

Swampscott Finance Committee Meeting
Monday, March 27, 2017
7:00PM

Attending: Marzie Galazka (chair), Tim Dorsey (vice chair), Gail Rosenberg, Joan Hilario, Polly Titcomb, Jill Sullivan, William Jones (by phone)

Absent: Mary Ellen Fletcher, Cinder McNerney

Also attending: Leah Ryan (Capital Improvements Committee), Sean Fitzgerald (Town Administrator), Peter Spellios (BOS) Naomi Dreeben (Chair, BOS), Pam Angelakis (Superintendent of Schools), Ron Mendez (Town Treasurer), Michael McClung (Town Moderator)

Ms. Galazka asked for the BOS and Town Administration view of the Budget. Ms. Dreeben noted that Mr. Fitzgerald had not been on board in time for the preparation of this budget.

Mr. Fitzgerald says he has dug into the budget and asked Mr. Mendez to be here to support the Finance Committee. Mr. Fitzgerald has ideas about how the program can be better presented to the town. Wants more detail – prior year actuals will help us understand how actuals will drive ongoing appropriations. Looking to develop a new format immediately after town meeting. Is interested in looking into opportunities for consolidation (Collins Center Report). Mr. Fitzgerald is committed to supporting the Finance Committee with information.

Peter Spellios made a presentation about the budget:

The process Dave Castellarin and Gino Cresta went through was essentially the same as in past years. They started with guidelines from BOS to stick to 1-1.5% increases. The budget produced has 1.2% increases. They were to limit FTE increases. They had been asked to come up with new ideas for financial structuring. Spellios called it a “non-event” budget in the sense of there is nothing markedly different in terms of trends from recent years. Spellios and Fitzgerald both articulated that after Town Meeting the administration will be starting zero-based budgeting. It is a better way to forthrightly deal with expenditures. Revenues are far more difficult to assess. There is a 1%COLA for union and non-union personnel as a place holder. Those negotiations are ongoing.

On the school budget: Ms. Angelakis noted that they have a new tentative agreement with their teachers’ union. Schools have cut 5.2 FTEs or \$644,000 of program cuts. Worries remain about funding full-day kindergarten going forward.

Spellios reported on a meeting between himself, Ms. Angelakis, Mr. Castellarin, and Evan Katz. Evan and Dave spent the week reconciling their numbers so that information that was going around town could be accurate. That effort resulted in a

consensus between Dave and Evan that the school is running between even to - \$300K for the current year. That consensus was used to develop the school budget for FY'18. The school increase is \$950K plus some items that the school is relieved of spending. Net increase to the school department is \$1.2MM. Spellios indicated that the \$275K in the Finance Committee reserve will actually be needed by the School Department before the end of the year. For next year \$625K-\$650K is required to make payroll under the existing contracts. That leaves approximately \$225-\$250K for everything else including SPED. School is undergoing a budget cutting exercise as noted above. The issue of half-day kindergarten had been a choice for a revenue generator rather than other choices, which would entail program cuts. In the end, the year over year increase for the school department would be 3.4% versus 5.22% last year. Spellios gives a lot of credit to the school department for their efforts to control payroll increases. At the same time, the BOS has discussed with the School Committee, the need to work on structural issues relative to lanes, steps, and longevity, which are huge expense drivers.

Spellios also reported on the BOS ideas about use of Free Cash for the FY 18 budget. Free cash certified at \$6.4MM. BOS recommends placing \$2MM into stabilization funds. \$175K for voluntary separations. \$121K used for some Capital Expenditures. Retirement Liability is to be paid down by \$1.5MM as a one-time payment. This is one area of the budget where free cash can be used to better the operational position of the town. The annual appropriation is just over \$5MM. When the discount rate drops from 8% to 7.75% or 7.5%, that amount will increase. The actuarial explained that a one-time payment would be allowed and the savings would be something around \$200K per year for 13 years. Spellios gave the Finance Committee a letter from the consultant explaining options regarding this issue.

BOS will come back to Finance Committee regarding the \$850K for the Rail Trail. Spellios articulated his personal belief that the town needs to spend a certain percentage of total capital spent in any given year for big quality of life issues for Swampscott citizens.

The scorecard used by Rating services heavily rely on our reserve positions and it may possibly be our weakest area. After town meeting, the administration intends to have broad, macro-level discussions about policies going forward on reserves.

Mr. Dorsey asked the BOS about why we would be using free cash to fund something like the Rail Trail when borrowing costs are so low. The BOS and Mr. Mendez will come back to have a discussion about our debt levels. Mendez noted that we could afford a bit more debt but we need to think about our overall reserve and debt positions as an entirety.

Mr. Fitzgerald notes that in the budget book, the list of FTEs on page 18 is not accurate and he will send us a new table. At this moment, we are unsure the exact number of FTEs planned for this budget.

The finance committee discussed procedures for entering into Executive Session.
The finance committee discussed scheduling going forward and types of information and departments that we need to see.

Motion by Gail Rosenberg to approve the minutes from March 22, Joan Hilario second. Unanimously voted.

Motion to adjourn by Joan Hilario, seconded by Gail Rosenberg. Approved unanimously.