

Minutes
Lincoln Finance Committee Meeting/Public Forum
Virtual Meeting Pursuant to Governor Baker's March 12, 2020
Order Suspending Certain Provisions of the Open Meeting Law

June 4, 2020
7:30pm

Finance Committee (FinCom) Member Attendees: Andy Payne (Chair); Paul Blanchfield; Gina Halsted; Jim Hutchinson; Nancy Marshall; Tom Sander; Elisa Sartori

Others present: Kim Bodnar (SBC); Buck Creel (LPS Finance & Administration); Chris Fasciano (SBC Chair); Jennifer Glass (Town Select); Becky McFall (LPS Superintendent); Tara Mitchell (SBC); Craig Nicholson (SBC); Peter Sugar (SBC); Colleen Wilkins (Finance Director); Audrey Kalmus (CapCom Chair), Tim Christenfeld (SBC); other committee members and residents.

Meeting commenced at 7:32pm.

Andy Payne opened the meeting, noting that the Open Meeting Law requirement to have a quorum present in a physical location has been suspended per Governor Baker's March 12th declaration of a state of emergency due to the COVID-19 pandemic. He took a name roll call.

Fiscal Year 2021 Budget – COVID Update

Andy Payne began the meeting with a review of the Lincoln Finance Committee FY21 Budget – COVID UPDATE presentation. This presentation video is an update to the original presentation prepared for a March 26th Annual Town Meeting and is available on the Town website. He thanked the participants for their patience as we navigate these unusual times.

Mr. Payne shared the links for the "Recommended Reading" of the Financial Section and Warrant and COVID-19 recommendations document.

He also suggested viewing the original March 4th budget hearing video, which is available on the Town web site.

Mr. Payne reviewed the anticipated **Covid-19 Budget impacts:**

FY20&21: Anticipated reduction in state aids and local revenue. FY20 reductions & shortfalls are offset by a light snow/ice year.

FY21: Town staff estimates ~\$200K of COVID-related expenses. Some of these expenses may be reimbursed by state or federal sources.

Next, Mr. Payne reviewed **Cash Balances:**

Free Cash (Prior to March) was about \$1.54m. The Finance Committee was in the process of deliberating a Town Meeting recommendation when disruption from the virus began.

Stabilization Fund: contains \$2.2M (unchanged from March)

Mr. Payne noted that the town staff believes we are relatively well positioned to weather a downturn while maintaining our AAA rating.

Mr. Payne also noted that we will be receiving interest payments from bonded but unspent school bond proceeds. This interest will be available in FY 22 & FY 23.

Next, Mr. Payne reviewed **FY21 Budget Changes:**

Mr. Payne applauded Town Staff for immediate conservation of spending early in the COVID process.

He noted that all warrant articles have been renumbered.

He projected a decline in state aid of about \$500K.

FinCom has recommended an increase in Reserve Fund appropriation of \$200K to \$753,111. Mr. Payne explained that the Reserve Fund is a fund that is appropriated by residents every year. It is a fund that the Finance Committee can approve expenses out of for exceptional and unanticipated expenses without having to convene a town meeting. It is typically used for snow & ice and other smaller unexpected expenses. Unused Reserve Fund funds flow back to Free Cash in the next Fiscal Year. Mr. Payne emphasized that increasing the Reserve Fund amount is not spending more money. It is moving money to a place where it provides flexibility to the Town.

FinCom is recommending decreasing OPEB contribution by \$200K to \$350K. This contribution would still be within FinCom policy guidelines.

Next, Mr. Payne reviewed **Capital project changes:**

Two requests from L.S regional High school have been removed.

The Finance Committee has recommended that the Public Safety Radio System Upgrade be deferred.

The School Building Committee has requested \$828,945 from Free Cash to restore key items to the project that were eliminated during the latest round of value engineering. This request is reduced from the original pre-COVID request of ~\$2M. Mr. Payne noted that the FinCom has deliberated and recommended that the request be put before Town residents for a vote.

Mr. Payne paused and invited members of the Finance Committee to comment. Mr. Hutchinson clarified that the light snow & ice expenses experienced in the winter of 2019/20 is expected to cover the revenue shortfall for FY20. It is not expected to cover the revenue shortfall for FY21 (projected to be ~\$500K).

Mr. Payne invited residents to ask questions or make comments.

Sara Mattes thanked Mr. Payne for a concise presentation. She asked for clarification on the state revenue shortfall. She wondered what the shortfall would have been if we had experienced a normal winter. She also asked when we can expect reimbursement for COVID related expenses.

Jim Hutchinson explained that the revenue shortfall this year was estimated to be about \$300K, and there was more than the balance still available in the existing Reserve Fund. Adding the \$300K to next

year's projected \$500K shortfall gives a projected \$800K revenue shortfall to the town. On the expense side, Mr. Hutchinson warned that expenses MIGHT be reimbursed, but there is significant uncertainty about if and when that may happen. It is prudent to have cash available to have as needed and while seeking reimbursements.

Ms. Mattes observed that there is increased utilization of the Food Bank and requests for the Rental Assistance program. She wondered about sources of funds for both programs beyond private contributions.

Mr. Payne stated that there is some rental assistance available through the CPC fund. He noted that the CPC community Forum is scheduled for June 5th at 7pm. Mr. Payne stated that the CPC has not made any additional requests for funds, but that this could be an agenda item for future town meetings. Ms. Mattes shared that only 1/3 of the residents requesting Rental Assistance were able to receive it. She asked how the remaining 2/3 receive help. Mr. Payne explained that the agency responsible for the program would need to request an increase in budget.

Ms. Mattes asked about the projected rate of "aging out" of demands for the OPEB fund.

Mr. Hutchinson noted that our actuarial consultant has an update scheduled in the next week or two, but that we do not have current information on how COVID is changing the actuarial assumptions behind the plan. Mr. Payne added that the actuarial update occurs every two years and that updates to actuarial tables can sometimes lag current events.

Peyton Marshal thanked the committee for the summary and the update. He asked if the proposed budget still taxes to the levy limit with no capital exclusions or new bonding. Mr. Payne verified that is correct.

Mr. Marshall asked about the thinking and consequences for the decision to delay the upgrade to the Public Radio System. He also asked for clarification on the decision-making process.

Tom Sander explained the decision making process for the Radio project. Pre-COVID the CAPCOM had vetted the Radio project and thought that it was something the town needed to do in the next 4-5 years. The size of the project put it outside of the CapCom guidance, so they presented it to FinCom as a preferred budget item. In late February, with \$1.54m of available Free Cash in the budget, FinCom determined that it would be feasible to fund the entire project in FY21. After that decision, the SBC came forward with a request for funds to reinstate key items that had to be cut from the project to remain on budget. The Finance Committee decided that this request needed to be a Town decision. Because the school project had an immediate need and the Radio project had more flexibility in timing, FinCom rescinded its earlier decision to fund the entire radio project in FY21.

In light of the recent COVID uncertainty, FinCom will revisit the Radio project in the fall when expenses and budget impacts may be clearer. It may need to be funded in a number of stages rather than all at once.

Mr. Marshall asked about the safety implications of delaying the project. Mr. Sander replied that the Finance Committee has not been advised of any safety considerations. The project has been presented as more of a technological upgrade and that the current system is operational. Mr. Payne suggested that the CapCom Community Forum (June 5th) would be an appropriate place for more information.

Also, he noted that the school project was a “now or never: need, while the radio project could be deferred.

Gary Taylor asked for clarification of the approval process for Reserve Fund expenditures. Mr. Payne explained that reserve fund transfers are authorized by the FinCom. Deliberation and a majority vote (4 or more members) is required to approve fund transfers. Ms. Wilkins noted that the fund can only be used for extraordinary or unforeseen expenditures. Unspent Reserve Fund funds get moved to Free Cash in the following year.

Peyton Marshal asked about charts of historical tax bills compared to neighboring towns. Mr. Payne stated that we did not have the historic tax graphs for this meeting and promised them within the next few days. Mr. Hutchinson guessed that they won't be too interesting because our budget changes this year were not that special.

Lisa Freedman expressed appreciation for Zoom info and for the hard copy documents. She asked about several capital projects and expressed concern about the need for the items in light of the COVID uncertainties and anticipated revenue downturns. Mr. Hutchinson explained that the capital projects mentioned are the responsibility of the Capital Planning Committee. He clarified the roles of the Finance Committee and CapCom. Mr. Payne encouraged Lisa to join the CapCom Community Forum scheduled for June 5th. He also cautioned against deferring items that were beyond reasonable useful life and carried a risk of failure.

Paul Blanchfield explained the Town budget process and noted that this year's budget guidelines were lean given the recent tax increase.

Elisa Sartori agreed with Mr. Blanchfield's comments and added that CapCom and other committees had been asked to revisit their projects and keep only requests that could not be deferred.

Mr. Marshall asked to understand the grounds for allowing the School Building project to go over budget and asked what other capital and FF&E items may be down the road.

Mr. Payne clarified that the Finance Committee has not recommended approval of the SBC fund request. It has determined that the current fund request can be afforded by the Town, even with the current financial uncertainties. It has recommended that the decision be put to Town vote.

Mr. Hutchinson drew the parallel to the school building vote – putting the decision to the Town while advising residents on the affordability of the options.

Mr. Blanchfield added if the Town votes not to accept Warrant Article 8, the tax levy will not change. The amount of Free Cash will be higher, but taxes will not be reduced.

Mr. Marshall asked how residents who are concerned with the tax burden can address the issue.

A tax reduction could be achieved by an amendment to Article 21 to amend the Free Cash balance.

Ms. Mattes had asked if there was a way to amend the motion for Warrant Article 8 to unbundle the 7 items and consider them individually. She was assured that the normal process would apply.

Ms. Mattes asked for further clarification about the Reserve Fund, wanting to better understand how the term “extraordinary” was defined. She expressed the opinion that families who cannot pay rent is

an extraordinary need. She asked for more information about the process for bringing the School project request forward.

Mr. Sander explained that the SBC has been clear that \$2M in recent cuts were too close to the bone. In recent discussions, and in light of the current financial uncertainties, FinCom advised the SBC to reduce their request to the items that were perishable (had to be decided now) or most severely compromised the project. FinCom suggested they revisit the other items in the fall.

Chris Fasciano shared that the SBC Community Forum video is available on the Town web site and that it includes many questions and answers. He added that an additional SBC Community Forum is scheduled on Monday, June 8th at 8pm. He stated that back in March the SBC felt strongly enough about 19 items eliminated from the project (totaling \$2M) that it decided to go to the town. The SBC wanted to give the Town the choice on the items. After understanding the COVID impact on the town, the SBC substantially reduced the amount it is requesting. If the SBC ever considers going back to the town for additional funds, the finances of the town will be a major factor in its decision. The items not included in this request are still important to the project, but FF&E is the major concern. About \$750K in FF&E has been already been deferred for 10 years and will ultimately need to be replaced.

Jennifer Glass underscored that no member of the SBC wants to be here and that every member is sensitive to the budget. She added that it is not unprecedented for capital projects to come back to the town for subsequent funds. The Town Office project required FF&E and technology warrants after the building was completed.

Ms. Wilkins noted that the Reserve Fund could be available for Rental Assistance if the Housing comes forward with a request and if it is approved.

Mr. Hutchinson clarified that if the Town votes down the school request but votes in favor of the Free Cash article, the money would be available in Free Cash for other projects at a future town meeting in this fiscal year.

Mr. Payne responded to a question in the chat box about the Water Commission. He suggested that the said that the Water Commission Public Forum is scheduled for Tuesday, June 9 at 9am. He added that the Water Commission operates as a town within the town with water commissioners and is funded with their own revenues.

Mr. Taylor expressed support for the position that the FinCom has taken in supporting a town vote on the School Building request without deliberating a recommendation. He stated that the FinCom is not a policy committee and that the committee's role is to determine if the expenditure is feasible but not take a position to support it or not.

Mr. Marshall responded by stating that this approach by FinCom should be supported by a change in the bylaws.

Ms. Freedman asked if the Water Commission warrant article will be available for discussion at Town meeting since it is difficult to attend a briefing at 9am on a Tuesday. Mr. Payne explained that the presentations at the actual Town Meeting will be very limited. Ms. Glass suggested viewing the Water Commission presentation available on the Town web site and sending questions to the Chair of the Water Commission. Mr. Sander added that the Town Finance Report contains a chapter on the Town Water Commission.

Minutes

Nancy Marshall moved to approve the minutes of May 19, 2020. Mr. Hutchinson seconded. Roll call vote "aye" by all, 7-0.

Next Meeting

June 9th at 7:30pm via Zoom.

Adjournment

Mr. Sander moved to adjourn, Ms. Marshall seconded. Roll call vote "aye" by all, 7-0. at 9:00pm.

Submitted by: Gina Halsted