

Advisory Committee Meeting Minutes

Date: May 12, 2020

Place: Remote Meeting via Zoom

In attendance: Committee Members Victor Baltera, Bob Curley, Julie Strehle, Tom Belyea, Eric Haskell, Eryn Kelley, Evan Sheehan, Libby Claypoole, George Danis, Andy McElaney, Davalene Cooper, Dave Anderson, Nancy MacDonald, Ed Gaydos, Kathleen Almand, and Town Accountant Sue Nickerson.

Absent: None.

Chairman Baltera called the meeting to order at 7:04 pm. He read the following statement: "This meeting is being held remotely as an alternate means of public access pursuant to an Order issued by the Governor of Massachusetts dated March 12, 2020 Suspending Certain Provisions of the Open Meeting Law. You are hereby advised that this meeting and all communications during this meeting may be recorded by the Town of Hingham in accordance with the Open Meeting Law. If any participant wishes to record this meeting, please notify the chair at the start of the meeting in accordance with M.G.L. c. 30A, § 20(f) so that the chair may inform all other participants of said recording."

Comments from the public regarding items not on the Agenda None

Approval of minutes

Minutes of the Meeting held on 3/3/20 were approved with revisions on a roll call vote by a vote of 13-0-1 (with Eric Haskell abstaining).

Minutes of the Meeting held on 3/5/20 were approved with revisions on a roll call vote by a vote of 14-0.

Minutes of the Meeting held on 3/10/20 were approved with revisions on a roll call vote by a vote of 14-0.

Forecast Update

Chairman Baltera began the Forecast update discussion with a reminder that the Advisory Committee voted on 3/10/2020 to approve a balanced FY21 budget based on a budget forecast dated 3/3/2020, with assumptions about anticipated revenue in amounts that would match approved expenditures. Since the COVID-19 pandemic unfolded in the weeks after the budget vote, the Town has had to revise its FY21 revenue assumptions downward to account for the contraction of the anticipated revenue.

Selectman Mary Power and Assistant Town Administrator Michelle Monsegur joined the meeting.

Ms. Monsegur reviewed the Forecast update for FY20. As of 5/9/2020, the Town is projecting revenue shortfall for the remainder of FY20 in Meals Tax revenue (\$129,000 reduction from prior Forecast), Penalties & Interest on property tax (\$21,800 reduction), Investment Income

(\$12,000 reduction), and South Shore Country Club Enterprise Fund revenues (\$212,492 reduction, based on limited operations). These shortfalls are projected to be partially offset by Other Revenue Sources not in the prior Forecast consisting of an increase in new growth (\$220,287), and a \$30,000 increase in U.S. Department of Health and Human Services federal stimulus grant (ambulances). Based on these figures, the FY20 projected revenue shortfall is \$125,005.

Budgets: FY20 and FY21

Ms. Monsegur reported that given the projected revenue shortfalls described above, in mid-March the Town instituted expenditure controls, including deferring non-essential hires, on both the Municipal and School side for the remainder of FY20 to offset the projected revenue shortfalls for this fiscal year. Town administration is confident that the Town will be able to cover the projected FY20 revenue shortfall of \$125,005 through interdepartmental transfers at year end. In addition, the Town is making every effort to provide budgetary reductions that will result in FY20 “turnbacks,” which will become part of the Town’s Unassigned Fund Balance once certified after June 30, 2020. Sue Nickerson reported that potential turnbacks could come from Group Insurance, DPW (snow and ice), or the former Engineering Department. Potential reserve fund transfer requests could come from Unemployment or Legal, but the specific needs are not known at this time.

Chairman Baltera reported that for FY21, the projected revenue shortfall is \$3,334,737 (as detailed in the Forecast update above). While potential options to address this projected revenue shortfall could include reopening the proposed FY21 budget to cut expenses, using Fund Balance to close the gap in revenue, or borrow funds to close the gap in revenue, the problem at this time is the uncertainty of whether there will be further revenue reductions, or whether the estimates are too dire. If the Town chooses to cut the FY21 budget right now, it may be later confronted with whether this difficult choice was necessary.

Ms. Monsegur detailed the FY21 projected revenue shortfalls (as of 5/9/2020 data): Property Tax collection (\$805,708 reduction, based on the average reduction in collections experienced during the Great Recession years of FY09 and FY10); State Aid (not including MSBA funding for High School; \$1,944,003 reduction based on projections made by Massachusetts Municipal Association (“MMA”) and Massachusetts Taxpayers Foundation (“MTF”)); Motor Vehicle Excise Tax (\$50,000 reduction); Meals Tax (\$221,000 reduction); Charges for Services (\$76,920 reduction); Licenses & Permits (\$192,300 reduction); Investment Income (\$200,000 reduction); Departmental revenue (\$44,806 reduction). FY21 Other Revenue Sources identified a \$200,000 increase in additional Excess Overlay. Based on these figures, the FY21 projected revenue shortfall is \$3,334,737. This \$3.3 million is the amount of Fund Balance that the Town is proposing to use to fulfill COVID-19 related budget revenue shortfall. There is also \$284,500 in the Fund Balance line in the new Forecast which represents FEMA reimbursement from 2015 winter storms, targeted for repairs to schools, DPW and Town Hall. Chairman Baltera added that there are also three Warrant Articles coming before 2020 Annual Town Meeting which would use funds from Fund Balance.

AdCom members discussed potential changes to Fund Balance. Bob Curley reported that when the water company acquisition is completed, \$1.7 million in acquisition costs will be returned to Fund Balance. Libby Claypoole questioned whether any consideration has been given to reconsider any proposed Town Meeting FY21 Warrant Articles, especially those which would be funded by Fund Balance. Ms. Claypoole also asked whether South Shore Country Club (SSCC) revenue shortfalls would jeopardize its ability to repay the debt on the proposed Maintenance Facility project. Chairman Baltera replied that there is no proposal at this time for reconsidering any Warrant Articles.

Ms. Monsegur detailed the FY21 Financial Management Plan. The Town will track annualized revenue projections and implement a tiered expenditure control system with monthly and quarterly reviews as follows:

- Beginning on July 1, 2020, the first day of Q1, the Town will employ a Tier 1 control system which, absent significant improvement in the financial outlook, will likely remain in place for the entire fiscal year. Responsibility for cost reductions falls at 40% of Municipal expenses, and 60% of School expenses.
- After the end of Q1 (September 30, 2020) and at any point thereafter, if there are additional projected revenue shortfalls that exceed \$500,000 and expenditure controls have not produced sufficient savings to offset them, Tier 2 requirements with specific savings targets will be initiated by the Advisory Committee after consultation with the Forecast Group and Board of Selectmen.
- Once the Tier 2 budget controls have been implemented, the savings achieved by the Tier 2 measures must result in permanent savings in order for the Advisory Committee to consider returning to Tier 1 financial controls.

Oversight for compliance with the plan will be the responsibility of the Advisory Committee as informed by the Forecast Group, Board of Selectmen, and School Committee. The Forecast Group consists of the Chair and Vice Chair of the Advisory Committee, Chair of the Board of Selectmen, Town Administrator, Assistant Town Administrator, Town Accountant, Chair and Vice Chair of the School Committee, School Superintendent, and School Business and Support Services Director. A financial analysis spreadsheet, which tracks all revenues and all expenditures to determine where the budget stands, will be reviewed by the Forecast Group. The full Advisory Committee will be updated quarterly, and will decide what action (if any) should be taken: if a revenue shortfall does not appear, the budget controls could be relaxed; or if a revenue shortfall widens beyond \$500,000, then the Town would have to move into Tier 2.

Selectman Mary Power passed along the thanks of the entire BOS to Michelle Monsegur, Sue Nickerson, and Tom Mayo for going above and beyond to respond to this budget situation and create a plan for action. Selectman Power also discussed the \$7.6 million of Fund Balance in excess of the recommended upper limit set by the Town's Financial Policy. She reminded AdCom members of discussions earlier this year about the potential of using excess Fund Balance for large capital projects. She further noted that the BOS consulted Capital Markets

Advisors about how rating agencies would view the Town's proposed use of Fund Balance as part of its FY21 Financial Management Plan. Capital Markets Advisors indicated that ratings agencies would view favorably what the Town's proposed approach of using Fund Balance combined with financial controls. Selectman Power added that during a recent conference call with the Massachusetts Municipal Association (MMA), the MMA stated it plans to urge bond rating agencies to hold Massachusetts communities harmless for using Fund Balance in these circumstances of budget crisis due to the pandemic. The MMA also expects that impacts from COVID-19 may significantly affect communities beyond FY21, and municipalities may need to use Fund Balance in FY22. Selectman Power added that Treasurer Jean Montgomery has reported that during the recession in 2008-2009 the impact on the Town's revenue was most significant 12-18 months after the recession began.

Selectman Power cited the potential for significant new expenses relating to COVID-19, including the potential need to lease more school buses to provide for less crowded seating conditions, and the potential need to expand sleeping accommodations for firefighters. At this point, the Town can't count on how much of its COVID-19-related expenses will be reimbursed by the state or federal government, and which expenses will be deemed reimbursable. There is no estimated date on completion of a FY21 State budget.

Dave Anderson asked for detail on what is being considered as essential and nonessential for new hires and capital, and Selectman Power replied that Town Administrator Tom Mayo and the School Superintendent Dr. Paul Austin are currently both working to determine this information, and it may be available by May 14th. Ms. Monsegur added that some additional financial control steps should be taken within Tier 1 if, for example, there is a \$200,000 revenue shortfall after Q1 (which is under the minimum threshold of \$500,000 to shift into Tier 2, but still a revenue shortfall which would need to be reduced). Mr. Anderson expressed concerns that if SSCC has bad revenues this summer because the club is not allowed to open for a full season, that those decreased revenues would push the Town into Tier 2 financial controls. Selectman Power replied that the Country Club Management Committee (CCMC) will continue to look at what expenses SSCC revenues can support, and adjust accordingly. She added that CCMC won't go ahead with the maintenance shed project if it's uncomfortable with its ability to be able to pay back debt.

Eryn Kelley asked about the decision to set the percentage split between Municipal and School budgets at 40% to 60%, respectively, in the cost reduction strategy. Selectman Power replied that this decision was reached by comparing the FY21 budgeted municipal expenses of \$29 million, and education expenses of \$56.7 million plus shared costs (benefits such as OPEB, group medical insurance, and debt service on projects). The School Committee has agreed that this split is reasonable. George Danis wondered whether the Town has considered the route of layoffs, changing the FY21 budget with cuts, or FY20 furloughs, all options which other towns are implementing. Selectman Power replied that the Town is in a unique position because of the strength of its Fund Balance. In a sense, it's the rainy day fund, and now that rainy day has arrived. The Town has been saving funds over the years for emergency situations, so it doesn't

feel right to not apply Fund Balance to solve the revenue shortfall. Also, the Town is self insured for unemployment, so layoffs would not result in saving the full amount of employee salaries.

Mr. Mayo joined the meeting.

Ms. Monsegur reported Town Hall staff have been reassigned to cover efforts needed now around Town, such as COVID-19 contact tracing, hosting Zoom calls for committee meetings, and making telephone calls to check on seniors.

Ed Gaydos wondered how Town leadership can convince Town Meeting to trust that it's making a prudent decision with the FY21 Financial Management Plan? Selectman Power answered that the Town has demonstrated financial stewardship over the years, and just because the budget is approved, it doesn't mean that the Town will spend all of it. Evan Sheehan stated that if the lower revenue projections extend through FY22, he would want to see a more structural plan in place, with the possibility of doing things differently in the future, such as sharing resources across the Municipal and School budgets, to help deal with lesser revenues that may come in future years. Mr. Mayo replied that this sharing of resources is a priority for both him and Dr. Austin. He added that the Town Administrator's office has been included in the School Department's planning process on how schools will safely reopen.

Discussion continued on AdCom's specific role in the FY21 Financial Management Plan. AdCom will be the overall provider of oversight of the plan, represented in monthly Forecast Group meetings (with the AdCom Chair and Vice Chair), and then quarterly reports to the full AdCom. AdCom will have the final decision making authority to trigger a move between Tiers. Selectman Power added that the determination to move from Tier 1 into Tier 2 would be triggered by the data point of a \$500,000 revenue shortfall. Chairman Baltera noted that the revenue shortfall would be a projected amount over the course of the year, and that tracking takes a whole year view. The tracking takes into account the impact of cost containment such as not filling positions. While staying within Tier 1, revenue shortfalls would be addressed within that threshold, so for example if there is a \$400,000 revenue shortfall within Tier 1, the Town Administrator and School Superintendent would work to reduce that revenue shortfall along the 40-60 split. Davalene Cooper suggested that if AdCom is split on the decision whether to change Tiers, then maybe this would trigger a Special Town Meeting in order to readdress the FY21 budget.

Chairman Baltera asked AdCom members to review the proposed plan. AdCom will take up the discussion again at its meeting on Thursday, 5/14/2020, present any modifications if requested, and vote.

Liaison Reports

Water Company Acquisition - Dave Anderson

Mr. Anderson recapped activity over the past couple of months. The Weir River Water System submitted an RFP for a water operator, and unanimously chose SUEZ, a company with both the

lowest bid and the highest rating for technical merit. A Water Superintendent search is still outstanding, slowed by the COVID-19 situation, and SUEZ has also suggested to wait on a search until the closing date is determined. Financing options for the purchase are being analyzed. The Town has submitted its Business Plan to the DEP.

Schools - George Danis

Mr. Danis reported that the School Committee has voted to create a new financial policy subcommittee. This new committee will work closely with the School Department's Director of Business John Ferris on all aspects of the school budget.

Master Plan Committee - Andy McElaney

Mr. McElaney reported that the March in-person Master Plan Committee meetings were canceled, but the Committee met online on 4/22/2020. Committee members have been encouraged to solicit comments on a draft for each sub-category of study. The Committee's goal is to stay on schedule and have a draft document prepared in relatively final form by 5/27/2020. The Committee is still on schedule for completion of a Master Plan prior to this fall.

Update on Town Meeting Schedule

Town Meeting has been rescheduled for 6/22/2020. Discussions are being held among Town employees on how to conduct the meeting safely if the Town is allowed to go ahead with a large gathering. Items to consider are the logistics of how to space out a large crowd, disinfect microphones, and make attendees feel comfortable with the safety precautions. Alternate satellite locations could be considered, such as Hingham Middle School or Linden Ponds. Efforts may be made to provide education upfront about issues coming before Town Meeting in order to make the meeting move smoothly and quickly.

If the Town is unable to have Town Meeting before the end of June, then new State legislation allows the Town the option to proceed into FY21 using a budget based on FY20 (which would mean that immediate budget reductions would need to be enacted to match the FY20 revenues and expenses). There is other proposed State legislation to allow Towns to proceed with a reduced quorum at Town Meeting, but such a meeting could only address the FY21 budget. The Town is working closely with State Senator O'Connor and State Representatives Meschino and Murphy to keep abreast of the latest guidance from the State.

Discussion of Advisory Committee Housekeeping Items

The next meeting will be held on Thursday, 5/14/2020, to continue the discussion of the FY21 budget and take action as necessary. Due to the ongoing COVID-19 pandemic, the AdCom end of year party will not take place this year.

Matters Not Anticipated within 48 Hours of the Meeting - None

Adjourn - 9:36 pm

Respectfully Submitted,

Julie Strehle, Secretary

List of Documents Distributed for this Meeting:

Agenda

Draft Minutes of Meetings on 3/3/20, 3/5/20, and 3/10/20

Five Year Forecast V 1.2A dated 4/27/2020

Town of Hingham Office of Selectmen Memo on FY21 Management Plan dated May 11, 2020

Template of FY21 Monthly Financial Analysis Spreadsheet dated May 11, 2020

FY21 Article 6 Budget

Approved on 6/11/2020