

Westborough Advisory Finance Committee
Minutes of Meeting No. 2, FY2013
July 23, 2012

Approved
September 10, 2012

Members Present: Ed Behn, Chair, Peter Allen, John E. Arnold, Lisa Blazejewski, Sharon Kaiser, J. J. Malone, Kathy Rosenblum Senie, Jim Teppar, Gary Wells. Absent: None.

At 7:00 p.m. Mr. Behn called the meeting to order in the Selectmen's Meeting Room.

Call to Order/Open Forum

There were no requests to address the Committee.

Approval of Minutes

Meeting No. 37 (FY2012), June 18, 2012

Ms. Blazejewski, Mr. Malone and Mr. Allen requested corrections to the minutes. Mr. Arnold moved to accept the minutes as amended. The vote to approve the minutes is 6 in favor, 3 abstentions (Rosenblum Senie, Kaiser, Wells), with 9 being present.

Meeting No. 1 (FY2013), July 9, 2012

Mr. Malone and Ms. Rosenblum Senie requested corrections to the minutes. Mr. Arnold moved to accept the minutes as amended. The vote to approve the minutes is 8 in favor, 1 abstention (Behn), with 9 being present.

Preparation for August 7, 2012 Special Town Meeting

Discussion of Warrant Articles

Town Manager Jim Malloy was present to discuss the Warrant Articles.

Article 1. MicroChem TIF. Mr. Malloy explained that MicroChem was a specialty chemical manufacturer which produces chemicals for the specific needs of other companies. Now located in Newton, this company is looking to purchase the now-vacant property at 200 Flanders Road, and intends to employ 70 people at this Westborough location. The Tax Increment Finance Agreement (TIF) does not reduce the company's base tax; however, the incremental or additional value in the property would be taxed at a lower rate. At an increased value of 10% the additional taxes seen by the Town over the 15-year span of this agreement would be around \$1,329,000-\$1,510,000. MicroChem's tax break would range from \$231,000-\$263,000. The Town would be giving up around \$250,000, but would gain about \$1.5 million over the life of the TIF. More importantly, the amount of empty commercial property in town would be reduced. Mr. Malloy noted that as more commercial properties fill up, rental rates increase, assessed value then increases, and a better balance between commercial and personal property taxes is achieved.

There was some discussion of TIFs, Economic Target Areas and Economic Opportunity Areas. Mr. Malloy further explained that the state had been closely involved in negotiations for the TIFs so no problems were anticipated in getting state approval. He added that the EDIP (Economic Development Incentive Program) is intended to increase jobs, so TIFs would most likely be offered only to businesses adding a significant number of jobs to Westborough.

Article 2. Danafilms TIF. Mr. Malloy explained that this is an existing local business at 5 Otis Street which makes plastic films and employs 62 people. They intend to introduce an agricultural line of plastic used for baling hays which necessitates expansion of their current facility, with an additional 20 jobs.

The town would gain additional taxes of around \$77,500-\$193,600, with a tax benefit to Danafilms of around \$13,300-\$33,042.

Mr. Behn was concerned about the correlation between the increase in the tax rate and the increase in valuation. Mr. Malloy noted that he will be presenting a summary at Town Meeting outlining the financial details of these TIFs.

Mr. Malloy will be emailing the Committee regarding the Capital Expenditure Committee bylaw and the Non-Criminal Disposition bylaw issues.

To the question of how the work at Sandra Pond is being funded, Mr. Malloy explained that a prior warrant article to develop a new water source was found to be too specific. This article will come back at Fall Town meeting, the allocated \$35,000 will be closed out, and around \$24,000 appropriated for the Sandra Pond expansion.

To the question of how a truck was paid for which cost \$120,000 rather than the \$100,000 approved at Town Meeting, Mr. Malloy explained that Chapter 90 funds made up the difference.

Article 1. Mr. Arnold moved to recommend the Town so vote. The vote to approve the article recommendation is unanimous, 9 in favor with 9 being present.

Article 2. Ms. Blazejewski had noted an error in the yearly exemption percentages. She moved to recommend the Town vote to approve the TIF for Danafilms with exemption percentages as follows: Year 1 - 10%, Year 2 - 50%, Year 3 - 40%, Year 4 - 30%, Year 5 - 20%, Years 6-15 - 10%. The vote to approve the article recommendation is unanimous, 9 in favor with 9 being present.

Vote on Report and Recommendations

Mr. Behn noted he had prepared a draft for a two-sided sheet with Articles and Recommendations for the Special Town Meeting. Mr. Arnold moved that the Committee approve the draft Recommendations to the August 7, 2012 Special Town Meeting with the provision that Article 1 will indicate the recommendation that the Town so vote, and Article 2 will indicate the recommendation as our motion stated, and that the summary following Article 2 will describe the reason for our vote not being in accordance with the Warrant because of a typographical error identified and agreed upon by the Town Manager, and it's the motion we expect to appear at Town Meeting, subject to final review for typographical errors. The vote to approve the draft Recommendations is unanimous, 9 in favor with 9 being present.

On-Going Discussions

Advisory Finance Committee Bylaw follow-up

Mr. Behn noted that Mr. Malone had circulated some documents regarding this bylaw. Mr. Wells noted that he would now support amending the bylaw, feeling there were sufficient safeguards in place to support the AFC's power. Mr. Allen had no reservations about the suggested deletion, especially the sentence requiring the AFC to review department contracts for professional services, which he felt was more properly a function of the executive branch. Mr. Malone noted a few other areas of the bylaw which might be amended, and felt that AFC appointments should expire at fiscal year end rather than at the termination of Town Meeting. Mr. Behn added that perhaps Town Moderator Joe Harrington could appoint replacement members earlier rather than later, to allow time for training. Mr. Arnold volunteered to meet with Town Counsel Greg Franks as well as Mr. Harrington, with a view to bringing a revised draft of this bylaw before the Committee for approval. Ms. Rosenblum Senie and Ms. Blazejewski were in favor of the amendments. Mr. Tepper wasn't convinced the reference to department contracts should be deleted from the bylaw. Mr. Arnold pointed out that under Section 5, the Committee would still have

authority to request clarification on professional services, even with the deletion of this sentence. Ms. Kaiser was in favor of the amendments. Mr. Behn was also in favor, noting that when Westborough was a smaller town this provision was probably more necessary.

Capital Expenditures Planning Committee Charter follow-up

Mr. Arnold will pull together some background information for the Committee.

School Committee Information

Mr. Behn wondered if the School Committee's budget booklet could also be made available to the AFC. Mr. Arnold noted that he and Ms. Rosenblum Senie planned to identify areas the Committee needs more information on and liaise with the School Committee accordingly. Mr. Wells felt the School Committee's Town Meeting booklet was very confusing; he will note particulars and forward this information to Ms. Rosenblum Senie.

Planning for FY2014 Annual Town Meeting deliberations

Mr. Behn noted the difficulty the Committee faces in dealing with departments' budgets piecemeal rather than being able to assess the total picture. He felt the Committee should provide guidance and direction to departments of its expectations, noting concerns about increasing taxes, and welcomed discussion of how that could be done appropriately. Mr. Arnold noted that many residents feel the town cannot afford a level services budget. He felt that once a committee opinion is reached it could be transmitted to elected committees (School Board, Board of Selectmen, etc.), noting which services may not be sustainable while the economy is struggling. He would like departments to provide options for developing a tighter budget. Mr. Malone was not sure this effort was necessary, pointing out that the majority of residents attending Town Meeting had voted for the level-services budget. Mr. Allen preferred not to start from level services, rather he would like departments to show how services would be impacted if funding remained level from year to year.

Mr. Wells would like the AFC to be more pro-active in the budget process, perhaps by setting a percentage limit to the tax rate, or putting a cap on budgets. He felt the budget process was too reactionary, and should be a continuous activity rather than being compressed into less than three months, leaving the AFC no time for meaningful input. He noted the level-funded process which is followed for Snow & Ice and felt the same principle could be applied across all departments. Mr. Behn pointed out that businesses can be more flexible in this regard than town government. Ms. Kaiser agreed the Committee should be pro-active and encourage departments to be more thoughtful when preparing their budgets. Mr. Tepper felt the Committee should put out a consistent message and should collaborate with the Board of Selectmen and Mr. Malloy early on in the budget process so the message can be delivered to departments earlier. Mr. Behn suggested that the Committee draft a summary early on stating the Committee's expectations and vote on it, independent of the Special Town Meeting, to go to all major elected boards. Mr. Tepper challenged departments to find ways to maintain level services while still reducing the budget. Ms. Blazejewski noted the Committee has no way of knowing the effect of level-funding on each department. She felt each department should set its priorities and communicate to the Committee what could be cut. Ms. Rosenblum Senie was concerned that the Committee would be over-reaching its role in rejecting a budget, or directing departments on how to develop their budgets. She felt the Committee's role was to provide financial advice while letting town managers and department heads do their jobs. She was not comfortable with setting arbitrary percentage limits on budgets without knowing what the consequences would be. She was not sure that all nine Committee members would be able to agree on a single unified message, but agreed that their concerns should be communicated to the Board of Selectmen and Mr. Malloy.

Mr. Behn noted that the Committee would like to be more pro-active in getting its message out and would like departments to provide budget options. He pointed out that some departments have little room to

make adjustments, while others have more flexibility. Mr. Malone reminded the Committee that according to state law, the budget presented to town meeting is the AFC's budget. He noted that while it might be micro-managing for the Committee to interfere once the budget was approved, it was appropriate for the Committee to be involved in the development of the budget. Mr. Behn felt the Committee could challenge departments, question budget increases to hold departments accountable, and ask departments to be prepared to justify their budgets. Ms. Rosenblum Senie noted that department managers were already making an effort to cut costs. Mr. Malone felt the Committee should continue this discussion with the Board of Selectmen and Mr. Malloy.

Mr. Behn suggested an August 13th meeting with Mr. Malloy, Board of Selectmen liaison Ian Johnson and Mr. Harrington.

Chairman, Committee Liaison, and Department Liaison Reports

Mr. Tepper noted that the Gibbons Project committee was meeting weekly, and was currently drafting guidelines to secure an Order Project Manager contract.

Mr. Behn explained that he is preparing a paper addressing Westborough's high tax bills. He wondered if Westborough's taxes would be at the current level if overrides had been necessary, as in other towns, and those overrides had failed.

Comments and Concerns of Committee Members

Mr. Allen felt that wording might be added to Article 3 making it clear that the AFC is responsible for recommending a budget at Town Meeting. He noted that Selectman Tim Dodd had suggested posting "Town Finances 101" information on the Town website and felt the AFC could post similar educational information on its part of the Town website.

Mr. Malone noted that the Beacon was not available online.

Mr. Tepper announced that the Rotary Club would be co-sponsoring the Triathlon for its 3rd year on August 19th. He encouraged residents to sign up and participate or come and observe.

Adjournment

Mr. Arnold moved to adjourn the meeting at 9:22 p.m. Vote to adjourn was 9 in favor, with 9 being present.

Document List

FY2013 Liaison and Committee Interests/Assignments.

FY2011 General Fund Spending by Function per Capita.

Warrant, August 7th Special Town Meeting, plus backup analysis.