

Town of Groton

Finance Committee

Finance Committee meeting minutes 2-15-2022 (Approved 3/22/22)

Joint Meeting held Virtually beginning at 6:00 pm

Zoom meeting: ID# 835-2855-7920

At 6:00 pm, Bud Robertson called the Finance committee to order. Members present: Michael Sulprizio, David Manugian, Colby Doody, Bud Robertson, Jamie McDonald and Gary Green

Absent: Scott Whitefield

Becky Pine (left the meeting at 8:02) called the Selectboard to order, present: Selectwoman Alison Manugian (left the meeting at 7:00pm), Selectman, John Riley,

Others present: Mike Haddad, Town Manager, Patricia Dufresne, Town Accountant, Hannah Moller, Town Treasurer (left the meeting at 8:03pm), noted a quorum of the Capital Planning Committee Members was present; Jamie McDonald, Mike Sulprizio and David Manugian.

Mark Haddad shared the proposed capital budget on the screen formulated by Mr. Haddad in conjunction with recommendations from the Capital Planning Committee. The total Capital Plan is 13.6 MIL included in that figure is 10 MIL for the Whitney water treatment plant upgrade. 1 MIL is for the communication towers upgrade project. This project is funded with approximately \$425,000 from a state grant & approximately \$700,000 by American Rescue Plan Act (ARPA) funds approved by the Selectboard. ARPA is also funding \$500,000 which is allocated for the Nod Road pump station. Groton's portion of the Capital regional school budget is \$553,000, the school has indicated that this will be increased to \$577,000. This is exactly what is available in the Capital stabilization fund for this purpose. Mr. Haddad summarized that the above mentioned are the major items included in the Capital Plan. He proceeded to address the individual items on the proposed capital plan budget list and explained the funding source and payoff plans. He noted that both the bids for the Whitney Treatment plant and the new well at Whitney Pond came in under what was expected which is great news. A question about the golf carts was raised. Mr. Haddad noted that a plan for this year is to purchase 21 gas golf carts and 4 electric golf carts; these last will be the initial test carts for the pilot electric cart program. If successful then a capital request will be made for Installation of the charging stations, and eventually, a transition to all electric powered carts. The question was raised about the Nod Road capital item. It was explained that this is part of the sewer infrastructure improvements. Mr. Haddad stated that this line item is a place holder that was originally put in the budget before consideration of a Mass Works grant scheduled for next year. He states that while it will remain part of the capital plan for FY23, spending on the project will be deferred while grant funds are sought. D. Manugian noted that he likes to have items in the capital plan regardless of what the funding source is for planning purposes and to aid in identifying alternative funding sources. Mr. Haddad spoke about movement of items on the capital plan budget to reprioritize if necessary. The Police Cruisers purchase remains a priority. He mentioned that should additional funds become available, the police station HVAC project would also be prioritized. The library improvements and repairs have been moved forward to FY23 (building alarm system, envelope repairs and emergency exit doors). An example of one of the items that has been delayed because of the of grant funding is the Fire Department SCBA

replacement. A discussion ensued about the front loader trucks' estimated replacement cycle (5-7 years) and the need for two machines at the transfer station. M. Sulprizio stated that he would consider it to be best practice to have a backup loader on hand at the Transfer Station in case one of the machines breaks down. More information regarding the loader trucks was requested by a Member of the Finance Committee. G. Green stated he is in favor of meeting with the capital planning committee to review the accuracy and the progress on the 5-year plan to avoid future surprise expenditures.

Reserve fund transfer Fire Department – Fire Chief, Steele McCurdy led the discussion explaining that engine #5 was involved an accident enroute to a call during an ice storm. The estimated cost for the repair is \$95,000 and the insurance company will be covering this amount, less the Town's responsibility for the deductible of \$2,500. He noted that the Town might want to consider undertaking a refurbishment of Engine #5 whilst it is in the shop for repairs. The refurbishing process, commonly used on other town fire apparatus, could add 12 to 15 years of active duty to the (2005) Engine #5. Chief McCurdy noted that the first most important items of attention are rebuilding the engine and transmission at an estimated cost of \$62,000. The repair from the accident would be covered by the insurance company and then the delta cost for the remaining refurbishment would have to be determined. He noted that Engine #1 is out for refurbishment currently and will cost approximately \$185,000 so the fleet is depleted at this time. He anticipates a significant increase in cost of refurbishment for the second truck due to the cost increases in parts for fire safety apparatus (30-50% increases). In summary, the first option is to do the repair from the accident at a cost of approximately \$2,500 of insurance deductible and then replace the Engine with a new one in FY 2028 (5-years). Choice two is funding the refurbishment at the same time the truck is in the shop being repaired from the accident. The Chief noted that a replacement cost for this type of Fire Engine is \$700,000-750,000. The original reason he was requesting the reserve fund transfer was for the engine and transmission repair. After discussion, it was decided to hold off on the Reserve Fund Transfer until a more complete cost estimate for the repairs and proposed refurbishment was received, and the finance committee took no action. J. Degen spoke in favor of doing the repair without spending money on the refurbishment pointing out the age of the truck and that it is in the plan for full replacement in FY2028. D. Manugian asked for the proposed refurbishment scenario be placed in the capital plan so it can be considered with all other potential capital expenditures and decisions. He proposed the reduction of an item off the FY23 proposed capital budget under discussion to incorporate the refurbishment option. Mr. Haddad will prepare a placeholder for the 2022 ATM Warrant for this potential refurbishment. More discussion will be forthcoming.

Presentation for the Florence Roche Elementary School – Various Borrowing Proposals were presented by Hannah Moller (see attached PowerPoint Presentation).

The Town has authorized the borrowing of \$77 MIL for the Florence Roche Elementary School Construction project at the 2021 Spring Town meeting. \$26 MIL is expected in reimbursement from MA school building assistance program. The total Town obligation is approximately \$52 MIL. The first phase of the project is financed in the amount of \$8 MIL with a permanent bond payable over 20 years. The town will need to finance the remaining \$44 MIL in the next two years to complete the project.

The Town's finance team has met to work on and compile various scenarios to determine the best course of action on financing this project. Three scenarios were presented with associated estimated yearly impact to the taxpayer. The final recommendation made by the finance team was aligned with scenario #3 of the presentation (which results in the lowest impact to the taxpayer) and presented as

follows; issue a permanent bond of \$20 MIL over 25 years in 2022, secure a Bond Anticipation Note (BAN) in the amount of \$24 MIL over two years beginning in 2023, issue a permanent bond of \$24 MIL over 25 years in 2025.

J. Degen expressed concern over the predicted increase of the interest rates and how that was considered in the analysis and how it impacts the decision. H. Moller agreed with his concerns but said that the entire project cannot be bonded all at once due to legal arbitrage constraints. Borrowing must be loosely aligned with annual construction costs. C. Doody noted he would prefer option #2 to leverage the Town's excellent bond rating and would have preferred to finance the whole amount now to take advantage of the current low interest rates. G. Green agreed with other commenters that the risk of increasing interest rates is considerable.

Mr. Haddad stated that the benefit of Scenario #3 is that it would allow for a switch to Scenario #1 if there is a sharp escalation in interest rates in the next few years. He (and the finance team) favor option #3 and bonding \$20 MIL now to take advantage of the low interest rates and the Town's excellent bond rating. D. Manugian spoke to the fact that a payment of \$650 today may only be \$400 in the future due to the change in the value of the dollar. Ms. Moller agreed that this was a consideration, however the fact remains that the Town is not permitted to borrow the full estimated cost in advance of construction. J. Degen commented on the importance of analyzing the impact of any other new municipal buildings that may be needed whilst this loan is in place.

Bud Robertson polled the finance committee members to select which option they prefer for financing this debt. M. Sulprizio selected #3, C. Doody selected #3 with a review in the next two years, J. McDonald #3, D. Manugian #3, G. Green #3 with a review in the next two years, B. Robertson agreed #3 with a review in two years. 6 Finance Committee Members were in favor of Option #3, and none were opposed.

J. Degen moved that the Selectboard authorize the Town Manager and Town Treasurer to implement Scenario #3 with regards to FloRo Construction Funding. J. Riley seconded the motion. A roll call vote was taken as follows; AYE - J. Degen, J. Riley, B. Pine. The motion carried.

Members of the Selectboard expressed appreciation for the arduous work, presentation, and explanation by the finance team on this complicated topic.

Mr. Haddad provided an update on the progress of the Florence Roche elementary school project, noting that the groundbreaking is scheduled for April 2022. The committee is working hard on the design process, costs and development, taking into consideration all the impacts from COVID19 such as lead times, and cost escalators etc.

CPC FloRo Track Replacement Project: The track estimate was formed in 2020 and the committee estimated initially at \$1.4 MIL which was authorized by Town meeting. Community Preservation Committee (CPC) funds were secured to fund the track. However, due to existing topography of the building site in addition to other design requirements, it was concluded that a much more accurate estimate of the cost of the track is \$2.4 MIL. Mr. Haddad said that the Town returned to the CPC committee to ask for an off-cycle application for an additional \$1.0 MIL for the new estimate for the track project. The CPC voted to accept the application and will make a final determination on whether they will

bring this request forward to Spring Town meeting. The CPC asked for input from the Finance Committee on this development. Mr. Haddad noted a few facts; the track is a part of the Florence Roche School project and as such must be funded. If the additional funds do not come from the CPC, they will be taken from the contingency fund which will impact other aspects of the school construction project. He further noted that the track piece was pulled out the bond appropriation for the main school construction project because of the preference for CPC funding for the track. Based on the current school construction project updates, the building committee is already considering cuts of \$5 MIL from the project. If the CPC does not fund the track, this will result in an additional \$1 MIL cut from the main project. This \$1 MIL funded by the CPC is crucial to the project for the following reasons: 1. it will help prevent further cuts to the main building construction budget. 2. it will not impact the taxpayers because it is funded by the annual surtax that the CPC already collects (does not add to the tax burden) 3. the Building Committee would like to avoid going back to Town Meeting for an additional appropriation to support this very expensive project.

J. Degen expressed opposition to the additional track expenditure. While he appreciates that the track is valuable, he indicated that it is not a priority for education. He confirmed that the school building construction design has not been finalized and neither has it gone to bid. At the time the bids are received, if the bids do come in below the budget, then the money available therein would be a preferable funding source for the track portion of the project. The construction budget is \$62 MIL including the track according to Mr. Haddad. The \$77 MIL figure includes contingencies, paying engineering, and other expenses. Mr. Haddad would recommend that if the bids come in lower than budgeted, to simply reduce the amount of the borrowing. M. Sulprizio pointed out that the community members of all ages can use the track, and this will only add support of the project as a whole.

G. Green made a motion to support an out of cycle application for \$1 MIL for a track to the CPC. M. Sulprizio seconded the motion. A roll call vote was taken as follows; AYE – C. Doody, J. McDonald, D. Manugian, M. Sulprizio, G. Green, B Robertson. 6-0-0 The motion carried.

Discussion then turned to the Proposed Fiscal Year 2023 Operating budget. Mr. Haddad screen-shared a 2/3/22 memo he sent to update the Select Board and Finance Committee on recommended changes to the Town Manager's Proposed Fiscal Year 2023 Operating Budget. His proposed changes address the \$303,818.00 additional funding needed by the Groton Dunstable Regional School (GDRS) District over the placeholder in his original FY2023 Proposed operating budget.

Revenue adjustments including State Aid, reduction in State Assessments, Motor Vehicle excise tax, and Fees reduced the deficit by \$55,315.00. Expense adjustments were also proposed including the GDRSD Operating assessment, GDRSD Capital Assessment, health insurance, fire department, communication department, council on aging. After those adjustments, a \$100,000 budget deficit remained which was presented to the Boards.

Mr. Haddad pointed out that this is a "level services" budget, meaning everything in the current budget is what is already offered for Town services, and he does not wish to cut more of the municipal operating budget (collective bargaining needs are, however, incorporated). He previously asked GDRSD if they could cut another \$100,000 out of the FY23 assessment. The schools replied that they are also struggling to maintain a level services budget and are reluctant to cut more than \$12k at this time.

Mr. Haddad said it is now a decision of the finance committee whether to fund the school's requested assessment which would require the Town Manager to cut approximately \$90,000 out of the

operating budget. He commented that he is not in favor of adjusting estimated receipts any further than he already has (may be overestimated at present). Mr. Haddad shared another spreadsheet with the meeting which had the total operating budget figure of \$45,490,152 with fully funded school appropriation. He stated that with all these adjustments, the FY2023 Deficit is \$98,488. He then mentioned not funding the schools for \$98,488 or removing the snow and ice deficit as other options.

J. Degen expressed opposition to cutting the snow and ice deficit. He asked for the amount in the overlay surplus account. P. Dufresne. replied that presently there is \$706,000 in overlay, which is before any adjustments are made for the January abatements. Mr. Haddad then commented that realistically, there would be enough in this overlay account to cover the snow and ice if needed. P. Dufresne reminded the meeting that this funding is only available at the discretion of the Assessors. B. Robertson commented that the schools should be funded, the snow and ice deficit may be an option and is also open to considering free cash. Mr. Haddad stated he would use free cash to replenish snow and ice but not for ongoing operating expenses. B. Robertson supported removal of the snow and ice deficit from the FY23 operating budget, full funding of the GDRSD request, replenishing with free cash or overlay (if necessary) as a favorable direction for Mr. Haddad to take as he finalizes the FY23 budget. Mr. Haddad commented he is incredibly pleased with the district's FY23 budget process and the great collaboration going on with the Town finance team.

Mr. Haddad will finalize the budget numbers and hopes the Select Board will ratify union contract negotiations in the upcoming weeks. Once contract negotiations are complete, he will again adjust the budget, increase the applicable line items, and return an amended budget to the Boards with the changes incorporated. He is targeting a deliverable date prior to the Select Board and Finance Committee's public hearing on the Warrant scheduled for March 14, 2022. April 11, 2022, is the final date for any adjustment to the Warrant, as it will go to print on April 15, 2022.

B Pine adjourned the Selectboard meeting at 8:03 pm.

Approval of Minutes:

D. Manugian moved to approve the minutes of 1-10-2022 as written. J. McDonald seconded. A roll call vote was taken as follows; AYE – J. McDonald, D. Manugian, M. Sulprizio, G. Green, B Robertson. Abstain – C. Doody. 5-0-1 The motion carried.

D. Manugian moved to approve the minutes of 1-18-2022 as amended. J. McDonald seconded. A roll call vote was taken as follows; AYE – J. McDonald, C. Doody, D. Manugian, M. Sulprizio, G. Green, B Robertson. Abstain – M. Sulprizio. 5-0-1 The motion carried. D. Manugian amendment: add note after he abstained "he abstained because he had to leave part of the meeting and did not hear the material presented by the applicants"

D. Manugian moved to approve the minutes of 1-22-2022 as written. J. McDonald seconded. A roll call vote was taken as follows; AYE – J. McDonald, D. Manugian, M. Sulprizio, G. Green, B Robertson, C. Doody. 6-0-0 The motion carried.

D. Manugian commented that he does not see the need for a separate warrant article should the Town go forward with the refurbishment of Engine #5. He commented that this is in the capital plan and is a capital investment and is interested in having more discussion on this.

G. Green Made a motion to adjourn at 8:11 pm. J. McDonald seconded the motion. A roll call vote was taken as follows; AYE – J. McDonald, D. Manugian, M. Sulprizio, G. Green, B Robertson, C. Doody. 6-0-0
The motion carried.

Respectfully submitted,

Elizabeth Faxon

Per diem minute taker, Town of Groton.

REQUEST FOR TRANSFER FROM THE RESERVE FUND
(To be submitted in triplicate)

Date: 2/15/22

Finance Committee
Town of Groton

Ladies & Gentlemen:

A request is hereby made for the following transfer from the Reserve Fund in accordance with Chapter 40, Section 6, of the Massachusetts General Laws:

1. Amount requested: \$62,750
2. To be transferred to: Fire Dept Expenses
3. Present balance in said appropriation: \$83,000


4. The amount requested will be used for (give specific purpose):

To begin the process of refurbishment on Engine 5. With the recent damage to the vehicle after a crash, and the need to send the vehicle in to the shop for repairs, the opportunity exists to refurbish the truck. The capital plan does not reflect this refurbishment, instead replaces the truck in FY28. With close to \$100,000 being put in to the truck for repairs, it may make sense to refurb the truck to gain another 12-15 years depending on usage.

The only caution is the major price increases due to current inflation issues.

5. This expenditure is extraordinary and /or unforeseen for the following reasons:

Accident



Officer or Department Head

Action of Finance Committee

Date of Meeting _____ Number Present and Voting _____

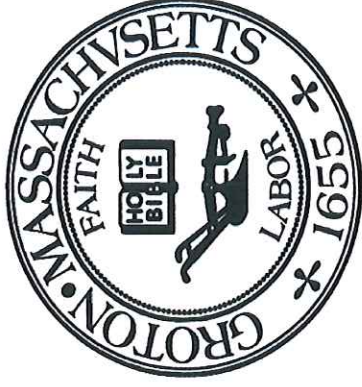
Transfer voted in the sum of \$ _____

Finance Committee Chair

Transfer NOT approved _____

Finance Committee Chair

Request must be made and transfer voted before any
expenditure in excess of appropriation is incurred.



FLORENCE ROCHE ELEMENTARY SCHOOL

VARIOUS BORROWING PROPOSALS

SUMMARY RECAP

- **2021 Spring Town Meeting Authorized Borrowing \$77,900,734 (including track) for the Florence Roche Elementary School Construction Project.**
- **Anticipated Massachusetts School Building Assistance (MSBA) Reimbursement is approx. \$26,000,000**
- **Town would need to finance approximately \$52,000,000.**

SUMMARY RECAP

- In Spring of 2021, the Select Board approved an \$8,000,000 Permanent Bond for the first phase of the project. This will be paid back over 20 years.
- Over the next two years, the Town will need to borrow the remaining \$44,000,000 to complete the project.
- In 2022, the estimated draw down schedule calls for \$20,000,000 to be spent over the next year. This will leave \$24,000,000 to be borrowed in 2023.

DECISION POINTS

- How will the Town Bond the \$20,000,000 this year?
- How will the Town Bond the \$24,000,000 in 2023?
- When will the Town need to permanently finance the entire project?
- How do Interest Rates Impact the Decision?
- How does the Town utilize its strong AAA Bond Rating?

PROPOSED SCENARIOS

- To determine the best course of action, the Town's Finance Team considered the following:
- A review of bonds issued by other communities with a similar bond rating to Groton to determine the anticipated interest rates.
- A review of information concerning anticipated interest rate adjustments by the Federal Reserve over the next twelve months.
- Developing a plan to ease the impact of the Debt Service on Groton's Taxpayers.
- Based on this, the Town's Finance Team has developed three scenarios for consideration.

SCENARIO #1

- Permanently Finance \$20,000,000 over 25 years in 2022 (first debt service payment in Spring of 2023).
- Issue a Bond Anticipation Note (BAN) of \$24,000,000 in 2023 (interest payment in Spring of 2024).
- Permanently Finance \$24,000,000 over 25 years in 2024 (first debt service payment in Spring of 2025).

SCENARIO #2

- Bond Anticipation Note (BAN) of \$20,000,000 in Spring of 2022 (interest payment in Spring of 2023).
- BAN of \$44,000,000 in Spring of 2023 (interest payment in Spring of 2024).
- Permanently Finance \$44,000,000 over 25 years in Spring of 2024 (first debt service payment in Spring of 2025).

SCENARIO #3

- Permanently Finance \$20,000,000 over 25 years in 2022 (first debt service payment in Spring of 2023).
- Issue a Bond Anticipation Note (BAN) of \$24,000,000 in 2023 (interest payments only in Spring of 2024 and 2025).
- Permanently Finance \$24,000,000 over 25 years in 2025 (first debt service payment in Spring of 2026).

IMPACT OF SCENARIO #1

- Current Interest Owed on \$8 million Issued in last year is \$2,225,906.
- Total Interest of \$20,000,000 Bond over 25 years is anticipated to be \$7,566,000.
- Interest on BAN of \$24,000,000 for one year is anticipated to be \$698,400.
- Total Interest on \$24,000,000 Bond over 25 years is anticipated to be \$9,079,200.
- Total Interest anticipated to be paid under this Scenario is \$19,569,506.
- Total Tax Impact on Average Tax Payer (based on FY 2022 Tax Rate) is anticipated to be \$17,798.92 or an average of \$659.22 over the next 27 years.

IMPACT OF SCENARIO #2

- Current Interest Owed on \$8 million Issued in last year is \$2,225,906.
- Interest on BAN of \$20,000,000 for one year is anticipated to be \$582,000.
- Interest on BAN of \$44,000,000 for one year is anticipated to be \$1,280,400.
- Total Interest of \$44,000,000 Bond over 25 years is anticipated to be \$19,505,200.
- Total Interest anticipated to be paid under this Scenario is \$23,593,506.
- Total Tax Impact on Average Tax Payer (based on FY 2022 Tax Rate) is anticipated to be \$18,996.24 or an average of \$678.44 over the next 28 years.

IMPACT OF SCENARIO #3

- Current Interest Owed on \$8 million Issued in last year is \$2,225,906.
- Total Interest of \$20,000,000 Bond over 25 years is anticipated to be \$7,566,000.
- Interest on BAN of \$24,000,000 for two years is anticipated to be \$1,396,800.
- Total Interest on \$24,000,000 Bond over 25 years is anticipated to be \$9,079,200.
- Total Interest anticipated to be paid under this Scenario is \$20,257,906.
- Total Tax Impact on Average Tax Payer (based on FY 2022 Tax Rate) is anticipated to be \$18,153.06 or an average of \$625.97 over the next 29 years.

RECOMMENDED ACTION

- **ISSUE A PERMANENT BOND OF \$20,000,000 OVER 25 YEARS IN 2022.**
- **BAN \$24,000,000 OVER TWO YEARS BEGINNING IN 2023.**
- **ISSUE A PERMANENT BOND OF \$24,000,000 OVER 25 YEARS IN 2025.**