

Town of Saugus Finance Committee

Kenneth DePatto, Chairman

Ronald Jepson
Stacy Billingsley
Theresa Katsos

Steve Verone
Frank Perella

George DeDomenico, Vice-Chairman

Steven DiVirgilio
Stephen Horlick

April 17, 2019 7 p.m.
Town Hall Conference Room

The regular meeting of the Finance Committee was held on Wednesday evening, April 17, 2019, at 7 p.m. in the Town Hall Conference Room.

Members present: Chairman Kenneth DePatto, Vice-Chairman George DeDomenico, Theresa Katsos, Frank Perella, and Stacy Billingsley.

Absent from the Meeting: Ronald Jepson, Stephen Horlick, Steve Verone, and Steven DiVirgilio.

Minutes: Minutes from April 3, 2019 were unanimously accepted.

Chairman's Update: Chairman DePatto told the Committee that they will cover the last 5 or 6 budgets tonight and then they will review Special Town Meeting articles. He said he thinks the Committee can make some recommendations tonight.

Manager's Update: None

Human Resources

Salaries - Chairman DePatto said the salary has the cost of living adjustment increase and .3 of a week. He asked if this is two full time employees, to which the Town Manager said yes.
Expenses – Chairman DePatto said they're basically level funded, with only an \$1000 increase.

Debt

Chairman DePatto asked Finance Director Wendy Hatch to walk the Committee through the debt budget. Ms. Hatch said as in the past, she has given members a schedule that identifies all of the projects for which we have debt service to pay in FY20. She said some go back a few years and some are more recent. She explained that there's debt service on buildings, equipment, and other, which includes drainage, roadway reconstruction, and parks and playgrounds. She noted the last section is for school buildings. She told the Committee that all this information comes straight from the existing debt schedules. When debt becomes within 10 years of being callable to its maturity date, we will get interest rates at the time and see if a possible refunding would save the Town and taxpayers money on interest costs. Ms. Hatch said that's always being monitored by our financial advisors to see if we can take advantage of lower interest rates than what we initially borrowed the money for.

Town Manager Crabtree said he wanted to reiterate that as part of the S&P AA+ Global Rating, the rating firm discusses the Town's debt service and very strong liquidity. The Town Manager reiterated that the Town's overall net debt is low at 2.1 percent of market value, which is in our view a positive credit factor. He said this had taken into consideration the \$118 million planned debt for the Middle-High School. The Manager said we're in a very strong position financially that allows us to do work such as upgrading roadways, purchasing fire trucks, etc.

Looking at the debt information, Chairman DePatto asked if that number listed is the total borrowing we've done so far on parks. The Town Manager said yes. Town Manager said a couple weeks ago we had a capital budget on parks and playgrounds, appropriations vs. what we've encumbered in our budget, which was approved. Chairman DePatto said he drove by Bristow Park today and there wasn't a parking space open, which was nice to see. The Town Manager reminded the Committee that when he took over, there was yellow tape up at parks and kids were getting injured left and right. Town Manager Crabtree said most people don't like to invest in sewer lift systems, but that's a necessity.

Employee Benefits

Chairman DePatto asked if all retired employees include schools too. Ms. Hatch said that includes school employees that qualify for our pension system, which is typically custodians, food service workers, clerks, paras, administrators. The teachers have their own system. Chairman DePatto asked how this works. The Town Manager said it's a challenge. Vice-Chairman DeDomenico asked if this is part of the Town's contribution to Net School Spending. The Town Manager said Net School Spending is at 47.1%. Mr. Perella said it's half the budget. The Town Manager said in contrast, in Lynn, they got dinged a few years ago for not even meeting that NSS threshold, meanwhile we're at 47.1%. Chairman DePatto said we've made a commitment.

Chairman DePatto asked what employee benefits/medicare/retired p&f is. Ms. Hatch said 111F is for police and fire – it's their worker's compensation for injured on-duty. The Town Manager explained that this is something that's always hard to project.

Chairman DePatto asked if employee benefits medicare is the regular medicare deduction. Ms. Hatch said it's medicare tax. The Chairman asked how the health insurance line item looked. He asked if we are under contract. The Town Manager said we budgeted what they estimated for us, so we're in the process of trying to lock down the rates. The Town Manager explained that even when they budget, it's hard to tell because people can select different plans. The Manager said the percentage that they're budgeting for us is less than we expected, so it's better than what we've had in the past few years.

Insurance

Chairman DePatto said there is a projected decrease.

Special Town Meeting Warrant

Article 1 - To see if the Town will vote to raise and appropriate or transfer from available funds a sum of money to be transferred to the Stabilization Fund. (Town Manager)

Chairman DePatto asked what the balance of the stabilization fund is now. The Town Manager said it's approximately \$8.1 million. Chairman DePatto asked the amount of this recommendation. The Town Manager said it's for \$1.5 million. He said this will bring us to about 10% of our operating budget. Chairman DePatto asked if the source of funding is certified free cash. The Town Manager said yes. He said this is a key, major component of our financial management policies that have been adopted by Finance Committee and Board of Selectmen. Key component to our bond rating and being able to have savings we did on school project and other capital infrastructure projects we've moved forward with over the years.

Chairman DePatto said it's a pleasure to have positive free cash. He said he remembered when he would ask and we would have negative free cash. The Town Manager said the bond rating was somewhere in the Bs a few years ago and people wouldn't lend the Town money. Chairman DePatto said it shows we're running a structurally deficit-free budget, but also saving money on top of it. The Town Manager said if something bad happens, we have the security to balance funds.

Vice-Chairman DeDomenico asked what percentage of the budget in stabilization is considered healthy if we're almost at 10%. The Town Manager answered that financial advisors say the more money, the better. He reminded the Committee that several years ago, the Town spent \$2.4 million on snow and ice in one winter. He said a couple of years of that will wipe out the money. He said 10% is something to be proud of for all of us that have been working towards, but he said financial advisors like it to be even higher. Mr. Perella asked what the investment is earning. Ms. Hatch said it's part of the overall investment portfolio. She said it's earning around 3%.

Vice-Chairman DeDomenico made a motion to recommend the sum of \$1,500,000.00 be transferred to the Stabilization Fund. The source of funding for this appropriation is certified free cash. Chairman DePatto seconded. The motion unanimously approved 5-0.

Article 2 - To see if the Town will vote to raise and appropriate or transfer from available funds a sum of money to be transferred to the OPEB Trust (Other Post-Employment Benefits Trust). (Town Manager)

The Town Manager said the OPEB balance as of 3/31/19 is \$720,137.06. With \$150,000, this would bring us close to \$1 million in the OPEB trust fund. The Manager reiterated that OPEB liability is quite extensive, and that most communities are in the same situation. Chairman DePatto said that last year S&P commented that we've made a commitment to this fund and it was a positive comment. He said he's glad we did it, because it reflected positively in our financial assessment. Several years ago, people said a little bit was nothing. But now a few years later, we're almost at \$1 million if this is approved.

Mr. Perella made a motion to recommend the sum of \$150,000.00 be transferred to the OPEB Trust (Other Post-Employment Benefits). The source of funding for this appropriation is certified free cash. The motion carries unanimously 5-0.

Article 3 - To see if the Town will vote to appropriate a sum of money for retrofitting street lighting to LED, including the payment of costs incidental or related thereto; to determine whether this appropriation shall be raised by borrowing or otherwise; or to take any other action relative thereto. (Town Manager)

The Town Manager explained to the Committee that this is an opportunity for street light retrofit. He said the Town has been approved for a MAPC grant for LED street light retrofitting pending confirmation of funding. The Manager said that conversion of street lights to LED lights can provide energy and cost savings, as well as improved lighting and less light pollution. The Manager said the cost of the project is estimated at \$1,035,000. This amount would be appropriated by the Town upfront and with the MAPC and DOER incentives and rebates after the project is completed will result in a net cost estimate of \$597,000.00. Based on the calculations from National Grid, the estimated return on the investment with the incentives and grant is 2.37 years. The source of funding is borrowing authorization. Since we already own our street lights, he said, we're in good shape. Some communities have to purchase them first. Chairman DePatto commented that the cost for LED has come down significantly.

Vice-Chairman DeDomenico made a motion to recommend that \$1,035,000.00 is appropriated for retrofitting street lighting to LED, including the payment of costs incidental or related thereto; that to meet this appropriation the Treasurer with the approval of the Board of Selectmen is authorized to borrow said sum under G.L. c.44, §7(1) or any other enabling authority; that the Board of Selectmen and the Town Manager are each individually authorized to contract for and expend any federal or state aid available for the projects; that the Board of Selectmen or the Town Manager is authorized to take any other action necessary or convenient to carry out the projects; and that any premium received upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in

accordance with Chapter 44, Section 20 of the General Laws, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount. Chairman DePatto seconded the motion. The motion carries 5-0.

Article 5 – To see if the Town will vote to raise and appropriate a sum of money for the purpose of developing a Town-wide Master Plan, including the payment of costs incidental or related thereto; to determine whether this appropriation shall be raised by borrowing or otherwise; or to take any other action relative thereto. (Town Manager)

The Town Manager said this article would be \$150,000 to update and complete the Town's Master Plan. He said the latest version is decades old. This plan through the use of text, maps, and illustrations is a statement designed to assist communities to manage future growth and development, protect environmental resources, set priorities for developing and maintaining infrastructure and public facilities, create a framework for future policy decisions, promote open democratic planning, and provide guidance to land owners, developers, and permitting authorities. The elements that may be included but not limited to are a statement of goals and policies, land use, housing, economic development, natural & cultural resources, open space & recreation, services & facilities, transportation, and implementation. The source of funding for this appropriation is certified free cash.

Chairman DePatto said this is directly related to the moratorium. Ms. Katsos commented that she hates master plans. She said they sit on the shelf and you do nothing with them. Chairman DePatto said they are used more now. The Town Manager said he hears what Ms. Katsos is saying. He said he thinks his administration has done a good job at doing studies and implementing new things. He said he strongly thinks that having an ability to update the master plan will help the community have a bigger conversation and put a document together to look at development and how it will impact the town.

Vice-Chairman DeDomenico asked what resources we would hire. The Town Manager said we would hire someone that has done this in other communities. Vice-Chairman DeDomenico asked if any of the Town's neighboring communities have recently updated their Master Plans. The Town Manager said Reading or North Reading, and Bridgewater. The Town Manager reiterated that the Town's last Master Plan is from the 70s. He said a lot has changed and we need an update. Chairman DePatto said he supports an update. He said this is not just for the DPW and Manager and Police and Fire and Schools; it's also for Town Meeting. Ms. Katsos said she has had experience with crazy ideas in Master Plans in the past, including filling in a pond in her neighborhood to make it into a parking lot. Chairman DePatto said we will have to make sure it's a credible organization that assists with the Master Plan. The Town Manager said part of the process is engaging the public.

Mr. Perella made a motion to recommend the sum of \$150,000.00 to be used to fund the completion and/or update of a Town-wide Master Plan for the Town of Saugus. The source of funding for this appropriation is certified free cash. The motion carried 5-0.

Article 6 – To see if the Town will vote to appropriate a sum of money for reconstruction or construction of Town storm drains, including the payment of costs incidental or related thereto; to determine whether this appropriation shall be raised by borrowing or otherwise; or to take any other action relative thereto. (Town Manager)

This appropriation of \$90,000.00 will fund a capital project to replace approximately 200-foot section of drain line at the Cemetery on Winter Street. This drain line is responsible for draining water from the Winter Street and Central Street areas. It has collapsed in the rear left section of the Cemetery and needs to be replaced to allow for unimpeded flow, reducing the potential for backups and the associated

flooding. Under the existing conditions the Cemetery roadway is being undermined which could cause more significant repairs.

Vice-Chairman DeDomenico made a motion to recommend that the Town appropriates the following unexpended amounts of money that were initially borrowed to finance the associated projects that are now complete and for which no further liability remains, to pay a portion of the costs of the drainage project at the Winter Street Cemetery, including the payment of all costs incidental and related thereto, as permitted by Chapter 44, Section 20 of the General Laws:

Town Meeting Vote Date and <u>Article Number</u>	<u>Purpose</u>	Amount Originally <u>Appropriated</u>	Amount <u>Unexpended</u>
12/11/01 - Art. 14	Storm drain repairs	\$1,000,000.00	\$41,978.17
05/01/06 – Art. 22	Howard Street/Clifton St	\$103,000.00	\$20,836.09
Drainage			
05/19/08 – Art. 32	Dale Street Drainage design	\$100,000.00	\$8,762.07
05/22/09 – Art. 28	Western Avenue Storm Drain	\$65,000.00	\$5,904.42
05/16/16 – Art. 25	Elm Street Drainage	\$1,200,000.00	<u>\$12,519.25</u>
		Total:	\$90,000.00

Chairman DePatto seconded the motion. The motion passed 5-0. Chairman DePatto said he recommends this full package goes to Town Meeting so they have a copy. The Town Manager said it always does.

Article 7 – To see if the Town will vote to raise and appropriate a sum of money for the purpose of making expenditures on behalf of the Town of Saugus Tree Farm. (Town Manager)

Chairman DePatto said this article is \$10,000 from certified free cash.

Mr. Perella made a motion to recommend that the Town appropriates a sum of \$10,000.00 for expenditures at the Tree Farm. The source of funding for this appropriation is certified free cash. Chairman DePatto seconded the motion. The motion carried 5-0.

Article 8 – To see if the Town will vote to raise and appropriate a sum of money for the purpose of repairing or replacing Town guard rails, including payment of costs incidental or related thereto; to determine whether this appropriation shall be raised by borrowing or otherwise; or to take any other action relative thereto. (Town Manager)

Chairman DePatto told the Committee this article is for \$120,000 from free cash. The Town Manager explained that there are several areas in town that require replacement of existing guard rails. He said this appropriation will fund the replacement of them as a priority. He said they especially are in need of it in the Golden Hills areas.

Stacy Billingsley made a motion to recommend that the Town appropriates a sum of \$120,000.00 for the replacement of the existing guard rail in several areas in Town. The source of funding for this appropriation is certified free cash. The motion passes 5-0.

Chairman DePatto asked Ms. Hatch if she has a timeframe for when the Committee might see backup for the Annual. The Town Manager said that they could talk offline. He said they have a couple Special articles, as well as a lot of housekeeping items on the Annual. He said it's a tough week with school vacation.

Chairman DePatto told the Committee that next week would be the Annual articles that they have backup information for, as well as the water and sewer enterprise fund budgets. Chairman DePatto wished everyone a Happy Easter, and thanked Ms. Katsos for bringing in cookies.

The meeting adjourned at 8:04 p.m.