

## Town of Saugus Finance Committee

### ***Kenneth DePatto, Chairman***

Ronald Jepson  
Carl J. Mirabello  
Theresa Katsos

Louis Rossi  
Frank Perella

### ***George DeDomenico, Vice-Chairman***

Steven DiVirgilio  
Stephen Horlick

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**May 2, 2018 7 p.m.**  
Town Hall Conference Room

The regular meeting of the Finance Committee was held on Wednesday evening, May 2, 2018, at 7 p.m. in the Town Hall Conference Room.

**Members present:** Chairman Ken DePatto, Frank Perella, Carl J. Mirabello, Stephen Horlick, Theresa Katsos, Ronald Jepson, and Steven DiVirgilio.

**Absent from the Meeting:** Vice-Chairman George DeDomenico and Louis Rossi.

**Minutes:** Minutes from April 11, 2018 and April 25, 2018 were unanimously accepted.

**Chairman's Update:** Tonight we will take up a few articles for Annual Town Meeting, then we will go right into the remainder of the agenda for May 2.

### **Debt**

Wendy Hatch gave members of the Finance Committee a handout on the updated debt schedule. She said the Veterans School debt will be paid off in 2022, Belmonte will be paid off in 2034, and the new Middle-High School will be paid off in 2048. Chairman DePatto asked what the debt service is for the Vets for FY19. Ms. Hatch said it is \$110,000 and the balance would be \$135,000 at the end of fiscal 2019. She explained that the Town has created a schedule in the operating budget in the last few years that shows the debt service in fiscal 2019 and shows what is included in the debt service that's excluded from Proposition 2 ½ and what is not excluded. Ms. Hatch also summarized total fiscal debt in the handout. Chairman DePatto and other members of the Committee commended Ms. Hatch.

Ronald Jepson asked if the Massachusetts water pollution abatement is the state program with zero interest. Ms. Hatch said it is low interest. She said it is the state revolving fund and it is now the Massachusetts Clean Water Trust. She said that MWRA is the water pipeline replacement program with zero interest. Mr. Steven DiVirgilio asked if the Town is issuing sewer bonds to pay back old bonds. Ms. Hatch said we look at re-funding but that it has to be within 10 years of the call date in order to be refundable. She said our financial advisors work with us and monitor our issuance date and due date of loans. Based on the interest rates at the time vs. what we borrowed it for, they will make a recommendation to do that if it results in a savings. Mr. Mirabello asked what the debt due on the high school feasibility study is. Ms. Hatch responded that there is \$845,000 due on that.

Chairman DePatto suggested the Committee take up the Annual Town Meeting Warrant Articles prior to resuming with the rest of the agenda.

### **Select ATM Warrant Articles**

Article 4: To see if the Town will vote to make supplemental appropriation to be used in conjunction with money appropriated under Article 6 under the 2017 Annual Budget Meeting during the current fiscal year

and determine whether the money shall be provided by transfer from available funds or to see what other actions the Town will be taking.

Ms. Hatch explained that a few years ago, employees started looking at things and put a boiler plate article on the warrant each year in case of the need to make transfers from salaries or expenses into the water enterprise fund arose. Due to the large number of water main issues and breaks, the DPW Director is asking to transfer \$25,000 from the water enterprise fund expenses to salary for overtime.

Mr. Horlick moved a motion to recommend taking \$25,000 from the water enterprise expense account and transferring it into water enterprise salary account. The motion was seconded by Chairman DePatto and unanimously approved.

Article 5: To see if the Town will vote to make supplemental appropriation to be used in conjunction with money appropriated under Article 7 under the 2017 Annual Town Meeting during the current fiscal year and determine whether the money shall be provided by transfer of available funds or see what other action the Town wishes to take in this matter.

Ms. Hatch said this is the same type of article as article 4, but with the sewer enterprise fund. She said the DPW Director has an issue where he has a bond for capital improvements to the Lincoln Ave. pumping station, and as a result of needs for those improvements, the station has required far more attention from the staff to be hands-on maintaining that. He's asking for a \$25,000 transfer from the sewer enterprise expenses to salary for overtime.

Mr. Mirabello moved a motion to recommend transferring \$25,000 from the expenses to the salary in the sewer enterprise fund. The motion was seconded by Chairman DePatto. The motion passed unanimously.

Article 9: To see if the Town will vote to raise and appropriate or transfer from available funds fiscal year 2019 Chapter 90 highway a sum of money for street resurfacing, handicapped ramps, and sidewalks. Said sum will be reimbursed by the Commonwealth of Massachusetts M.G.L. Ch. 90 Sec. 34.

Chairman DePatto asked how much money has been allotted for the Town's Chapter 90 monies this fiscal year. Ms. Hatch answered \$638,273 for FY19. Mr. Mirabello asked if that allotment is the maximum allowed. Ms. Hatch said the DPW Director is required to submit and get funding approval on any project that the Town will apply for under this funding. Mr. Mirabello asked if this could include anything unplanned for. Ms. Hatch said the director plans very well in advance and has done Town-wide surveys and knows which roadways are priorities. Mr. Jepson pointed out that there have been some agreements that Town Meeting has put forth in regarding the streets. He asked if this will be adhered to within this funding. Ms. Hatch said yes, the 18% reserved for sidewalks will be maintained.

Mr. Mirabello moved a motion to approve Article 9. The motion was seconded by Chairman DePatto, and it was unanimously approved.

Article 11: To see if the Town will vote to authorize the treasurer to, with the approval of the Board of Selectmen, borrow a certain amount of zero percent interest from Massachusetts Water Resource Authority Local Pipeline Assistance Program for the purpose of designing and construction improvements or to take another action relative thereto.

Chairman DePatto asked how much this would cost, to which Ms. Hatch answered \$1,324,200. Ms. Hatch explained that this year the Town is asking Town Meeting for a larger amount in order to wrap up several phases of projects, instead of just asking for segments. Mr. Frank Perella asked why there is a lag in our requested funds. Ms. Hatch said the Town has been requesting funding every single year, and that the

DPW Director is trying to put together a larger program and ask for funding every two to three years instead of annually.

Mr. Horlick moved a motion to recommend borrowing \$1,324,200 from MWRA at zero percent interest. Chairman DePatto seconded the motion, which was unanimously approved.

### **Employee Benefits**

Chairman DePatto commented that there is a pretty big increase in health. Town Manager Scott Crabtree said that's what we've advised the budget for. Chairman DePatto asked if benefits for retirement is pension. Town Manager Crabtree said that is part of the schedule. Mr. Jepson asked if it was 100% the Town share or combined. Town Manager Crabtree said it is the Town share. Chairman DePatto asked what section the employee benefits Medicare is on. Ms. Hatch said the Town's contribution to Medicare tax on employees that qualify.

Mr. DiVirgilio said we have had growth every year and real estate taxes have gone up. He asked how we are going to continue paying for this health when it goes up by \$1 million each year. He said eventually we will have a down year on real estate prices when we won't make as much in taxes and how will we support these health care increase. Town Manager Crabtree clarified how the assessment works by explaining the tax levy. He and Mr. Jepson explained that new growth is important to bringing additional revenue in.

Mr. Perella asked if there are any other ways to cut premiums such as reducing benefits. Town Manager Crabtree said that would have to be agreeable to the Public Employee Committee. Mr. Perella asked at what point does this conversation become real. He said the numbers are not going to continue to work. He said the rest of the economy and private sector have 60-40, 70-30, or maybe even 80-20 benefits. Town Manager Crabtree said these conversations have been happening the last six or seven years. He said it can only be changed through the Public Employee Committee. He said they won't take a reduction in health insurance without their pay increasing. Mr. Jepson said many communities are going bankrupt for this reason. He said at some point, those employees will need to make that change for the best interests of their community. Mr. DiVirgilio asked if the Town Manager had the power to mitigate this cost on his own judgement or own call, and the Town Manager said no. He said when looking at OPEB, retirement, and health insurance, those are all difficult to manage. Mr. DiVirgilio said OPEB is mathematically not fundable. Town Manager Crabtree said he was not sure he agreed. He reminded the Committee that the Town was able to fund almost \$10 million in the stabilization in nine years. He said in theory he thinks it can be funded. Chairman DePatto said he hoped Mr. DiVirgilio is wrong because all other communities in the state are in the same boat. He said the legislature gets things done when they step up to plate.

Mr. Horlick commented that benefits can vary depending on hiring date in the private sector. He asked if there could be a different split in insurance after certain hiring dates. The Town Manager said this all has to be negotiated. Chairman DePatto said it all has to go through the PEC. Mr. Jepson said if it is something that will save their pension, they will agree.

Mr. DiVirgilio commented again that the pension plan could not be fully funded. Chairman DePatto said the Committee can only go off the information and numbers they are given right now. He strongly suggested Mr. DiVirgilio go to the Retirement Board meetings to discuss that with them.

### **Retirement Board**

Chairman DePatto said this has been taken out of their budget completely.

### **Insurance**

Chairman DePatto asked if the premium liability is a rearrangement. Ms. Hatch said yes. Mr. Jepson asked if the \$10,000 flood insurance is on all municipal buildings. Town Manager Crabtree said it's only on the pumping stations in the flood zones. Chairman DePatto asked if the property coverage is for all school buildings. Ms. Hatch said we take valuation of municipal buildings, divide that premium up accordingly, apply the number of vehicles vs. municipal departments and divide that that way. Mr. Mirabello asked if there will be a difference in liability insurance cost with the new school building. Town Manager Crabtree said yes, until we roll off the other buildings and decide what will happen, they will have to come out and assess it.

### **Human Resources**

Chairman DePatto said there is a slight increase in salaries. He said he knows there is currently no HR director. Town Manager Crabtree said the Town is in the hiring process and we have a placeholder for that salary. Mr. Jepson asked who is performing the HR director's duties. Town Manager Crabtree said the assistant director and a floater are covering that office. Chairman DePatto asked if there are any promising candidates in mind for this role. Town Manager Crabtree said he did not want to delay this process, but it's a challenge for a community with past civil unrest and black clouds with prior administrations. Because the salary is lower than other communities, it's challenging to attract someone from another community. Mr. Jepson asked if this role is open to younger people with less experience. Town Manager Crabtree said it is open to anyone with the necessary experience. Mr. DiVirgilio asked if all the "black clouds" are in the rearview mirror. Town Manager Crabtree said yes, but that it is difficult to slowly change a reputation. He said we are starting to do that since we came in, but that it takes a lot of time. Mr. Jepson said he thinks that during the next economic downturn, a lot of communities will go through similar struggles, and we will be in a much better position to weather those situations. Chairman DePatto noted that the training went up under the expenses line item. Town Manager Crabtree explained that employees are doing more professional development.

### **Looking Ahead**

Chairman DePatto said the Committee will take up additional financial articles next week. He hoped to meet with the Manager, Mr. Perella, and the Abrahams Group to review the recommendations on the proposed water increases. Ms. Hatch said she would get the Committee all the information she could before the next meeting.

The meeting adjourned at 7:55 p.m.