



Finance Board – Workshop Meeting Minutes
Tuesday, February 19, 2019 – 6:00 p.m.

Town Manager's Conference Room, Westerly Town Hall
45 Broad Street, Westerly, RI 02891

AGENDA

1. CALL TO ORDER

Mr. Rooney called the meeting to order at 6 p.m.

2. INTRODUCTION OF BOARD MEMBERS, NEW TOWN MANAGER AND NEW FINANCE DIRECTOR

Members Present: Kenneth J. Swain, Betsy Gleason, and Stephen Lynner

Members Absent: Paula Brouillette and Christopher A. Duhamel, Ex-Officio

Staff Present: Director of Finance Dyann Baker, Town Manager Mark Rooney, and Minute Taker Stephanie LaSota

Ms. LaSota took the roll call. Mr. Rooney introduced himself and Ms. Baker to the Board. He said Ms. Baker has been with the Town since the middle of June and he has been with the Town since mid-May of 2018.

3. ELECTION OF BOARD OFFICERS

Mr. Rooney said the former Finance Board Chair resigned last summer and they have not yet elected officers. He said he and Ms. Baker are not voting members.

Mr. Lynner made a motion to nominate Mr. Swain as Chair. Ms. Gleason seconded the motion. Mr. Swain accepted the nomination. The motion **CARRIED** by unanimous vote with no abstentions.

Mr. Lynner nominated Ms. Brouillette as Vice Chair. Ms. Gleason seconded the motion. The motion **CARRIED** by unanimous vote with no abstentions.

Mr. Rooney said on Wednesday night some Town Council members are gathering with the Nominating Committee and reviewing an application for an open position on the Finance Board. Ms. Gleason said she emailed a question to Ms. Brouillette and it sounded like they had



an interested party. Mr. Rooney said hopefully they will get appointed by Monday so they will not fall behind in the budget process.

Ms. LaSota asked where Mr. Swain would prefer the final meeting minutes be sent as there is no Finance Board Secretary. Mr. Swain asked they be emailed to all Board members and minutes would be reviewed and approved together at scheduled meetings.

4. TOWN MANAGER TO REVIEW, WITH BOARD MEMBERS, THE RI ETHICS COMMISSION GUIDE, MEETING DATES, AND A BRIEF OVERVIEW OF THE BUDGET PROCESS

Mr. Swain reviewed the February and March meeting schedule with the Board. He said a third meeting with the school may not be necessary. He said the school budget is a bottom-line budget for the Board and they don't have the authority to go line for line through the school's budget. He said when it comes to their capital it goes to the Town and the Board has some control. He said it was up to the Finance Board if they want to meet. Mr. Lynner said his concern was last year there was a significant issue, especially with health and it generated a lot of discussion and he thinks it justified the discussion last year. He said he doesn't know if there is a repeat issue or if there is advanced warning of another "bombshell" in the budget. Mr. Swain said we will find out Thursday night at the first School Budget meeting. Mr. Swain said we will leave it scheduled and if he is absent, Ms. Brouillette will chair the meeting. Ms. Gleason said she has some Thursday night conflicts but she plans to come to as many Board meetings as possible and if the meeting on the 28 is cancelled that is fine. Mr. Lynner said he did not have any conflicts.

Mr. Rooney emphasized enterprise funds be done at the end of March. Mr. Swain said after the public hearing meeting on March 26, the Finance Board could meet in April to deal with them. Mr. Rooney said he wanted to speak with the Board on it and explained elements of the general fund that would be included. Ms. Gleason asked if the March 14 meeting would be postponed until April. Mr. Swain said the quick answer is yes, because it is best to hold it until after the public hearing as it is a different type of budget and it may be an opportunity for an additional meeting if the Board gets backed up with the Town's budget.

Mr. Swain said he would like to know what the school and Town employment contracts cost and he would like a detailed analysis for the next three years of the contracts. He said on the school side the teachers get a cost of living and they get steps, change lanes and receive merits and bonuses, but the only thing publicized is the percentage. He said what he has heard already is a 1.1 million dollar increase in just salary alone for the school budget. Mr. Rooney said the Town is going to ask the school to set aside a 2.25 or 2.5 percent increase as a place holder. Ms. Gleason asked if there was a reason they did not do that in the past and Mr. Rooney said the rationale was they would be giving away their bargaining chip if they factored in "2 percent" as a placeholder, for example. Mr. Lynner said he recalled them saying they did factor in salary budget increases. Mr. Rooney said they may have done that for those not in a union, but not for



the biggest body and that's why this year (the Town) took a big hit. Mr. Lynner asked for clarification from Ms. Baker on the projected numbers. Ms. Baker said they are using current compensation levels for the employees and they know what the contract will be for 2020. Mr. Swain asked if any increase this year will be based on historical pay. Mr. Rooney said yes and it's bad when it's a municipal budget, but far worse when it's the school because they have three times the staff and higher salaries. Mr. Swain said he is interested in what the school did with settling a contract as there's a lot of moving pieces in the school's current budget and the new bond may be up for vote in November and Westerly would see the first cost of that next year at this time. Mr. Lynner asked if the Town knows whether the school finance staff can provide the Board with a definitive number and Ms. Baker said they should be able to do that. Mr. Rooney said they can give the Finance Board the fiscal impact that they gave the Town Council last summer, but they didn't think to bring it tonight. Mr. Swain said the reason he brought it up is when the Town says it's a "3 percent raise," it is; but when the school says "3 percent," there's a lot of movement beyond that that doesn't necessarily get calculated and we need to know that moving forward, because it compounds the budget. Mr. Rooney asked if they discussed that with Barbara Perino, Director of Finance and Operations at Westerly Public Schools. Mr. Swain said no and as he understands it, there would have had to be a fiscal note brought before the School Committee so they know what they're improving.

Mr. Swain said the next Finance Board and School Committee meeting is in Babcock Hall in Room 111 on Thursday, February 21 at 6 p.m. He gave directions to the meeting. He said Ms. Brouillette would be present on Thursday.

Mr. Rooney said they would deliver the Town Manager's proposed budget to the Finance Board on Thursday. He said the base document was handed out tonight to the Board. He said it does get to a balanced budget, but they couldn't use the unrestricted fund balance to get enough revenue to balance it. He said because of this, they had to make some drastic cuts as late as this afternoon. He said they were looking at a 1-million-dollar deficit after the weekend and had to make hard choices and hard cuts to things like road maintenance and overlay and sidewalks. He added the Town has the 15-million-dollar bond money for road maintenance, so sacrifices won't be felt so hard in neighborhoods over the next two summers as a lot of things are already planned for repairs. He referenced a map guide to those repairs in the conference room. He explained how the bond impacts money available to the Town with the tax level increase. He said irrespective of what the school does, the Town may look at operating costs and say after year two or three we may have to appeal to the tax process of Rhode Island. He said he fears they are close to having a structural funds deficit for the Town and the school system combined and said there will be one unless there is new revenue. He asked Ms. Baker to explain the increase to the tax levy.

Mr. Swain said he would like to explain to the public and the Town Council that the 4 percent levy increase on property tax is constrained by State law, but Westerly has voters who keep going to the poll and saying they want to spend more money. Even though the law constrains us as it should, the voters keep voting yes on projects not knowing what it will cost



Westerly in the future. He said this Town has not seen an increase like this and he has been on the Finance Board for 18 years. He said the goal has been to keep the property tax levy increase in the realm of the social security cost-of-living adjustment (COLA) increase, which has never been at that level. Mr. Rooney said the Consumer Price Index (CPI) has been 1.9 and this year the social security COLA will be at 2.8 and that will be a record increase for those on fixed incomes. Ms. Baker said the magic number for their proposed tax levy is 3.81. Mr. Rooney said the penalty for going over 4 percent tax levy is so severe. Ms. Baker explained how they came to the 3.81 percent. Mr. Rooney said the new tax base went up 420 million dollars - you went from 5.8 to 6.2 billion dollars. Mr. Swain asked if Ms. Gleason understood the topic in discussion. Ms. Gleason said to some extent and someone came to look at her house for reassessment. Mr. Swain explained property taxes have been reassessed. He said in every re-evaluation year, if your base goes up, your rate should naturally go down. He said we should be aware of that but not concentrate on it. Ms. Gleason said you have to be aware of it, but people want things done. Mr. Rooney asked Ms. Baker to walk them through the numbers. He said they're not confident they're exact enough with the grant list and the collection rate to go to 3.9 percent, and if they go over that, the Town could be penalized and it would be unlawful. Mr. Rooney said the school will need to make some drastic changes in their budget when they find they don't receive a million dollars of new revenue, but we also made some big cuts to the Town. He said they used to fund 750,000 dollars to roads and maintenance annually, but it has been cut to 25,000 dollars as a placeholder for this year to get the budget to balance, for example. He said there were capital items cut to get to a balanced budget even with the 3.81 property tax levy increase. Mr. Lynner asked if that is attributed to debt service. Mr. Swain asked if in three years we lose any debt. Mr. Rooney said not for the next three years and that's why it makes it difficult to do this school bond and just at their rate alone we would be at a 3.5 percent property tax level. Mr. Swain asked Mr. Rooney to further explain. Mr. Rooney said there are Federal arbitrages and you could delay borrowing the bond, but the expectation is you would exercise your due diligence when you get the memorandum passed to execute it. He said the Town is using the Rhode Island Infrastructure Bank (RIIB) and taking out the bond 5 million dollars at a time and the State is doing the Town a favor on that. He said the Town has committed to two years to the bank already and we could drop the third year. Mr. Lynner asked if they were locked into an interest rate and Mr. Rooney said yes and it increases each year. Ms. Baker said they estimate the annual percentage rate (APR) is 4 percent and they do get the benefit of RIIB's discount. Mr. Rooney said it would be 3.85 in the first year based on their fees because the Town isn't paying the bond salesman, RIIB is.

Ms. Baker explained the "Notice of Property Tax Rate Change Support Sheet" given to the Board. Mr. Swain asked questions on loss and gain in the sheet. Ms. Baker explained the numbers. There was discussion on the motor vehicle tax collection percentage being at 89 percent and how it could be increased to guarantee revenue. Mr. Swain said this becomes more dramatic as we move forward in years the way they wrote the law. Mr. Rooney said that's why he thinks the Town has to go the 3.81 property tax levy. Mr. Swain said the intent was to do



away with motor vehicle tax. He said he guesses the Rhode Island Governor thinks they won't have the revenue to make up for that 85 percent and explained what they would do. Mr. Swain said the sheet is a great starting point for understanding. Ms. Baker said the Town would like to look at a scenario of homes and how much a 250,000 house goes up with the proposed property tax levy increase and how much a middle-income family's impact is. There was further discussion on how property assessors get to their value assessments and tax assessments. Mr. Swain said it's all about location, land, and neighborhood. Mr. Lynner said there is a narrative behind it. Mr. Swain disagreed and said it's a mathematical valuation trend and it is based on sales. Mr. Lynner said we are looking at 3.81 percent and by historical comparison it was 2.2 or 2.3. Mr. Swain said the 3.81 percent is based off of the new tax base and let Ms. Baker give us the number without the new tax base. He said we are probably starting at 4.5 or 4.6 percent and it's the reevaluation that is bringing that back down for us. Mr. Rooney said part of the story is keeping it at 2.2 without going up was starving the Town and school to keep up with maintenance.

Mr. Swain asked Mr. Rooney to look at page two at the executive summary of the school budget and show where he cut 1.1 million dollars. Ms. Baker said the appropriation is on page four of the draft Town of Westerly budget. Ms. Baker explained where the start of expenditures is, the numbers last year and where they ended after Mr. Rooney reduced it. Mr. Swain said they don't see the 2.2-million-dollar increase, we see the 1.1-million-dollar increase. Mr. Rooney said that will be important for Thursday night's meeting and the school may be upset about that. Mr. Lynner asked if the head count changed in school. Ms. Gleason asked if they are budgeted for the same things over and over again if they moved things around last year. Mr. Swain said they have decreasing student enrollment, but they budgeted for three or four more staff positions. Mr. Rooney said in a business you asked if the proposed school bond also projected the cost of future maintenance. Mr. Rooney said the State mandated that as part of their analysis. Mr. Swain said they have to continue a 3.5 percent budget number for ongoing maintenance. He said there was one of three they could choose from and they chose the 3.5 percent of their operating budget, but does it include staff salaries. Mr. Rooney said it includes salaries. Mr. Swain said then there is already a growth of the 3.5 percent, because that includes salaries and he would have preferred them do a 3.5 percent of the construction cost because that is more stable to track. Mr. Rooney said they want to avoid every generation taking on debt. Ms. Baker said it creates a discipline to take money and keep maintenance costs budgeted. Mr. Rooney said their schools are top notch compared to a lot of the State. Mr. Lynner said that percentage blows a hole in this budget. Mr. Swain said hopefully it opens the eyes of the voters if it goes to a referendum. He said his personal opinion is it will put families against families in the community and going after a bond of this nature and having the ongoing costs really needs to be spelled out for people. Mr. Rooney said there needs to be a sensitivity analysis and you will need to stay near the 4 percent tax levy cap, because of this hammer coming down annually to account for maintenance. Mr. Swain said another number to be aware of is the bond is 71 million dollars and the interest on the bond is 46 million dollars. He said the cost of that money will affect us and our debt. He said the voter



doesn't see that, but the Finance Board will immediately. He said even if the State gives a 56 percent reimbursement on the 71 million, the 46 million still stays. Mr. Rooney said a new thing came out a month ago and RIDE (Rhode Island Department of Education) said depending on your situation with new construction and maintenance issues, your percent can flow based on your interest to the State. He said they know on their application it is a blended rate of 4 to 4.5 percent on the 116 million. Mr. Lynner clarified that they get reimbursed on principal and debt service and Mr. Rooney said yes. He said RIDE has a formula they guarantee if you use their preferred bank. He said if we use that bank the interest will be allowed to be reimbursed, but if we go to Wall Street ourselves, that interest is not reimbursed, so they are trying to drive the funding all to one spot to reduce the fees and the issuing costs. He said they are trying to help the communities that don't have as good of bond ratings as Westerly does.

Mr. Swain said the towns are constrained at a 4 percent levy cap, but when a school project is started, all of that is above the 4 percent cap so if we are close to 4 percent as a Town, we know we will be over 4 percent at school so we are handing the tax payer a 7 to 8 percent increase. Mr. Lynner said that was his point. Mr. Swain said we already have 70 million dollars in debt, so in five years the debt starts to drop dramatically. Mr. Rooney said they have the capacity to borrow this money as the total value of the community is 6.2 billion dollars. Mr. Swain said by law we can issue 3 percent of the tax base as debt and we have a healthy tax base, but we want that debt. Mr. Lynner asked if that is a State mandate. Ms. Gleason said she had a question on the reassessment of properties and when is it due. Ms. Baker said she was hoping to get it by the end of February. Mr. Swain said they wouldn't get it by then because at the end of March they send memos to property owners. Mr. Rooney said we could have missed valuing a church or school and they come in for tax exemptions, but he said they think they have caught all the tax-exempt properties already in their calculations. Mr. Swain said Ms. Baker will have her hands full because it will always be a moving target. There was discussion to be very careful to not go over the 4 percent property tax levy and Mr. Rooney said 3.81 percent is very aggressive already. Mr. Swain asked if the property tax bill was at 98 percent. Mr. Rooney said that is accurate and it is amazing how people pay their property taxes in Westerly.

Mr. Swain asked if the school and Town have new positions they are looking to budget. Rooney said the Town does. Mr. Swain asked what the Town did for subsidies in the budget. Mr. Rooney said he has kept them. Ms. Baker reviewed the subsidies. Mr. Swain asked if anyone reached out to any of the groups that were cut to discuss the cuts with them. Ms. Baker said no, but if you look at the first group there are no cuts. Mr. Rooney commented that the Elderly Transportation didn't ask for funding this year and that is why that was cut. Ms. Baker said Senior Citizens' Center asked for a big increase as they were struggling to keep staff. Ms. Baker said they would like to take the building out of the Department of Public Works section of the budget and into subsidies to show what they are spending on that social service. There was discussion on the senior citizens meals subsidy being cut. Ms. Baker and Mr. Rooney said they didn't submit a request. Mr. Swain asked someone to look into those meals even if it is only a 4,000-dollar cut. He said he didn't want to be sitting in a public hearing and add it then. Mr.



Lynner asked if the Westerly Senior Center applies for grants. Ms. Baker said they have their Form 990 and can look. There was discussion on social services and the many agencies that are providing meals for senior citizens. Mr. Rooney said now we don't know what we are spending for senior meals and transport in total because they are under five subsidies and commented it is an inefficient way to provide community services.

There was discussion on the town extension subsidies. Mr. Rooney said instead of 1.1 million dollars, there is 831,00 dollars. Mr. Lynner pointed out that the Westerly Ambulance Corps subsidy was doubled. Ms. Baker said they had a lot of need and there was a big drop between what they bill and what they receive. Mr. Rooney said they have a big upgrade to their dispatch and the Town relies on it in a lot of ways. Mr. Rooney said they requested a full 75,000 dollars and he granted it, but they are not saying that will be their annual need. Mr. Rooney explained the Ocean Community Chamber of Commerce subsidy decrease of 6,000 dollars was because the Chamber's mortgage was paid off and they were approved to use the back of their billboard for additional advertising revenue. Mr. Swain said we need to take a temperature of the Town Council and let's put that 6,000 dollars back in now if it will be a big fight. Mr. Rooney said the Chamber's additional advertising revenue from their new billboard can reduce subsidy received by the Town. He said the other counts were to the arts and explained them. Ms. Baker explained to the Board that they are not seeing it here because it is in the Town Manager's budget. Mr. Lynner brought up the Westerly Armory line item of 32,000 dollars. Mr. Rooney said the reason that went down was Westerly Armory President Roberta Mudge Humble reduced her funding request since the Town Council voted to absorb the cost of the armory's gas and electric costs as it is a Town-owned building.

There was discussion about the expenditures in the 2019-2020 school budget in line item 2 on employee benefits and the 8 percent rate increase. Ms. Baker said another thing the Board might see take up space is workers compensation insurance and some of the claims they have warrant it and our provider said that is reasonable. Mr. Lynner asked if it was the Town's experience or in general. Ms. Baker said the increase is based off of their personal experience and claims. Ms. Baker explained when renewal rates come up, adjustments are usually made based on the subsequent year.

Mr. Rooney said he wanted to highlight the fact that he took 1.1 million out of the school budget ask and he reduced capital gains in the Town and the school. Mr. Lynner said they see the 2.2-million-dollar request and not Mr. Rooney's adjusted number. Mr. Rooney said they should be trying to justify their need for the money Thursday or show you where they can cut funds. Ms. Baker said on page 29 shows cuts and changes to restricted programs. There was discussion on snow and ice in the restricted funds and if it should be moved or not. Mr. Swain said he would like to know what the number was before it was moved into the operating budget. He said when you move 120,000 dollars in the operating budget, you're telling him you're not restricting it to snow and ice and he may be against that idea. Mr. Swain asked them to find a balance in this for the restricted fund. He said there should be balances written to show the carry overs. He asked if



there was anything for the school in the restricted funds. Mr. Rooney and Ms. Baker said no. She said the school's line items were on page 32 and 33.

Ms. Baker explained the way the partnership was set up with the Town and Ameresco (the company building a solar field in White Rock Quarry) and reviewed the effects on the budget. There was reference to page four where the 3-million-dollar revenue offset from Ameresco was listed. Mr. Rooney asked how they didn't budget the cost of the deal last year. Mr. Swain said the budget members didn't know everything and they're only educated with what the Town Manager and Director of Finance tell them and they trust them to give them the right information.

Mr. Lynner asked if they maintained vehicle upgrades budget. Mr. Rooney said they pulled back on that to balance the budget, but they didn't cut the school buses. He said that it was left in as part of the school's capital budget. Ms. Baker said if the school shows a capital budget you would see it. Mr. Swain said typically they do. Mr. Rooney said the Planning Board made a recommendation for the School Department to follow the Town Manager's budget plan and that could be debatable. Mr. Swain said at that point it wouldn't be the Town Manager's cut, it would be the Board's. Mr. Rooney said they may argue that I have exceeded my authority. Mr. Swain asked if the big budget book shows that request. Mr. Rooney said the lawyer will have to weigh in on whether the Planning Board recommendation includes his recent changes and cuts. Ms. Baker said they were able to reduce the vehicle budget by leasing the vehicles longer. Mr. Lynner asked if more was put in for maintenance costs as an offset. Mr. Rooney said no, but parts costs for the Town maintenance department increased.

There was discussion on budgets for the Westerly Animal Shelter and Westerly Transfer Station. Mr. Swain asked if they would be ready for the March 5 Town budget meeting and Mr. Rooney said yes. There was discussion on the changes in this part of the budget due to Department of Public Works (DPW) staff working at the Westerly Transfer Station weekly. Mr. Swain asked for clarification of what the Town wanted and Mr. Rooney explained either to have DPW pay their staff or close the transfer station one day a week. Mr. Swain asked if they were budgeting for paying the six staff or closing. Mr. Rooney said they are budgeting to pay six staff members for the 52 days of annual work. He said they were also looking to change the hours at the transfer station. There was further discussion on the cost of Westerly's recycling services.

Mr. Swain asked Mr. Rooney to encourage ex-officio member Mr. Duhamel to attend Finance Board meetings because it is going to be a year where he needs knowledge moving forward and to share it with the Town Council. Mr. Rooney said other Council members could attend the meeting, as well. Mr. Swain said a couple of them at a time could. Mr. Lynner said one of the meetings should be scheduled as a briefing for the Town Council. Mr. Swain said the enterprise funds meeting could serve as that in April. Mr. Swain one of his concerns with the school is we have seen in years past that we have cut them so substantially and they can just over spend. Mr. Rooney said that is an issue with the budget process and a problem in Rhode Island. There was discussion on changing the design of the Town Council being the only voter on the



budget and possibly allowing the tax payer to vote for their own increase Mr. Lynner asked if the fund balances were still around 13 or 14 percent. Mr. Rooney said yes.

5. REVIEW OF REVENUE AND EXPENSE PROJECTIONS

No discussion.

6. PUBLIC COMMENT

None.

7. ADJOURNMENT

Mr. Swain made a motion to adjourn the meeting at 7:51 p.m. Mr. Lynner seconded the motion. The motion **CARRIED** by unanimous vote with no abstentions.

Respectfully submitted,

Stephanie J. LaSota
Minute Taker