

## Minutes

### Lincoln Finance Committee

#### 2<sup>nd</sup> Budget Workshop

Tuesday February 23, 2021 7:30 pm

**Finance Committee (FinCom) Member Attendees:** Andrew Payne (Chair); Paul Blanchfield (Vice-Chair); Gina Halsted; Nancy Marshall; Rich Rosenbaum; Tom Sander, Deborah Wallace.

**Others present:** Colleen Wilkins (Finance Director); Buckner Creel, Chris Fasciano (SBC); Jennifer Glass (Board of Selects); Jim Hutchinson (Water Commission); Audrey Kalmus (CapCom); Becky McFall; Tara Mitchell; Bella Wong; Kirsteen Patterson; Candace Miller

The Zoom meeting was video recorded.

#### Introduction

Mr. Payne called the meeting to order at 7:32pm and noted that the meeting was being held in accordance with Governor Baker's Order Suspending Certain Provisions of the Open Meeting Law in order to mitigate transmission of the COVID virus. All FinCom members introduced themselves.

Mr. Payne reviewed the agenda and there were no changes.

Mr. Payne noted that the overarching goal of the meeting was to finalize the proposed FY22 budget for the town.

### Lincoln-Sudbury Regional High School Budget Update

Ms. Wong thanked Ms. Patterson and Ms. Wilkins for their support throughout the budget process as well as other members of the LSRHS committee who were in attendance.

#### COVID Funding

Ms. Wong reviewed the COVID funding to date, noting numbers will change due to an additional \$230,000 from COVID-related grant funds including an increase of \$181,570 through SR2 and \$48,275 from additional grant money. Ms. Wong noted that funds may be used in either 2021 or 2022.

## **Updated Financial Assumptions**

Ms. Wong reviewed the updated financial assumptions, highlighting several items:

- A 5.8% decrease in health insurance costs
- An OPEB liability increase of \$250,000
- Current OPEB trust assets total \$2,255,617
- A \$20,000 increase in circuit breaker reimbursement (from \$150,000 to \$170,000), coming from the circuit breaker reserve fund.

## **LSRHS FY 2022 Revised Expenditure Projection**

Ms. Wong highlighted changes to teachers' salaries, bus monitors (eliminated), equipment, employee insurance, OPEB contribution and OOD (out of district) tuition. Overall revenue increased \$949,452 from FY21 or 2.8%, resulting in an increase in exposure for Lincoln of \$60,000 and a decrease of \$200,000 for Sudbury. Ms. Wong noted the budget is still within Lincoln's guidance.

Ms. Wong reviewed FY22 Capital Requests for all items needing replacement in facilities and vehicle equipment totaling \$954,073.

Ms. Wong expressed her deep appreciation for Lincoln CapCom supporting all their requests.

Mr. Blanchfield asked how the budget would accommodate additional COVID risk in FY22. Ms. Wong explained that there is no additional cushion in general funding but that if there is an increase in risk, they are hoping to tap into the \$238,000 in extra grant funding that can be used in either FY21 or FY22.

Mr. Payne advised Ms. Wong that the next FinCom meeting will be held on March 18 and asked that she alert FinCom to any new development that may arise in the interim.

Ms. Wong expressed appreciation for the committee's ongoing support. Ms. Wong and Ms. Patterson then left the meeting, to attend a BOS meeting in Sudbury.

## **Lincoln Public School Budget Update**

Dr. McFall noted that the primary presentation focus would be on changes to the COVID budget.

Mr. Creel briefly reviewed the two budget request models, noting the "base budget" of \$12,241,642 in the traditional Lincoln model is less than the FinCom guidance budget of \$12,347,239, leaving \$113,000 in uncommitted funds. Dr. McFall added that she was unsure of

how the funds would be used and explained that they were holding off until the fall when they will have a better understanding of needs.

Mr. Creel noted the larger “COVID budget” is not within FinCom guidance. He explained that the gap (increased cost) is due to COVID distancing protocols, and that increased staffing accounts for a large part of the increase. He noted a net increase in utilities from FY21 to FY22 of \$113,000, and expressed concern for the cost of running the Brooks School renovation project if we have another cold winter.

The Hanscom budget is based on the contract price for FY22 and is not included. Mr. Creel noted that the presentation would focus only on the Lincoln budget as the Hanscom contract price covered both scenarios.

In December 2020 (at the first budget workshop), there was a budget gap of \$444,457 for the FY22 COVID budget. Mr. Creel compared the current FY22 COVID budget and noted the gap had been reduced to \$263,281. (He noted that they had spent the town’s Covid grant for 2021 before the policy change to allow grant money to be carried over.)

Mr. Creel discussed some of knowns and unknowns in the projections, including the cost of operating the temporary facilities in a cold environment, the cost of renovating the all-electric Brooks building. Mr. Creel said that he did know whether COVID surveillance testing would continue and therefore was not included in the budget.

Another unknown is Lincoln’s cost for the dissolution of the EDCO collaborative. Dr. McFall provided details of the termination process and noted that all members of the collaborative are responsible for liabilities incurred. She estimated that Lincoln has about one year to reconcile its liabilities and pay all its debt.

Mr. Payne asked when we might know when the money will be needed. Dr. Mcfall explained the School Committee is working on projection models and hopes to have the information in time for May’s Town Meeting. She explained that the number of variables to be taken into account makes budgeting extremely difficult.

Mr. Payne suggested FinCom might add a “COVID contingency” amount to the Reserve Fund to take some of the pressure off having precise numbers in time for Town Meeting. Mr. Creel noted the importance of understanding the “rules of engagement” concerning how and when certain funds are injected into the School Committee budget.

Mr. Blanchfield asked for clarification for Lincoln’s costs for the EDCO dissolution. Dr. McFall explained that it’s very difficult to determine this because this is the first time a collaborative has had to terminate without assets, so this process is uncharted territory.

Mr. Blanchfield also asked whether the \$263K extra in the “COVID budget” assumes any centralized funding. Mr. Creel explained that the only funding assumed is from ESER 1 and ESER 2 grants and that he did not know whether others will materialize.

Mr. Sander asked whether hiring for the fall could be done semester by semester so that we are not locked into hiring commitments for the year. Dr. McFall noted several reasons why that could not be done.

### **Capital Planning Committee Update**

Ms. Kalmus recapped the committee's capital requests from December. She noted increases in the Conservation Land Management Package and FFE for the schools, resulted in an increase in the total amounts requested from about \$2.7 million to \$3.2 million.

CapCom approved revised requests for FY22, which included a \$380,000 refurb for ladder 1 and a new public safety radio system for about \$1.8 million. She noted that the radio safety system had been approved by CapCom in 2020, but was not funded. Approved requests totaled about \$2.2 million. Cash requests totaled \$741,741, within cash capital guidance.

Ms. Kalmus presented a chart showing past and projected Lincoln Capital Requests, from 2017-2027. She highlighted specific items estimated to cost >\$500,000.

Mr. Payne asked about items labeled "to be bonded", and Ms. Kalmus explained that CapCom did not care how they were funded (bonding, stabilization or free cash).

Ms. Marshall asked if the public radio expense could be wrapped into cash capital if the project were broken up into two years. Ms. Kalmus said that that could be done. She also asked about MSBA funding for the roof.

Mr. Blanchfield asked whether the Hartwell items were being recommended. Ms. Kalmus explained the roof design project was rejected because of the uncertainty of whether the Community Center would be built in that space and therefore it would not make sense to replace the roof until that is known. The asbestos abatement project is necessary but not urgent and will be postponed.

Mr. Blanchfield asked how the CapCom determined whether to replace ladder 1 entirely or per year. Ms. Kalmus explained that a substantial investment had already been made rebuilding the engine in the past year.

Mr. Hutchinson asked whether the urgency of the radio project had changed. Ms. Kalmus said that it has not.

Mr. Hutchinson noted that the roadmap of capital projects does not include water department liabilities. Ms. Kalmus agreed that those liabilities need to be added to CapCom's list.

### **Preferred Budget Update**

Ms. Wilkins presented the Town's Preferred Budget Update as Tim Higgins (Town Administrator) was not available for the meeting. She noted:

- \$10,000 for Lincoln’s new diversity study, *Inclusion, Equity, Diversity and Anti-racism* (IDEA),
- \$25,000 for increased staffing needs in the Town Clerk’s office, due to increased work around elections and voting as well as increased workload for Care Dimensions, and,
- \$60,000 for a septic study to increase capacity for any new development at or near Lincoln Woods. This is a one-time study for a consultant. An RFP is being developed.

Mr. Blanchfield asked whether the staffing of the clerk’s office is on-going. Ms. Wilkins explained that the clerk’s office has increasing responsibilities.

Mr. Sander asked about the plan for the diversity committee beyond FY 22. Ms. Glass explained that the IDEA initiative has been designed as a two-step process where the first step is convening an initial group to assess where things stand and then to set the framework for a more permanent, long-standing committee. The \$10,000 would be for the initial group’s own training. Its charge includes fleshing out the idea of a permanent committee and then bringing to Town Meeting what funding might be needed going forward.

Mr. Sander asked whether the funding would be folded into an existing budget or whether it would be a standalone.

Mr. Rosenbaum explained that either way it would be an on-going component. Ms. Glass added with funding to be determined.

### **COVID Budget Update**

Ms. Wilkins reviewed the COVID reimbursement process, noting that FEMA submissions need to be updated to reflect the revisions made by the Biden Administration. She also noted where and how the changes would have impact. To date, Lincoln expenditures for FEMA and CARES total \$486,000.

Ms. Wilkins discussed areas of potential exposure, including: lost revenue, COVID expenditures not covered by reimbursable FEMA or CARES allocations, and ordinary fiscal year expenditures that exceed appropriations. She also suggested possible responses to each.

### **Reserve Fund Update**

Current Reserve fund totals \$753,111. After projected transfers for FY21, which Ms. Wilkins detailed, the projected remaining balance is \$241,000.

### **Overall Budget Discussion**

Ms. Wilkins walked the committee through an analysis of available Free Cash based on the Lincoln finance model. Current available “discretionary” funds total \$1.6 million, down slightly from \$1.86 million in October. Subsequent deliberations for the remainder of the budget discussion were based on \$1.6 million.

Mr. Payne summarized the decisions that the committee would be making during the remainder of the meeting including Preferred Budget Requests, the amount of money to be put into the Reserve Fund and finalizing the overall budget.

After a discussion, the committee developed a budget that included specific funding amounts for OPEB, the reserve fund, the Town’s preferred budget requests, and the police radio project. This budget includes funding the fire truck refurbishment from the stabilization fund and the public safety radio system out of free cash. Additionally, the Lincoln Public Schools received the finance committee’s endorsement & support (one time, not to establish a precedent) to use excess operating funds from FY21 toward capital expenditures of FF&E for the school building project.

Mr. Blanchfield made a motion to fund the items detailed in the budget for the FY 2022. Mr. Sander seconded the motion. Further clarification of the items ensued. The budget was amended to reflect changes made as a result of the clarification discussion.

Mr. Payne called for a vote for the proposed FY2022 strawman budget. The budget (as shown in the table below) was unanimously approved by roll call vote.

<b>FY22 Adjustments</b>		
Positive is Source of Funds; Negative is Use of Funds		
\$ Thousands		
	<b>Amount</b>	<b>Notes</b>
<b>FY22 Discretionary</b>	<b>\$ 1,860</b>	
OPEB Contribution	\$ 300	Adjust Contribution from \$650K to \$350K
Reserve Fund	\$ (263)	LPS COVID Contingency
Reserve Fund	\$ (100)	Additional Cushion In-Light of FY21 Expenses
School CapCom	\$ -	Propose LPS repurposed any FY21 excess operating funds for FF&E
Town Budget	\$ (95)	Fund Preferred Items
Radio Tower	\$ (1,824)	1 Time Project Cost in FY22
Net State Aid Adjustment	\$ 126	Modelling adjustment
<b>Sub-Total ex-Fire Truck</b>	<b>\$ 4</b>	
Fire Truck Refurbishment	\$ (380)	FY22 Project
Stabilization Fund Drawdown	\$ 400	
<b>FY22 Net Change</b>	<b>\$ 20</b>	

## Water Department Update

Mr. Hutchinson reviewed the current water system comprising Flint's Pond, two wells, a treatment facility, a reservoir and 58 miles of pipes (some of which pre-date 1900). He noted that this is the first time the Water Department had presented to FinCom and suggested that the committee think of the department as a manufacturing business with lots of fixed assets and a large infrastructure. He also noted only 33% of its budget is for personnel, a relatively low ratio compared to other town departments.

The department is nearing full staff but is looking for a new Superintendent to replace the current Superintendent who retired in January 2020. Dan Pereira is serving as interim Superintendent.

The department currently has eight capital projects underway, one of which is evaluating whether a possible switch to MWRA, a change that would have significant impact on both equipment and personnel. Other projects highlighted were:

- Upgrades to various systems, including the Water Treatment Plant and Tower Road well
- Design of a new coagulation system  
Mapping and a unidirectional flushing plan
- A risk assessment per the American Water Infrastructure Act (AWIA)
- Fixes to SCADA, the process control system, as a cost-savings measure (vs replacement)

### **Operating Budget Challenges and fixes**

Mr. Hutchinson reviewed the department's operating budget challenges and said that going forward it would observe the FinCom's annual guidance (as all other departments do), adding more discipline to the budgeting process. In addition, the department will be doing more tasks internally and categorizing outside services as capital requests rather than putting them in the operating budget, another measure that would bring the department more in line with the Town's standard way of doing things.

### **Proposed Operating Budget**

Mr. Hutchinson reviewed the line items in the Proposed Operating Budget, showing the overall total increase from FY21 to FY22 (\$1,835,468 > \$1,881,686) to be within FinCom's 2.5 % guidance. Capital requests were reviewed by CapCom which made suggestions for changes. Capital requests totaled \$939,100 and fall into three categories: those required by EPA and DEP, those related to aging infrastructure, and those related to increasing the resiliency of operations.

### **Retained Earnings**

Mr. Payne asked whether there are any scenarios where the department's finances don't stay within the enterprise fund (where the department operations are fully funded by water bills) and the town would have to "float" the water department.

Mr. Hutchinson explained that water department bond obligations are also obligations of the town, so if the water department could not meet those obligations, the town would have to pick them up.

### **Challenges for the Water Department**

Mr. Hutchinson summarized the main challenges going forward:

- Decision on switching to MWRA
- Retention of personnel in highly competitive market
- Completion of multiple infrastructure projects
- Replenishment of retained earnings
- Replacement strategy for aging water mains

### **Liaison Updates**

Due to the very late hour, Mr. Payne asked the committee if it would agree to postponing the liaison updates. There were no objections.

### **Other Business**

Mr. Payne advised that April 1<sup>st</sup> is the deadline for submitting individual liaison reports to be included in the town's annual financial report.

### **Review of Minutes from February 2, 2020 Meeting**

Mr. Payne noted already corrected typos and additional typos were corrected. Ms. Marshall made a motion to approve the minutes as amended. Ms. Wallace seconded the motion.

Minutes were approved by roll call vote.

### **Adjourn/Closing**

Mr. Blanchfield made a motion to adjourn the meeting. Mr. Payne seconded the motion.

The Meeting was adjourned at about 10:45pm.

Respectfully submitted,

Deborah Wallace

*A video recording of meeting is available at: <https://youtu.be/H1dPx5KZ45w>*