

## FINANCE COMMITTEE (DRAFT)

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February 17, 2022  
FinCom Zoom: 7:30 p.m.  
Meeting ID: 781 572 6432

**Members:** Chair: Megan Blackwell Vice Chair: My Linh Truong  
Hafiz Adamjee, Arun Balasubramaniam, Jeff Calabrese, Stefan Carp, Yannis Evrigenis, Bogdan Fedeles, Ruthie Gagne, Patrick Matteson, John Miller, Nicole Soto, Thomas Springer, Enzo Rascionato, Brian Vernaglia,

**Missing:** Arun Balasubramaniam, John Miller, Nicole Soto

**Late Arrivals:** Enzo Rascionato, My Linh Truong

**Guests:** None

### **General Business**

Chair Blackwell called the meeting to order at 7:31 p.m.

### **Roll Call:**

Megan Blackwell  
Jeff Calabrese  
Hafiz Adamjee  
Brian Vernaglia  
Bogdan Fedeles  
Patrick Matteson  
Yannis Evrigenis  
Thomas Springer  
Stefan Carp  
Ruthie Gagne

### **Guests**

Beth Rudolph, Acting Town Manager

**Public Comments**-No speakers present.

### **Budget Planning Process FY23**

Chair Blackwell welcomed Acting Town Manager Beth Rudolph to the meeting. Manager Rudolph was in attendance to provide a high-level presentation of the FY23 Town Budget. She began her presentation with key highlights from the FY23 Budget.

### **FY 23 Budget Highlights**

- Total Budget =\$142,595,332
- Goal is to maintain service levels across all departments
- Adds part time police dispatcher to alleviate overtime issues
- Increases Conservation Agent from part time to full time (25 to 35 hours)
- FY23 Budget evaluated and created a three-year projection. (FY24-26)
- Full override amount used to balance the FY22 budget
- Structural deficit beginning in FY23 (revenues do not keep up with expenses)
- FY23 budget relies on \$689,936 in Free Cash to close the gap
- Deficit increases to unsustainable levels in FY years 24 to 26.

### **Revenue Assumptions & Projections**

- New growth=\$850,000
- FY 22 assumed \$800,000, FY 21 actual=\$1.02 million
- State Aid=\$11,680,978 (1.24% increase from FY22)
- Assumes \$105,400 transfer from Town's Affordable House Trust (AHT) to cover the BAN payment on the \$5.27 million acquisition of the Washington-Swanton street parcel
- FY23 Budget does not include the use of any ARPA funds
- Recommends using ARPA funds to pay one-time, non-recurring expenses
- Revised guidance now allows a standard allowance for revenue loss up to \$10 million

FinCom Member Thomas Springer asked for the definition of a BAN payment. Manager Rudolph responded that it means Bond Authorization Payment. It is done prior to the bonding of the money usually one or two years prior to formal borrowing.

FinCom Member Brian Vernaglia asked if FinCom will receive a list of allocated ARPA funds. Manager Rudolph will send Chair Blackwell what was provided to the Select Board. Manager Rudolph further added that a portion of the ARPA funds has been allocated for Covid initiatives and mental health programs.

FinCom Member Jeff Calabrese questioned why the town isn't making cuts if there is a deficit. Manager Rudolph responded that the budget is very lean and is unsure where the cuts would come from.

FinCom Member Hafiz Adamjee asked if the \$6M of ARPA funds can be used to close the budget gap. Manager Rudolph confirmed that this is acceptable as it is under \$10M.

Vice Chair My Linh Truong asked if any departments are planning to adjust service levels due to new staffing levels. Manager Rudolph confirmed that no changes are anticipated. Any position that is lost due to retirement is being backfilled.

FinCom Member Stefan Carp asked who determines where the ARPA monies are to be allocated, Ms. Rudolph confirmed that it is the Select Board. Also, what happens if there is an override. Chair Blackwell stated that during the last budget season when there was an override vote, it was

necessary to prepare two budget scenarios. Potential cuts would be identified should the override not pass.

FinCom Member Patrick Matteson asked if the anticipated state funds could be reduced. Manager Rudolph replied that this is highly unlikely.

### **Local Receipts**

- New growth=\$850,000
- FY 22 assumed \$800,000, FY 21 actual=\$1.02 million
- State Aid=\$11,680.978 (1.24% increase from FY22)

Budget numbers for License & Permits and Trash Disposal have increased due to new fee structures put in place. The new pricing structures put in place are:

- Increased permit fees of \$1 per \$1000 which was implemented in Sept 2021.
- Transfer Station Fees includes elimination of the SMART program and implementation of a \$22 capital fee and increased commercial fees.

Chair Blackwell reiterated her desire to investigate other revenue sources that the Transfer Station working group have proposed. In response Manager Rudolph will be pulling together a new working group that will include the following team members: FinCom (2), Select Board (2), Town Meeting (3) which will include a resident, Sustainability Director, and DPW staff.

FinCom Member Vernaglia questioned why Penalties & Interest substantially increased in FY23. Manager Rudolph explained that the FY22 budget was incorrectly estimated.

FinCom Member Carp asked if historical data is available for each of the line items. Manager Rudolph replied that it is available and can be requested from Finance.

Excise tax revenue was reduced due to limited market availability of new vehicles.

### **FY23 Expenditures**

Municipal expenses increased 3.51% over FY22 (largely wages & cost of doing business). Key Drivers included the following:

- Move Conservation Agent to full time (\$26,393)
- Add part time police dispatcher (\$34,070)
- Full funding of Sustainability Director position (grant no longer available)
- Additional Town Clerk staffing to support FY23 elections
- Fund \$10,000 in ConCom budget to support Aberjona River initiative
- Fund \$10,000 to review the Town's Personnel Policy Guide
- School Department budget increase of 4.73% from FY22, includes \$535K in out of district tuition and contracted support services, 2% increase for Vocational Schools plus \$100K cost contingency related to Northeast Vocational building project

- Undistributed energy costs increased 6.3% over FY22, (based on historical data) Workman's comp reduced from \$425K to \$350K due to lower claims, Health care costs budgeted at a 3.8% increase based on Harvard Pilgrim renewal quote. Evaluating other plans. No decisions have been made.
- Increased subsidies to Recreation (\$200K) and Cultural Council (\$10k)
- OPEB obligation \$350K
- Only four departmental requests approved: Police dispatcher (\$34K), Conservation agent (\$26.4K), Aberjona River (\$10K), and fire dept overtime (\$75K). Requests from Planning, Fire, DPW, Library, Town Clerk, Treasury and Police denied.

FinCom Member Calabrese questioned why the conservation agent's salary is increasing. Manager Rudolph explained that the position is paid part time but the person is actually working full time.

Former Chair Enzo Rascionato thought that election costs were to go down by consolidating to Saturday. Manager Rudolph spoke to the Town Clerk and the main reasons for the increased costs are: Saturday overtime costs, new signage, moving costs in/out of the high school.

Vice Chair Truong questioned if the elimination of the Safer grant was factored into the Fire Department's budget. It was her understanding that if the grant was eliminated there should be a reduction in the budget. Manager Rudolph agreed to follow-up with the Fire Department Chief.

FinCom Member Ruthie Gagne asked if the \$535K for out of district tuition and support services is state mandated. Manager Rudolph stated that these services are unavailable within Winchester so the town is forced to utilize other sources. FinCom Member Adamjee commented that the town should consider insourcing these types of services.

FinCom Member Calabrese felt that the budget could be in jeopardy in the event student enrollment increases. Chair Blackwell added that school enrollment modeling projections can be found on the school department's site. FinCom Member Springer questioned if the reduction in classroom sections will yield any savings. Given the reduced enrollment drop there needs to be transparency to the savings. Vice Chair Truong stated that it was her understanding that in the proposed budget it included retirements but not reduced classroom sections. Further clarification on this topic will be needed from the School Department.

Vice Chair Truong stated that based on information she has received the Vocational School contingency of \$100K is too high and should be budgeted lower. Manager Rudolph agreed to follow-up on this.

In an effort to create transparency and clarity, Chair Blackwell asked Manager Rudolph if the undistributed costs could be broken down by department. Manager Rudolph agreed to discuss this request with Finance.

FinCom Member Adamjee asked if any portion of the Recreation subsidy will get reimbursed. Manager Rudolph stated that the budget over the years has been up and down and the goal is to make them self-sustaining.

Regarding the Fire Department overtime, Chair Blackwell asked if there are options to flex vacations. Manager Rudolph stated this represents what the contract allows.

Former Chair Rascionato asked what are the downsides of not allowing overtime. Manager Rudolph felt that given the new hires and having a fully staffed Fire Department the question of overtime will go away.

### **Moody's Bond Rating**

- Re-rated in January and Winchester maintained its AAA bond rating.
- Stable outlook due to strength of residential tax base, conservative financial management and funding commitments of its unfunded pensions/OPEB liabilities
- Factors that could lead to a downgrade of the rating: operating deficit trend, material increase in debt burden, inability to maintain a funding plan towards long term liabilities. It was further added that there is no definitive quantitative measure as to what the material increases in the debt burden should be.

Manager Rudolph stated that Moody's was pleased to see the added sustainability position. However, they felt that Winchester's operating reserve policy is on the lower end. As a result, Winchester will be benchmarking other AAA towns' policies. Furthermore, it is important that Winchester be able to maintain any new operating reserve policy it develops.

FinCom Member Carp asked what is the current debt burden. Manager Rudolph did not have this figure and agreed to follow-up and advise.

### **FY24-FY26 Financial Sensitivity Analysis**

- Three "what if" scenarios were created (conservative, middle, best case) based on revenues and expenses.

### **FY24-FY26 Operating Reserves**

- Town's operating reserve policy is between 6 and 10%.
- FY22 is at 12.4% but it is expected to be below the operating reserve policy in FY25.
- Based on the three "what if" scenarios expected ranges at FY 25 are: (-7.1%) (Conservative), .4% (Middle) to 5.4% (Best Case).
- Highlights gap in free cash.

Manager Rudolph stated that other towns have a higher reserve policy, many in excess of 12%.

Vice Chair Truong stated that even in a best-case scenario the town is below the 6% threshold at 5.4%. This may result in an override discussion in FY24.

FinCom Member Calabrese asked if ARPA funds can be used to balance the budget. Manager Rudolph stated that this is certainly an option but would have to be discussed with the Select Board since they have jurisdiction over ARPA funds.

FinCom Member Calabrese questioned if the Professional Services budget has been validated. He felt that there could be a lot of low hanging fruit here.

FinCom Member Vernaglia asked about the status of Carriage House and if this would be funded from free cash. Manager Rudolph had no update on timing but felt this was to be handled by an override.

#### **Review of Town Municipal Budget detail**

- Salaries are a key driver in the YOY increases. Noted new/changes in positions: Sustainability Director, HR staffing increase. projected retirements.
- Engineering Professional Services-Additional mapping studies, bridge inspections and Waterfield construction services are driving the increase.
- Legal-Fee structure change with Town Law Firm (Anderson Krieger) is driving the increase. Moving from a flat fee to time and material.

FinCom Member Vernaglia asked who will be paying for the Town Manager search. Manager Rudolph deferred to the Select Board on this.

Regarding the HR Policy review, FinCom Member Adamjee questioned why do we need a consultant couldn't we simply benchmark other towns. It was felt that hiring a consultant will bring new ideas and best practices to the table.

FinCom Member Carp asked why is overtime needed for the Building Inspectors. Manager Rudolph replied that there are two new large projects in town in addition to the normal residential work.

FinCom Member Adamjee asked why isn't the town utilizing an e-billing system versus paper. Action Town Manager Rudolph agreed to follow-up on this question.

FinCom Member Evrigenis requested a list of all ARPA requests sent to the Select Board. Manager Rudolph agreed to provide FinCom with that information.

#### **New Business**

Chair Blackwell attended the special Select Board meeting to discuss Civico. Revised terms were presented. Overall, the meeting was informative. There will be a public forum in a month. Manager Rudolph stated that the goal is to have an LDA and ground lease ready for the Spring Town Meeting. Warrant for the Spring Town Meeting closes on March 11. Remaining biggest issue is the lease. Former Chair Rascionato stated that there are a lot of questions and it may be valuable to have a separate meeting with Lynne Sweet, the financial consultant.

#### **Adjourn**

FinCom Member Vernaglia moved to adjourn the Finance Committee meeting and the motion was seconded by FinCom Member Gagne. The motion passed unanimously with 10 in favor, 0 opposed and 0 abstained. FinCom adjourned at 9:05 p.m.

Respectfully submitted,  
Gary Lozowski, Recording Secretary of Finance Committee

Approved by:  \_\_\_\_\_

Megan Blackwell, Chair of Finance Committee