

**ADVISORY AND FINANCE COMMITTEE  
MEETING MINUTES  
September 9, 2015**

A meeting of the Advisory & Finance Committee was held on Wednesday, September 9, 2015. The meeting was called to order by Chairman John Moody at 6:30PM and was conducted in the Mayflower II Meeting Room at the Plymouth Town Hall, 11 Lincoln Street, Plymouth, Massachusetts.

**PRESENT**      **Thirteen members of the committee were present:**

Belinda Brewster, Kevin Canty, Betty Cavacco, Richard Gladdys, Harry Helm, Shelagh Joyce, Ethan Kusmin, Patricia McPherson, Marcus McGraw, Christopher Merrill, John Moody, Harry Salerno, Marc Sirrico

**ABSENT**      **One member of the committee were absent**

Patrick O'Brien

**Announcements:**

Chairman John Moody shared an email he received from Peter Conner, Chairman of the Zoning Board of Appeals, regarding Article 24. Mr. Conner apologized for not being in attendance when the committee heard that Article. He explained the composition and functions of the Zoning Board. He mentioned concern of the expense and process of going through an election. He also shared that this subject of electing ZBA members was brought to the Charter Review Committee by a Planning Board member who takes issue that ZBA members can also serve as Town Meeting members. John Moody pointed out that it is up to Advisory & Finance to decide if they would like to take any action.

John Moody also announced that all of the Article information that committee receives is available for viewing on the town's website (plymouth-ma.gov), under Quick Links, Town Meeting Information.

**Public Comment**

Helen Hapgood asked if the backup information for Articles 11 and 12 were available yet. The committee did receive them by email this afternoon. They were posted on the website this afternoon as well.

**AGENDA ITEMS**

**TOWN MEETING ARTICLES:**

**2A: Departmental Expenses**

Lynne Barrett, Director of Finance, presented Article 2A which is composed of two budget amendments: a salary reserve set aside and an adjustment to General Fund Debt Service.

**Article 2A – Salary Reserve Set Aside**

The Town Manager has requested that an amount be set aside in the Salary Reserve Line Item in the Fiscal 2016 budget for potential cost of living increases to Town and School collective bargaining agreements. The Town and School groups have been meeting and working on negotiations in hopes that a settlement will prevail in this fiscal year. To fund potential increases for fiscal 2016 an amount would need to be set aside from the fiscal 2016 Tax Rate set in December for later distribution by the Finance Director to the appropriate department budget. This would only happen after the agreements were properly approved by all required. The amount necessary would be a total of \$1,710,000. Town Meeting would still have to vote to approve the collective bargaining agreements once they have been settled.

Questions:

- This is the result of new contracts and not the reopening of previous contracts? Is funding source raise and appropriate? (B Brewster) This is for new three-year contracts beginning July 1, 2015. Yes the funding source is raise and appropriate.
- Can free cash overage from unused salaries from the prior fiscal year be set aside for Salary Reserve? (B Brewster) I recommend the use of free cash to fund contract years that have already passed and that the current year’s revenues fund the current year’s salaries.
- What are other uses of Free Cash? (M Sirrico) Free cash is also used to fund Article 4 items and capital requests, funding nuclear mitigation, and potentially funding OPEB.
- Free Cash funds capital items that we might otherwise have to borrow for, correct? (J Moody) Yes.
- What happens if the \$1.7 million is not approved? (M McGraw) Agreements are still being negotiated. If they are not signed by June 30<sup>th</sup> of next year, this money will close out to free cash.
- How will this amount be translated when the FY16 tax rate is set this December? (J Moody) General rule is 1 cent for every \$100,000, so this translates to 17 cents on the tax rate. (17 cents per thousand x average home of \$300,000 = \$51 on average home).

**Ethan Kusmin made a motion to recommend Article 2A – Salary Reserve portion to Town Meeting. Harry Salerno, second.**

Matching current revenue with current expense makes good fiscal sense. (H Salerno)

**The motion carries (10-0-1). Betty Cavacco, abstained.**

Article 2A – General Fund Debt Service Adjustments

The Town issued a BOND and BAN in May. The budget voted in April at the Annual Town Meeting was based on estimates of cash flows in October 2014 for the various projects that needed funding. The following adjustments are necessary to bring the General (Non-Enterprise) Fund Budget in line with actual results:

	Long Term Principal & Interest	Increase	\$1,190,545
	Short Term Interest	Decrease	<u>(\$ 127,573)</u>
			\$1,062,972
The funding sources are:	FY16 Property Taxes	\$973,597	
	Meals Tax Fund	\$ 74,375	
	Title V Betterment Fund	\$ 15,000	

Questions:

- Why the Meals Tax Fund? (M Sirrico) That will be used to pay for interest on the borrowing for the 1820 Court House / Town Hall project.
- Is the adjustment due to interest rate sensitivity? (C Merrill) No the interest rate predictions were on target, the difference is primarily due to the difference in the amount borrowed.
- Initial cost borrowed for Plymouth South High School is \$24.7 million. What is the total cost? (B Brewster) Total \$107.8 million, 53% reimbursed by MSBA, borrowing \$61.5 million, 25 year term.

**Kevin Canty made a motion to recommend Article 2A – Debt portion to Town Meeting. Marc Sirrico, second.**

This portion of 2A will increase the tax rate by an additional 10 cents. (S Joyce)

**The motion carries unanimously (11-0-0).**

## **2B: Enterprise Departmental Expenses**

Lynne Barrett, Director of Finance, presented Article 2B which is composed of three budget amendments:

- Solid Waste Enterprise Budget Adjustment
- Sewer Enterprise Budget Adjustment
- Water Enterprise Budget Adjustment

### Article 2B – Solid Waste Enterprise Budget Adjustments

Last October estimates were made regarding Solid Waste service usage, tonnage for tipping fees and numbers of bags. This spring rates were set then selling began in May. Now we have actual participation numbers and a better idea of tonnage and bag quantity needed this fiscal year. Recycling has increased tremendously and tonnage for solid waste has decreased. The solid waste budget needs to be adjusted by a total decrease of \$133,140 for Solid Waste Operating – Expenditures. \$84,000 from Transfer Station Operations and \$49,140 from Curbside Operations.

Also the funding of the overall Transfer Station Operations requires a subsidy of \$200,000. This is primarily due to the Board of Selectmen not implementing the recommended Transfer Station rates this past spring. Staff recommended a rate of \$145 and the Board voted a rate of \$115. Participation is also lower than the 4,208 we had last year and hoped to retain this year. There are 3,511 transfer station users plus an additional 390 who selected the combination of both transfer station and curbside service. Lynne Barrett recommends that the subsidy be voted from the special purpose stabilization fund that was created with a \$300,000 transfer from solid waste retained earnings prior to the implementation of the Pay As You Throw programs.

#### Questions:

- What happens if we do not approve this subsidy? (H Salerno) It would have to be raised on the tax rate, or the solid Waste budget would have to be decreased by \$200,000, essentially shutting down the transfer station.
- I thought the plan was to introduce curbside and eventually shut down the transfer station? Have those dropping from the transfer station been adding to the curbside service? (E Kusmin) The intention was to have a hybrid system, both transfer station and curbside. Curbside numbers are increasing but not as quickly as transfer station numbers are decreasing, it is not a 1:1 ratio.
- Have the Selectmen heard this article yet? (E Kusmin) I believe they approved it last night.
- Would the \$145 rate make this budget solvent? (B Brewster) It still would be short by approximately \$40,000 because of the decrease in the number of users. We have been using our camera system to track who uses the transfer station and are mailing violations to those that did not pay for the service. We estimate the 3,511 will increase to around 3,800 paying participants.
- Aren't enterprise funds supposed to cover their costs? (B Brewster) That is the intention but not the law. State law allows general fund subsidies and stabilization subsidies.
- What happens next year as costs go up and usage continues to decrease? The rate will have to increase or additional subsidies will have to be made, correct? (B Brewster) Correct. Our intention this year is, early during the budget process, to explain what the rate should be for transfer station and for curbside and not wait until April. That way, everyone will know in advance and not be caught off guard.
- Could the budget be reduced by \$200,000 by opening the transfer station fewer days? Or increase the rates for the rest of this year? (B Brewster) Probably by opening fewer days, but the workers would have to be shifted and paid by other departments within the DPW. Increasing rates this year would be nearly impossible to get those that already paid to pay the difference.

- Will developing the rate at the same time as the budget work? It is not fair to dump it on the tax rate and taxpayers that don't use the transfer station. (H Salerno) Yes. During the budgeting process we can clearly see the service costs and understand the rates needed to cover those costs.
- Would the Board of Selectmen vote the new rates then during the budgeting process? (H Salerno) They could if they wanted to, or they could wait until after Town Meeting to vote the rate.
- Can the rate be voted as part of the budget? (H Salerno) No, Town Meeting has the authority to vote the budget but not to set rates.
- Might it be an option to develop the budget based on expenses and revenues, compute the rate and then if the new rate is not approved by the Selectmen, cut expenses in line with the approved rate? Or supplement the solid waste budget with retained earnings? (J Moody) Yes, those are options. Supplementing with the Solid Waste Stabilization Fund will require a 2/3 vote at Town Meeting.
- With the downward trend of participation, what is the forecasted lifeline of the Transfer Station? (K Canty) That is a good question. Management has discussed taking over the Hard to Manage area to generate additional revenue. That has not been pursued vigorously. That could help the situation, we would have to do a full analysis of revenue predictions to be sure. Changes are definitely needed.

**Christopher Merrill made a motion to recommend Article 2B – Solid Waste portion to Town Meeting. Richard Gladdys, second.**

Discussion:

We are boxed into a corner. To put the \$200,000 on all taxpayers is not fair. There should be more pressure on the Selectmen to keep the budget in line. (S Joyce)

Questions phase re-opened:

- Will the budget decrease and subsidy be voted together? (B Brewster) They will be voted together as one motion at Town Meeting. The motion will specify the budget reduction as well as the funding from the Solid Waste Special Purpose Stabilization Fund.
- Can you help us understand the math? (J Moody) At this time, we anticipate a budget shortfall of \$333,140. We are able to identify \$133,140 to cut from our expense budget. Once we do that, we still are short \$200,000. I am proposing that we fund that using \$200,000 from the Solid Waste Special Purpose Stabilization Fund.

There was quite a bit of discussion about handling these issues as a committee with one vote or two. What we could do to make it most clear for Town Meeting Members and the public. The committee also discussed that this is a one-time fix and that policy has to change so this does not happen again. It was requested that the recommendation be written and spoken to impress that point to management and the Selectmen.

**Richard Gladdys made a Motion to Divide Article 2B – Solid Waste portion into two components; 1. Budget Decrease & 2. Subsidy funding. Kevin Canty, second.**

**Christopher Merrill made a motion to withdraw his original motion. Richard Gladdys withdrew his second.**

**Harry Salerno made a Motion to recommend Article 2B – Solid Waste portion – Budget Decrease component to Town Meeting. Kevin Canty, second. The motion carries unanimously (11-0-0).**

**Harry Salerno made a Motion to recommend Article 2B – Solid Waste portion – Subsidy funding component to Town Meeting. Kevin Canty, second. The motion carries (6-5-0). Christopher Merrill, Ethan Kusmin, Harry Salerno, Betty Cavacco, Kevin Canty, and Marc Sirrico, in favor. Richard Gladdys, Patricia McPherson, Belinda Brewster, Shelagh Joyce, and Malcolm McGraw, opposed.**

Harry Helm arrived at meeting at 7:57PM.

Article 2B – Sewer & Water Budget Adjustments

The Town issued a BOND and BAN in May. The budget voted in April at the Annual Town Meeting was based on estimates of cash flows last October 2014 for the various projects that needed funding. The following adjustments are necessary to bring the Enterprise Fund Budgets in line with actual results:

- Sewer Enterprise Debt Service           Decrease       (\$77,329)
- Water Enterprise Debt Service        Decrease       (\$10,371)

**Patricia McPherson made a motion to recommend Article 2B – Sewer & Water portion – Sewer component to Town Meeting. Kevin Canty, second. The motion carries unanimously (12-0-0).**

**Richard Gladdys made a motion to recommend Article 2B – Sewer & Water portion – Water component to Town Meeting. Malcolm McGraw, second. The motion carries unanimously (12-0-0).**

**9: Plymouth South High School Premium Pay Down**

Lynne Barrett, Director of Finance, presented. The town recently received a premium on long term bonds issued for a portion of the Plymouth South High School project and the final long term borrowing for the Plymouth North High School project. The net combined premium received was \$1,448,510.66. It used to be required that the premium be set aside in an account and distributed each year, amortized over 25 years, to reduce taxes. This is what we did once with the first premium received from the Plymouth North project. Another option is now available which the Town has chosen to use now. It is the “alternative use method” where we can apply the premium to pay project costs directly for the Plymouth South High School project. This article will transfer those funds to the project and reduce the amount we would need to borrow. The Town received permission from DOR to use both projects’ premium for the one project due to our initial vote as one article and one debt exclusion.

Questions:

- What is the benefit of using the alternative use method? (C Merrill) It saves the town money by going with this option. We will borrow less so will save on interest.
- What is the reason for such a large premium, does it have to do with the coupon rate? (H Salerno) It has to do with the market on the day that we go to sell our bonds. We received 7 bids and this was the best of the options.

**Kevin Canty made a motion to recommend Article 9 to Town Meeting. Ethan Kusmin, second. The motion carries unanimously (12-0-0).**

**11 & 12: PILOT Agreements**

Lynne Barrett, Director of Finance, presented. Last Spring Town Meeting approved a PILOT agreement which was phase I of a particular project. Town Meeting also approved a land swap which set up for future phases. We have now negotiated two additional agreements with Renewable Energy Development Partners for Phase II and Phase III of their project.

**Article 11**

Phase II involves a 1 MWAC Solar Photovoltaic facility to be located on Plymouth Assessor’s Map 56 Lot 57A. They negotiated a rate of \$13,000 per MWAC. The term of the agreement is 20 years and will include an annual escalator of 2.5%.

**Harry Salerno made a motion to recommend Article 11 to Town Meeting. Kevin Canty, second. The motion carries unanimously (12-0-0).**

**Article 12**

Phase III also involves a 1 MWAC Solar Photovoltaic facility, a rate of \$13,000 per MWAC, 20 year term with 2.5% annual escalator. This facility is to be located on Assessor’s Map 56 Lot 59A to be known as Lot 59-2.

Questions:

- Is \$13,000 per MWAC a typical rate for Plymouth and for other towns as well? (E Kusmin) The rate is found using an income approach so it varies depending on the size, cost and income for each facility.
- What is the anticipated revenue stream for the Town? (B Brewster) It is a 1 MWAC facility so the revenue will be \$13,000 in the first year and increase 2.5% each additional year for the 20 year term. This will probably begin in the second half of FY16.
- Do we know if the lot has been clear cut already? (J Moody) Not sure but can find out.
- Have the facilities already received their permits? (B Brewster) Phase II has gone through Planning and ZBA and has been permitted. Not sure where Phase III is in the process.

**Harry Salerno made a motion to recommend Article 12 to Town Meeting. Kevin Canty, second. The motion carries unanimously (12-0-0).**

Article 2A:

The Chair asked if the committee would like to take a combined vote on Article 2A since it will be one motion and one vote at Town Meeting. After much discussion and a vote (11-0-1), it was decided to keep it as two votes and share both votes in the recommendations book.

Article 24:

Ethan Kusmin would like to give Peter Conner a chance to be heard a future meeting regarding Article 24. He thinks it would be fair and prudent to hear Mr. Conner’s opinion on having ZBA members elected. Some committee members did voice frustration in that our meetings are posted publicly, everyone has a chance to come and have their voices heard, now we have to spend additional time and efforts on an article that we already voted on. It was agreed to extend an invitation to ZBA members to attend our Thursday, September 17<sup>th</sup> meeting to make comments regarding Article 24. An invitation will also go to Charter Review members. It was also requested that we individually review our rules for reconsideration prior to the next meeting.

**Public Comment**

Paul Hapgood, Town Meeting Member, said that it was a good idea to not only have public comment at the beginning and end of the meeting but also have the opportunity, if arranged with the Chairman in advance, be heard on a specific article once it is presented. This has been an option in the past and he would like to see that practice continued.

**ADJOURNMENT**

**Betty Cavacco made a motion to adjourn. Kevin Canty, second. The motion for adjournment carries unanimously (12-0-0).**

The meeting adjourned at 9:07PM.

Respectfully submitted,  
Kere Gillette