November 25th, 2019 Minutes

Finance Committee Meeting

**Present:** Daniel Lewenberg, Patricia-Lee Achorn, Anja Bernier, William Brack, Arnold Cohen, Charles Goodman, Gordon Gladstone, Ann Keitner, Ira Miller, Edward Philips and Anil Ramoju.

**Absent:** None.

Hanna Switlekowski was elected to the Select Board and is no longer a Finance Committee member.

1. **Opening Remarks - Daniel Lewenberg, Chair**

* Congratulations to Hannah Switlekowski for being voted on to the Select Board.
* There is now an open seat on the Finance Committee. Cheryl Weinstein chairs the nominating committee for the Finance Committee. She will be posting the opening in the next few days and accepting resumes until January 31, 2020.
* School funding vote passed. The Finance Committee is now beginning the process of looking at budgeting in the new phase of the calendar.

1. **School Department Quarterly Financial Update - Dr. Victoria Greer, Superintendent of Schools**

* Discussion of how the School Department’s budget is driven by enrollment, school enrollment numbers are typical this year and that the Quaerter 1 enrollment can vary from the end of year enrollment:
  + 1. Early Childhood Center: Q1 = 66; June 2019 = 88
    2. Elementary School: Q1 = 1576; June 2019 = 1583
    3. Sharon Middle School: Q1 = 887; June 2019 = 853
    4. Sharon High School: Q1 = 1122; June 2019 = 1116
    5. Out of District: Q1 = 45; June 2019 = 47
    6. Total: Q1 = 3696; June 2019 = 3687
* Nerlande Mintor the FY2019 Year End Overview:
  1. FY19 budget: $43,818,836 plus an ARC of $9916
  2. Statements regarding comparison between 2018 and 2019:
     1. FY18 Expensed $42,321,091; Rolled Encumbrances $52,650; Returned to Town $51,114
     2. FY19 Expensed $43,620,190; Rolled Encumbrances $208,562; Returned to Town $0
     3. The rolled encumbrance number is higher because closed the fiscal year earlier than usual
     4. She will provide total FTEs for comparables for 2019 versus 2018, teachers, administrative and maintenance.
     5. Discussion of potentially a joint collaborative meeting about which reports the Finance Committee would like to have during the reporting process.
        1. Joint meetings build the sense we are a team and not separate silos.
     6. Ms. Mintor will send affidavits to the Finance Committee to let them know meeting dates.
  3. Statements regarding FY19 Revolving Account Ending Balances:
     1. Early Childhood: $15,011
     2. Kindergarten: $96,102
     3. Community Education: $1,610,681
     4. Athletics: $33,124
     5. Guidance: $42,607
     6. Cafeteria: $282,690
     7. Transportation: $0
     8. Rental: $124,913
  4. Statements regarding FY19 Utility Expenses:
     1. Electric: $29,481.30
     2. Gas: $68,163.64
     3. Phone: $6,917.19
     4. Total of $104,562.13 savings in 2019, due to there being a warmer winter last year and the Town having embarked on various energy saving initiatives.
     5. Savings becomes part of the General Fund. Special Education was over budget and the savings contributed to making up the overage for that account.
     6. Special Education’s budget was based on previous expenditures, but in Special Education there were unforeseen costs. When this happens there is a need to go back discuss freezing or shifting funds from other accounts.
  5. Update on annual audits, though School Department has not received full report yet:
     1. Financial Audit: full report from Melanson Heath has not been received yet, but preliminary shows finding of one pay slip approved by supervisor but not signed by staff.
     2. Federal Grant Audit: Finding was that the School Committee had not approved the process the District used for managing federal grants. School Committee addressed this finding and approved the process in May 2019.
     3. Two findings from the Food Services Audit:
        1. Unpaid meal balances.
        2. Staff benefits being charged incorrectly to federally funded program.
  6. Finance Committee members, Fred Turkington, Town Administrator, and Krishan Gupta, Director of Finance, discussed that the Town needed to properly allocate for Aftercare, Trash, Water, Safety and Food Services to have a better understanding of what to charge. Fixed and uncontrollables go back to appropriate funds for revenues other than taxes and are primarily represented in the School Department.
     1. Increase transparency of how to spend money if millions of dollars in one pot.
     2. We do the process this way for monies because Town wanted to get an accurate cost for salaries for new hires.
     3. Need to budget accordingly based on operating costs of Town to get full picture of what it costs to run schools or other departments.
     4. To show costs we calculate the average by the aggregate instead of per individual. Although it’s possible to do a proportional allocation per employee and allocate based on actual calculations such as which employees elect family plans, etc., it’s an enormous amount of work. Instead to show costs, we take the average cost of medical care and the number of people per department.
  7. Recommendation from the Administration is the Administration and the School Committee need to further analyze the practice of charging benefits costs for Food Services staff to the Food Services revolving account. This account is funded by federal funds reimbursed to the department. Per the audit findings, because the District does not have other federally funded programs the current practice of charging these salary costs to this account is unallowable. As we enter into FY21 budget planning this is a conversation that the School Committee and the administration will be having.
     1. Food counts are for students. New process is that cap and gown will now be withheld until food balances are paid.
     2. Discussed with DESI putting this process into place.
     3. Families with unpaid balances are contacted by the Food Service Manager to see if they have an economic hardship.
     4. Notices sent to families monthly, with applications for assistance.

1. Update on Independent School Investigation & Discussion of any invoices relating thereto - Jonathan Hitter, School Department Chair, and Fred Turkington, Town Administrator:
   1. Fred Turkington followed up with Special Counsel and invoices are being processed for payment. He has asked for a timetable of what remains of the investigation but hasn’t received an answer yet.
   2. Sarah Worley will finish interviews of witnesses tomorrow and edits to reports still need to be made. Fred will update committee on final invoice amounts shortly when he receives them.
      1. Final cost numbers for investigation, with discussion related to timeline and total costs:
         1. There are invoices of $26,039 so far and $9,000 cash allocated from revolving account. Unpaid bills aren’t totaled yet. Last bill was for $3,000.
         2. Outstanding unbilled hours should potentially be a small number, as only edits to reports need to be completed. There may be a large outstanding amount if the investigator has not billed yet.
         3. Invoices haven’t been received as of September. Fred Turkington has provided all bills to committee that he has received.
         4. Bulk of work is being done by the investigator, although it is unclear how and when she is billing her time. It is potentially being billed through the law firm. Most of the cost was not the law firm, it was initial bills from Sarah. Nickolas Anastopoulos is the only person whose time is on the invoices.
         5. Town is currently paying two people’s full salary for the role of high school principal until investigation is complete. The Finance Committee is responsible for the money the Town spends. Fred Turkington is responsible for interfacing with attorneys, and he stated the completion of the investigation is imminent.
         6. Timeline spent on the investigation was discussed, with Committee members concluding that the timeline cannot be rushed due to the nature of the investigation.
         7. It’s possible to insist that invoice submissions be done in a timely manner during an investigation process, although this may not be common practice.
         8. Finance Committee will wait to hear from Fred what invoice costs are.
      2. Dr. Greer stated that when personnel matters are involved such as with this investigation, attorneys cannot access personnel information without going through the School Association or through her office. The two current investigations are independent from each other. She is unable to have conversations about the investigations publicly because they are personnel and legal matters and she, the District and the Town can be held legally liable if they discuss publicly.
         1. Clarification about when the resolution will be was discussed:
            1. Town is not conducting the investigations, there is an independent overseeing committee.
            2. Committee does not want to give impression that anything is being done incorrectly or taking too long.
2. New Library Programming Update - Lee Ann Amend, Library Director
   1. Plans are new as of this afternoon. Currently one quarter of the way through design development, in the schematic design process.
   2. Library Committee is working on the plans with the Standing Building Committee.
   3. Discussion of changes made to the plans, and how those changes will support library services. The new plans include:
      1. Youth Services area will have a large STEAM space, and this new tech space will allow for expanded programming on the lower and upper floors for youth coding classes.
      2. Adult patrons also want learn tech and coding and the new plans put emphasis on ability to do this type of training and offer these programs.
      3. Video editing space.
      4. Business meeting room space seating 12 people and outfitted with technology for business meetings, etc. These types of meeting could not be accommodated in old library. This area will be billable space for for-profits, available to community members who work from home, for non-profit meetings and other meetings.
      5. Large ESL meeting area in new plans to do ongoing training and follow through. When not in use by ESL it will be available for other meetings.
      6. Six quiet study rooms.
      7. ADA quiet study room equipped with technology and software systems for hearing and sight impaired individuals.
      8. 3D printers will be in Maker Space and in the adult space. 3D printing is design driven through a computer and then things are printed using filament. An example of an adult application of 3D printing is a patron who created a sprinkler system part on a 3D printer. There are many possibilities for this technology for adults as well as youth, such as robotics, etc.
      9. Library will be able to bring skilled professional adults into the new space to do programming.
   4. Standing Building Committee will oversee construction.
   5. Library planning process has gotten to the point where people are satisfied with the planned spaces.
      1. Library’s strategic planning is in FY22, and they are hoping to be in new library by that time or earlier. Next 5 year planning starting in 2020.
      2. Will use a variety of service models to help planning process. With the new complex world of technology, it is necessary to develop an understanding of patron and community needs, and the approach will be community driven and staff driven.
      3. Master plan demographics state that 30.3% of Sharon community members are under the age of 19 and 14.7% are 65 or older. This points to having and emphasis on youth programming and community health needs, cultural and historic resources.
      4. Library will work towards planning events that emphasize arts, culture, history, and preservation of historic resources.
      5. The library is working towards Sharon being a more dementia-friendly community and will plan space in the new library where dementia materials will be provided in a specific space.
   6. Discussion around any anticipated increases to the Library’s operating budget.
      1. Library has to account for non-public use of spaces to the Bond Council. The Bond Council has been concerned with private use of buildings financed with public debt and requests Library generates ideas around for-profit and non-profit rental use numbers and for-profit revenue numbers to give to Krishan Gupta, Director of Finance.
         1. Town has the right to rent out facilities in some amount and will need to assess how much they are earning from these revenue rentals.
         2. There is a tax law question around the ability for the bond to be presented as a municipal bond based on revenue. Need to understand the rules around this.
         3. Before entering into private contracts such as solar panels need to craft language around revenue and get proper advice from Bond Council, after bonds are issued.
      2. The Committee would like more information about how this has been handled in other Towns.
3. Budget Prep/Pre-Priorities Meeting Discussion
   1. Dan Lewenberg introduced this discussion by stating that first Priorities Meeting will be on Thursday, Dec 5th and Finance Committee will be going through the articles that will be on the agenda for the meeting in January.
   2. Krishan Gupta and Fred Turkington have had general discussions with Dan Lewenberg and the Finance Committee Co-Chairs regarding the next Finance Committee meeting and the budget process:
      1. A challenge is that Prop 2 ½ is based on total tax levy of the Town. In Massachusetts assessments are done and applied retroactively once the budget is set to adjust the tax rate set in December. Tax bill is known with no adjustments made during the year.
      2. General tax increases in Town were at 2.5% or less for residents. Without an override, the total levy stays within Prop 2 1/2. However, this can vary based on two circumstances:
         1. New growth. Total levy process allows the Town to take previous year’s levy and apply new growth, such as defined as additions, new construction, etc., which increase the overall tax base as a baseline. Total then 2 ½% levy is applied to that number.
         2. Individual assessments. In Massachusetts the annual adjustment is based on general market conditions, with physical assessments done less frequently. Mean or median tax bill varies per taxpayer based on variation in assessments.
   3. A peer town analysis report was done before the current tax calculation tool was published on the website. The report pulled data points from the 2015 analysis that was the most similar demographically to Sharon, such as per our budget, etc.:
      1. 12 peer towns are listed in the report for 2018, including a breakdown of property types, sources of revenue, tax levies with dollar amounts, general funds with broad spending categories and debt as a percentage of budget. There are certain anomalies from town to town, so it is impossible to compare towns precisely. Not necessarily able to cast judgment based on Town’s debt because of these anomalies.
         1. Other communities have built in public works to the tax rate, whereas Sharon has this separately paid by user fees.
         2. Public safety and education are typically comparable in report.
      2. Priorities process is a revenue allocation process. Discussion regarding spending less than levy limit growth of 2 ½% that Sharon is allowed by law, if that is a goal from a policy standpoint. There are revenue variables, with a percentage of the budget coming from taxes:
         1. Variables include health insurance, pension costs, outside revenue, debt, capital costs can all have an impact on the budget.
      3. Financial advisor will be coming in to discuss how to structure debt for high school. Will communicate debt structure models to Finance Committee ahead of December 16th meeting.
      4. Short term bond issue for purchasing Rattlesnake Hill being finalized on December 13th and closing on December 20th.
   4. Fred Turkington gave updates and discussed what the Town Administrator’s office is currently working on:
      1. Assembling operating budget which will be discussed at the next Priorities Meeting.
      2. Finalizing issues for intersection with Shaws and the Sharon Gallery development.
      3. Working to get electricity to Old Post Road housing development which is nearing completion.
      4. Market Basket has signed the contract for coming to Sharon, and construction will take 10 months once they break ground.
      5. Assisted Living and Old Post Road construction and building permit are now going to show up in tax revenue because they are now assessed and open for the full fiscal year.
      6. Four Daughters hasn’t finalized license process through the state and may not open next month.
      7. Each year levy limit goes up by 2 ½ % plus new growth. Levy limit will be approximately 66 million dollars as of the beginning of 2020, which is an increment of 1.6 million that can be added to the levy limit. New growth number of $426,000 can be added on, to be over 3%.
      8. Discussion regarding approach to budgeting and revenue:
         1. Zero-based budgeting means that departmental budgets and expenditures need to be justified and savings will then be returned to the Town.
         2. By the time Finance Committee gets budget it has already been vetted by Fred Turkington and departments.
         3. Town of Sharon has 9 separate bargaining agreements, 5 expire this year. Settled contracts for 2020 have a 1.5% increase for salaries.
         4. The 4-year historical total appropriation to the operating budget increased 3.1 % average and average individual tax bill increased 2.1%. If continue to allocate 3% out of Priorities we can’t assume individual household’s tax rate would be 2%, but should assume it will be around 3% based on new growth, state aid, etc.
         5. Need to determine what is sustainable.
         6. There is .1% remaining from 3 year override on levy limit.
      9. Further policy and strategy discussions will be at the next Priorities Meeting.
      10. Discussion around transparency and how the Finance Committee could help community members feel like they know more about what is happening on the Finance Committee and other committees:
          1. There was discussion on social media sites over the last three weeks regarding community members not feeling like they know what is happening in the committees.
          2. Committee meetings are open to the public and are televised on Sharon Television, and meeting minutes are posted on the Town website.
          3. May want to push information out to the community, such as with a quarterly Town newsletter with summarizing key committee events and decisions. Sharon has no local newspapers that would typically cover this.
             1. Need to consider that there is a cost to creating a writing a newsletter and managing its distribution list.
             2. Could potentially push meeting minutes out on Town social media platforms.
             3. Sharon has Tri-Board meetings, which many residents may not be aware of, and may be a good source of information on committee decisions.
             4. Sharon Television is attempting to produce a local news show.

# Liaison Updates: Finance Committee no longer has a Library Liaison.

# Dan Lewenberg offered to committee that Library Liaison role is available.

# Charles Goodman volunteered to be the Library Liaison.

* 1. Planning Board - Arnie Cohen gave an update on his conversation with the Chair of the Planning Board:
     1. Two years ago subdivision rules were revised so that if there is a homeowner organization and they have an agreement the Planning Board has to approve it based on their rules.
     2. Working with Selectman on Master Plan. Want to utilize existing commercial properties to increase tax revenue. Much of the land doesn’t have septic or water so it is difficult to develop. They want to put gun shops in industrial zones.
  2. Standing Building Committee - Gordon Gladstone gave an update:
     1. The Standing Building Committee is going deeper into design development for the high school now. They will have a meeting on artificial turf versus natural grass, with a decision being made in the next couple of months.
     2. Design for the library has been decided on. Getting ready to put out an RFQ for construction managers. Various companies have expressed interest.
     3. Town Hall is still having some touch-ups finalized. Landscaping and parking lot are close to completion.
  3. Master Plan Steering Committee - Dan Lewenberg gave an update:
     1. Master Plan Steering Committee is no longer a steering committee because Town is in a different phase of the Master Plan. No implementation committee yet.

# Documents Distributed Since the Last Meeting

## Tax Rate Recapitulation, Fiscal Year 2020 - Massachusetts DOR

* 1. Levy Limit worksheet, Fiscal Year 2020 - Massachusetts DOR

# Minutes to be Voted: October 28th, 2019.

**MOTION:** by Patricia-Lee Achorn. **SECONDED:** by Charles Goodman to approve the October 28, 2019 minutes. **VOTED:** 9-0-2. William Brack and Anil Ramoju abstained.

# Topics not reasonably anticipated by the Chair in 48 hours.

# None.

# Adjournment.

**MOTION:** by Edward Philips. **SECONDED:** by Patricia-Lee Achorn to adjourn. **VOTED:** 8-0-0.

The meeting was adjourned at 10:35 pm.