Minutes
Lincoln Finance Committee
Town Offices – 2nd Floor Conference Room
May 22, 2018
7:30 pm

Present: Gina Halsted, Andrew Payne (Vice-Chair), Jim Hutchinson (Chair), Nancy Marshall, Tom Sander, Elisa Sartori

Also: Colleen Wilkins, Finance Director/Town Accountant, Jennifer Glass, Board of Selectmen & School Building Committee

Absent: Jeff Birchby

Mr. Hutchinson announced a quorum present, and called the meeting to order at 7:35pm, Ms. Sartori, to take minutes.

Mr. Sander moved: Approve minutes of the last three FinCom board meetings of April 30, May 3, and May 10. Seconded by Mr. Payne.

Discussion: Ms. Halsted's name was misspelled – Mr. Hutchinson agreed to correct. Discussion ensued re: "also present" in the minutes. Ms. Marshall suggested we could have sign-in sheets at each meeting so that attendance was accurately recorded.

VOTED unanimously in favor with one abstention {Ms. Marshall}

As the next order of business, Ms. Wilkins requested that the Committee consider approving the Municipal Relief Act for FY18, which would allow her to transfer amounts between appropriations (not including any school department) in the last two months of the fiscal year end to clean up accounts as necessary.

Mr. Hutchinson moved: to accept the provisions of the Municipal Relief Act (Ch.44§33B) for fiscal year 2018, authorizing the Finance Director/Town Accountant to make year-end transfers. Payne seconded, passed unanimously.

As the next order of business, the Committee heard the details of various Reserve Fund Transfer Requests from Ms Wilkins. The DPW submitted a request for $198,445 for snow and ice removal during the 2017-18 season, and the committee discussed how various factors affect the amount spent on this, including whether plowing occurs within normal business hours or after hours, how much ice is involved, how long the storm persists, etc. The Committee also reviewed the previous year's experience, and agreed to continue the current practices regarding the snow and ice budget.

Ms. Marshall moved: to approve the DPW snow and ice reserve fund transfer request for $198,445. Mr. Sander seconded, and the motion passed unanimously.

Ms Wilkins next discussed the reserve fund transfer request from the Building Department for $3,242 to cover additional sub-trade inspections done for the Minuteman Regional Technical High School project. These costs will be offset by inspection and permit fees received from Minuteman project. The total of such fees is expected to be roughly $1.1MM, and the Committee noted that some discussion should be done this fall regarding use of such fees.

Mr. Hutchinson moved: to approve the Building Department reserve fund transfer request for $3,242. Ms. Halsted seconded, and the motion passed unanimously.

Ms. Wilkins next discussed the reserve fund transfer request from the Fire Department for $25,000 to cover the cost of repairs to aging apparatus. Of this amount, $17,386 has already been spent on repairs, and the Fire Dept anticipates needing an addition $7-8k for work expected before 6/30/2018. In addition, the Fire Department submitted a preliminary preventative maintenance program that hopes to better address vehicle repair and maintenance issues.

Mr. Hutchinson noted that the attached plan did not have all of the details one might expect in such a maintenance program, and recommended that it be reviewed by CapCom and/or an qualified independent consultant to ensure we are adopting best practices regarding maintenance, schedule of asset replacement, practices to avoid corrosion, and so forth.

Mr Payne moved: to approve the Fire Department reserve fund transfer request for $25,000. Mr. Hutchinson seconded, and the motion passed unanimously.

Ms. Wilkins then noted that the $461k in reserve funds originally appropriated were now down to about $234k with the above approvals. There was some discussion about the library possibly needing more money for their air conditioning project, but no details were available yet.

As the next order of business, Mr. Hutchinson reviewed tentative assignments of liaison duties for each member of the Committee, and some discussion ensued about whether any of these duties would be swapped between members.

As the next order of business, Mr. Hutchinson discussed the possible need to discuss Fincom's presentation at the June 9th Special Town meeting, and Mr. Payne agreed to poll the Committee and schedule another meeting for the week of June 4th.

The Committee then tried to clarify whether School Building Concept C fit within previously published Fincom recommendations. At the time our our previous meeting, the Concept C cost was $97.0mil, and the $102.9mil of available funds (new debt + Stabilization Fund) meant that our agreement to limit any "buffer amount" on total spending ability to no more than $5.2mil had the effect of leaving $97.7mil "within Fincom guidance". However, subsequent to our last meeting, the SBC had to revise its cost estimate for Concept C up to $97.8mil to account for revised estimates on the amount and cost of solar panels for the project.

There was then some discussion of how accurate these costs are (not very), and what contingencies are built into the estimates - 10% overall, and 35% on energy efficiency related costs.

After some discussion, it appeared that SBC was not aware of the exact amount that fit under Fincom's "guidance", and they were unlikely to be able to change the cost of Concept C at this late date. Mr. Payne expressed disappointment about cost creep in the estimates, and recommended that the construction cost stay at $97.7MM via value engineering to stay within FinCom guidance. Mr. Hutchinson opined that our guidance isn't of the same caliber as we do in the fall budgeting process, and noted that we have yet to agree on a buffer amount, we simply agreed on a "not to exceed" amount for the buffer to make it clear that Concept C fit, and that a $100k was not significant given the "error bars" of the estimates at this stage of the process.

Mr. Hutchinson moved: to amend Fincom's previous recommended "buffer amount" to not exceed $5.1mil, rather than $5.2mil, so that Concept C will fit within Fincom's "guidance" at $97.8mil. Mr. Sander seconded.

Discussion:
The Committee discussed further and agreed that it is difficult to draw a bright line in the sand when we haven't agreed on a specific "buffer amount", and that we should probably revisit that discussion at some point after June 9th if there are further concerns about whether certain projects "fit".

Vote: motion passes 5-1 {Ms. Sartori voted against}

As the next order of business, Mr. Hutchinson opened the discussion on whether Fincom's previous recommendation regarding the square footage per student needed revision given the new information that the hallway space is not significantly different between the L shape concepts and Concept C. Mr. Hutchinson presented his revised analysis regarding hallway space, and noted that after removing the incorrect 25,000 sqft of "extra hallway space" from the analysis, the sqft/student figures for the "base school" (total space less the Auditorium, 2nd gymnamsium, and Hub spaces) were still in range of the 98 other K-8 schools in MA (i.e. less than 75th percentile). Mr. Hutchinson also noted that the longer term trend in the data is towards slightly less sqft / student, not more.

Mr. Hutchinson moved: to revise the "square foot per student" recommendation to strike the clause about 25k square feet of "extra" hallway space, and amend the language to cite the approximate percentile that the base model falls into relative to other K-8 schools. The motion was seconded, and passed unanimously.

As the next order of business, the Committee discussed how to present information to the Town regarding "room available under the debt limit" and "total available funds for capital projects". Ms. Halsted opined that previous slides were not clear on those details. Mr. Hutchinson pointed out that the "room available" was higher than previously thought, thanks to a new estimate available from the Assessor's office regarding the increase in taxable residential property ("EQV") of 6.27% from FY16 to FY18, which all agreed should be reflected in the chart showing "room available". The assumed rate of increase in future EQV was also discussed, and it was agreed that 2% was a conservative assumption given the past trend was higher at 3%. Members also agreed to add a clarifying note to the "room available" slide regarding when the Community Center might "fit" under the debt limit.

The Committee also recommended revising the presentation to use bigger fonts to make it easier to read, remove sub-bullets where feasible, and provide handouts to residents.

As the next order of business, Ms. Sartori was asked to comment on the preliminary sensitivity analyses that she prepared, but not yet shared. Analysis draft was not presented. Preliminary indications of those analyses were to sensitize at 5% escalation factor, and as a result the "C" option exceeded the $97.7MM "recommendation" of FinCom previously. Mr. Sander and Ms. Glass pointed out that there is a 10% buffer is built into all the SBC options, similarly to when one buys a product online, and there is a lot of physical packaging material surrounding protecting that asset that was purchased. As a result of these new facts Ms. Sartori agreed to factor that 10% into the analyses.

A brief discussion then ensued about <u>what would happen to any approved funds that were not needed on the project</u>. Ms. Wilkins informed the Committee that $50k of such surplus funds could be used to pay debt service, and/or could be used on a new capital project that had a maturity at least as long as the original project. Otherwise, such surplus funds would be credited to taxpayers annually over the remaining life of the original project.

As the next order of business, Ms. Marshall gave a <u>Liaison Report on LSRHS</u>**.** She reported that Sudbury asked the school to come up with a guideline for handling Excess & Deficiency (aka "E&D") funds, since some were concerned about the expenditure of $250k from E&D for FY19. LSRHS decided on a target E&D balance of 3.5% of the total budget, and noted that the State restricts E&D to be no more than 5%, after which it must be returned to the Towns. For any amount in excess of the target, 25% of the excess would go towards Stabilization, and 75% towards one-time capital expenses.

Mr. Payne moved: to adjourn. Mr. Hutchinson seconded, and the motion passed unanimously at 9:59pm.