

# TOWN OF GROTON FINANCE COMMITTEE

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**Minutes of Meeting Held January 15, 2013**

**Town Hall, 173 Main St., Groton, MA 7:00 p.m.**

**Present:** R. Hargraves, M. Flynn, S. Webber, P. DiFranco, G. Green, J. Prager (Chair), P. DuFresne (Town Accountant, Recording),

**Absent:** J. Crowley

**Guests:** Rule Loving (Resident), Scott Harker (Resident), Members of the Press

**Documents available at the meeting:** Special Town Meeting Warrant/Motions as of 01/15/13  
Central Fire Station Amendment Request  
Amendment Request Reply from Town Manager  
Fitch's Bridge Funding Memo of 1/15/13

*Mr. Prager opened the meeting at 7:00 pm*

**Proposed Amendment to Article 3: Central Fire Station Funding:** Mr. Prager initiated a discussion regarding the ramifications of an amendment to Article 3 which will likely be proposed during Town Meeting. Mr. Rule Loving has indicated that he will ask the voters at Town Meeting to amend the article in order to exclude the debt. The article as currently written provides for the fire station debt service to be paid for within the levy limit. Excluding the debt would raise the levy limit temporarily until the debt is paid off. Mr. Prager added that he tends to agree that authorizing the funding for this project should be a ballot question. Mr. Webber agreed that it should be decided at the ballot box, but did not support excluding the debt. Mr. Green wondered whether a portion of the debt could be excluded in order to force a ballot vote, although he conceded this might be confusing to voters. Mr. Hargraves offered a brief history of Proposition 2 ½ as a tool for limiting operating expenses. Mr. Flynn was concerned that the school district may be in need of extra funding this year as they had been conservative in their requests for the last couple of years. Mr. Webber would be in favor of excluding the debt if the Town could then remain at one million dollars under the levy limit. He asked that Town Counsel offer an opinion on whether bond authorization at Town Meeting could be made conditional on a ballot vote (immaterial whether the debt is excluded or not). Mr. Prager added that a ballot vote would be instructional even if it was only advisory and not binding. The other members agreed but felt that it would not be worth the effort to get an advisory vote at the ballot box. Mr. Prager would like to force a ballot vote on the bonding authorization irrespective of the funding mechanism. He added that he is not as concerned about whether the debt is excluded, but feels bond authorizations of this size should be voted by ballot. Mr. Webber noted that if the debt were excluded there would be no impact on taxes for Fiscal Year 2014 as the amount set aside for the appropriation within the levy limit would no longer be needed. He would rather not exclude the debt at a later time; any override approved should be specific to the current need. He felt sure that most residents would be against raising the levy limit when it is unnecessary to do so. Ms. Dufresne mentioned that delaying the project to allow for a ballot

vote could trigger unanticipated cost increases. The Town has 30 days (exclusive of Saturdays and Sundays) to award the contract after the bids are opened pending approval at Town Meeting. If the approval deadline has to be extended until a ballot vote can be conducted, the Town must ask the lowest bidding contractor if they will accept the delay. If the contractor cannot do this, then the next lowest bidder is queried, etc. It is likely that this process will result in over reaching the project budget and necessitating a repetition of the bidding process. Mr. Green added that delay of the project will also cause an increase in construction costs. He feels that although the bond authorization should have been done by ballot, it is probably too late to make that happen now. Mr. Hargraves agreed that someone should have insisted that this question be decided by ballot during the early planning stages. Mr. Prager would like Town Counsel to answer the question of whether we can amend this article to force a ballot vote without excluding the debt. In addition, he would like to know whether a portion of the debt could be excluded to force a ballot vote. Mr. Webber felt that the costs of delaying the project would outweigh the benefits of getting a ballot vote at this point.

**Funding for Fitch's Bridge** – The Finance Committee reviewed the email received from the Town Manager regarding the revised strategy for funding the Fitch's Bridge project. It was noted that due to the extremely favorable bids received, it may now be possible for the CPC to consider funding a portion of this project. Mr. Haddad suggested transferring \$160,000 from Stabilization, \$200,409 from the CPA Unallocated Reserve, and \$25,000 from the CPA Historic Reserve for a total project cost of \$385,409. Mr. Prager suggested spending the \$160,000 from Free Cash instead of Stabilization. This would leave a balance Free Cash of only \$141,000 which, although below the customary reserved balance is still a comfortable sum. Mr. Webber agreed saying that the Stabilization Fund is supposed to be used only to stabilize taxes in especially lean years when funding cannot be found anywhere else. The group expressed concern that the Stabilization Fund balance would be brought below the recommended 5% of budget if it was used to fund the bridge project. Mr. DiFranco would like to know whether the cost of the project would increase (and if so by how much) if CPC money were used. It had been suggested at a previous meeting that MA Dept. of Transportation involvement makes state-funded projects significantly more expensive. Mr. Prager said that although the Finance Committee had previously voted not to support replacement of the bridge, it might be worth reconsidering given that the bids came in so low. Mr. DiFranco mentioned that he is familiar with another municipal bridge project that is in process, and that project is also in the \$300,000 price range. He feels he could now support rebuilding the structure, especially with CPC involvement. He is disappointed that there is no new information on the MA DOT costs, however. The Finance Committee would also like to see a complete accounting of the balances in the CPC reserve accounts.

**Mr. Webber moved that the Finance Committee vote to reconsider their position on Article 2. Mr. Green seconded the motion. The Finance Committee voted in favor of reconsidering their position on Article 2. The Vote: 4-2-0**

**Mr. Webber moved that the Finance Committee support demolition and replacement of Fitch's Bridge as written in the Special Town Meeting motions drafted 1/15/13 (funded through Stabilization and CPC).**

Mr. Webber said that even though the bids came in relatively low, it is not the right time to spend this money. Mr. Flynn agreed saying that the project felt frivolous and unnecessary to him. Mr. DiFranco added that the school district is obviously in need of money for long overdue IT infrastructure improvements; replacing (or even demolishing) the bridge may not be a prudent use of funds right now. Ms. Sartini (Groton Herald) noted that the Parks Commission is also competing for CPC funding for 3

new playing fields to be built at Cow Pond Brook Rd. Funding Fitch's Bridge with CPC money would put the Parks project at a disadvantage. Mr. Prager and Mr. Hargraves agreed that they could support demolition of the bridge at \$138,000. Several of the committee members thought it would be better to debate this article at the Annual Town Meeting in the spring. At that time the Town will have a more complete understanding of what the needs of the school district will be. Mr. Webber believes that the school district would be seeking a 1-year capital exclusion (of at least \$500,000) for IT infrastructure improvements. He thought they probably also need 1 or 2 additional FTE's to support that infrastructure. Members of the Finance Committee felt that there were still some unanswered questions regarding funding and CPC issues.

**Mr. Hargraves moved to postpone Article 2 until the Annual Town Meeting. Mr. Prager seconded this motion. This motion was withdrawn as it was pointed out that the task of the Finance Committee was to recommend or not recommend the articles as currently written.**

**Mr. Green seconded Mr. Webber's motion to support Article 2 (see above). The motion failed when voted; the Finance Committee voted against supporting the article as written. The Vote: 1-5-0**

**Mr. Webber moved that the Finance Committee recommend demolition only of Fitch's Bridge (should Article 2 be amended to exclude the replacement option). Mr. Flynn seconded this motion. The vote was unanimous in favor of demolition only of Fitch's Bridge. The Vote: 6-0-0**

**Proposed Amendment to Article 3: Central Fire Station Funding:** At this time in the meeting (8:05 pm) Mr. Rule Loving was in attendance to speak to his proposed amendment to exclude the debt for this project. He explained that upon studying the proposed operating budget and the OPEB requirements, it would not be prudent to pay for the debit within the levy limit. He noted that the 5-year revenue projection clearly shows the budget surplus declining rapidly once provision is made for funding the OPEB liability. The Town has survived some very difficult economic times due to good financial planning and the existence of a healthy surplus. He would like to see that surplus retained in the event that the economy continues in its sluggish state. In addition, he does not believe that an eight million dollar bond authorization should be decided by a 2% quorum. Mr. Prager argued that OPEB is not an actual unfunded liability and it would be a mistake to tie up funds in an irrevocable trust against an eventuality that will never come to pass. Mr. Loving replied that financial institutions that purchase municipal bonds must now get independent risk assessment of those bonds; therefore towns that do not fund OPEB will no longer appear to be a good risk. Mr. Prager thought that investors would continue to give considerable weight to an entity's track record in terms of long-term financial performance. The impact of the bond rating increase measured against the enormous size of the annual required OPEB contribution is not compelling. Mr. Loving noted that the level of excluded debt is steadily dropping as individual loans are retired; therefore the effect of excluding *this* debt would be to stabilize that debt level (and therefore taxation). Mr. Prager pointed out that if the excluded debt were allowed to retire without replacing it with new excluded debt, then the tax levy would in fact decrease. He added that excluding the debt is not the real issue; it is more important that the bond authorization be done by ballot vote rather than only at Town Meeting. Mr. Loving agreed that he is not as concerned about excluding the debt as he is about encouraging a ballot vote.

**Mr. Hargraves moved to support the amendment excluding the debt for the Center Fire Station Project. Mr. Flynn seconded this motion.**

Mr. Webber summed up the options saying that while it would be good for this vote to be done by ballot, the necessary delay in the process may cause an unintended increase in the project costs. Also, any money saved under the levy limit is likely to be spent on something else in a hurry. Mr. Prager agreed that there is a real danger that by excluding the debt and increasing unexpended tax capacity, there would be enormous pressure to spend that extra surplus. This would drive up taxes in the long run. Mr. Hargraves said that irrespective of this argument, the voters should have a chance to vote the project at the ballot. Mr. Green agreed in principle, but reminded the group that the Town Manager had presented this funding plan from the very beginning. Mr. Haddad had spoken repeatedly of his wish to fund the debt service for the fire station within the levy limit. The push to exclude the debt should have been done long ago. He would therefore support voting the bond authorization by ballot, but not excluding the debt.

**The Finance Committee voted in favor of supporting the amendment to exclude the debt for the Center Fire Station Project. The Vote: 3-1-2**

Mr. Harker remarked from the audience that perhaps Town Counsel should be consulted regarding whether it is appropriate to use the issue of excluding debt in order to force a ballot vote on the fire station project. Mr. Prager said he would like to speak to Town Counsel tomorrow if possible.

**Merit Increase Program** – Ms. Dufresne asked the Finance Committee if they would be comfortable releasing the minutes from the executive session meetings from 3/7/12 & 4/24/12. Mr. DiFranco noted that these were the minutes that included discussions of merit increases for employees. He felt that some kind of miscommunication had occurred that needed to be clarified immediately. He was concerned that the plan that was ultimately put into place differed materially from what the Finance Committee previously approved. Mr. Flynn agreed that he remembered the proposal as a one-time bonus, not as a permanent salary increase. Mr. Prager felt the confusion might be one of semantics, with the term “bonus program” being used erroneously during a recent conversation. His recollection was that the FinCom was supportive of giving the Town Manager more latitude with merit increases if step increases were removed from the union contracts. He stressed that the Finance Committee should avoid too much micro-management in the area of performance reviews. He felt that the Town Manager could be relied on to make what is by nature an imperfect process as close to perfect as possible. Mr. Webber agreed that the Town now has annual performance reviews and a process for rewarding merit that it never had before.

**Approval of Meeting Minutes** –

**On a motion by Mr. Hargraves, seconded by Mr. Flynn, the Finance Committee voted unanimously to approve the meeting minutes of 01/03/2013 and 01/07/2013. The Vote: 6-0-0**

**On a motion by Mr. Hargraves, seconded by Mr. Prager, the Finance Committee voted to release the executive session meeting minutes of 03/07/12 and 04/24/12. The Vote: 4-0-2**

*Mr. Prager adjourned the meeting of the Finance Committee at 8:45 pm.*

Respectfully submitted,

Patricia Dufresne, Recording Secretary