

Shutesbury Finance Committee
Tuesday, May 27, 2021, Virtual (Zoom) Meeting

FinCom Members Present: Jim Hemingway, Ajay Khashu, Jim Walton, Susie Mosher, Bob Groves

FinCom Members Absent: George Arvanitis, Melody Chartier

Non-Members present: Becky Torres, Paul Lyons, Mike Vinskey
Mike Vinskey, Jeff Lacy, Penelope Kim, Kevin Rudden (Assessor)

7:01 PM Finance Committee Call to Order

1) Motion to approve 5/12 meeting minutes as amended passes unanimously (5-0).

2) Motion to approve 5/17 meeting minutes as amended passes unanimously (5-0).

3) Info Session Meeting Prep (Paul Lyons joins)

- Paul Lyons states that he is willing to serve as moderator of the information session but is also happy to take a backseat if the Fin Com decides that it does not need an external moderator.
- BG states that there was some disagreement between Fin Com members on certain topics and his preference is that community members have an opportunity to hear different points of view on these topics.
- AK states that he does not have an objection to a Fin Com member expressing a dissenting opinion in response to a community member's question. AK's preference is that we not have a formal majority and minority report.
- BT states that last year's information session used the webinar format.
- Mike Vinskey states that he would like the session to have a more dynamic format where people can ask follow up questions.
- SM states that we can use the Annual Finance Committee report to guide the discussion. The report consists of multiple sections. We can take questions after each section.
- JH states that direct interaction with community members is the way to go.
- AK suggests a compromise where we have participants type their questions in the chat box which are synthesized by Paul, and that we reserve time at the end of the meeting for open, spontaneous questions that have not been answered during the session.
- **SM moves that we organize the Finance Committee Information Session using the format that was used for the recent Solar Presentation. Motion passes unanimously (5-0).**
- Jim Walton suggests that Finance Committee members introduce themselves. JW suggests that we point out various Fin Com resources on the website.
- AK asks if the Zoom webinar format might be a better approach given that it might be difficult for Jim to see who wants to respond to a specific question.

- The discussion will be structured using the FY22 budget report. We will walk through and take questions after each section of the report.
- AK suggests that JW provide a brief overview of the budget process before we dive into the budget report.
- Paul Lyons and BG suggest that we provide a list of all reserve funds and have someone from Fin Com explain what the distinction is between these different funds. BG volunteers to discuss this topic.

4) Expense Report Review

- BG asks about the school choice revenue line. SM reports that the school committee has developed a recovery plan that utilizes these funds for a preschool teacher and a literacy support teacher for K-4.
- BG states that these funds should be included in the school's operating budget.
- SM responds that the school has the discretion to use those funds how they see fit.
- BT reports that it is looking like our health insurance expense will not operate at a deficit for this year.
- BG asks whether we are going to have a review of the Pioneer Valley Mosquito Control District. The plan was to fund this with free cash for 1 year and then reevaluate. [Note: This item is not in the FY22 budget.]

5) Upcoming Meetings

- 6/1 – Budget Information Session
- 6/12 – Annual Town Meeting

Meeting adjourned at 9:02 PM

Attachment A: Draft FinCom Report

Shutesbury FY 22 Estimated Budget Expenses and Revenue Sources (\$ in thousands)

Expenses

Total budget expenses:	\$6,628K
Increase over FY21	0.4%

Revenue Sources

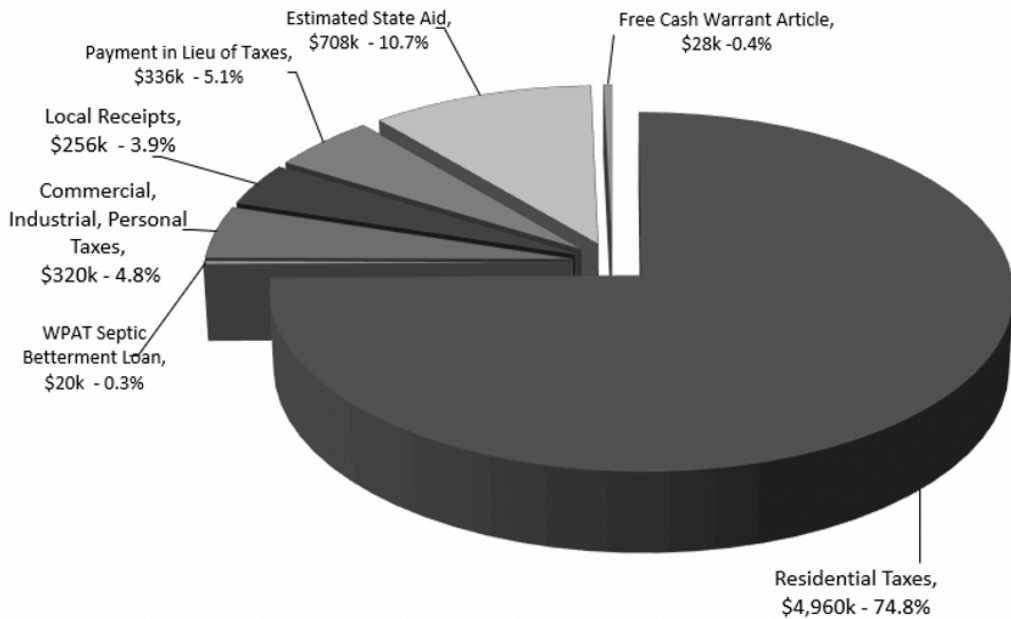
Residential taxes *	\$5,000K
Comm., +Indust., + Pers. Prop Taxes	\$320K
Overlay (adjustment to tax revenue)	(\$40K)
Local Receipts (Excise tax, court fees, etc.)	\$256K
PILOT (Payment In Lieu of Taxes DCR, etc)	\$336K
Estimated Net State aid **	\$708K
Free Cash for Operating Budget FY22	\$28K
WPAT Septic Betterment Loan	\$20K
Total Revenues	\$6,628K

* Estimated Tax rate:

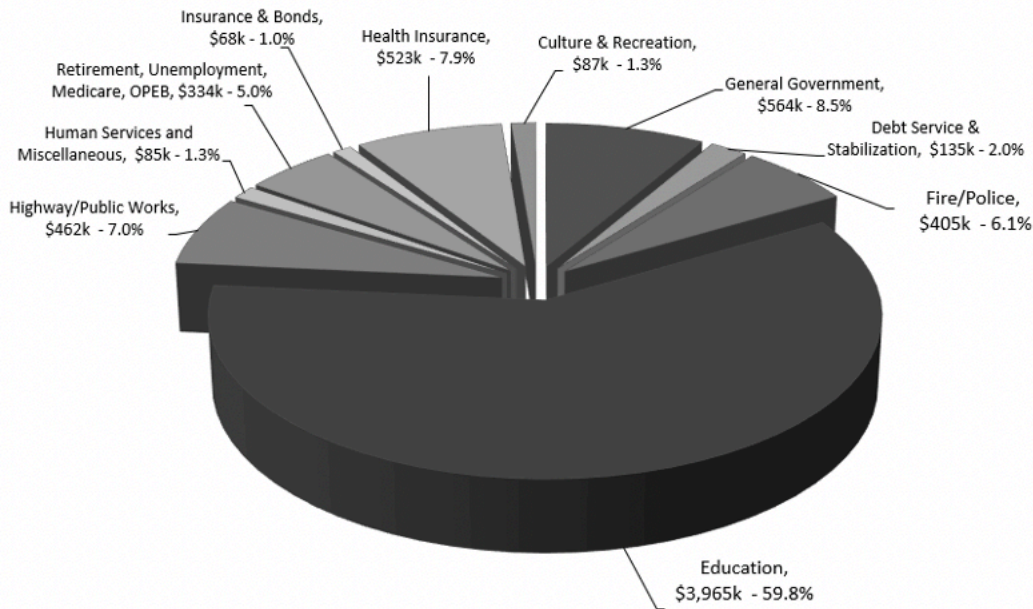
Total levy / assessed valuation * 1000
 $\$5,320K / \$227,578K = \$23.37$
 (current rate \$22.61) increase 3%

** State aid: Estimated reduction 2.27%

FY22 Revenue By Category Total is \$6,627,635



FY22 Budget By Category
Total is \$6,627,635



We have prepared a balanced budget for FY22

1. Significant Operating Increases and Decreases Compared to the FY21 Budget:

- A. Total Budget: 27K increase (0.4%)
- B. Elementary School: \$44K increase (2.0%)
- C. Health Insurance: \$15K increase (3.0%)
- D. Town Employees Salary (excluding schools): \$16K increase (3.2%)
- E. Retirement County: \$12K increase (5.3%)
- F. Regional School decreased regional budget from FY21. With continued change in assessment method toward Statutory at 65%: \$65K decrease for Shutesbury (-3.9%)
- G. Police wages: \$7K decreased (-3.3%)
- H. Planning Board: \$5K increase for one-time newspaper legal notice expenses

2. Larger Projected Revenue Increases/Decreases:

- A. Net Tax Levy Used in FY22 Budget
 - 1) Tax Levy: 2.5% increase \$141K
 - 2) Change to Excess Levy Capacity from FY21: decrease \$19K (-3.6%)
- B. New Growth: \$10K

3. Cash Reserves Summary, beginning balances:

A. Free Cash (as of 7/1/2020)	\$1,379K
B. Capital Stabilization	\$508K
C. <u>Stabilization</u>	<u>\$319K</u>
Total Cash Reserves	\$2,206K

4. Finance Committee FY22 warrant article capital expenses recommended:

A. Elementary School Roof, Part I	\$300K from Free Cash Reserves
B. Locks Pond Rd. Culvert	\$250K from Capital Stabilization
	\$350K state grant
	\$500K borrow at est. rate of 2.75%
C. Engineering and design for HVAC Controls at Elementary School	\$17K from Stabilization
D. HVAC project (might be grant-funded)	\$200K from Stabilization

5. Free Cash to be used in Operating budget (non-recurring items):

A. Asst. Treasurer	\$1K
B. Asst. Tax Collector	\$2K
C. <u>Library Building Fund</u>	<u>\$25K</u>
	\$28K

6. Free Cash to pay bills from 2020: Assessors Stipend \$2K, Mirabito Electric \$2K

7. Cash Reserves if all warrant articles pass (Section 4 and 5 above), plus warrant article to transfer 350K from Free Cash to Stabilization:

A. Free Cash	\$697K
B. Capital Stabilization	\$258K
C. <u>Stabilization</u>	<u>\$565K</u>
Total cash reserves	\$1,519K (-31%)

8. Upcoming Capital Projects for FY 23 and beyond:

- A. Elementary School Roof Part II (grant funding?) \$600K
- B. New Library Building \$650K - \$800K
- C. Police Cruiser replacement \$50K
- D. Whole Building Ventilation for Elementary School (might be grant funded) \$175K - \$350K range
- E. Capital Plan Needs beyond FY23: dump truck, backhoe, and refurbish fire vehicle

9. OPEB (Other Post-Employment Benefits) Trust Fund:

- A. Actuarial liability \$2,489K as of 6/30/19
- B. Saved so far \$679K before FY22 funding
- C. Annual funding from operating budget \$50K
- D. State gives towns 30 years to fund their liability, starting in 2010
- E. Actuarial Report due in Fall 2021. Finance Committee will reevaluate

10. Thoughts on the Future:

- A. Continued maintenance to 40+ year old school building
- B. Storage of Public Records/Need for Additional Space
- C. Invest in projects that reduce operating costs (i.e. municipal solar photovoltaic systems)

D. School costs:

- 1) Ongoing loss of grant funds for early childhood education.
- 2) Towns in region unable to agree on a long-term school budget assessment allocation method
- 3) The Regional School OPEB and Employee Health Insurance costs.

F. Health Insurance Costs for Elementary School and Town Employees

G. Unpaved roads/infrastructure (dirt roads, culverts, bridges, etc.)

H. Explore new revenue sources – Residential taxes account for 94% of Shutesbury's tax revenues.

The average town in Massachusetts relies on 82% residential taxes. We have a very narrow tax base.