January 15, 2020

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Meeting of the Finance Committee held on Wednesday, January 15, 2020 beginning at 6:45 p.m. in Conference Room #1, Town Hall.

Members present: Eric Gregoire, Chairman, Maureen Downing, Susanne Boyea, Joan Cavallo, Raymond Yando, Anthony Alves and Beverly Tokarz

Members excused: Nicole Parker and Richard Moskal

First Order of Business: The Pledge of Allegiance

Mr. Gregoire informed the committee of mail items. The Beacon and a summary of the Conflict of Interest Law was distributed to the committee for their perusal.

Mr. Gregoire revisited the FY'21 Budget Development discussion and discussed timelines. Departments had submitted requests and the first level have been reviewed. Ms. Collins said that she has copies of the initial review and ideas about what can be done. At first there was a 3.5 million-dollar negative excess levy. After all the requests needed to run departments effectively, adjustments were done. Health Insurance came in lower than budgeted; retirement came in lower than expected which ended up at 2.9 million dollars negative. The Budget Sub-Committee met and came up with areas to look at. One of them being overtime in the Town. That's approximately 1.3 million dollars. That needed to be reviewed. Ambulance, Fire, Police, DPW overtime needed to be reduced. The School was looking for almost a 7% increase. That needed to be looked at. A 3 to 5% reduction in their budget was discussed. Reclassification and skipping Steps, new hires, fund and unfunded positions will not take place. Retirements will not be replaced. Trash and Recycling has also been looked at. If the Town goes to duel stream recycling, they could save $100,000. They discussed pay as you go. They discussed everyone placing their trash in purple bags which would be a starting point to get an Enterprise Fund set up so that a grant could get the Town 35- gallon bin. They cost $50 per bin. If the purple bag/pay as you go process started then once the funding for the Enterprise Fund is established, they could get the grant and purchase the bins, duel recycling, purple bags if there is excess trash and at that point start charging an annual fee for the bins. By FY'22-23 there would be 1 ½ million dollars removed from the budget. The Town cannot support the $400.000 increase for recycling this year. To stop providing trash to the Town would mean trying to find haulers which would be maybe $500 per year per household. The purple bags would be more beneficial to start. If there would be a transition, there are only certain times that it can be done. Grant funding is not available until November of 2020. The bins couldn't be distributed to everyone until the next fiscal year. They would have to set up an Enterprise Fund which can only be done in May at Town Meeting. If the Town starts with the purple bags and duel streaming, it's revenue can be seen immediately in FY'2021 and also savings on the recycling side and move forward from there. Ms. Collins still needs to find $600-800,000. That doesn't count additional revenue for purple bags. There will be cuts in overtime, the school will see a huge recommended cut. They are looking for a 2.2-million-dollar increase. The recommended reduction on that increase was 1.7 million dollars, which will be very hard for the school to take on. Mr. Gazda doesn't know what the school would look like with that kind of a reduction. They looked at areas where Free Cash could be used and utilize it for one-time expenses that were requested in the budget. One of them was a salary re-classification study which was $15,000; the other was $35,000 for new voting machines and $175,000 for Chapter 111F salaries. The thought was to set up a Revolving or Stabilization Fund to cover those expenses (Chapter111F) outside

of the budget. They can't be transferred to other parts of the budget to cover other things, but Free Cash could be used to set up that fund. They also talked about using the money to cover the trash bins if needed. Ms. Downing said that Free Cash can be used for specific one-time things only. There is 1.5 million if Free Cash. After everything Ms. Collins said re: Free Cash, putting $400,000 into Stabilization, $25,000 into Infrastructure; $300,000 towards the bins, all of the leases that they currently have; and the study for $15,000; $175,000 for Chapter 111F and $35,000 for voting machines, there would be $256,000 left after all those expenses, in addition to the $400,000 which would be put into Stabilization. If decided, the $250,000 could be put into Stabilization. Ms. Collins said that the money could stay in the present account and just grow and not allocate it for anything. Mr. Gregoire fells that if the money can't be touched, it gets us in the habit of not touching it. Ms. Collins said their going to be using over 1 million dollars in Free Cash. That means that over a million dollars in revenue is needed to cover it or the Retained Earnings will be reduced. Ms. Villano will look into the insurance. Insurance was purchased to cover the medical side of Chap. 111F. There is a way of covering some of the salary side. Mr. Gregoire asked if implementation of a plan going forward with certain key departments is underway to make good decisions regarding the budget. Ms. Collins said that on the 21st. Mr. Supernant is presenting the duel stream option to the DPW. The DPW sees the need to move towards duel stream to save money. They've had a representative from the DPW sitting in on the meeting this morning talking about the granting option. Ms. Collins etc. have spoken to the agencies making those decisions, telling them where savings might be. They spoke with Waste Management. Ms. Downing asked what would happen if the Levy capacity was down to zero? Ms. Collins said it would look pretty good. The tax rate would go up under seventy cents, even with all the debt, maybe closer to a fifty-cent increase and the cost to households would be in line with the past two years. The increase in the taxes is not due to the budget, it's due to the building of a school and senior center. We most likely will also be building a track.

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Mr. Alves asked if the committee will be taking the same type of approach with the budget as in the past few years? Mr. Gregoire said that was the conversation tonight. He thought it worked and the departments appreciated that they didn't have to meet with the committee if not necessary. Ms. Collins said that there will have to be a meeting with the Selectmen going forward to cut the budgets probably by 5% to get rid of the deficit. When those adjustments are made, departments can start meeting with the Finance Committee. The committee discussed the meeting schedules going forward.

Ms. Cavallo asked how the purple bags would be used and recyclables. Ms. Collins explained the process to the committee. Trash goes into the purple bag and glass and paper will be separated in the recyclable bins and picked up on alternate weeks. One week for the plastic and glass and the other week for cardboard and paper. They also discussed every other week trash pickup. If large bins are used, the trash company will not pick up purple bags. Residents will have to bring them to the transfer station.

Ms. Downing updated the committee on the Harris Brook Elementary School building project. The cash flow projection was emailed to the committee and they are on target with the money. They will start spending money in May, June and July. That is when the weather is better and building will move faster. In January they budgeted to pay the contractors $17,118,000. They actually spent $16,969,000. She will ask if a drown flyover can be done and pictures of that project be given to the committee. There is a meeting at the end of the month to pick out the finishes, meaning colors, titles, etc. Ms. Collins said that there is a woman named Veronique from DEP. She could help with re-purposing items that are in the

schools. Ms. Villano has her information. She helped another community to reuse what they had or find ways to have it repurposed so that all items would not be thrown away. Ms. Downing said that Chapin Street School will be torn down, but maybe items can be used at the East Street School. There are also grants available for swap shops. Ms. Downing will inform her committee. The finished cost of the project is $59,951,400.

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Mr. Gregoire updated the committee on the Track and Field Project. He was invited to attend a Selectmen's Meeting last week to discuss the Track and Field Project. He has not received or received clarification at that meeting of what the actual project was for; what their going to do, what they have and haven't reviewed from the committee's prospective. The discussion at the meeting was how they were going to move it forward for approval. They quoted a 2.2 million dollar estimate for the replacement of the track and fields behind the High School. They are looking at a turf field for it, they spoke at length about the strategy of getting an approval. The committee thought it had to go to Town Meeting and call a Special Town Meeting and place a question on the ballot for approval. Since it would be a debt exclusion it would require the Selectmen to place a question on the ballot. There was much conversation about placing it on the November election or putting it on the March election this spring. Mr. Gregoire hasn't heard from any Selectmen who sit on that committee. They asked the financial advisor to do an analysis on the impact that the 2.2 million dollars would do to the tax rate. There is a meeting scheduled for next week to revisit the information from the financial advisor.

Ms. Collins said that the pre 2018 debt will be gone by FY'22. She did the borrowing for the track in FY'22 and the debt service is about $40,000. In FY'23 it's about $70,000 and the following year it goes up to about $215,000. In FY'22 there is about $400,000 that disappears. Looking at all the projects it's not a big difference in terms of the tax rate. Overall with the Senior Center the School and the Track, the highest excluded debt service only was $1.10, which is where it was before the track.

Ms. Downing's issue is that the track is needed, but the next year will be facing furloughs, layoffs or non- replacement of personnel, no merit raises, cutting budgets drastically and asking departments to sacrifice. She's not sure if the track is necessary at this time. Ms. Collins spoke about the fundraising and what they had. Ms. Downing said that they had $7,000. They received $100,000 from the State through a Grant to do the study, plus $75,000 was committed from the Town for the 40R. Ms. Collins said the $7,000 is not a reliable number. There is a FIT account somewhere. It's co-mingled with the athletic fund and she doesn't know how much money is in that account. The Town and the school have always put things in a general fund account, but have spreadsheets to back them up. Ms. Collins separated them all out and now she needs to go through the school to figure out how to move forward. She thinks there is $3-5,000 available out of the FIT fund. Maybe $400 in donations from their current fundraising and maybe a $1,000 donation. There isn't a lot of fundraising going on and it's up to the Selectmen to determine if the question can go on the ballot. Her thought process is that if the Selectmen agrees to put it on the ballot, the townspeople assume that the Town has the money and we can afford it. Mr. Gregoire's issue is that he can't tell people if there was a process that the committee followed or

what the Town will get as a project. When he asked questions, they were in discussion about whether or not grass or turf was the right product to use. The way the process is involving, doesn't lead to a lot of confidence on his part, nor will the Finance Committee have any opportunity to address it in some way.

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The Selectmen will decide to put it on the ballot and then, unless someone decides to pass judgement on it for the voter's sake, there is no mechanism for anyone to provide information on the Town's financial prospective on where it would land. The school should also have to come up with an understanding and a plan to present every year where so much money can be spent in a Revolving Fund to take care of the maintenance needs. There are a lot of process problems. Ms. Collins says it's ten cents on the tax rate for thirteen years. Ms. Cavallo and Ms. Downing said that ten cents doesn't sound like a lot, but that money could provide salaries back on the table and give back services and give back money to the schools so there are no layoffs. The track cannot be used at all. They lived without the track for years. Ms. Boyea said that before a teacher is let go and classrooms go up to 25-35 students, she'd rather put that money towards the teacher and students then to give it to the track at this time. There are people who won't get merit raises, people will get laid off and 2 ½ million dollars will be spent on a track? There was discussion on the neglect of the track and why there was never any maintenance of the area. Mr. Gregoire said that there is a process that hasn't been followed. The track will have a financial impact. It will factor into everything else that has budget impacts once it's built. Ms. Collins said that maybe the Finance Committee could make a recommendation. Mr. Gregoire was planning on going to next week's meeting and was going to put that forward. If this is going to the ballot, it needs to have a financial review with the committee and be able to provide some insight to what's going on. No one has seen a Scope of Work or a price attached from any certifiable person. Ms. Collins said there is a website for the track and fundraising. Ms. Boyea said that shouldn't the track committee be the ones stating that there is a process that is to be followed. If they are allowed to go forward then another group who is just as passionate about something else may come forward and supersede everyone. Mr. Gregoire said that the track committee said that once the question is on the ballot and the Town approves it, then people will start donating. Committee members did not agree with that, especially when they receive their new tax bills. Ms. Cavallo said this new track has been on the back burner for a long time. Mr. Gregoire said there hasn't been a lot of conversation about the project going forward with different views and what other steps could be taken, and how will the maintenance of the area be maintained. Mr. Alves said that lack of details is his concern, maintenance going forward. Ms. Downing said there is no plan for the initial field, the cost, scope and also the maintenance. If you want to put something on the ballot, it's up to the Board of Selectmen. It will be on the ballot in March or go on the State Election in November. Mr. Gregoire will be at the next Selectmen's meeting and he will reach out to the committee members for information on the track. The Finance Committee will not have any effect on the vote. The committee can only make a recommendation.

The committee discussed the wages on the Recreation Commission. Their going to the Selectmen on the 21st. to ask if they can increase everyone's salary when minimum wage goes up. Ms. Downing said that they asked that question last year. Ms. Collins said they want to take on that responsibility. She feels it has to go to H.R. and the Selectmen.

Moved by Ms. Downing, seconded by Ms. Cavallo to approve the Finance Committee Minutes of November 20, 2019
Vote: 5-0 2 in favor. Ms. Boyea and Mr. Yando abstained

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Moved by Ms. Boyea, seconded by Ms. Cavallo to adjourn the Finance Committee Meeting at 7:55 p.m.
Vote: 7-0 in favor

Eric A. Boyea

Ludlow Finance Committee