

**West Newbury Finance Committee
Minutes of the Meeting
Tuesday, September 5, 2017**

Finance Committee Meeting

Chairman DeLena called the Finance Committee meeting to order at 7:04 p.m. in the second floor hearing room of the 1910 Building with Mr. Durey, Ms. Grammer, Dr. Beaudoin and Mr. McGrath in attendance. Finance Director Gould was also in attendance.

There being no public comment, the Committee considered its agenda.

Transfer request

None.

Tax Buydown & Free Cash

Mr. DeLena reported that when he asked the Selectmen for the basis of the proposed \$144.3K amount of Free Cash to be used to buy down the tax rate, the only answer he received is that this was last year's amount. Mr. Gould advised that the Selectmen may revise this \$144.3K amount down in view of recent developments.

Mr. Gould reported that the Finance Department's intent is to have the State certify the Town's Free Cash at end of September. The Finance Department is working to produce the necessary documents to submit to the State, but this has not yet occurred.

In response to Mr. McGrath, Mr. Gould clarified that Free Cash inaccessible until it is certified. The prior certification expires at end of the fiscal year (June 30) and at that time Free Cash becomes ineligible for appropriation. The Undesignated Fund Balance is where various receipts go before they get into Free Cash. Mr. Gould could not state current available Free Cash amounts until the certification occurs. The Committee estimated that the number could be as high as \$1.8M. *Mr. Gould committed to obtain the data showing 2016 underestimated revenue amounts and unspent appropriations so that the Committee could make a ballpark estimate.*

Mr. Durey shared his research of comparative towns, showing that West Newbury's Free Cash levels are the highest among towns and cities in the area. Mr. McGrath noted that such high levels of Free Cash can result in unfortunate consequences. To reduce Free Cash, large capital items may be paid out of Free Cash without the consideration and planning of the Capital Improvements Committee process. Further, the democratic process in Massachusetts requires a larger voter consideration and commitment in the form of a 2/3 vote for large capital projects, whereas a commitment of Free Cash requires only a majority vote.

Mr. McGrath continued that high Free Cash has been an issue for some time. It results from two factors 1) reasonable and appropriate conservatism in forecasting future Town revenues (which usually exceed the forecast) and 2) commendable thrift and prudence in Town expenditures (which usually are less than sums budgeted). Structurally these factors ensure excess Free Cash. Mr. McGrath stated that he has seen another town's bylaw that specifically addresses this structural issue

by establishing a formula in which a conservative percentage of the revenue excess and unspent budget monies are dedicated to the following year's budget. In times of economic downturns, the formula automatically adjusts because excess receipts and unspent budget amounts decrease.

The Committee discussed the joint BOS/FinCom objective of Free Cash at 5-7% of the budget. Dr. Beaudoin noted that Massachusetts State finance guidance sets the appropriate percentage at 3-5%. Mr. Durey's research shows that towns like Newbury, Groveland and Merrimac have far less Free Cash than West Newbury. *The Finance Committee generally agreed that concrete steps should be developed, with the Selectmen, to reduce the Free Cash levels to the 5-7% goal.*

The question arose whether to dedicate some excess Free Cash to the School Building Fund and/or buy down the tax rate, which is also comparatively high. No conclusion was reached, but Dr. Beaudoin noted that two things make the Town attractive: 1) a lower, stable tax rate and 2) a new school. In the near term, before the school is built, the tax rate is important. A nice new school, once built, should justify a higher tax rate incorporating building/debt costs at that time.

Returning to the proposed tax buydown article, Ms. Grammer reported that she consulted and understands that one could legally craft an article identifying a high "up to" number for the buydown, which could be specifically determined by the Selectmen once Free Cash is certified and the exact amount Free Cash reduction could be determined.

Committee Chairman DeLena agreed to ask the Selectmen for 1) more detail on the rationale for the \$144.3K number and 2) their ideas about developing strategies for a disciplined/ structural approach to achieve the 5-7% goal.

Later Selectmen Anderson, Archibald, and Kemper joined the FinCom meeting to report that they had just voted to reduce the proposed amount in the buydown article to \$114K. Town Counsel/Clerk McCarron was also present.

Thereupon, at 8:20 p.m., *the Finance Committee took a unanimous roll call vote to go into executive session pursuant to MGL Chapter 30A §21(a) 3: To discuss strategy with respect to collective bargaining or litigation if an open meeting may have a detrimental effect on the bargaining or litigating position of the public body and the chair so declares. (Police Department Union Contract).*

Minutes of the executive session are submitted separately.

At 8:30 p.m., *the Finance Committee took a unanimous roll call vote to go out of executive session.*

Before the Selectmen departed, the FinCom informed them that the Committee had just been having a substantial discussion of Free Cash issues and would like to raise some questions on this matter with the Selectmen, which Chairman DeLena will pursue.

Town Clerk's Prior Year Bills

With Town Counsel/Clerk McCarron present, the FinCom inquired about the proposed article to pay small-dollar prior year clerk's office bills that had slipped through the cracks. Messrs. McCarron and Gould explained that the funds would come from Free Cash through a separate appropriation. It is important that in the corresponding prior years, the clerk's budget *was* sufficient to pay these bills—if that had not been the case, it would have taken a 9/10s vote at Special Town Meeting to retroactively authorize a prior year's expense in excess of budget. Those prior year funds, however, were turned back to Free Cash and now this article will propose a claw back of sorts.

Marijuana Moratorium

Town Counsel/Clerk McCarron explained that the State legislature had just revised the recreational marijuana statute and the Attorney General has approved towns' moratoria on recreational marijuana up to the end of 2018. The article proposing the moratorium would allow time for the Town to study this issue. It also allows time for referendum in May 2018. A majority of the Town voted in favor of marijuana legalization, and under the new law, the Town would have to hold a referendum if it wants to prohibit marijuana sales.

This article entails an amendment to the zoning bylaws. Chairman DeLena noted that this is the domain of Planning Board and FinCom should let them go through their process, and hear their rationale for whatever outcome they decide upon.

Town Manager Initial Funding

It was generally agreed that the revision of the proposed article to temporarily cover costs of a new Town Manager prior to Annual Town meeting was explained now that 1) the amount had been revised to \$111K and 2) BOS Chairman Archibald explained the thinking behind that sum.

FinCom further agreed that it is important that the language of the article specify that the appropriation expires on June 30, 2018 so that any remaining funds will automatically flow back into Free Cash. Chairman DeLena will communicate this to the Selectmen.

In response to Mr. McGrath, Finance Director Gould stated that his contract runs to the end of this year but he could be available in calendar year 2018 as need be. Although he recognized that this was the stated plan, Mr. McGrath expressed general concern that the Town Manager was to assume Finance Department responsibilities and there would be no even partial designated Finance Department head. Ms. Grammer noted that she would want to know 1) if our Town Manager candidates had successfully done both and 2) if other towns successfully have a person covering both roles. Mr. DeLena also wondered if the Town Manager could delegate some responsibilities to others in the Finance Department.

Updates on Town Issues

Ms. Grammer reported that the Selectmen's Administrator Mary Winglass had worked hard to upgrade the sound system in preparation for Fall Town Meeting. FinCom will be on stage along with the Moderator, BOS & Town Counsel/Clerk. FinCom will have name cards this year.

Meeting Minutes

FinCom members voted to approve minutes of August 28, 2017 with amendments, 4-0-0. Mr. McGrath (not present) abstaining.

Upcoming Meeting

The next FinCom meeting will be on September 11. The Library Director will make a presentation about the revolving fund proposal and the Committee hopes that the Water Department will be ready to explain the ground water protection expansion.

The meeting adjourned at 9:35 p.m.

Respectfully submitted,

Elisa Grammer
Secretary

Meeting materials:

Proposed Articles

Revised Proposed Article & Explanation Re: Town Manager

Draft 8/28/2017 Meeting Minutes

F. Durey's Spreadsheets Re: Comparative Town Finances

FY 18 Fall Town Calendar

Articles Spreadsheet