

Board of Selectmen

June 10, 2020

Remote meeting via telephone conference call

Present:

- Board of Selectmen: Ms. Karen Johnson (Chair), Ms. Mary Power and Mr. Joseph Fisher
- Mr. Tom Mayo, Town Administrator
- Ms. Michelle Monsegur, Assistant Town Administrator
- Ms. Sue Nickerson, Town Accountant
- Ms. Michelle Ayer, Chair of the School Committee
- Mr. Victor Baltera, Chair of the Advisory Committee
- Mr. Bob Curley, Advisory Committee

Call to order: 6:00pm

Ms. Johnson 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.”

Review of Hingham financial process leading up to 2020 Annual Town Meeting

Ms. Johnson said that their conversation would focus on four main areas:

- The Town’s Financial Policy
- The FY21 Budget process
- The FY21 Financial Management Plan
- Capital-related Warrant Articles that will use Fund Balance

Financial Policy

Ms. Power stated that the Town’s Financial Policy was established in 2008 and is voted on each year by the Advisory Committee, with a more comprehensive review every three years. She said that the most recent version of the Town’s Financial Policy was voted on in 2018. She explained that the Financial Policy establishes policies and metrics relating to expenditures. It looks at the Town’s goals as well as how decisions can affect the Town’s AAA credit rating. The three sections of the Policy are Financial Management, Capital Outlay, and Debt Service. She explained that there are metrics within each section that tell the Town how it is doing financially. She stated that the fact that Hingham has a Financial Policy and that the Town makes decisions that are consistent with that Financial Policy is more important to the rating agencies than the metrics themselves. She added that the credit agencies look at the quality of management when they are assigning credit ratings.

Mr. Victor Baltera, Chair of the Advisory Committee, stated that the Financial Policy provides that unassigned Fund Balance should be kept between 16-20% of total annual expenditures (Articles 4,5,& 6). He explained that unassigned Fund Balance is the accumulation each year of the excess between

surplus and deficits in the budget. He said that typically, Hingham has not been using their excess Fund Balance but that the Financial Policy says that, if the Town has consistently been above the 20%, the Town could consider using it for the following reasons:

- Unfunded long-term liabilities (pensions, OPEB)
- Long-term non-recurring Capital
- retired debt
- targeted tax relief

He explained that Hingham has been saving up this unassigned Fund Balance to be used to help fund some of the long-term Capital projects the Town has been planning for, such as school buildings, a public safety building, library projects, etc.

Mr. Curley added that, during the last review of the policy in 2018, there was an addition to the policy of language relating to economic diversity. He also praised the Department Heads and Town Management for their frugal management of their individual budgets, which accumulates over the years and adds to the excess Fund Balance.

Mr. Fisher noted that the Financial Policy states that this unassigned Fund Balance should not be used to fund recurring operating budget items.

Budget Process

Mr. Mayo said that the financial team, consisting of himself, the Assistant Town Administrator, the Town Accountant, the Treasurer/Collector and the Town Assessor, began the budget process in October with a review of the revenue collections to date and projected revenue collections for the following year. These projections came from the analysis of data from a variety of sources, including State collection rates, the general marketplace, interest rates, etc. Based on that review, Mr. Mayo sent a budget memo to all Department Heads containing directives to guide the budget development for that fiscal year. He said that he and Ms. Monsegur then met with each Department Head in November to review their preliminary budget submittals. He noted that the final budget submittals are generally delivered to him in early November. The budget books are then compiled and distributed to the Selectmen and the Advisory Committee by Thanksgiving. Budget hearings are then held by the Board of Selectmen and the Advisory Committee in December and January. The School Committee presents its budget to a joint meeting of the Board of Selectmen and the Advisory Committee in February. He noted that a draft of the revenue forecast is presented to the Forecast Group in early November. The Forecast Group is comprised of the Chair of the Board of Selectmen, Mr. Mayo, the Assistant Town Administrator, the Town Accountant, the Chair and Vice Chair of the Advisory Committee, Chair and Vice Chair of the School Committee, Superintendent of the Schools, and the Director of the Business and Support Services for the School Department. He said that they meet periodically to discuss the budget process and the revenue projections. He said that this process works very well for the Town.

Chair of the School Committee, Michelle Ayer, spoke about the School Committee's budget process. She commented that this year's budget process was a little different than most because there was a new Superintendent. She said that Superintendent Austin put together a couple different versions of the budget, focusing on critical needs and level services, and presented these budgets to the Board of Selectmen, the Advisory Committee and the School Committee, followed by the creation of the initial budget. Due to the COVID-19 pandemic, there was a need to create a new Financial Management plan. She said that the School Committee was grateful to collaborate with the Advisory Committee and the Board of Selectmen to create the new plan that was to be presented at Town Meeting. She commented

that there is much uncertainty surrounding the educational plan for the fall, but that the School Committee is committed to following that Financial Plan and that austerity measures have already been put in place.

Mr. Baltera, Chair of the Advisory Committee, noted that the Committee designates teams to review individual budgets when they receive the budget books, followed by a deep review of each budget. They aim to understand departmental priorities and the resulting service levels, evaluate any significant changes, assess financial impacts, both for the current year and future budgets. He said that the goal this year was to have level services. Following this, there is a full Advisory Committee meeting where the liaison for each budget presents to the entire Committee. The Department Heads are present to answer questions and offer further explanation. All new requests are evaluated, followed by a recommendation by the liaison of the base budget. They also evaluate the Town's Enterprise Funds (the South Shore Country Club, the Sewer, and, in the future, the Water System). Mr. Baltera noted that, in February, they meet with the Capital Outlay Committee who reviews all the Capital requests and makes recommendations. He also explained that there is a sub-committee comprised of four Advisory Committee members who review the School Committee's budget.

Mr. Bob Curley discussed the Education Sub-Committee. He explained that, this year, Dr. Austin presented a status quo budget, as well as three aspirational budgets of additional educational tools and expenses that he felt were worthy of consideration by the Town. Mr. Curley added that the School Budget is constrained every year by Federal and State mandates not controlled by the Town of Hingham. Typically, the increase in the School Budget annually is double the increase of other Town budgets. He said that, this year, the status quo budget and some of the Tier 1 request were able to be funded. At that time, there were no additional resources to fund Dr. Austin's aspirational budgets.

Mr. Baltera commented that the Advisory Committee has two meetings to discuss the budgets and then meets to vote on Articles 4, 5, and 6, which are the combined budgets totaling \$126,940,526. He explained that there is an additional amount imposed by the State and there is an Overlay amount as well. On March 10, 2020 the Advisory Committee voted on the total budget of \$128,488,733. Mr. Baltera said that normally, the next step would be to present the budget at Town Meeting, but this year has been different.

Ms. Power noted that the new requests totaled approximately \$200,000, which is a small part of the budget. There was some additional discussion regarding some of the new requests, mainly proposed hires.

FY21 Financial Management Plan

Ms. Johnson explained that the Board of Selectmen re-voted its budget on March 12. On March 13 a State of Emergency was declared, Town Hall and schools were closed followed by the economic uncertainty and eventual downturn caused by the global COVID-19 pandemic. She said that it became apparent that revenues, such as the Meals Tax, were going to fall short of projected estimates due to restaurants being closed.

Ms. Monsegur identified three main revenue downturns Town officials analyzed prior to the creation of a new FY21 Financial Management Plan. First, they looked at the Meals Tax and projected revenues based on the COVID-19 restrictions, such as restaurants only offering take-out and delivery meals until the week of June 7. They also looked at predicted shortfalls in the State tax revenue that could affect our State aid and local receipts by as much as 19.2%, based on numbers from the Massachusetts

Taxpayers Association and the Massachusetts Municipal Association. Ms. Monsegur said that Town officials also looked at some of the historical trends Hingham experienced in the Great Recession of FY09 and FY10. They adjusted their projected tax collections down slightly consistent with what had happened in FY09 and FY10. She said that all this information lead to a \$3.3 million projected shortfall.

Ms. Power said that Town officials used a data-driven approach to predicting revenue deficits. Ms. Johnson added that it was important to have a vision for the FY21 Financial Management Plan. She said that a main goal was to come up with a Financial Plan that minimized the immediate disruption of municipal and school services. She added that they decided to document Town and school expenses that would be COVID-19 related for which the Town would seek reimbursement. She noted that Town and school services have been more costly due to the COVID-19 crisis. It was very important to the Board of Selectmen to maintain the sound financial stewardship of the Town, including Hingham's AAA credit rating. She said that, as FY20 ends on June 30, they would be looking at budget turn backs that could cushion the resources the Town will need to operate effectively in FY21. The Forecast Group sought to use \$3.3 million in Unassigned Fund Balance for Capital expenditures and other non-recurring long-term liabilities that would have otherwise been funded with operating revenue, which is no longer available. It became evident that the Town needed a plan for managing the crisis.

Ms. Power commented that using the Unassigned Fund Balance was consistent with the Town's Financial Policy and commented that the financial impact of the pandemic may be seen for several years. She appreciated the tiered approach that Mr. Mayo created which included metrics and indicators, specific to Hingham, which will help guide the implementation of more drastic austerity measures if needed. These metrics were created based on data and metrics from reliable sources in Massachusetts.

Mr. Mayo spoke about the Tier 1 Action Plan that he created with Ms. Monsegur. In creating the plan, they evaluated the potential benefits of limited and delayed hiring, expenditure controls for Capital and discretionary operating costs. They were able to identify approximately \$400,000 of additional savings in Tier 1.

Ms. Michelle Ayer, Chair of the School Committee, said that the Committee had identified some potential savings that could be triggered if needed, while at the same time not interrupting learning. These items include simple supplies, new cost saving technologies, and transportation ideas. The School Committee was very mindful of the part it plays in ensuring the financial health of the Town.

Mr. Baltera, Chair of the Advisory Committee, reiterated that the Town is going into FY21 with Tier 1 in place. This includes deferring non-essential hires, deferring non-essential Capital projects. He added that the Forecast Group will have monthly meetings to analyze revenues and expenditures. The Advisory Committee will review quarterly how the Tier 1 Action Plan has been working and will track revenue against expenses. If the projected deficit reaches \$500,000, the Town will move into Tier 2. Mr. Baltera explained that Tier 2 involves additional reductions to the Capital budget and additional reductions in operations, possibly furloughs. The Town Administrator and Dr. Austin would have the authority to make those reductions. The plan notes that the Town side would take reductions of 40% and the Schools would take reductions of 60%. He said that, if Tier 2 does not work and the Town needs to make additional cuts, a Special Town Meeting could be called, though he did not anticipate that scenario would arise.

Capital-related Warrant Articles that will use Fund Balance

Ms. Johnson said that, while it is important to focus efforts on managing the COVID-19 crisis, the momentum of the municipality must also forge ahead. Ms. Johnson explained that the Town is asking Town Meeting to approve the financing of four Warrant Articles with Fund Balance. She noted that it is typical for the Town to request the use of Fund Balance for Capital projects.

Article 12: Public Safety Facility Feasibility and Design Funds

Ms. Johnson said that Article 12 is asking for \$250,000 of Unassigned Fund Balance for a feasibility study to design a new Public Safety facility to be located on Route 3A. She explained that a parcel has been identified, but before the Town can move forward to acquire the parcel, a feasibility study must be conducted. It was noted that the new Public Safety Facility would replace the North Street Fire Station as well as the Police Department space at Town Hall. Ms. Johnson noted that the creating of a new Public Safety facility would address the shortfalls of the North Street Fire Station as well as space constraints of the current Police Station, which have been a decade-long issue.

Mr. Mayo identified the location of the proposed facility as 335 Lincoln Street and said that the Town has a letter of intent in place with the seller. He felt that it is now the right time and location for the project. He said that Hingham currently has large Capital needs regarding facilities and felt that this is the right move to improve those facilities in a way that the rating agencies would expect. The creation of a Joint Public Safety building will modernize the Police and Fire Departments and will allow for more modern facilities for the Senior Center.

Mr. Curley noted that the Senior Center and the Police Department's needs are inter-related, adding that the most highly-attended meeting of the Advisory Committee all year was the meeting where it discussed the needs of the Senior Center. He said that the Advisory Committee has visited the North Street Fire Station and has identified the significant age-related deficits of the building. He felt that facilities that are more modern are necessary.

Ms. Johnson clarified for the public that the new Joint Public Safety building would house the Police Station and the North Street Fire Station. The Fire Department Headquarters would stay at its current location and that the Senior Center would expand into the space formerly occupied by the Police Department.

Article 14: Design Funds for Senior Center Renovations

Mr. Joe Fisher said that moving the Police Department would free up space that could be used by the Senior Center. He noted that Article 14 is important because the Town needs a Senior Center that addresses the services and programs of the senior population. He expected that this project would also help address the current parking issues at Town Hall.

Article 17: Additional Funds for Foster School Feasibility Study

Ms. Johnson pointed out that, while the funds for this project will be bonded, she wanted to include it in their discussion because it is a large Capital project. She explained that this appropriation adds on to a prior appropriation of \$750,000 and said that Foster School has been accepted into the MSBA program.

Ms. Michelle Ayer commented that this is an increase to the feasibility study that had previously been approved at the 2017 Town Meeting. Due the increasing costs of feasibility studies, the Town feels that the original funds may not cover the study. She added that the MSBA funds are reimbursable, so the Town would end up being reimbursed for some of the funds.

Ms. Power reminded the public that, in the next few months, \$1.7 million will be going back into the Fund in the form of a reimbursement for the feasibility study and advance of transition costs related to the Town's acquisition of the Water System. She noted that, beginning in 2012, the Board asked the Town for the use of some Fund Balance to explore the feasibility of acquiring the Water System, with the stipulation that those funds would be reimbursed.

Article 24: Town-wide Facilities Study

Mr. Mayo said that this is a long-discussed effort at understanding the needs of the Town infrastructure and how the Town can best maximize the use of those facilities. Ms. Johnson pointed out that, unlike some of the other Articles they have been discussing, there is not a need to start this study immediately. Mr. Mayo agreed and noted that this would not be conducted in the first half of FY2021.

Ms. Johnson concluded that the current Warrant Articles included in their discussion are the result of years of careful planning. She hoped that the public would attend Town Meeting on Saturday, June 20 at the High School and added that the Town cannot move forward without the public's presence and vote.

Ms. Power directed the public to the reports in the Warrant, as they are helpful in preparation for Town Meeting. Mr. Fisher commented on the amount and sophistication of due diligence that went into creating the Warrant and that he was looking forward to seeing the public at Town Meeting. Ms. Ayer thanked everyone for their work and partnership in preparation for Town Meeting. Mr. Baltera appreciated the willingness of all the boards and committees to work together for the good of the Town. Mr. Curley thanked everyone for being a great team for a great Town.

Public Comment

None

Vote: Mr. Fisher made a motion to adjourn. Ms. Power seconded.

Roll Call Vote:

Mr. Fisher: yes

Ms. Power: yes

Ms. Johnson: yes

Meeting adjourned at 7:24 pm

Documents: A complete meeting packet of supporting documentation is on file and available for public review in the Board of Selectmen's office.