



Fairhaven Board of Selectmen

December 12, 2013 Meeting Minutes

Present: Chairman Charles Murphy, Vice Chairman Robert Espindola, Clerk Geoffrey Haworth, Executive Secretary Jeffrey Osuch, and Administrative Assistant Anne Kakley.

Chairman Charles Murphy called the meeting to order in the Town Hall Banquet Room at 6:06 p.m. The meeting was telecast and video recorded by Government Access and audio recorded by Anne Kakley. Various points of the meeting were also video recorded by WCVB Channel 5 and Channel 12 Eyewitness News.

MOMENT OF SILENCE – MATTHEW RODRIGUEZ

Mr. Murphy opened the meeting with a moment of silence for Lance Cpl. Matthew Rodriguez, a 19-year-old Fairhaven Marine killed in Afghanistan the day prior. The Board offered its condolences to the Rodriguez family.

FY15 BUDGET

The Board held a special meeting for the purpose of setting certain fiscal goals for revenue, capital planning, Free Cash and Stabilization Fund goals.

The Board reviewed spreadsheets, prepared by Mr. Osuch, showing projected revenues and expenditures. See Attachment A.

The Board also reviewed a memo from Mr. Osuch, entitled “FY2013 Budget and Capital Projects”. See Attachment B.

Discussion ensued regarding the future of revenue, including potential new sources of revenue. It was agreed that any new source of revenue would not likely be available in time for the next fiscal year budget.

Mr. Espindola said that he wanted to study how the Town would financially suffer if its bond rating dropped. Mr. Osuch said that there was no definitive way to determine what the Town would face, financially, if its bond rating dropped, as borrowing is a competitive bidding process with many variables. Mr. Osuch said that it was incumbent upon the Board to pick a budget and stick to it. Mr. Espindola agreed, saying that he wanted to be able to point to evidence to back up their operations.

WIND TURBINE REVENUE

Mr. Murphy said that the Town Accountant wants the Board to pick a designated account for any wind turbine revenue (excluding the lease income). Mr. Osuch said that the income would not be enough to cover a major capital improvement project, but that it could cover a roof replacement, repair, or fire engine purchase in the future. He said that the Town has no General Fund money for Capital

Improvements and that the DOR recommended the Town have a portion of the budget be devoted to capital improvements.

Mr. Haworth said that, as a former BPW commissioner, he recognized the need to work on roads continuously. He said that the Town keeps putting money into department needs and salaries and it keeps pushing off road repairs. Mr. Haworth said that he would be requiring all departments this year to “scrub their budgets and start all over” and not just add/subtract percentages to last year’s budget. He said that until we can determine a new source of revenue that the Town department heads had to work on the mentality of spending, including the tendency to “spend out” the remainder of their budget at the end of the fiscal year to avoid having funding taken away. Mr. Haworth said that he favored starting a line item for capital projects, even if they start off with a small amount of funding. Mr. Haworth also favored earmarking the net gain of the wind turbines (over the lease amount) for the legal expenses account.

Discussion continued on the budget. After discussion, Mr. Espindola motioned to set an FY14 budget of \$45,000,000. Mr. Haworth seconded. Vote was unanimous. (3-0).

Mr. Espindola motioned to contribute four (4) percent of the operational budget annually to Surplus Revenue (Free Cash). Mr. Haworth seconded. Vote was unanimous. (3-0).

Mr. Espindola motioned to maintain a Stabilization Fund balance of six (6) percent of the operational budget. Mr. Haworth seconded. Vote was unanimous. (3-0).

Mr. Espindola motioned to allocate \$300,000 to establish a line item for Capital Planning. Mr. Haworth seconded. Vote was unanimous. (3-0).

Mr. Espindola asked the Board to review a Financial Trend Report from the Town of Amherst. He said that he would like the Board to consider asking Mr. Osuch, Anne Carreiro, and Wendy Graves to prepare a similar document for the Town of Fairhaven. Mr. Osuch said that the document had been prepared by three graduate students in Amherst, and that Amherst has a full-time comptroller and a full-time IT person. He added that it was not a good time of year to be creating a Financial Trend Report. Mr. Espindola said that it was something to think about for the future, and that perhaps a UMass Dartmouth student could assist in the report.

CONCOM – REQUEST FOR LEGAL SERVICES

Mr. Haworth asked the Board to consider a last minute request from the Conservation Commission for Request for Legal Services regarding an application with six months of no activity – the applicant has not attended meetings. Mr. Espindola motioned to authorize the use of Town Counsel, up to \$1,000. Mr. Haworth seconded. Vote was unanimous. (3-0).

SPECIAL TOWN MEETING

Mr. Haworth said that he would like the Board to consider setting a date for a Special Town Meeting in late January/early February. Mr. Osuch said that he would speak with the Town Clerk, the Town Moderator, and other support staff to see which dates they were available.

COMPASSIONATE CARE CLINIC LETTER

The Board discussed a request from Compassionate Care Clinic (Shelley Stormo) to send a second letter of support to the Department of Public Health for CCC's application for a Medical Marijuana dispensary in Fairhaven.

Mr. Espindola expressed concerns about some of the wording of the letter, which indicated that the Selectmen would "particularly" support the non-profit model established by CCC. He said that he needed to look into the letter and would like to speak to Town Counsel about it before signing.

Mr. Haworth said that he favored signing the letter. He said that he, personally, did favor the non-profit model established by CCC.

Mr. Murphy said that he had spoken to Atty. Crotty, who said that if the Selectmen signed the letter, it would not preclude them from signing a similar letter for a different applicant.

The Board decided to wait for their next scheduled meeting – December 16 – before voting to sign the letter. The Board asked Ms. Kakley to send the letter over to Atty. Crotty for his review.

OLD TIME SINGALONG

The Board received a last minute request from the Fairhaven Improvement Association for permission to use the Town Hall for an Old-Time Singalong on December 14, 2013 at 6:00 p.m. Mr. Espindola motioned to grant permission to the Fairhaven Improvement Association for use of the Town Hall for the Singalong. Mr. Haworth seconded. Vote was unanimous. (3-0).

POLICIES

Mr. Osuch asked the Board to review their draft Financial Policies manual – particularly receipt policies, cash management policies, and fraud policies – and be prepared to take a vote at an upcoming meeting to adopt the policies.

At 8:02 p.m., Mr. Espindola motioned to adjourn. Mr. Haworth seconded. Vote was unanimous. (3-0).

Respectfully,

Anne Kakley

Administrative Assistant
Board of Selectmen
(Minutes approved 01/06/2014)

Revenue Projections FY14

	FY13 From Tax Recap	FY14	FY15	FY16	FY17	FY18	FY19	
Tax Levy	22,544,645.00	23,208,261.00		23,888,467.00	24,585,679.00	25,300,321.00	26,032,829.00	26,783,650.00
Tax Levy Debt Exclusion	1,141,432.00	1,328,595.00		2,100,000.00	2,100,000.00	2,100,000.00	2,100,000.00	2,100,000.00
School Construction	1,011,361.00	1,011,361.00		1,011,361.00	1,011,361.00	1,011,359.00		
State Aid/Chapter 70	7,302,167.00	7,353,236.00		7,410,000.00	7,460,000.00	7,520,000.00	7,580,000.00	7,650,000.00
State Aid/Other	2,793,691.00	2,849,334.00	*	2,920,000.00	3,000,000.00	3,080,000.00	3,160,000.00	3,240,000.00
Local Receipts	4,200,514.00	4,700,000.00		4,800,000.00	4,900,000.00	4,900,000.00	5,000,000.00	5,100,000.00
Surplus Revenue	1,850,531.00	1,906,139.00		1,900,000.00	1,600,000.00	1,600,000.00	1,600,000.00	1,600,000.00
Abatement/County Charges	(658,055.00)	(762,292.00)		(810,000.00)	(860,000.00)	(910,000.00)	(970,000.00)	(1,030,000.00)
Waterways Fund	45,000.00	45,000.00		45,000.00	45,000.00	45,000.00	45,000.00	45,000.00
Ambulance Fund	879,000.00	659,000.00		670,000.00	678,000.00	688,000.00	700,000.00	712,000.00
Title 5 Receipts (FY13 Amount)	23,808.00	23,672.00		23,000.00	22,500.00	22,000.00	21,500.00	21,000.00
Wetlands Protection Fund	7,004.00	4,500.00		4,500.00	4,500.00	4,500.00	4,500.00	4,500.00
COA Social Day	35,000.00	35,000.00		35,000.00	36,000.00	36,000.00	37,000.00	37,000.00
Assessor Overlay Surplus	250,800.00	50,585.33		100,000.00	100,000.00	50,000.00	100,000.00	100,000.00
Animal Control Gift Account	3,000.00	3,000.00		3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Recreation Center Fund Certified	75,000.00	85,000.00		60,000.00	60,000.00	60,000.00	70,000.00	70,000.00
Storm Water Subdivision Fees	8,647.00	8,647.00		8,647.00	8,647.00	8,647.00	8,647.00	8,647.00
Solar and Wind Rev (not lease amt)	-							
Costs Raised in Water Fund	250,665.00	404,000.00		410,000.00	420,000.00	435,000.00	435,000.00	450,000.00
Costs Raised in Sewer Fund	295,993.00	548,000.00		555,000.00	565,000.00	575,000.00	585,000.00	605,000.00
Article Transfer	273,970.00							
BANS		17,163.00						
Stabilization Fund								
Total	42,334,173.00	43,478,201.33		45,133,975.00	45,739,687.00	46,528,827.00	46,512,476.00	47,499,797.00
Veterans		(150,000.00)	?	?	?	?	?	
		43,328,201.33						
Ambulance	220,000.00							
Assessor Overlay	200,217.00							
Article Transfer	273,970.00							
	694,187.00							

* State Aid Veteran's Reimbursement \$150,000 ± too high

Expenditure Projections FY14
(General Fund Only)

	<i>FY12 Actual</i>	<i>FY13 Appropriated</i>	<i>FY14 Approp.</i>	<i>FY15</i>	<i>FY16</i>	<i>FY17</i>	<i>FY18</i>	<i>FY19</i>	<i>%</i>
Audit Expenses	50,975.00	52,000.00	40,000.00	40,000.00	40,000.00	42,000.00	44,000.00	46,000.00	
Tax Title	39,925.00	29,400.00	29,400.00	31,000.00	32,000.00	33,000.00	34,000.00	35,000.00	
SEMASS	94,356.00	173,155.00	241,853.00	303,000.00	365,000.00	376,000.00	388,000.00	399,000.00	3
Recycling	161,099.00	166,170.00	173,308.00	181,000.00	189,000.00	197,000.00	205,000.00	214,000.00	4.3
Rubbish Collection	453,200.00	467,300.00	481,300.00	496,000.00	511,000.00	526,000.00	542,000.00	558,000.00	3
GNBRVT	2,311,831.00	2,103,041.00	2,129,811.00	2,206,000.00	2,312,000.00	2,381,000.00	2,451,000.00	2,521,000.00	3 15 yr loan
Bristol Aggie	14,553.00	18,000.00	18,000.00	18,000.00	18,000.00	19,000.00	19,000.00	19,000.00	
Millicent Library	606,739.00	576,936.00	582,672.00	592,000.00	602,000.00	612,000.00	622,000.00	630,000.00	
Contributory Retirement	2,198,550.00	2,341,914.00	2,450,018.00	2,553,000.00	2,661,000.00	2,774,000.00	2,891,000.00	3,015,000.00	
Group Insurance	4,113,142.00	4,425,000.00	4,475,000.00	4,500,000.00	4,725,000.00	4,961,000.00	5,209,000.00	5,470,000.00	5
MA Employment Security	76,319.00	175,000.00	125,000.00	125,000.00	125,000.00	125,000.00	125,000.00	125,000.00	
Town Insurance	680,702.00	720,000.00	792,000.00	800,000.00	840,000.00	882,000.00	926,000.00	972,000.00	5
FICA - Medicare	291,811.00	305,000.00	312,000.00	319,000.00	326,000.00	334,000.00	342,000.00	350,000.00	
Wages (GF only)	20,621,143.00	21,139,000.00	* 21,486,601.00	22,248,000.00	22,916,000.00	23,603,000.00	24,311,000.00	25,040,000.00	3
Stabilization	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00	75,000.00	75,000.00	75,000.00	
Tax Levy Debt Exclusion	1,134,173.00	1,141,432.00	1,345,095.00	2,100,000.00	2,100,000.00	2,100,000.00	2,100,000.00	2,100,000.00	est
School Construction	1,011,361.00	1,011,361.00	1,011,361.00	1,011,361.00	1,011,361.00	1,011,359.00			
Total	33,909,879.00	34,894,709.00	35,743,419.00	37,573,361.00	38,823,361.00	40,051,359.00	40,284,000.00	41,569,000.00	
Other Operating Expenses			7,255,180.00	7,364,007.70	7,474,467.82	7,586,584.83	7,700,383.61	7,815,889.36	1.5
Articles			486,410.27	493,706.42	501,112.02	508,628.70	516,258.13	524,002.00	1.5
Capital Plan			300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	
			43,785,009.27	45,731,075.12	47,098,940.84	48,446,572.53	48,800,641.74	50,208,891.36	
Less Revenue Projections/ deficit									
TOTAL DEFICIT									
			<i>*Actual (No raise in FY14)</i>						

FY2015 BUDGET AND CAPITAL PROJECTS

(General Fund Only)

Before a discussion on Capital Projects, there needs to be a review of projected revenues and expenditures for FY15. At the present time, the revenue projection for FY15 is \$45,033,000 (Veteran's State Aid reduced by \$100,000) and expenditures is estimated at \$45,431,000 (raises are estimated) which will result in a possible shortfall of approximately \$400,000. The estimated expenditures is assuming \$500,000 (FY14 \$486,410) for General Fund articles after Article 4, Department Operating Budget.

With a projected \$400,000 shortfall, department salaries and operating budgets, and/or other articles would have to be reduced to balance the budget for FY15 unless new revenues are identified.

By adding additional Capital Projects, the deficit will be larger unless new revenues are determined or departments make larger budget cuts. For example: If General Fund Articles include another \$300,000 for Capital Projects, the projected deficit for FY15 would be \$700,000±.

Reviewing the list of 5-year Capital Projects submitted by Town departments (see attached sheet of projects):

First, Water and Sewer projects. Water is requesting \$8 million and Sewer is requesting nearly \$22 million in projects. Both Water and Sewer are Enterprise Accounts with the Board of Public Works having the ability of raising Water and Sewer rates to cover the cost of Capital Projects. Even with the ability to raise Water and Sewer rates, it will be extremely difficult to fund \$30 million in five (5) years. \$6 million per year would more than double the existing Water and Sewer rates. Even if the idea was to borrow \$30 million for ten (10) years, the impact on the rate payers would nearly double. (Assume 10 year borrowing with a four (4) percent interest rate in year one. The principal payment would be \$3 million and interest would be \$1.2 million or a total of \$4.2 million/year).

It should be mentioned that in the Sewer Department there will be millions of dollars in additional costs to repair, replace and upgrade other areas of the Wastewater Treatment Plant, pump stations, and collection system. This makes it difficult to propose to borrow for longer than ten (10) years.

Note: if the Town qualifies for a State Revolving Loan, the interest rate would be two (2) percent or possibly less, which would reduce the 10 year borrow amount to \$3.6 million in the first year at a two (2) percent interest rate. (\$3 million principal, \$600,000 interest). This is still very expensive for the rate payer.

The rest of the items on the 5-year Capital Plan are General Fund items, which would either have to be funded within the limits of Prop 2 ½ or a debt exclusion or override would have to be supported at a general election to add those costs above the limits of Prop 2 ½.

The request for roadwork is \$2 million or \$400,000/year. In FY14, the Town appropriated \$308,000. So to give the BPW what they requested, an additional \$100,000/year would have to be appropriated.

Note: Road reconstruction, resurfacing, sidewalk repairs, etc. costs are mostly driven by the price of asphalt and concrete, so each year the cost will go up and the funding amount would also have to be increased.

The request for road resurfacing is \$523,000 over five (5) years. This amount should be covered by the resurfacing line items in the Highway budget.

Proposed new Police Station \$6-6.6 million. New Fire Station \$8 million – total, \$14 million. The first decision would be if the Town wants to build a new Police and/or Fire station or both is where will it be constructed? Does the Town own the land or will the Town need to purchase the land and if so, what is the cost? The land cost would have to be added.

To build a new Police/Fire Station (or both), assume the total cost was \$10 million. If the money was borrowed over twenty (20) years, the principal would be \$500,000 and the interest (assume four [4] percent) in year one would be \$400,000 or \$900,000 total. This would be very difficult to absorb in the Town budget. The only solution would be a debt exclusion vote unless there was State or Federal assistance. The same would hold true if you just built one building at \$6 million. (20 year note: year one - \$300,000 principal; \$240,000 interest = \$540,000 total). If the cost is \$14 million, a 20 year note in year one would have a \$700,000 principal and \$560,000 interest to total \$1,260,000.

If only a Fire Station addition: \$2 million – if borrowed for 20 years, \$100,000 principal and \$40,000 interest = \$140,000 could be absorbed in the budget with cuts in operational budgets.

Fire Ladder Truck - \$900,000 and Fire Engine \$500,000. We would need to appropriate money each year into a Capital Account (\$200,000 to 300,000 minimum). Save up to purchase either/both trucks.

Also grants for equipment should be looked at.

Recreation Department Addition - \$486,000 to 688,000 – fund from the Capital Account. (Need to save up to fund).

The rest of the items listed on the 5-year Capital Plan:

5 YEAR PLAN (SEE REQUEST SHEETS)

Hastings Middle School floor	\$325,000
Highway	\$155,000
BPW Building	\$70,000
Harbormaster Equipment	\$155,000
Police Dept Misc	\$295,000
COA	\$110,000
Town Hall	\$180,000-250,000
Fire Dept Repairs	\$50,000
Fire Gear Replacement	\$345,000
Fire Airpacks	\$20,000
TOTAL	\$1,705,000 – 1,775,000
Five (5) year average	\$350,000 ±

Some of the above items should be funded by other sources:

Hastings Floor replacement: \$60,000/year by the School budget/trust funds

Town Hall improvements: Mostly by CPC funds

Police, Fire, Harbormaster: Pursue grant money for equipment

Assume that the amount can be reduced to \$250,000 per year that needs to be funded into a capital account each year. Plus \$100,000 for roadwork equals \$350,000. Add in \$200,000 to 300,000 for capital equipment (fire engine/ladder truck) totals \$550,000 to 650,000, which would require cuts in operating expenses, town budgets, of nearly \$1 million for FY15, unless new revenue is raised.

SUMMARY

Amount	Project	Method	Funding Source
\$22 M	Sewer Improvement	Borrow	Sewer Enterprise
\$8 M	Water Improvement (Raising Sewer and Water rates over 10 years appears to be cost prohibitive and needs further review).	Borrow	Water Enterprise
\$6-14M	Police and/or Fire Station or Both (Another Debt Exclusion vote should wait until the High School Debt Exclusion is retired in 2017).	Borrow	Need debt exclusion
\$2M	If no new Fire Station – addition	Borrow	Capital Fund (or debt exclusion)
\$900,000	Fire Ladder Truck	Save up	Capital Fund
\$500,000	Fire Engine	Save up	Capital Fund
\$486-688K	Recreation Addition	Save up	Capital Fund
\$1.7-1.77 M	Rest of requests	Save up	Capital Fund
\$500,000*	Road Reconstruction	\$100,000	Additional per year
<hr/>			
\$4,091,000 - \$4,363,000 = \$800,000+ over 5 years			

*(Assume \$300,000/year remains in road article = \$1,500,000 over 5 years) – BPW requested \$1,945,000 - \$1,500,000 = \$445,000 (rounded to \$500,000 with inflation)

There is no way to budget an additional \$800,000 to 1 million a year for Capital items without reducing budgets or raising additional revenue sources such as Trash Fee, School Athletic, bussing, licensing fees, etc. or a combination of reductions and new revenue sources.

A Capital Planning Committee would have to determine a priority of projects to be funded. The bigger problem is appropriating the money. The General Fund portion of the Town Budget for departments would need to be reduced if no new revenue sources are available.

Assume (as stated earlier) the Town only appropriates an additional \$300,000 per year for capital improvement. Over five (5) years, \$1,500,000 could be raised and available to spend. Setting priorities will be the problem, plus every year, new projects can be added.

If the Town decided to add \$300,000 to the Town budget each year for capital projects, then Town department budgets for FY15 would have to be reduced by approximately 1 percent in total. If you assume the Town has a \$400,000 deficit already for the FY15 budget, then an additional 1-1.5 percent would have to be reduced from Department budgets. (Total 2.25 percent to 2.50 percent) unless new revenues are raised.

If the Town wanted to approve \$500,000 to \$600,000 (versus \$300,000), additional for capital projects then another 1 percent would have to be cut from the departmental budget.