

TOWN OF GROTON FINANCE COMMITTEE

Minutes of Meeting Held August 7, 2012

Selectmen's Meeting Room, Town Hall, Groton, MA 7:00 p.m.

Present: G. Green, R. Hargraves, M. Flynn, S. Webber, J. Crowley, J. Prager (Chair), P. DuFresne (Accountant in Training, Recording), V. Jenkins (Town Accountant)

Absent: P. DiFranco

Guests: Mark Haddad (Town Manager), Anna Elliot (Selectwoman)

Documents available at the meeting: 5-Year Financial Plan and Narrative
Minutes of Meetings held June 5, 2012

The meeting was called to order by Mr. Prager at 7:10 p.m.

Review of 5-Year Financial Plan- Mr. Haddad presented the hi-lights of the 5-year financial plan for the Town. Most costs are expected to increase 2.5% each year with the exception of employee benefits which is projected to increase 8% based on historical trends and Public Works which could increase as much as 4% due to higher operating costs for the proposed new fire station facility. Police department growth is also likely due to commercial development in contiguous towns. Mr. Prager is not convinced that this is true and would like to see additional justification supporting this argument. Deposits to the Stabilization accounts are planned in keeping with the official Financial Policies. Mr. Haddad stressed that this 5-year plan supports his assertion that the new Fire Station project can be funded within the levy limit while still maintaining around \$400,000 in unexpended tax capacity. Mr. Prager wondered why capital expenditures are projected to be flat for the next 5 years. Mr. Haddad replied that it is his plan to cut other expenses as necessary to maintain a level \$400,000 in capital spending. Mr. Prager advised adding a conservative 3% adjustment to this estimate.

Update Lost Lake Sewer Project – A proxy vote letter has been mailed to 341 Lost Lake residents by certified mail in an attempt to determine the level of support for the proposed project. The letter explained that the project would be funded through betterments estimated at \$900 to \$1,500 per year per household. Residents would also have to pay for their individual hook-up expenses and must purchase a grinder pump. The Town is expected to secure SRF funding for a term of 20-30 years with interest between 0% and 2%. At this time, 275 certified receipts have been returned; the response deadline is 8/24/2012. Non-responses will be counted in favor of the project. So far, the responses are running about 2 to 1 against the project. Mr. Prager felt that the Town should contact non-responders so as to get the most accurate results possible. Mr. Haddad suggested that the BOS may want to reevaluate their position with respect to Lost Lake if resident sentiment is against the project. He added that the Town could offer some taxpayer support to help reduce the betterment costs. \$100,000 would be available for this purpose in FY2015 due to a scheduled debt retirement in that year. There will be 3 articles related to the Lost Lake Sewer Project on the upcoming Fall Town Meeting warrant: the first will

create the sewer district, the second will request authorization to borrow \$12.9 million to fund the project, and the third will authorize an inter-municipal agreement with Ayer. Mr. Green asked whether any decisions had been made regarding the Inter-Basin Transfer issue. Mr. Haddad replied that MEPA would be attending the public hearing scheduled for August 8th.

OPEB Discussion –Mr. Haddad explained that he plans to seek a bond rating increase for the Town this fall. A change in that rating from AA to AA+ or AAA would result in lower interest rates on future bond issues. Ms. Jenkins believes that the value of a rate increase could be as much as 30 basis points. However, the rating agencies would be more likely to consider this request if the Town had a legitimate plan for funding its OPEB liability. Ms. Jenkins informed the group that currently, the unfunded liability for retirees’ health and life insurance is approximately \$7,000,000. This estimate will likely be higher when the next actuarial analysis is done later this year. Mr. Haddad explained that he is reluctant to tie up funds in an unbreakable trust that will most likely never be drawn on. Furthermore, once the fund is established, it would be necessary to make payments for the same amount annually. Mr. Prager agreed with him saying that the argument in favor of funding the liability is based on the Town going out of business; therefore it is not a real liability. Mr. Green wondered whether it would be more realistic to make reasonable yearly payments without focusing on fully funding \$7,000,000. Mr. Prager asked how these funds can be spent. Ms. Jenkins replied that the funds could be spent on paying for the current retirees’ health and life insurance costs. Mr. Haddad suggested that it might be possible to compromise by setting up a special Stabilization Fund instead of an unbreakable trust. This would not be looked on as favorably by the rating agencies as it is a “raidable” fund, but would be a chance for the Town to become accustomed to making annual payments toward this liability.

Update Center Fire Station Project- Mr. Haddad informed the Finance Committee that the preliminary designs for the new Fire Station had been completed. He encouraged anyone who is interested to attend the public hearing scheduled for August 8th at 7:00 p.m. Mr. Hargraves mentioned that he would like to see a plan to incorporate the existing facilities at the Lost Lake Fire Station with the program design for the new Center Fire Station. He feels that it would be unfortunate to spend money on adding offices and recreation rooms for the new fire station when those same spaces already exist at Lost Lake and may be under-utilized. Mr. Webber felt that the offices and other extra rooms must be where the staff is primarily located during the day. It is to be expected that the new Center Fire Station will be the primary staffing headquarters. Mr. Haddad added that most of the calls will originate from the Center Fire Station, therefore, that is where the training should take place. Currently, much of the training opportunities are off-site. Adding training space to the new station will improve the overall program by reducing response time. He stressed that training at the new station would be limited to Groton personnel only; there are currently no plans to invite other towns to train there. Mr. Hargraves questioned the increased square footage for the new design. Mr. Flynn surmised that giving the architects free rein with the design would naturally result in some over-engineering and duplication of functionality. Mr. Webber disagreed, saying that the architects were paid a flat fee for the project; they would not be paid a premium to design a larger facility. Mr. Prager wondered whether a \$6,000,000 fire station would provide an equally sufficient program as compared to a \$7,500,000 station. He added that the residents seem somewhat opposed to the increased size of the new design; maybe it is worth considering a smaller building now that could be added to later if necessary. Mr. Haddad reminded the group that construction costs increase significantly over time. Mr. Prager said that while that was true, “future” dollars tend to even out over time. Furthermore, expansion may in fact never be needed. Mr.

Webber suggested that there were compelling reasons to support the current design. The Building Committee has worked diligently to contain the square footage, and feels that it has reached the best possible balance between economy and programming. Mr. Haddad reminded the group that the plan designed for the Sacred Heart site was completed two years ago. Much more is understood about fire station programming at this time. Groton resident Laurie Smigelski asked whether outside funding would be available for this project. Mr. Haddad replied that unfortunately, this project is ineligible for any known funding sources. Mr. Haddad agreed to bring the concerns raised at this meeting to the Building Committee's attention tomorrow evening. He left the meeting at this time (8:10 p.m.)

Mr. Webber stated his belief that the fire station should be designed to meet program goals, and not a specific cost estimate. Because there is no one in Town who is an expert at building fire stations, it was necessary to hire professionals. The current design does include a 40-foot training room, but it is also true that neither the Public Safety Building nor the Lost Lake Station has an adequately sized room. He mentioned that most people do not understand the extent of training required for firefighters. Sending firefighters out of town to train is both inefficient and costly. The Finance Committee decided that any interested parties could continue this discussion at the public hearing scheduled for August 8th.

Election of Officers- The following officers were elected for Fiscal Year 2013:

Chair: Jay Prager (nominated by Mr. Green, seconded by Mr. Hargraves)

The Vote: 5-0-1

Vice Chair: Gary Green (nominated by Mr. Webber, seconded by Mr. Flynn)

The Vote: 5-0-1

Recording Secretary: Patricia Dufresne (nominated by Mr. Prager, seconded by Mr. Webber)

The Vote: 6-0-0

Approval of Meeting Minutes – The committee members reviewed the meeting minutes from June 5th.

On a motion by Mr. Green, seconded by Mr. Flynn, the Finance Committee voted unanimously to approve the minutes of their meeting of June 5, 2012 as drafted. The Vote: 5-0-1

Mr. Prager adjourned the meeting of the Finance Committee at 8:20 pm.

Respectfully submitted,

Patricia Dufresne, Recording Secretary