

Finance Committee Meeting

February 12, 2020 7:30 PM EST
Veterans Memorial Building, Room #229
900 Main Street
Millis, MA 02054

In Attendance:

Jodie Garzon, Chairman
Peter Berube, Vice Chairman
Doug Riley, Clerk
Cathy MacInnes
Shawn Power
Craig Schultze
Katie Tieu

Invited Guests:

Mike Giampietro, Building Commissioner

Jodie Garzon called the Finance Committee Meeting to order at 7:32 PM.

FY21 Budget Request Highlights – Postponed

Building Department FY20 Reserve Fund Transfer Request:

Mike Giampietro: The request is for \$30,000.00 for Building Inspector Fees. The projected budgeted amount for FY20 was less than actual construction activity. The fees are for plumbing and electrical inspections throughout town. In FY21, the request for Inspector Fees has increased from \$45,000.00 to \$90,000.00. Of the \$30,000.00 requested, \$10,000.00 will be allocated for January 2020 fees, it is anticipated an additional request will be needed later this fiscal year. In addition to the Regency at Glen Ellen project, the Assisted Living Facility on Bridge and Dover Roads, a storage facility on Main Street – Cube Smart, (2) 40B projects on Union Street and Main Street are in the pipeline for FY21.

Craig Schultze noted this request depletes the Reserve Fund to \$20,000.00 and asked the committee to consider reinstating the typical Reserve Fund to \$100,000.00 in FY21 as opposed to the \$50,000.00 budgeted for FY20.

Craig Schultze made a motion to recommend approval of a Reserve Fund Transfer in the amount of \$30,000.00 for Inspector Fees/Compensation; Peter Berube seconded. Vote: 7/0 motion carries unanimously.

Revenue Forecast Review – Postponed

65/35 Revenue Allocation Review:

Craig Schultze: After the Tri-Board Meeting last week, the initial proposal was reevaluated. The revenues from the Regency at Glen Ellen project is expected to last approximately seven to eight years. A revised draft proposal and revenue forecast was provided to the committee.

The revised proposal does not include new commercial or industrial growth, cost sharing opportunities between the School and Municipal departments, increases to State Aid or funding any unforeseen state mandates.

The goal of the proposed allocation is to provide a simple formula which will provide adequate and sustainable revenues to both School and Municipal Operating Budgets as well as set aside surplus funds for Capital Projects.

The revenue calculation includes all revenue sources, less revenues that do not affect the Operating Budget such as Excluded Debt, Free Cash, Enterprise Funds, Overlay, Ambulance Fund and Permits, Shared Items such as the Cherry Sheet, General Insurance, Employee Benefits, Tri-County Assessment and Non-Excluded Debt. The prior year's "Base Budget" is then subtracted from that figure which results in Budget Growth for the next fiscal year. The proposal allows both School and Municipal departments to grow their annual budgets by 4% each fiscal year, not including any additions to staff levels. Any excess available funds could be used for Capital Projects or depending on the need, additional amounts may be added to

base budgets on a case by case basis. If the 4% growth is more than the available new revenue the funds will be split equally between the School and the Municipal Departments. The 4% will meet reasonable contractual obligations and allow for some growth in each department. Decreasing the 4% for FY21 to earmark funding for road improvements, etc. would result in cuts in both the School and Municipal Departments. The percentage and revenues will need to be reviewed annually at the Winter Tri-Board Meeting.

In the forecast presented there will be reduced revenues in the 9th and 10th year when the Regency at Glen Ellen project will be complete. The forecast for FY22 – FY25 assumes the project will build 40 homes per fiscal year. At that point, the inflated revenue stream will cease unless a constant revenue source is found. If, however, 75 – 100 homes are built per year during that time frame, the excess funds could be used for Capital Items or added to the Stabilization Fund.

Some assumptions in the forecast include:

- The town's typical Annual New Growth is between \$350,000.00 to \$400,000.00.
- Cherry Sheet Revenue will increase 0.19%.
- Local Receipts and the Transfer from Special Funds will increase 1%.
- Indirect Costs from the Enterprise Funds to the General Fund will increase 2.5%.
- Free Cash will remain "flat" and will not be used in Operating Budgets.
- Cherry Sheet Offsets will increase 1.94%
- General Insurance and Employee Benefits will increase 6%.
- Tri-County Assessment will increase 1%.
- Allowable Growth equals Prop 2 ½ %.
- The lowest selling price for a unit at the Regency at Glen Ellen was used.
- Sales Tax Revenue from Marijuana Sales is included starting FY22.

The FY21 forecast would allow for approximately \$215,083.00 in Capital Items. The traditional 65/35 split during inflated revenue stream years results in unsustainable budgets in later years.

The committee discussed topics such as consideration given to removing the revenues from the Regency at Glen Ellen project, Health Insurance and Benefit Costs included as part of each department's Operating Budget, possibly allocating all Chapter 70 funds to the schools directly, School Department spending outpacing other departments, the need for a new Senior Center and increased hours at the center.

The committee needs to agree on a Revenue Allocation Policy to present to the Select Board and School Committee on February 26, 2020. The positive aspects of the policy are its sustainability, without layoffs in future years as well as funding much needed Capital Items.

Craig Schultze will speak with the Town Administrator regarding including Health Insurance and Benefit Costs in Department Budgets. A request was made to the Finance Director to provide Health Insurance and Benefit Costs for the Schools, General Fund, Water, Sewer and Stormwater Enterprise Funds. It was noted that the town needs a Human Resources Director to assist both School and Municipal Departments; excess funds from the proposed revenue allocation could be used to fund that position.

Craig Schultze made a motion to recommend a Revenue Allocation Policy agreeing to a 4% growth over prior year budgets for both Municipal and School Departments. If funds for a 4% growth are not available, the funds will be split evenly between the Municipal and School Departments.

Jodie Garzon acknowledged that without the Regency at Glen Ellen revenues the town would be hard pressed to meet current staffing levels, unfunded mandates and keep the current services provided to residents.

Peter Berube felt the committee was doing a disservice to the town without considering revenue allocations excluding the Regency at Glen Ellen properties. An argument could be made that revenue should be used for Road Improvements and other Capital Items the town needs.

Craig Schultze, being the only member on the committee present when the 65/35 split was established, assured the committee the revenue forecast was conservative and a change in revenue allocation is needed.

Doug Riley expressed concern with deciding on revenue allocation for FY21 and would prefer to defer the decision until FY22 when confidence in the revenue projections is reached. He suggested keeping the 65/35 split for FY21.

The committee acknowledged the need to give departments guidance in presenting their FY21 Budget Requests if indeed the revenue allocation differs from previous years.

Peter Berube made a motion to table the motion until further review and discussion; Craig Schultze withdrew his motion.

The committee will consider excluding the Regency at Glen Ellen revenues in FY21 Operating Budgets however, not including them in future years will result in cuts to all departments.

Craig Schultze will revise his spreadsheet to include removing the Regency at Glen Ellen revenues to demonstrate the impact it would have on future Operating Budgets.

Old Business/New Business:

Next week's Finance Committee Meeting will take place on Thursday, February 20, 2020 at 7:30 PM at the Veterans Memorial Building in Room #229 to further discuss the town's Revenue Allocation Policy for FY21.

Meeting Minutes Approval:

Peter Berube made a motion to approve the November 4, 2019 Meeting Minutes as written; Shawn Power seconded. Vote: 6/0 1 abstained, motion carries.

Peter Berube made a motion to approve the February 6, 2020 Meeting Minutes as written; Katie Tieu seconded. Vote: 6/0 1 abstained, motion carries.

Adjourn:

Peter Berube made a motion to adjourn the Finance Committee Meeting at 9:14 PM; Craig Schultze seconded. Vote: 7/0 motion carries unanimously.

Respectfully submitted,
Deirdre Gilmore