

Budget Sustainability Meeting
Friday, August 26, 2016

Members Present: Kevin Forsmo, Chair; Kevin Brogan, Vice Chair; Mark Haddad, Clerk; Art Prest; Jack Petropoulos; Bud Robertson; Alison Manugian; Patricia Dufresne

Members Absent: Mike Hartnett

Also Present: Dawn Dunbar, Executive Assistant

Mr. Forsmo called the meeting to order at 7:04am.

Mr. Robertson said that he was thinking about budget drivers and the impact that they would have on the budget. He said that there would be on-going impacts and one-time revenue impacts. He said if they were to take general revenue and increase it or decrease it by .1%, they would be looking at a \$33K impact on on-going revenue. He said that a hotel tax could bring in \$150K of one time revenue and a 1% impact to wages would have a \$70K impact to on-going expenses. He said that if they were to have a 1% bonus pool, as an example, they would be looking at a \$70K one-time revenue bump because it was not guaranteed to occur the following year. There was a brief discussion about cutting man power and how that could be looked at as a one-time impact.

Mr. Forsmo reviewed spreadsheet Model 1 that was discussed at the previous meeting. Model 1 looked at historic growth data. He said that Model 2 was pulled from what Mr. Haddad had put together with Mr. Robertson and was labeled the reduced cost model. He said that Model 3 was where they could plug in assumptions and the numbers would reflect those assumptions. Mr. Forsmo said that in continuing with history, the model showed a growing deficit of around \$700K per year. Mr. Robertson said that in the models they had assumed that the schools would spend less than the municipal side adding he thought that both sides should spend the same at 4.7%. Ms. Manugian asked how hard it would be to break out the GD assessment to show wages, benefits and expenses like on the Town side. Mr. Forsmo said that it was difficult adding he tried and struggled with it. Mr. Robertson said that that might be something for the GD Budget Sustainability Committee to do.

Mr. Forsmo said they talked about revenue and had brainstormed, but his feeling was that they should expend to what revenue had been and what it was projected to be. He said that there were things that may be coming and would be great but they couldn't depend on them now. Mr. Robertson said that the municipal side had spent 4.1% of real spending, the same as the schools since the 2012/2013 increase in school spending. Mr. Haddad said that there had been an increase in new growth over the past few years of about \$20M which translated to \$300K in new revenue. Mr. Petropoulos asked if one year that was because of construction at Groton School. Ms. Dufresne said that building permit fees do play a role in that adding that motor vehicle excise has also seen an increase over the past few years. Mr. Forsmo pointed out that the part of the spreadsheet Ms. Dufresne put together on revenue showed an increase over the past few years. Mr. Haddad said he was not sure that would continue. Ms. Dufresne said that they were already seeing a decrease in building permit fees this year.

Mr. Haddad talked about performance increases. He said that if that was brought down, you had ways to bring down the wages percentage. He said it could be addressed on the school side by looking at steps and lane changes. He said that the policy would have to be set that there be no increases in positions for the next five (5) years until the sustainability issue was figured out. He said he wasn't advocating for that

but just throwing it out for discussion purposes. Mr. Robertson said that this working model and chart that Mr. Forsmo put together was great adding they could really work with numbers and see what they would be looking at like wages as had been discussed. Mr. Forsmo also had a chart that showed overrides at

Mr. Prest said that he wanted to talk about revenue. He said that he didn't think they had tried to look for revenue growth using preserved land as an example. He said that if they changed their position as a group (town, boards and committees) and become more business friendly it could help them. He said that the Board of Selectmen was looking at PILOTS which was good but said they should also be also looking at getting rid of the concept plan approval, as an example. He said that the Economic Development Committee was going to be before the Planning Board this fall with this proposal. He said it would eliminate having to go to town meeting, adding that other towns were already doing this. He said that they needed to start to think about how to stimulate more commercial development in Groton as a way to bring in more revenue. Mr. Prest agreed with that they shouldn't be looking to put this into the models but should be thinking outside of the box and thinking ahead. Mr. Petropoulos said that he would like to see Mr. Prest suggest an area of Town where it could be rezoned. He said that like cuts, this was a one-time bump. Mr. Prest said that it was revenue generating property. Mr. Petropoulos said that they hadn't tackled their retirement or OPEB obligations either. Ms. Manugian said that they should also be looking at user fees. She said it wouldn't be substantial but it would help. She said that there was merit to looking at zoning and maybe decrease the lot size requirement. Mr. Forsmo said that people thought the change would affect the Town in a certain way was what he was hearing. He said that showing people this model would maybe make them see things differently or not change their minds about Groton at all. Ms. Manugian said that when they said they have a budget problem, the Town wanted to see more development and when they had too much growth, they want to see less development. Mr. Haddad said that it had to be a two part process; revenues had to increase but they also had to decrease expenses. He said that they needed to look at this moving forward in the budget prep. Just because there may be money to hire a new police officer, it didn't mean there was a need, as an example. Mr. Prest said he just wanted to point out that they needed to maybe change the culture of the Town and look at increasing revenue by means of economic development while keeping their expenses down. Mr. Forsmo suggested that something be written up for the report that discussed the possibilities on the revenue side. Mr. Robertson said that it would give people things to talk about and allow them to decide. He used the Groton Inn construction starting this fall to start discussion about the possibility of a hotel tax.

Mr. Brogan said that it was their job to work with the model and to look at assumptions moving forward and if they were realistic or not. He assumed they would not show people the spreadsheet but just the bar charts with the assumptions. He asked who would work on the more realistic model. Mr. Robertson said that they needed to look at the homework they had been working on and put the assumptions into the model. He said that they needed to look at what was real and what was doable.

Mr. Haddad said that the biggest change in the model would be if they received a bigger commitment from the State on education. He said that would unfortunately probably not change. Mr. Petropoulos said that if they believes they could hold salary and wage growth to 3.2% and the schools do the same, they could expect an override of some sort each year. Ms. Manugian said that this model didn't include OPEB, outside capital, debt, etc. She said that those were put off to the side but could be included in the summary. Ms. Manugian said that capital would have to be excluded but would be an increase to the taxes. Mr. Robertson said that there had historically been free cash and they needed to consider that. There was a discussion about OPEB on the school side and town side and how it was a reoccurring problem both sides had. Mr. Robertson said that they could maybe look to the legislatures to change the retirement

requirements. Mr. Haddad cited a movement made by North Andover to the State legislatures concerning retirement, which in the end failed. Mr. Forsmo asked if they should put in a line item for OPEB. Mr. Robertson said that they could just put in a line item citing a \$500K problem each year that was just there.

Ms. Manugian asked about starting the Schools and Town on the same level playing field adding that the Town had seen some minor increases in expenses over the past couple of years adding they were justified increases. Mr. Haddad said that over the past four years there had been growth on the school side also. Mr. Robertson said that each side had increased by 4.1%. He said that if the 4.1% wasn't enough on the school side because of mandates, they will have to say how to position their issues with the money they have without changes in the mandates. He asked what the 3.2% would make the schools do. Mr. Haddad said that they had to figure in the mandates on the school side and the Committee needed to understand that. Mr. Haddad said that not all the growth was mandated related adding that some of it was increase in salaries. Mr. Forsmo said that they needed to start with spending the same. Mr. Petropoulos said that the model said they needed more revenue adding that the 3.2% showed that. Mr. Haddad said that if the schools needed 4.7%, either the Town needed to absorb the \$250K problem each year or share it with the Town based on the mandates and what they needed. Ms. Manugian asked about not putting this report out now where the schools were only getting started and needing six months to look at these same issues. Mr. Forsmo said that they could put fine print into the report that says these were assumptions based on what they knew about the schools at the time the report was done. Mr. Petropoulos said that he didn't see a problem labeling it draft adding he didn't mind putting some pressure on the schools.

Mr. Brogan said that these models frame the issue but didn't solve the problem. He said that they needed to discuss the solutions. He asked if they were making recommendations to the Selectmen in a month. Mr. Haddad said that they had to if they wanted this to be part of this year's budget process. Mr. Haddad said that Mr. Petropoulos made that point with the assumptions. Mr. Robertson said that FY18 was a problem. Mr. Haddad said that they may need to open the contracts or come up with other options. Mr. Haddad said that they needed to come back next week with recommendations. Mr. Brogan agreed adding they needed to start discussing them. Mr. Haddad said that revenue would be a quick discussion but that expenses would be more difficult. He said that they could start debating suggestions next week. Mr. Haddad said that he had a meeting in two weeks with the Superintendent and Town Administrator from Dunstable to start preliminary budget discussions for next year. Mr. Haddad added that they already had two assumptions that they needed to discuss starting next week. He said that they needed to look at the \$400K problem in FY18 and moving forward. There was a suggestion that suggestions be sent to Mr. Haddad for distribution by Tuesday so that the committee had a couple of days to review the material prior to the next meeting on Thursday.

Mr. Brogan said that he thought the report needed to include the suggestions for their current state, the definition of sustainability, the current models including assumptions and finally recommendations. Mr. Haddad said that the recommendations was important because he needed to receive guidance from the Selectmen prior to the budget cycle adding the Selectmen needed this report to do that.

Mr. Prest asked where they were at with the operational audit. Mr. Haddad said that they had received estimates of around \$45K adding they would need to have a warrant article for the Fall Town Meeting to issue an RFP and appropriate funding. Mr. Haddad said that he would have a draft for them at their next meeting to review. Mr. Prest asked if there was a movement of the schools to change the contribution the schools get from the State. Ms. Manugian said that they were involved in three organizations adding they were in a tough position because they were already receiving more than what the state thought adding that if they rocked the boat too much they could see a loss of Chapter 70 funds by about as much

as 2/3rds. Mr. Petropoulos asked if all towns were staying steady. Ms. Manugian said that some were seeing an increase adding if the State were to look at Groton-Dunstable, they could be looking at a Lexington type assessment.

Mr. Petropoulos moved to accept the minutes of August 11, 2016 as amended. Mr. Forsmo seconded the motion. The motion carried unanimously.

The meeting adjourned at 8:45am.

Respectfully submitted,

Dawn Dunbar, Executive Assistant to the Town Manager

APPROVED: September 1, 2016

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