

TOWN OF GROTON FINANCE COMMITTEE

Thursday, February 18th, 2016, Selectmen's Meeting Rm

Groton Town Hall, 173 Main St. Groton, MA, 6:00 p.m.

Meeting held jointly with the Board of Selectmen

Present for Finance Committee: Art Prest, R. Hargraves (Vice Chair), B. Robertson, B. Pease, M. Bacon, P. DuFresne (Town Accountant, Recording)

Present for the Board of Selectmen: J. Degen, S. Schulman, A. Eliot, J. Petropoulos (Chair), and P. Cunningham

Absent: D. Manugian, G. Green (Chair)

Also Present: M. Haddad (Town Manager), Dawn Dunbar (Executive Assistant), Members of the Press, Members of the Public

Documents available at the meeting: None

Mr. Prest called the meeting of the Finance Committee to order at 6:00 p.m.

Mr. Petropoulos called the meeting of the Board of Selectmen to order at 6:00 p.m.

Public Comment: A resident of Blacksmith ROW said that the financial situation in Groton is difficult and he feels that the tax increases have been onerous. He believes that the budgets that have been presented to Town Meeting reflect "wants" rather than "needs." This has caused the school district's needs to be overridden. He believes future budgets should focus on essentials. Groton has an aging population, and is facing ever higher taxes; this will not work for the Town. Cutting the municipal budget will serve to help the school district even if it doesn't provide the answer to all their needs. Mr. Petropoulos clarified that the school needs were never overridden by municipal spending. Mr. Cunningham added that the Selectmen recognize the current fiscal situation, however as there are compelling needs on both sides of the budget it is not helpful to turn it into a competition between the Town and the school district. A resident of West Groton reminded the group that the senior citizens will soon be forced to live elsewhere should taxes continue to increase. He hopes that the school district has an alternate plan in case the override request ultimately fails, as he will be urging senior citizens to vote against this plan. Mr. Petropoulos read an email message from a resident who is supportive of level-funding the municipal budget in order to increase funding for the school district.

Mr. Petropoulos said that the current discussion will focus on providing FY17 budget guidance to the Town Manager. The Finance Committee will meet separately and return to the BOS its own advice on how that budget should be re-balanced. He stressed that this is a time for financial leadership, and it is the Town Manager's job to create the budget, help the schools get the support they need and provide affordable

services to residents. He added that he feels that personnel growth should not be at 4.5% if revenue is growing at only 3%. He added that this is not a reflection on the value of Town employees or retirees, it is simply a decision of whether to raise taxes or to reduce costs. This discussion should focus on direction, not solutions.

Mr. Cunningham noted that while the original budget was returned with 2.2% growth as per the guidance provided, this would be a good opportunity to take a look at the impact that different scenarios such as level-funding might have on services. He reminded the group that the Town has signed contracts with its unions, which limits the options for reducing costs. He added that municipal services are as important as school services. Mr. Degen said that he would like to see an analysis of the impact that level-funding has on the budget. He would also like to be able to provide specific guidance to the Town Manager on where operational cuts should be made. Mr. Haddad asked the BOS to be as specific as possible in the budget guidance they are now providing. Mr. Degen suggested providing a municipal budget that limits growth to 2.2% while excluding the effect of the debt service reduction. The revisions should not result in cuts to public safety or road maintenance, and should provide at least minimum staffing levels for police and fire operations. He would then like to see a second budget scenario that provides for all of the above while holding the municipal budget to 0% growth.

Mr. Haddad briefly discussed his rationale behind the FY17 debt service structure. The law allows Bond Anticipation Notes as short term financing, which provides flexibility while planning for capital purchases that will occur within the span of a few years. It makes little sense to float 2 major bond issues as the costs are prohibitive and the interest rates would be less favorable. If the Town plans for a future capital purchase that ultimately is not approved at Town Meeting then the bond issue will proceed without that item. This is not deferring debt, it is planning for the future in a fiscally responsible way. Mr. Schulman agreed that the debt plan is sound, but said that it will still be useful to see budget scenarios that calculate municipal growth on the operational lines only. Ms. Eliot hoped that the school budget will be subjected to the same scrutiny as the municipal budget has been, and that all parties can work together to find a solution. Mr. Petropoulos replied that the responsibility of the BOS and FinCom is for the Town budget; while we should pay attention to the school budget process, we do not have the same level of oversight. Mr. Cunningham said that a working understanding of the school needs is necessary. For instance, he wonders about the justification for hiring so many new full time equivalents in the face of declining enrollment. Mr. Degen agreed saying that if the BOS were to consider placing an override article on the Town Meeting warrant, they must first be convinced that it is necessary. Without further documentation of the constituent attributes, he would find it difficult to support an override of this magnitude. He would like to see some consideration given to staging the override across several years. Mr. Schulman agreed that he would find it easier to support the request if he fully understood the impacts and felt sure it was sustainable. Mr. Haddad mentioned that as the school district found it useful to isolate their minimum carryover costs while creating their budget, he would like to do the same for the municipal budget and present a "carryover needs only" budget for consideration. Mr. Petropoulos asked that a zero growth budget be created, stipulating that emergency response departments should be funded at required levels. Mr. Haddad summarized the three budget scenarios he will present:

1. Minimum Carryover Scenario
2. Big Three (Wages/Benefits/Other Expenses) at 2.2% growth
3. Big Three at 0% growth while maintaining public safety funding

Mr. Cunningham felt that no particular department should be held harmless in this exercise. Mr. Robertson would modify these scenarios to leave Other Expenses as originally presented, and focus on holding growth in wages to no more than 2.2% and 0%. Mr. Haddad agreed that there would be few opportunities to cut the Other Expenses category as these were largely level-funded to begin with. Mr. Robertson cautioned that expenses will most likely have to be reduced somewhat, as holding municipal wages to zero growth will still result in an overall increase to wages, benefits & other due to the upward pressure from insurance rates and county retirement. Mr. Haddad mentioned that FY18 wage impacts are projected to be similar to FY17 as the unions negotiated similar terms for both years. Therefore, the same cuts that are to apply in FY17 will have to be made to FY18 as well. Mr. Degen suggested removing the vacancies in the Health Insurance line, as this budget can be supported by a Reserve Fund Transfer should it run into a deficit. He added that this kind of budget cut is the most palatable as it does not affect anyone's job. Mr. Haddad said he would recommend increasing the Reserve Fund by some amount and then leave it up to the Finance Committee to manage.

Mr. Haddad asked that final requests for all FY17 budget scenarios be made as soon as possible as it will take some time to compile all the details necessary to illustrate the impacts of the various reductions. If the Finance Committee agrees on their recommendation this week, he estimated that he could have a detailed presentation for the BOS on February 29th. Mr. Pease spoke up saying that he had seen this situation coming last year even though he was a new committee member. Further, he wishes he had made this point more fervently last year, by rejecting the proposed budget rather than abstaining on that vote. He feels that if he had sent a stronger message last year, Town officials would not still be having these conversations now. He stressed that he disagreed with the Finance Committee chairman on the specific guidance that was offered in regards to the FY17 budget. That said, he would like to see a zero growth budget, regardless of how it is crafted (with debt service included or excluded as the Town Manager sees fit). The Town Manager should feel free to prioritize spending in whatever way he feels is most prudent. Mr. Bacon mentioned that he is concerned about the climate in which this debate is occurring. The public perception seems to be that municipal needs are being met at the expense of the school district's needs. He was pleased to hear Mr. Petropoulos specifically refute that idea at the beginning of this meeting. He stated that the Town Manager met the original budget target set for him, and should be commended for presenting this essentially needs-based budget. He would like to be clear that if further cuts are made to municipal spending, it will be cutting into the bone and this would be especially unfortunate if undertaken without fully analyzing the school district's budget.

Mr. Haddad asked if the originally proposed balanced budget is still under consideration. Mr. Cunningham replied that all options are still on the table, but it will be useful to look at the various scenarios requested. Mr. Petropoulos felt that the budget as originally presented is unlikely to be approved at this point, but added that resolving budget crises of this nature is new to most of us and we all have an opportunity to learn from this. Ms. Eliot pointed out that nothing was wrong with the way the budget has been put together in the past, we are simply taking this chance to improve upon that process.

Mr. Prest said that it would be negligent not to look closely at the school district's needs assessment and budget documents. There are some individuals who have already taken it upon themselves to do so. He expects that that this effort will generate quite a bit of useful data upon which additional advice can be offered. Mr. Robertson noted that performing this deep analysis now can help the Town set a glide path that will help avoid future tax overrides. Perhaps additional revenue will be realized in years to come

which will act to support operations going forward. However, choosing to glide lower today, may help to ease the way later thereby protecting the Town's future. Mr. Hargraves remarked on what he has seen to be excellent communication between the school district and the Town Manager during the last several budget cycles. He reiterated that the school budget is not the victim of the Town budget, and he dislikes seeing this idea of victimization creeping into public perception. He hopes to see the same good working relationship between the Town and the school district continue on into the future. Mr. Petropoulos thanked the Town Manager and all the many individuals who have helped in this budget process thus far; he feels that the end result will serve to make the Town stronger. Mr. Haddad described the following budget scenarios that he will present to the BOS and FinCom on February 29th (all of which are exclusive of debt):

1. Carryover budget that only meets current obligations
2. Wages/Benefits/Other growing at 2.2% (wages held to no more than 2.2% growth)
3. Wages/Benefits/Other growing at 0% (wages held to 0% growth)

Mr. Haddad noted that these scenarios will have to be altered should the Finance Committee offer different guidance. Mr. Petropoulos asked how the proposed cuts would impact the unexpended tax capacity for FY17. Mr. Haddad replied that cuts to the proposed budget would increase the UTC, but in the event that the BOS puts an override article on the warrant, the UTC will be eliminated. Ms. Sartini (Groton Herald) mentioned that she strongly supports maintaining emergency response staffing at current levels. Mr. Haddad explained that deep cuts would be necessary to provide a level-funded budget scenario; the biggest budgets may have to be reassessed.

On a motion by Mr. Cunningham, seconded by Mr. Degen, the Board of Selectmen voted unanimously to direct the Town Manager to prepare FY17 Operating Budget scenarios as previously outlined. The Vote: 4-0-0 (Mr. Schulman left the meeting prior to this vote)

*Mr. Hargraves officially adjourned the meeting of the Finance Committee at 7:12 p.m.
Mr. Petropoulos officially adjourned the meeting of the Board of Selectmen at 7:12 p.m.*

Respectfully submitted,

Patricia Dufresne, Recording Secretary