

**BOARD OF SELECTMEN MEETING
BUDGET GUIDANCE MEETING WITH FINANCE COMMITTEE
MONDAY, SEPTEMBER 25, 2017
APPROVED**

Present: Joshua Degen, Chair; Barry Pease, Vice Chair; Alison Manugian, Clerk; Jack Petropoulos,
Absent: Becky Pine
Also Present: Mark W. Haddad, Town Manager; Dawn Dunbar, Executive Assistant;
Finance Committee Members Present: Gary Green, Art Prest, Bud Robertson and Lorraine Leonard

Mr. Degen called the meeting to order at 6:00pm. Mr. Green called the Finance Committee to order at 6:00pm.

Mr. Haddad said that he and the Finance Team had met and worked on some preliminary revenue estimates. He said it appeared that they might have an additional 3.8% in revenue next year. This included \$100K more in estimated receipts, \$15M in new growth and state aid. He cautioned the Boards that these were just estimates as the end of FY19 was almost two (2) years away. He said that he had a meeting with the Chair of Mr. Degen, Mr. Green and Mr. Robertson and the Finance Team. During that meeting they discussed how preliminary estimates showed a 3% increase on the municipal side. If the schools increase 3% that equaled a 4.5% increase. He reminded everyone that they were going into negotiations with seven (7) unions this fall adding he would need feedback from the Boards soon on collective bargaining.

Mr. Petropoulos asked what the previous years expected budget growth rate was. Mr. Haddad said he believed it was around 3.4% adding that the guidance given last year was to not exceed 2.4%. Mr. Petropoulos asked if there was a reason for a 10% bump. Mr. Haddad said that there was an accounting error which resulted in \$2.3M in free cash adding that was higher than in previous years. Mr. Haddad said they were looking at increasing estimated receipts by \$100K adding he was a little uncomfortable with that but Mr. Robertson thought they could. Mr. Robertson said that since they generated a lot of free cash he thought they should be putting more revenue into the lines to give them what they needed. He said that they should still be left with a healthy free cash balance. Mr. Haddad said that estimated receipts were a guess every year adding that the economy drove them (includes building permit fees, meals tax, excise taxes, etc.). He said he was raising estimated receipts reluctantly also. Mr. Pease talked about new restaurants coming online justifying the increase in estimate receipts.

Mr. Green said that they didn't have a town economist to provide them with a forecast adding they were however in a long expansion. He said he thought they should go ahead with this guidance adding they will have a better idea of their comfort level as they go through the budget process. He said he supported the Town Manager's very fiscally conservative figures. Mr. Green added that they needed to try to fund the needs of the district and municipality.

Mr. Scott Whitefield arrived at 6:16pm.

Mr. Petropoulos said that they were in a historically long expansion period but that they had developed a bad habit of spending free cash in the fall. He said he was not in favor of gambling and was in favor of being more conservative including returning more money to the tax payers. Ms. Manugian said she recognized that budgeting was a conservative endeavor but her goal was to have a clear picture so the voters understood what they were being asked to vote on. She said that this did not look like conservative budgeting but rather lack of transparency. She said there was the illusion they had extra money, that they

were rolling into free cash and she thought they could do a better job with the budgeting so it didn't come out of bonus money.

Ms. Pine arrived at 6:21pm.

Mr. Petropoulos how much turned back was unanticipated revenue vs. anticipated revenue. Ms. Dufresne said they turned back \$500K with \$100K of that being reserve fund money and dispatch wages because of the amount of the communications grant they received. Mr. Petropoulos said that was about 3% and asked if they tried to sharpen their pencil, how risky would it be. Mr. Green said that they always try to turn back as much as they can from the reserve fund. He said that was not overbudgeting but rather good operations. He said that Ms. Manugian's use of the word transparency was not the right word and hoped she would refine that statement. He said it was very painful for the Town when the school had an overrun adding they have no one that could help the Town if the Town had an overrun. Mr. Degen said that they could only be so optimistic when looking at the past. He said that the Town Manager increased estimated receipts \$100K more than he wanted to adding he (Degen) would rather have a cash windfall than a cash shortage. Mr. Degen said that Mr. Haddad needed to be conservative. Mr. Degen said that they needed to provide budget guidance and could discuss transparency later on.

Ms. Manugian said she was not comfortable with this knowing that a few had met previously and that they needed to run with this at this point. She said she would be more comfortable removing individual line item contingencies. Mr. Haddad said that their budget was the most transparent one would find adding they had to guess at things 18 months in advance. He said they had a 911 grant they had to fully budget for that turned back about \$70-80K. He said that Wall Street had come in, looked at their budgeting ways and determined that the Town should have a AAA bond rating. He said he took offense to the comment that they were not transparent. He said that they provide the Board with quarterly budget updates to show where they were at with revenue and expenses adding he would continue to push for conservative numbers on the revenue side. Mr. Petropoulos said that every line item that was budgeted was explained and defended at a long Saturday morning meeting in addition to the initial budget meeting with the Finance Team. He said that the Saturday morning budget meeting was broadcast on live TV making the process transparent.

Mr. Robertson said that free cash funded the capital stabilization and stabilization funds. He said that free cash was also funding some of the school's one-time budget needs. He said he would not be comfortable increasing estimated receipts more than 200K adding that putting more out there was not the right answer but that they needed to use something to avoid layoffs as an example. Mr. Haddad said that some free cash was also used to pay down debt to help the tax payers. Mr. Robertson said that it was also being used to fund OPEB.

Mr. Pease said his biggest fear was that under estimated revenues lead to talks about overrides. He thought that would be catastrophic. He said he thought it was possible to predict surplus in building and thought they could fine tooth some of those numbers. Ms. Manugian asked when looking at the 10-year budget history if it was looked at in terms of budgeted or actuals. Mr. Haddad replied "actuals."

Ms. Pine asked what the actual guidance being contemplated was. Mr. Haddad said 3% growth with 3.8% on revenues. Mr. Green said that included "included debt." Mr. Robertson said that was the total for schools and town.

Mr. Robertson moved that they give guidance that with an estimated 3.8% in revenue that spending on the municipal side be no more than 3% with schools spending at 4.5% for a total town not to exceed limit of 3.8%. Mr. Prest seconded the motion. The motion of the Finance Committee carried unanimously.

Mr. Petropoulos said he would prefer to wait on taking a vote. Ms. Manugian agreed.

Mr. Pease said that they were not the same town adding one year the guidance discussion was not to exceed 1%, next year it was 2% and now they were looking at a not to exceed of 3%. Mr. Degen said they were in a different time and different year adding they needed to look at things year after year. Mr. Petropoulos said that Mr. Pease's comment was philosophical; more of an observation than a judgement adding he didn't disagree with him. Mr. Petropoulos said that they had also become more realistic with their revenue growth and needed to be careful. Mr. Green said that they were not in a financial crisis as he was quoted stating two (2) years ago adding his support of this was based on a sustainable model. He said they could not grow the Town and Schools by growing at 1% or 0%. He said this wasn't the last discussion on this adding there would be a lot more meetings on the budget. Ms. Manugian said that the discussion had with a few gave the others a disadvantage. Mr. Petropoulos said that those sub group meetings had to happen to in order to hash out the small details.

Approved: _____
Alison Manugian, Clerk

_____ respectfully *submitted*,
Dawn Dunbar
Executive Assistant to the Town Manager

Date approved: 10/17/17

**BOARD OF SELECTMEN MEETING
MINUTES SEPTEMBER 25, 2017
APPROVED**

BOS Members Present: Joshua A. Degen, Chair; Barry A. Pease, Vice Chair; Alison S. Manugian, Clerk; Rebecca H. Pine, Member; John G. Petropoulos;
Also Present: Mark W. Haddad, Town Manager; Dawn Dunbar, Executive Assistant

Mr. Degen called the meeting to order at 7:14pm and reviewed the agenda. He explained how they had just wrapped up a meeting with the Finance Committee where they discussed budget guidance and an executive session with respect to collective bargaining.

ANNOUNCEMENTS

Mr. Degen said that Grotonfest was a huge success and thanked Jane Bouvier for organizing and everyone who attended.

Mr. Degen said that there was an event on Thursday September 28th at 6pm at the Bull Run for Pages for Peace and a great person who was no longer with them. He said that the cost was \$40 per person event and included a guest speaker and night of auctions.

CHAMBERLAINS MILL LANE - ROAD LAYOUT HEARING

Mr. Haddad read the public hearing notice into record. He said that the Planning Board had approved of the road layout and recommended the Board adopt the layout. He said that the Planning Board had also voted to keep a \$3,900 performance bond to replace a couple for trees in the right of way. Mr. Haddad said that all abutters were notified of the hearing.

Mr. Pease moved to open the public hearing. Ms. Manugian seconded the motion. The motion carried unanimously.

Attorney Collins said that this was a small subdivision built by Robert Kiley. Attorney Collins said that he had been contacted by one abutter with a question about how much the right of way extended onto his property. Attorney Collins said he told the abutter that there were granite bounds he could refer for an accurate measurement adding it was about 10 ft.

Mr. Pease moved to close the public hearing on Chamberlains Mill Lane. Ms. Manugian seconded the motion. The motion carried unanimously.

Mr. Pease moved that they adopt the layout of Chamberlains Mill Lane contingent on the hold back of \$3,900 until the conditions of the performance bond had been satisfied. Ms. Manugian seconded the motion. The motion carried unanimously.

TOWN MANAGER'S REPORT

1. Mr. Haddad reviewed balances in funds pending Town Meeting approval of all articles as part of the continuation of the public hearing on the warrant. He said that free cash would have a balance of \$632,401 at the end of Town Meeting if items were funded.

Mr. Pease moved to continue the hearing on warrant. Ms. Pine seconded the motion. The motion carried unanimously.

Mr. Green said they had not finalized an amount on which to fund the GDRSD capital stabilization fund. He said that figures ranged from \$400-600K. Mr. Green said that the Finance Committee voted to recommend they offset tax rate by zero dollars. Mr. Green said they voted to recommend that \$10K be put into the Town's stabilization fund as recommended, that they did not vote on the Senior Center article at this point, that they did not vote on an amount to fund the Town's capital stabilization fund yet, that they unanimously approved funding the Town's portion of the School Districts phone system upgrades, and that they liked the idea of requesting full funding for cyclical inspections. Ms. Pine said it didn't appear that they would be seeing a benefit if they completed the cyclical inspections at once vs. over five years. Mr. Pease said that they would be citing the potential for additional revenue and

the benefit of a fairness issue. Mr. Haddad said he would have an amount for them after the bid opening on October 12th. Mr. Green said they also voted to recommend funding for the Complete Streets engineering.

Mr. Degen said if they were to support \$346K for telephone and internet infrastructure upgrades for the District, he was comfortable with proposing they fund a new capital fund for GDRSD with \$500K. Mr. Sjoberg asked what next year's plan was for the Districts capital spending. Ms. Gilbert said that the School Committee was meeting to discuss their audit the next day adding they may be looking at one-time costs based on the audit review. She said that they had estimated spending \$450K-475K on capital. Mr. Pease said that he suggested \$600K based on slides presented during the Summit meeting where capital costs for Groton were shown as being around \$576K. Ms. Gilbert said she thought the total amount for Groton included the wiring infrastructure. Mr. Haddad suggested that if the estimated capital expenses were between \$400-500K that \$500K made sense adding that if the School Committee came back with a larger number they could consider raising it to \$600K. Mr. Degen said that they could also always request more money at the Spring Town Meeting to meet the needs. Mr. Pease said he was very uncomfortable putting a number out there before they had clarification.

Mr. Haddad asked the Board if they wanted to take money out of free cash to offset the tax rate. Mr. Pease asked if they were to spend money to pay down debt, was there a long-term plan for saving taxpayers money. Mr. Haddad said that he did not have those figures with him. Mr. Degen said it was extremely beneficial to the tax payers based on what he remembered. Mr. Pease asked that this be tabled for one more week adding that long term tax payer savings would be better than onetime savings. Mr. Petropoulos argued in favor of onetime savings. Mr. Degen said that with \$272K in debt paydown they would be left with a balance in free cash of \$370K. Mr. Degen said that the Town Accountant was comfortable with \$200-250K balance in free cash and the Town Manager was more comfortable with a balance of \$300-400K in free cash. Ms. Pine asked what could be done if they did not use free cash to offset the tax rate. Mr. Haddad said that he was just reminded that they had planned to use \$100K to pay down OPEB in the Spring. Mr. Degen proposed offsetting the tax rate by \$14,500 and keep the tax rate the same. Mr. Petropoulos said he could approve something like that adding he would like to see them offset the tax rate. Mr. Pease reminded folks that Town Meeting voted down an offset to the tax rate last year. Mr. Petropoulos proposed using \$100K to offset the tax rate.

Mr. Petropoulos moved to offset the tax rate by \$100K. Ms. Pine seconded the motion.

Mr. Pease asked about not using money to fund a debt paydown and instead return it to the tax payers along with an additional \$100K.

Mr. Petropoulos amended his motion to add the words "at least \$100K". Mr. Pease seconded the motion.

Ms. Manugian said she was concerned with giving back money already allocated adding they were creating a cliff for next year adding this was not a long-term solution. She said it made sense to her to hold onto the \$100K plus the debt paydown. She said a lot of folks would not understand that giving money back meant it would be a higher hit the following year. Mr. Petropoulos said it sent a message that they didn't need all the money right now. Ms. Manugian said she was not comfortable saying that. Ms. Gilbert said she wanted the opportunity as a tax payer to say whether she wanted her money back now or not.

The motion carried 4-0-1 with Ms. Manugian abstaining as she did not have enough information.

Mr. Haddad said that they needed to discuss placement of the citizen petition warrant articles. Mr. Degen said he heard article 19 might be getting pulled. Ms. Manugian said she thought the citizen petition articles should be at the end of the warrant. She said that the remainder of the articles were recurring and had a time element to them. Mr. Degen said he agreed adding that the All Are Welcome stones article was a revisit of a previous town meeting article. He said he didn't want to see the diverseness that had occurred over this hanging over town meeting. Mr. Pease said there had been town meetings where they have had a petition in the middle of a town meeting. He thought they should be making a decision based on how they move forward with a rule or boundary. Ms. Pine said

that placement of articles didn't always end up being fair adding she was okay with having this particular one be first. Mr. Petropoulos said he thought origin was irrelevant adding that articles should be looked at as equal. He said he liked it where it was or perhaps place it after the routine articles. Mr. Degen said he supported where it was.

BOARD POSITIONS ON ARTICLES

Article 1: Petropoulos/Pine/Degen/Manugian – against; Pease - abstain

Article 2: deferred

Article 3: \$10K in Town Manager Expenses to cover a meeting minute taker - UNAN

\$4K in Town Clerk Wages - UNAN

\$500 in IT wages - UNAN

Article 4: UNAN

Article 5: \$500K in Capital Stabilization – Petropoulos/Degen/Pine/Pease – support; Manugian – deferred

Article 6: \$10K in Stabilization Fund - Petropoulos/Degen/Pine/Pease – support; Manugian – deferred

Article 7: Senior Center Design and Bid funds - deferred

Article 8: Capital Stabilization for GDRSD – Mr. Green said that the Finance Committee was in favor of creating the fund by a 5-2 vote with those against it stating they were only against creating an additional fund when we already have one we could put money into. They were unanimous on funding it with \$500K. Mr. Pease said he needed to wait for better numbers. The Board was unanimous that the number was between \$400-500K.

Article 9: Finance Committee and Selectmen were UNAN

Article 10: Selectmen deferred; Mr. Green said that the Finance Committee was conditional on its support if the number was \$110K or less.

Article 11: UNAN

Article 12: Petropoulos/Degen/Pine/Pease – support; Manugian – deferred

Article 13: Mr. Haddad said that the Commissioners had received one proposal from Dan McElroy adding he had invited GELD into their meeting the following week to discuss this. He asked the Board to hold off.

Article 14: UNAN

Article 15: UNAN

Article 16: Ms. Pine said she asked a member of the CPC why they were proposing this. She said that the Planning Board asked that it be changed to be done on a yearly basis and the Park Commission liked that idea also. Mr. Pease said the Board of Selectmen received no communication asking if they wanted their seats term limits changed. Mr. Haddad said it could be because of what state statute said. Petropoulos/Pease supported this. The remainder of the Board deferred pending clarification.

Article 17: UNAN

Article 18: UNAN

Article 19: Deferred

Mr. Pease moved to close the public hearing on the warrant. Ms. Manugian seconded the motion. The motion carried unanimously.

2. Ms. Manugian moved to adopt the policy on accepting articles from the Regional School Committees as drafted. move to adopt as drafted. Mr. Pease seconded the motion. The motion carried unanimously.

3. Ms. Manugian moved to affirm the Town Manager’s appointment of Carole Greenfield at the Greenway Committee. Ms. Pine seconded the motion. The motion carried unanimously.

MINUTES

Ms. Manugian moved to approve the meeting minutes of September 11, 2017 as presented. Ms. Pine seconded the motion. The motion carried 4-0-1 with Mr. Petropoulos abstaining.

Approved: _____
Alison Manugian, Clerk

_____ respectfully submitted,
Dawn Dunbar, Executive Assistant

Date Approved: 10/17/17