



MANCHESTER-BY-THE-SEA

FINANCE COMMITTEE • TOWN HALL
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Minutes of the Finance Committee Joint with Select Board

Thursday, March 29, 2023 7:00 p.m. Town Hall, Room 5, Hybrid Meeting

MEMBERS PRESENT: Sarah Mellish, Chair, Andy Oldeman, Mory Creighton, Tom Parkins, Dean Nahatis, Peter Twining, and Mike Pratt

Members Not Present:

SELECT BOARD PRESENT: Becky Jaques, Ann Harrison, Brian Sollosy, Cathy Bilotta, and John Round

STAFF PRESENT: Greg Federspiel, Town Administrator, and Gail Hunter, Finance Committee Administrator

Call to Order:

Ms. Mellish called the meeting to order at 7:02.

Ms. Harrison called the Select Board meeting to order at 7:03.

FY24 Budget: Revised MERSD Budget

Ms. Mellish stated that the School Committee voted to reduce the MERSD budget. MBTS assessment will be 3.94% and the Essex apportionment will be 7.12%. The change is based on a \$130K combined decrease in Health Insurance, teacher contract negotiations, additional retirements, and a position paid through grant funding. There was a brief discussion regarding District reserves which are estimated at \$3M and if the reserves would be used this year. Ms. Mellish clarified that in previous budget years the District had used reserves to keep assessments lower and this year the use of reserves is not part of the budget process.

Ms. Harrison clarified that the budget increase over the FY23 budget is 2.85%. Ms. Mellish stated the original budget approved by the Committee and Board was \$30,236,064. The revised budget is \$29,750,180. Mr. Pratt asked for the change to MBTS. Ms. Mellish stated that the assessment for MBTS is \$16,535,944 a \$283,605.00 decrease from what was previously approved.

Mr. Creighton moved that the Finance Committee approve the Manchester-by-the-Sea District assessment of \$16, 535,944 a \$283,605.00 decrease from the previously approved assessment; Mr. Oldeman seconded the motion. The motion passed unanimously.

Ms. Harrison moved that the Select Board approve the Manchester-by-the-Sea District assessment of \$16, 535,944 a \$283,605.00 decrease from the previously approved assessment; Mr. Sollosy seconded the motion. The motion passed unanimously

FY24 Budget Review: Any Other Budget Revisions

Mr. Pratt stated that he felt strongly that the \$283,605.00 decrease be applied to the tax rate. Ms. Mellish agreed stating that the Town has \$3.9M in reserves, \$615K in water and sewer retained earnings, \$1.3M in fire apparatus fund, and FY22 \$3.3M in encumbrances' (which she believes has gone down). However, this is an area she would like the Committee to discuss this summer and has had a conversation with Ms. Mainville about reviewing encumbrances with the goal of encouraging people to spend the requested funds or not to request as much funding.

Mr. Pratt stated in addition to that the District is half of the Town budget and the District is sitting on \$3M in reserves.

Mr. Pratt asked Ms. Mainville to complete a 5-year look at requested funding to actuals and what the Town targets to have in reserves. The spreadsheet is below.



History of targeted
and forecasted reserve

Ms. Mellish stated that by accumulating cash in reserves the Town is not being transparent. She believes that large projects should go before the taxpayers and be supported with a tax increase. Concluding that the question for taxpayers is: is the proposed project a benefit to the taxpayers and worth a tax increase.

Ms. Bilotta proposed that the Committee and Board start working on a framework to address the number of big projects coming up immediately and long term. Ms. Mellish would like to have the Facilities Study in hand prior to starting on that framework. The Committee and Board discussed the process and reached no consensus on reserves and preparing for future large projects and how to fund the projects. Mr. Federspiel concluded that reserves at 10% is prudent and at the end of FY23 the Town will be under 10% in reserves.

FY24 Budget Revisions: Impact on Tax Rate & Town Reserves

The Finance Committee and Town Administrator have different budgeting philosophies which were discussed around allocation of the \$283,605.00 to reducing the tax rate.

- Ms. Jaques asked if having cash reserves and stabilization funds helps the Town's credit rating. Mr. Pratt stated it does not indicating that 10 –15 years ago the Town had less than 5% in reserves with an AAA credit rating.
- Mr. Federspiel believes that residents are good with the slow and steady tax increase
- Mr. Pratt noted that overestimating income results in limiting additional money to be spent only on Capital spending.

Mr. Pratt moved that the Finance Committee support applying the \$283,605.00 savings from the District budget to reducing the tax rate for the Town; Mr. Twinning seconded the motion. The motion passed unanimously.

Ms. Bilotta moved that the Select Board support applying the \$283,605.00 savings from the District budget to reducing the tax rate for the Town; Mr. Round seconded the motion. The motion failed to pass with Ms. Bilotta and Mr. Round voting affirmatively and Ms. Harrison, Mr. Sollosy, and Ms. Jaques voting no.

The final decision will be made on Town Meeting Floor. Mr. Wilson joined the meeting and explained the process for amending Article 5 during Town Meeting. The Select Board will move to fund specific items in the budget from the fund balance to taxation and the Finance Committee will amend that motion to maintain the funding source to what is printed in the Town Meeting book.

Ms. Harrison moved that the Select Board change the funding source for items 16 and 19 from fund balance; Ms. Jaques seconded the motion. The motion passed with Ms. Jaques, Mr. Sollosy, and Ms. Harrison voting affirmatively and Mr. Round and Ms. Bilotta voting no.

The Select Board decided that Mr. Wilson will state the proposed change and Ms. Harrison will explain the change. Ms. Mellish will state that the Finance Committee supports what is presented in the Town Meeting book.

FY24 CPC Budget Impact of State Match Decrease

Ms. Mellish stated that Mr. Burke on behalf of CPC had indicated that due to a decrease in registry fees the anticipated 34% match from the State is likely to be 25% or less. Mr. Burke wanted the Finance Committee and Select Board to know there are adequate funds in the CPC budget to cover all CPC projects proposed in the FY24 budget.

4.3.23 Annual Town Meeting Discussion Points

Ms. Mellish stated that she would address the following during her comments at Town Meeting:

1. Staffing changes specifically mentioning BOH Health Agent and additions to the Fire and Police Department with the move to Regional Dispatch on March 1, 2023. Ms. Jaques suggested using percentage increase in both departments, Ms. Mellish agreed.
2. Finance Committee reserves fund transfer to cover Fire Department overtime in the amount of \$95K.
3. Public Safety will work together with the additional staffing.
4. Article 5 Finance Committee philosophy on reserves and large projects will be presented at Town Meeting.
5. CST approval will result in an increase in the Town's tax base. Mr. Creighton suggested indicating this would happen over 5 to 10 years.

Review Meeting Minutes –

Mr. Oldeman moved to approve the Meeting Minutes of February 9, 2023; Mr. Creighton seconded the motion. The motion passed 6 members voting affirmatively and one member abstaining.

Next Meeting Subject Matter – Will take place prior to Annual Town Meeting in the Project Room at Memorial School.

Other matters, as may not have been reasonably anticipated by the Chair. There were no additional matters to discuss this evening.

Adjourn:

Mr. Twining moved to adjourn the meeting; Mr. Oldeman seconded the motion. The motion passed unanimously,