As a result of discussions during recent Select Board Meetings, the committee has requested a follow-up discussion on an Above Level Service Request by the Council on Aging. The Above Level Service Request includes expanding the Council on Aging hours of operation until 4:00 PM Monday through Thursday as well as adding a new position, Operations Manager, and additional postage allowance of \$3,000.00. The request total is \$48,672.38.

Craig Schultze inquired what the justification is to fund this request as of July 1, 2021 as opposed to deferring funding to commence in September given the restricted programs the Council on Aging is offering due to COVID-19. In addition, the level of programming that would be provided and number of seniors served. Obviously, a new Council on Aging Facility will not be constructed for several years. Patty Kayo explained the Council on Aging has been working with the Board of Health on vaccinating the Millis Seniors as well as the Permanent Building Committee to offer additional/expanded programming; September is too long to wait to implement expanded programs.

The Council on Aging is hoping to attract young seniors with crafting, financial planning, exercise and supper clubs. Appealing to younger seniors would require programs after normal business hours; most younger seniors are still employed. The Council on Aging is providing limited

programming at this time; the Town Hall is currently closed to the public. Programs are available by appointment only. Pete Berube inquired why the Council on Aging is unable to provide programming with social distancing guidelines similar to the School Department. Patty Kayo has discussed opening the Senior Center with Town Administrator, Mike Guzinski, that would require temperature checks, ensuring social distancing and other guidelines. The Council on Aging serves approximately thirty-one percent of seniors and is hoping to increase that number to fifty percent. A request was made by the committee for documentation on how many times seniors actually visit the center; Patty Kayo will forward the information to the committee. Cathy MacInnes noted that the seniors she has had feedback from would like to see more programs offered at the Council on Aging in addition to crafts, free bread on Thursdays and yoga. A large part of the senior population would like to see programs that include luncheons in various parts of New England, visits to botanical gardens, etc.; most seniors expect outside trips from the Council on Aging.

Vote to Accept/Approve Finance Committee Operating Policies and Procedures Handbook:

Craig Schultze requested a small amendment to Section III Subsection B to read: *A vote by a Super Majority, 66%, of the Committee members shall be required for the adoption of a new or amended Committee Policy.*

Craig Schultze made motion to adopt the Finance Committee Operating Policies and Procedures Handbook as written with the amendment noted above; Cathy MacInnes seconded.

Roll Call Vote: Pete Berube – aye, Craig Schultze – aye, Cathy MacInnes – aye, Jodie Garzon – aye, Joyce Boiardi – aye, Katie Tieu – aye, Jim Borgman – aye. Vote: 7/0 motion carries unanimously.

Pete Berube thanked Jodie Garzon for her efforts in drafting the much-needed document and the committee's feedback in finalizing the document. Jim McCaffrey requested the link to the document be emailed to him in order to share the Finance Committee's Operating Policies and Procedures Handbook with the Select Board Members.

https://www.millisma.gov/sites/g/files/vyhlif901/f/uploads/finance_committee_operating_policies_and_procedures_2021.pdf

May 1, 2021 Town Meeting Warrant Article Discussion and Recommendations:

Mike Guzinski noted that Article #1, Unpaid Bills, included more detail in the Town Meeting Motions to include the Weights and Measures Item for \$113.77; the total amount of the article is unchanged at \$572.91.

A small adjustment was made to Articles #3 – FY22 Operating Budget, #5 – Sewer Enterprise Fund, #6 – Water Enterprise Fund and #7 – Stormwater Enterprise Fund to reflect Indirect Cost reductions to the Enterprise Funds for the IT Specialist's Salary that will be funded by the Town of Norfolk.

Pete Berube noted the recent inquiries and discussions regarding the Direct and Indirect Costs amongst the Select Board and Enterprise Fund Advisory Committee. Questions regarding the town's methodology in determining the Indirect Costs surfaced in recent years and the town contracted Community Paradigm Associates, LLC to study the cost analysis of the Enterprise Funds (Water, Sewer and Stormwater). He inquired what if any determinations/changes are reflected in the FY22 Operating and Enterprise Fund Budgets presented to the committee. Mike Guzinski made the committee aware that a Full-Time HEO/Laborer, funded entirely by the General Fund, is included in the FY22 DPW Operating Budget. The position is part of the Select Board's Above Level Service Recommendations. The addition would alleviate Enterprise Fund Staff from performing General Fund duties.

Mike Guzinski noted the Indirect Cost Increases for FY22 were higher than previous years; this is due in part by the reduced FY21 Salaries, 10%, for Town Hall Employees which were restored in December 2020. Additional factors include the addition of IT Administration and a 10% increase to Health Insurance and Pension costs.

Article #3, FY22 Operating Budget, includes the Select Board's recommendations for Above Level Services. Craig Schultze suggested further discussion by the Finance Committee regarding the Above Level Services take place before the committee's final recommendations on this article. The Select Board's Above Level Service Recommendations include:

| | |
|--|---------------------|
| • IT Administration – Must Fund: | \$ 35,600.00 |
| • VSO (Veterans Service Officer) Stipend Increase: | \$ 6,525.12 |
| • Executive Office Department Assistant Hours Increase to 35 hours/week: | \$ 21,339.76 |
| • Council on Aging Additional Operating Hours and Postage: | \$ 48,672.38 |
| • DPW HEO/Laborer Addition: | \$ 51,851.60 |
| • Recreation Department Assistant 10 hours/week: | \$ 11,920.00 |
| Total: | <u>\$175,908.86</u> |

*All of the above, with the exception of the VSO, are eligible for benefits.

The committee continued their discussion on the Warrant Articles later in the meeting.

Enterprise Funds Study Presentation:

Carl Valente, Community Paradigm Associates LLC Representative presented a cost analysis of the Enterprise Funds and gave an overview of the project history. The Select Board's request for the study began in March 2020. The purpose of the study was to determine if the Direct and Indirect Costs to the Enterprise Funds were reasonable and to conduct a full review of the DPW Operations. A determination on the use of Enterprise Fund Revenues in terms of Indirect Costs could not be made due to the limited documentation and staff involved in the town's methodology in calculating the costs. Therefore, the recommendation in March 2020 was to revise the methodology in determining the Enterprise Fund Direct and Indirect Costs.

The preliminary data reflected excess costs of 5.8% in Water, 11.2% in Sewer and 18.9% in Stormwater, totaling \$382,130.00. Indirect Costs are defined as General Fund Expenses and Staff attributable to the Enterprise Funds and include:

- Vehicle Depreciation, Maintenance and Insurance Costs
- Indirect DPW Administration including benefits (Director and Assistants)
- Workers Compensation Premiums
- Retiree Health and Pension Benefits
- Indirect Town Expenses
- Liability and Property Insurance
- Employee Benefits

FY21 Budgeted Indirect Costs are: Water - \$261,248.00, Sewer - \$213,749.00 and Stormwater - \$139,173.00. Totaling \$614,170.00.

A Work Hour Analysis, based on a ninth month period, was conducted. It was noted three months were not included due to work hour adjustments as a result of the pandemic. FY21 DPW Staff Salaries Budgeted versus Hours Worked in each of the DPW Divisions reflected excess budgeted salaries in: Water - \$111,541.00, Sewer - \$144,986.00 and Stormwater - \$83,661.00. Totaling \$340,188.00. The Hours Worked Cost Analysis and Automobile Insurance Indirect Costs will be fine-tuned in FY22.

Going forward, Community Paradigm's Methodology, once vetted by Town Administration and other committee members, would be adopted by the Select Board. The goal is to use a three-year average to determine Enterprise Fund Rates and Fiscal Year Budgets.

Enterprise Funds Discussion – Water, Sewer and Stormwater:

Pete Berube inquired if additional years of data would rectify the imbalance, Carl Valente noted it would not. However, the additional data would justify the methodology used going forward. He inquired how other towns have transitioned an imbalance of costs to Enterprise Funds. Carl Valente noted his tenure as Town Administrator in three towns and his experience in the "truing up" needed to rectify cost imbalances is typically done over the course of three years. He also

noted there is no evidence the town's previous methodology in determining Enterprise Fund Costs was faulty. Pete Berube noted the findings and report present an opportunity for the town to improve on its methodology. Funding for the new DPW Facility was split between the General Fund and Water and Sewer Enterprise Funds and are included in the Direct Costs under Debt Service.

Work Hour Analysis by the DPW Staff was conducted for FY17, FY18 and FY19 however, it was determined the data was not precise enough to warrant substantial adjustments to the Enterprise Funds. It was noted however, that the data did reflect the imbalance currently seen in the FY20 and FY21 Work Hour Analysis. Cathy MacInnes, Enterprise Fund Advisory Committee (EFAC) Chair, noted the EFAC has reviewed the three-year analysis and agree the data is inline with the current analysis. She noted the Water and Sewer Rate Payors have been funding General Government expenses for too long. Pete Berube noted that adding a HEO/Laborer, fully funded by the General Fund, is a step in the right direction to correct the imbalance. Eventually, an increase to the DPW General Budget and decreases to the Enterprise Fund Budgets reflecting the work performed in each division will rectify the imbalance. The adjustments will be transitioned over two to three budget cycles.

Craig Schultze, EFAC Member, outlined the committee's recommendations/requests:

- Town Counsel's written opinion on the town's exposure to their previous methodology in determining Enterprise Fund Direct and Indirect Costs
- Budget Percentages for DPW Staff by Division
- Request Select Board to contract Community Paradigm for additional analysis

The EFAC agree, the transition of costs should be complete within two to three budget cycles.

Jim McCaffrey made the committee aware, the service contract with Community Paradigm for ongoing analysis will be reviewed by the Select Board at an upcoming meeting. His concern with the accuracy of the numbers relates to consistency year after year as well as the source of funding to shift costs from the Enterprise Funds to the General Fund. He inquired what additional work Enterprise Fund Staff Members could accomplish with the redirection of staff from General Fund Duties to Enterprise Fund Duties. Jim McKay had briefed the EFAC earlier in the evening on the various Enterprise Fund Duties the staff would concentrate on including: Unidirectional Hydrant Flushing Program, Exercise Water Valves and Water and Sewer Building Maintenance to name a few. Overall, operate the Water and Sewer Divisions as they are intended. Jim McCaffrey noted the Community Paradigm Report did conclude the DPW is understaffed by several positions. Therefore, the Select Board recommended the addition of an HEO/Laborer.

May 1, 2021 Town Meeting Warrant Article Discussion and Recommendations Continued:

Article #3, FY22 Operating Budget Above Level Service was revisited. Pete Berube is not a proponent in funding the Council on Aging additional hours 100%; those funds could be used to address the imbalance between the General Fund and Enterprise Funds.

The Select Board's recommended FY22 Operating Budget include all of the items listed above; the list is ranked in priority order. The IT Administration Item is a must fund; funds were appropriated at the November 2020 Town Meeting for this position. The town has also entered into an agreement with the Town of Norfolk to share the cost of the position.

The committee had the option to vote the article as written or make adjustments based on its priorities and recommendations to Town Meeting. The goal of the Select Board and Finance Committee is to have a joint consensus on the Operating Budget prior to Town Meeting. Jodie Garzon asked that the FY22 Operating Budget be presented with the variance between FY21 and FY22 as opposed to the Town Administrator's Proposed versus the FY22 Department Requests. It would reflect the variance with regards to increased costs more transparently. Carol Johnston reiterated that the FY21 Operating Budget reflects a 10% reduction in hours for certain departments.

Craig Schultze clarified, without the Above Level Services, the FY22 Municipal Operating Budget reflects a 4% growth similar to the School Department. The 4% growth rate was agreed upon by the Finance Committee, School Committee and Select Board for FY22. Craig Schultze agrees the IT Administration Salary is a must fund and the VSO Stipend increase essentially pays for itself given the VSO's quest to bring paid Veteran Benefit Reimbursement into the General Fund. The HEO/Laborer Position addresses the imbalance however, the other items are discretionary. He also noted that in order to address the imbalance, consideration should be given to "trueing up" the DPW Transfer Station Position to be funded 100% from General Funds as opposed to 50% Water Enterprise Funds.

Mike Guzinski explained the need for the increase in hours for the Executive Office. The lack of a Human Resource Director places an enormous amount of work on the Executive Office Staff. As a result, other areas of their operations have been neglected; strategic planning and grant applications for example. Cathy MacInnes suggested with the influx of Marijuana Business Inquiries the Executive Offices receives, Host Community Agreement Documentation, etc. perhaps the additional hours could be funded by HCA Impact Fees. In addition, the \$3,000.00 in Administrative Support for the Capital Planning Committee could be included in the additional hour costs; it is already factored into the Proposed FY22 Operating Budget. Mike Guzinski will discuss these options with the Select Board.

Article #3: FY22 Operating Budget

Craig Schultze made a motion to Recommend at Town Meeting (RATM) Article #3; Katie Tieu seconded.

Roll Call Vote: Pete Berube – aye, Craig Schultze – aye, Cathy MacInnes – nay, Jodie Garzon – aye, Joyce Boiardi – aye, Jim Borgman – aye, Katie Tieu – aye. Vote: 6/1 motion carries.

Article #2: FY21 Additional Wages and Expenses

Jodie Garzon made a motion to recommend approval of Article #2 in the amount of \$128,349.30: Public Safety, \$98,183.06 and Employee Benefits, \$30,166.24 of which \$79,222.14 will be funded from Town General Government, \$7,302.64 from General Insurance, \$13,617.59 from Health and Human Services, \$11,615.13 from Culture and Recreation and \$16,591.80 from Public Works; Katie Tieu seconded.

Roll Call Vote: Pete Berube – aye, Craig Schultze – aye, Cathy MacInnes – nay, Jodie Garzon – aye, Joyce Boiardi – nay, Jim Borgman – aye, Katie Tieu – aye. Vote: 5/2 motion carries.

Article #4: SEIU 888 and Firefighters Local #4704 Contract Ratification

Jodie Garzon made a motion to recommend Article #4 in the amount of \$85,000.00 from Taxation; Craig Schultze seconded.

Roll Call Vote: Pete Berube – aye, Craig Schultze – aye, Cathy MacInnes – aye, Jodie Garzon – aye, Joyce Boiardi – aye, Jim Borgman – aye, Katie Tieu – aye. Vote: 7/0 motion carries unanimously.

The below articles were deferred until a vote is made on Article #3:

Article #5: Sewer Enterprise Fund – RATM

Article #6: Water Enterprise Fund – RATM

Article #7: Stormwater Enterprise Fund – RATM

A Proposed FY22 Operating Budget will be included in the Finance Committee Report.

Article #11: Lansing Millis Memorial Building Repair Project

The Select Board at their recent meeting voted to dismiss Article #11 due to lack of funds.

Jodie Garzon made a motion to recommend dismissal of Article #11; Joyce Boiardi seconded.

Roll Call Vote: Pete Berube – aye, Cathy MacInnes – aye, Craig Schultze – aye, Jodie Garzon – aye, Joyce Boiardi – aye, Katie Tieu – aye, Jim Borgman – aye. Vote: 7/0 motion carries unanimously.

Article #15: Capital Items

Pete Berube made a motion to recommend approval of Article #15 in the amount of \$657,131.00 which includes:

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| • School Committed Bus Leases | \$ 89,999.00 |
| • School Committed Computer Lease | \$ 46,600.00 |
| • Police Committed Cruiser Lease | \$ 34,932.00 |
| • DPW D'Angelis Wells PFAS Plant Design – Part B | \$200,000.00 |
| • DPW Wells #3 – 6 PFAS Plant Design – Part A | \$255,600.00 |
| • DPW Emergency Response Plan | \$ 30,000.00 |

of which \$171,531.00 is funded by Free Cash and \$485,600.00 by Water Enterprise Reserve Fund; Joyce Boiardi seconded.

Roll Call Vote: Pete Berube – aye, Cathy MacInnes – nay, Craig Schultze – aye, - Jodie Garzon – aye, Joyce Boiardi – abstained, Katie Tieu – aye, Jim Borgman – aye. Vote: 5/1 1 abstained. Motion carries.

Article #17: Road Maintenance

The Select Board have increased the amount of funding for this article by \$48,805.23 to \$143,805.23.

Jodie Garzon made a motion to recommend approval of Article #17 in the amount of \$143,805.23 of which \$50,000.00 will be funded by Taxation, \$45,000.00 from Free Cash and \$48,805.23 from Article #26 – Clyde F. Brown Roof Repairs appropriated at the June 5, 2017 Town Meeting; Craig Schultze seconded.

Roll Call Vote: Pete Berube – aye, Cathy MacInnes – aye, Craig Schultze – aye, Jodie Garzon – aye, Joyce Boiardi – aye, Katie Tieu – aye, Jim Borgman – aye. Vote: 7/0 motion carries unanimously.

Article #20: 61A Purchase – Braun Property, 377 Village Street (23.1) Acres

Cathy MacInnes made a motion to recommend approval of #20 in the amount of \$1,000,000.00 from Borrowing; Craig Schultze seconded.

This article will be funded by a twenty-year bond; cost per household \$20.00 per year. Taxes will not increase due to offsets in the Debt Schedule.

Roll Call Vote: Pete Berube – aye, Cathy MacInnes – aye, Craig Schultze – aye, Jodie Garzon – aye, Joyce Boiardi – aye, Katie Tieu – aye, Jim Borgman – nay. Vote: 6/1 motion carries.

Article #30: OPEB (Other Post-Employment Benefits) Fund

Jodie Garzon made a motion to recommend dismissal of Article #30; Craig Schultze seconded.

Roll Call Vote: Pete Berube – aye, Cathy MacInnes – aye, Craig Schultze – aye, Jodie Garzon – aye, Joyce Boiardi – aye, Katie Tieu – aye, Jim Borgman – aye. Vote: 7/0 motion carries unanimously.

Article #31: Stabilization Fund

Jodie Garzon made a motion to recommend dismissal of Article #31; Joyce Boiardi seconded.

Roll Call Vote: Pete Berube – aye, Cathy MacInnes – aye, Craig Schultze – aye, Jodie Garzon – aye, Katie Tieu – aye, Joyce Boiardi – aye, Jim Borgman – aye. Vote: 7/0 motion carries unanimously.

Jodie Garzon suggested the town update the Stabilization and OPEB Fund Policies in light of the growing Operating Budgets.

Article #3 Operating Budget Revisited:

The committee discussed their priorities in recommendations for Above Level Services and weighed the option and possible funding sources.

Pete Berube made a recommendation for the Finance Committee to communicate the following to the Select Board to consider in their FY22 Operating Budget Recommendations:

| | | |
|---|-------------|------|
| IT Administration: | \$35,600.00 | 100% |
| VSO Stipend Increase: | \$ 6,525.12 | 100% |
| Executive Office Additional Hours: | \$21,339.76 | 100% |
| **Less HCA Impact Funding and \$3,000.00 in Capital Planning Committee Administrative Support | | |
| Council on Aging Expanded Operating Hours and Postage: | \$48,672.38 | 50% |
| DPW Heavy Equipment Operator/Laborer: | \$51,851.60 | 100% |
| Recreation Department Assistant Hours: | \$11,920.00 | 100% |

The intent of these recommendations is to allow for additional FY22 allocation adjustments be made between the Enterprise Funds and the General Fund resulting in deliberate steps to rectify the imbalance between both funds. For example, funding the Transfer Station Staff 100% from the General Fund.

Cathy MacInnes motioned the recommendation; Jim Borgman seconded.

The option to defer the additional hours in the Executive Office, if funded by HCA Funds, to the November Town Meeting when Free Cash is certified including all the FY21 HCA Funds was agreed to by some committee members. The Town Administrator agreed as well, although the deferment is not ideal. The Select Board will have the flexibility to decide how their recommendations will change, if at all.

Roll Call: Pete Berube – aye, Craig Schultze – aye, Cathy MacInnes – aye, Jodie Garzon – aye, Jim Borgman – aye, Katie Tieu – aye, Joyce Boiardi – aye. Vote: 7/0 motion carries unanimously.

Old Business/New Business:

The Finance Committee's next meeting will be held on Wednesday, April 28, 2021 at 6:30 PM followed by their Pre-Town Meeting/Public Hearing at 7:00 PM.

Finance Committee Meeting Minutes Approval:

Joyce Boiardi made a motion to accept the April 7, 2021 Finance Committee Meeting Minutes; Craig Schultze seconded. Vote: 7/0 motion carries unanimously.

Adjourn Meeting:

Jodie Garzon made a motion to adjourn the Finance Committee Meeting at 10:36 PM; Joyce Boiardi seconded. Vote: 7/0 motion carries unanimously.

Respectfully submitted,
Deirdre Gilmore